



Dave Yost • Auditor of State

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami Valley Communications Council, Montgomery County, Ohio (the Council), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Miami Valley Communications Council, Montgomery County, Ohio, as of December 31, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2015, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

October 15, 2015

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

This discussion and analysis of the Miami Valley Communications Council's (the Council) financial performance provides an overall review of the financial activities for the year ended December 31, 2014. 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 2014 are as follows:

- Total net position increased \$200,177 in 2014, which represents a 6.1% increase from 2013; this increase is \$123,747 more than the increase reported in the prior year.
- Total assets increased \$220,807 which represents a 6.1% increase from the prior year. The increase is primarily due to an increase in cash as a result of current year Council operations.
- The change in net position reported for 2014 was \$200,177 compared to the \$76,430 change in net position reported for 2013. The increase in the change in net position was due to a decrease in personnel costs and a slight increase in charges for services revenue, partially offset by a 1% decrease franchise fees.

Overview of the Financial Statements

The Council's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements

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

The statement of net position presents information on all of the Council's assets 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**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)
(Continued)**

Fund Financial Statements

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

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

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

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

The Council adopts an annual appropriated budget for its general fund. A budgetary comparison 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 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 17-28 of this report.

Government-wide Financial Analysis

Statement of Net Position

The statement of net position answers the question, "How did we do financially during the year?" This statement includes all assets 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.

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)
(Continued)**

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 2014 compared with 2013 amounts.

**Table 1
Net Position**

| | 2014 | 2013 |
|----------------------------------|--------------------|--------------------|
| Assets: | | |
| Current and other assets | \$3,037,814 | \$2,809,310 |
| Capital assets, net | 792,193 | 799,890 |
| Total Assets | 3,830,007 | 3,609,200 |
| Liabilities: | | |
| Current Liabilities | 279,999 | 265,003 |
| Long-term Liabilities | 50,043 | 44,409 |
| Total Liabilities | 330,042 | 309,412 |
| Net Position: | | |
| Net Investment in Capital Assets | 792,193 | 799,890 |
| Unrestricted | 2,707,772 | 2,499,898 |
| Total Net Position | \$3,499,965 | \$3,299,788 |

Total net position of the Council increased by \$200,177 or 6.1%. The increase in total net position from 2013 is a result of a decrease in expenses primarily due to lower personnel costs and related fringe benefits. Total liabilities reported at December 31, 2014 increased by \$20,630 from the amount reported at December 31, 2013 due to timing differences.

As noted in Table 1 above, unrestricted net position increased by \$207,874 from amounts reported at December 31, 2013.

The decrease of \$7,697 in net position invested in capital assets results from recognizing current year acquisitions of \$115,983 less current year depreciation of \$123,680.

Table 2 shows the change in net position for the year ended December 31, 2014, as well as revenue and expense comparisons to 2013.

**Table 2
Statement of Activities**

| | 2014 | 2013 |
|-----------------------------------|------------------|------------------|
| Cable Operations Expenses: | | |
| Personnel | \$745,407 | \$831,332 |
| Fringe Benefits | 235,431 | 245,513 |
| Other Purchases Services | 405,055 | 424,653 |
| Material and Supplies | 35,258 | 34,062 |
| Depreciation | 123,680 | 122,405 |
| Other Expenses | 66,467 | 65,268 |
| Total Expenses | 1,611,298 | 1,723,233 |

(Continued)

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)
(Continued)**

**Table 2
Statement of Activities
(Continued)**

| | <u>2014</u> | <u>2013</u> |
|---------------------------------|--------------------|--------------------|
| Program Revenues: | | |
| Charges for Services | 75,939 | 62,523 |
| General Revenues: | | |
| Franchise fees | 1,699,979 | 1,709,443 |
| Other Income | 34,728 | 26,764 |
| Interest Income | 829 | 933 |
| Total General Revenues | <u>1,735,536</u> | <u>1,727,140</u> |
| Total Revenues | <u>1,811,475</u> | <u>1,799,663</u> |
| Changes in Net Position | 200,177 | 76,430 |
| Net Position, Beginning of Year | <u>3,299,788</u> | <u>3,223,358</u> |
| Net Position, End of Year | <u>\$3,499,965</u> | <u>\$3,299,788</u> |

