



CITY COUNCIL AGENDA ITEM

Date: March 31, 2016

To: Brian Kischnick, City Manager
Mark Miller, Director of Economic & Community Development

From: Cindy Stewart, Community Affairs Director

Subject: ICCA Audit Report

The City of Troy is a member of the Intergovernmental Cable Communications Authority (ICCA). This 11 member consortium, authorized by its member communities (Auburn Hills, Berkley, Clawson, Ferndale, Huntington Woods, Oakland Township, Pleasant Ridge, Rochester, Rochester Hills, Royal Oak and Troy) has provided outstanding service for more than 30 years. The ICCA has provided management oversight of our cable franchise agreements, as well as assuring our residents that payments and credits due to the member communities and customers are returned in a timely fashion.

The ICCA monitors the administration of cable franchise contracts with Comcast, Wide Open West, AT&T, and our public access provider, Community Media Network (CMN). The ICCA responds to complaints by our citizens with respect to cable television services. We have been active with other municipal organizations in lobbying for changes to the Michigan Uniform Franchise Act as well as being responsive to the Michigan Public Service Commission with respect to the experiences of our member communities.

The ICCA is charged with conducting audits of the signal strength, clarity and noise to signal ratios and other industry standards to insure the best practices are used in allowing the best quality picture to come to each individual household. The ICCA was instrumental in the development and implementation of a (CPO) Consumer Protection Ordinance that helped define standards of customer service that were expected from our Cable Providers including standards for notifying our residents of changes in service or billing. This ordinance was adopted by all 11 member communities and saved thousands of dollars in legal fees for its development. Currently we are in the process of undertaking a franchise and PEG fee review by Plante Moran of the three (3) cable providers to check if there are any under-payments since the last review.

Attached is the recent audit completed by Doeren Mayhew of the financial statements of the Intergovernmental Cable Communications Authority for the year ended December 31, 2015.

**INTERGOVERNMENTAL CABLE
COMMUNICATION AUTHORITY**

COMMENTS AND RECOMMENDATIONS
MEMORANDUM

DECEMBER 31, 2015

February 27, 2016

Members
Intergovernmental Cable
Communication Authority
Huntington Woods, Michigan 48070

Dear Members:

We have recently completed an audit of the financial statements of the Intergovernmental Cable Communication Authority for the year ended December 31, 2015. Our audit was made primarily for the purpose of expressing our opinion on these statements and, accordingly, did not encompass a detailed review of systems, procedures and internal controls. However, during our audit, we observed certain areas where we believe improvements can be effected, and we offer the enclosed comments and recommendations memorandum for your review.

The accompanying memorandum is not based upon a complete survey of all phases of operating and executive controls; it does, however, direct attention to certain areas which we believe to be especially worthy of the Members' consideration. We appreciate that the ultimate objective of the Members is to achieve maximum control at a minimum cost. We believe that consideration of the recommendations enumerated in this memorandum are compatible with that objective.

After you have reviewed our recommendations, we will be pleased to discuss the contents with you and to assist in the implementation or correction of any items set forth herein.



DOEREN MAYHEW

PRIOR YEAR RECOMMENDATION

I. FUTURE FUNDING SOURCES FOR THE ORGANIZATION

During our audit, we noted that the Organization has no sources of revenue while the fund balance continues to decrease as the Organization incurs expenses on an annual basis in excess of the revenue earned.

Recommendation

It is extremely important that the Intergovernmental Cable Communication Authority begin contemplating additional funding sources for the future as the fund balance of \$13,551 does not appear to be at the appropriate level to cover future operations as expenses averaged approximately \$15,000 the last two years.

Status

The Organization has adopted a bylaw amendment in which member cities began to pay an annual fee at the beginning of 2015. The Organization collected member fees totaling \$30,100 in 2015.

**INTERGOVERNMENTAL CABLE
COMMUNICATION AUTHORITY**

FINANCIAL STATEMENTS

DECEMBER 31, 2015

(With Independent Auditor's Report Thereon)

INTERGOVERNMENTAL CABLE COMMUNICATION AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

To the Members of the **Intergovernmental
Cable Communication Authority**

Report on the Financial Statements

We have audited the accompanying financial statements of the Intergovernmental Cable Communication Authority as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Intergovernmental Cable Communication Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Auditor's Responsibility (Continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the Intergovernmental Cable Communication Authority as of December 31, 2015, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated February 27, 2016 on our consideration of the Intergovernmental Cable Communication Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Intergovernmental Cable Communication Authority's internal control over financial reporting and compliance.



