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

Basic Financial Statements

December 31, 2011

(with Independent Auditors' Report)



Dave Yost • Auditor of State

Board of Trustees
Miami Valley Communications Council
1195 East Alex Bell Road
Centerville, Ohio 45459

We have reviewed the *Independent Auditors' Report* of the Miami Valley Communications Council, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 26, 2012

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the Miami Valley Communications Council, (the Council), as of and for the year ended December 31, 2011, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the Miami Valley Communications Council, as of December 31, 2011, and the respective changes in financial position thereof and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2012, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 5, 2012

Miami Valley Communications Council
Montgomery County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

The discussion and analysis of the Miami Valley Communications Council (the Council) financial performance provides an overall review of the financial activities for the year ended December 31, 2011. 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 2011 are as follows:

- Total net assets increased \$161,241 in 2011, which represents a 5.6% increase from 2010, as a result of decreases in certain expenses.
- Total assets increased \$119,729 which represents a 3.6% increase from the prior year. The increase is primarily due to improved cash and receivables balances at year end as a result of increase franchise fee revenues during 2011.
- The change in net assets reported for 2011 was \$161,241 compared to the \$95,307 change in net assets reported for 2010.

Overview of the Financial Statements

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

Miami Valley Communications Council
Montgomery County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

Government-wide financial statements

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

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

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

The government-wide financial statements can be found on pages 11-12 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.

Miami Valley Communications Council
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Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

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

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

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

The governmental fund financial statements can be found on pages 13-17 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 basic fiduciary fund financial statement can be found on page 18 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 19-32 of this report.

Miami Valley Communications Council
Montgomery County, Ohio
 Management's Discussion and Analysis
 For the Year Ended December 31, 2011
 (Unaudited)

Government-wide Financial Analysis

Statement of Net Assets

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

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

Table 1 provides a summary of the Council's statement of net assets for 2011 compared with 2010.

TABLE 1
NET ASSETS

	2011	2010
ASSETS		
Current and other assets	\$ 2,584,130	\$ 2,499,222
Property and equipment, net	817,581	782,760
Total assets	3,401,711	3,281,982
LIABILITIES		
Current liabilities	288,713	324,320
Long-term liabilities	49,634	55,539
Total liabilities	338,347	379,859
NET ASSETS		
Invested in capital assets	817,581	782,760
Unrestricted	2,245,783	2,119,363
Total net assets	\$ 3,063,364	\$ 2,902,123

Miami Valley Communications Council
Montgomery County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

Total net assets of the Council increased by \$161,241 or 5.6%. The increase in total net assets from 2010 is due in part to decreases in certain expenses and a four percent increase in franchise fees. Total liabilities reported at December 31, 2011 decreased by \$41,512 from the amount reported at December 31, 2010.

As noted in Table 1 above, reported unrestricted net assets at December 31, 2011 increased from amounts reported at December 31, 2010. Unrestricted net assets increased by \$126,420 during 2011.

The increase of \$34,821 in net assets invested in capital assets results from recognizing current year acquisitions of \$171,553 less current year depreciation of \$136,732.

Table 2 shows the change in net assets for the year ended December 31, 2011, as well as revenue and expense comparisons to 2010.

TABLE 2
STATEMENTS OF ACTIVITIES

	<u>2011</u>	<u>2010</u>
Cable operations expenses:		
Personnel	\$ 808,237	\$ 813,627
Fringe benefits	246,920	245,918
Other purchased services	332,002	406,839
Material and supplies	28,269	22,444
Depreciation	136,732	141,104
Other expenses	<u>75,764</u>	<u>67,120</u>
Total expenses	<u>1,627,924</u>	<u>1,697,052</u>
 Program revenues:		
Charges for services	86,325	105,163
Capital contributions	-	58,210
General revenues:		
Franchise fees – net of rebates	1,634,898	1,572,076
Other operating revenues	25,091	54,805
Insurance reimbursements	41,682	-
Interest income	<u>1,169</u>	<u>2,105</u>
Total general revenues	<u>1,702,840</u>	<u>1,628,986</u>
Total revenues	<u>1,789,165</u>	<u>1,792,359</u>
 Change in net assets	 \$ 161,241	 \$ 95,307

