

**MID-MICHIGAN AREA CABLE COMMUNICATION CONSORTIUM  
ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2017**

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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, 2017, 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, 2017, 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  
June 6, 2018

## **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, 2017. 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 \$591,814 (net position). Of this amount, \$488,835 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 \$488,835, a decrease of \$54,669 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$487,070, or approximately 138.4% 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 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.

**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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 40,367	\$ 77,117
Investments	384,545	382,569
Franchise Fee Receivable	73,423	90,344
Prepaid Items	1,765	2,831
<b><i>Total Current Assets</i></b>	<u>500,100</u>	<u>552,861</u>
<i>Noncurrent Assets</i>		
Capital Assets Being Depreciated, Net	102,979	101,246
<b><i>Total Assets</i></b>	<u>603,079</u>	<u>654,107</u>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts Payable	3,774	1,842
Accrued Wages and Payroll Taxes	7,491	7,515
<b><i>Total Liabilities</i></b>	<u>11,265</u>	<u>9,357</u>
<b>NET POSITION</b>		
Investment in Capital Assets	102,979	101,246
Unrestricted	488,835	543,504
<b><i>Total Net Position</i></b>	<u>\$ 591,814</u>	<u>\$ 644,750</u>

A portion of the Consortium's net position (17% or \$102,979) reflects its investment in capital assets (e.g., leasehold improvements, studio equipment, furniture, and fixtures), 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 \$488,835 (or 83%) is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

The Consortium's cash balance decreased by \$36,750 in comparison to the prior year primarily due to the overall decrease in net position of \$52,936.

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, 2017 and 2016:

	<b>2017</b>	<b>2016</b>
<b>Revenue</b>		
Franchise Fees	\$ 269,833	\$ 273,804
Grants	13,465	13,674
Video Production	11,071	8,905
Interest	1,980	2,022
Other	1,026	1,407
<b><i>Total Revenues</i></b>	<b>297,375</b>	<b>299,812</b>
<b>Expenses</b>		
Salaries and Wages	195,286	204,226
Contracted Services	8,556	4,051
Professional Fees	5,715	6,266
Supplies	33,705	14,604
Advertising	9,817	8,438
Utilities	21,862	19,842
Repair and Maintenance	6,685	7,676
Rent	32,886	30,419
Training	1,217	1,801
Insurance	3,911	3,998
Dues and Fees	835	600
Depreciation	24,463	17,300
Other	5,071	3,239
Postage	302	265
<b><i>Total Expenses</i></b>	<b>350,311</b>	<b>322,725</b>
<b><i>Change in Net Position</i></b>	<b>(52,936)</b>	<b>(22,913)</b>
<i>Net Position at Beginning of Period</i>	644,750	667,663
<b><i>Net Position at End of Period</i></b>	<b>\$ 591,814</b>	<b>\$ 644,750</b>

## Financial Analysis of Governmental Funds

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

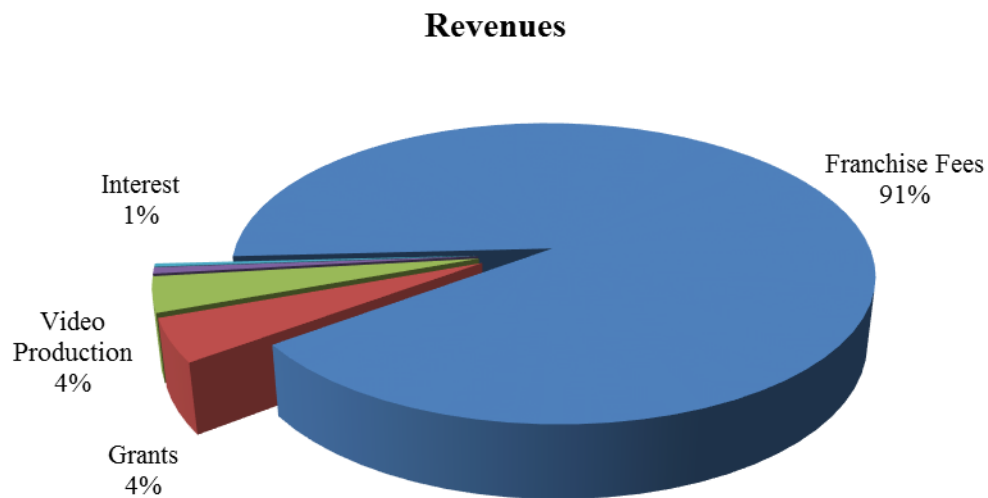
**Governmental Funds.** The focus of the Consortium's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Consortium's financing requirements. In particular, unassigned fund balance may serve as 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 \$488,835, a decrease of \$54,669 from the prior year. Fund balance represents approximately 139 percent of total general fund expenditures.

