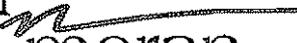


Southwestern Oakland Cable Commission

**Financial Report
with Supplemental Information
June 30, 2008**

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Southwestern Oakland Cable Commission

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Independent Auditor's Report

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To the Members
Southwestern Oakland Cable Commission

We have audited the governmental activities (full accrual basis) and General Fund (modified accrual basis) of Southwestern Oakland Cable Commission as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Southwestern Oakland Cable Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Southwestern Oakland Cable Commission as of June 30, 2008 and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not required parts of the basic financial statements. The required supplemental information is information required by accounting principles generally accepted in the United States of America; the other supplemental information is presented for the purpose of additional analysis. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southwestern Oakland Cable Commission's basic financial statements. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moran, PLLC

October 6, 2008



Southwestern Oakland Cable Commission

Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2008

	General Fund - Modified Accrual Basis	Adjustments (Note 7)	Statement of Net Assets - Full Accrual Basis
Assets			
Cash and investments (Note 2)	\$ 294,395	\$ -	\$ 294,395
Franchise fee receivable	252,491	-	252,491
Due from other governmental units	2,480	-	2,480
Land, buildings, and equipment - Net (Note 3)	-	2,074,918	2,074,918
Total assets	\$ 549,366	2,074,918	2,624,284
Liabilities			
Accounts payable	\$ 31,946	-	\$ 31,946
Long-term debt (Note 4):			
Due within one year	-	135,512	135,512
Due in more than one year	-	1,432,137	1,432,137
Compensated absences (Note 4):			
Due within one year	-	35,856	35,856
Due in more than one year	-	12,781	12,781
Total liabilities	31,946	1,616,286	1,648,232
Fund Balance - Undesignated	517,420	(517,420)	-
Total liabilities and fund balance	\$ 549,366		
Net Assets			
Investment in general fixed assets - Net of related debt		507,269	507,269
Unrestricted		468,783	468,783
Total net assets		\$ 976,052	\$ 976,052

Southwestern Oakland Cable Commission

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2008

	General Fund Modified - Accrual Basis	Adjustments (Note 7)	Statement of Activities - Full Accrual Basis
Revenue			
Franchise fees	\$ 630,425	\$ -	\$ 630,425
Cable company operating contribution	301,003	-	301,003
Interest income	11,966	-	11,966
Miscellaneous	73,587	-	73,587
	<u>1,016,981</u>	<u>-</u>	<u>1,016,981</u>
Total revenue	1,016,981	-	1,016,981
Expenditures			
Salaries	393,364	-	393,364
Benefit payments	120,881	3,489	124,370
Operating supplies and sundry	108,484	-	108,484
Professional fees, promotion, training, and other	33,076	-	33,076
Debt service:			
Principal	126,578	(126,578)	-
Interest	119,474	-	119,474
Depreciation expense	-	199,552	199,552
Capital outlay	24,564	(11,038)	13,526
	<u>926,421</u>	<u>65,425</u>	<u>991,846</u>
Total expenditures	926,421	65,425	991,846
Excess of Revenue Over (Under) Expenditures	90,560	(65,425)	25,135
Fund Balance/Net Assets - July 1, 2007	426,860	524,057	950,917
Fund Balance/Net Assets - June 30, 2008	\$ 517,420	\$ 458,632	\$ 976,052

Southwestern Oakland Cable Commission

Notes to Financial Statements June 30, 2008

Note 1 - Significant Accounting Policies

The accounting policies of Southwestern Oakland Cable Commission (the "Commission") conform to generally accepted accounting principles as applicable to governmental units. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements. The following is a summary of the significant accounting policies:

Reporting Entity

The Commission oversees the cable television services provided by a private cable operator to the participating cities of Farmington, Farmington Hills, and Novi. Each community's participating equity interest in the Commission at June 30, 2008 is not determinable. The Commission is comprised of the city manager and an appointed elected official from each of the three cities. Revenue is derived principally from a specific percentage of cable operator television revenue.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Commission's basic financial statements include both the Commission's full accrual financial statements and modified accrual financial statements.

