



Dave Yost • Auditor of State

**MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY
DECEMBER 31, 2016**

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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 Members of 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, 2016, 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 the Miami Valley Communications Council, Montgomery County, Ohio, as of December 31, 2016, and the respective changes in financial position 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* and *schedules of net pension liabilities and pension contributions* 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.

Supplementary and Other Information

Our audit was conducted to opine on the Council's basic financial statements taken as a whole.

The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund presents additional analysis and is not a required part of the basic financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2017, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

September 26, 2017

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Miami Valley Communications Council
Montgomery County
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(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, 2016. 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 2016 are as follows:

- Total net position increased \$128,958 in 2016, which represents a 4.3% increase from 2015; this increase is \$81,890 more than the increase reported in the prior year.
- Total assets increased \$119,593 which represents a 3.1% 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 2016 was \$128,958 compared to the \$47,068 change in net position reported for 2015. The increase in the change in net position was due to a grant received during 2016 from the State of Ohio for \$100,000 to perform a fiber feasibility study. This increase was partially offset by a 3.5% decrease in franchise fee revenues.

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, deferred inflows of resources, liabilities, and deferred outflows of resources, with the difference between the four 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 11-12 of this report.

Miami Valley Communications Council
Montgomery County
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

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 governmental fund financial statements can be found on pages 13-16 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 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 18-34 of this report.

**Miami Valley Communications Council
Montgomery County**
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

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, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term liabilities, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

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

Table 1 provides a summary of the Council's statement of net position for 2016 compared with 2015 amounts.

**TABLE 1
NET POSITION**

	<u>2016</u>	<u>2015</u>
ASSETS		
Current and other assets	\$ 3,304,022	\$ 3,161,196
Capital assets, net	<u>712,178</u>	<u>735,411</u>
Total assets	<u>4,016,200</u>	<u>3,896,607</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Pensions	<u>359,005</u>	<u>123,933</u>
Total deferred outflows of resources	<u>359,005</u>	<u>123,933</u>
 LIABILITIES		
Current liabilities	241,886	300,730
Long-term liabilities:		
Due within one year	15,031	14,437
Due in more than one year		
Net pension liability	916,938	647,079
Other amounts	<u>45,094</u>	<u>43,310</u>
Total liabilities	<u>1,218,949</u>	<u>1,005,556</u>
 DEFERRED INFLOWS OF RESOURCES		
Pensions	<u>23,682</u>	<u>11,368</u>
Total deferred inflows of resources	<u>23,682</u>	<u>11,368</u>
 NET POSITION		
Net investment in capital assets	712,178	735,411
Unrestricted	<u>2,420,396</u>	<u>2,268,205</u>
Total net position	<u>\$ 3,132,574</u>	<u>\$ 3,003,616</u>

Miami Valley Communications Council
Montgomery County
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

Total net position of the Council increased by \$128,958 or 4.3%. The increase in total net position from 2015 is a result of an increase in charges for services of 38.3% related to additional administrative services performed for the Montgomery County Regional Radio COG. This increase combined with the additional grant received from the State of Ohio and only a 0.6% increase in total expenses provided for a significant portion of the total increase in net position. Total liabilities reported at December 31, 2016 increased by \$213,393 from the amount reported at December 31, 2015 due to timing differences and an increase in the Council's proportionate share of the plan's collective net pension liability compared to the prior year.

As noted in Table 1 above, unrestricted net position increased by \$152,191 from amounts reported at December 31, 2015.

The decrease of \$23,233 in net position invested in capital assets results from recognizing current year acquisitions of \$104,685 less current year depreciation of \$127,918.

Table 2 shows the change in net position for the year ended December 31, 2016, as well as revenue and expense comparisons to 2015.