Miami Valley Communications Council
Montgomery County, Ohio
 Management's Discussion and Analysis
 For the Year Ended December 31, 2011
 (Unaudited)

TABLE 2
STATEMENTS OF ACTIVITIES
 (Continued)

	2011	2010
Change in net assets	\$ 161,241	\$ 95,307
Net assets, beginning of year	<u>2,902,123</u>	<u>2,806,816</u>
Net assets, end of year	<u>\$ 3,063,364</u>	<u>\$ 2,902,123</u>

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

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

SB117 excluded from the video service fee charges for services other than video service including revenue received from telecommunications services, information service and from internet advertising and electronic publishing. In addition, SB117 stipulated that municipalities could not require video service providers fund the provision of facilities or equipment.

The increase in franchise fee revenue reported for 2011 was due to a significant increase in the amount remitted by AT&T to the Council. In prior year's, AT&T remittances have been negligible compared to the primary cable provider, however, in 2011 as the number of customers utilizing AT&T's services over the internet increased, so did the franchise fee received by the Council.

Depreciation expense decreased from 2010 due to certain assets becoming fully depreciated in 2011. Salaries and fringe benefits decreased due to reduction in part-time positions.

Miami Valley Communications Council
Montgomery County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

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 \$2,295,417, an increase of \$120,515 in comparison with the prior year. The unassigned general fund balance of \$1,518,309 is available for spending at the Council's discretion.

General Fund

The general fund has a total fund balance of \$2,256,044. The general fund increased by \$223,621 from the prior year due to significant reductions of contractual and capital outlay expenditures.

Building Improvement Fund

The building improvement fund has a total fund balance of \$39,373. The building improvement fund decreased by \$103,106 from the prior year due to construction costs associated with a roofing project that began during 2011 and was completed in 2012.

General Fund Budget Information

The Council's budget is prepared in accordance with its by-laws and is based on the modified accrual basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

Most of the differences between the original budget amounts (only one budget amount was adopted for the year) and the actual results were relatively minor. The reported \$56,066 variance of actual revenues over budgeted revenues for franchise fees was due to an increase in the number of high-definition services coupled with an increase in the total number of subscribers.

Miami Valley Communications Council
Montgomery County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

Capital Assets

At December 31, 2011 the property and equipment of the Council of \$3,337,245 offset by \$2,519,664 in accumulated depreciation results in net property and equipment of \$817,581. The \$34,821 increase in total net property and equipment is due to current year depreciation expense of \$136,732 combined with \$59,744 of equipment purchases and \$111,809 of building improvements made during 2011.

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

Contacting the Council

This financial report is designed to provide a general overview of the finances of Miami Valley Communications Council and to show the Council's accountability for monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional information should be directed to:

Miami Valley Communications Council
Attn: Executive Director
1195 E. Alex Bell Road
Centerville, Ohio 45459
(937) 438-8887

Miami Valley Communications Council
STATEMENT OF NET ASSETS
December 31, 2011

ASSETS	
Cash and Cash Equivalents	\$ 2,047,031
Accounts Receivable:	
Time Warner Cable Western Ohio	448,017
AT&T	78,156
Other	294
Prepaid Expenses	10,632
Capital Assets:	
Nondepreciable	123,170
Depreciable, Net of Accumulated Depreciation	<u>694,411</u>
 Total Assets	 <u>3,401,711</u>
LIABILITIES	
Accounts Payable	9,763
Accrued Wages and Benefits	72,363
Due to Other Governments	206,587
Long-term Liabilities:	
Due Within One Year	12,409
Due In More Than One Year	<u>37,225</u>
 Total Liabilities	 <u>338,347</u>
NET ASSETS	
Invested In Capital Assets	817,581
Unrestricted	<u>2,245,783</u>
 Total Net Assets	 <u>\$ 3,063,364</u>

The accompanying notes are an integral part of this statement.

