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

Basic Financial Statements

December 31, 2012

(With Independent Auditors' Report)



Dave Yost • Auditor of State

Board of Trustees
Miami Valley Communications Council
1195 East Alex 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, 2012 through December 31, 2012. 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

June 10, 2013

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

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, 2012, 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 the preparation and fair presentation of these financial statements in accordance with account accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the presentation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

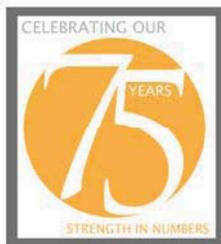
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued 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 from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of the governmental activities, each major fund, and the remaining fund information of the Council as of December 31, 2012, and the respective changes in net position and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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Emphasis of Matters

Change in Accounting Principles

As described in Note B (12), during the year ended December 31, 2012, the Council adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2013 on our consideration of the Council's internal control over financial reporting and on our tests of 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 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.



Springfield, Ohio
May 22, 2013

Miami Valley Communications Council
Montgomery County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

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, 2012. 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 2012 are as follows:

- Total net position increased \$162,231 in 2012, which represents a 5.3% increase from 2011, as a result of an increase in franchise fees.
- Total assets increased \$160,029 which represents a 4.7% 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 2012.
- The change in net position reported for 2012 was \$162,231 compared to the \$161,241 change in net position reported for 2011.

Overview of the Financial Statements

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

Government-wide financial statements

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

The statement of net position presents information on all of the Council's assets and liabilities, with the difference between the two 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 9-10 of this report.

Miami Valley Communications Council
Montgomery County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

Fund Financial Statements

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

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

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

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

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

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

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

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-27 of this report.

Miami Valley Communications Council
Montgomery County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

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 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 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 2012 compared with 2011.

TABLE 1
NET POSITION

	2012	2011
ASSETS		
Current and other assets	\$ 2,767,864	\$ 2,584,130
Property and equipment, net	793,876	817,581
Total assets	3,561,740	3,401,711
LIABILITIES		
Current liabilities	278,560	288,713
Long-term liabilities	57,585	49,634
Total liabilities	336,145	338,347
NET POSITION		
Net investment in capital assets	793,876	817,581
Unrestricted	2,431,719	2,245,783
Total net position	\$ 3,225,595	\$ 3,063,364

Miami Valley Communications Council
Montgomery County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

Total net position of the Council increased by \$161,231 or 5.3%. The increase in total net position from 2011 is due to a six percent increase in franchise fees. Total liabilities reported at December 31, 2012 decreased by \$2,202 from the amount reported at December 31, 2011.

As noted in Table 1 above, reported unrestricted net position at December 31, 2012 increased from amounts reported at December 31, 2011. Unrestricted net position increased by \$185,936 during 2012.

The decrease of \$23,705 in net position invested in capital assets results from recognizing current year acquisitions of \$107,741 less current year depreciation of \$128,198 and loss on disposal of assets of \$3,248.

Table 2 shows the change in net position for the year ended December 31, 2012, as well as revenue and expense comparisons to 2011.

TABLE 2
STATEMENTS OF ACTIVITIES

	<u>2012</u>	<u>2011</u>
Cable operations expenses:		
Personnel	\$ 797,935	\$ 808,237
Fringe benefits	267,259	246,920
Other purchased services	371,491	332,002
Material and supplies	38,110	28,269
Depreciation	128,198	136,732
Other expenses	<u>68,611</u>	<u>75,764</u>
Total Expenses	<u>1,671,604</u>	<u>1,627,924</u>
 Program revenues:		
Charges for services	67,254	86,325
 General revenues:		
Franchise fees - net of rebates	1,743,528	1,634,898
Other operating revenues	21,367	25,091
Insurance reimbursements	-	41,682
Interest income	<u>1,686</u>	<u>1,169</u>
Total general revenues	<u>1,766,581</u>	<u>1,702,840</u>
Total revenues	<u>1,833,835</u>	<u>1,789,165</u>
 Change in net position	162,231	161,241
 Net position, beginning of year	<u>3,063,364</u>	<u>2,902,123</u>
Net position, end of year	\$ <u>3,225,595</u>	\$ <u>3,063,364</u>

Miami Valley Communications Council
Montgomery County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

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 2012 was due to a significant increase in the amount remitted by AT&T to the Council. Over the past two years, AT&T remittance amounts have steadily increased as the company continually makes strong gains of market share in the various communities. In 2012, that trend continued as the number of customers utilizing AT&T's services over the internet increased along with the franchise fees received by the Council.

