MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2019

OHIO AUDITOR OF STATE
KEITH FABER

MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY
DECEMBER 31, 2019

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MONTGOMERY COUNTY
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INDEPENDENT AUDITOR'S REPORT

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

To the Members of the Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Miami Valley Communications Council, Montgomery County, Ohio (the Council), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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 aggregate remaining fund information of Miami Valley Communications Council, Montgomery County, Ohio, as of December 31, 2019, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note C to the financial statements, during 2019, the Council adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Additionally, as discussed in Note K to the financial statements, the Council restated the December 31, 2018 Custodial fund net position. Further, as discussed in Note J to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Council. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Council's basic financial statements taken as a whole.

The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund presents additional analysis and is not a required part of the basic financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2020, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

August 14, 2020

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Miami Valley Communications Council
Montgomery County
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Unaudited)

This discussion and analysis of the Miami Valley Communications Council's (the Council) financial performance provides an overall review of the financial activities for the year ended December 31, 2019. 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). 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 2019 are as follows:

- Total net position increased $1,068,125 in 2019, which represents a 42.4% increase from 2018.

- Total assets increased $1,247,061 or 29.4% from the prior year. This increase is primarily due to an increase in member receivables of $570,000. This amount represents contractual reimbursement payments due to the Council from its members at year-end related to the Gateway Fiber Network project that began during the year. Accordingly, capital assets increased $1,179,554 as costs associated with the Gateway Fiber Network project were capitalized during the year. These increases were offset by a $509,533 decrease in cash as a result of current year operations.

- The increase in net position reported for 2019 was $1,068,125 compared to the $90,083 increase in change in net position reported for 2018. This increase in the change in net position was due to the member contributions revenue of $1,163,375 related to the Gateway Fiber Network project discussed above. As a result, revenues were reported for the members' share of the project cost, however, depreciation expense will be recognized over the useful life of the asset once placed in service.

Overview of the 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 position presents information on all of the Council's assets, deferred inflows of resources, liabilities, and deferred outflows of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 12-13 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 balances 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 schedule has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 14-17 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 fiduciary fund financial statements can be found on pages 18-19 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 20-42 of this report.

Government-wide Financial Analysis

Statement of Net Position

The statement of net position answers the question, "How did we do financially during the year?" This statement includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources, 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 position, 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 position for 2019 compared with 2018 amounts.

TABLE 1
NET POSITION

	2019	2018
ASSETS		
Current and other assets	$ 3,719,080	$ 3,651,573
Capital assets, net	1,773,164	593,610
Total assets	5,492,244	4,245,183
DEFERRED OUTFLOWS OF RESOURCES		
Pension/OPEB	443,476	243,358
Total deferred outflows of resources	443,476	243,358
LIABILITIES		
Current liabilities	214,831	247,043
Long-term liabilities:		
Due within one year	14,054	13,925
Due in more than one year		
Net pension liability	1,294,278	786,998
Net OPEB liability	705,408	593,826
Other amounts	42,162	41,774
Total liabilities	2,270,733	1,683,566
DEFERRED INFLOWS OF RESOURCES		
Pension/OPEB	75,128	283,241
Total deferred inflows of resources	75,128	283,241
NET POSITION		
Net investment in capital assets	1,773,164	593,610
Unrestricted	1,816,695	1,928,124
Total net position	$ 3,589,859	$ 2,521,734

The net pension liability (NPL) is reported pursuant to GASB 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27" and the Other Postemployment Benefits (OPEB) liability is reported in accordance with GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". These two standards significantly revised accounting for costs and liabilities related to pension and OPEB plans. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Council's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or OPEB liability. Both GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 required the net pension liability and the net OPEB liability to equal the Council's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Council is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement systems. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event the contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Council's statements include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Total net position of the Council increased by $1,068,125 or 42.4%. As discussed above, this increase is primarily related to contribution revenue recognized related to the Gateway Fiber Network project during 2019. The increase related to member contributions was offset as the Council recognized a $115,795 more in pension and OPEB expense in 2019 than it did in 2018 to record changes in the Council's proportionate share of the net pension and OPEB liabilities and the related changes to the year-end deferred outflows/inflows.

Total liabilities reported at December 31, 2019 increased by $587,167 from the amount reported at December 31, 2018 due primarily to increases in the Council's proportionate share of the net pension and OPEB liabilities.

As noted in Table 1 above, unrestricted net position decreased by $111,429 from amounts reported at December 31, 2018 due to the increase in pension and OPEB expenses discussed above.

The increase of $1,179,554 in net position invested in capital assets resulted from the Council recognizing current year acquisitions of $1,297,981 less current year depreciation of $110,463. Additionally, the Council disposed of assets of $63,031 with a net book value of $7,964.

Table 2 shows the change in net position for the year ended December 31, 2019, as well as revenue and expense comparisons to 2018.

