



Serving Multnomah County and the Cities of
Fairview, Gresham, Portland, Troutdale and Wood Village

Financial Statements

And

Auditor's Report

Fiscal Year Ended June 30, 2018

Mt. Hood Cable Regulatory Commission
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INTRODUCTORY SECTION

Mt. Hood Cable Regulatory Commission

June 30, 2018

Administration Offices

111 SW Columbia Street, Suite 600
Portland, Oregon 97201

Commission Members as of June 30, 2018

Leif Hansen	Chair - Portland Representative
Norm Thomas	Vice Chair - Troutdale Representative
Rich Goheen	Fairview Representative
Mike Bennett	Gresham Representative
Carol Studenmund	Multnomah County Representative
Sue Dicile	Portland Representative
Scott Harden	Wood Village Representative

Interim Director
Elisabeth Perez

Program Manager
Julie S. Omelchuck

Accounting Staff
Janice Hammond
(Bureau of Revenue & Financial Services)
Aaron Ratto
(Bureau of Revenue & Financial Services)

December 11, 2018

The Mt. Hood Cable Regulatory Commission (MHCRC) is pleased to submit the MHCRC Audit for the fiscal year ended June 30, 2018.

This report is published to provide the member jurisdictions - the cities of Fairview, Gresham, Portland, Troutdale and Wood Village and Multnomah County - as well as our citizens, stakeholders and other readers with detailed information concerning the financial position and activities of the MHCRC. The MHCRC is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures.

To the best of our knowledge and belief, the enclosed report is accurate in all material respects and is organized in a manner designed to fairly present the financial position and results of operations of the MHCRC as measured by the financial activity of its fund. The accompanying disclosures are necessary to enable the reader to gain the maximum understanding of the MHCRC's financial affairs.

THE FINANCIAL STATEMENTS

This financial statement report has three main sections: introductory, financial, and comments and disclosures. The introductory section includes this transmittal letter and a list of MHCRC members and staff.

The financial section is prepared in accordance with accounting principles generally accepted in the United States of America. This section includes the Management's Discussion and Analysis (MD&A), which can be found immediately following the report of the independent auditor. These are followed by the basic financial statements and required supplementary information.

The MD&A provides a narrative introduction, overview, and analysis to accompany the basic financial statements and should be read in conjunction with this letter of transmittal. The basic financial statements include the MHCRC-wide financial statements that present an overview of the MHCRC's entire operations, while the fund level statements present the financial information of each of the MHCRC's component units, Open Signal and MetroEast Community Media.

MHCRC PROFILE

The Mt. Hood Cable Regulatory Commission (MHCRC) was created by Multnomah County and the cities of Fairview, Gresham, Portland, Troutdale and Wood Village (Jurisdictions) for the purposes of:

- Advocating for and protecting the public interest in the regulation and development of cable communication systems;
- Monitoring and helping resolve cable subscribers' concerns; and
- Facilitating the planning and implementation of community uses of cable communication technologies.

Each Jurisdiction appoints citizen representatives to the MHCRC. Over the past year, these appointees have committed hundreds of volunteer hours to fulfill the MHCRC's mission on behalf of the Jurisdictions. They participated in approximately eight MHCRC meetings and numerous committee meetings, kept abreast of issues of concern to their Jurisdictions, presented information at city council and county commission meetings, and served as Board members for Open Signal and MetroEast Community Media (MetroEast).

The MHCRC regulates and oversees cable services franchises with four companies, serving the following areas:

Comcast: Portland, Gresham, Troutdale, Fairview, Wood Village and Multnomah County
Frontier: Gresham, Troutdale, Fairview and Wood Village
Century Link: Portland
Cascade Access: unincorporated east Multnomah County

The MHCRC contracts for staff and other administrative support services through an agreement with the City of Portland. The MHCRC funds an equivalent of 4 full-time (FTE) staff positions plus related materials, services and overhead. Each member Jurisdiction provides a portion of its franchise fees from cable services providers to annually fund Commission operational expenses.

OUTLOOK

The primary revenues and expenses of the MHCRC are related to cable services franchise agreements with the cable companies. Revenues are fees paid to the MHCRC by the companies based on a percentage of the company's gross annual revenues derived from cable TV services. Despite relatively little change in numbers of cable TV subscribers over the past ten years, cable fee revenues grew 19 percent during the same time period. However, during 2018, cable TV subscribers and revenues declined slightly. The MHCRC anticipates this slow decline in revenues will continue as people move from subscribing to traditional cable TV services and to video delivered over the Internet. This will impact the MHCRC resources from franchise fees and PEG/I-Net fees collected from cable companies and also MHCRC expenditures made to support the community media providers, community technology grantees, and I-Net stakeholders.

OTHER INFORMATION

A. Independent audit

According to Oregon Revised Statutes 190, the MHCRC is required to secure an independent audit every year.

B. Acknowledgments

We would like to express our sincere gratitude to the City of Portland personnel who contributed to this report, especially personnel in the Financial Reporting Division and Accounting staff in the Revenue Division, both within the Bureau of Revenue and Financial Services.

