

**MID-MICHIGAN AREA CABLE COMMUNICATION CONSORTIUM  
ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2020**

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To the Board of Directors  
Mid-Michigan Area Cable Communication Consortium  
Mt. Pleasant, Michigan

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, 2020, 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, 2020, 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 28, 2021

## **Management's Discussion and Analysis**

**Mid-Michigan Area Cable Communication Consortium**  
**Management's Discussion and Analysis**  
**December 31, 2020**

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, 2020. 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 \$383,627 (net position). Of this amount, \$332,000 represents unrestricted net position, which may be used to meet the Consortium's ongoing obligations to citizens and creditors.
- During the year, the Consortium received \$219,235 in revenues and incurred \$248,185 in expenses, resulting in a decrease in net position of \$28,950.
- At the close of the current fiscal year, the Consortium's general fund reported fund balance of \$332,000, a decrease of \$12,329 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$326,485, or approximately 141.0% of total general fund expenditures.

***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the 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 fund* 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.

**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.

**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.

### ***Government-wide Overall Financial Analysis***

The following table shows, in a condensed format, the net position of the Consortium as of December 31, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 217,587	\$ 50,224
Investments	69,572	234,870
Franchise Fee Receivable	51,776	66,810
Prepaid Items	5,515	3,599
<b><i>Total Current Assets</i></b>	<b>344,450</b>	<b>355,503</b>
<i>Noncurrent Assets</i>		
Capital Assets Being Depreciated, net	51,627	68,248
<b><i>Total Assets</i></b>	<b>396,077</b>	<b>423,751</b>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts Payable	2,382	2,306
Accrued Salaries and Payroll Taxes	10,068	8,868
<b><i>Total Liabilities</i></b>	<b>12,450</b>	<b>11,174</b>
<b>NET POSITION</b>		
Investment in Capital Assets	51,627	68,248
Unrestricted	332,000	344,329
<b><i>Total Net Position</i></b>	<b>\$ 383,627</b>	<b>\$ 412,577</b>

A portion of the Consortium's net position (13.5%, or \$51,627) reflects its investment in capital assets (e.g., leasehold improvements, studio equipment, furniture, and fixtures). 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 \$332,000 (or 86.5%) is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

The Consortium's cash and investment balances increased by a combined \$2,065 in comparison to the prior year primarily due to a decrease in total receivables of \$15,034 compared to the prior year. The change in receivables was due to the timing and amount of year-end collections of franchise fees receivable.

At the end of the current fiscal year, the Consortium is able to report positive balances in all reported categories of fund balance and net position, both for the general fund as well as for its 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, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
<b>Revenue</b>		
Franchise Fees	\$ 191,311	\$ 201,778
Grants	9,616	9,365
Video Production	15,378	8,588
Interest	2,930	5,959
Other	-	295
<b><i>Total Revenues</i></b>	<b>219,235</b>	<b>225,985</b>
<b>Expenses</b>		
Salaries and Wages	150,154	186,674
Contracted Services	2,658	2,587
Professional Fees	6,425	12,488
Supplies	5,205	6,456
Advertising	765	1,545
Utilities	28,136	28,927
Repair and Maintenance	2,250	2,666
Rent	30,989	32,278
Training	-	909
Insurance	2,826	3,316
Dues and Fees	1,050	898
Depreciation	16,621	17,230
Other	869	1,829
Postage	237	240
<b><i>Total Expenses</i></b>	<b>248,185</b>	<b>298,043</b>
<b><i>Change in Net Position</i></b>	<b>(28,950)</b>	<b>(72,058)</b>
<i>Net Position at Beginning of Period</i>	412,577	484,635
<b><i>Net Position at End of Period</i></b>	<b>\$ 383,627</b>	<b>\$ 412,577</b>

Franchise fee revenues decreased by \$10,467 during the current year because the franchise fees are based on Charter's revenue which varies year to year. Salaries and wages decreased by \$36,520 during the year resulting from decreased staff and co-ops during 2020. Finally, professional fees decreased by \$6,063 compared to the prior year as the Consortium incurred no legal fees during 2020.