TABLE 2
STATEMENTS OF ACTIVITIES

	2019	2018
Cable operations expenses:		
Personnel	$ 725,887	$ 749,500
Fringe benefits	459,439	322,802
Other purchased services	507,153	502,302
Supplies	49,864	23,385
Depreciation	110,463	124,216
Other expenses	65,464	62,796
Total Expenses	1,918,270	1,785,001
Program revenues:		
Charges for services	155,837	96,970
Capital contributions	1,163,375	-
Total program revenues	1,319,212	96,970
General revenues:		
Franchise fees, net of rebates	1,578,410	1,663,994
Other income	18,806	56,171
Interest income	69,967	57,949
Total general revenues	1,667,183	1,778,114
Total revenues	2,986,395	1,875,084
Change in net position	1,068,125	90,083
Net position, beginning of year	2,521,734	2,431,651
Net position, end of year	$ 3,589,859	$ 2,521,734

The most significant increase in 2019 was member contributions. These contributions are related to the Fiber Network project and therefore reported as capital contributions.

The decrease in franchise fee revenue reported for 2019 was due to a decrease in the number of Spectrum Cable subscriptions in the region consistent with the national trend of consumers shifting away from subscribed video services to streaming services over the internet.

Personnel expenses remained steady during the year, decreasing 3.2% from 2018. Fringe Benefits increased in 2019 by 42.3% due to an increase in the Council's proportionate share of both the net pension and OPEB liabilities and the related changes to the year-end deferred outflows/inflows. Supplies increased 113.2% from the prior year as the Council changed its capitalization threshold during the prior year from $1,000 to $2,500 resulting in additional video equipment being expensed during the current year as it did not meet the Council's capitalization threshold.

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, unassigned 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 fund balances of $3,504,249, an increase of $99,719 in comparison with the prior year. The unassigned general fund balance of $2,483,456 is available for spending at the Council's discretion.

General Fund

The general fund has a total fund balance of $3,246,170. The fund balance increased $81,979 from the prior year. General fund revenues increased 60.0% and total expenditures increased 74.5% from the prior year due to current year member contributions and related capital outlays for the Gateway Fiber Network discussed above. Franchise fees decreased 5.1% from the prior year due to a decrease in subscribers as the demand for cable services continues to decline due to competition from streaming service alternatives.

Building Improvement Fund

The building improvement fund has a total fund balance of $258,079. The building improvement fund increased by $17,740 from the prior year due to interest earned on cash held at a financial institution.

Capital Assets

At December 31, 2019, the capital assets of the Council of $4,484,624 were offset by $2,711,460 in accumulated depreciation resulting in net capital assets of $1,773,164. The $1,179,554 increase in net capital assets is due to current year acquisitions of $1,297,981 less current year depreciation of $110,463. Additionally, the Council disposed of assets of $63,031 with a net book value of $7,964.

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
Montgomery County
Statement of Net Position
December 31, 2019

ASSETS		
Cash and Cash Equivalents	$	2,635,703
Accounts Receivable:		
Spectrum		415,758
AT&T		84,683
Members		570,000
Other		247
Prepaid Expenses		12,689
Capital Assets:		
Nondepreciable		1,388,491
Depreciable, Net of Accumulated Depreciation		384,673
Total Assets		5,492,244
DEFERRED OUTFLOWS OF RESOURCES		
Pension and OPEB		443,476
Total Deferred Outflows of Resources		443,476
LIABILITIES		
Accounts Payable		20,919
Accrued Wages and Benefits		32,581
Unearned Revenue		4,231
Due to Other Governments		157,100
Long-term Liabilities:		
Due Within One Year		14,054
Due in More Than One Year		
Net Pension Liability		1,294,278
Net OPEB Liability		705,408
Other		42,162
Total Liabilities		2,270,733
DEFERRED INFLOWS OF RESOURCES		
Pension and OPEB		75,128
Total Deferred Inflows of Resources		75,128
NET POSITION		
Investment in Capital Assets		1,773,164
Unrestricted		1,816,695
Total Net Position	$	3,589,859

The notes to the basic financial statements are an integral part of this statement.

Miami Valley Communications Council
Montgomery County
Statement of Activities
For the Year Ended December 31, 2019

	Expenses	Charges for Services	Capital Contributions	Net (Expense) Revenue And Changes in Governmental Activities
EXPENSES				
Personnel	$ (725,887)	$ -	$ -	$ (725,887)
Fringe Benefits	(459,439)	-	-	(459,439)
Supplies	(49,864)	-	-	(49,864)
Maintenance	(48,470)	-	-	(48,470)
Contractual	(427,380)	155,837	1,163,375	891,832
Depreciation	(110,463)	-	-	(110,463)
Utilities	(20,317)	-	-	(20,317)
Telephone	(7,524)	-	-	(7,524)
Training & Seminars	(3,462)	-	-	(3,462)
All Other Expenses	(65,464)	-	-	(65,464)
Total Expenses	$ (1,918,270)	$ 155,837	1,163,375	(599,058)
GENERAL REVENUES				
Franchise Fees - Net of Rebates				1,578,410
Interest Income				69,967
Other Income				18,806
Total General Revenues				1,667,183
Change in Net Position				1,068,125
Net Position - Beginning				2,521,734
Net Position - Ending				$ 3,589,859

The notes to the basic financial statements are an integral part of this statement.

