

Birmingham Area Cable Board

**Financial Report
with Supplemental Information
June 30, 2014**

Birmingham Area Cable Board

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Independent Auditor's Report

To the Board of Directors
Birmingham Area Cable Board

Report on the Financial Statements

We have audited the accompanying 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, 2014 and the related notes to the financial statements, which collectively comprise Birmingham Area Cable Board's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Directors
Birmingham Area Cable Board

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Birmingham Area Cable Board as of June 30, 2014 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.

Emphasis of Matter

As discussed in Note 7 to the financial statements, the Board adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, the Board now reports deferred inflows of resources for governmental fund revenue that is not available. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the General Fund budgetary comparison schedule, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, 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 16, 2014

Birmingham Area Cable Board

Management's Discussion and Analysis

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, 2014. 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.

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 position and the statement of activities:

	June 30	
	2014	2013
Assets		
Current assets	\$ 1,456,047	\$ 1,782,388
Capital assets - Net	485,407	510,644
Total assets	1,941,454	2,293,032
Liabilities		
Payables for investment purchases	-	100,000
Total liabilities	-	100,000
Net Position		
Net investment in capital assets	485,407	510,644
Restricted for public, education, and government (PEG)	566,684	544,318
Unrestricted	889,363	1,138,070
Total net position	<u>\$ 1,941,454</u>	<u>\$ 2,193,032</u>
	Year Ended June 30	
	2014	2013
Revenue		
Franchise fees	\$ 342,147	\$ 337,060
PEG fees	514,357	501,840
Other	12,566	24,561
Total revenue	869,070	863,461
Expenses		
PEG operations	491,991	587,554
Board expenditures	616,308	305,394
Total expenses	1,108,299	892,948
Other Financing (Uses) -		
Loss on disposal of capital assets	(12,349)	-
Change in Net Position	<u>\$ (251,578)</u>	<u>\$ (29,487)</u>

Birmingham Area Cable Board

Management's Discussion and Analysis (Continued)

The Board as a Whole

- The Board reports a net position of \$1,941,454 this year on a full accrual basis, as compared to a fund balance of \$1,428,913 on the modified accrual basis of accounting.
- The Board's primary source of revenue is from franchise and PEG fees. For 2014, total fees collected were \$856,504. This represents approximately 98.5 percent of total revenue.
- The largest expenditure of the Board, other than the issuance of grants, is for the agreement with Bloomfield Community Television (BCTV). For 2014, this expenditure was \$233,980, representing approximately 21 percent of the General Fund's total expenditures.
- Expenses for PEG operations decreased by approximately \$96,000 or 16 percent. This decrease is the net effect of a decrease in grants awarded by the Board of \$185,000 and a \$89,000 increase in capital outlay.
- Total expenditures for the entire year under the modified accrual basis of accounting were \$1,095,411.

The General Fund

Our analysis of the Board's General Fund is included on pages 7 and 8 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 approximately \$220,000 during the year.

Board Budgetary Highlights

The Board's budget for revenue for 2014 was \$762,000 with actual revenue coming in at \$875,666. Both franchise fees and PEG fees came in higher than anticipated. On the expenditure side, the total budget was \$628,449 and actual expenditures were \$1,095,411. The variance is primarily due to the administrative grants paid out to the member communities.

Capital Assets and Debt Administration

At year end, the Board had \$485,407 invested in the production van and equipment. In 2014, the Board added approximately \$105,000 to equipment and disposed of approximately \$50,000 of 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 revenue budget for FY 2015 decreased from the FY 2014 results. Although actual revenue for FY 2014 came in 10.7 percent more than forecasted, the Board believes consumer spending on traditional cable television will flatten due to upward pricing by cable carriers stimulating substitution (e.g., internet television viewing, lower priced alternative providers, over-the-airways antennas). Forecasted revenue for the initial FY 2015 budget is 9.4 percent more than the initial FY 2014 budget. 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.

Contacting the Board's Management

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 info@birminghamareacableboard.org.

Birmingham Area Cable Board

Governmental Funds Balance Sheet/Statement of Net Position June 30, 2014

	General Fund - Modified Accrual Basis	Adjustments (Note 6)	Statement of Net Position
Assets			
Cash and investments	\$ 1,037,056	\$ -	\$ 1,037,056
Amount on deposit at the Village of Beverly Hills	196,806	-	196,806
Due from communities for franchise and PEG fees:			
Birmingham	138,704	-	138,704
Beverly Hills	56,347	-	56,347
Franklin Village	18,241	-	18,241
Bingham Farms	8,893	-	8,893
Capital assets being depreciated	-	485,407	485,407
	<u>\$ 1,456,047</u>	485,407	1,941,454
Deferred Inflows of Resources - Unavailable			
revenue	\$ 27,134	(27,134)	-
Equity/Fund Balance			
Committed - Franchise Fees to communities	187,748	(187,748)	-
Restricted - Public, education, and government	583,284	(583,284)	-
Unassigned	657,881	(657,881)	-
	<u>\$ 1,456,047</u>	<u>\$ 1,456,047</u>	<u>-</u>
Net Position			
Net investment in capital assets		\$ 485,407	485,407
Restricted for public, education, and government		-	566,684
Unrestricted		889,363	889,363
		<u>\$ 1,374,770</u>	<u>\$ 1,941,454</u>