The decrease in franchise fee revenue reported for 2014 was due to a decrease in the amount remitted by Time Warner to the Council. However, over the past three years, AT&T remittance amounts have steadily increased as the company continually makes strong gains of market share in the various communities. In 2014, 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 remained consistent with the amount from 2013. Salaries expense decreased from 2013 as the Council replaced retirees with new employees earning at a lower rate and not replacing other retirees by allocating job duties to other employees. Fringe benefit expenses decreased 4.1% from the prior year due to a decrease in salaries and wages from the prior year.

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 \$2,757,815, an increase of \$213,509 in comparison with the prior year. The unassigned general fund balance of \$2,007,802 is available for spending at the Council's discretion.

General Fund

The general fund has a total fund balance of \$2,627,280. The general fund increased by \$163,287 in comparison to prior year due to lower personnel costs reported for 2014.

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)
(Continued)**

Building Improvement Fund

The building improvement fund has a total fund balance of \$130,535. The building improvement fund increased by \$50,222 from the prior year due to a \$50,000 transfer from general fund and interest earned on cash held at a financial institution.

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. The most significant budgeted fund is the General Fund.

The reported \$44,725 variance of actual revenues over budgeted revenues for franchise fees was due to a decrease in the total number of subscribers which is consistent with the national trend of users opting to access video programming online. Additionally, the reported variance of personnel and fringe benefits under the budgeted amounts of \$64,481 and 56,427, respectively, was due to the Council replacing retirees with new employees earning at a lower rate and not replacing other retirees by allocating job duties to other employees.

Capital Assets

At December 31, 2014, the capital assets of the Council of \$2,991,560 offset by \$2,199,367 in accumulated depreciation results in net capital assets of \$792,193. The \$7,697 decrease in total net capital assets is due to current year depreciation expense of \$123,680 combined with \$92,885 of equipment purchases, a \$21,323 vehicle purchase and \$1,775 of building improvements made during 2014.

See Note 2F 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

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**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**STATEMENT OF NET POSITION
DECEMBER 31, 2014**

| | |
|--|--------------------|
| Assets: | |
| Cash and Cash Equivalents | \$2,477,603 |
| Accounts Receivable: | |
| Time Warner Cable Western Ohio | 395,047 |
| AT&T | 144,386 |
| Other | 1,300 |
| Prepaid Expenses | 19,478 |
| Capital Assets: | |
| Non-depreciable | 123,170 |
| Depreciable, Net of Accumulated Depreciation | 669,023 |
| Total Assets | <u>3,830,007</u> |
| Liabilities: | |
| Accounts Payable | 32,706 |
| Accrued Wages and Benefits | 33,492 |
| Due to Other Governments | 213,801 |
| Long-term Liabilities: | |
| Due Within One Year | 12,511 |
| Due in More Than One Year | 37,532 |
| Total Liabilities | <u>330,042</u> |
| Net Position: | |
| Net Investment in Capital Assets | 792,193 |
| Unrestricted | 2,707,772 |
| Total Net Position | <u>\$3,499,965</u> |

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

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014**

| | Net (Expense) Revenue and Changes in | | |
|------------------------------|---|---------------------------------|------------------------------------|
| | Expenses | Charges for Services | Governmental Activities |
| Operating Expenses: | | | |
| Personnel | (\$745,407) | | (\$745,407) |
| Fringe Benefits | (235,431) | | (235,431) |
| Supplies | (35,258) | | (35,258) |
| Maintenance | (45,126) | | (45,126) |
| Contractual | (328,963) | \$75,939 | (253,024) |
| Depreciation | (123,680) | | (123,680) |
| Utilities | (20,378) | | (20,378) |
| Telephone | (7,990) | | (7,990) |
| Training & Seminars | (2,598) | | (2,598) |
| All Other Expenses | (66,467) | | (66,467) |
| | (1,611,298) | 75,939 | (1,535,359) |
| General Revenues: | | | |
| Franchise Fees | | | 1,699,979 |
| Interest Income | | | 829 |
| Other Income | | | 34,728 |
| | | | 1,735,536 |
| Change in Net Position | | | 200,177 |
| Net Position – Beginning | | | 3,299,788 |
| Net Position – Ending | | | \$3,499,965 |