Depreciation expense decreased from 2011 due to certain assets becoming fully depreciated in 2012. Salaries decreased due to reduction in part-time positions. Fringe benefits increased due to increase in employee health insurance premiums.

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 \$2,489,304, an increase of \$193,887 in comparison with the prior year. The unassigned general fund balance of \$1,668,414 is available for spending at the Council's discretion.

General Fund

The general fund has a total fund balance of \$2,426,243. The general fund increased by \$170,199 from the prior year due to a significant increase in franchise fees.

Miami Valley Communications Council
Montgomery County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

Building Improvement Fund

The building improvement fund has a total fund balance of \$63,061. The building improvement fund increased by \$23,688 from the prior year due to a \$50,000 transfer from general fund offset by 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 and the actual results were relatively minor. The reported \$118,892 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.

Capital Assets

At December 31, 2012, the property and equipment of the Council of \$3,378,213 offset by \$2,584,337 in accumulated depreciation results in net property and equipment of \$793,876. The \$23,705 decrease in total net property and equipment is due to current year depreciation expense of \$128,198 combined with \$72,092 of equipment purchases and \$35,649 of building improvements made during 2012, including a loss on disposal of property of \$3,248 for the damaged roof replaced during 2012.

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 POSITION
December 31, 2012

ASSETS

Cash and Cash Equivalents	\$	2,213,230
Accounts Receivable:		
Time Warner Cable Western Ohio		441,126
AT&T		101,493
Other		754
Prepaid Expenses		11,261
Capital Assets:		
Nondepreciable		123,170
Depreciable, Net of Accumulated Depreciation		<u>670,706</u>
Total Assets		<u>3,561,740</u>

LIABILITIES

Accounts Payable		22,815
Accrued Wages and Benefits		39,285
Due to Other Governments		216,460
Long-term Liabilities		
Due Within One Year		14,396
Due in More Than One Year		<u>43,189</u>
Total Liabilities		<u>336,145</u>

NET POSITION

Net Investment in Capital Assets		793,876
Unrestricted		<u>2,431,719</u>
Total Net Position	\$	<u><u>3,225,595</u></u>

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

Miami Valley Communications Council
STATEMENT OF ACTIVITIES
Year ended December 31, 2012

	Expenses	Charges for Services	Net (Expense) Revenue And Changes in Governmental Activities
OPERATING EXPENSES			
Personnel	\$ (797,935)	\$ -	\$ (797,935)
Fringe Benefits	(267,259)	-	(267,259)
Supplies	(38,110)	-	(38,110)
Maintenance	(41,958)	-	(41,958)
Contractual	(293,983)	67,254	(226,729)
Depreciation	(128,198)	-	(128,198)
Utilities	(20,449)	-	(20,449)
Telephone	(9,387)	-	(9,387)
Training & Seminars	(5,714)	-	(5,714)
All Other Expenses	(65,363)	-	(65,363)
Loss on Disposal of Capital Assets	(3,248)	-	(3,248)
	<u>(1,671,604)</u>	<u>67,254</u>	<u>(1,604,350)</u>
 GENERAL REVENUES			
Franchise Fees - Net of Rebates			1,743,528
Interest Income			1,686
Other Income			<u>21,367</u>
Total General Revenues			<u>1,766,581</u>
Change in Net Position			162,231
Net Position - Beginning			<u>3,063,364</u>
Net Position - Ending			<u>\$ 3,225,595</u>

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

Miami Valley Communications Council
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012

