

Birmingham Area Cable Board

**Financial Report
with Supplemental Information
June 30, 2009**

Birmingham Area Cable Board

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Independent Auditor's Report

To the Board Members
Birmingham Area Cable Board

We have audited the accompanying financial statements of the governmental activities and the General Fund of Birmingham Area Cable Board (the "Board") as of June 30, 2009 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of the Birmingham Area Cable Board at June 30, 2009 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule, identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

October 14, 2009

Birmingham Area Cable Board

Management's Discussion and Analysis

Our discussion and analysis of the Birmingham Area Cable Board's (the "Board") financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the Board's financial statements.

Using this Annual Report

This annual report consists of three parts: (1) management's discussion and analysis (this section), (2) the basic financial statements, and (3) required supplemental information. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

The basic financial statements include information that presents two different views of the Board.

- The first column of the financial statements includes information on the Board's General Fund under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Board's sources and uses of funds.
- The adjustments column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method of accounting.
- The third column presents the Board's operations on a full accrual basis, which provides both long- and short-term information about the Board's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Board as a whole and present a longer-term view of the Board's finances.

Birmingham Area Cable Board

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The following tables show key financial information in a condensed format for the government-wide statement of net assets and the statement of activities:

	June 30	
	2009	2008
Assets		
Current assets	\$ 1,140,840	\$ 1,077,540
Capital assets - Net	<u>785,265</u>	<u>654,122</u>
Total assets	<u>1,926,105</u>	<u>1,731,662</u>
Net Assets		
Invested in capital assets	785,265	654,122
Unrestricted	<u>1,140,840</u>	<u>1,077,540</u>
Total net assets	<u>\$ 1,926,105</u>	<u>\$ 1,731,662</u>
	Year Ended June 30	
	2009	2008
Revenue		
Franchise fees	\$ 272,068	\$ 244,483
PEG fees	408,147	365,657
Sale of assets/gain (loss)	(34,695)	-
Other	<u>20,384</u>	<u>50,939</u>
Total revenue	665,904	661,079
Expenses		
PEG operations	363,251	269,950
Board expenditures	<u>108,210</u>	<u>128,736</u>
Total expenses	<u>471,461</u>	<u>398,686</u>
Change in Net Assets	<u>\$ 194,443</u>	<u>\$ 262,393</u>

Birmingham Area Cable Board

Management's Discussion and Analysis (Continued)

The Board as a Whole

- The Board reports net assets of \$1,926,105 this year on a full accrual basis, as compared to a fund balance of \$1,140,840 on the modified accrual basis of accounting.
- The Board's primary source of revenue is from franchise and PEG fees. For 2009, total fees collected were \$680,215. This represents approximately 96 percent of total revenue.
- The largest expenditure of the Board is for the agreement with Bloomfield Community Television (BCTV). For 2009, this expenditure was \$170,824, representing approximately 26 percent of the Board's total expenditures.
- Total expenditures for the entire year under the modified accrual basis of accounting were approximately \$642,000.
- The Board's conversion to meet GASB 34 standards, which includes capitalization of Board-owned assets and associated depreciation expense, is reflected in the statement of activities on page 7 of this financial report.

The Board's Fund

Our analysis of the Board's General Fund is included on pages 6 and 7 in the first column of the respective statements. The fund column provides detailed information about the General Fund on a modified accrual method, which is a short-term perspective measuring the flow of financial resources, not the Board's operations on a full accrual basis of accounting, which provides a longer-term measurement of total economic resources. The Board's only fund is the General Fund. The fund balance of the General Fund increased by approximately \$63,000 for the year.

Board Budgetary Highlights

The Board's budget for revenue for 2009 was \$621,000 with actual revenue coming in at \$705,000. Franchise fees and PEG fees came in higher than anticipated. On the expenditure side, the total budget was \$772,000 and actual expenditures were \$642,000. The following categories came in fairly significantly under budget - BCTV PEG fees, grants, capital outlay operating expenses, and attorney fees.

Birmingham Area Cable Board

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

At the end of the year, the Board had approximately \$973,700 invested in the production van and equipment. In 2008/2009, the Board took delivery of a new production vehicle fully equipped with state of the art HD equipment.

The Board carries no long-term debt.

Economic Factors and Next Year's Budget and Rates

The Board's budget for the 2010 fiscal year decreased from 2009. Revenues are anticipated to increase only slightly in the franchise fee and PEG area. Expenditures were decreased in the 2010 budget by almost \$100,000, mainly due to the non-recurring nature of the 2009 production van expenditures, offset by grant expenditures. The 2010 budget also anticipates the creation of a capital equipment replacement reserve of \$50,000.

Contacting the Board's Management

If you have questions about this report or need additional information, we welcome you to contact the director, Robert Borgon, at 248-336-9445 or via email at rjborgon@sbcglobal.net.

