

**MID-MICHIGAN AREA CABLE COMMUNICATION CONSORTIUM
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mid-Michigan Area Cable Communication Consortium

We have audited the accompanying financial statements of the governmental activities and the general fund of the Mid-Michigan Area Cable Communication Consortium, Michigan (the "Consortium") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Consortium'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 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 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.

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 general fund of the Mid-Michigan Area Cable Communication Consortium, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed 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, who 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 supplementary 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.



Gabridge & Company, PLC
Grand Rapids, Michigan
May 1, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mid-Michigan Area Cable Communication Consortium Management's Discussion and Analysis

As management of Mid-Michigan Area Cable Communication Consortium (the "Consortium"), we offer readers of the Consortium's financial statements this narrative overview and analysis of the financial activities of the Consortium for the year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with the Consortium's financial statements that follow this section.

Financial Highlights

- The assets of the Consortium exceeded its liabilities at the close of the most recent fiscal year by \$644,750 (net position). Of this amount, \$543,504 represents unrestricted net position, which may be used to meet the Consortium's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the Consortium's general fund reported fund balance of \$543,504, a decrease of \$58,693 in comparison with the prior year. All of this amount is available for spending at the Consortium's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$543,504, or approximately 151% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Mid-Michigan Area Cable Communication Consortium's basic financial statements. The Consortium's basic financial statements are comprised of two components: the financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Financial statements. The financial statements are presented in a columnar format. The Consortium maintains only one fund, a governmental fund (operating, or general, fund) that is presented in the first column (*governmental funds* financial statements) and is prepared on the modified accrual basis of accounting. These fund financial statements present a short-term view and tell how resources were spent during the year as well as what remains for future spending. Such financial information may be helpful in evaluating the Consortium's near-term financing requirements.

The second column in the financial statements presents the adjustments necessary to reconcile the *governmental funds* financial statements to the *governmental activities* financial statements (*Statement of Net position* and *Statement of Activities*) presented in the third column.

These *governmental activities* financial statements are designed to provide the readers with a broad view of the Consortium's finances, in a manner similar to a private-sector business and, therefore, are prepared using the accrual basis of accounting. These statements provide a longer-term view

of the Consortium's finances and whether the full cost of government services have been funded. The two governmental activities statements are as follows:

- The *statement of net position* presents information on all of the Consortium's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Consortium is improving or deteriorating.
- The *statement of activities* presents information showing how the Consortium's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that result in cash flows in different fiscal periods.

The Consortium adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The basic *governmental fund* financial statements and *governmental activities* financial statements can be found on pages 11 - 12 of this report.

Notes to the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the governmental fund and governmental activities financial statements.

The notes to the financial statements can be found on pages 13 - 21 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* presenting budgetary comparisons for the Consortium's general fund.

The required supplemental information can be found on page 22 of this report.

Government-wide Overall Financial Analysis

The following table shows, in a condensed format, the net position of the Mid-Michigan Cable Communication Consortium as of December, 2016 and 2015:

Mid-Michigan Area Cable Communication Consortium Net Position as of December 31, 2016 and December 31, 2015

	Governmental Activities	
	2016	2015
ASSETS		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 77,117	\$ 164,037
Investments	382,569	380,555
Franchise Fee Receivable	90,344	79,824
Prepaid Expenses	2,831	-
Total Current Assets	552,861	624,416
<i>Noncurrent Assets</i>		
Capital Assets Being Depreciated, Net	101,246	65,466
Total Assets	654,107	689,882
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	1,842	1,579
Accrued Wages & Payroll Taxes	7,515	20,640
Total Liabilities	9,357	22,219
NET POSITION		
Net Investment in Capital Assets	101,246	65,466
Unrestricted	543,504	602,197
Total Net Position	\$ 644,750	\$ 667,663

A portion of the Consortium's net position (16% or \$101,246) reflects its investment in capital assets (e.g., buildings, machinery, equipment, and vehicles), less any related outstanding debt that was used to acquire those assets. The Consortium uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

The remaining balance of \$543,504 (or 84%) is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the Consortium is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

The following analysis highlights the changes in net position for the years ended December 31, 2016 and 2015:

Mid-Michigan Area Cable Communication Consortium
Change in Net Position for Fiscal Year Ended
December 31, 2016 and December 31, 2015