Birmingham Area Cable Board

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2014

	General Fund - Modified Accrual Basis	Adjustments (Note 6)	Statement of Activities
Revenue			
Franchise fees:			
Birmingham	\$ 213,647	\$ -	\$ 213,647
Beverly Hills	86,013	-	86,013
Franklin Village	35,183	(6,441)	28,742
Bingham Farms	10,188	3,557	13,745
PEG fees:			
Birmingham	320,469	-	320,469
Beverly Hills	129,018	-	129,018
Franklin Village	53,299	(9,048)	44,251
Bingham Farms	15,283	5,336	20,619
Other	12,566	-	12,566
Total revenue	875,666	(6,596)	869,070
Expenditures			
PEG operations:			
Cable contractor	187,425	-	187,425
Communications expense	1,555	-	1,555
Equipment purchase	66,343	(55,426)	10,917
Grant	66,413	-	66,413
Production truck	50,569	(49,108)	1,461
Program expense	45,000	-	45,000
Depreciation	-	117,422	117,422
Municipal support services	61,798	-	61,798
Board expenditures:			
Administrative grants	521,608	-	521,608
Conferences	2,312	-	2,312
Contract labor	2,110	-	2,110
Executive director	37,356	-	37,356
Liability insurance	2,895	-	2,895
Memberships	1,259	-	1,259
Operating expense	8,864	-	8,864
Accounting/Audit expense	13,800	-	13,800
Legal fees	14,270	-	14,270
Advertising/Promotion	230	-	230
Special projects	11,604	-	11,604
Total expenditures	1,095,411	12,888	1,108,299
Other Financing Uses - Loss on disposal of fixed assets	-	(12,349)	(12,349)
Net Change in Fund Balance/Net Position	(219,745)	(31,833)	(251,578)
Fund Balance/Net Position - Beginning of year	1,648,658	544,374	2,193,032
Fund Balance/Net Position - End of year	<u>\$ 1,428,913</u>	<u>\$ 512,541</u>	<u>\$ 1,941,454</u>

The Notes to Financial Statements are an Integral Part of this Statement.

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2014

Note I - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the Birmingham Area Cable Board (the "Board"):

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 comprised of 13 members; 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. The accompanying financial statements present the Birmingham Area Cable Board. 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.

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 reports activities on the modified accrual basis of accounting, as discussed below, 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.

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2014

Note I - Summary of Significant Accounting Policies (Continued)

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.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are 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 "deferred inflows of resources."

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments. Investments are stated at fair value.

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 educational channel is administered by the 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 providers 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. 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 statement of activities column. 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 fair market value at the date of donation.

Equipment and vehicles are depreciated using the straight-line method over the following useful lives:

<u>Capital Asset Class</u>	<u>Lives</u>
Production Van	5 to 20 years
Equipment	5 to 10 years

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2014

Note I - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so 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 financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so 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

Sometimes the Board will fund outlays for a particular purpose from both restricted (e.g., PEG proceeds) 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 restricted net position to have been depleted before unrestricted net position is applied.

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 government 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 government's highest level of decision-making authority. The Board of directors is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2014

Note I - Summary of Significant Accounting Policies (Continued)

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 of directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist 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 Parties 75 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 1.2 times accumulated net depreciation of its capital assets, plus an amount equal to one-half of a 3-year running average of PEG grants plus 3 months of Bloomfield Community Television and programming expense.

Grants - The Board allocates PEG fees to the member communities 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. The returning of unused franchise fees are reported in the financial statements as administrative grants.

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, 2014

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 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 one 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 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 several types of risk, which are examined in more detail below:

Custodial Credit Risk of 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, none of the Board's deposits were uninsured.

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 Board had the following investments and maturities:

<u>Primary Government</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1-5 Years</u>
U.S. Government Agency Securities:			
Negotiable certificates of deposit	\$ 676,624	\$ 168,829	\$ 507,795
Federal National Mortgage Association	54,506	-	54,506

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2014

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 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	\$ 676,624	N/A	Not Rated
Federal National Mortgage Association	54,506	AAA	Moody's

Concentration of Credit Risk - The Board places no limit on the amount it may invest in any one issuer. More than 5 percent of the Board's investments are in negotiable certificates of deposit; these investments are 92.55 percent of the Board's total investments.