Miami Valley Communications Council
Montgomery County
Balance Sheet
Governmental Funds
December 31, 2019

		General Fund	Building Improvement Fund	Total Governmental Funds
Assets				
Cash and Cash Equivalents	$	2,377,624	258,079	2,635,703
Accounts Receivable:				
Spectrum		415,758	-	415,758
AT&T		84,683	-	84,683
Members		570,000	-	570,000
Other		247	-	247
Prepaid Expenses		12,689	-	12,689
Total Assets	$	3,461,001	258,079	3,719,080
Liabilities				
Accounts Payable	$	20,919	-	20,919
Accrued Wages and Benefits		32,581	-	32,581
Unearned Revenue		4,231	-	4,231
Due to Other Governments		157,100	-	157,100
Total Liabilities		214,831	-	214,831
Fund Balances				
Nonspendable:				
Prepaid Expenses		12,689	-	12,689
Committed for:				
Building Improvements		-	258,079	258,079
Contingency Reserve		600,000	-	600,000
Assigned for:				
Subsequent year appropriation		150,025	-	150,025
Unassigned		2,483,456	-	2,483,456
Total Fund Balances		3,246,170	258,079	3,504,249
Total Liabilities and Fund Balances	$	3,461,001	258,079	3,719,080

The notes to the basic financial statements are an integral part of this statement.

Miami Valley Communications Council
Montgomery County
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2019

Total Governmental Fund Balances		$ 3,504,249
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		1,773,164
The net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	$ 388,156	
Deferred Inflows - Pension	(58,666)	
Net Pension Liability	(1,294,278)	
Deferred Outflows - OPEB	55,320	
Deferred Inflows - OPEB	(16,462)	
Net OPEB Liability	(705,408)	(1,631,338)
Compensated absences are not reported in the funds until they become due for payment as the result of an employee's resignation or retirement. However, on the full accrual basis of accounting, statement of net position, they are reported as long-term liabilities.		(56,216)
Net Position of Governmental Activities		$ 3,589,859

The notes to the basic financial statements are an integral part of this statement.

Miami Valley Communications Council
Montgomery County
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2019

		General Fund	Building Improvement Fund	Total Governmental Funds
Revenues				
Franchise Fees -				
Net of Rebates	$	1,578,410	-	1,578,410
Training Income		9,045	-	9,045
Interest Income		52,227	17,740	69,967
Member Contributions		1,163,375	-	1,163,375
Other Income		171,007	-	171,007
Total Revenues		2,974,064	17,740	2,991,804
Expenditures				
Personnel		725,887	-	725,887
Fringe Benefits		248,291	-	248,291
Supplies		49,864	-	49,864
Maintenance		48,470	-	48,470
Contractual		427,380	-	427,380
Utilities		20,317	-	20,317
Telephone		7,524	-	7,524
Training & Services		3,462	-	3,462
All Other Expenses		62,909	-	62,909
Capital Outlay		1,297,981	-	1,297,981
Total Expenditures		2,892,085	-	2,892,085
Net Change in Fund Balances		81,979	17,740	99,719
Fund Balances at January 1, 2019		3,164,191	240,339	3,404,530
Fund Balances at December 31, 2019	$	3,246,170	258,079	3,504,249

The notes to the basic financial statements are an integral part of this statement.

Miami Valley Communications Council
Montgomery County
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year ended December 31, 2019

Net Change in Fund Balances - Total Governmental Funds			$	99,719
Amounts reported for governmental activities in the statement of net position 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 exceeded capital outlay in the current period.				
Capital asset additions	$	1,297,981		
Current year depreciation		(110,463)		1,187,518
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, donations) are not reported in the funds and decrease net position.				(7,964)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.				99,551
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.				
Pension	$	(257,797)		
OPEB		(52,385)		(310,182)
Some expenses reported in the statement of activities, such as compensated absences payable, are not reported until due for payment and therefore are not reported as expenditures in governmental funds.				(517)
Change in Net Position of Governmental Activities			$	1,068,125

The notes to the basic financial statements are an integral part of this statement.

