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# Birmingham Area Cable Board

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**Financial Report  
with Supplemental Information  
June 30, 2022**

# Birmingham Area Cable Board

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## **Independent Auditor's Report**

To the Board Members  
Birmingham Area Cable Board

### **Opinions**

We have audited the financial statements of the governmental activities and the General Fund of Birmingham Area Cable Board (the "Board") as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Board as of June 30, 2022 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board Members  
Birmingham Area Cable Board

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Plante & Moran, PLLC*

October 31, 2022

Our discussion and analysis of 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, 2022. 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 position 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.

### **Condensed Financial Information**

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

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Current and other assets	\$ 1,587,364	\$ 1,665,646
Capital assets - Net	<u>191,468</u>	<u>178,880</u>
Total assets	1,778,832	1,844,526
<b>Liabilities - Accounts payable</b>	<u>924</u>	<u>12,912</u>
<b>Net Position</b>		
Net investment in capital assets	191,468	178,880
Restricted for public, education, and government (PEG)	1,088,487	1,067,572
Unrestricted	<u>497,953</u>	<u>585,162</u>
Total net position	<u><b>\$ 1,777,908</b></u>	<u><b>\$ 1,831,614</b></u>

## Birmingham Area Cable Board

### Management's Discussion and Analysis (Continued)

	2022	2021
<b>Revenue</b>		
Franchise fees	\$ 335,751	\$ 343,585
PEG fees	339,483	358,849
Investment (loss) income	(43,253)	1,374
Total revenue	631,981	703,808
<b>Expenditures</b>		
PEG operations	306,680	372,318
Board expenditures	379,007	169,779
Total expenditures	685,687	542,097
<b>Net Change in Net Position</b>	(53,706)	161,711
<b>Net Position - Beginning of year</b>	1,831,614	1,669,903
<b>Net Position - End of year</b>	<u><u>\$ 1,777,908</u></u>	<u><u>\$ 1,831,614</u></u>

#### ***The Board as a Whole***

- The Board reports a net position of \$1,777,908 this year on a full accrual basis, as compared to a fund balance of \$1,409,086 on the modified accrual basis of accounting.
- The Board recorded accounts payable of \$924 in the current year and \$12,912 in the prior year.
- The Board's primary source of revenue is from franchise and PEG fees. For 2022, total fees collected were \$675,234. This represents the majority of revenue.
- The largest expenditure of the Board, other than the issuance of grants, is for the agreement with Bloomfield Community Television (BCTV). For 2022, this expenditure was \$262,350, representing approximately 38 percent of the General Fund's total expenditures.
- Expenses for PEG operations decreased by \$65,638, or 17.6 percent. This decrease is primarily due to a decrease in PEG grant disbursements in the current year.
- Expense for board operations increased by \$209,228, or 123.2 percent. This increase is primarily due to an increased amount of unspent franchise fees distributed back to the communities.
- Total expenditures for the entire year under the modified accrual basis of accounting were \$698,275.

#### ***The General 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 decreased by \$220,318 during the year.

#### ***Board Budgetary Highlights***

The Board's budget for revenue for 2022 was \$628,400, with actual revenue coming in at \$477,957. Franchise fees came in higher than anticipated, and PEG fees came in lower than anticipated. As of June 30, 2022, the Board has \$177,354 in unavailable revenue, which is due to receiving the fees from the communities after the period of availability. The unavailable revenue will be recognized as revenue in the next fiscal year. On the expenditure side, the total budget was \$868,540, and actual expenditures were \$698,275. The variance is primarily due to fewer expenditures for grants, program expenses, professional fees, and municipal support services.

## **Birmingham Area Cable Board**

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### **Management's Discussion and Analysis (Continued)**

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#### ***Capital Assets and Debt Administration***

At year end, the Board had \$191,468 invested in the production van and equipment. In 2022, the Board had \$38,024 of additions and \$0 of disposals of equipment.

The Board carries no long-term debt.