TABLE 2
STATEMENTS OF ACTIVITIES

	<u>2016</u>	<u>2015</u>
Cable operations expenses:		
Personnel	\$ 745,874	\$ 750,057
Fringe benefits	260,346	209,176
Other purchased services	558,815	602,640
Material and supplies	38,432	34,563
Depreciation	127,918	127,142
Other expenses	<u>64,925</u>	<u>62,601</u>
Total Expenses	<u>1,796,310</u>	<u>1,786,179</u>
Program revenues:		
Charges for services	128,309	92,751
Operating grants and contributions	<u>100,000</u>	<u>-</u>
Total program revenues	<u>228,309</u>	<u>92,751</u>
General revenues:		
Franchise fees	1,656,938	1,716,342
Other income	25,168	21,278
Interest income	<u>14,853</u>	<u>2,876</u>
Total general revenues	<u>1,696,959</u>	<u>1,740,496</u>
Total revenues	<u>1,925,268</u>	<u>1,833,247</u>
Change in net position	128,958	47,068
Net position, beginning of year	<u>3,003,616</u>	<u>2,956,548</u>
Net position, end of year	\$ <u>3,132,574</u>	\$ <u>3,003,616</u>

Miami Valley Communications Council
Montgomery County
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

The decrease in franchise fee revenue reported for 2016 was due to a decrease in cable subscribers as more and more consumers opt for internet based programming. The Council expects continued decreases in franchise fee revenues to continue as more customers, especially younger generations, begin to rely on internet streaming video as their primary source for programming.

Depreciation and salaries expense remained consistent with the amount from 2015. Fringe benefit expenses increased 24.5% from the prior year due to a increase in pension expense related to the change in the Council's proportionate share of the net pension liability and related deferred inflows and outflows 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 \$3,062,136, an increase of \$201,670 in comparison with the prior year. The unassigned general fund balance of \$2,314,456 is available for spending at the Council's discretion.

General Fund

The general fund has a total fund balance of \$2,928,880. The general fund increased by \$199,717 in comparison to prior year due to increase in grant revenue.

Building Improvement Fund

The building improvement fund has a total fund balance of \$133,256. The building improvement fund increased by \$1,953 from the prior year due to interest earned on cash held at a financial institution.

Capital Assets

At December 31, 2016, the capital assets of the Council of \$3,166,605 offset by \$2,454,427 in accumulated depreciation results in net capital assets of \$712,178. The \$23,233 decrease in total net capital assets is due to current year depreciation expense of \$127,918 combined with \$104,685 of equipment purchases and building improvements made during 2016.

See Note B.5 of the notes to the basic financial statements for more detailed information on the Council's property and equipment.

Miami Valley Communications Council
Montgomery County
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

Contacting the Council

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

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

Miami Valley Communications Council
Montgomery County
Statement of Net Position
December 31, 2016

ASSETS	
Cash and Cash Equivalents	\$ 2,788,105
Accounts Receivable:	
Time Warner Cable Western Ohio	369,572
AT&T	119,121
Other	12,800
Prepaid Expenses	14,424
Capital Assets:	
Nondepreciable	123,170
Depreciable, Net of Accumulated Depreciation	<u>589,008</u>
Total Assets	<u>4,016,200</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pensions	<u>359,005</u>
Total Deferred Outflows of Resources	<u>359,005</u>
 LIABILITIES	
Accounts Payable	12,735
Accrued Wages and Benefits	28,825
Due to Other Governments	200,326
Long-term Liabilities:	
Due Within One Year	15,031
Due in More Than One Year	
Net Pension Liability	916,938
Other	<u>45,094</u>
Total Liabilities	<u>1,218,949</u>
 DEFERRED INFLOWS OF RESOURCES	
Pensions	<u>23,682</u>
Total Deferred Inflows of Resources	<u>23,682</u>
 NET POSITION	
Net Investment in Capital Assets	712,178
Unrestricted	<u>2,420,396</u>
Total Net Position	<u>\$ 3,132,574</u>

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

Miami Valley Communications Council
 Montgomery County
 Statement of Activities
 For the Year Ended December 31, 2016

