



Mary Taylor, CPA
Auditor of State

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of Council:

We have audited the accompanying financial statements of the governmental activities, and each major fund of Miami Valley Communications Council, Montgomery County, (the Council), as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of Miami Valley Communications Council, Montgomery County, as of December 31, 2007, and the respective changes in financial position thereof and the respective budgetary comparisons of the General and Gov-Tech Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4, the Council reclassified its funds from business-type activities to governmental type activities and restated January 1, 2007 net assets and fund balances.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

September 12, 2008

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

The discussion and analysis of the Miami Valley Communications Council (MVCC) financial performance provides an overall review of the financial activities for the year ended December 31, 2007. The intent of this discussion and analysis is to look at MVCC'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 MVCC's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented and is presented in the MD&A.

Financial Highlights

Key financial highlights for 2007 are as follows:

- Total net assets increased \$144,158 in 2007, which represents a 5.2% increase from 2006, as a result of increased franchise fees and training income.
- Total assets increased \$79,584 which represents a 2.56% increase from the prior year. The increase is primarily due to increases in cash and cash equivalents held by the MVCC.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

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

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(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 three (3) 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, Building Improvement, and Gov-Tech funds, all of which are considered to be major funds.

The Council adopts an annual appropriated budget for the General and Gov-Tech fund. A budgetary comparison statement has been provided for the General and Gov-Tech funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 11-16 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 17 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-28 of this report.

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)
(Continued)**

Government-wide Financial Analysis

Statement of Net Assets

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

This statement reports MVCC's net assets, however, in evaluating the overall position and financial viability of MVCC, non-financial information such as the condition of the MVCC 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 MVCC's statement of net assets for 2007 compared with 2006.

Table 1		
Net Assets		
	2007	2006
Assets		
Current and other Assets	\$2,208,414	\$2,048,673
Property and equipment, net	976,293	1,056,450
Total Assets	3,184,707	3,105,123
Liabilities		
Current Liabilities	230,448	335,064
Long-Term Liabilities	40,042	
Total Liabilities	270,490	335,064
Net Assets		
Invested in Capital Assets	976,293	1,056,450
Unrestricted	1,937,924	1,713,609
Total Net Assets	\$2,914,217	\$2,770,059

Total net assets of MVCC increased by \$144,158 or 5.2%. The increase in total net assets from 2006 is due in part to the increase in franchise fees. The \$79,584 increase in total assets is attributable to the increase in cash and cash equivalents held by MVCC in 2007. Total liabilities reported at December 31, 2007 decreased by \$64,574 from the amount reported at December 31, 2006.

As noted in Table 1 above, reported unrestricted net assets at December 31, 2007 increased from amounts reported at December 31, 2006. Unrestricted net assets increased by \$224,315 during 2007.

The decrease of \$80,157 in net assets invested in property and equipment results from recognizing current year acquisitions of \$127,345 less current year depreciation of \$201,183, and un-depreciated retirements of \$6,319.

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)
(Continued)**

Table 2 shows the change in net assets for the year ended December 31, 2007, as well as revenue and expense comparisons to 2006.

**Table 2
Statements of Activities**

	2007	2006
Cable operating expenses:		
Personnel	(\$ 693,252)	(\$ 674,258)
Fringe benefits	(205,504)	(205,657)
Other purchased services	(294,536)	(311,793)
Material and supplies	(31,220)	(33,146)
Depreciation	(201,183)	(203,226)
Other expenses	(184,300)	(141,657)
Loss on disposal of assets	(6,319)	
Total expenses	(1,616,314)	(1,569,737)
General revenues:		
Franchise fees – net of rebates	1,529,631	1,367,203
Other operating revenues	144,672	84,916
Interest income	86,169	73,250
Total revenues	1,760,472	1,525,369
Change in net assets	144,158	(44,368)
Net assets, beginning of year	2,770,059	2,834,160
Contributed capital-Time Warner		16,667
Capital contributed to TCSU		(36,400)
Net assets, end of year	\$2,914,217	\$2,770,059

The increase in franchise payments noted for calendar year 2007 is the result of an audit resulting in \$69,000 of additional franchise fees and an increase in training income. The increase in other expenses in 2007 is due in part to the \$10,000 additional dues Gov-Tech paid to TCSU. Depreciation expense decreased due to fewer purchases of new equipment in 2007. Salaries increased due to pay raises in 2007.

Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of the end of the current year, the Council's governmental funds reported combined ending unreserved fund balances of \$1,977,966, an increase of \$225,254 in comparison with the prior year. The entire fund balance is available for spending at the Council's discretion.

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)
(Continued)**

Building Improvement Fund

The building improvement fund has a total fund balance of \$158,658. The building improvement fund increased by \$36,459 from the prior year.

Gov-Tech Fund

The Gov-Tech fund has a total fund balance of \$188,381 a decrease of \$5,507 from the prior year. The intent of the fund is to provide financial resources to be used for the member city managers to explore new technology and joint projects.

General Fund Budget Information

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

Differences between the original budget and the actual results were relatively minor.

Property and Equipment

At December 31, 2007 the property and equipment of MVCC of \$2,931,717 offset by \$1,955,424 in accumulated depreciation results in net property and equipment of \$976,293. The \$80,157 decrease in total net property and equipment is due to current year depreciation expense of \$201,183 combined with the \$127,345 of equipment acquired during 2007 and un-depreciated retirements of \$6,319.

See Note 2 J of the notes to the basic financial statements for more detailed information on MVCC property and equipment.

Contacting MVCC

This financial report is designed to provide a general overview of the finances of Miami Valley Communications Council and to show MVCC'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 ASSETS
DECEMBER 31, 2007**

	Governmental Activities
Assets:	
Cash and cash equivalents	\$1,748,790
Accounts receivable	
Time Warner Cable Western Ohio	445,817
Other	4,248
Prepaid expenses	9,559
Capital assets, net	976,293
Total Assets	<u>3,184,707</u>
Liabilities:	
Accounts payable	13,044
Accrued wages and benefits	39,159
Due to other Governments	178,245
Long-Term liabilities	
Due within one year	29,240
Due in more than one year	10,802
Total Liabilities	<u>270,490</u>
Net Assets:	
Invested in capital assets	976,293
Unrestricted	1,937,924
Total net assets	<u><u>\$2,914,217</u></u>

The accompanying notes are an integral part of this statement.

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2007**

	Net (Expense) Revenue And Changes in Net Assets Governmental Activities
Cable Operations Expenses	
Personnel	(\$ 693,252)
Fringe benefits	(205,504)
Supplies	(31,220)
Maintenance	(46,778)
Contractual	(216,377)
Depreciation	(201,183)
Utilities	(21,502)
Telephone	(9,092)
Training & seminars	(787)
All other expenses	(184,300)
Loss on disposal of assets	(6,319)
Total Expenses	(1,616,314)
 General Revenues:	
Franchise fees – net of rebates	1,529,631
Training income	60,960
Interest income	86,169
Other income	83,712
Total General Revenues	1,760,472
 Changes in net assets	144,158
Net assets at January 1, 2007 (Restated See Note 4)	2,770,059
Net assets at December 31, 2007	\$2,914,217

The accompanying notes are an integral part of this statement.

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	<u>General Fund</u>	<u>Building Improvement</u>	<u>Gov-Tech</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and Cash Equivalents	\$1,428,508	\$158,658	\$161,624	\$1,748,790
Accounts Receivable:				
Time Warner	401,235		44,582	445,817
Other	4,248			4,248
Prepaid Expenses	9,559			9,559
Total Assets	<u>1,843,550</u>	<u>158,658</u>	<u>206,206</u>	<u>2,208,414</u>
Liabilities:				
Accounts Payable	13,044			13,044
Accrued Wages and Benefits	39,159			39,159
Due to Other Governments	160,420		17,825	178,245
Total Liabilities	<u>212,623</u>		<u>17,825</u>	<u>230,448</u>
Fund Balance:				
General Fund	1,630,927			1,630,927
Building Improvements Funds		158,658		158,658
Gov-Tech Fund			188,381	188,381
Total Fund Balances	<u>1,630,927</u>	<u>158,658</u>	<u>188,381</u>	<u>1,977,966</u>
Total Liabilities and Fund Balances	<u>\$1,843,550</u>	<u>\$158,658</u>	<u>\$206,206</u>	<u>\$2,208,414</u>

The accompanying notes are an integral part of this statement.