	General Fund	Building Improvement Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and Cash Equivalents	\$ 2,150,169	63,061	2,213,230
Accounts Receivable:			
Time Warner Cable Western Ohio	441,126	-	441,126
AT&T	101,493	-	101,493
Other	754	-	754
Prepaid Expenses	<u>11,261</u>	<u>-</u>	<u>11,261</u>
Total Assets	<u>\$ 2,704,803</u>	<u>63,061</u>	<u>2,767,864</u>
Liabilities			
Accounts Payable	\$ 22,815	-	22,815
Accrued Wages and Benefits	39,285	-	39,285
Due to Other Governments	<u>216,460</u>	<u>-</u>	<u>216,460</u>
Total Liabilities	<u>278,560</u>	<u>-</u>	<u>278,560</u>
Fund Balances			
Nonspendable:			
Prepaid Expenses	11,261	-	11,261
Assigned to:			
Gov-Tech	146,568	-	146,568
Building Improvements	-	63,061	63,061
Contingency Reserve	600,000	-	600,000
Unassigned	<u>1,668,414</u>	<u>-</u>	<u>1,668,414</u>
Total Fund Balances	<u>2,426,243</u>	<u>63,061</u>	<u>2,489,304</u>
Total Liabilities and Fund Balances	<u>\$ 2,704,803</u>	<u>63,061</u>	<u>2,767,864</u>

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

Miami Valley Communications Council
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
December 31, 2012

Total Governmental Fund Balances	\$ 2,489,304
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	793,876
Compensated absences are not liquidated with current financial resources and therefore are not reported in the funds. However, on the full accrual basis of account, statement of net position, they are reported as long-term liabilities.	<u>(57,585)</u>
Net Position of Governmental Activities	\$ <u><u>3,225,595</u></u>

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

Miami Valley Communications Council
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
December 31, 2012

	<u>General Fund</u>	<u>Building Improvement Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Franchise Fees - Net of Rebates	\$ 1,743,528	-	1,743,528
Training Income	8,465	-	8,465
Interest Income	1,261	425	1,686
Other Income	<u>75,089</u>	<u>1,818</u>	<u>76,907</u>
Total Revenues	1,828,343	2,243	1,830,586
Expenditures			
Personnel	797,935	-	797,935
Fringe Benefits	259,308	-	259,308
Supplies	38,110	-	38,110
Maintenance	41,958	-	41,958
Contractual	293,983	-	293,983
Utilities	20,449	-	20,449
Telephone	9,387	-	9,387
Training & Services	5,714	-	5,714
All Other Expenses	65,363	-	65,363
Capital Outlay	<u>75,937</u>	<u>28,555</u>	<u>104,492</u>
Total Expenditures	<u>1,608,144</u>	<u>28,555</u>	<u>1,636,699</u>
Excess (deficiency) of revenues over expenditures	220,199	(26,312)	193,887
Other Financing Sources (Uses)			
Transfers in	-	50,000	50,000
Transfers out	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>50,000</u>	<u>-</u>
Net Change in Fund Balances	170,199	23,688	193,887
Fund Balances at January 1, 2012	<u>2,256,044</u>	<u>39,373</u>	<u>2,295,417</u>
Fund Balances at December 31, 2012	\$ <u>2,426,243</u>	<u>63,061</u>	<u>2,489,304</u>

The notes to the financial statements 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, 2012

Net Change in Fund Balances - Total Governmental Funds	\$	193,887
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>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:</p>		
Capital asset additions	\$	107,741
Current year depreciation		(128,198)
		(20,457)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, donations) is to decrease net assets:</p>		
Loss on disposal of capital assets		(3,248)
<p>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.</p>		
		(7,951)
Change in Net Position of Governmental Activities	\$	162,231