	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue And Changes in Governmental Activities
OPERATING EXPENSES				
Personnel	\$ (745,874)	\$ -	\$ -	\$ (745,874)
Fringe Benefits	(260,346)	-	-	(260,346)
Supplies	(38,432)	-	-	(38,432)
Maintenance	(38,692)	-	-	(38,692)
Contractual	(490,237)	128,309	100,000	(261,928)
Depreciation	(127,918)	-	-	(127,918)
Utilities	(19,801)	-	-	(19,801)
Telephone	(8,054)	-	-	(8,054)
Training & Seminars	(2,031)	-	-	(2,031)
All Other Expenses	(64,925)	-	-	(64,925)
	\$ (1,796,310)	\$ 128,309	\$ 100,000	(1,568,001)
 GENERAL REVENUES				
Franchise Fees				1,656,938
Interest Income				14,853
Other Income				25,168
				1,696,959
Change in Net Position				128,958
Net Position - Beginning				3,003,616
Net Position - Ending				\$ 3,132,574

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

Miami Valley Communications Council
Montgomery County
Balance Sheet
Governmental Funds
December 31, 2016

	<u>General Fund</u>	<u>Building Improvement Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and Cash Equivalents	\$ 2,654,849	133,256	2,788,105
Accounts Receivable:			
Time Warner Cable Western Ohio	369,572	-	369,572
AT&T	119,121	-	119,121
Other	12,800	-	12,800
Prepaid Expenses	<u>14,424</u>	<u>-</u>	<u>14,424</u>
 Total Assets	 \$ <u>3,170,766</u>	 <u>133,256</u>	 <u>3,304,022</u>
Liabilities			
Accounts Payable	\$ 12,735	-	12,735
Accrued Wages and Benefits	28,825	-	28,825
Due to Other Governments	<u>200,326</u>	<u>-</u>	<u>200,326</u>
	 <u>241,886</u>	 <u>-</u>	 <u>241,886</u>
Fund Balances			
Nonspendable:			
Prepaid Expenses	14,424	-	14,424
Committed for:			
Building Improvements	-	133,256	133,256
Contingency Reserve	600,000	-	600,000
Unassigned	<u>2,314,456</u>	<u>-</u>	<u>2,314,456</u>
 Total Fund Balances	 <u>2,928,880</u>	 <u>133,256</u>	 <u>3,062,136</u>
 Total Liabilities and Fund Balances	 \$ <u>3,170,766</u>	 <u>133,256</u>	 <u>3,304,022</u>

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

Miami Valley Communications Council
 Montgomery County
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2016

Total Governmental Fund Balances	\$	3,062,136
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		712,178
<p>The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:</p>		
Deferred Outflows - Pension	359,005	
Deferred Inflows - Pension	(23,682)	
Net Pension Liability	(916,938)	(581,615)
<p>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.</p>		
		(60,125)
Net Position of Governmental Activities	\$	3,132,574

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

Miami Valley Communications Council
Montgomery County
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2016

	General Fund	Building Improvement Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Franchise Fees	\$ 1,656,938	-	1,656,938
Intergovernmental	100,000	-	100,000
Training Income	6,080	-	6,080
Interest Income	10,976	3,877	14,853
Other Income	<u>147,397</u>	<u>-</u>	<u>147,397</u>
	1,921,391	3,877	1,925,268
Expenditures:			
Personnel	745,874	-	745,874
Fringe Benefits	210,867	-	210,867
Supplies	38,432	-	38,432
Maintenance	38,692	-	38,692
Contractual	490,237	-	490,237
Utilities	19,801	-	19,801
Telephone	8,054	-	8,054
Training & Services	2,031	-	2,031
All Other Expenses	64,925	-	64,925
Capital Outlay	<u>77,761</u>	<u>26,924</u>	<u>104,685</u>
	<u>1,696,674</u>	<u>26,924</u>	<u>1,723,598</u>
Excess (deficiency) of revenues over expenditures	224,717	(23,047)	201,670
Other Financing Sources (Uses)			
Transfers in	-	25,000	25,000
Transfers out	<u>(25,000)</u>	<u>-</u>	<u>(25,000)</u>
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>25,000</u>	<u>-</u>
Net Change in Fund Balances	199,717	1,953	201,670
Fund Balances at January 1, 2016	<u>2,729,163</u>	<u>131,303</u>	<u>2,860,466</u>
Fund Balances at December 31, 2016	\$ <u><u>2,928,880</u></u>	<u><u>133,256</u></u>	<u><u>3,062,136</u></u>