Respectfully submitted,

Julie Omelchuck
Program Manager
Mt. Hood Cable Regulatory Commission

FINANCIAL SECTION

Report of Independent Auditors

The Board of Commissioners
Mt. Hood Cable Regulatory Commission
Portland, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the discretely presented component units of the Mt. Hood Cable Regulatory Commission (“the Commission”), a component unit of the City of Portland, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission’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 did not audit the financial statements of Open Signal or MetroEast Community Media, which in the aggregate, represent 100% of the assets, net position and revenues of the discretely presented component units of the Commission. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Open Signal and MetroEast Community Media, is based solely on the reports of the other auditors. 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, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the discretely presented component units of the Mt. Hood Cable Regulatory Commission, as of June 30, 2018, 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 the schedule of revenues, expenditures and changes in fund balance – budget and actual on pages 4 through 7, and 22, respectively, 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 management's discussion and analysis 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 management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The budgetary schedule described above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The budgetary schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section on pages i through iv is presented for purposes of additional analysis and is not a required part of the basic financial statements, and has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Minimum Standards for Audits of Oregon Municipal Corporations

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 11, 2018, on our consideration of the Commission's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in blue ink that reads "James C. Leyarotta". The signature is written in a cursive style with a large initial 'J' and 'L'.

For Moss Adams, LLP
Portland, Oregon
December 11, 2018

As management of the Mt. Hood Cable Regulatory Commission ("MHCRC"), we offer readers of MHCRC's Annual Financial Report this narrative overview and analysis of the financial activities of MHCRC for the fiscal year ended June 30, 2018.

FINANCIAL HIGHLIGHTS

The following are MHCRC's financial highlights for fiscal year ending June 30, 2018:

- The assets of MHCRC exceeded its liabilities at the close of FY2017-18 by \$14,237,759 (*net position*).
- MHCRC's total net position increased by \$160,254 from FY2016-17. The key factor for this increase was a significant drop in Community Development expenses. Given the nature of the MHCRC grant agreements, sizable year-to-year expense fluctuations are customary.
- The MHCRC's governmental fund reported an ending fund balance of \$14,232,959, an increase of \$162,654.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to MHCRC's basic financial statements. MHCRC's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information.

A. Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of MHCRC's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of MHCRC'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 MHCRC is improving or deteriorating.

The *statement of activities* presents information showing how MHCRC'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 will only result in cash flows in future fiscal periods.

In addition to MHCRC (primary government), the government-wide financial statements include MetroEast Community Media (MetroEast) and Open Signal that are legally separate entities for which the MHCRC is financially accountable. Financial information for MetroEast and Open Signal are reported separately from the financial information presented for the primary government.

B. Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources segregated for specific activities or objectives. MHCRC, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements. MHCRC only has one governmental fund.

Mt. Hood Cable Regulatory Commission
Management's Discussion and Analysis
June 30, 2018

- **Governmental fund.** *The governmental fund is used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on spendable resources, near-term inflows, outflows and balances available at fiscal year end. Such information may be useful in evaluating a government's near-term financing requirements.*

Because the focus of a governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term funding decisions. The statements "*Governmental Fund Balance Sheet / Statement of Net Position*" and "*Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities*" show the governmental fund perspective and the governmental activities perspective.

C. Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

D. Required supplemental information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning MHCRC's budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position serves as a useful indicator of a government's financial position. For the MHCRC, assets exceeded liabilities by \$14,237,759 at the close of FY2017-18.

A. Analysis of net position

The largest portions of MHCRC's net position consist of \$13,138,566 in cash, \$1,149,939 of grant advances, and \$1,666,800 in accounts receivable.

All of MHCRC's assets are restricted by inter-governmental agreements.

Mt. Hood Cable Regulatory Commission			
Summary of Net Position			
Balances as of			
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Change</u>
Assets	\$ 16,017,749	\$ 14,967,171	\$ 1,050,578
Liabilities	<u>1,779,990</u>	<u>889,666</u>	<u>890,324</u>
Net position			
Invested in capital asset, net of related debt	4,800	7,200	(2,400)
Restricted net position	<u>14,232,959</u>	<u>14,070,305</u>	<u>162,654</u>
Total net position	<u><u>\$ 14,237,759</u></u>	<u><u>\$ 14,077,505</u></u>	<u><u>160,254</u></u>

Mt. Hood Cable Regulatory Commission
Management's Discussion and Analysis
June 30, 2018

B. Analysis of changes in net position

**Mt. Hood Cable Regulatory Commission
Summary of Changes in Net Position
For the years ended**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Change</u>
Revenues			
Program revenues:			
Intergovernmental	\$ 7,900,596	\$ 8,282,552	\$ (381,956)
General revenues:			
Investment earnings	<u>184,274</u>	<u>136,434</u>	<u>47,840</u>
Total revenue	8,084,870	8,418,986	(334,116)
Expenses			
Community development	<u>7,924,616</u>	<u>8,348,053</u>	<u>(423,437)</u>
Changes in net position	160,254	70,933	89,321
Net position - beginning	<u>14,077,505</u>	<u>14,006,572</u>	<u>70,933</u>
Net position - ending	<u>\$ 14,237,759</u>	<u>\$ 14,077,505</u>	<u>\$ 160,254</u>

Although total revenue was down from FY2016-17, the MCHRC net position increased by \$160,254. The key factor for this increase was a significant drop in Community Development expenses. Given the nature of the MHCRC grant agreements, sizable year-to-year expense fluctuations are customary.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

A. Governmental fund

The focus of MHCRC's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing MHCRC's financing requirements.