The notes to the financial statements 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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues				
Franchise Fees -				
Net of Rebates	\$ 1,624,636	\$ 1,624,636	\$ 1,743,528	\$ 118,892
Training Income	27,500	27,500	8,465	(19,035)
Interest Income	400	400	1,261	861
Other Income	<u>76,293</u>	<u>76,293</u>	<u>75,089</u>	<u>(1,204)</u>
Total Revenues	1,728,829	1,728,829	1,828,343	99,514
Expenditures				
Personnel	779,861	784,861	797,935	(13,074)
Fringe Benefits	284,935	284,935	259,308	25,627
Supplies	29,760	29,760	38,110	(8,350)
Maintenance	48,930	48,930	41,958	6,972
Contractual	304,275	304,275	293,983	10,292
Utilities	24,600	24,600	20,449	4,151
Telephone	9,950	9,950	9,387	563
Training & Services	9,900	9,900	5,714	4,186
All Other Expenses	72,633	72,633	65,363	7,270
Capital Outlay	<u>85,000</u>	<u>85,000</u>	<u>75,937</u>	<u>9,063</u>
Total Expenditures	<u>1,649,844</u>	<u>1,654,844</u>	<u>1,608,144</u>	<u>46,700</u>
Excess (deficiency) of revenues over expenditures	78,985	73,985	220,199	146,214
Other Financing Sources (Uses)				
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net Change in Fund Balances	28,985	23,985	170,199	146,214
Fund Balances at January 1, 2012	<u>2,256,044</u>	<u>2,256,044</u>	<u>2,256,044</u>	<u>-</u>
Fund Balances at December 31, 2012	\$ <u>2,285,029</u>	\$ <u>2,280,029</u>	\$ <u>2,426,243</u>	\$ <u>146,214</u>

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

Miami Valley Communications Council
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
December 31, 2012

	<u>Agency Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>44,416</u>
LIABILITIES	
Accrued Wages and Benefits	36,433
Due to Other Governments	<u>7,983</u>
Total Liabilities	\$ <u><u>44,416</u></u>

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

Miami Valley Communications Council
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE A – REPORTING ENTITY AND BASIS OF PRESENTATION

1. Description of the Entity

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

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

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

2. Reporting Entity

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

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

The financial statements of the Council have been prepared in conformity with General Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Council's accounting policies are described below.

Miami Valley Communications Council
NOTES TO BASIC FINANCIAL STATEMENTS – Continued
December 31, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Fund Accounting

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

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

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

Governmental Funds

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

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

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

2. Basis of Presentation

Government-wide Financial Statements

The statement of net 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.

Miami Valley Communications Council
NOTES TO BASIC FINANCIAL STATEMENTS – Continued
December 31, 2012

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 investment earnings.

Miami Valley Communications Council
NOTES TO BASIC FINANCIAL STATEMENTS – Continued
December 31, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2. Basis of Presentation – Continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position may report a separate section for deferred outflows of resources and/or deferred inflows 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. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. At December 31, 2012, the Council does not report any amounts which would be classified as deferred outflows or deferred inflows of resources.

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 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.

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, 2012, 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, 2012

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 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 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.

	Balance <u>January 1</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>December 31</u>
Capital assets being depreciated				
Building and improvements	\$ 1,074,359	\$ 35,649	\$ (14,922)	\$ 1,095,086
Vehicles	111,204	-	-	111,204
Furniture and equipment	<u>2,028,512</u>	<u>72,092</u>	<u>(51,851)</u>	<u>2,048,753</u>
Total capital assets being depreciated	3,214,075	107,741	(66,773)	3,255,043
Less accumulated depreciation				
Building and improvements	(578,927)	(42,340)	11,674	(609,593)
Vehicles	(109,487)	(1,718)	-	(111,205)
Furniture and equipment	<u>(1,831,250)</u>	<u>(84,140)</u>	<u>51,851</u>	<u>(1,863,539)</u>
Total accumulated depreciation	<u>(2,519,664)</u>	<u>(128,198)</u>	<u>63,525</u>	<u>(2,584,337)</u>
Total capital assets being depreciated, net	694,411	(20,457)	(3,248)	670,706
Land not being depreciated	<u>123,170</u>	<u>-</u>	<u>-</u>	<u>123,170</u>
Total net capital assets	\$ <u>817,581</u>	\$ <u>(20,457)</u>	\$ <u>(3,248)</u>	\$ <u>793,876</u>

Miami Valley Communications Council
 NOTES TO BASIC FINANCIAL STATEMENTS – Continued
 December 31, 2012

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.