#### ***Economic Factors and Next Year's Budgets and Rates***

The Board's revenue budget for fiscal year 2023 increased from the fiscal year 2022 results. The Board believes consumer spending on traditional cable television will slow due to the increase in popularity and availability of streaming services, which are not subject to the requirement to pay franchise or PEG fees. The potential loss of revenue from franchise and PEG fees may be offset, however, by the providers' annual increases in cable television rates charged to consumers who have chosen to remain as traditional cable subscribers. The Board is monitoring new rules promulgated by the Federal Communications Commission (FCC) that may reduce PEG revenue. The Board will continue to exercise fiscal discipline with respect to board operating expenses, resulting in a return of uncommitted franchise fee revenue to each of the participating municipalities at the end of the fiscal year as a dividend from shared municipal services. PEG revenue will be managed in accordance with parameters outlined in applicable state and federal statutes.

#### ***Requests for Further Information***

If you have questions about this report or need additional information, we welcome you to contact Cathy White at 248-336-9445 or via email at [exec@birminghamareacableboard.org](mailto:exec@birminghamareacableboard.org).

# Birmingham Area Cable Board

## General Fund Balance Sheet/Statement of Net Position

June 30, 2022

	General Fund - Modified Accrual Basis	Adjustments (Note 7)	Statement of Net Position - Full Accrual Basis
<b>Assets</b>			
Cash and investments (Notes 2 and 3)	\$ 1,052,356	\$ -	\$ 1,052,356
Amount on deposit at the Village of Beverly Hills, Michigan (Note 4)	202,198	-	202,198
Due from service providers for franchise and PEG fees	329,839	-	329,839
Other receivables	2,971	-	2,971
Capital assets - Net (Note 5)	-	191,468	191,468
	<u>\$ 1,587,364</u>	191,468	1,778,832
<b>Liabilities - Accounts payable</b>	\$ 924	-	924
<b>Deferred Inflows of Resources - Unavailable revenue</b>	177,354	(177,354)	-
<b>Equity</b>			
Fund balance:			
Restricted - Public, education, and government	999,158	(999,158)	-
Committed - Franchise fees to communities	171,238	(171,238)	-
Unassigned	238,690	(238,690)	-
	<u>1,409,086</u>	<u>(1,409,086)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,587,364</u>		
<b>Net position:</b>			
Net investment in capital assets		191,468	191,468
Restricted for public, education, and government		1,088,487	1,088,487
Unrestricted		497,953	497,953
		<u>1,777,908</u>	<u>1,777,908</u>
Total net position		<u>\$ 1,777,908</u>	<u>\$ 1,777,908</u>



## Birmingham Area Cable Board

### Statement of General Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities

Year Ended June 30, 2022

	General Fund - Modified Accrual Basis	Adjustments (Note 7)	Statement of Activities - Full Accrual Basis
<b>Revenue</b>			
Franchise fees:			
Birmingham, Michigan	\$ 157,857	\$ 50,949	\$ 208,806
Beverly Hills, Michigan	80,408	-	80,408
Franklin Village, Michigan	-	29,602	29,602
Bingham Farms, Michigan	21,031	(4,096)	16,935
PEG fees:			
Birmingham, Michigan	158,532	51,644	210,176
Beverly Hills, Michigan	82,063	-	82,063
Franklin Village, Michigan	-	30,081	30,081
Bingham Farms, Michigan	21,319	(4,156)	17,163
Investment loss	(43,253)	-	(43,253)
Total revenue	477,957	154,024	631,981
<b>Expenditures</b>			
PEG operations:			
Cable contractor	262,350	-	262,350
Communications expense	5,766	-	5,766
Grants	459	-	459
Production truck	590	-	590
Program expense	10,000	-	10,000
Equipment	40,103	(38,024)	2,079
Depreciation	-	25,436	25,436
Board expenditures:			
Administrative grants	299,962	-	299,962
Conferences	679	-	679
Contract labor	763	-	763
Executive director	39,862	-	39,862
Liability insurance	2,795	-	2,795
Memberships	1,000	-	1,000
Operating expense	7,417	-	7,417
Professional fees	23,580	-	23,580
Advertising/Promotion	250	-	250
Municipal support services	2,699	-	2,699
Total expenditures	698,275	(12,588)	685,687
<b>Net Change in Fund Balance/Net Position</b>	(220,318)	166,612	(53,706)
<b>Fund Balance/Net Position</b> - Beginning of year	1,629,404	202,210	1,831,614
<b>Fund Balance/Net Position</b> - End of year	<u>\$ 1,409,086</u>	<u>\$ 368,822</u>	<u>\$ 1,777,908</u>