As of the end of the current fiscal year, MHCRC's governmental fund reported an ending fund balance of \$14,232,959, an increase of \$162,654. The General Fund is the only fund of MHCRC.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budgeted revenues and expenditures did not change in total from the original to the final budget.

Actual revenues were \$553.4 thousand below the final budget as a result of decreased cable TV revenue. Actual expenditures were \$10.1 million less than the final budget, due to under expenditures for program expenditures. These under expenditures are largely attributable to the assurance of sufficient funding for projects performed by contracted public agencies and non-profit organizations.

Although MHCRC is exempt from state budget law per ORS 294.316 (14), a budget was adopted for MHCRC for FY2017-18. During FY2017-18, General Fund expenditures did not exceed budgetary estimates.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The MHCRC has no debt. Capital Assets consists of internally generated grants management software in the net amount of \$4,800.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Despite relatively little change in numbers of cable TV subscribers over the past ten years, cable fee revenues grew 19 percent during the same time period. However, during 2018, cable TV subscribers and revenues declined slightly. The MHCRC anticipates this slow decline in revenues will continue as people move from subscribing to traditional cable TV services and to video delivered over the Internet. This will impact the MHCRC resources from franchise fees and PEG/I-Net fees collected from cable companies and also MHCRC expenditures made to support the community media providers, community technology grantees, and I-Net stakeholders. Additional budget information can be obtained at <http://www.mhcr.org/about-the-mhcr/>

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of MHCRC's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Office for Community Technology / MHCRC, PO Box 745, Portland, OR 97207-0745.

Mt. Hood Cable Regulatory Commission
Governmental Fund Balance Sheet / Statement of Net Position
June 30, 2018

	General Fund	Reconciliation Governmental Fund Balance	Statement of Net Position	Component Units	
				MetroEast Community Media	Open Signal
ASSETS					
Cash and investments	\$ 13,138,566	\$ -	\$ 13,138,566	\$ 2,065,193	\$ 660,595
Receivables:					
Accounts, net	1,666,800	-	1,666,800	-	67,086
Accrued interest	57,644	-	57,644	1,505	-
Due from Mt. Hood Cable Regulatory Commission	-	-	-	259,651	15,801
Advances - MetroEast Community Media	516,206	-	516,206	-	-
Advances - Open Signal	299,518	-	299,518	-	-
Advances-Others	334,215	-	334,215	-	-
Inventories	-	-	-	-	374
Prepaid expense	-	-	-	96,256	29,432
Capital Assets, not being depreciated					
Land	-	-	-	210,330	283,000
Intangible assets:					
FCC license	-	-	-	78,000	-
Capital Assets, being depreciated					
Buildings	-	-	-	2,997,337	2,623,561
Equipment	-	12,000	12,000	2,976,275	7,708,918
Accumulated depreciation	-	(7,200)	(7,200)	(3,430,931)	(7,826,256)
Total assets	<u>16,012,949</u>	<u>4,800</u>	<u>16,017,749</u>	<u>5,253,616</u>	<u>3,562,511</u>
LIABILITIES					
Accounts payable	1,504,538	-	1,504,538	65,127	93,334
Due to MetroEast Community Media	259,651	-	259,651	-	-
Due to Open Signal	15,801	-	15,801	-	-
Refundable advances - MHCRC	-	-	-	516,206	299,518
Accrued payroll and related expenses	-	-	-	135,017	89,013
Notes payable - current portion	-	-	-	43,308	-
Notes payable - long term portion	-	-	-	820,297	-
Total liabilities	<u>1,779,990</u>	<u>-</u>	<u>1,779,990</u>	<u>1,579,955</u>	<u>481,865</u>
FUND BALANCE / NET POSITION					
Fund balance:					
Restricted	<u>14,232,959</u>				
Total liabilities and fund balance	<u>\$ 16,012,949</u>				
Net position:					
Invested in capital assets		4,800	4,800	-	-
Restricted		-	14,232,959	90,495	135,897
Unrestricted		-	-	3,583,166	2,944,749
Total net position		<u>\$ 4,800</u>	<u>\$ 14,237,759</u>	<u>\$ 3,673,661</u>	<u>\$ 3,080,646</u>

The accompanying notes are an integral part of the basic financial statements.