Birmingham Area Cable Board

Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2009

	General Fund - Modified Accrual Basis	Adjustments (Note 7)	Statement of Net Assets - Full Accrual Basis
Assets			
Cash and investments (Note 2)	\$ 721,332	\$ -	\$ 721,332
Amount on deposit at the Village of Beverly Hills (Note 3)	248,113	-	248,113
Due from communities for franchise and PEG fees:			
Birmingham	105,583	-	105,583
Beverly Hills	44,639	-	44,639
Franklin Village	13,995	-	13,995
Bingham Farms	7,178	-	7,178
Fixed assets (Note 4)	<u>-</u>	<u>785,265</u>	<u>785,265</u>
Total assets	<u>\$ 1,140,840</u>	785,265	1,926,105
Fund Balance - Unreserved/Undesignated	<u>\$ 1,140,840</u>	<u>(1,140,840)</u>	<u>-</u>
Net Assets			
Invested in capital assets		785,265	785,265
Unrestricted		<u>1,140,840</u>	<u>1,140,840</u>
Total net assets		<u>\$ 1,926,105</u>	<u>\$ 1,926,105</u>

Birmingham Area Cable Board

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2009

	General Fund - Modified Accrual Basis	Adjustments (Note 7)	Statement of Activities - Full Accrual Basis
Revenue			
Franchise fees:			
Birmingham	\$ 165,072	\$ -	\$ 165,072
Beverly Hills	68,205	-	68,205
Franklin Village	27,539	-	27,539
Bingham Farms	11,252	-	11,252
PEG fees:			
Birmingham	247,608	-	247,608
Beverly Hills	102,355	-	102,355
Franklin Village	41,308	-	41,308
Bingham Farms	16,876	-	16,876
Sale of assets/gain (loss)	4,700	(39,395)	(34,695)
Other	20,384	-	20,384
Total revenue	705,299	(39,395)	665,904
Expenditures			
PEG operations:			
BCTV PEG	170,824	-	170,824
Grants	72,759	-	72,759
Capital outlay	281,661	(277,421)	4,240
Depreciation	-	106,883	106,883
Mobile van	8,545	-	8,545
Board expenditures:			
Executive director	34,962	-	34,962
Operating expenses	8,176	-	8,176
Attorney fees	35,016	-	35,016
Audit fees	8,400	-	8,400
Insurance	8,145	-	8,145
Advertising and promotions	3,095	-	3,095
Memberships	8,080	-	8,080
Conferences	2,336	-	2,336
Total expenditures	641,999	(170,538)	471,461
Excess of Revenue Over Expenditures/Change in Net Assets	63,300	131,143	194,443
Fund Balance/Net Assets - Beginning of year	1,077,540	654,122	1,731,662
Fund Balance/Net Assets - End of year	\$ 1,140,840	\$ 785,265	\$ 1,926,105

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2009

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Birmingham Area Cable Board (the "Board") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

Birmingham Area Cable Board was created through an interlocal agreement between the City of Birmingham and the Villages of Beverly Hills, Bingham Farms, and Franklin (the "Parties"). The Board was organized to obtain for the citizens of the Parties and to thereafter maintain for those citizens the highest quality of cable communication service at the lowest reasonable cost in accordance with franchise agreements and established ordinances. The Board is operated by a 13-member board; seven representatives are appointed by the City of Birmingham, four representatives are appointed by the Village of Beverly Hills, one representative from the Village of Bingham Farms, and one representative from the Village of Franklin. As required by accounting principles generally accepted in the United States of America, these financial statements present Birmingham Area Cable Board. No other component units have been combined into the Board's basic financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Board's basic financial statements include both the Board's full accrual financial statements and modified accrual financial statements.

Full Accrual Financial Statements

The full accrual financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables. The Board's net assets are reported in two parts - invested in capital assets and unrestricted net assets.

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2009

Note 1 - Summary of Significant Accounting Policies (Continued)

Modified Accrual Financial Statements

The modified accrual financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Fixed Assets - Fixed assets are defined by the Board as assets with an initial cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Production van	5-20 years
Equipment	5-10 years

PEG Activity - The Board's cable provider has established three channels for public, education, and government (PEG) use. The public and governmental channels are administered by the Board and the educational channel is administered by Birmingham School District. In order to fund the administration of these channels, the Board receives financial support in the form of PEG fees from its cable provider in the amount of 3 percent of the cable provider's gross revenue. These funds are used on PEG-related projects. The PEG fees are allocated among the various member communities in the same manner as franchise fees. The member communities remit the PEG fees they collect to the Board. A portion of these PEG fees can be allocated to the Parties and Birmingham School District upon a grant request.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2009

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Board is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Board has designated two banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments permissible under Michigan Compiled Laws Section 129.92 (Public Act 20 of 1943, as amended) as listed above. The Board's deposits and investment policies are in accordance with statutory authority.

