

Birmingham Area Cable Board

**Financial Report
with Supplemental Information
June 30, 2011**

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 the Birmingham Area Cable Board (the "Board") as of June 30, 2011 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, 2011 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.

During the year, the Board implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note 9. As a result of this required implementation, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB No. 54.

Plante & Moran, PLLC

October 31, 2011

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, 2011. 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	
	2011	2010
Assets		
Current assets	\$ 1,493,505	\$ 1,287,871
Capital assets - Net	<u>696,772</u>	<u>709,248</u>
Total assets	<u>2,190,277</u>	<u>1,997,119</u>
Net Assets		
Invested in capital assets	696,772	709,248
Unrestricted	<u>1,493,505</u>	<u>1,287,871</u>
Total net assets	<u>\$ 2,190,277</u>	<u>\$ 1,997,119</u>
	Year Ended June 30	
	2011	2010
Revenue		
Franchise fees	\$ 304,125	\$ 289,854
PEG fees	461,122	434,731
Other	<u>25,105</u>	<u>15,004</u>
Total revenue	790,352	739,589
Expenses		
PEG operations	517,197	533,463
Board expenditures	<u>79,997</u>	<u>135,112</u>
Total expenses	<u>597,194</u>	<u>668,575</u>
Change in Net Assets	<u>\$ 193,158</u>	<u>\$ 71,014</u>

Birmingham Area Cable Board

Management's Discussion and Analysis (Continued)

The Board as a Whole

- The Board reports net assets of \$2,190,277 this year on a full accrual basis, as compared to a fund balance of \$1,476,786 on the modified accrual basis of accounting.
- The Board's primary source of revenue is from franchise and PEG fees. For 2011, total fees collected were \$765,247. This represents approximately 97 percent of total revenue.
- The largest expenditure of the Board is for the agreement with Bloomfield Community Television (BCTV). For 2011, this expenditure was \$188,840, representing approximately 32 percent of the Board's total expenditures.
- Total expenditures for the entire year under the modified accrual basis of accounting were approximately \$584,719.
- The Board's conversion to meet GASB No. 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 \$188,915 during the year.

Board Budgetary Highlights

The Board's budget for revenue for 2011 was \$645,060 with actual revenue coming in at \$773,634. Franchise fees and PEG fees came in higher than anticipated. On the expenditure side, the total budget was \$685,426 and actual expenditures were \$584,719. The following categories came in fairly significantly under budget: BCTV, operating expenses, and capital outlay.

Capital Assets and Debt Administration

At the end of the year, the Board had approximately \$696,772 invested in the production van and equipment. In 2011, the Board added approximately \$90,000 to equipment.

The Board carries no long-term debt.

Birmingham Area Cable Board

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budget and Rates

The Board's budget for the 2012 fiscal year increased from 2011. Revenue is anticipated to decrease by approximately \$129,000 in the franchise fee and PEG area mostly due to the uncertainty in the economy and variety of choices for users that now exist. Expenditures are expected to increase in 2012 by approximately \$100,000, due to an increase in PEG programming costs.

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@gmail.com.

Birmingham Area Cable Board

Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2011

	General Fund - Modified Accrual Basis	Adjustments (Note 7)	Statement of Net Assets - Full Accrual Basis
Assets			
Cash and investments (Note 2)	\$ 1,038,192	\$ -	\$ 1,038,192
Amount on deposit at the Village of Beverly Hills (Note 3)	239,744	-	239,744
Due from communities for franchise and PEG fees:			
Birmingham	119,101	-	119,101
Beverly Hills	47,186	-	47,186
Franklin Village	33,366	-	33,366
Bingham Farms	7,916	-	7,916
Other miscellaneous receivables	8,000	-	8,000
Fixed assets (Note 4)	<u>-</u>	<u>696,772</u>	<u>696,772</u>
Total assets	1,493,505	696,772	2,190,277
Liabilities - Deferred revenue	<u>16,718</u>	(16,718)	-
Fund Balance - Unassigned	<u>\$ 1,476,787</u>	<u>(1,476,787)</u>	<u>-</u>
Net Assets			
Invested in capital assets		696,772	696,772
Unrestricted		<u>1,493,505</u>	<u>1,493,505</u>
Total net assets		<u>\$ 2,190,277</u>	<u>\$ 2,190,277</u>

Birmingham Area Cable Board

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2011

	General Fund - Modified Accrual Basis	Adjustments (Note 7)	Statement of Activities - Full Accrual Basis
Revenue			
Franchise fees:			
Birmingham	\$ 190,556	\$ -	\$ 190,556
Beverly Hills	74,426	-	74,426
Franklin Village	19,984	6,661	26,645
Bingham Farms	12,498	-	12,498
PEG fees:			
Birmingham	285,859	-	285,859
Beverly Hills	116,181	-	116,181
Franklin Village	30,171	10,057	40,228
Bingham Farms	18,854	-	18,854
Other	25,105	-	25,105
Total revenue	773,634	16,718	790,352
Expenditures			
PEG operations:			
BCTV PEG	188,840	-	188,840
Grants	199,924	-	199,924
Capital outlay	115,332	(90,404)	24,928
Depreciation	-	102,880	102,880
Mobile van	625	-	625
Board expenditures:			
Executive director	30,000	-	30,000
Operating expenses	10,519	-	10,519
Attorney fees	25,744	-	25,744
Audit fees	6,360	-	6,360
Insurance	4,451	-	4,451
Advertising and promotions	1,088	-	1,088
Memberships	585	-	585
Conferences	1,250	-	1,250
Total expenditures	584,718	12,476	597,194
Excess of Revenue Over Expenditures/Change in Net Assets	188,916	4,242	193,158
Fund Balance/Net Assets - Beginning of year	1,287,871	709,248	1,997,119
Fund Balance/Net Assets - End of year	\$ 1,476,787	\$ 713,490	\$ 2,190,277

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2011

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the 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

The 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 the 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, 2011

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.