Mt. Hood Cable Regulatory Commission
Statement of Governmental Fund Revenues, Expenditures, and
Changes in Fund Balance/Statement of Activities
For the Year Ended June 30, 2018

	General Fund	Reconciliation: Governmental Statement of Revenues, Expenditures and Changes in Fund Balance	Statement of Activities	Component Units	
				MetroEast Community Media	Open Signal
Expenditures / Expenses:					
Community development	\$ 7,922,216	\$ 2,400	\$ 7,924,616	\$ 2,377,362	\$ 3,013,449
Interest expense	-	-	-	43,435	-
Total expenditures / expenses	<u>7,922,216</u>	<u>2,400</u>	<u>7,924,616</u>	<u>2,420,797</u>	<u>3,013,449</u>
Program revenues:					
Intergovernmental	7,900,596	-	7,900,596	-	-
Grants	-	-	-	1,978,261	2,031,279
Membership income	-	-	-	5,587	-
Rental income	-	-	-	15,800	-
Service charges	-	-	-	148,941	423,329
In-kind contributions	-	-	-	168,661	-
Total program revenues	<u>7,900,596</u>	<u>-</u>	<u>7,900,596</u>	<u>2,317,250</u>	<u>2,454,608</u>
Net program (expense) revenue		<u>(2,400)</u>	<u>(24,020)</u>	<u>(103,547)</u>	<u>(558,841)</u>
General revenues:					
Investment earnings (losses)	<u>184,274</u>	<u>-</u>	<u>184,274</u>	<u>65,849</u>	<u>333</u>
Excess of revenues over expenditures	162,654	(2,400)			
Change in net position	-	(2,400)	160,254	(37,698)	(558,508)
Fund balances / net position					
Beginning of the year	<u>14,070,305</u>	<u>7,200</u>	<u>14,077,505</u>	<u>3,711,359</u>	<u>3,639,154</u>
End of the year	<u>\$ 14,232,959</u>	<u>\$ 4,800</u>	<u>\$ 14,237,759</u>	<u>\$ 3,673,661</u>	<u>\$ 3,080,646</u>

The accompanying notes are an integral part of the basic financial statements.

I. Summary of significant accounting policies:

A. Reporting entity:

In 1992 Multnomah County, Oregon, and the Cities of Fairview, Wood Village, Troutdale, Gresham, and Portland entered into an intergovernmental agreement under ORS 190 to form a unified regulatory commission called the Mt. Hood Cable Regulatory Commission (MHCRC) to serve the public interest by jointly regulating and administering franchise agreements within their boundaries. The MHCRC negotiates and enforces cable service franchise agreements; manages the public benefit resources and assets derived from the franchises; and advocates on behalf of the public interest on communications policy issues at the local, state and federal levels. The public benefits include:

- Community Grants Program which provides funds for technology projects to community organizations, libraries, educational institutions and local government agencies throughout Multnomah County. This program assists local entities in using cable system technology for enhanced communications, including video, data and voice applications;
- Institutional Network (I-Net) which is an advanced, fiber based communications network connecting government, educational and community institutions that is capable of carrying video, data and voice applications; and
- PEG access resources, which include both operating and capital funds for two community media centers (Open Signal and MetroEast Community Media) and other assets, such as channels on the cable system, digital capacity, and sites throughout the community used to originate programming.

Appointments to the MHCRC are made by the elected bodies of the participating jurisdictions.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Criteria indicating financial accountability include, but are not limited to, the following:

- Fiscal dependency by the organizations on MHCRC.

The discretely presented component units are reported in separate columns in the government-wide statements to emphasize that they are legally separate from MHCRC, their governing boards are not the same as the MHCRC's, and they do not provide services entirely or exclusively to MHCRC.

Discretely presented component unit – MetroEast Community Media (MetroEast)

MetroEast is a non-profit organization that uses media to invigorate civic engagement, inspire diverse voices, and strengthen community life. MetroEast's services are generally targeted to the areas within the Cities of Gresham, Troutdale, Fairview and Wood Village and unincorporated Multnomah County. The MHCRC contracts with MetroEast for community media services. Through government and education programs broadcast on public access cable TV channels, under represented neighborhoods and groups are able to participate in and be aware of community and government activities and services. MetroEast to-gavel coverage of City Council and County Commission meetings on the citywide Government Access Channel (30). Substantially all of MetroEast's funding is received from MHCRC. Audited financial statements are prepared for MetroEast and can be obtained by contacting them at: 829 NE 8th Street, Gresham, OR 97030.

I. Summary of significant accounting policies, continued:

A. Reporting entity, continued:

Discretely presented component unit – Open Signal

Open Signal is a non-profit organization that provides means of communication, civic involvement, artistic and cultural expression, and community development. Open Signal services generally focus on areas within the City of Portland. The City of Portland contracts with Open Signal for community media services. Through government and education programs broadcast on public access cable TV channels, under represented neighborhoods and groups are able to participate in and be aware of community and government activities and services. Open Signal provides important outreach and awareness of government programs and policies by carrying live, gavel-to-gavel coverage of City Council meetings on the citywide Government Access Channel (30). Substantially all of Open Signal's funding comes from MHCRC and the City of Portland. Audited financial statements are prepared for Open Signal and can be obtained by contacting them at: 2766 NE Martin Luther King, Jr. Blvd., Portland, OR 97212

B. Government-wide and fund financial statements:

The government-wide financial statements, which include the statement of net position and the statement of activities, report information on all of the activities of the primary government and its component units. *Governmental activities*, which normally are supported by intergovernmental revenues, are reported. The *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses are offset by program revenues. *Direct expenses* are those that are clearly identifiable.