The notes to the basic 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
For the Year ended December 31, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 201,670

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	\$	104,685	
Current year depreciation		<u>(127,918)</u>	(23,233)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 89,139

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (136,240)

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. (2,378)

Change in Net Position of Governmental Activities \$ 128,958

Miami Valley Communications Council
Montgomery County
Statement of Assets and Liabilities
Agency Fund
December 31, 2016

	<u>Agency Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>94,332</u>
LIABILITIES	
Accrued Wages and Benefits	37,823
Due to Other Governments	<u>56,509</u>
	\$ <u><u>94,332</u></u>

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

Miami Valley Communications Council
Montgomery County
Notes to the Basic Financial Statements
December 31, 2016

NOTE A – REPORTING ENTITY AND BASIS OF PRESENTATION

1. Description of the Entity

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

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

The Council is also the fiscal agent for the Tactical Crime Suppression Unit. The Tactical Crime Suppression Unit is a 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 D)

2. 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 – Continued
December 31, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Fund Accounting

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

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

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

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.

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

2. Basis of Presentation

Government-wide Financial Statements

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

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

Miami Valley Communications Council
Montgomery County
Notes to the Basic Financial Statements – Continued
December 31, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2. Basis of Presentation – Continued

Government-wide Financial Statements – Continued

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

Fund Financial Statements

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

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

Basis of Accounting

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

Revenues, Exchange and Non-exchange Transactions

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

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

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

Miami Valley Communications Council
Montgomery County
Notes to the Basic Financial Statements – Continued
December 31, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2. Basis of Presentation – Continued

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Council, deferred outflows of resources are reported on the government-wide statement of net position for pension, which is further explained in Note F.

In addition to liabilities, the statement of net position reports 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 until that time. For the Council, deferred inflows of resources are related to pension. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and explained in Note F.

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.

3. 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. Investments of the Council are stated at fair value, based on quoted market prices, with the exception of Star Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Council also implemented GASB Statement No. 79 for 2016. The implementation of this GASB pronouncement had no effect on beginning net position/fund balance.

Miami Valley Communications Council
Montgomery County
Notes to the Basic Financial Statements – Continued
December 31, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3. Cash and Cash Equivalents – Continued

The Council measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Investment earnings are reported in the fund which has made the investment.

4. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2016, 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.

5. 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 – Continued
December 31, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

5. Property and Equipment and Depreciation – Continued

	Balance January 1, 2016	Additions	Retirements	Balance December 31, 2016
Capital assets being depreciated				
Building and improvements	\$ 1,132,037	\$ 26,924	\$ -	\$ 1,158,961
Vehicles	132,171	-	-	132,171
Furniture and equipment	<u>1,674,542</u>	<u>77,761</u>	-	<u>1,752,303</u>
Total capital assets being depreciated	2,938,750	104,685	-	3,043,435
Less accumulated depreciation				
Building and improvements	(751,835)	(47,007)	-	(798,842)
Vehicles	(119,378)	(4,265)	-	(123,643)
Furniture and equipment	<u>(1,455,296)</u>	<u>(76,646)</u>	-	<u>(1,531,942)</u>
Total accumulated depreciation	<u>(2,326,509)</u>	<u>(127,918)</u>	-	<u>(2,454,427)</u>
Total capital assets being depreciated, net	612,241	(23,233)	-	589,008
Land not being depreciated	<u>123,170</u>	-	-	<u>123,170</u>
Total net capital assets	<u>\$ 735,411</u>	<u>\$ (23,233)</u>	<u>\$ -</u>	<u>\$ 712,178</u>

6. 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 1/1/2016	Increase	Decrease	Balance 12/31/2016	Due within One Year
Compensated Absences	<u>\$ 57,747</u>	<u>\$ 60,125</u>	<u>\$ 57,747</u>	<u>\$ 60,125</u>	<u>\$ 15,031</u>

Miami Valley Communications Council
Montgomery County
Notes to the Basic Financial Statements – Continued
December 31, 2016

B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

7. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

8. Interfund Transactions

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

Transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. For the statement of activities, interfund transfers within the governmental activities are netted and eliminated.