Miami Valley Communications Council
Montgomery County
Statement of Fiduciary Net Position
Custodial Fund
December 31, 2019

ASSETS		
Cash and Cash Equivalents	$	272,074
Accounts Receivable		39,275
Total Assets		311,349
LIABILITIES		
Accounts Payable		33,869
Accrued Wages and Benefits		11,527
Total Liabilities		45,396
NET POSITION		
Restricted for Other Organizations	$	265,953

The notes to the basic financial statements are an integral part of this statement.

Miami Valley Communications Council
Montgomery County
Statement of Changes in Fiduciary Net Position
Custodial Fund
For the Year Ended December 31, 2019

ADDITIONS		
Amounts Received as Fiscal Agent	$	440,101
DEDUCTIONS		
Distributions as Fiscal Agent		352,412
Net Increase in Fiduciary Net Position		87,689
Net Position Beginning of Year, Restated		178,264
Net Position End of Year	$	265,953

The notes to the basic financial statements are an integral part of this statement.

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 committee of member municipalities' police departments organized as a cooperative effort to deal more effectively with the present and projected crime levels in the municipalities. (Note D)

2. Reporting Entity

The reporting entity is comprised of the primary unit government, component units, and other organizations that are included to ensure 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 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 as governmental funds. The following are the Councils major 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 (Capital Projects) – The Building Improvement Fund is used to account for financial resources committed 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 a custodial 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 position 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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2. Basis of Presentation – Continued

Government-wide Financial Statements – Continued

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 interest income.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2. Basis of Presentation – Continued

Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Council, deferred outflows of resources are reported on the government-wide statement of net position for pension and other postemployment benefits, which is further explained in Notes F & G, respectively.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Council, deferred inflows of resources related to pension and other postemployment benefits are reported on the government-wide statement of net position and explained in Notes F & G, respectively.

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expenses, information about the fiduciary net position of the pension and OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension and OPEB plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension and OPEB plans report investments at fair value.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on the 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 become due for payment upon the occurrence of employee resignations and retirements.

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. Expenditures and expenses approved by the Executive Director must be within the approved budget and work program. 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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4. Cash and Cash Equivalents

The Council's cash and cash equivalents include 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 of the Council are stated at fair value, based on quoted market prices, with the exception of STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants."

The Council measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million or more. STAR Ohio reserves the right to limit the transaction to $100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

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, 2019, 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 position 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 the acquisition value as of the date received. The Council has established a capitalization threshold of $2,500 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.

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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

6. Property and Equipment and Depreciation – Continued

	Balance 1/1/19	Additions	Reclass/ Transfers	Retirements	Balance 12/31/19
Capital assets not being depreciated					
Land	$ 123,170	$ -	$ -	$ -	$ 123,170
Construction in progress	-	1,265,321	-	-	1,265,321
Total capital assets not being depreciated	123,170	1,265,321	-	-	1,388,491
Capital assets being depreciated					
Building and improvements	1,161,296	3,796	(2,334)	-	1,162,758
Vehicles	82,258	-	-	-	82,258
Furniture and equipment	1,882,950	28,864	2,334	(63,031)	1,851,117
Total capital assets being depreciated	3,126,504	32,660	-	(63,031)	3,096,133
Less accumulated depreciation					
Building and improvements	(883,404)	(39,714)	-	-	(923,118)
Vehicles	(82,259)	-	-	-	(82,259)
Furniture and equipment	(1,690,401)	(70,749)	-	55,067	(1,706,083)
Total accumulated depreciation	(2,656,064)	(110,463)	-	55,067	(2,711,460)
Total capital assets being depreciated, net	470,440	(77,803)	-	(7,964)	384,673
Total net capital assets	$ 593,610	$ 1,187,518	$ -	$ (7,964)	$ 1,773,164

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 240 hours of vacation leave and up to 2,080 hours of sick leave. Upon retirement, an employee will be compensated for unused vacation time and one-third of their accrued sick leave in excess of 400 hours at the current rate of pay.

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.

	Balance 1/1/2019	Increase	Decrease	Balance 12/31/2019	Due within One Year
Compensated Absences	$ 55,699	$ 39,611	$ 39.094	$ 56,216	$ 14,054

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

Transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. For the statement of activities, interfund transfers within the governmental activities are netted and eliminated.

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.

11. Fund Balance

The Council has two types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. At year end, the Council had $12,689 in prepaid expenses related to the Council's insurance that were considered nonspendable.

In addition to the nonspendable fund balance, the Council has provided a hierarchy of spendable fund balances based spending constraints.

- Restricted: fund balance amounts that are limited for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- Committed: fund balance amounts that are obligated to a specific purpose which are internally imposed by the Council through formal action (Resolutions) at the highest level of decision making authority (the Council).

- Assigned: fund balance amounts that are intended to be used for specific purposes that are considered neither restricted nor committed. Fund Balances not considered nonspendable, restricted or committed may be assigned by the Council for specific purposes through the budget process or agenda items.

- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

11. Fund Balance – Continued

The Council's fund balances at year end were as follows:

Spendable: The Council's spendable fund balances at year-end were classified as Committed, Assigned and Unassigned. The Council had no funds classified as Restricted at year-end.

Committed to building improvements: The Council has set aside certain spendable fund balance for building improvements. At year end, the committed balance for building improvements was $258,079.

Committed to contingency reserve: The Council has designated a certain balance within the General Fund to be used for a contingency reserve. The reserve was initially funded with a designation of $420,000 by the 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 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 will be used for future building improvements. As such, all interest earned on the Contingency Reserve funds during 2019 ($17,740) was allocated to the Building Improvement Fund. At year end, the committed balance for the contingency reserve was $600,000.

Assigned: At year-end, the Council has assigned fund balance for the General Fund of $150,025 to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned: At year-end, the unassigned fund balance for the General Fund was $2,483,456.

When both restricted and unrestricted resources are available for use, it is the Council's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in the General Fund, it is the Council's policy to use unassigned resources first, then assigned, and then committed as needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any other governmental fund, it is the Council's policy to use committed resources first, then assigned, and then unassigned as needed.

12. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Council or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Council applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

NOTE C – CHANGE IN ACCOUNTING PRINCIPLE

For 2019, the Council implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, and Statement No. 90, *Majority Equity Interests*.

GASB 83 establishes uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs), including obligations that may not have been previously reported, including requiring certain disclosures regarding AROs. These changes were incorporated in the Council's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 88 establishes standards to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. These changes were incorporated in the Council's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 90 establishes provisions related to 1) reporting majority equity interest in a component unit, and 2) reporting a component unit if the government acquires a 100 percent equity interest. These changes were incorporated in the Council's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB 84, the new classification of custodial funds is reporting a beginning net position of $178,264.

NOTE D – RELATED PARTY TRANSACTIONS

The Council provides substantial funding as well as administrative and clerical services to Tactical Crime Suppression Unit (TCSU). The Tactical Crime Suppression Unit is a committee of Police Chiefs of the Council's member cities which meet to discuss training, share information, and work on cooperative projects, including the sharing of specialized equipment (surveillance), services (polygraph), and training (Fire Arms Training System). During 2019, the Council acted as the fiscal agent for TCSU and provided approximately $323,096 in funding to the group.

NOTE E – DEPOSITS AND INVESTMENTS

1. Deposits

At year-end, the carrying amount of the Council's deposits was $2,096,408 including $200 of petty cash maintained on hand. The bank balance was $2,098,293. Of the bank balance, $256,444 was covered by federal depository insurance and $1,841,849 was covered by pooled collateral deposited with a qualified trustee and pledged to the Treasurer of State as a part of the Ohio Pooled Collateral System (OPCS) to secure the repayment of all public monies deposited in each financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Council to a successful claim by the Federal Deposit Insurance Corporation.

2. Investments

State statute classifies monies held by the Council into three categories, active deposits, inactive deposits, and interim deposits. Active deposits are public deposits determined to be necessary to meet current demands upon the Council's Treasury.

Active 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 or deposits maturing not more than five years from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Council may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities:
3. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service or consisting exclusively of obligations described in (1) or (2) above; commercial paper as described in ORC section 135.143 (A); and repurchase agreements secured by such obligations, provided these investments are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts, in eligible institutions pursuant to ORC section 135.32:

NOTE E – DEPOSITS AND INVESTMENTS – Continued

5. Bonds and other obligations of this state, provided the bonds or other obligation of political subdivisions mature within ten years from the date of settlement;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the fair 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 the term of the agreement must not exceed thirty days.

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.

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 treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. 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 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 NAV of these investments at December 31, 2019, was $811,369.

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 permits 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 E – DEPOSITS AND INVESTMENTS – Continued

	Demand Deposits	Investments
Cash and Cash Equivalents per Financial Statements	$ 2,907,777	$ -
Investments:		
STAR Ohio	(811,369)	811,369
Total Demand Deposits and Investments	$ 2,096,408	$ 811,369

Cash and cash equivalents per Financial Statements	
Government Activities	$ 2,635,703
Custodial Funds	272,074
	$ 2,907,777

NOTE F – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Council's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Council's obligation for this liability to annually required payments. The Council cannot control benefit terms or the manner in which pensions are financed; however, the Council does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to net pension liability would be effective when the changes are legally enforceable.