Program revenues include franchise fees and public, education and government (PEG) fees due to the jurisdictional partners of MHCRC from the cable providers. Investment earnings are properly included among general revenues.

C. Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, MHCRC considers revenues to be available if they are collected within *sixty days* of the end of the current fiscal period.

Significant measurable and available revenues for the fiscal year ended June 30, 2018, under the modified accrual basis of accounting, were as follows:

- Franchise fees
- Charges for services

Expenditures generally are recorded when a liability is incurred.

I. Summary of significant accounting policies, continued:

C. Measurement focus, basis of accounting, and financial statement presentation, continued:

MHCRC reports the following major governmental fund:

- The General Fund is MHCRC's only fund. It accounts for all financial transactions of the general government.

D. Assets, liabilities, and net position or equity:

1. Cash and investments

MHCRC's cash is held in the City of Portland's cash and investment pool. Cash and investments are presented on the balance sheet in the basic financial statements at fair value.

All investment pool cash purchases and sales are part of the City of Portland's cash management activity and considered cash and cash equivalents. In general, interest earned from pooled investments is allocated to MHCRC based on the average earnings rate and daily cash balance.

Oregon Revised Statutes (ORS) 294, authorizes the City of Portland to invest primarily in general obligations of the United States (U.S.) Government and its agencies and instrumentalities, of the U.S. or enterprises sponsored by the U.S. Government and obligations whose payment is guaranteed by the U.S., agencies and instrumentalities of the U.S. or enterprises sponsored by the U.S. Government, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade commercial paper, and the State Treasurer's Local Government Investment Pool (LGIP).

For MetroEast, investments in marketable securities with readily determinable fair values are valued at their fair values. Certificates of deposits are valued at cost. Unrealized gains and losses are included in the increase (decrease) in net position.

Open Signal investments consist of a Real Estate Investment Trust and Real estate equities. Investments are stated at fair value based on a framework that provides a fair value hierarchy prioritizing the inputs to valuation techniques used to measure fair value. Realized and unrealized gains and losses are included in the changes of net position.

2. Receivables

MHCRC records monies due from other governmental agencies as receivables.

3. Advances

MHCRC contracts with other entities to provide a variety of services. Since those entities are small non-profit organizations, MHCRC advances monies for grants and contracted services to enable the organizations to implement capital projects and/or provide services in accordance with their grant contracts with MHCRC. Advances represent amounts that have been paid by MHCRC, but for which no services have yet been provided.

4. Restricted amounts

All of MHCRC's assets are restricted because their use is limited by the external governments that created MHCRC. If both restricted and unrestricted resources were available for use, it is MHCRC's policy to use restricted resources first and then unrestricted resources, as they are needed.

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

I. **Summary of significant accounting policies**, continued:

D. **Assets, liabilities, and net position or equity**, continued:

5. Capital assets

Primary Government

MHCRC capital assets consist of internally generated software and is reported in the applicable columns of the government-wide financial statements. Internally generated software are capitalized with total costs of \$10,000 or more. Other computer software (not internally generated) with a cost of \$5,000 or greater are capitalized.

Capital assets are recorded at historical cost or estimated historical cost when actual cost is not available. The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Management evaluates capital assets for impaired and retirement biannually, or as circumstances warrant.

Upon disposal of capital assets, historical cost or estimated historical cost is removed. Proceeds from sales are generally recorded as revenue.

Depreciation and amortization of capital assets are computed on the straight-line method over their estimated useful lives. Depreciation and amortization are not taken during the year of acquisition and no salvage values are used.

The estimated useful lives of capital assets are:

- Computer software – internally generated – 7 to 17 years
- Computer software – other – 1 to 10 years

Component Units

MetroEast follows the practice of capitalizing, at cost, all expenditures for property, equipment, and leasehold improvements in excess of \$1,000. Property and equipment received through donation or transfer are recorded at estimated fair value at the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 30 years.

Open Signal's policy is to capitalize items over \$1,000. Acquisitions of property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 20 years.

6. Accounts payable

Accounts payable to vendors and contractors include general accounts payable and other accrued contingent liabilities not included in short-term or long-term liabilities.

7. Use of estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America (GAAP), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

- I. **Summary of significant accounting policies**, continued:
- D. **Assets, liabilities, and net position or equity**, continued:
- 8. **Net position and fund balances**

In the financial statements, assets in excess of liabilities are presented in one of two ways depending on the measurement focus of the statement.