During 2016, the General Fund transferred \$25,000 of unrestricted revenues to the Building Improvement Fund to finance the Council's capital outlay program in accordance with Council approved budgetary authorizations.

9. Advertising

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

10. Use of Estimates

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

11. Fund Balance

The Council has two types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. At year end, the Council had \$14,424 in prepaid expenses related to the Council's insurance that were considered nonspendable.

Miami Valley Communications Council
Montgomery County
Notes to the Basic Financial Statements – Continued
December 31, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

11. Fund Balance – Continued

In addition to the nonspendable 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:

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 \$133,256.

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 2016 (\$3,877) 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 \$2,314,456.

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.

Miami Valley Communications Council
Montgomery County
Notes to the Basic Financial Statements – Continued
December 31, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

12. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Council or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Council applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

NOTE C – CHANGE IN ACCOUNTING PRINCIPLES AND UPCOMING PRONOUNCEMENTS

For the year ended December 31, 2016, the Council implemented GASB Statements No. 72, *Fair Value Measurement and Application* and No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. Due to accounting basis used to prepare these financial statements, changes to the financial statements were limited to the note disclosures.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This statement also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost. As discussed in note B.3, the implementation of this GASB pronouncement had no effect on beginning net position/fund balance.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Council to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Ohio Public Employees Retirement System (OPERS). 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 provisions of this statement are effective for the Council's financial statements for the year ending December 31, 2018.

NOTE D – 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 2016, the Council acted as the fiscal agent for TCSU and provided approximately \$208,175 in funding to the group.

Miami Valley Communications Council
Montgomery County
Notes to the Basic Financial Statements – Continued
December 31, 2016

NOTE E – DEPOSITS AND INVESTMENTS

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

1. Deposits

At year-end, the carrying amount of the Council's deposits was \$2,113,201 including \$200 of petty cash maintained on hand. The bank balance was \$2,116,102. Of the bank balance, \$253,567 was covered by federal depository insurance and \$1,862,535 was covered by pooled collateral held in the pledging banks' trust departments in the Council's name.

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

2. Investments

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;
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;

Miami Valley Communications Council
Montgomery County
Notes to the Basic Financial Statements – Continued
December 31, 2016

NOTE E – DEPOSITS AND INVESTMENTS – Continued

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 fair value of these investments at December 31, 2016, was \$769,236.

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.

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.

Miami Valley Communications Council
 Montgomery County
 Notes to the Basic Financial Statements – Continued
 December 31, 2016

NOTE E – DEPOSITS AND INVESTMENTS – Continued

	<u>Demand Deposits</u>	<u>Investments</u>
Cash and Cash Equivalents per Financial Statements	\$ 2,882,437	\$ -
Investments		
Star Ohio	<u>(769,236)</u>	<u>769,236</u>
Total Demand Deposits and Investments	\$ <u>2,113,201</u>	\$ <u>769,236</u>
Cash and cash equivalents per Financial Statements		
Government Activities	\$ 2,788,105	
Agency Funds	<u>94,332</u>	
	<u>\$ 2,882,437</u>	

NOTE F – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Council’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Council’s obligation for this liability to annually required payments. The Council cannot control benefit terms or the manner in which pensions are financed; however, the Council does receive the benefit of employees’ services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Miami Valley Communications Council
 Montgomery County
 Notes to the Basic Financial Statements – Continued
 December 31, 2016

NOTE F – DEFINED BENEFIT PENSION PLANS – Continued

Plan Description – Ohio Public Employees Retirement System (OPERS)