	Governmental Activities	
	2016	2015
Revenue		
Franchise Fees	\$ 273,804	\$ 276,666
Grants	13,674	16,062
Video Production	8,905	15,157
Interest	2,022	1,840
Other	1,407	150
<i>Total Revenues</i>	299,812	309,875
Expenses		
Salaries and Wages	204,226	162,398
Contracted Services	4,051	4,095
Professional Fees	6,266	6,820
Supplies	14,604	19,411
Advertising	8,438	7,630
Utilities	19,842	17,065
Repair & Maintenance	7,676	7,575
Rent	30,419	32,327
Training	1,801	2,058
Insurance	3,998	4,848
Dues and Fees	600	1,280
Depreciation	17,300	17,198
Other	3,239	3,120
Postage	265	301
<i>Total Expenses</i>	322,725	286,126
<i>Change in Net Position</i>	(22,913)	23,749
<i>Net Position at Beginning of Period</i>	<i>667,663</i>	<i>643,914</i>
<i>Net Position at End of Period</i>	\$ 644,750	\$ 667,663

Financial Analysis of Governmental Funds

As noted earlier, the Consortium uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

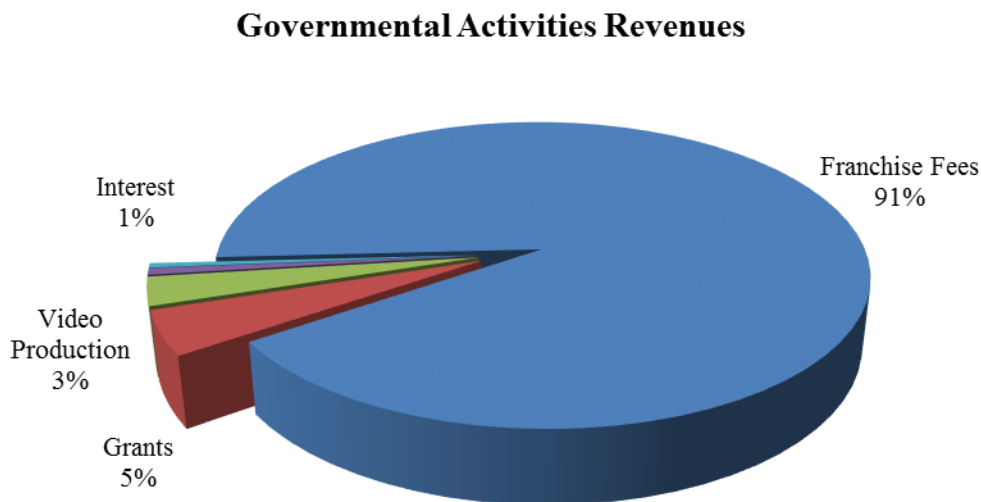
Governmental Funds. The focus of the Consortium's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such

information is useful in assessing the Consortium's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Consortium itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Consortium's Board.

The general fund is the chief operating fund of the Consortium. At the end of the current fiscal year, fund balance of the general fund was \$543,504, a decrease of \$58,693 from the prior year. Fund balance, which is completely unassigned, represents approximately 151 percent of total general fund expenditures.

Governmental Activities

The following chart summarizes the revenue sources for the governmental activities of the Consortium for the most recent fiscal year end.



General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was no need for any significant amendments to increase the original estimated revenues. The Consortium amended several original budget appropriations.

Final budget compared to actual results. During the current fiscal year the Consortium had one significant expenditure in excess of appropriations:

<u>Line Item</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Supplies	\$ 11,560	\$ 14,604	\$ (3,044)

Capital Assets and Debt Administration

Capital assets - The Consortium's investment in capital assets as of December 31, 2016, amounted to \$101,246 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, equipment, and vehicles. The total change in the Consortium's investment in capital assets for the current fiscal year was a net increase of \$35,780. This increase was due to \$53,080 of acquisitions less depreciation expense of \$17,300. Additional information on the Consortium's capital assets can be found in the notes to the financial statements.

Next Year's Budget

Economic Condition and Outlook

Management estimates that \$305,000 of revenues will be available for appropriation in the general fund in the upcoming year. The Consortium continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2017, the Consortium plans again to use current revenues to provide essential services and to maintain the Consortium's financial reserves at similar levels.

Contacting the Consortium's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Consortium's finances and to show the Consortium's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Consortium's Administration Director.