Miami Valley Communications Council
STATEMENT OF ACTIVITIES
Year ended December 31, 2011

		Program Revenues		Net (Expense) Revenue And Changes in Net Assets
	Expenses	Charges for Services	Capital Contributions	Governmental Activities
OPERATING EXPENSES				
Personnel	\$ (808,237)	\$ 2,036	\$ -	\$ (806,201)
Fringe Benefits	(246,920)	-	-	(246,920)
Supplies	(28,269)	411	-	(27,858)
Maintenance	(40,178)	337	-	(39,841)
Contractual	(259,599)	79,107	-	(180,492)
Depreciation	(136,732)	-	-	(136,732)
Utilities	(22,929)	-	-	(22,929)
Telephone	(9,169)	729	-	(8,440)
Training & Seminars	(127)	-	-	(127)
All Other Expenses	(75,764)	3,705	-	(72,059)
	(1,627,924)	86,325	-	(1,541,599)
GENERAL REVENUES				
Franchise Fees – Net of Rebates				1,634,898
Interest Income				1,169
Insurance Reimbursements				41,682
Other Income				25,091
				1,702,840
Change in Net Assets				161,241
Net Assets at January 1, 2011				2,902,123
Net Assets at December 31, 2011				\$ 3,063,364

The accompanying notes are an integral part of this statement.

Miami Valley Communications Council
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011

	<u>General Fund</u>	<u>Building Improvement Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and Cash Equivalents	\$ 2,007,658	\$ 39,373	\$ 2,047,031
Accounts Receivable			
Time Warner Cable Western Ohio	448,017	-	448,017
AT&T	78,156	-	78,156
Other	294	-	294
Prepaid Expenses	<u>10,632</u>	<u>-</u>	<u>10,632</u>
	<u>\$ 2,544,757</u>	<u>\$ 39,373</u>	<u>\$ 2,584,130</u>
Liabilities			
Accounts Payable	\$ 9,763	\$ -	\$ 9,763
Accrued Wages and Benefits	72,363	-	72,363
Due to Other Governments	<u>206,587</u>	<u>-</u>	<u>206,587</u>
	<u>288,713</u>	<u>-</u>	<u>288,713</u>
Fund Balances			
Nonspendable:			
Prepaid Expenses	10,632	-	10,632
Assigned to:			
Gov-Tech	127,103	-	127,103
Building Improvements	-	39,373	39,373
Contingency Reserve	600,000	-	600,000
Unassigned	<u>1,518,309</u>	<u>-</u>	<u>1,518,309</u>
	<u>2,256,044</u>	<u>39,373</u>	<u>2,295,417</u>
	<u>\$ 2,544,757</u>	<u>\$ 39,373</u>	<u>\$ 2,584,130</u>

The accompanying notes are an integral part of this statement.

Miami Valley Communications Council
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
December 31, 2011

Total Governmental Fund Balances	\$ 2,295,417
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	817,581
Long-term liabilities, compensated absences	<u>(49,634)</u>
Net Assets of Governmental Activities	<u>\$ 3,063,364</u>

The accompanying notes are an integral part of this statement.