Council employees, other than full-time police and firefighters, participate 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 and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g., Council employees) may elect the Member-Directed Plan and the Combined Plan, the majority of employee members are in OPERS' Traditional Plan; therefore, the following disclosures focus on the Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code (ORC). OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
<p>Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit</p> <p>Formula: 2.2% of FAS multiplied by years of Service for the first 30 years and 2.5% for service years in excess of 30</p>	<p>Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit</p> <p>Formula: 2.2% of FAS multiplied by year of service for the first 30 years and 2.5% for service years in excess of 30</p>	<p>Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit</p> <p>Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35</p>

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Miami Valley Communications Council
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Notes to the Basic Financial Statements – Continued
December 31, 2016

NOTE F – DEFINED BENEFIT PENSION PLANS – Continued

Funding Policy—The ORC provides statutory authority for member and employer contributions. For 2016, member contribution rates were 10% of salary and employer contribution rates were 14%. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 2.0% during calendar year 2016 (see Note G). Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Council's contractually required contribution was \$89,139 for 2016. Of this amount, \$14,650 is reported as accrued wages and benefits.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPERS

The net pension liability for OPERS was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Council's proportion of the net pension liability was based on the Council's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Proportionate Share of Net Pension Liability	\$	916,938
Proportion of the Net Pension Liability		0.005294%
Change in Proportion		-0.000071%
Pension Expense	\$	136,240

At December 31, 2016, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources

Differences between projected and actual earnings on investments	\$	269,866
Council contributions subsequent to the measurement date		89,139
Total Deferred Outflows of Resources	\$	<u>359,005</u>

Deferred Inflows of Resources

Differences between expected and actual experience	\$	17,799
Change in the Council's proportionate share		5,883
Total Deferred Inflows of Resources	\$	<u>23,682</u>

\$89,139 reported as deferred outflows of resources related to pension resulting from Council contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:		
2017	\$	56,278
2018		60,645
2019		68,268
2020		60,993
	\$	<u>246,184</u>

Miami Valley Communications Council
Montgomery County
Notes to the Basic Financial Statements – Continued
December 31, 2016

NOTE F – DEFINED BENEFIT PENSION PLANS – Continued

Actuarial Assumptions

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below.

Wage inflation	3.75%
Future salary increases, including inflation COLA or Ad Hoc COLA	4.25% to 10.05%, including wage inflation Pre 1/7/2013 Retirees: 3%, simple; Post 1/7/2013 Retirees: 3% simple through 2018, then 2.80% simple
Investment rate of return	8%
Actuarial cost method	Individual entry age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined health female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120% of the disabled female mortality rates were used set forward two years. For females, 100% of the disabled female mortality rates were used.

The most recent experience study was completed for the five-year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2015, OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. During 2016, OPERS consolidated the health care portfolios (see Note G). The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4% for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans.

Miami Valley Communications Council
 Montgomery County
 Notes to the Basic Financial Statements – Continued
 December 31, 2016

NOTE F – DEFINED BENEFIT PENSION PLANS – Continued

The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return (Arithmetic):

Asset Class	Target Allocation	Weighted Average Long Term Expected Real Rate of Return
Fixed Income	23.00%	2.31%
Domestic Equities	20.70%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	18.30%	7.40%
Other Investments	<u>18.00%</u>	<u>4.59%</u>
Total	<u>100.00%</u>	<u>5.27%</u>

Discount Rate

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Council's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table represents the Council's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8%, as well as what the Council's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (7%) and one-percentage point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Council's proportionate share of the net pension liability	\$ 1,355,105	\$ 916,938	\$ 453,484

Changes Between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Council's net pension liability is expected to be significant.

NOTE G - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Ohio Public Employees Retirement System

As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

Miami Valley Communications Council
Montgomery County
Notes to the Basic Financial Statements – Continued
December 31, 2016

NOTE G - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 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. Please see the Plan Statement in the OPERS 2015 CAFR.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2016, state and local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members' contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The OPERS Board 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. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

The Council's contributions allocated to fund post-employment health care benefits for the fiscal years ended December 31, 2016, 2015 and 2014 were \$14,849, \$14,895 and \$14,835, respectively, which equaled the required contributions each year.