Troy, Michigan
February 27, 2016

INTERGOVERNMENTAL CABLE COMMUNICATION AUTHORITY

BALANCE SHEET DECEMBER 31, 2015

<u>Assets</u>	
Cash (note 2)	\$ 46,294
Prepaid expenses	<u>1,169</u>
Total assets	<u><u>\$ 47,463</u></u>
 <u>Liabilities and Fund Balance</u> 	
Liabilities:	
Accounts payable (note 3)	\$ 18,494
Fund balance:	
Unappropriated	<u>28,969</u>
Total liabilities and fund balance	<u><u>\$ 47,463</u></u>

See accompanying notes to financial statements

INTERGOVERNMENTAL CABLE COMMUNICATION AUTHORITY

STATEMENT OF REVENUES AND EXPENDITURES AND FUND BALANCE - BUDGET VS. ACTUAL YEAR ENDED DECEMBER 31, 2015

	Budget	Actual	Over (Under) Budget
Revenues:			
Interest income	\$ 50	\$ 112	\$ 62
Membership fee	30,000	30,100	100
Miscellaneous	250	1,228	978
Total revenues	30,300	31,440	1,140
Expenditures:			
Administrative expenditures	14,408	728	(13,680)
Legal	11,500	9,000	(2,500)
Conference dues	250	100	(150)
Consultants	150	200	50
Audit	3,500	3,600	100
Insurance	3,000	2,394	(606)
Total expenditures	32,808	16,022	\$ (16,786)
Excess of revenues over expenditures	\$ (2,508)	15,418	
Fund balance - January 1, 2015		13,551	
Fund balance - December 31, 2015		\$ 28,969	

See accompanying notes to financial statements

INTERGOVERNMENTAL CABLE COMMUNICATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

Note 1 - Nature of Business and Significant Accounting Policies

Nature of Business

The Intergovernmental Cable Communication Authority (ICCA) is organized under Act 138PA1982 of the State of Michigan. This Act states that “two or more municipal corporations in a county with a population of one million or more are empowered to enter into a contractual relationship for the purpose of establishing an authority to select a single cable television franchise which shall serve those municipal corporations and to monitor activities and to propose model ordinances establishing fees, rates and other regulations.” The ICCA is tax exempt as it is a governmental organization.

The ICCA was to receive annual grants of \$125,000 from the Tribune/United Cable Company for a period of 15 years. These grants were to help manage the cable system for the benefit of the cable users and the last grant was received in December 1997. Beginning in 2015, the bylaws were amended to state that each of the member cities will begin to pay an annual franchise fee. Currently, the ICCA continues to monitor cable franchise activities, including fees, rates and other regulations.

The ICCA acts as an intermediary between its member cities and the Community Media Network (CMN). Funds received from the member cities by the ICCA are disbursed to CMN in a timely manner. As of December 31, 2015, there is approximately \$179,000 that is yet to be received from the member cities related to the third and fourth quarters of 2015. Therefore, ICCA has not recorded these amounts as of December 31, 2015. These funds are expected to be received in the first quarter of 2016 and will then be transferred to CMN accordingly.

Basis of Accounting

The Intergovernmental Cable Communication Authority uses the accrual method of accounting.

Budget Information

Budgeted amounts of the revenues and expenditures presented are a summarization of the budgeted amounts originally adopted, or as amended by the ICCA. Individual amendments were not material in relation to the original appropriations, which were amended. Budget appropriations lapse at year end and encumbrances are not included as expenditures. A comparison of the budget with statements of actual revenues and expenditures, including budget variances is presented in the financial statements. Budgets have been prepared on a basis consistent with generally accepted accounting principles. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law.

INTERGOVERNMENTAL CABLE COMMUNICATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including February 27, 2016, which is the date the financial statements were available to be issued.

Note 2 - Cash

The Organization maintains its cash accounts at high credit quality institutions. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) limits. The deposits as of December 31, 2015 amounted to \$54,784, which was insured by the FDIC.

Note 3 - Accounts Payable

Included in accounts payable as of December 31, 2015 is approximately \$14,169 due to Community Media Network (CMN) which is collected from the member cities for franchise and public, educational and government (PEG) fees and subsequently paid to CMN.

***** End of Notes *****