Miami Valley Communications Council
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended December 31, 2011

	<u>General Fund</u>	<u>Building Improvement Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Franchise Fees -			
Net of Rebates	\$ 1,634,898	\$ -	\$ 1,634,898
Training Income	27,685	-	27,685
Interest Income	751	418	1,169
Other Income	<u>117,128</u>	<u>8,285</u>	<u>125,413</u>
	1,780,462	8,703	1,789,165
Expenditures			
Personnel	808,237	-	808,237
Fringe Benefits	252,825	-	252,825
Supplies	28,269	-	28,269
Maintenance	40,178	-	40,178
Contractual	259,599	-	259,599
Utilities	22,929	-	22,929
Telephone	9,169	-	9,169
Training & Services	127	-	127
All Other Expenses	75,764	-	75,764
Capital Outlay	<u>59,744</u>	<u>111,809</u>	<u>171,553</u>
	<u>1,556,841</u>	<u>111,809</u>	<u>1,668,650</u>
Change in Fund Balances	223,621	(103,106)	120,515
Fund Balances at			
January 1, 2011	<u>2,032,423</u>	<u>142,479</u>	<u>2,174,902</u>
Fund Balances at			
December 31, 2011	<u>\$ 2,256,044</u>	<u>\$ 39,373</u>	<u>\$ 2,295,417</u>

The accompanying notes are an integral part of this statement.

Miami Valley Communications Council
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
Year ended December 31, 2011

Net Change in Fund Balances – Total Governmental Funds \$ 120,515

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

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

Capital asset additions	\$ 171,553	
Current year depreciation	<u>(136,732)</u>	34,821

Some expenses reported in the statement of activities, such as compensated absences payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 5,905

Change in Net Assets of Governmental Activities \$ 161,241

The accompanying notes are an integral part of this statement.

Miami Valley Communications Council
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
Year ended December 31, 2011

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues			
Franchise Fees –			
Net of Rebates	\$ 1,578,832	\$ 1,634,898	\$ 56,066
Training Income	35,300	27,685	(7,615)
Interest Income	575	751	176
Other Income	<u>77,600</u>	<u>117,128</u>	<u>39,528</u>
	1,692,307	1,780,462	88,155
Expenditures			
Personnel	816,050	808,237	7,813
Fringe Benefits	270,467	252,825	17,642
Supplies	29,750	28,269	1,481
Maintenance	48,920	40,178	8,742
Contractual	327,993	259,599	68,394
Utilities	26,200	22,929	3,271
Telephone	9,795	9,169	626
Training	950	127	823
All Other Expenses	80,381	75,764	4,617
Capital Outlay	<u>60,000</u>	<u>59,744</u>	<u>256</u>
	<u>1,670,506</u>	<u>1,556,841</u>	<u>113,665</u>
 Change in Fund Balance	 21,801	 223,621	 201,820
 Fund Balances at January 1, 2011	 <u>2,032,423</u>	 <u>2,032,423</u>	 <u>-</u>
 Fund Balances at December 31, 2011	 <u>\$ 2,054,224</u>	 <u>\$ 2,256,044</u>	 <u>\$ 201,820</u>

The accompanying notes are an integral part of this statement.

Miami Valley Communications Council
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
December 31, 2011

	<u>Agency Fund</u>
Assets	
Cash and Cash Equivalents	<u>\$ 47,820</u>
Liabilities	
Accounts Payable	28,280
Due to Tactical Crime Suppression Unit	<u>19,540</u>
	<u>\$ 47,820</u>

The accompanying notes are an integral part of this statement.

Miami Valley Communications Council
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

NOTE A – REPORTING ENTITY AND BASIS OF PRESENTATION

1. Description of the Entity

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

In 1975, the first six members shown above awarded identical franchises to Time Warner (formerly Media One) and, shortly thereafter the Council was formally established to administer those franchises. The Council is funded by franchise fees which the communications companies pay to the cities for the privilege of using the public rights-of-way. Under the terms of the franchise agreements, channel capacity is to be set aside on the communications system for community use. Managing the Community Access facility is a large part of the Council's responsibility for franchise administration.

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

2. Reporting Entity

The reporting entity is comprised of the primary unit government, component units, and other organizations that are included to insure that the financial statements of the Council are not misleading. The primary unit government consists of all funds, departments, boards, and agencies that are not legally separated from the Council.