NOTE H – 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.

NOTE I – RISK MANAGEMENT

The Council is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. The Council maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicle. Vehicle policies include liability coverage for bodily injury and property damage. Settlement claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from last year.

Miami Valley Communications Council
Montgomery County
Required Supplementary Information
Schedule of the Council's Proportionate Share of the Net Pension Liability
Last Three Measurement Years (1)

<u>Ohio Public Employees Retirement System</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Council's Proportion of the Net Position Liability	0.005294%	0.005365%	0.005365%
Council's Proportionate Share of the Net Pension Liability	\$ 916,938	\$ 647,079	\$ 632,464
Council's Covered-Employee Payroll	\$ 745,058	\$ 742,058	\$ 815,592
Council's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	123.07%	87.20%	77.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Information prior to 2013 is not available.

Miami Valley Communications Council
Montgomery County
Required Supplementary Information
Schedule of Council Contributions
Last Five Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Ohio Public Employees Retirement System</u>					
Contractually Required Contribution	\$ 89,139	\$ 89,407	\$ 89,047	\$ 106,027	\$ 82,499
Contributions in Relation to the Contractually Required Contribution	<u>(89,139)</u>	<u>(89,407)</u>	<u>(89,047)</u>	<u>(106,027)</u>	<u>(82,499)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Council Covered-Employee Payroll	\$ 742,825	\$ 745,058	\$ 742,058	\$ 815,592	\$ 824,990
Contributions as a Percentage of Council Covered-Employee Payroll	12.00%	12.00%	12.00%	13.00%	10.00%

(1) - Information prior to 2012 is not available.

Miami Valley Communications Council
Montgomery County
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance
Revenues				
Franchise Fees	\$ 1,720,000	\$ 1,720,000	\$ 1,656,938	\$ (63,062)
Intergovernmental	50,000	50,000	100,000	50,000
Training Income	6,000	6,000	6,080	80
Interest Income	1,675	1,675	10,976	9,301
Other Income	<u>95,577</u>	<u>95,577</u>	<u>147,397</u>	<u>51,820</u>
	1,873,252	1,873,252	1,921,391	48,139
Expenditures				
Personnel	792,677	792,677	745,874	46,803
Fringe Benefits	236,697	236,697	210,867	25,830
Supplies	37,950	37,950	38,432	(482)
Maintenance	52,410	52,410	38,692	13,718
Contractual	450,658	450,658	490,237	(39,579)
Utilities	23,725	23,725	19,801	3,924
Telephone	8,550	8,550	8,054	496
Training & Services	8,900	8,900	2,031	6,869
All Other Expenses	80,660	80,660	64,925	15,735
Capital Outlay	<u>80,000</u>	<u>80,000</u>	<u>77,761</u>	<u>2,239</u>
	<u>1,772,227</u>	<u>1,772,227</u>	<u>1,696,674</u>	<u>75,553</u>
Excess (deficiency) of revenues over expenditures	101,025	101,025	224,717	123,692
Other Financing Sources (Uses) Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Net Change in Fund Balances	76,025	76,025	199,717	123,692
Fund Balances at January 1, 2016	<u>2,729,163</u>	<u>2,729,163</u>	<u>2,729,163</u>	<u>-</u>
Fund Balances at December 31, 2016	\$ <u><u>2,805,188</u></u>	\$ <u><u>2,805,188</u></u>	\$ <u><u>2,928,880</u></u>	\$ <u><u>123,692</u></u>

See accompanying notes to the supplementary information.

Miami Valley Communications Council
Montgomery County
Notes to the Supplementary Information
December 31, 2016

Budgetary Accounting

The Council's annual budget is prepared on the accrual basis of accounting as permitted by law. 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.



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 Members of 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, 2016, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated September 26, 2017.

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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*.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

September 26, 2017



Dave Yost • Auditor of State

MIAMI VALLEY COMMUNICATIONS COUNCIL

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 17, 2017**