The proportionate share of the plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

NOTE F – DEFINED BENEFIT PENSION PLANS – Continued

Plan Description – Ohio Public Employees Retirement System (OPERS)
Council employees participate 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 and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g., Council employees) may elect the Member-Directed Plan and the Combined Plan, the majority of employee members are in OPERS' Traditional Plan; therefore, the following disclosures focus on the Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code (ORC). OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of Service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by year of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

NOTE F – DEFINED BENEFIT PENSION PLANS – Continued

Funding Policy—The ORC provides statutory authority for member and employer contributions. For 2019, member contribution rates were 10% of salary and employer contribution rates were 14%. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Council's contractually required contribution was $99,551 for 2019. Of this amount, $13,587 is reported as accrued wages and benefits.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPERS

The net pension liability for OPERS was measured as of December 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Council's proportion of the net pension liability was based on the Council's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Proportionate Share of Net Pension Liability	$	1,294,278
Proportion of the Net Pension Liability		0.0047257%
Change in Proportion		-0.0002908%
Pension Expense	$	257,797

At December 31, 2019, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources		
Differences between expected and actual experience	$	60
Net difference between projected and actual earnings on plan investments		175,669
Change in assumptions		112,670
Change in proportionate share and difference in employer contributions		206
Council contributions subsequent to the measurement date		99,551
Total Deferred Outflows of Resources	$	388,156
Deferred Inflows of Resources		
Differences between expected and actual experience	$	(16,995)
Change in proportionate share and difference in employer contributions		(41,671)
Total Deferred Inflows of Resources	$	(58,666)

NOTE F – DEFINED BENEFIT PENSION PLANS – Continued

$99,551 reported as deferred outflows of resources related to pension resulting from Council contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2020	$ 87,017
2021	44,926
2022	16,297
2023	81,699
	$ 229,939

Actuarial Assumptions
Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Wage inflation	3.25%
Future salary increases, Including inflation	3.25% to 10.75%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3%; Post 1/7/2013 retirees: 3% simple through 2018, then 2.15% simple
Investment rate of return:	
Current measurement period	7.20%
Prior measurement period	7.50%
Actuarial cost method	Individual entry age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Health Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

NOTE F – DEFINED BENEFIT PENSION PLANS – Continued

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94% for 2018.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.79%
Domestic Equities	19.00%	6.21%
Real Estate	10.00%	4.90%
Private Equity	10.00%	10.81%
International Equities	20.00%	7.83%
Other Investments	18.00%	5.50%
Total	100.00%	5.95%

Discount Rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarily determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE F – DEFINED BENEFIT PENSION PLANS – Continued

Sensitivity of the Council's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table represents the Council's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.20%, as well as what the Council's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.20%) and one-percentage point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Council's proportionate share of the net pension liability	$ 1,912,023	$ 1,294,278	$ 780,924

NOTE G - DEFINED BENEFIT OTHER POSTEMEPLOYMENT BENEFIT (OPEB) PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Council's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments, health care cost trends and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the Council's obligation for this liability to annual required payments. The Council cannot control benefit terms or the manner in which OPEB are financed; however, the Council does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for contractually-required OPEB contributions outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

NOTE G - DEFINED BENEFIT OTHER POSTEMEPLOYMENT BENEFIT (OPEB) PLANS – Continued

Plan Description – Ohio Public Employees Retirement System (OPERS)
The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and Combined plans. This trust is also used to fund health care for Member-Directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an other post employment benefit (OPEB) as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy—The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of Traditional Pension and Combined plans' employer contributions allocated to health care was zero in 2019. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0%.

For the year ended December 31, 2019, OPERS did not allocate any employer contributions to postemployment health care.

NOTE G - DEFINED BENEFIT OTHER POSTEMEPLOYMENT BENEFIT (OPEB) PLANS – Continued

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Council's proportion of the net OPEB liability was based on the Council's share of contributions to the retirement system relative to the contributions of all participating entities. The following is information related to the proportionate share and OPEB expense:

Proportionate Share of Net OPEB Liability	$	705,408
Proportion of the Net OPEB Liability		0.005411%
Change in Proportion		-0.000058%
OPEB Expense	$	52,385

At December 31, 2019, the Council reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Differences between expected and actual experience	$	239
Net difference between projected and actual earnings on OPEB plan investments		32,338
Change in assumptions		22,743
Total Deferred Outflows of Resources	$	55,320
Deferred Inflows of Resources		
Differences between expected and actual experience	$	(1,915)
Change in proportionate share and difference in employer contributions		(14,547)
Total Deferred Inflows of Resources	$	(16,462)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:		
2020	$	13,741
2021		3,564
2022		5,262
2023		16,291
	$	38,858

NOTE G - DEFINED BENEFIT OTHER POSTEMEPLOYMENT BENEFIT (OPEB) PLANS – Continued

Actuarial Assumptions
Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OBEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74:

Wage inflation	3.25%
Future salary increases, Including inflation	3.25% to 10.75%
Single discount rate:	
Current measurement date	3.96%
Prior measurement date	3.85%
Investment rate of return	
Current measurement date	6.00%
Prior measurement date	6.50%
Municipal bond rate	
Current measurement date	3.71%
Prior measurement date	3.31%
Health care cost trend rate	
Current measurement date	10.0% initial, 3.25% ultimate in 2029
Prior measurement date	7.50% initial, 3.25% ultimate in 2028
Actuarial cost method	Individual entry age normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

NOTE G - DEFINED BENEFIT OTHER POSTEMEPLOYMENT BENEFIT (OPEB) PLANS – Continued

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.60% for 2018.