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

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**BALANCE SHEET GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

| | General Fund | Building Improvement Fund | Total Governmental Activities |
|-------------------------------------|-------------------------|--|--|
| Assets: | | | |
| Cash and Cash Equivalents Accounts | \$2,347,068 | \$130,535 | \$2,477,603 |
| Receivable: | | | |
| Time Warner Cable Western Ohio | 395,047 | | 395,047 |
| AT&T | 144,386 | | 144,386 |
| Other | 1,300 | | 1,300 |
| Prepaid Expenses | 19,478 | | 19,478 |
| Total Assets | 2,907,279 | 130,535 | 3,037,814 |
| Liabilities: | | | |
| Accounts Payable | 32,706 | | 32,706 |
| Accrued Wages and Benefits | 33,492 | | 33,492 |
| Due to Other Governments | 213,801 | | 213,801 |
| | 279,999 | | 279,999 |
| Fund Balances | | | |
| Non-Spendable: | | | |
| Prepaid Expenses | 19,478 | | 19,478 |
| Committed for: | | | |
| Building Improvements | | 130,535 | 130,535 |
| Contingency Reserve | 600,000 | | 600,000 |
| Unassigned | 2,007,802 | | 2,007,802 |
| Total Fund Balances | 2,627,280 | 130,535 | 2,757,815 |
| Total Liabilities and Fund Balances | \$2,907,279 | \$130,535 | \$3,037,814 |

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

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

| | |
|--|--------------------|
| Total Governmental Fund Balances | \$2,757,815 |
| 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 | 792,193 |
| Compensated absences are not reported in the funds until they become due for payment as the result of an employee's resignation or retirement. However, on the full accrual basis of accounting, statement of net position, they are reported as long-term liabilities. | <u>(50,043)</u> |
| Net Position of Governmental Activities | <u>\$3,499,965</u> |

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

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014**

| | <u>General Fund</u> | <u>Building Improvement Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|--|---|
| Revenues: | | | |
| Franchise Fees | \$1,699,979 | | \$1,699,979 |
| Training Income | 8,466 | | 8,466 |
| Interest Income | 607 | \$222 | 829 |
| Other Income | 102,202 | | 102,202 |
| | <u>1,811,254</u> | <u>222</u> | <u>1,811,476</u> |
| Expenditures Current: | | | |
| Personnel | 745,407 | | 745,407 |
| Fringe Benefits | 229,797 | | 229,797 |
| Supplies | 35,258 | | 35,258 |
| Maintenance | 45,126 | | 45,126 |
| Contractual | 328,963 | | 328,963 |
| Utilities | 20,378 | | 20,378 |
| Telephone | 7,990 | | 7,990 |
| Training & Services | 2,598 | | 2,598 |
| All Other Expenditures | 66,467 | | 66,467 |
| Capital Outlay | 115,983 | | 115,983 |
| | <u>1,597,967</u> | | <u>1,597,967</u> |
| Excess (deficiency) of revenues Over expenditures | 213,287 | 222 | 213,509 |
| Other Financing Sources (Uses): | | | |
| Transfers in | | 50,000 | 50,000 |
| Transfers out | (50,000) | | (50,000) |
| Total Other Financing Sources (Uses) | <u>(50,000)</u> | <u>50,000</u> | |
| Net Change in Fund Balances | 163,287 | 50,222 | 213,509 |
| Fund Balances at January 1, 2014 | <u>2,463,993</u> | <u>80,313</u> | <u>2,544,306</u> |
| Fund Balances at December 31, 2014 | <u>\$2,627,280</u> | <u>\$130,535</u> | <u>\$2,757,815</u> |

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

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014**

Net Change in Fund Balances – Total Governmental Funds \$213,509

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

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

| | | |
|---------------------------|------------------|---------|
| Capital Asset Additions | \$115,983 | |
| Current year depreciation | <u>(123,680)</u> | (7,697) |

Some expenses reported in the statement of activities, such as compensated
absences payable, are not reported until due for payment and therefore are not
reported as expenditures in governmental funds.