### ***Financial Analysis of Governmental Funds***

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

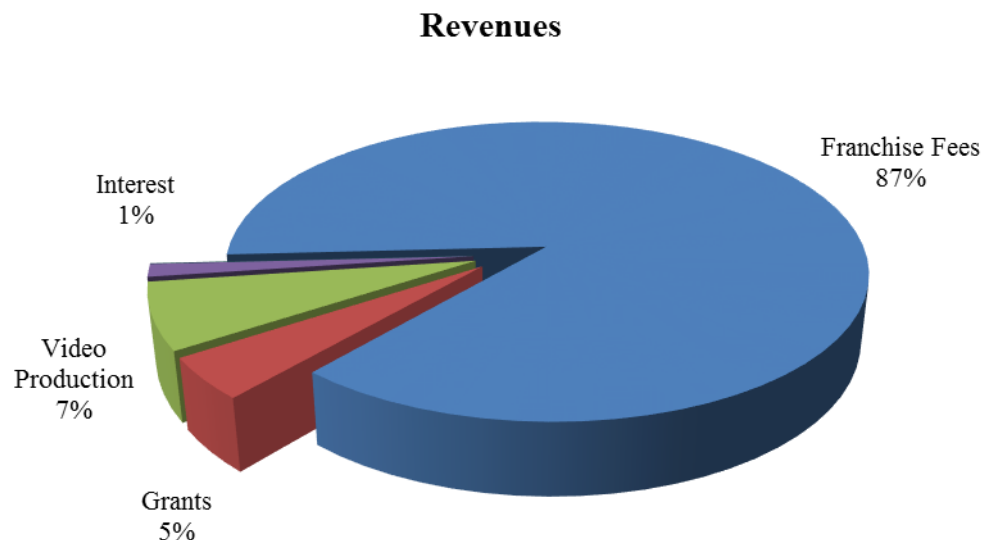
***Governmental Funds.*** The focus of the Consortium's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such

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 \$332,000, a decrease of \$12,329 from the prior year. Of this amount, \$326,485 was unassigned. Total fund balance represents approximately 143.4% percent of total general fund expenditures while unassigned fund balance represents approximately 141.0%.

### ***Governmental Activities***

The following chart summarizes the revenue sources for 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 its original budget when it became known that actual expenditures would exceed the budgeted amount (most significantly for additional repair and maintenance).

*Final budget compared to actual results.* The Consortium had no significant budget exceptions during the year ended December 31, 2020.

### ***Capital Assets***

The Consortium's investment in capital assets as of December 31, 2020 amounted to \$51,627 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, studio equipment, and furniture and fixtures. The total change in the Consortium's investment in capital assets for the current fiscal year was a net decrease of \$16,621 which was entirely attributable to depreciation expense of \$16,621. 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 a similar level of revenues (compared to 2020) will be available for appropriation in the general fund in the 2021 budget.

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 2021, the Consortium plans again to use its available resources to provide essential services and to maintain the Consortium's financial reserves at similar levels.

Additionally, management is currently working to determine the significance that the COVID-19 pandemic will have on the Consortium's upcoming revenues and expenditures. The Consortium plans to monitor expenditures carefully.

### ***Contacting the Consortium's Management***

This financial report is intended to provide our citizens, 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 Fund Balance Sheet / Statement of Net Position**  
**December 31, 2020**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 217,587		\$ 217,587
Investments	69,572		69,572
Franchise Fee Receivable	51,776		51,776
Prepaid Items	5,515		5,515
<b>Total Current Assets</b>	<u>344,450</u>		<u>344,450</u>
<i>Noncurrent Assets</i>			
Capital Assets being Depreciated, net	-- (1)	51,627	51,627
<b>Total Assets</b>	<u>344,450</u>		<u>396,077</u>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	2,382		2,382
Accrued Salaries and Payroll Taxes	10,068		10,068
<b>Total Liabilities</b>	<u>12,450</u>		<u>12,450</u>
<b>FUND BALANCE</b>			
Nonspendable	5,515	(5,515)	--
Unassigned	326,485	(326,485)	--
<b>Total Fund Balance</b>	<u>332,000</u>		
<b>Total Liabilities and Fund Balance</b>	<u>\$ 344,450</u>		
<b>NET POSITION</b>			
Investment in Capital Assets		51,627	51,627
Unrestricted		332,000	332,000
<b>Total Net Position</b>			<u>\$ 383,627</u>