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Notes to Financial Statements June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Equity - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned. The Board implemented Statement No. 54 during the year.

In the fund financial statements, governmental funds report the following components of fund balance:

Nonspendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact

Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose

Committed: Amounts can be formally set aside by the Board for use for specific purposes. Commitments made can be rescinded only via resolution of the Board.

Assigned: Intent to spend resources on specific purposes expressed by the Board

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.

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2011

Note 2 - Deposits and Investments (Continued)

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 129.91 (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 have an investment policy that addresses custodial credit risk. At year end, \$6,053 of the Board's bank deposits (checking account and certificates of deposit) were uninsured.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Board's investment policy does not further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Negotiable certificates of deposit	\$ 246,807	N/A	Not Rated
Federal Home Loan BKS Step-up	397,885	AAA	Moody's

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Board's investment policy requires structuring the maturities of the portfolio to meet cash requirements, investing in short-term securities or investment pools, and purchasing securities with the intent to hold to maturity. At year end, the average maturities of investments are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
U.S. government agencies and securities:				
Negotiable certificates of deposit	\$ 246,807	\$ 246,807	\$ -	\$ -
Federal Home Loan BKS Step-up	397,885	-	298,609	99,276

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2011

Note 2 - Deposits and Investments (Continued)

Concentration of Credit Risk - The policy places no limit on the amount the Board may invest in any one issuer. More than 5 percent of the Board's investments are in negotiable certificates of deposit; these investments are 38.28 percent of the Board's total investments.

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.

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	\$ 853,165	\$ -	\$ -	\$ 853,165
Equipment	<u>136,598</u>	<u>90,404</u>	<u>-</u>	<u>227,002</u>
Total	989,763	90,404	-	1,080,167
Accumulated depreciation	<u>(280,515)</u>	<u>(102,880)</u>	<u>-</u>	<u>(383,395)</u>
Net book value	<u>\$ 709,248</u>	<u>\$ (12,476)</u>	<u>\$ -</u>	<u>\$ 696,772</u>

Note 5 - Budget Information

The annual budget is prepared by the executive director and adopted by the 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, 2011 has not been calculated. There was one amendment during the current year.

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

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2011

Note 5 - Budget Information (Continued)

The budget has been adopted in total for revenue 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.

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:

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2011

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

Total Fund Balance - Modified Accrual Basis	\$ 1,476,787
Amounts reported in the statement of net assets are different because capital assets are not financial resources and are not reported in the funds	696,772
Amounts reported in the statement of net assets are different because amounts earned but not available are not revenue and are not reported in the funds	<u>16,718</u>
Net Assets - Full Accrual Basis	<u><u>\$2,190,277</u></u>
Net Change in Fund Balances - Modified Accrual Basis	\$ 188,916
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	90,404
Depreciation	(102,880)
Amounts reported in the statement of activities are different because amounts earned but not available are not reported as revenue in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these amounts are reported as revenue	<u>16,718</u>
Change in Net Assets - Full Accrual Basis	<u><u>\$ 193,158</u></u>

Note 8 - Deferred Revenue

The Board's policy is that revenue is available upon receipt of franchise and PEG fees from each respective community. In 2011, the fourth quarter payment from one community was received after the Board's period of availability (60 days). This amount has been deferred in the current year.

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2011

Note 9 - Accounting and Reporting Change

During the year, the Board adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. As a result, fund balance classifications were adjusted to comply with the standard.

Required Supplemental Information

Birmingham Area Cable Board

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Franchise fees:				
Birmingham	\$ 153,000	\$ 153,000	\$ 190,556	\$ 37,556
Beverly Hills	63,000	63,000	74,426	11,426
Franklin Village	22,020	22,020	19,984	(2,036)
Bingham Farms	12,600	12,600	12,498	(102)
PEG fees:				
Birmingham	236,520	236,520	285,859	49,339
Beverly Hills	94,200	94,200	116,181	21,981
Franklin Village	34,500	34,500	30,171	(4,329)
Bingham Farms	16,020	16,020	18,854	2,834
Other	13,200	13,200	25,105	11,905
Total revenue	<u>645,060</u>	<u>645,060</u>	<u>773,634</u>	<u>128,574</u>
Expenditures				
PEG operations:				
BCTV	245,000	245,000	188,840	56,160
Grants	200,000	200,000	199,924	76
Capital outlay	37,800	139,800	115,332	24,468
Mobile van	-	-	625	(625)
Board expenditures:				
Executive director	35,004	30,000	30,000	-
Operating expenses	23,640	25,500	10,519	14,981
Attorney fees	30,000	30,000	25,744	4,256
Audit fees	5,000	6,160	6,360	(200)
Insurance	8,145	7,166	4,451	2,715
Advertising and promotions	600	600	1,088	(488)
Memberships	1,200	1,200	585	615
Conferences	6,000	-	1,250	(1,250)
Total expenditures	<u>592,389</u>	<u>685,426</u>	<u>584,718</u>	<u>100,708</u>
Net Change in Fund Balance	52,671	(40,366)	188,916	229,282
Fund Balance - Beginning of year	<u>1,287,871</u>	<u>1,287,871</u>	<u>1,287,871</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 1,340,542</u>	<u>\$ 1,247,505</u>	<u>\$ 1,476,787</u>	<u>\$ 229,282</u>

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