	Balance 1/1/2012	Increase	Decrease	Balance 12/31/2012	Due within One Year
Compensated Absences	\$ 49,634	\$ 7,951	\$ -	\$ 57,585	\$ 14,396

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.

During 2012, the General Fund transferred \$50,000 of unrestricted revenues to the Building Improvement Fund to finance the Council's capital outlay program in accordance with Council approved budgetary authorizations.

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, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

11. Fund Balance

The Council has 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 \$11,261 in prepaid expenses 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 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.

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 unassigned general fund balance. At year end, the assigned balance for Gov-Tech was \$146,568.

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 \$63,061.

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 2012 (\$425) 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 \$1,668,414

Miami Valley Communications Council
NOTES TO BASIC FINANCIAL STATEMENTS – Continued
December 31, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

12. New Pronouncements

The GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (GASB 63) effective for reporting periods after December 15, 2011. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The Council has implemented GASB 63 in the current year financial statements and has made the required changes to the format and reporting of the balance sheet at the government-wide level and also at the fund level.

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 \$1,493,868 including \$200 of petty cash maintained on hand. The bank balance was \$1,493,980. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,243,980 was covered by pooled collateral held in the pledging banks' trust departments in the Council's name.

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

2. Investments

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

The Council's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified since they are not evidenced by securities that exist in physical or book entry form. The Council's investments at year end were limited to STAR Ohio. The carrying value and the market value of these investments at December 31, 2012, was \$763,778.

Miami Valley Communications Council
 NOTES TO BASIC FINANCIAL STATEMENTS – Continued
 December 31, 2012

NOTE D – DEPOSITS AND INVESTMENTS – Continued

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, 2012.

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.

	Cash and cash equivalents/deposits	Investments
Financial statements	\$ 2,257,646	\$ -
Investments		
Star Ohio	<u>(763,778)</u>	<u>763,778</u>
Note disclosure	<u>\$ 1,493,868</u>	<u>\$ 763,778</u>
Cash and cash equivalents per Statement of Net Position		
Government Activities		\$ 2,213,230
Agency Funds		<u>44,416</u>
		<u>\$ 2,257,646</u>

NOTE E – PENSION PLAN

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

Miami Valley Communications Council
NOTES TO BASIC FINANCIAL STATEMENTS – Continued
December 31, 2012

NOTE E – PENSION PLAN – Continued

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 2012, member and employer contribution rates were consistent across all three plans. The 2012 member contribution rates were 10.00%. The 2012 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, 2012, 2011, and 2010, were \$115,498, \$111,506 and \$113,022, respectively; 100% has been contributed each year respectively.

NOTE F - 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.

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.

Miami Valley Communications Council
NOTES TO BASIC FINANCIAL STATEMENTS – Continued
December 31, 2012

NOTE F - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

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 2012, 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 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. 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.

The Council's contributions for health care for the fiscal years ended December 31, 2012, 2011, and 2010 were \$32,998, \$31,857 and \$41,121, respectively: 100% has been contributed for each year respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

NOTE G – 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 H – 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.

**INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of Miami Valley Communications Council (the Council), for the year ended December 31, 2012, and related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated May 22, 2013, wherein we noted the Council adopted the provisions of GASB Statement No. 63.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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. 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 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 a deficiency in internal control over financial reporting described in the accompanying schedule of findings and responses as item 2012-001 that we considered to be a significant deficiency in internal control over financial reporting. 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 from 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*

Council's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Springfield, Ohio
May 22, 2013

Finding Number 2012-001: 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. In addition, currently the Executive Director approves his own leave of absence forms.

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. We also suggest the Council implement a review of the Executive Director's leave forms prior to payroll being processed.

Management response:

The Council continues to implement review and monitoring controls in areas where one individual performs all the duties with the accounting cycle to mitigate the risk.

Finding Number 2011-001: Segregation of Duties

During 2011, there were 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.

Status: Repeated for 2012

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 were required to properly classify and report amounts in the appropriate fund balance classification based on GASB Statement No. 54 as well as to reduce the capital asset balance for a project that was not started in 2011.

Status: No audit adjustments were required in 2012



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



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
JUNE 25, 2013**