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

**Mid-Michigan Area Cable Communication Consortium**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities**  
**For the Year Ended December 31, 2020**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Franchise Fees	\$ 191,311		\$ 191,311
Grants	9,616		9,616
Video Production	15,378		15,378
Interest	2,930		2,930
<b><i>Total Revenues</i></b>	<u>219,235</u>		<u>219,235</u>
<b>Expenditures</b>			
Salaries and Wages	150,154		150,154
Contracted Services	2,658		2,658
Professional Fees	6,425		6,425
Supplies	5,205		5,205
Advertising	765		765
Utilities	28,136		28,136
Repair and Maintenance	2,250		2,250
Rent	30,989		30,989
Insurance	2,826		2,826
Dues and Fees	1,050		1,050
Depreciation	-- (1)	16,621	16,621
Other	869		869
Postage	237		237
<b><i>Total Expenditures</i></b>	<u>231,564</u>		<u>248,185</u>
<b><i>Excess of Revenues Over (Under) Expenditures</i></b>	<u>(12,329)</u>		<u>(28,950)</u>
<b><i>Net Change in Fund Balance / Net Position</i></b>	<u>(12,329)</u>		<u>(28,950)</u>
<i>Fund Balance / Net Position at Beginning of Period</i>	344,329		412,577
<b><i>Fund Balance / Net Position at End of Period</i></b>	<u><u>\$ 332,000</u></u>		<u><u>\$ 383,627</u></u>

(1) In the statement of activities, a provision for depreciation of \$16,621 was recorded against the capital assets recorded in the statement of net position. In the governmental (general) fund, there is no depreciation recorded.

## **Notes to the Financial Statements**

# **Mid-Michigan Area Cable Communication Consortium**

## **Notes to the Financial Statements**

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### **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 Clare, Harrison, Mt. Pleasant, and Saint Louis, and the Townships of Arcadia, 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 a seven to fourteen member board with member communities appointing at least one but up to two 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.

#### ***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

# Mid-Michigan Area Cable Communication Consortium

## Notes to the Financial Statements

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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 principles for the general fund. All annual appropriations lapse at fiscal year-end. The budget for the general fund is adopted at the department level.

### **Assets, Liabilities, and Net Position or Equity**

#### ***Deposits and Investments***

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.

# Mid-Michigan Area Cable Communication Consortium

## Notes to the Financial Statements

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- 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 are stated at fair value.

### ***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 government-wide financial statements. Capital assets are defined by the Consortium 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 acquisition 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.

	<b><u>Years</u></b>
Leasehold Improvements	10-15
Equipment, Furniture, and Fixtures	5-10

## Mid-Michigan Area Cable Communication Consortium

### Notes to the Financial Statements

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#### ***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.

#### ***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. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. 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 Consortium that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) 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 has authorized the Director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in

# Mid-Michigan Area Cable Communication Consortium

## Notes to the Financial Statements

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.

*Unassigned fund balance* is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Board.

### *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.

### **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.

The Consortium had one minor budget exception during the year ended December 31, 2020 as follows:

<u>Line Item</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Dues and Fees	\$ 800	\$ 1,050	\$ (250)

### **Note 3 - Deposits and Investments**

At December 31, 2020, the Consortium's cash and investments were as follows:

	<u>Book Balance</u>
Cash and Cash Equivalents	\$ 217,587
Investments	69,572

***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

## Mid-Michigan Area Cable Communication Consortium

### Notes to the Financial Statements

does not have a policy for deposit custodial credit risk. As of year-end, none of the Consortium's bank balance of \$291,406 was exposed to custodial credit risk.