June 30, 2022

### Note 1 - Significant Accounting Policies

#### ***Reporting Entity***

Birmingham Area Cable Board (the "Board") was created through an interlocal agreement between the City of Birmingham, Michigan and the villages of Beverly Hills, Bingham Farms, and Franklin, Michigan (collectively, the "Parties"). The Board was organized to obtain for the Parties the economies of scale implicit in combining cable revenue and sharing cable expenses, rather than independently operating separate facilities. The Board is composed of 13 members: 7 representatives are appointed by the City of Birmingham, Michigan; 4 representatives are appointed by the Village of Beverly Hills, Michigan; 1 representative is from the Village of Bingham Farms, Michigan; and 1 representative is from the Village of Franklin, Michigan. The accompanying financial statements present Birmingham Area Cable Board's assets and liabilities. No other component units have been combined into the Board's basic financial statements.

#### ***Accounting and Reporting Principles***

The Board follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Board:

#### ***Report Presentation***

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The General Fund column presents its activities on the modified accrual basis of accounting, as discussed above, which demonstrates accountability for how the current resources have been spent. The government-wide column is presented on the economic resources measurement focus and the full accrual basis of accounting in order to measure the cost of providing government services and the extent to which constituents have paid the full cost of government services.

On the full 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.

#### ***Fund Accounting***

The Board accounts for its activities in one governmental fund. The General Fund is the primary operating fund and accounts for all financial resources used to provide services.

#### ***Basis of Accounting***

The General Fund uses the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the Board has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Board considers amounts collected within 60 days of year end to be available for recognition. Some franchise and PEG fee revenue may be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow.

**Note 1 - Significant Accounting Policies (Continued)**

***Specific Balances and Transactions***

**Cash and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**PEG Activity**

The Board has established two channels, one for public and a second for government broadcast. The Birmingham Public School District operates a third educational channel. The three channels are commonly referred to as PEG channels. The public and governmental channels are administered by the Board, and the educational channel is administered by the Birmingham Public School District. In order to fund the administration of the public and governmental channels, the Board receives financial support in the form of PEG fees from its cable providers in the amount of 2-3 percent of the cable providers' gross revenue in each community. By state and federal law, these funds are restrictively dedicated for use on PEG-related projects. A portion of these PEG fees can be and is allocated to the Parties and Birmingham Public School District upon a grant request. The unused portion as of the end of the year has been classified as restricted fund balance/net position.

**Capital Assets**

Capital assets, which include equipment and vehicles, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Board as assets with an initial individual 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 if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Capital Asset Class</u>	<u>Depreciable Life</u>
Production van	5 to 20 years
Equipment	5 to 10 years

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The Board had no deferred outflows of resources.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue qualifies for reporting in this category and arises only under a modified accrual basis of accounting. Unavailable revenue is reported only on the General Fund balance sheet. The General Fund reports unavailable revenue from franchise and PEG fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Net Position Flow Assumption**

The Board will sometimes fund outlays for PEG purposes from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board's policy to consider PEG restricted net position to have been depleted before unrestricted net position is applied.