### **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 (for supplies).

*Final budget compared to actual results.* The Consortium had no expenditures in excess of the amounts appropriated during the year ended December 31, 2017.

### **Capital Assets**

**Capital assets** - The Consortium's investment in capital assets as of December 31, 2017 amounted to \$102,979 (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 \$1,733. This increase was due to

\$26,196 of acquisitions less depreciation expense of \$24,463. 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 \$244,150 of revenues will be available for appropriation in the general fund in the upcoming year. The reason for the decreased in estimated revenue for 2018 is due to the departure of the City of Alma and Village of Shepherd from the Consortium in January of 2018; the combined entities 2017 franchise revenue was approximately 18.7% of all franchise revenues. 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 2018, the Consortium plans again to use its available resources 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, 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, 2017**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 40,367		\$ 40,367
Investments	384,545		384,545
Franchise Fee Receivable	73,423		73,423
Prepaid Items	1,765		1,765
<b>Total Current Assets</b>	<u>500,100</u>		<u>500,100</u>
<i>Noncurrent Assets</i>			
Capital Assets being Depreciated, Net	-- (1)	102,979	102,979
<b>Total Assets</b>	<u>500,100</u>		<u>603,079</u>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	3,774		3,774
Accrued Salaries and Payroll Taxes	7,491		7,491
<b>Total Liabilities</b>	<u>11,265</u>		<u>11,265</u>
<b>FUND BALANCE</b>			
Nonspendable	1,765	(1,765)	--
Unassigned	487,070	(487,070)	--
<b>Total Fund Balance</b>	<u>488,835</u>		
<b>Total Liabilities and Fund Balance</b>	<u>\$ 500,100</u>		
<b>NET POSITION</b>			
Investment in Capital Assets		102,979	102,979
Unrestricted		488,835	488,835
<b>Total Net Position</b>			<u>\$ 591,814</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, 2017**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Franchise Fees	\$ 269,833		\$ 269,833
Grants	13,465		13,465
Video Production	11,071		11,071
Interest	1,980		1,980
Other	1,026		1,026
<b><i>Total Revenues</i></b>	<u>297,375</u>		<u>297,375</u>
<b>Expenditures</b>			
Salaries and Wages	195,286		195,286
Contracted Services	8,556		8,556
Professional Fees	5,715		5,715
Supplies	33,705		33,705
Advertising	9,817		9,817
Utilities	21,862		21,862
Repair and Maintenance	6,685		6,685
Rent	32,886		32,886
Training	1,217		1,217
Insurance	3,911		3,911
Dues and Fees	835		835
Depreciation	-- (1)	24,463	24,463
Other	5,071		5,071
Postage	302		302
Capital Outlay	26,196 (1)	(26,196)	--
<b><i>Total Expenditures</i></b>	<u>352,044</u>		<u>350,311</u>
<b><i>Excess of Revenues Over (Under) Expenditures</i></b>	<u>(54,669)</u>		<u>(52,936)</u>
<b><i>Net Change in Fund Balance / Net Position</i></b>	<u>(54,669)</u>		<u>(52,936)</u>
<i>Fund Balance / Net Position at Beginning of Period</i>	543,504		644,750
<b><i>Fund Balance / Net Position at End of Period</i></b>	<u><b>\$ 488,835</b></u>		<u><b>\$ 591,814</b></u>

(1) In the statement of activities, a provision for depreciation of \$24,463 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 \$26,196 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**

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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 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 a 10 to 20 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.

#### **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



## Mid-Michigan Area Cable Communication Consortium

### Notes to the Financial Statements

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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 estimated fair 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. 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 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 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.

## Mid-Michigan Area Cable Communication Consortium

### Notes to the Financial Statements

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#### *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 no expenditures in excess of the amount appropriated for the year ended December 31, 2017.

#### **Note 3 – Deposits and Investments**

At December 31, 2017, the Consortium's cash and investments was as follows:

	<u>Book Balance</u>
Cash & Cash Equivalents	\$ 40,367
Investments	384,545

***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, \$1,158 of the Consortium's bank balance of \$374,941 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.

