MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2003

Auditor of State
Betty Montgomery

MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY

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Auditor of State
Betty Montgomery

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 general-purpose financial statements of the Miami Valley Communications Council, Montgomery County, (the Council), as of and for the year ended December 31, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Council as of December 31, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Betty Montgomery

Betty Montgomery
Auditor of State

September 10, 2004

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MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY

COMBINED BALANCE SHEET
PROPRIETARY FUND TYPE
AS OF DECEMBER 31, 2003

	Enterprise
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	$1,352,830
Receivables:	
Accounts	16,182
Franchise Fees	360,000
Interest	236
Prepaid Items	16,394
Land and Improvements to Land	123,169
Buildings and Improvements to Buildings	909,170
Furniture, Fixtures and Equipment	1,626,443
Vehicles	68,613
Less: Accumulated Depreciation	(1,638,681)
Total Assets	2,834,356
LIABILITIES:	
Accounts Payable	39,512
Accrued Salaries Payable	8,217
Accrued Pension Payable	7,465
Accrued Worker's Compensation Payable	7,340
Accrued Compensated Absences Payable	30,937
Total Liabilities	93,471
EQUITY:	
Contributed Capital	16,667
Retained Earnings:	
Unreserved	2,724,218
Total Fund Equity	2,740,885
Total Liabilities and Fund Equity	$2,834,356

See accompanying notes to the general purpose financial statements.

MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	Enterprise
Operating Revenues:	
Franchise Fees	$1,487,055
Charges for Services	72,856
Training and Tuition	55,080
Other Income	23,228
Total Operating Revenues	1,638,219
Operating Expenses:	
Personnel Services	689,387
Fringe Benefits	185,480
Supplies	31,099
Maintenance	52,386
Contractual Service	390,447
Depreciation	169,610
Utilities	19,988
Telephone	10,324
Training and Seminars	36,568
Other Operating Expenses	82,905
Total Operating Expenses	1,668,194
Operating Loss	(29,975)
Non-Operating Revenue (Expenses)	
Loss on disposal of assets	(1,435)
Interest	14,953
Total Non-Operating Revenues/(Expenses)	13,518
Net Loss	(16,457)
Retained Earnings at Beginning of Year	2,740,675
Retained Earnings at End of Year	2,724,218
Contributed Capital at Beginning and End of Year	16,667
Fund Equity	2,740,885

See accompanying notes to the general purpose financial statements.

MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	Enterprise
Cash Provided (Used) by Operations	
Operating Loss	($29,975)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation Expense	169,610
Increase in Receivables	(15,559)
Increase in Prepaid Expenses	(949)
Decrease in Accounts Payable	(30,135)
Increase in Accrued Salaries Payable	3,008
Decrease in Accrued Work's Compensation Payable	(307)
Decrease in Accrued Pension Payable	(15,192)
Increase in Compensated Absences Payable	2,902
Net Cash Provided By In Operating Activities	83,403
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(179,480)
Cash Flows from Investing Activities:	
Interest	14,953
Net (Decrease) in Cash and Cash Equivalent	(81,124)
Cash and Cash Equivalents Beginning of Year	1,433,954
Cash and Cash Equivalents End of Year	$1,352,830

See accompanying notes to the general purpose financial statements.

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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 Village of Springboro (expansion member).

In 1975, the first six members shown above awarded identical franchises to Continental Communications of the Miami Valley, 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 of 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 government consists of all funds, departments, boards, and agencies that are not legally separated from the Council. For Miami Valley Communications Council, this includes general operations and the Tactical Crime Suppression Unit.

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; (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 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 Principals (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 principals. The Council also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Council's accounting policies are described below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation - 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 proprietary fund type. Proprietary funds are used to account for the Council's activities which are similar to those found in the private sector. The following is the Council's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for Council activities that are financed and operated in a manner similar to private business enterprise where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With measurement focus, all assets and all liabilities associated with operation of the fund is included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

Non-exchange transactions, in which the Council receives value without directly giving equal value in return, include Franchise Fees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

There are no restrictions on the Council's investment activities.

During fiscal year 2003, investments were limited to certificates of deposits and STAR Ohio. Investments are stated at cost which approximates market value. Investment earnings are reported in the fund which has made the investment.

For purpose of the statement of cash flows and for presentation on the balance sheet, investments with an original maturity of three months or less at the time they are purchased by the Council are considered to be cash equivalents.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, 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. Fixed Assets and Depreciation

Fixed assets utilized in the proprietary funds are capitalized in the respective fund. 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 have 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 enterprise funds is computed using the straight-line method over an estimated 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual transfers. All other interfund transfers are reported as operating transfers.