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007**

Total Governmental Fund Balances	\$1,977,966
Amounts reported for governmental activities in the Statement of net assets are different because:	
Capital assets used in governmental activities are not Financial resources and therefore are not reported in the funds:	976,293
Long-term liabilities, compensated absences	<u>(40,042)</u>
Net Assets of Governmental Activities	<u>\$2,914,217</u>

The accompanying notes 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, 2007**

	<u>General Fund</u>	<u>Building Improvement</u>	<u>Gov-Tech</u>	<u>Total Governmental Funds</u>
Revenues				
Franchise Fees – net of rebates	\$1,375,933		\$153,698	\$1,529,631
Training Income	60,960			60,960
Interest Income	44,985	\$ 36,459	4,725	86,169
Other Income	83,712			83,712
Total Revenues	<u>1,565,590</u>	<u>36,459</u>	<u>158,423</u>	<u>1,760,472</u>
Expenditures:				
Personnel	693,252			693,252
Fringe Benefits	204,565			204,565
Supplies	31,220			31,220
Maintenance	46,778			46,778
Contractual	213,794		2,583	216,377
Utilities	21,502			21,502
Telephone	9,092			9,092
Training	787			787
All Other Expenses	34,623		149,677	184,300
Capital Outlay	115,675		11,670	127,345
Total Expenditures	<u>1,371,288</u>		<u>163,930</u>	<u>1,535,218</u>
Revenues Over/(Under) Expenditures	194,302	36,459	(5,507)	225,254
Fund balance at January 1, 2007	<u>1,436,625</u>	<u>122,199</u>	<u>193,888</u>	<u>1,752,712</u>
Fund balance at December 31, 2007	<u>\$1,630,927</u>	<u>\$158,658</u>	<u>\$188,381</u>	<u>\$1,977,966</u>

The accompanying notes are an integral part of this statement.

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2007**

Net Change in Fund Balances – Total Governmental Funds \$225,254

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

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

Capital asset additions	127,345
Loss on disposal of capital assets	(6,319)
Current year depreciation	(201,183)
	<hr style="width: 100%; border: 0.5px solid black;"/>
	(80,157)

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

 (939)

Change in Net Assets of Governmental Activities

 \$144,158

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – GENERAL FUND
YEAR ENDED DECEMBER 31, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues:				
Franchise Fees – net of rebates	\$1,236,812	\$1,236,812	\$1,376,933	\$139,121
Training Income	46,000	46,000	60,960	14,960
Interest Income	9,000	9,000	44,985	35,985
Other Income	102,535	102,535	83,712	(18,823)
Total Revenues	<u>1,394,347</u>	<u>1,394,347</u>	1,565,590	171,243
Expenditures:				
Personnel	719,891	719,891	693,252	26,639
Fringe Benefits	219,147	219,147	204,565	14,582
Supplies	31,295	31,295	31,220	75
Maintenance	71,375	71,375	46,778	24,597
Contractual	243,450	243,450	213,794	29,656
Utilities	21,700	21,700	21,502	198
Telephone	13,460	13,460	9,092	4,368
Training	900	900	787	113
All Other Expenses	76,209	76,209	34,623	41,586
Capital Outlay	194,000	194,000	115,675	78,325
Total Expenditures	<u>1,591,426</u>	<u>1,591,426</u>	1,371,288	220,139
Revenues Over/(Under) Expenditures	<u>(197,080)</u>	<u>(197,080)</u>	194,302	391,382
Fund balance at January 1, 2007	<u>1,436,625</u>	<u>1,436,625</u>	1,436,625	
Fund balance at December 31, 2007	<u>\$1,239,545</u>	<u>\$1,239,545</u>	<u>\$1,630,927</u>	<u>\$391,382</u>