Component units are legally separated organizations for which the Council is financially accountable. The Council is financially accountable for an organization if the Council appoints a voting majority of the organization's governing board and (1) the Council is able to significantly influence the program or services performed or provided by the organization; or (2) the Council is legally entitled to or can otherwise access the organization's resources; or (3) the Council is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Council is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Council to approve the budget, issue debt, or levy taxes for the organization. The Council does not have any component units included in its reporting entity.

Miami Valley Communications Council
NOTES TO BASIC FINANCIAL STATEMENTS - Continued
December 31, 2011

NOTE A – REPORTING ENTITY AND BASIS OF PRESENTATION - Continued

2. Reporting Entity - Continued

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Fund Accounting

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

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

For financial statement presentation purposes, the funds of the Council are classified in the governmental fund type.

Governmental Funds

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

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

Miami Valley Communications Council
NOTES TO BASIC FINANCIAL STATEMENTS - Continued
December 31, 2011

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1. Fund Accounting – Continued

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

2. Basis of Presentation

Government-wide Financial Statements

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the Council. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the Council.

Fund Financial Statements

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

Miami Valley Communications Council
NOTES TO BASIC FINANCIAL STATEMENTS - Continued
December 31, 2011

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. Basis of Presentation - Continued

Fund Financial Statements - Continued

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

Basis of Accounting

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

Revenues, Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Miami Valley Communications Council
NOTES TO BASIC FINANCIAL STATEMENTS - Continued
December 31, 2011

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. Basis of Presentation - Continued

Expenditures/Expenses

On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on 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 will be liquidated with current financial resources rather than in the period earned by employees.

3. Budgetary Process

The budgetary process is prescribed by provisions of the Council By-Laws and entails the preparation of budgetary documents within an established timetable. Expenditures and disbursements 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. The Council did not amend the budget during 2011; therefore only one budget column is presented on the budgetary statement.

4. Cash and Cash Equivalents

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

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

5. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011, 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.

Miami Valley Communications Council
NOTES TO BASIC FINANCIAL STATEMENTS - Continued
December 31, 2011

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Property and Equipment and Depreciation

Capital assets are reported in the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their market values as of the date received. The Council has established a capitalization threshold of \$1,000 per unit cost. The Council does not possess any infrastructure.

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

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

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>December 31</u>
Capital assets being depreciated				
Building and improvements	\$ 962,550	\$ 111,809	\$ -	\$1,074,359
Vehicles	111,204	-	-	111,204
Furniture and equipment	<u>1,984,493</u>	<u>59,744</u>	<u>(15,725)</u>	<u>2,028,512</u>
Total capital assets being depreciated	3,058,247	171,553	(15,725)	3,214,075
Less accumulated depreciation				
Building and improvements	(541,191)	(37,736)	-	(578,927)
Vehicles	(104,423)	(5,064)	-	(109,487)
Furniture and equipment	<u>(1,753,043)</u>	<u>(93,932)</u>	<u>15,725</u>	<u>(1,831,250)</u>
Total accumulated depreciation	<u>(2,398,657)</u>	<u>(136,732)</u>	<u>15,725</u>	<u>(2,519,664)</u>
Total capital assets being depreciated, net	659,590	34,821	-	694,411
Land not being depreciated	<u>123,170</u>	<u>-</u>	<u>-</u>	<u>123,170</u>
Total net capital assets	<u>\$ 782,760</u>	<u>\$ 34,821</u>	<u>\$ -</u>	<u>\$ 817,581</u>

Miami Valley Communications Council
 NOTES TO BASIC FINANCIAL STATEMENTS - Continued
 December 31, 2011

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

7. Compensated Absences

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

Employees may accumulate up to 2080 hours of sick leave. Upon retirement, an employee will be compensated for one-third of their accrued sick leave in excess of 400 hours at the current rate of pay.