(5,635)

Change in Net Position of Governmental Activities

\$200,177

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

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31, 2014**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|----------------------------|-------------------------|--------------------|------------------|
| Revenues: | | | | |
| Franchise Fees | \$1,744,704 | \$1,744,704 | \$1,699,979 | (\$44,725) |
| Training Income | 2,500 | 2,500 | 8,466 | 5,966 |
| Interest Income | 745 | 745 | 607 | (138) |
| Other Income | 75,500 | 75,500 | 102,202 | 26,702 |
| | <u>1,823,449</u> | <u>1,823,449</u> | <u>1,811,254</u> | <u>(12,195)</u> |
| Expenditures: | | | | |
| Personnel | 809,888 | 809,888 | 745,407 | 64,481 |
| Fringe Benefits | 286,224 | 286,224 | 229,797 | 56,427 |
| Supplies | 36,625 | 36,625 | 35,258 | 1,367 |
| Maintenance | 51,475 | 51,475 | 45,126 | 6,349 |
| Contractual | 351,635 | 351,635 | 328,963 | 22,672 |
| Utilities | 22,750 | 22,750 | 20,378 | 2,372 |
| Telephone | 8,500 | 8,500 | 7,990 | 510 |
| Training & Services | 12,050 | 12,050 | 2,598 | 9,452 |
| All Other Expenditures | 77,710 | 77,710 | 66,467 | 11,243 |
| Capital Outlay | 100,000 | 100,000 | 115,983 | (15,983) |
| | <u>1,756,857</u> | <u>1,756,857</u> | <u>1,597,967</u> | <u>158,890</u> |
| Excess (deficiency) of revenues Over expenditures | 66,592 | 66,592 | 213,287 | 146,695 |
| Other Financing Sources (Uses): | | | | |
| Transfers out | <u>(50,000)</u> | <u>(50,000)</u> | <u>(50,000)</u> | |
| Net Change in Fund Balances | 16,592 | 16,592 | 163,287 | 146,695 |
| Fund Balances at January 1, 2014 | <u>2,463,993</u> | <u>2,463,993</u> | <u>2,463,993</u> | |
| Fund Balances at December 31, 2014 | <u>\$2,480,585</u> | <u>\$2,480,585</u> | <u>\$2,627,280</u> | <u>\$146,695</u> |

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

MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY

STATEMENT OF ASSETS AND LIABILITIES AGENCY FUND
DECEMBER 31, 2014

| | <u>Agency Fund</u> |
|----------------------------|------------------------|
| Assets: | |
| Cash and Cash Equivalents | <u>\$72,059</u> |
| Liabilities: | |
| Accrued Wages and Benefits | 40,535 |
| Due to other Governments | <u>31,524</u> |
| | <u><u>\$72,059</u></u> |

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

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

1. REPORTING ENTITY AND BASIS OF PRESENTATION

A. Description of the Entity

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

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

The Council is also the fiscal agent for the Tactical Crime Suppression Unit. The Tactical Crime Suppression Unit is a committee of member municipalities' police departments organized as a cooperative effort to deal more effectively with the present and projected crime levels in the municipalities. (Note 3)

B. Reporting Entity

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

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

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

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

1. 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 committed to be used for the acquisition or construction of major building improvements.

2. 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.

B. Basis of Presentation

1. 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.

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.

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 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.

3. 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.

4. Revenues, Exchange and Non-exchange Transactions

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

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

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

5. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents 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. In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Expenses/Expenditures

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Council By-Laws and entails the preparation of budgetary documents within an established timetable. Expenditures and expenses approved by the Executive Director must be within the approved budget and work program. The budget shall not include expenditures in excess of current revenues and available resources. The budget must be approved by the Council and may be amended during the year only with the approval of the Council. The Council is not required to certify the budget to the Montgomery County Budget Commission or other regulatory agencies.