Full Accrual Financial Statements

The full accrual financial statements (i.e., the statement of net assets and the statement of activities) 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables. The Commission's net assets are reported in two parts - invested in capital assets and unrestricted net assets.

Southwestern Oakland Cable Commission

Notes to Financial Statements June 30, 2008

Note 1 - Significant Accounting Policies (Continued)

Modified Accrual Financial Statements

The modified accrual financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Capital Assets - Capital assets are defined by the Commission as assets with an initial cost of more than \$500 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis (no depreciation in year of purchase) over the following estimated useful lives:

Building and improvements	30 years
Equipment	10 years

Accounts Receivable - Accounts receivable represent amounts owed to the Commission by Brighthouse for \$234,987. The remaining amount relates to receivables to municipalities. No allowance for uncollectible accounts is deemed necessary as management believes all accounts are collectible.

Note 2 - Cash and Cash Equivalents

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Commission is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Southwestern Oakland Cable Commission

Notes to Financial Statements June 30, 2008

Note 2 - Cash and Cash Equivalents (Continued)

The Commission has designated one bank for the deposit of its funds. The investment policy adopted by the Commission in accordance with Public Act 196 of 1997 has authorized investments in bonds and securities of the United States government, bank accounts, and CDs, but not the remainder of state statutory authority as listed above. The Commission's deposits and investment policies are in accordance with statutory authority.

The Commission's cash and investments are subject to two types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk. At year end, all of the Commission's bank deposits (checking and savings accounts) were insured. The Commission believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits and, although all current year deposits are insured, it is not the Commission's policy to insure all deposits. The Commission evaluates each financial institution with which it deposits 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 in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Commission has no investment policy that would further limit its investment choices. As of year end, the credit quality rating of the Commission's only investment is as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 291,480	Aaa	Moody's

Southwestern Oakland Cable Commission

Notes to Financial Statements June 30, 2008

Note 3 - Land, Buildings, and Equipment

A summary of changes in general fixed assets is as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Land and buildings	\$ 525,000	\$ -	\$ -	\$ 525,000
Building improvements	1,656,032	-	-	1,656,032
Equipment	931,598	11,038	-	942,636
Total	3,112,630	11,038	-	3,123,668
Accumulated depreciation	(849,198)	(199,552)	-	(1,048,750)
Net book value	\$ 2,263,432	\$ (188,514)	\$ -	\$ 2,074,918

Note 4 - Long-term Debt

Changes in Long-term Debt

The following is a summary of the long-term debt transactions of the Commission for the year ended June 30, 2008:

	Number of Issues	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
General obligation debt	2	\$ 1,694,227	\$ -	\$ (126,578)	\$ 1,567,649	\$ 135,512
Accumulated employee benefits	-	\$ 45,148	\$ 27,161	\$ (23,672)	\$ 48,637	\$ 35,856

The general obligation debt represents two loans to the Commission from the City of Farmington Hills, Michigan General Fund. The first note bears interest at a rate of 7.00 percent and is due in 14 annual installments of \$59,401, including interest, through February 2016. The second note bears interest at a rate of 7.00 percent and is due in 15 annual installments of \$186,651, including interest, through February 2017. The notes are secured by the Commission's building and certain equipment financed by the notes.

Southwestern Oakland Cable Commission

Notes to Financial Statements June 30, 2008

Note 4 - Long-term Debt (Continued)

The accumulated employee benefits represent the estimated liability to be paid to governmental fund-type employees under the Commission's sick pay policy, net of the portion that is estimated to be paid currently. Under the Commission's policy, employees earn sick time based on time of service with the Commission.

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2008 (excluding accumulated employee benefits), including both principal and interest, are as follows:

Years Ending June 30	Principal	Interest	Total
2009	\$ 135,512	\$ 110,541	\$ 246,053
2010	145,075	100,977	246,052
2011	152,314	90,738	243,052
2012	166,275	79,777	246,052
2013	174,440	68,042	242,482
2014-2017	794,033	137,343	931,376
Total	<u>\$1,567,649</u>	<u>\$ 587,418</u>	<u>\$ 2,155,067</u>

Note 5 - Budget Information

The annual budget is prepared and adopted by Southwestern Oakland Cable Commission members; subsequent amendments are approved by the Commission members. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2008 has not been calculated. During the year, the budget was amended in a legally permissible manner.