The Consortium's investment policy does not specifically address this risk, although the Consortium believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Consortium evaluates each financial institution with which it deposits Consortium funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**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. Credit risk ratings (Standard and Poors), where applicable, are summarized as follows:

	Carrying Amount	Type	Rating
MI Class	\$ 1,557	MI CLASS	S&P AAAM

**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. Maturity dates for investments held at year-end are summarized as follows:

	Carrying Amount
No Maturity	\$ 1,557
1-5 Years	68,015
<b>Total Investments</b>	<b>\$ 69,572</b>

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of the Consortium's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The Consortium's investment policies do not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

## Mid-Michigan Area Cable Communication Consortium

### Notes to the Financial Statements

#### *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, 2020:

- Investments held with MICLASS totaled \$1,557. 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.

#### **Note 4 - Capital Assets**

Capital asset activity for the year ended December 31, 2020 was as follows:

	December 31, 2019 Balance	Additions	Reductions	December 31, 2020 Balance
Capital Assets being Depreciated				
Leasehold Improvements	\$ 178,627	\$ -	\$ -	\$ 178,627
Studio Equipment	144,011	-	-	144,011
Furniture and Fixtures	15,579	-	-	15,579
Total Capital Assets being Depreciated	338,989	-	-	338,217
Less Accumulated Depreciation				
Leasehold Improvements	172,432	682	-	173,114
Studio Equipment	81,958	15,940	-	97,898
Furniture and Fixtures	15,579	-	-	15,579
Total Accumulated Depreciation	252,739	16,622	-	286,591
<b>Capital Assets, Net</b>	<b>\$ 84,008</b>	<b>\$ (16,622)</b>	<b>\$ -</b>	<b>\$ 51,626</b>

#### **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; and the lease renewed on September 30, 2020 through August 31, 2022. The annual lease expense for 2020 was \$22,919. Minimum non-cancelable lease payments will be \$18,000 during 2021 and \$12,000 during 2022.

The Consortium leases facilities located at 122 North Mill Street in Saint Louis, Michigan from Coty Properties, LLC. The lease commenced November 1, 2017 and expired on October 31, 2020. The monthly lease payments were \$450 until the Consortium continued the lease on a month-to-

## **Mid-Michigan Area Cable Communication Consortium**

### **Notes to the Financial Statements**

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month basis. Starting November 1, 2020 the lease payments increased to \$485 a month. The annual lease expense for 2020 was \$5,820.

The Consortium leases facilities located at lower level, Room C of the Pere Marquette District Library at 185 E. 4<sup>th</sup> 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.

#### **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**

The Consortium has been affected by the recent and ongoing outbreak of the Coronavirus (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. COVID-19 has caused significant government and business disruptions through mandated and voluntary closings and stay at home orders. Management is in the process of determining if this outbreak will have a significant financial impact on the Consortium's financial statements as the results remain highly uncertain as of May 28, 2021.

Management is not aware of any additional items that could have a significant effect on the financial condition of the Consortium.