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

	<u>Balance</u> <u>1/1/2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>12/31/2011</u>	<u>Due within</u> <u>One Year</u>
Compensated Absences	\$ 55,539	\$ -	\$ 5,905	\$ 49,634	\$ 12,409

8. Interfund Transactions

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

9. Advertising

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

10. Use of Estimates

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

Miami Valley Communications Council
NOTES TO BASIC FINANCIAL STATEMENTS - Continued
December 31, 2011

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

11. New Pronouncements

The GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54) effective for reporting periods after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of nonspendable and spendable resources. The Council has implemented GASB 54 in the current year financial statements and has disclosed information about fund balance reporting in a subsequent note on fund balance reporting.

NOTE C – RELATED PARTY TRANSACTIONS

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

NOTE D – DEPOSITS AND INVESTMENTS

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

1. Deposits

At year-end, the carrying amount of the Council's deposits was \$1,331,655 including \$200 of petty cash maintained on hand. The bank balance was \$1,332,904. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,082,904 was covered by pooled collateral held in the pledging banks' trust departments in the Council's name.

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

Miami Valley Communications Council
 NOTES TO BASIC FINANCIAL STATEMENTS - Continued
 December 31, 2011

NOTE D – DEPOSITS AND INVESTMENTS – Continued

2. Investments - Continued

Investments made by governmental entities are categorized to give an indication of the level of the risk assumed by the entity at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the Council or its agent in the Council's name. Category 2 includes uninsured or unregistered investments which are held by the counterparty's trust department or agent in the Council's name. Category 3 includes uninsured or unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Council's name.

The Council's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified since they are not evidenced by securities that exist in physical or book entry form. The Council's investments at year end were limited to STAR Ohio. The carrying value and the market value of these investments at December 31, 2011, was \$763,196.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2011.

	Cash and cash equivalents/deposits	Investments
Financial statements	\$ 2,094,851	\$ -
Investments		
Star Ohio	<u>(763,196)</u>	<u>763,196</u>
Note disclosure	<u>\$ 1,331,655</u>	<u>\$ 763,196</u>
Cash and Investments per Statement of Net Assets		
Government Activities		\$ 2,047,031
Agency Funds		<u>47,820</u>
		<u>\$ 2,094,851</u>

Miami Valley Communications Council
NOTES TO BASIC FINANCIAL STATEMENTS - Continued
December 31, 2011

NOTE D – DEPOSITS AND INVESTMENTS – Continued

2. Investments - Continued

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

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

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

NOTE E – FUND BALANCE REPORTING

The Council has adopted GASB 54 as part of its 2011 fiscal year reporting. Implementation of GASB 54 is required for fiscal years beginning after June 15, 2010. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Council's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major 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 \$10,632 in prepaid expenses that were considered nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

Miami Valley Communications Council
NOTES TO BASIC FINANCIAL STATEMENTS - Continued
December 31, 2011

NOTE E –FUND BALANCE REPORTING - Continued

The Council has classified its fund balances with the following hierarchy:

Spendable: The Council has classified the spendable fund balances as Assigned and Unassigned and considered each to have been spent when expenditures are incurred. The Council currently has no funds classified as *Restricted* or *Committed*.

Assigned to Gov-Tech: Gov-Tech is a group of the member city managers who explore the use of new technology and investigates potential joint projects for the member cities. To fund this activity, the Governing Council has designated ten (10) percent of the annual cable franchise fees revenue be allocated towards this activity. Unspent resources of the Gov-Tech activity carry forward to the next year to provide funding for future initiatives, however, if the Governing Council deems the accumulated resources to be excessive, a portion may be returned to the Council's undesignated general fund balance. At year end, the assigned balance for Gov-Tech was \$127,103.

Assigned to building improvements: The Council has set aside certain spendable fund balance for building improvements. At year end, the assigned balance for building improvements was \$39,373 which includes \$20,932 for outstanding encumbrances.