On the *Statement of Net Position* for government-wide reporting, net position is segregated into three categories:

Invested in capital assets represents total capital assets less accumulated depreciation.

Restricted net position represents net position that is *not* subject solely to the government's own discretion. Restrictions may be placed on net position by an external third party that provided the resources, from laws or regulations of other governments, from enabling legislation, from endowments agreements, or by the nature of the asset.

Unrestricted net position represents amounts not restricted.

On the *Balance Sheet – Governmental Fund*, assets in excess of liabilities are reported as fund balance and are reported in the classification indicating the extent to which MHCRC is bound to honor constraints on the specific purposes for which those funds can be spent.

Fund balance is reported as **Restricted** when the constraints placed on the use of resources are either: (a) externally imposed by grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, MHCRC's policy is to use restricted resources first and then unrestricted resources, as they are needed.

E. Adoption of new GASB pronouncements:

The following pronouncements were implemented during the year:

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Issued June 2015, this statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. Since the primary government has no employees, the implementation has no impact on the MHCRC.

GASB Statement No. 81, Irrevocable Split-Interest Agreements. Issued March 2016, this statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The MHCRC has no irrevocable split-interest agreements and therefore is not subject to the reporting requirements of GASB Statement No. 81.

GASB Statement No. 83, Certain Asset Retirement Obligations. Issued November 2016, this statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The MHCRC has no plans to retire tangible capital assets that fall under the framework of this statement, and therefore is not subject to the reporting requirements of GASB Statement No. 83.

I. Summary of significant accounting policies, continued:

E. Adoption of new GASB pronouncements, continued:

GASB Statement No. 85, Omnibus 2017. Issued March 2017, this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, good will fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

Implementation of GASB Statement No. 85 has no impact on the MHCRC.

GASB Statement No. 86, Certain Debt Extinguishment Issues. Issued May 2017, the purpose of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Implementation of GASB Statement No. 86 has no impact on the MHCRC.

GASB Statement No. 88, Certain Disclosures Related to Debt, Including Debt Borrowings and Direct Placements. This Statement was issued April 2018 to improve the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Implementation of GASB Statement No. 88 has no impact on the MHCRC.

F. Future adoption of GASB pronouncements:

The following GASB pronouncements have been issued, but are not yet effective as of June 30, 2018:

GASB Statement No. 84, Fiduciary Activities. Issued January 2017, this statement establishes criteria for identifying fiduciary activities of all state and local governments. Implementation of GASB Statement No. 84 will have no impact on the MHCRC.

GASB Statement No. 87, Leases. This Statement was Issued June 2017 to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments and increases the usefulness of governments’ financial statements. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. Implementation of GASB Statement No. 87 will have no impact on the MHCRC.

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

I. Summary of significant accounting policies, continued

F. Future adoption of GASB pronouncements, continued:

GASB Statement No. 89, Accounting for Interest Costs Incurred Before the End of a Construction Period. This statement was issued June 2018 to establish accounting requirements for interest cost incurred before the end of a construction period. The objectives of the Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for the MHCRC for fiscal year ending June 30, 2021.

GASB Statement No. 90, Majority Equity Interests. Issued August 2018, the primary objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization; and to improve the relevance of financial statement information for certain component units. GASB Statement No. 90 will be effective for the MHCRC for fiscal year ending June 30, 2020.

II. Stewardship, compliance, and accountability:

A. Budgetary information:

Although state law does not require MHCRC to adopt a budget, it has done so. The budget is approved by the governmental entities that founded MHCRC. Total resources in MHCRC equal total expenditures and requirements. Appropriations lapse at fiscal year end.

MHCRC's budget was adopted prior to July 1st, after being approved by every member jurisdiction. This budget authorizes and establishes appropriations for the fiscal year for the MHCRC's major categories of expenditures. The level of appropriation is established for program expenses and contingencies. MHCRC program expenses include the following major object categories: materials and services, and capital outlay.

MHCRC budgets on the modified accrual basis of accounting. Budgets may be modified during the fiscal year through different means. MHCRC managers may transfer appropriations between line items within major object categories. In addition, MHCRC may transfer appropriations between major object categories with the permission of the MHCRC, provided the adjustments do not affect total appropriations.

III. Detailed notes:

A. Cash and investments:

MHCRC's cash and investments are maintained in a cash and investment pool run by the City of Portland. MHCRC's cash and cash equivalents are represented by participation in this pool rather than specific, identifiable securities. Interest earned on pooled investments is allocated monthly based on the average participation of the funds in relation to total investments in the pool. It is not practical to determine the investment risk, collateral or insurance coverage for the MHCRC's share of these pooled investments. Information about the pooled investments is included in the City's Comprehensive Annual Financial Report (CAFR). The City's CAFR can be found at: <http://www.portlandonline.com/omf/index.cfm?c=26053>

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

III. Detailed notes, continued:

A. Cash and investments, continued:

The City accounts for cash and investments in accordance with the provisions of GASB Statement No. 31: *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires governmental entities, including governmental external investment pools, to report certain investments at fair value in the balance sheet and to recognize the corresponding change in the fair value of investments in the year in which the change occurred. Disclosures regarding risks associated with cash and investments required by GASB Statement No. 3: *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, and GASB Statement No. 40: *Deposit and Investment Risk Disclosures* are included in the City's financial statements.