Mid-Michigan Area Cable Communications Consortium
312 W. Michigan St.
Mt. Pleasant, MI 48858

BASIC FINANCIAL STATEMENTS

Mid-Michigan Area Cable Communication Consortium
Governmental Funds Balance Sheet / Statement of Net Position
December 31, 2016

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 77,117		\$ 77,117
Investments	382,569		382,569
Franchise Fee Receivable	90,344		90,344
Prepaid Expenses	2,831		2,831
Total Current Assets	<u>552,861</u>		<u>552,861</u>
<i>Noncurrent Assets</i>			
Capital Assets being Depreciated	-- (1)	101,246	101,246
Total Assets	<u>552,861</u>		<u>654,107</u>
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	1,842		1,842
Accrued Salaries and Payroll Taxes	7,515		7,515
Total Liabilities	<u>9,357</u>		<u>9,357</u>
FUND BALANCE			
Unassigned	543,504	(543,504)	--
Total Fund Balance	<u>543,504</u>		
Total Liabilities and Fund Balance	<u>\$ 552,861</u>		
NET POSITION			
Net Investment in Capital Assets		101,246	101,246
Unrestricted		543,504	543,504
Total Net Position			<u>\$ 644,750</u>

(1) Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

The Notes to the Financial Statements are an integral part of these financial statements

Mid-Michigan Area Cable Communication Consortium
Statement of Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities
For the Year Ended December 31, 2016

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Franchise Fees	\$ 273,804		\$ 273,804
Grants	13,674		13,674
Video Production	11,155		11,155
Interest	2,022		2,022
Other	1,407		1,407
<i>Total Revenues</i>	<u>302,062</u>		<u>302,062</u>
Expenditures			
Salaries and Wages	204,226		204,226
Contracted Services	4,051		4,051
Professional Fees	6,266		6,266
Supplies	14,604		14,604
Advertising	8,438		8,438
Utilities	19,842		19,842
Repair & Maintenance	7,676		7,676
Rent	32,669		32,669
Training	1,801		1,801
Insurance	3,998		3,998
Dues and Fees	600		600
Depreciation	-- (1)	17,300	17,300
Other	3,239		3,239
Postage	265		265
Capital Outlay	53,080 (1)	(53,080)	--
<i>Total Expenditures</i>	<u>360,755</u>		<u>324,975</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(58,693)</u>		<u>(22,913)</u>
<i>Net Change in Fund Balance / Net Position</i>	<u>(58,693)</u>		<u>(22,913)</u>
<i>Fund Balance / Net Position at Beginning of Period</i>	602,197		667,663
<i>Fund Balance / Net Position at End of Period</i>	<u>\$ 543,504</u>		<u>\$ 644,750</u>

(1) In the Statement of Activities, a provision for depreciation of \$17,300 was recorded against the capital assets recorded in the Statement of Net Position. In the governmental (general) fund, there is no depreciation recorded. Also, in the Statement of Activities, assets required during the year of \$53,080 are capitalized on the Statement of Net Position, rather than being recorded as expenditures on the governmental (general) funds.

NOTES TO THE FINANCIAL STATEMENTS

Mid-Michigan Area Cable Communication Consortium

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Mid-Michigan Area Cable Communication Consortium (the “Consortium”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Consortium’s accounting policies are described below.

Reporting Entity

The Mid-Michigan Area Cable Communication Consortium is a joint venture of municipalities and other political subdivisions of the State of Michigan serving member communities of Gratiot, Isabella, and Clare Counties. Members include the Cities of Alma, Clare, Harrison, Ithaca, Mt. Pleasant, and Saint Louis, the Village of Shepherd, and the Townships of Arcada, Pine River, and Union. The Consortium is responsible for developing and monitoring the enforcement of the cable ordinance, negotiating, and monitoring of cable franchise agreements, and to the extent permitted by federal law, regulate cable rates. Additionally the Consortium is responsible for the operation of public education and governmental access channels to provide quality cable communications services at the lowest reasonable cost to its citizens. The Consortium provides both training and facilities to communicate to the community utilizing electronic media. The board consists of an 11 to 22 member board with member community appointing at least one but up to 2 members.

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity.

Government-wide and Fund Financial Statements

Separate columns are included in the financial statements for the government-wide financial statements (e.g., the statement of net position and the statement of activities) and the fund financial statements, which present the sole governmental fund (the general fund) of the Consortium.