The accompanying notes 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 (NON-GAAP BUDGETARY BASIS) – GOV-TECH
YEAR ENDED DECEMBER 31, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues:				
Franchise Fees – net of rebates	\$137,423	\$137,423	\$153,698	\$16,275
Interest income	1,000	1,000	4,725	3,725
Total Revenues	<u>138,423</u>	<u>138,423</u>	<u>158,423</u>	<u>20,000</u>
Expenditures:				
TCSU Funding	36,000	36,000	36,000	
TCSU Staff Funding	110,000	110,000	110,000	
Contractual			2,583	(2,583)
All Other Expenses	33,225	21,555	3,677	17,878
Capital Outlay		11,670	11,670	
Total Expenditures	<u>179,225</u>	<u>179,225</u>	<u>163,930</u>	<u>15,295</u>
Revenues Over/(Under) Expenditures	(40,802)	(40,802)	(5,507)	35,295
Fund balance at January 1, 2007	<u>193,888</u>	<u>193,888</u>	<u>193,888</u>	
Fund balance at December 31, 2007	<u>\$153,086</u>	<u>\$153,086</u>	<u>\$188,381</u>	<u>\$35,295</u>

The accompanying notes are an integral part of this statement.

MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY

STATEMENT OF NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2007

	<u>Agency Fund</u>
Assets:	
Cash and Cash Equivalents	<u>\$57,100</u>
Liabilities:	
Due to Tactical Crime Suppression Unit	<u>\$57,100</u>

The accompanying notes are an integral part of this statement.

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**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

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 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.

B. Reporting Entity

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

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

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

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007
(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 to be used for the acquisition or construction of major building improvements.

Gov-Tech Fund – The Gov-Tech Fund is used to account for financial resources to be used for the member city managers to explore new technology and joint projects.

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. These include private purpose trust and agency funds. Private-purpose trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are purely custodial and thus do not involve measurement of results of operations.

B. Basis of Presentation

1. Government-wide Financial Statements

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

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

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

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 net current assets.

C. 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.

D. 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.

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.

E. Deferred Revenue

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

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Expenditures/Expenses

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

G. Budgetary Process

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

H. 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 four 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.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2007, 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.

J. Property and Equipment and Depreciation

Fixed assets are reported in the government-wide statement of net assets but are not reported in the fund financial statements. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their market values as of the date received. 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 fixed assets is also not capitalized.

Depreciation of buildings, furniture and equipment, and vehicles in the general fund 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 fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	<u>Balance 1/1/2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2007</u>
Fixed assets being depreciated				
Building and improvements	\$ 924,986			\$ 924,986
Vehicles	94,026	\$17,178		111,204
Furniture and Equipment	1,777,096	110,167	(\$114,906)	1,772,357
Total fixed assets being depreciated	<u>2,796,108</u>	<u>127,345</u>	<u>(114,906)</u>	<u>2,808,547</u>
Less accumulated depreciation				
Building and improvements	(416,263)	(31,878)		(448,141)
Vehicles	(65,636)	(10,470)		(76,106)
Furniture and equipment	(1,380,929)	(158,835)	108,587	(1,431,177)
Total accumulated depreciation	<u>(1,862,828)</u>	<u>(201,183)</u>	<u>108,587</u>	<u>(1,955,424)</u>
Total fixed assets being depreciated, net	933,280	(73,838)	(6,319)	853,123
Land not being depreciated	<u>123,170</u>			<u>123,170</u>
Total net fixed assets	<u>\$1,056,450</u>	<u>(\$73,838)</u>	<u>(\$ 6,319)</u>	<u>\$976,293</u>

K. 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.

Sick leave benefits are not subject to payout by the Council and therefore are not included as a liability on the balance sheet.

The entire compensated absences liability is reported on the entity-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a current liability to the extent that amounts are expected to be paid using expendable available financial resources. The balance of the liability is not recorded.

	<u>Balance 1/1/2006</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 12/31/2007</u>
Compensates Absences	\$40,538		\$496	\$40,042

L. 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.

Non-recurring or non-routine permanent transfers of equity are reported as residual transfers. All other interfund transfers are reported as operating transfers.

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Advertising

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

N. 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.

3. CHANGES IN ACCOUNTING PRINCIPLES

For the year 2007, the Council has implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pension. Statement 45 supersedes Statement 12 for public employers and establishes standards for disclosure of information on post-employment benefits other than pension benefits. The implementation of this GASB Statement had no effect on fund balances or net assets of the Council as previously reported on December 31, 2006.