**Note 1 - Significant Accounting Policies (Continued)**

**Fund Balance Flow Assumptions**

The Board will sometimes fund outlays for PEG purposes from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board's policy to consider PEG restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance Policies**

Fund balance of the General Fund is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Board itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board's highest level of decision-making authority. The board members are the highest level of decision-making authority for the Board that can, by passing a resolution prior to the end of the fiscal year, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The board members may also assign fund balance as they do when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The Board has also adopted the following fund balance policies:

**Franchise Fees**

In any given year, the policy is to administratively grant back to the communities 95 percent of the previous year's audited franchise fee revenue in excess of board expenditures.

**PEG Fees**

The Board should carry a PEG fund balance equal to 0.75 times accumulated net depreciation of its capital assets, plus an amount equal to one-half of a three-year running average of PEG grants plus three months of Bloomfield Community Television and programming expense.

**Grants**

In addition to its two-channel (public and governmental) programming, the Board allocates PEG fees to the member communities (or their affiliated entities) or Birmingham Public School District upon a grant request. These grants are reported in the financial statements as operating grants. Unused franchise fees collected by the Board are returned to the Parties annually on a pro rata basis in accordance with the Board's franchise fee fund balance policy. The return of unused franchise fees is reported in the financial statements as administrative grants.

**Note 1 - Significant Accounting Policies (Continued)**

**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.

**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 law also allows investments outside the state of Michigan when fully insured. The local unit 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 that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that 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 a broker-dealer and one credit union 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 bonds and securities of the United States government and bank accounts and CDs but not the remainder of state statutory authority, as listed above. The Board's deposits and investments are in accordance with statutory authority.

The Board's cash and investments are subject to several types of risk, which are examined in more detail below:

***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that, in the event of a credit union or counterparty 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, the Board had no uninsured or uncollateralized deposits.

***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 of investment pools, and purchasing securities with the intent to hold to maturity.

At year end, the Board had the following investments and maturities:

Investment	Fair Value	Less Than 1 Year	1-5 Years
Negotiable certificates of deposit	\$ 316,299	\$ 97,419	\$ 218,880
Federal Home Loan Bank bonds	468,035	-	468,035
U.S. Treasury securities	177,206	58,085	119,121

**Note 2 - Deposits and Investments (Continued)**

**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 June 30, 2022, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
Negotiable certificates of deposit	\$ 316,299	N/A	Not rated
Federal Home Loan Bank bonds	468,035	AAA	Moody's

**Concentration of Credit Risk**

The Board's investment policy minimizes concentration of credit risk by placing a limit on the amount it may invest in any one issuer, the maximum being limited to available FDIC insurance. More than 5 percent of the Board's investments are in negotiable certificates of deposit; these investments are approximately 33 percent of the Board's total investments. While the Board does have certain issuers that are more than 5 percent of the Board's investments, no one issuer is over the FDIC insurance limit.

**Note 3 - Fair Value Measurements**

The Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Board's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Board has the following recurring fair value measurements as of June 30, 2022:

- Negotiable certificates of deposit, U.S. Treasury securities, and Federal Home Loan Bank bonds of \$316,299, \$177,206, and \$468,035, respectively, are valued using a matrix pricing model (Level 2 inputs).

The Board did not have any investments valued with Level 1 or 3 inputs at June 30, 2022.

**Note 4 - Amount on Deposit at the Village of Beverly Hills, Michigan**

Franchise fees and PEG fees collected by the Parties are remitted to the Village of Beverly Hills, Michigan. The Village of Beverly Hills, Michigan uses the franchise fees to pay for certain of the Board's monthly expenditures and periodically remits the balance to the Board.