	Primary	Component Units		Total
	Government	MetroEast	Open Signal	
City of Portland external investment pool	\$ 13,138,566	\$ -	\$ -	\$ 13,138,566
Cash and cash equivalents	-	1,228,677	617,220	1,845,897
Equity securities	-	512,843	-	512,843
Real estate investment trust	-	-	43,375	43,375
Government and fixed income securities	-	251,659	-	251,659
Certificates of deposit	-	72,014	-	72,014
Total	\$ 13,138,566	\$ 2,065,193	\$ 660,595	\$ 15,864,354

Component Unit disclosures

Investments of the component units' are exposed to various risks such as interest rate, market, and credit risk. The value, liquidity, and related income of these investments are sensitive to changes in economic conditions and may be adversely affected by shifts in the market's perception of the issuers and interest rates. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, which could materially affect account balances and amounts reported in the financial statements.

Accounting principles generally accepted in the United States of America for governmental entities establish a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The fair-value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1: Quoted prices are available in active markets for identical investments as of the reporting date.
- Level 2: Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1. Fair value is determined through the use of models or other valuation methodologies.
- Level 3: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

III. Detailed notes, continued:

A. Cash and investments, continued:

<u>MetroEast</u>	Level 1	Level 2	Level 3	Total
Equity securities	\$ 433,219	\$ -	\$ -	\$ 433,219
Mutual funds	79,624	-	-	79,624
Government and fixed income securities	-	251,659	-	251,659
Total	<u>\$ 512,843</u>	<u>\$ 251,659</u>	<u>\$ -</u>	<u>\$ 764,502</u>

<u>Open Signal</u>	Level 1	Level 2	Level 3	Total
Real estate investment trust	-	-	43,375	43,375
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,375</u>	<u>\$ 43,375</u>

B. Receivables:

Receivables as of June 30, 2018, are as follows:

	Primary	Component Units		Total
	Government	MetroEast	Open Signal	
Franchise fees receivable	\$ 1,666,800	\$ -	\$ -	\$ 1,666,800
Due from MHCRC	-	259,651	15,801	275,452
Other receivables	-	-	67,086	67,086
Accrued interest receivable	57,644	1,505	-	59,149
Total	<u>\$ 1,724,444</u>	<u>\$ 261,156</u>	<u>\$ 82,887</u>	<u>\$ 2,068,487</u>

All of MHCRC's receivables are short term in nature.

C. Prepaid items and advances:

MHCRC works with a variety of entities that require advances in order to accomplish the work they contract with MHCRC to do. At June 30, 2018 advance balances were:

	Primary Government
MetroEast	\$ 516,206
Open Signal	299,518
Other entities	334,215
Total	<u>\$ 1,149,939</u>

MetroEast had \$96,256 and Open Signal had \$29,432 of prepaid expenses at June 30, 2018.

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

III. Detailed notes, continued:

D. Payables:

Payables and other accrued liabilities at June 30, 2018 are as follows:

	Primary	Component Units		Total
	Government	MetroEast	Open Signal	
Payable to vendors and contractors	\$ 1,504,538	\$ 65,127	\$ 93,334	\$ 1,662,999
Due to component units	275,452	-	-	275,452
Total	\$ 1,779,990	\$ 65,127	\$ 93,334	\$ 1,938,451

E. Fund balances, governmental funds:

The fund balance is reported in the aggregate in the classifications defined by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The entire fund balance is restricted due to intergovernmental agreements which specify the uses of the funds.

F. Capital assets:

Capital assets activities for the component units, for the year ended June 30, 2018, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>MHCRC</u>				
Capital Assets, being depreciated				
Computer Software	\$ 12,000	\$ -	\$ -	\$ 12,000
Accumulated amortization	(4,800)	(2,400)	-	(7,200)
	\$ 7,200	\$ (2,400)	\$ -	\$ 4,800
<u>MetroEast</u>				
Capital Assets, not being depreciated				
Land	\$ 210,330	\$ -	\$ -	\$ 210,330
Intangible assets:				
FCC license	78,000	-	-	78,000
Capital Assets, being depreciated				
Buildings	2,923,727	73,610	-	2,997,337
Equipment	2,550,561	425,714	-	2,976,275
Accumulated depreciation	(3,060,277)	(370,654)	-	(3,430,931)
Capital assets, net	\$ 2,702,341	\$ 128,670	\$ -	\$ 2,831,011
<u>Open Signal</u>				
Capital Assets, not being depreciated				
Land	\$ 283,000	\$ -	\$ -	\$ 283,000
Construction in progress	-	-	-	-
Capital Assets, being depreciated				
Buildings	2,538,068	85,493	-	2,623,561
Equipment	7,255,033	540,835	(86,950)	7,708,918
Accumulated depreciation	(7,035,909)	(887,310)	96,963	(7,826,256)
Capital assets, net	\$ 3,040,192	\$ (260,982)	\$ 10,013	\$ 2,789,223

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

III. Detailed notes, continued:

F. Capital assets, continued:

Some of the equipment listed for MetroEast and Open Signal would revert to MHCRC if the contracts between the entities were terminated.