D. Cash and Cash Equivalents

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

The Council's investment activities are limited to certificates of deposits, savings or deposit accounts and STAR Ohio. STAR Ohio is recorded at the share value STAR Ohio reports. Investment earnings are reported in the fund which has made the investment.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which the services are consumed.

F. 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.

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

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

| | Balance January 1 | Additions | Retirements | Balance December 31 |
|---|------------------------------|------------------|--------------------|--------------------------------|
| Capital assets being depreciated: | | | | |
| Buildings and Improvements | \$1,130,262 | \$1,775 | | \$1,132,037 |
| Vehicles | 110,848 | 21,323 | | 132,171 |
| Furniture and Equipment | 1,511,799 | 92,885 | (\$502) | 1,604,182 |
| Total Capital Assets Being Depreciated | <u>2,752,909</u> | <u>115,983</u> | <u>(502)</u> | <u>2,868,390</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings and Improvements | (655,610) | (48,319) | | (703,929) |
| Vehicles | (110,848) | (4,265) | | (115,113) |
| Furniture and Equipment | (1,309,731) | (71,096) | 502 | (1,380,325) |
| Total Accumulated Depreciation | <u>(2,076,189)</u> | <u>(123,680)</u> | <u>502</u> | <u>(2,199,367)</u> |
| Total Capital Assets Being Depreciated, Net | 676,720 | (7,697) | | 669,023 |
| Land not Being Depreciated | 123,170 | | | 123,170 |
| Total Net Capital Assets | <u>\$799,890</u> | <u>(\$7,697)</u> | <u>\$0</u> | <u>\$792,193</u> |

G. Compensated Absences

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

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

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

| | Balance 1/1/2014 | Increase | Decrease | Balance 12/31/2014 | Due Within One Year |
|----------------------|-----------------------------|-----------------|-----------------|-------------------------------|--------------------------------|
| Compensated Absences | <u>\$44,409</u> | <u>\$54,522</u> | <u>\$48,888</u> | <u>\$50,043</u> | <u>\$12,511</u> |

H. 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.

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2014, 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.

I. Advertising

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

J. 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.

K. Fund Balance

The Council has two major types of fund balances, which are non-spendable and spendable. Non-spendable 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 \$19,478 in prepaid expenses related to the Council's insurance that were considered non-spendable.

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

- **Restricted:** fund balance amounts that are limited for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- **Committed:** fund balance amounts that are obligated to a specific purpose which are internally imposed by the Council through formal action (Resolutions) at the highest level of decision making authority (the Council).
- **Assigned:** fund balance amounts that are intended to be used for specific purposes that are considered neither restricted nor committed. Undesignated excess Fund Balances may be assigned by the Council for specific purposes through the budget process or agenda items.
- **Unassigned:** fund balance of the general fund that is not constrained for any particular purpose.

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

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Committed to building improvements: The Council has set aside certain spendable fund balance for building improvements. At year end, the committed balance for building improvements was \$130,535.

Committed to contingency reserve: The Council has designated a certain balance within the General Fund to be used for a contingency reserve. The reserve was initially funded with a designation of \$420,000 by the Council. The purpose of this reserve was to provide a source of funding should the Council experience any significant decrease in its revenue sources. In 1997, the Council approved a limit for the Contingency Reserve at an amount not to exceed \$600,000 and that any cash in excess of that limit will be used for future building improvements. As such, all interest earned on the Contingency Reserve funds during 2014 (\$222) was allocated to the Building Improvement Fund. At year end, the committed balance for the contingency reserve was \$600,000.

Unassigned: At year-end, the unassigned fund balance for the General Fund was \$2,007,802.

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

L. Upcoming Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The Council is currently evaluating the impact this standard will have on the financial statements when adopted. The total pension liability will be computed on a different basis than the current actuarial accrued liability and the method of allocating this liability to each participating employer has not yet been determined, so the precise impact is not known. The provisions of the statement are effective for financial statements for periods beginning after June 15, 2014.