4. CHANGE IN FUND CLASSIFICATIONS

The Council reclassified the Enterprise Fund into the following three governmental funds: General, Building Improvement, and Gov-Tech. Additionally, the Council reclassified the Tactical Crime Suppression Unit (TCSU) as an agency fund, due to the Council being the fiscal agent for the TCSU.

The Fund Balances for the General, Building Improvement, and Gov-Tech Funds were consolidated into the enterprise fund in the prior year, therefore there was no beginning fund balance reported on the statements in the prior year.

The January 1, 2007 net assets were restated as follows:

	Business Type Activities	Governmental Type Activities
Net Assets 12/31/06	\$2,861,438	
Delete: TCSU Net Assets	(91,379)	
Reclassification	(2,770,059)	\$2,770,059
Restated Net Assets 1/1/07	0	2,770,059
Delete Capital Assets: 12/31/06		(1,056,450)
Add Compensated Absences: 12/31/06		39,103
Restated Fund Balances		1,752,712
General Fund		1,436,625
Gov-Tech Fund		193,888
Building Improvement		122,199
Restated Fund Balances		\$1,752,712

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

5. 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.

The following information classifies deposits and investments as defined in GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

A. Deposits

At year-end, the carrying amount of the Council's deposits was \$1,161,133 and the bank balance was \$1,165,701. Of the bank balance, \$116,933 was covered by federal depository insurance and \$1,048,768 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

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, 2007, was \$644,757.

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$1,805,890	
Investments:		
STAR Ohio	(644,757)	\$ 644,757
GASB Statement 3	\$1,161,133	644,757
Cash and Investments per Statement of Net Assets		
Government Activities		1,748,790
Agency Funds		57,100
		\$1,805,890

Interest rate risk: The Ohio Revised Code and the Investment and Depository Policy of the Council limit the purchase of securities to those with a maturity of no more than five years from the date of purchase unless matched to a specific obligation.

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Credit risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Concentration of credit risk: One hundred percent is invested in STAR Ohio.

6. BOARD IMPOSED RESTRICTION

Council has designated Gov-Tech, a group of the member city managers to explore new technology and joint projects.

In past years Gov-Tech has returned \$180,000 of its revenues to the Council for possible future needs with only the interest available for current expenditures. The Council has also designated \$420,000 to be set aside under the same conditions as Gov-Tech. In 1997 the Council designated cash in excess of \$600,000 in the trust fund (or \$158,658) to be set aside for future building improvements. The restricted cash is reported in the financial statements as cash and cash equivalents. In addition, the Council collects the revenues and pays the expenses for Tactical Crime Suppression Unit. The cash held on behalf of Tactical Crime Suppression Unit at December 31, 2007 was \$57,100. This restricted cash is reported in the financial statement in the Fiduciary Fund.

7. PENSION PLAN

The Council participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, the investment of which is self-directed by the member, 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 and combined plans. Members of the member directed plan do not qualify for ancillary benefits, including post-employment health care coverage. Authority to establish and amend benefits is provided by Chapter 145 of the ORC. OPERS issues a stand-alone financial report that may be obtained by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling 614-222-6705 or 800-222-7377.

The ORC provides statutory authority for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans. The 2007 member contribution rates were 9.5%. The 2007 employer contribution rate for local government employer units was 13.85% of covered payroll.

The Council's contributions for pension obligations to the traditional, combined and member directed plans for the years ended December 31, 2007, 2006, and 2005 were \$95,679, \$97,116, and \$93,923, respectively; 100% has been contributed for 2007, 2006 and 2005.

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

The Ohio Public Employees Retirement System of Ohio (OPERS) provides post retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability is available. The health care coverage provided by the retirement system is considered Other Post Employment Benefit (OPEB) as described in GASB Statement No.45.

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

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

Funding Policy – State statute permits OPERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 13.85 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2007, 5 percent of covered payroll from January 1 through June 30 and 6 percent from July 1 through December 31 was allocated to health care.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, and the number of dependants. The Council's contributions for health care for the fiscal years ended December 31, 2007, 2006, and 2005 were \$37,994, \$31,902, and \$27,726, respectively; 100 percent has been contributed for fiscal years 2007, 2006 and 2005.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

9. REVENUES

Under the franchise agreement between Time Warner Cable and the eight (8) member cities which expired in 2006, the Council received 5% of gross revenues of Time Warner Cable Western Ohio. Both parties extended the agreement until June, 2007. While the franchise expired in 2006, the terms of the franchise were extended through the end of 2007. Provisions of SB 117 will continue the 5% of gross payments into the future, but with a slightly altered definition of gross revenues.