***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 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

## Mid-Michigan Area Cable Communication Consortium

### Notes to the Financial Statements

institutions. As of December 31, 2017, 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. Credit risk ratings (Standard and Poors), where applicable, are summarized as follows:

	Carrying Amount	Type	Rating
Not subject to Credit Risk	\$ 384,545	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	\$ 66,519
Less than One Year	318,026

**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.

### **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.

## Mid-Michigan Area Cable Communication Consortium

### Notes to the Financial Statements

The Consortium has the following recurring fair value measurements as of December 31, 2017:

- Investments held with MICLASS totaled \$66,519. 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 \$318,026, while classified as investments, are not subject to fair value disclosure requirements.

#### Note 4 – Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets being Depreciated				
Leasehold Improvements	\$ 171,807	\$ -	\$ -	\$ 171,807
Studio Equipment	145,649	26,196	20,242	151,603
Furniture and Fixtures	15,579	-	-	15,579
Total Capital Assets being Depreciated	333,035	26,196	20,242	338,989
Less Accumulated Depreciation				
Leasehold Improvements	154,532	9,559	-	164,091
Studio Equipment	61,678	14,904	20,242	56,340
Furniture and Fixtures	15,579	-	-	15,579
Total Accumulated Depreciation	231,789	24,463	20,242	236,010
Capital Assets, Net	\$ 101,246	\$ 1,733	\$ -	\$ 102,979

#### 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; however the lease expired on September 30, 2017. The Consortium has been continuing the lease on a month to month basis. The base monthly lease payments are \$1,957.15 with a 1.5% annual rent escalation. In 2017, the monthly rent was \$2,046.54.

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 will expire on October 31, 2019. The monthly lease payments are \$450.

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

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

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

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help promote library events and activities and to expand technology literacy to the community. The value of these services is \$2,500. Video production revenue is recorded equal to the lease payments provided for the lease.

The Consortium leased facilities located at 206 Prospect St. in Alma, Michigan from the City of Alma with a monthly rate of \$482.40. The lease ended on October 31, 2017 and was not renewed.

#### **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 June 6, 2018, the date the financial statements were available to be issued. On January 1, 2018, the City of Alma and Village of Shepherd have left the Consortium; for the year ended December 31, 2017, the combined franchise revenue was \$50,631, or approximately 18.7% of total franchise revenues. Management is not aware of any other subsequent events that would have a significant impact 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, 2017**

	<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	\$ 267,000	\$ 267,000	\$ 269,833	\$ 2,833
Grants	14,100	14,100	13,465	(635)
Video Production	11,100	11,100	11,071	(29)
Interest	1,800	1,800	1,980	180
Other	250	250	1,026	776
<b>Total Revenues</b>	<b>294,250</b>	<b>294,250</b>	<b>297,375</b>	<b>3,125</b>
<b>Expenditures</b>				
Salaries and Wages	215,476	215,476	195,286	20,190
Contracted Services	12,000	12,000	8,556	3,444
Professional Fees	8,290	6,910	5,715	1,195
Supplies	10,900	35,900	33,705	2,195
Advertising	10,000	10,000	9,817	183
Utilities	30,100	30,100	21,862	8,238
Repair & Maintenance	9,100	9,100	6,685	2,415
Rent	33,550	33,550	32,886	664
Training	2,900	2,900	1,217	1,683
Insurance	5,500	5,500	3,911	1,589
Dues and Fees	800	880	835	45
Other	4,000	5,300	5,071	229
Postage	400	400	302	98
Capital Outlay	26,200	26,200	26,196	4
<b>Total Expenditures</b>	<b>369,216</b>	<b>394,216</b>	<b>352,044</b>	<b>42,172</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(74,966)</b>	<b>(99,966)</b>	<b>(54,669)</b>	<b>(39,047)</b>
<b>Net Change in Fund Balance</b>	<b>(74,966)</b>	<b>(99,966)</b>	<b>(54,669)</b>	<b>(39,047)</b>
<b>Fund Balance at Beginning of Period</b>	<b>543,504</b>	<b>543,504</b>	<b>543,504</b>	<b>--</b>
<b>Fund Balance at End of Period</b>	<b>\$ 468,538</b>	<b>\$ 443,538</b>	<b>\$ 488,835</b>	<b>\$ (39,047)</b>

June 6, 2018

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

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, 2017. 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 8, 2018. 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. 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 June 6, 2018.

### *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.

### 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 particularly stylized.

Gabridge & Company, PLC  
Grand Rapids, MI