Mid-Michigan Area Cable Communication Consortium

Notes to the Financial Statements

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Basis of Presentation

The government-wide financial statements 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Consortium considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

State grants, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Consortium reports the following major governmental fund:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the Consortium, except those required to be accounted for in another fund.

Budgetary Basis of Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The general fund is subject to legal budgetary accounting controls and all are budgeted annually. Annual budgets are adopted on basis consistent with generally accepted accounting principals for the general fund. All annual appropriations lapse at fiscal year-end. The budget for the general fund is adopted at the department level.

Mid-Michigan Area Cable Communication Consortium

Notes to the Financial Statements

Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents

The Consortium's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes and Consortium policy authorize the Consortium to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through March, 1997.

Investments

Investments are stated at fair market value in accordance with GASB Statement No. 31. Investments are exposed to various risks, such as significant external events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

Mid-Michigan Area Cable Communication Consortium

Notes to the Financial Statements

Receivables and Payables

All trade receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectable.

Capital assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated using the straight-line method over the remaining useful lives of the related capital assets, as applicable.

<u>Description</u>	<u>Useful Life</u>
Leasehold Improvements	10-15 years
Equipment and Furniture	5-10 years

Net Position Flow Assumption

Sometimes the Consortium will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Consortium's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Mid-Michigan Area Cable Communication Consortium

Notes to the Financial Statements

Fund Balance Flow Assumptions

Sometimes the Consortium will fund outlays for a particular purpose 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 Consortium's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, 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 governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Consortium 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 a resolution or majority vote prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution or majority vote remains in place until a similar action is taken (the adoption of another resolution or majority vote) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Consortium for specific purposes but do not meet the criteria to be classified as committed. The Board of Directors has authorized the director to assign fund balance. 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.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Mid-Michigan Area Cable Communication Consortium

Notes to the Financial Statements

New Accounting Standards Adopted

For December 31, 2016, the Consortium adopted Government Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB 72 requires the funds to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. GASB 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements. There was no material impact on the funds’ financial statements as a result of the implementation of GASB 72.

Note 2 – Excess of Expenditures over Budget

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. The budget document presents information by department. The legal level of budgetary control adopted by the governing body is the department level. All annual appropriations lapse at the end of the fiscal year.

During the year ended December 31, 2016, the Consortium had one significant expenditure in excess of appropriations:

<u>Line Item</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Supplies	\$ 11,560	\$ 14,604	\$ (3,044)

Note 3 – Cash and Investments

At December 31, 2016, the Consortium’s cash and investments was as follows:

	<u>Book Balance</u>
Cash & Cash Equivalents	\$ 77,117
Investments	382,569

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Consortium’s deposits might not be returned. State law does not require and the Consortium does not have a policy for deposit custodial credit risk. As of year-end, none of the Consortium’s bank balance of \$204,402 was exposed to custodial credit risk.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Consortium will not be able to recover the value

Mid-Michigan Area Cable Communication Consortium

Notes to the Financial Statements

of its investments or collateral securities that are in the possession of an outside party. In order to minimize this risk, Consortium policy limits the types of investments and pre-qualifies financial institutions. As of December, 2016, none of the Consortium's investments were exposed to risk since the securities are held in the Consortium's name by the counterparty.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Consortium's investment policy does not have specific limits in excess of state law on investment credit risk.

Interest Rate Risk. Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Consortium's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Fair Value Measurement

The Consortium 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 asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Consortium has the following recurring fair value measurements as of December 31, 2016:

- Investments held with MICLASS totaled \$65,799. MICLASS is authorized to invest in the same investment types as local units of government in Michigan. These holdings are valued using Level 2 inputs.

Certificates of deposit totaling \$316,824, while classified as investments, are not subject to fair value disclosure requirements.