The allocation of investment assets within the Health Care portfolio is approved by the OPERS Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the OPERS Board-approved asset allocation policy for 2018 and the long-term expected real rates of return.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	2.42%
Domestic Equities	21.00%	6.21%
REITs	6.00%	5.98%
International Equities	22.00%	7.83%
Other Investments	17.00%	5.57%
Total	100.00%	5.16%

Discount Rate. A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

NOTE G - DEFINED BENEFIT OTHER POSTEMEPLOYMENT BENEFIT (OPEB) PLANS – Continued

Sensitivity of the Council's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following table presents the Council's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96%, as well as what the Council's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1.0% point lower (2.96%) or 1.0% point higher (4.96%) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
Council's proportionate share of the net OPEB liability	$ 902,455	$ 705,408	$ 548,669

Sensitivity of the Council's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate. Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Council's proportionate share of the net OPEB liability	$ 678,031	$ 705,408	$ 736,897

NOTE H – REVENUES

Under the franchise agreement between Spectrum, AT&T and the eight (8) member cities, the Council receives 5% of gross revenues from cable providers in 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 I – 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.

NOTE J – SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Council. The Council's investment portfolio and the investments of the pension and other employee benefit plan in which the Council participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Council's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE K – RESTATEMENT OF CUSTODIAL FUND BALANCE

During 2019, the Council identified and reported an additional Tactical Crime Suppression Unit (TCSU) bank account. This change had the following effect on Custodial Fund net position as reported at December 31, 2018.

Net Position December 31, 2018	$121,925
Restatement	56,339
Restated Net Position December 31, 2018	$178,264

Miami Valley Communications Council
Montgomery County, Ohio
Required Supplementary Information
Schedule of Council's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System
Last Six Years (1) (2)

	Council's Proportion of the Net Pension Liability	Council's Proportionate Share of the Net Pension Liability	Council's Covered Payroll	Council's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.005365%	$ 632,464	$ 815,592	77.55%	86.36%
2015	0.005365%	647,079	742,058	87.20%	86.45%
2016	0.005294%	916,938	745,058	123.07%	81.08%
2017	0.005396%	1,225,321	742,825	164.95%	77.25%
2018	0.005017%	786,998	724,600	108.61%	84.66%
2019	0.004726%	1,294,278	729,979	177.30%	74.70%

(1) Information prior to 2014 is not available. The Council will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the Council's measurement date, which is the prior year-end.

The notes to the required supplementary information are an integral part of this schedule.

Miami Valley Communications Council
Montgomery County, Ohio
Required Supplementary Information
Schedule of Council Pension Contributions
Ohio Public Employees Retirement System
Last Eight Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Council's Covered Payroll	Contributions as a Percentage of Covered Payroll
2012	$ 82,499	$ (82,499)	$ -	$ 824,990	10.00%
2013	106,027	(106,027)	-	815,592	13.00%
2014	89,047	(89,047)	-	742,058	12.00%
2015	89,407	(89,407)	-	745,058	12.00%
2016	89,139	(89,139)	-	742,825	12.00%
2017	94,198	(94,198)	-	724,600	13.00%
2018	102,197	(102,197)	-	729,979	14.00%
2019	99,551	(99,551)	-	711,079	14.00%

(1) Information prior to 2012 is not available. The Council will continue to present information for years available until a full ten-year trend is compiled.

The notes to the required supplementary information are an integral part of this schedule.

Miami Valley Communications Council
Montgomery County, Ohio
Required Supplementary Information
Schedule of Council's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System
Last Three Years (1) (2)

	Council's Proportion of the Net OPEB Liability	Council's Proportionate Share of the Net OPEB Liability	Council's Covered Payroll	Council's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.005729%	$ 578,674	$ 742,825	77.90%	54.05%
2018	0.005468%	593,826	724,600	81.95%	54.14%
2019	0.005411%	705,408	729,979	96.63%	46.33%

(1) Information prior to 2017 is not available. The Council will continue to present information for years available unti
a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the Council's measurement date, which is the prior year-end.

The notes to the required supplementary information are an integral part of this schedule.

Miami Valley Communications Council
Montgomery County, Ohio
Required Supplementary Information
Schedule of Council OPEB Contributions
Ohio Public Employees Retirement System
Last Four Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Council's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	$ 14,849	$ (14,849)	$ -	$ 742,825	2.00%
2017	7,246	(7,246)	-	724,600	1.00%
2018	-	-	-	729,979	0.00%
2019	-	-	-	711,079	0.00%

(1) Information prior to 2016 is not available. The Council will continue to present information for years available until a full ten-year trend is compiled.