## **Required Supplementary Information**

**Mid-Michigan Area Cable Communication Consortium**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2020**

	<b>Budgeted Amounts</b>			<b>Variance Positive (Negative) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Franchise Fees	\$ 204,500	\$ 204,500	\$ 191,311	\$ (13,189)
Grants	10,500	10,500	9,616	(884)
Video Production	17,350	17,350	15,378	(1,972)
Interest	1,800	1,800	2,930	1,130
Other	400	400	--	(400)
<b>Total Revenues</b>	<b>234,550</b>	<b>234,550</b>	<b>219,235</b>	<b>(15,315)</b>
<b>Expenditures</b>				
Salaries and Wages	167,576	167,576	150,154	17,422
Contracted Services	2,700	2,700	2,658	42
Professional Fees	7,000	7,100	6,425	675
Supplies	7,000	7,000	5,206	1,794
Advertising	2,000	2,000	765	1,235
Utilities	29,300	30,350	28,136	2,214
Repair and Maintenance	2,800	3,100	2,250	850
Rent	32,850	32,850	30,989	1,861
Training	900	500	--	500
Insurance	5,500	5,500	2,826	2,674
Dues and Fees	800	800	1,050	(250)
Other	2,900	1,850	869	981
Postage	400	400	237	163
<b>Total Expenditures</b>	<b>261,726</b>	<b>261,726</b>	<b>231,565</b>	<b>30,161</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(27,176)</b>	<b>(27,176)</b>	<b>(12,330)</b>	<b>14,846</b>
<b>Net Change in Fund Balance</b>	<b>(27,176)</b>	<b>(27,176)</b>	<b>(12,330)</b>	<b>14,846</b>
<b>Fund Balance at Beginning of Period</b>	<b>344,330</b>	<b>344,330</b>	<b>344,330</b>	<b>--</b>
<b>Fund Balance at End of Period</b>	<b>\$ 317,154</b>	<b>\$ 317,154</b>	<b>\$ 332,000</b>	<b>\$ 14,846</b>

May 28, 2021

To the Board of Directors  
Mid-Michigan Area Cable Communication Consortium  
Mt. Pleasant, Michigan

We have audited the financial statements of the governmental activities and general fund of the Mid-Michigan Area Cable Communication Consortium (the "Consortium") for the year ended December 31, 2020. 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 24, 2021. 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. No new accounting policies were adopted and the application of existing policies was not changed during the year. 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. All material misstatements detected as a result of audit procedures were corrected by management, and are as summarized as follows:

- Recording/adjusting payroll accrual and accounts payable, accounts receivable, and prepaid balances at year-end.

### *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 28, 2021.

### *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 the 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 the 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.

### **Communication Regarding Internal Control**

In planning and performing our audit of the financial statements of the governmental activities and the general fund of the Consortium as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Consortium's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control. Accordingly, we do not express an opinion on the effectiveness of the Consortium's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we have identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Consortium's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency to be a material weakness:

#### ***Material audit adjustments and financial statement preparation:***

*Criteria:* All governmental units in Michigan are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the management. The preparation of financial statements in accordance with GAAP requires internal controls over both; (1) recording, processing, and summarizing accounting data (i.e. maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related notes to the financial statements (i.e. external financial reporting).

*Condition:* We identified and proposed material audit adjustments that management reviewed and approved.

As is the case with many small and medium-sized governmental units, the Consortium has historically relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external financial reporting process. Accordingly, the Consortium's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor, who cannot, by definition, be considered part of the Consortium's internal controls. Having the auditor draft the annual financial statements is allowable under current auditing standards and ethical guidelines and may be the most efficient and effective method for preparation of the Consortium's financial statements. However, when an entity (on its own) lacks the ability to produce financial statements that conform to GAAP, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses. This is a repeat finding.

*Cause:* This condition was caused by the Consortium's decision to outsource the preparation of its annual financial statements to the external auditor rather than incur the costs of obtaining the necessary training and expertise required for the Consortium to perform this task internally because outsourcing the task is considered more cost effective.

*Effect:* The Consortium's accounting records were initially misstated by amounts material to the financial statements. In addition, the Consortium lacks complete internal controls over the preparation of its financial statements in accordance with GAAP, and, instead, relies, at least in part, on assistance from its external auditor for assistance with this task.

*Auditor's Recommendation:* We recommend that management continue to monitor the relative costs and benefits of securing the internal or other external resources necessary to develop material adjustments and prepare a draft of the Consortium's annual financial statements versus contracting with its auditor for these services.

*Management Response:* Management has made an ongoing evaluation of the respective costs and benefits of obtaining internal or external resources, specifically for the preparation of financial statements, and has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so. Management will continue to review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

We did not audit the Consortium's response to the internal control finding described above and, accordingly, we express no opinion on it.

*Restriction on Use*

This information is intended solely for the use of the Board of Directors and management of the 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 dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being a simple loop.

Gabridge & Company, PLC  
Grand Rapids, MI