June 30, 2022

**Note 5 - Capital Assets**

Capital asset activity of the Board's governmental activities was as follows:

	Balance July 1, 2021	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets being depreciated:				
Equipment	\$ 175,973	\$ 38,024	\$ -	\$ 213,997
Production van	977,990	-	-	977,990
Subtotal	1,153,963	38,024	-	1,191,987
Accumulated depreciation:				
Equipment	129,547	6,429	-	135,976
Production van	845,536	19,007	-	864,543
Subtotal	975,083	25,436	-	1,000,519
Net capital assets	<u>\$ 178,880</u>	<u>\$ 12,588</u>	<u>\$ -</u>	<u>\$ 191,468</u>

**Note 6 - Risk Management**

The Board is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). 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 General Fund Column to the Statement of Net Position/Statement of Activities**

Net position reported in the statement of net position column is different than the fund balance reported in the General Fund column because of the different measurement focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

<b>Fund Balance Reported in General Fund</b>	\$ 1,409,086
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the General Fund	191,468
Receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the General Fund	<u>177,354</u>
<b>Net Position of Governmental Activities</b>	<u>\$ 1,777,908</u>

June 30, 2022

**Note 7 - Reconciliation of General Fund Column to the Statement of Net Position/Statement of Activities (Continued)**

The change in net position reported in the statement of activities column is different than the change in fund balance reported in the General Fund column because of the different measurement focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

<b>Net Change in Fund Balance Reported in General Fund</b>	\$ (220,318)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	38,024
Depreciation expense	(25,436)
Revenue is recorded in the statement of activities when earned; it is not reported in the General Fund until collected or collectible within 60 days of year end	<u>154,024</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ (53,706)</u></u>



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## Required Supplemental Information

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## Birmingham Area Cable Board

### Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Franchise fees:				
Birmingham, Michigan	\$ 157,225	\$ 157,225	\$ 157,857	\$ 632
Beverly Hills, Michigan	43,320	43,320	80,408	37,088
Franklin Village, Michigan	17,005	17,005	-	(17,005)
Bingham Farms, Michigan	7,600	7,600	21,031	13,431
PEG fees	396,125	396,125	261,914	(134,211)
Investment income (loss)	7,125	7,125	(43,253)	(50,378)
Total revenue	628,400	628,400	477,957	(150,443)
<b>Expenditures</b>				
PEG operations:				
Cable contractor	245,800	262,350	262,350	-
Communications expense	2,200	4,843	5,766	923
Grants	84,800	84,800	459	(84,341)
Production truck	10,000	10,000	590	(9,410)
Program expense	40,000	40,000	10,000	(30,000)
Equipment	20,000	35,000	40,103	5,103
Production crew uniforms	450	450	-	(450)
Board expenditures:				
Administrative grants	96,390	299,962	299,962	-
Conferences	900	900	679	(221)
Contract labor	1,500	1,500	763	(737)
Executive director	40,000	40,000	39,862	(138)
Liability insurance	3,000	3,000	2,795	(205)
Memberships	1,500	1,500	1,000	(500)
Operating expense	10,860	11,010	7,417	(3,593)
Professional fees	39,900	42,125	23,580	(18,545)
Advertising/Promotion	500	500	250	(250)
Municipal support services	30,600	30,600	2,699	(27,901)
Total expenditures	628,400	868,540	698,275	(170,265)
<b>Excess of Expenditures Over Revenue</b>	-	(240,140)	(220,318)	19,822
<b>Fund Balance - Beginning of year</b>	1,629,404	1,629,404	1,629,404	-
<b>Fund Balance - End of year</b>	<u>\$ 1,629,404</u>	<u>\$ 1,389,264</u>	<u>\$ 1,409,086</u>	<u>\$ 19,822</u>

# Birmingham Area Cable Board

## Note to Required Supplemental Information

June 30, 2022

### ***Budgetary Information***

The annual budget is prepared by the executive director and adopted by the Board on a line-item basis; subsequent amendments are approved by the Board. The individual line items in the adopted budget are the legal level of budgetary control. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2022 has not been calculated.

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

### ***Excess of Expenditures Over Appropriations in Budgeted Funds***

During the year, Birmingham Area Cable Board incurred expenditures that were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Communications expense	\$ 4,843	\$ 5,766	\$ (923)
Equipment	35,000	40,103	(5,103)

The variances were due to additional costs for streaming channels and additional equipment purchase.