The Board's cash and investments are subject to custodial credit risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned to it. The Board does not have a deposit policy for custodial credit risk. At year end, the Board had approximately \$346,300 of bank deposits (checking account and certificates of deposit) that were uninsured and uncollateralized. The Board believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Board evaluates the financial institutions with which it deposits funds and assesses the level of risk of the institutions; only institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Amount on Deposit at the Village of Beverly Hills

Franchise fees collected by the Parties are remitted to the Village of Beverly Hills. The Village of Beverly Hills uses these funds to pay for the Board's monthly expenditures. The amount on deposit at the Village of Beverly Hills is the excess of the franchise fees collected over monthly expenditures.

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Notes to Financial Statements June 30, 2009

Note 4 - Fixed Assets

A summary of changes in fixed assets is as follows:

	Balance - Beginning of Year	Additions	Deletions	Balance - End of Year
Production van Equipment	\$ 766,378 <u>120,569</u>	\$ 277,421 <u>-</u>	\$ 190,634 <u>-</u>	\$ 853,165 <u>120,569</u>
Total	886,947	277,421	190,634	973,734
Accumulated depreciation	<u>(232,825)</u>	<u>(106,883)</u>	<u>(151,239)</u>	<u>(188,469)</u>
Net book value	<u>\$ 654,122</u>	<u>\$ 170,538</u>	<u>\$ 39,395</u>	<u>\$ 785,265</u>

Note 5 - Budget Information

The annual budget is prepared by the Board and adopted by the Board's board; subsequent amendments are approved by the board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2009 has not been calculated. There were no amendments during the current year.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted in total for revenues and expenditures; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted is included in the required supplemental information budgetary comparison schedule - General Fund. Line item detail is shown in this budget for analytical purposes only.

Note 6 - Risk Management

The Board is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Board has purchased commercial insurance for claims relating to general liability and property. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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Notes to Financial Statements June 30, 2009

Note 7 - Reconciliation of Modified Accrual Financial Statements to the Full Accrual Financial Statements

Total fund balance and the net change in fund balance of the Board's General Fund differ from net assets and change in net assets of the Board's activities reported in the governmental fund balance sheet/statement of net assets and the statement of governmental revenue, expenditures, and changes in fund balance/statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the General Fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$ 1,140,840
Amounts reported in the statement of net assets are different because capital assets are not financial resources and are not reported in the funds	<u>785,265</u>
Net Assets - Full Accrual Basis	<u>\$ 1,926,105</u>
Net Change in Fund Balances - Modified Accrual Basis	\$ 63,300
Amounts reported in the statement of activities are different because capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	277,421
Loss on sale of assets	(39,395)
Depreciation	<u>(106,883)</u>
Change in Net Assets - Full Accrual Basis	<u>\$ 194,443</u>

Required Supplemental Information

Birmingham Area Cable Board

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Franchise fees:				
Birmingham	\$ 149,215	\$ 149,215	\$ 165,072	\$ 15,857
Beverly Hills	62,900	62,900	68,205	5,305
Franklin Village	21,375	21,375	27,539	6,164
Bingham Farms	12,000	12,000	11,252	(748)
PEG fees:				
Birmingham	223,820	223,820	247,608	23,788
Beverly Hills	94,350	94,350	102,355	8,005
Franklin Village	32,050	32,050	41,308	9,258
Bingham Farms	15,215	15,215	16,876	1,661
Sale of assets/gain (loss)	-	-	4,700	4,700
Other	10,000	10,000	20,384	10,384
Total revenue	620,925	620,925	705,299	84,374
Expenditures				
PEG operations:				
BCTV PEG	215,000	215,000	170,824	44,176
Grants	100,000	100,000	72,759	27,241
Capital outlay	310,000	310,000	281,661	28,339
Mobile van	5,000	5,000	8,545	(3,545)
Board expenditures:				
Executive director	35,000	35,000	34,962	38
Operating expenses	29,400	29,400	8,176	21,224
Attorney fees	50,000	50,000	35,016	14,984
Audit fees	6,500	6,500	8,400	(1,900)
Insurance	8,500	8,500	8,145	355
Advertising and promotions	500	500	3,095	(2,595)
Memberships	7,500	7,500	8,080	(580)
Conferences	5,000	5,000	2,336	2,664
Total expenditures	772,400	772,400	641,999	130,401
Net Change in Fund Balance	(151,475)	(151,475)	63,300	214,775
Fund Balance - Beginning of year	1,077,540	1,077,540	1,077,540	-
Fund Balance - End of year	<u>\$ 926,065</u>	<u>\$ 926,065</u>	<u>\$ 1,140,840</u>	<u>\$ 214,775</u>

Note: Line-item budget information presented is for analytical purposes only. The budget was adopted in total for revenues and expenditures.