I. Franchise Fees

The Council receives 5% of the gross revenues of Communications companies operating within the member of the Council's jurisdiction based on an agreement entered into by the Council and the Communications companies. This agreement expires in 2006. These fee receipts are reported as franchise fees in the Miami Valley Communications Council Fund. Franchise fee revenue totaled $1,487,055 for the period January 1, 2003 through December 31, 2003.

3. 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 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

A. Deposits

At year-end, the carrying amount of the Council's deposits was $252,626 and the bank balance was $314,740. Of the bank balance, $209,941 was covered by federal depository insurance and $104,799 was covered by pooled collateral held in the pledging bank's trust department in the Council's name.

Although the securities serving as collateral were held by the pledging financial institution's trust department 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.

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments:

The Council investments are categorized below to give an indication of the level of the risk assumed by the Council 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. As of June 30, 2003, Standard and Poor has assigned an AAAm money market rating, its highest rating, to STAR Ohio.

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, 2003, was $1,100,204.

The classification of cash and cash equivalents on the combined financial statements is based on the criteria set forth in GASB Statement No. 9. Reconciliation between the classification of cash and investments on the combined financial statements and the classification per GASB Statement 3 is as follows:

	Cash and Cash Equivalent/Deposits	Investments
GASB Statement 9	$1,352,830	
Investments:		
STAR Ohio	(1,100,204)	1,100,204
GASB Statement 3	$ 252,626	$1,100,204

4. 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.

5. DEFINED BENEFIT PENSION PLANS

The Council contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple employer public employee retirement system administered by the public employees' retirement Board. OPERS provides basic retirement benefits, disability benefits, and survivor benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised code.

5. DEFINED BENEFIT PENSION PLANS (Continued)

OPERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus Ohio 43215.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the Council is required to contribute 13.55 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially.

The Council's required contributions to OPERS for the years ended December 31, 2003, 2002, and 2001, were $92,580, $87,894, and $78,530, respectively. The full amount has been contributed for 2002 and 2001. For 2003, 92 percent has been contributed, with the remainder being reported as a fund liability.

6. POST EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (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.12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. For local employer units the rate was 13.55 percent of covered payroll; 5 percent was the portion that was used to fund health care.

Summary of Assumptions:

Actuarial Review - The assumption and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2002.

Funding Method - An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfounded actuarial accrued liability.

Assets Valuation Method - All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percentage of unrealized market appreciation or depreciation on investment assets.

Investment Return - The investment assumption rate for 2002 was 8 percent.

Active Employee Total Payroll - An annual increase of 4 percent compounded annually, is the base portion of individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above 4 percent base increase, were assumed to range from .5 percent to 6.3 percent.

6. POST EMPLOYMENT BENEFITS (Continued)

Health Care - Health care costs were assumed to increase 4 percent annually.

OPEBs are advance-funded on an actuarially determined basis. The number of active contributing participating was 364,881. The rates stated in the first paragraph of the postemployment benefits section are actuarially determined contribution requirements for OPERS. The portion of the Council's contributions made for the year 2003 that were used to fund post employment benefits was $34,162.The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002 was $10 billion. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost, were $18.7 billion and $8.7 billion, respectively.

7. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Council maintains two enterprise funds to account for its general operations and the Tactical Crime Suppression Unit. The table below reflects the more significant financial data relating to the enterprise funds of the Council as of and for the fiscal year ended December 31, 2003.

	Miami Valley Enterprise Council	**Tactical Crime Suppression Unit**	**Total Funds**
Operating Revenue	$1,558,618	$ 79,601	$1,638,219
Operating Expenses Less Depreciation	1,322,286	176,298	1,498,584
Depreciation Expense	158,400	11,210	169,610
Operating Income (Loss)	77,932	(107,907)	(29,975)
Interest Income	14,864	89	14,953
Net Income (Loss)	91,361	(107,818)	(16,457)
Fixed Assets Additions	172,872	6,608	179,480
Net Working Capital	1,642,208	9,963	1,652,171
Total Assets	2,803,484	30,872	2,834,356
Total Retained Earnings	2,884,887	(160,669)	2,724,218

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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 Miami Valley Communications Council (the Council) as of and for the year ended December 31, 2003, and have issued our report thereon dated September 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the Council in a separate letter dated September 10, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Council in a separate letter dated September 10, 2004.

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This report is intended for the information and use of the finance committee, management, and the Members of Council, and is not intended to be and should not be used by anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

September 10, 2004

Auditor of State
Betty Montgomery

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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
SEPTEMBER 30, 2004