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

10. 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.

11. RELATED PARTY TRANSACTIONS

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



Mary Taylor, CPA

Auditor of State

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

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

To the Members of Council:

We have audited the financial statements of the governmental activities, and each major fund of the Miami Valley Communications Council, Montgomery County, (the Council) as of and for the year ended December 31, 2007, which collectively comprise the Council's basic financial statements and have issued our report thereon dated September 12, 2008 wherein we noted the Council reclassified its funds from business type activities to governmental type activities and restated January 1, 2007 net assets and fund balances. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Council's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Council's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Council's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that Council's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 through 2007-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that Council's internal control will not prevent or detect a material financial statement misstatement.

**Internal Control Over Financial Reporting
(Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2007-001 and 2007-002 are also material weaknesses.

We also noted a certain internal control matter that we reported to Council's management in a separate letter dated September 12, 2008.

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, providing an opinion 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*.

We did note certain noncompliance or other matters that we reported to the Council's management in a separate letter dated September 12, 2008.

We intend this report solely for the information and use of management and the members of Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 12, 2008

**MIAMI VALLEY COMMUNICATION COUNCIL
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Material Weakness

Required Notes to the Financial Statements

Governmental Accounting and Financial Reporting Standards codification section 2300.106 provides that the notes to the financial statements are essential to the fair presentation of the financial statements. They are intended to communicate information that is necessary and that cannot be included in the financial statements themselves. The notes provide necessary disclosure of material items, the omission of which would cause the financial statements to be misleading. The notes are an integral part of the financial statements and are intended to be read with the financial statements.

Review of the notes to the financial statements found the following exceptions:

- The Council did not disclose the change in reporting entity note due to the change from an enterprise fund to governmental funds.
- The Council did not disclose the related fund reclassification note due to the change from an enterprise fund to governmental funds
- The Council did not disclose the changes in long-term liabilities note associated with its compensated absences
- The Council did not include all of the required elements of the defined contribution plan or the other postemployment benefits disclosures.

The lack of adequate and complete disclosure of material financial actions would not allow users of the financial statements to make informed decisions regarding the council.

These errors were corrected when audit adjustments were posted. The financial statements should be reviewed for compliance with all GASB statements.

FINDING NUMBER 2007-002

Material Weakness

Proper Posting of Assets and Liabilities

The following exceptions were noted during the testing of various assets, liabilities, and equity accounts:

- The Council booked \$44,582 in accounts receivable related to Gov-Tech franchise fees to the General Fund instead of the Gov-Tech Fund.
- The Council booked \$17,825 in Gov-Tech accounts payable related to the franchise fee rebate to the General Fund instead of the Gov-Tech Fund.
- The Council reported compensated absences in the amount of \$40,042 as part of accrued wages rather than as a long-term liability.

The above mentioned errors have been corrected on the accompanying financial statements.

The Council should develop policies and procedures to verify that the receivable and payable amounts are booked in the correct funds and in the proper amounts. Failure to do so could result in material misstatements on the Council's financial statements.

FINDING NUMBER 2007-003

Significant Deficiency:

Classification of Program Revenue

GASB Statement No. 34, *Basic Financial Statements-- and Management's Discussion and Analysis-- for State and Local Governments* (GASBS 34) requires governments to classify revenues on the Statement of Activities at the government wide financial reporting level as either program revenues or general revenues.

The Council reported all training revenues which were charges for services in the amount of \$60,960 on the statement of activities as general revenue instead of program revenue. This resulted in the understatement of program revenues and the overstatement of general revenues in the aforementioned amount. The Council should implement procedures to verify that all revenues are properly classified on the statement of activities.

Official's Response:

We did not receive a response from Officials to the findings reported above.



Mary Taylor, CPA
Auditor of State

MIAMI VALLEY COMMUNICATIONS COUNCIL

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 22, 2009**