The notes to the required supplementary information are an integral part of this schedule.

Changes in Assumptions – OPERS Pension

Amounts reported beginning in 2019 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and in 2016 and prior are presented below:

	2019	2017	2016 and prior
Wage Inflation	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:			
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled male mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Changes in Assumptions – OPERS OPEB

For 2019, the single discount rate changed from 3.85 percent to 3.96 percent and the municipal bond rate changed from 3.31 percent to 3.71 percent. For 2019, the health care cost trend rate was 10 percent, initial; 3.25 ultimate in 2029. For 2018, the health care cost tend rate was 7.25 percent, initial; 3.25 percent ultimate in 2028.

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

Miami Valley Communications Council
Montgomery County
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance
Revenues				
Franchise Fees -				
Net of Rebates	$ 1,439,765	$ 1,439,765	$ 1,578,410	$ 138,645
Training Income	7,000	7,000	9,045	2,045
Interest Income	20,000	20,000	52,227	32,227
Member Contributions	1,400,000	1,400,000	1,163,375	(236,625)
Other Income	145,106	145,106	171,007	25,901
Total Revenues	3,011,871	3,011,871	2,974,064	(37,807)
Expenditures				
Personnel	788,116	788,116	725,887	62,229
Fringe Benefits	277,372	277,372	248,291	29,081
Supplies	53,525	53,525	49,864	3,661
Maintenance	56,580	56,580	48,470	8,110
Contractual	458,727	458,727	427,380	31,347
Utilities	22,750	22,750	20,317	2,433
Telephone	7,600	7,600	7,524	76
Training & Services	9,700	9,700	3,462	6,238
All Other Expenses	77,695	77,695	62,909	14,786
Capital Outlay	1,520,000	1,520,000	1,297,981	222,019
Total Expenditures	3,272,065	3,272,065	2,892,085	379,980
Net Change in Fund Balances	(260,194)	(260,194)	81,979	342,173
Fund Balances at January 1, 2019	3,164,191	3,164,191	3,164,191	-
Fund Balances at December 31, 2019	$ 2,903,997	$ 2,903,997	$ 3,246,170	$ 342,173

The notes to the supplementary information are an integral part of this schedule.

Budgetary Accounting

The Council's annual budget is prepared on the accrual basis of accounting as permitted by law. The budgetary process is prescribed by provisions of the Council By-Laws and entails the preparation of budgetary documents within an established timetable. Expenditures and expenses approved by the Executive Director must be within the approved budget and work program. 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.

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S 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 the Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Miami Valley Communications Council, Montgomery County, (the Council) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated August 14, 2020**,** wherein we noted the Council adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We also noted the Council restated the December 31, 2018 Custodial fund net position and the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Council.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Council's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

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, opining 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*.

Council's Response to Finding

The Council's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Council's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

August 14, 2020

SCHEDULE OF FINDINGS
DECEMBER 31, 2019

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2019-001

Material Weakness – Accuracy of Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Due to lack of controls over the review of the financial statements, the Council's financial statements contained the following errors that were identified as material and have been adjusted in the accompanying financial statements and the Council's accounting system:

- The Council did not properly calculate and present Custodial fund additions and accounts receivable. As a result, Custodial fund additions: amounts received as fiscal agent and accounts receivable were understated by $39,275.

In addition, due to lack of controls over the review of the financial statements, the Council's financial statements contained the following errors that were identified as immaterial and did not require adjustment to the financial statements:

- The Council did not properly calculate net pension liability and related deferred inflows of resources, deferred outflows of resources, and expense reported under Governmental Activities for the Ohio Public Employees Retirement System (OPERS). As a result, net pension liability, deferred outflows of resources: pension, deferred inflows of resources: pension, and expenses were overstated by $90,802, $19,702, $4,799, and $75,899, respectively.
- The Council did not properly calculate net other post-employment benefit (OPEB) liability and related deferred inflows of resources, deferred outflows of resources, and expense reported under Governmental Activities for the Ohio Public Employees Retirement System (OPERS). As a result, net OPEB liability, deferred outflows of resources: OPEB, deferred inflows of resources: OPEB, and expenses were overstated by $49,434, $3,876, $1,867, and $47,425, respectively.

The Council should establish and implement procedures to verify the completeness and accuracy of amounts reported in the financial statements in accordance with applicable accounting standards. Failure to do so could result in the users of the financial statements basing their conclusions on materially misstated financial data.

Officials' Response:
Funding was adjusted to the correct account and year end procedures updated to prevent future errors. Measures are in place to rectify OPERS and OPEB Liability reporting in the future.

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OHIO AUDITOR OF STATE
KEITH FABER

MIAMI VALLEY COMMUNICATIONS COUNCIL

MONTGOMERY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 9/1/2020

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