Assigned to contingency reserve: The Governing Council has designated certain funds within the General Fund to be used for a contingency reserve. The reserve was initially funded with a designation of \$420,000 by the Governing Council. The purpose of this reserve was to provide a source of funding should the Council experience any significant decrease in its revenue sources. In 1997, the Governing Council approved a limit for the Contingency Reserve at an amount not to exceed \$600,000 and that any cash in excess of that limit be used for future building improvements. As such, all interest earned on the Contingency Reserve funds during 2011 (\$418) was allocated to the Building Improvement Fund. At year end, the assigned balance for the contingency reserve was \$600,000.

Unassigned: The unassigned fund balance for the General Fund was \$1,528,941.

NOTE F – PENSION PLAN

The Council participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings. The Combined Plan is a cost-sharing,

Miami Valley Communications Council
NOTES TO BASIC FINANCIAL STATEMENTS - Continued
December 31, 2011

NOTE F – PENSION PLAN - Continued

multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by Chapter 145 of the ORC. OPERS issues a stand alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling 614-222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. The 2011 member contribution rates were 10.00%. The 2011 employer contribution rate for local government employer units was 14.00% of covered payroll.

The Council's contributions for pension obligations to the Traditional, Combined and Member-Directed Plans for the fiscal years ended December 31, 2011, 2010, and 2009, were \$111,506, \$113,022, and \$109,653, respectively; 100% has been contributed each year respectively.

NOTE G - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

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

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

Miami Valley Communications Council
NOTES TO BASIC FINANCIAL STATEMENTS - Continued
December 31, 2011

NOTE G - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

Plan Description - Continued

In order to qualify for post-employment health coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. 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 45.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

Funding policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.00% of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Miami Valley Communications Council
NOTES TO BASIC FINANCIAL STATEMENTS - Continued
December 31, 2011

NOTE G - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

Funding Policy – Continued

The Council’s contributions for health care for the fiscal years ended December 31, 2011, 2010, and 2009 were \$31,857, \$41,121 and \$46,231, respectively: 100% has been contributed for each year respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

NOTE H - REVENUES

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

NOTE 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.

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the Miami Valley Communications Council, (the Council), as of and for the year ended December 31, 2011, which collectively comprise the Council's basic financial statements as listed in the table of contents and have issued our report thereon dated June 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Council is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we considered to be significant deficiencies in internal control over financial reporting. The significant deficiencies are described in the accompanying schedule of findings and responses as items 2011-001 and 2011-002. 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.

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Compliance and Other Matters

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

We noted a certain matter that we reported to management of the Council in a separate letter dated June 5, 2012.

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

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

A handwritten signature in cursive script that reads "Clark, Schaefer, Hackett & Co.".

Springfield, Ohio
June 5, 2012

Finding Number 2011-001: Segregation of Duties

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

Management response:

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

Finding Number 2011-002: Financial Reporting

During the 2011, audit adjustments and additional footnote disclosure information were necessary to accurately report the amounts on the financial statements and related notes. Audit adjustments are an indication that controls over financial reporting are deficient in design or not operating as intended. Audit adjustments and additional required documentation was necessary to correct the following items presented within the financial statements and related notes:

- Implementation of GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The requirements of this Statement were effective for financial statements for periods beginning after June 15, 2010. Adjustments were necessary to properly classify and report amounts in the appropriate fund balance classifications in accordance with the Council's accounting policies that were used to determine whether restricted, committed, assigned, and unassigned amounts were considered to have been spent. It was also necessary to include proper disclosure of the policies in the notes to the financial statements.
- To reduce capital asset balance and related accounts payable on a building improvement project for work that did not commence until subsequent to year end.

The Council should develop internal control procedures over financial reported which would ensure all financial statements amounts and related disclosures are recorded and presented properly.

Management Response: *The Council acknowledges the audit adjustments needed for 2011 and will work to ensure such adjustments are not necessary for future years.*

Finding Number 2010-001: Segregation of Duties

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

Status: Repeated for 2011



At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success

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Dave Yost • Auditor of State

MIAMI VALLEY COMMUNICATIONS COUNCIL

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 07, 2012**