3. RELATED PARTY TRANSACTIONS

The Council provides substantial funding as well as administrative and clerical services to Tactical Crime Suppression Unit (TCSU). The Tactical Crime Suppression Unit is a committee of Police Chiefs of the Council's member cities which meet to discuss training, share information, and work on cooperative projects, including the sharing of specialized equipment (surveillance), services (polygraph), and training (Fire Arms Training System). During 2014, the Council acted as the fiscal agent for TCSU and provided approximately \$128,613 in funding to the group.

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

4. 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.

A. Deposits

At year-end, the carrying amount of the Council's deposits was \$1,785,334 including \$200 of petty cash maintained on hand. The bank balance was \$1,799,050. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,549,050 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.

B. Investments

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

Active monies must be maintained either as cash in the Council Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates or deposits maturing not more than five years from the date of deposit, or by savings or deposit accounts, including passbook accounts.

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Associate, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) and (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. The Council may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest, or coupons; and,
3. Obligations of the Council.

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

The Council's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified since they are not evidenced by securities that exist in physical or book entry form. The Council's investments at year end were limited to STAR Ohio. The carrying value and the market value of these investments at December 31, 2014, was \$764,328.

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, 2014.

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

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

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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.

| | Demand Deposits | Investments |
|---------------------------------------|----------------------------|--------------------|
| Cash and Cash Equivalents Per | | |
| Financial Statements | \$2,549,662 | |
| Investments | | |
| Star Ohio | (764,328) | \$764,328 |
| Total Demand Deposits and Investments | \$1,785,334 | 764,328 |
| Cash and Cash Equivalents per | | |
| Financial Statements: | | |
| Government Activities | | 2,477,603 |
| Agency Funds | | 72,059 |
| Total Cash and Cash Equivalents | | \$2,549,662 |

5. 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.

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 2014, member and employer contribution rates were consistent across all three plans. The 2014 member contribution rates were 10.00% of earnable salary. The 2014 employer contribution rate for local government employer units was 14.00% of earnable salary.

The Council's contributions for pension obligations to the Traditional, Combined and Member-Directed Plans for the fiscal years ended December 31, 2014, 2013, and 2012, were \$103,888, \$114,183 and \$115,498, respectively; 100% has been contributed each year.

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

6. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. 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 program and Medicare Part B premium reimbursement, to qualifying benefit recipients 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. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage 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>, by writing to OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

B. 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.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2014, state and local employers contributed at a rate of 14.00% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund 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. The portion of employer contributions allocated to health care for members in the Traditional Plan was 2.0% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0% for both plans, as recommended by 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 provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

6. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

The Council's contributions for health care for the fiscal years ended December 31, 2014, 2013, and 2012 were \$14,835, \$8,156 and \$32,998, respectively: 100% has been contributed for each year.

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 passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.0% of the employer contributions toward the health care fund after the end of the transition period.

7. REVENUES

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

8. 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.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami Valley Communications Council, Montgomery County, (the Council) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated October 15, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2014-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Council's Response to Finding

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

October 15, 2015

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014**

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

FINDING NUMBER 2014-001

SIGNIFICANT DEFICIENCY

The Council prepared its annual financial statements in accordance with generally accepted accounting principles (GAAP). The Council did not report a bank account which led to an understatement of \$4,362 of Cash and Cash Equivalents and Due to Other Governments on the agency fund statement of assets and liabilities which was determined to be immaterial and therefore did not require an adjustment on the accompanying financial statements. However, the error was determined significant enough to warrant the attention of those charged with governance:

Procedures should be developed and implemented to verify that the Council's financial statements accurately present all its activities and balances. Failure to do so could result in the users of financial statements utilizing incorrect data to base their conclusions about the finances of the Council.

Official's Response:

The audit of 2014 is the first time anyone has said that the TCSU Confidential Fund should be included in their available cash balance. Had anyone ever informed us that this needed to be included, we would have done so. The dollar amount of \$4,362 is 5.71% of TCSU's total cash.

This is not an internal control issue and has no effect anywhere in the financial reporting as TCSU is shown as an Agency Fund on page 16.

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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
DECEMBER 1, 2015**