Mid-Michigan Area Cable Communication Consortium

Notes to the Financial Statements

Note 4 – Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2016 was as follows:

Governmental Activities	<u>December 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2016</u>
Capital Assets being Depreciated				
Leasehold Improvements	171,807	-	-	171,807
Studio Equipment	217,399	53,080	124,830	145,649
Furniture and Fixtures	15,579	-	-	15,579
Total Capital Assets being Depreciated	<u>404,785</u>	<u>53,080</u>	<u>124,830</u>	<u>333,035</u>
Less Accumulated Depreciation				
Leasehold Improvements	146,367	9,560	-	155,927
Studio Equipment	177,373	7,740	124,830	60,283
Furniture and Fixtures	15,579	-	-	15,579
Total Accumulated Depreciation	<u>339,319</u>	<u>17,300</u>	<u>124,830</u>	<u>231,789</u>
Governmental Activities Capital Assets, Net	<u>\$ 65,466</u>	<u>\$ 35,780</u>	<u>\$ -</u>	<u>\$ 101,246</u>

Note 5 – Leasing Arrangements

The Consortium leases facilities located at 312 W. Michigan Avenue in Mt. Pleasant, Michigan from Michigan Building, Inc. The lease commenced September 30, 2012. The lease was renewed for a five-year period, expiring September 30, 2017. The base monthly lease payments are \$1,957.15 with a 1.5% annual rent escalation for the remaining four years of the lease. In 2016, the monthly rent was \$2,046.54.

The Consortium leases facilities located at 206 Prospect Street in Alma, Michigan from the City of Alma with a monthly rate of \$482.40.

The Consortium leases facilities located at lower level, Room C of the Pere Marquette District Library at 185 E. 4th Street in Clare, Michigan from the Pere Marquette Library. In lieu of cash payment of rent, the Lessee agrees to offer ten hours per month of video services and editing to help promote library events and activities and to expand technology literacy to the community. The value of these services is \$2,250. Video Production revenue is recorded equal to the lease payments provided for the lease.

Mid-Michigan Area Cable Communication Consortium

Notes to the Financial Statements

Note 6 – Risk Management

The Consortium is exposed to various risks of loss related to torts, theft, damage, destruction of assets, errors, and omissions and natural disasters. The risks of loss arising from general liability, property and casualty are managed through purchased commercial insurance.

Note 7 – Subsequent Events

Subsequent events have been evaluated through May 1, 2017, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would have a significant impact on the financial condition of the Consortium.

REQUIRED SUPPLEMENTARY INFORMATION

Mid-Michigan Area Cable Communication Consortium
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Franchise Fees	\$ 272,500	\$ 272,500	\$ 273,804	\$ 1,304
Grants	14,750	14,750	13,674	(1,076)
Video Production	8,075	8,075	11,155	3,080
Interest	1,500	1,500	2,022	522
Other	1,550	1,550	1,407	(143)
Total Revenues	298,375	298,375	302,062	3,687
Expenditures				
Salaries and Wages	207,650	207,650	204,226	3,424
Contracted Services	6,464	6,464	4,051	2,413
Professional Fees	9,975	9,975	6,266	3,709
Supplies	11,560	11,560	14,604	(3,044)
Advertising	8,000	8,000	8,438	(438)
Utilities	22,165	22,165	19,842	2,323
Repair & Maintenance	8,600	8,600	7,676	924
Rent	32,750	32,750	32,669	81
Training	2,400	2,400	1,801	599
Insurance	5,500	5,500	3,998	1,502
Dues and Fees	800	800	600	200
Other	4,000	4,000	3,239	761
Postage	400	400	265	135
Capital Outlay	70,000	70,000	53,080	16,920
Total Expenditures	390,264	390,264	360,755	29,509
Excess (Deficiency) of Revenues Over Expenditures	(91,889)	(91,889)	(58,693)	25,822
Net Change in Fund Balance	(91,889)	(91,889)	(58,693)	25,822
Fund Balance at Beginning of Period	602,197	602,197	602,197	--
Fund Balance at End of Period	\$ 510,308	\$ 510,308	\$ 543,504	\$ 25,822

May 1, 2017

To the Board of Directors
Mid-Michigan Area Cable Communication Consortium

We have audited the financial statements of the governmental activities and general fund information of the Mid-Michigan Area Cable Communication Consortium (the "Consortium") for the year ended December 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 13, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Consortium are described in Note 1 to the financial statements. As discussed in Note 1 to the Financial Statements, the Consortium has adopted Governmental Accounting Standards Board Statement No. 72. We noted no transactions entered into by the Consortium during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Consortium's financial statements was:

- Management's estimate of the use life of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated key factors and assumptions used to develop that estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 1, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Mid-Michigan Area Cable Communication Consortium's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Mid-Michigan Area Cable Communication Consortium's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and budgetary comparison schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of Mid-Michigan Area Cable Communication Consortium and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC
Grand Rapids, MI