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

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

Note 4 - Capital Assets

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

Governmental Activities	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2014</u>
Capital assets being depreciated:				
Equipment	\$ 246,510	\$ 104,534	\$ (49,335)	\$ 301,709
Production van	853,165	-	-	853,165
Subtotal	1,099,675	104,534	(49,335)	1,154,874
Accumulated depreciation	589,031	117,422	(36,986)	669,467
Net capital assets	<u>\$ 510,644</u>	<u>\$ (12,888)</u>	<u>\$ (12,349)</u>	<u>\$ 485,407</u>

Note 5 - 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.

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2014

Note 6 - 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:

Fund Balance Reported in General Fund	\$ 1,428,913
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	485,407
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>27,134</u>
Net Position of Governmental Activities	<u>\$ 1,941,454</u>

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:

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2014

Note 6 - Reconciliation of General Fund Column to the Statement of Net Position/Statement of Activities (Continued)

Net Change in Fund Balance - General Fund \$ (219,745)

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	104,534
Depreciation expense	(117,422)
Net book value of assets disposed of	(12,349)

Revenues are recorded in the statement of activities when earned; they are not reported in the General Fund until collected or collectible within 60 days of year end	(6,596)
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Change in Net Position of Governmental Activities \$ (251,578)

Note 7 - Change in Accounting

During the current year, the Board adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as deferred inflows of resources, deferred outflows of resources, or as outflows of resources.

As a result of implementing this statement, the following assets and liabilities have been reclassified, as indicated:

Item	Amount	Prior Reporting Classification/Treatment	New Classification After Adoption of GASB Statement No. 65
Revenue in governmental funds not collected within 60 days of year end	\$ 27,134	Liability	Deferred inflow of resources

Required Supplemental Information

Birmingham Area Cable Board

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Franchise fees:				
Birmingham	\$ 187,000	\$ 187,000	\$ 213,647	\$ 26,647
Beverly Hills	74,000	74,000	86,013	12,013
Franklin Village	26,500	26,500	35,183	8,683
Bingham Farms	12,500	12,500	10,188	(2,312)
PEG fees:				
Birmingham	281,000	281,000	320,469	39,469
Beverly Hills	111,000	111,000	129,018	18,018
Franklin Village	33,200	33,200	53,299	20,099
Bingham Farms	17,800	17,800	15,283	(2,517)
Other	19,000	19,000	12,566	(6,434)
Total revenue	<u>762,000</u>	<u>762,000</u>	<u>875,666</u>	<u>113,666</u>
Expenditures				
PEG operations:				
Cable contractor	187,425	187,425	187,425	-
Communications expense	2,500	2,500	1,555	945
Equipment purchase	45,000	56,466	66,343	(9,877)
Grant	100,000	100,000	66,413	33,587
Production truck	24,000	59,258	50,569	8,689
Program expense	50,000	50,000	45,000	5,000
Municipal support services	50,000	60,000	61,798	(1,798)
Board expenditures:				
Administrative grants	-	-	521,608	(521,608)
Conferences	6,000	6,000	2,312	3,688
Contract labor	4,800	4,800	2,110	2,690
Executive director	38,000	38,000	37,356	644
Liability insurance	8,500	8,500	2,895	5,605
Memberships	3,000	1,200	1,259	(59)
Operating expense	10,700	12,500	8,864	3,636
Accounting/Audit expense	9,150	13,800	13,800	-
Legal fees	25,000	25,000	14,270	10,730
Advertising/Promotion	3,000	3,000	230	2,770
Special projects	-	-	11,604	(11,604)
Total expenditures	<u>567,075</u>	<u>628,449</u>	<u>1,095,411</u>	<u>(466,962)</u>
Net Change in Fund Balance	194,925	133,551	(219,745)	(353,296)
Fund Balance - Beginning of year	<u>1,648,658</u>	<u>1,648,658</u>	<u>1,648,658</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 1,843,583</u></u>	<u><u>\$ 1,782,209</u></u>	<u><u>\$ 1,428,913</u></u>	<u><u>\$ (353,296)</u></u>

Birmingham Area Cable Board

Note to Required Supplemental Information Year Ended June 30, 2014

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, 2014 has not been calculated. There were four amendments during the current year.

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

	Budget	Actual	Variance
Equipment purchase	\$ 56,466	\$ 66,343	\$ (9,877)
Municipal support services	60,000	61,798	(1,798)
Administrative grants	-	521,608	(521,608)
Memberships	1,200	1,259	(59)
Special projects	-	11,604	(11,604)

The Board remitted grants back to the communities based on a new policy on unspent franchise fee revenues, which were not budgeted for in the current year. Other variances were due to expenditures being spent from different line items than originally budgeted for and for which a budget amendment was not approved.