The budget statement (statement of revenue, expenditures, and changes in fund balance - budget and actual - General Fund) is presented in accordance with accounting principles generally accepted in the United States of America, which is the same basis of accounting used in preparing the adopted budget. The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted is included in the required supplemental information.

There were no significant expenditure budget variances.

Southwestern Oakland Cable Commission

Notes to Financial Statements June 30, 2008

Note 6 - Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Commission has purchased commercial insurance for workers' compensation and medical benefit claims and participates in the Michigan Municipal Risk Management Authority (the "Authority") risk pool for claims relating to general liability and property loss claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's state pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

Note 7 - Reconciliation of Modified Accrual Financial Statements to the Full Accrual Financial Statements

Total fund balance and the net change in fund balance of the Commission's General Fund differs from net assets and change in net assets of the Commission's activities reported in the governmental fund balance sheet/statement of net assets and the statement of governmental revenue, expenditures, and changes in fund balance/statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the General Fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$ 517,420
Amounts reported in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	2,074,918
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Long-term debt	(1,567,649)
Compensated absences	(48,637)
Net Assets - Full Accrual Basis	<u>\$ 976,052</u>

Southwestern Oakland Cable Commission

Notes to Financial Statements June 30, 2008

Note 7 - Reconciliation of Modified Accrual Financial Statements to the Full Accrual Financial Statements (Continued)

Net Change in Fund Balances - Modified Accrual Basis \$ 90,560

Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditure; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	11,038
Depreciation	(199,552)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	126,578
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Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	<u>(3,489)</u>
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Change in Net Assets - Full Accrual Basis \$ 25,135

Required Supplemental Information

Southwestern Oakland Cable Commission

Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original and Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
Franchise fees	\$ 631,570	\$ 630,425	\$ (1,145)
Cable company operating contribution	301,502	301,003	(499)
Interest income	12,000	11,966	(34)
Miscellaneous	50,307	73,587	23,280
Total revenue	995,379	1,016,981	21,602
Expenditures			
Salaries and wages	489,773	514,245	(24,472)
Operating	177,541	141,560	35,981
Debt service:			
Principal	126,578	126,578	-
Interest	119,474	119,474	-
Capital outlay	38,625	24,564	14,061
Total expenditures	951,991	926,421	25,570
Excess of Revenue Over Expenditures	43,388	90,560	47,172
Fund Balance - July 1, 2007	426,860	426,860	-
Fund Balance - June 30, 2008	\$ 470,248	\$ 517,420	\$ 47,172

Other Supplemental Information

Southwestern Oakland Cable Commission

Comparative Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance

	2004	2005	2006	2007	2008
Revenue					
Franchise fees	\$ 555,478	\$ 564,091	\$ 595,736	\$ 643,959	\$ 630,425
Cable company operating contribution	291,241	287,536	282,032	307,498	301,003
Interest income	2,149	4,080	12,912	18,619	11,966
Miscellaneous	59,353	51,462	24,013	79,846	73,587
Total revenue	908,221	907,169	914,693	1,049,922	1,016,981
Expenditures					
Salaries	357,738	334,291	358,919	358,427	393,364
Fringe benefits	108,537	109,117	101,893	106,153	120,881
Operating supplies and sundry	91,308	104,901	110,607	104,487	108,484
Professional fees, promotion, training, and other	41,049	71,152	35,572	41,673	33,076
Debt service:					
Principal	96,360	103,160	110,440	118,234	126,578
Interest	149,692	142,892	135,612	127,818	119,474
Capital outlay	62,372	13,531	15,110	208,955	24,564
Total expenditures	907,056	879,044	868,153	1,065,747	926,421
Excess of Revenue Over (Under) Expenditures	1,165	28,125	46,540	(15,825)	90,560
Fund Balance - Beginning of year	366,855	368,020	396,145	442,685	426,860
Fund Balance - End of year	\$ 368,020	\$ 396,145	\$ 442,685	\$ 426,860	\$ 517,420