G. Leases:

Open Signal leased certain production equipment under a capital lease. The final lease payment was made in January 2018.

H. Debt:

MetroEast has a debt agreement with KeyBank, N.A. The note is due in monthly installments of \$6,954, including interest at 4.75% through the July 31, 2023 maturity date of the note.

Payments as disclosed in the notes to the MetroEast's financial statements are:

Fiscal Year Ending June 30,	Amount
2019	\$ 43,308
2020	45,410
2021	47,615
2022	49,927
2023	52,350
2024	628,125
Total	<u>\$ 866,735 *</u>

* Includes net unamortized debt issuance costs of \$3,130

Debt and long-term liability activity of the three entities for the year ended June 30, 2018, was:

<u>MetroEast:</u>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Note payable	\$ 907,371	\$ -	\$ 40,636	\$ 866,735	\$ 43,308
Compensated absences	98,046	135,017	98,046	135,017	135,017
Total MetroEast	<u>\$ 1,005,417</u>	<u>\$ 135,017</u>	<u>\$ 138,682</u>	<u>\$ 1,001,752</u>	<u>\$ 178,325</u>
<u>Open Signal:</u>					
Compensated absences	\$ 76,819	\$ 89,013	\$ 76,819	\$ 89,013	\$ 89,013
Total Open Signal	<u>\$ 76,819</u>	<u>\$ 89,013</u>	<u>\$ 76,819</u>	<u>\$ 89,013</u>	<u>\$ 89,013</u>

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

IV. Other information:

A. Risk management:

MHCRC is exposed to various risks of loss related to theft, damage and destruction of assets, tort claims (general and fleet liability), acts of terrorism, and natural disasters. MHCRC participates in the City of Portland's risk pool for general liability claims through a monthly overhead charge paid to the City. The City is responsible for all costs of claims. There have been no claims in excess of coverage or a significant reduction in coverage during the last three years.

B. Employee retirement system and pension plan:

MetroEast sponsors a 401(k) profit sharing plan (the plan). Eligible participants have the opportunity to defer a portion of their salary into the plan, as well as receive an employer contribution that will be discretionarily determined annually by the Board of Directors. Requirements for eligibility are a minimum of employment during the last six months of the plan year and participants must be at least 18 years of age. Pension expense under this plan for the years ended June 30, 2018 and 2017 was \$52,159 and \$40,102, respectively.

Open Signal formerly sponsored a qualified, 403(b) savings plan covering eligible employees. Effective July 1, 2013 Open Signal began sponsoring a qualified, 401(k) savings plan (the plan) covering eligible employees. Eligible employees can contribute a portion of their annual compensation to the plan, subject to Internal Revenue Service limitations. To be eligible, employees must have completed one year of service and have attained 21 years of age. The plan provides for Open Signal to contribute 4 percent of salary for participating employees. Contributions to the plan were \$14,280 and \$20,538 for the years ended June 30, 2018 and 2017, respectively.

C. Commitments:

MHCRC has several open purchase orders and contracts related to the programs they are engaged in. At June 30, 2018 open purchase orders total:

	<u>Commitments</u>
Reynolds SD Transformation to Construct a Classroom	\$ 220,730
Multnomah SD Tech Integration	389,583
Portland Public Schools Digital Transformation	189,544
Centennial SD Techsmart Grant	1,201,310
Portland Public Schools TechSmart Literacy Project	2,864,293
Other	444,473
Total	<u><u>\$ 5,309,933</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

Mt. Hood Cable Regulatory Commission
Schedule of Revenues and Expenditures - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Intergovernmental revenue	\$ 8,545,391	\$ 8,545,391	\$ 7,900,596	\$ (644,795)
Investment earnings	92,831	92,831	184,274	91,443
Total revenues	<u>8,638,222</u>	<u>8,638,222</u>	<u>8,084,870</u>	<u>(553,352)</u>
EXPENDITURES				
Current:				
Program expenditures	<u>18,086,921</u>	<u>18,086,921</u>	<u>7,949,375</u>	<u>10,137,546</u>
Total expenditures	<u>18,086,921</u>	<u>18,086,921</u>	<u>7,949,375</u>	<u>10,137,546</u>
Revenues over (under) expenditures	<u>(9,448,699)</u>	<u>(9,448,669)</u>	<u>135,495</u>	<u>9,584,194</u>
Fund balance - beginning	<u>10,948,697</u>	<u>10,948,697</u>	<u>14,097,464</u>	<u>3,148,767</u>
Fund balance - ending	<u>\$ 1,499,998</u>	<u>\$ 1,499,998</u>	<u>14,232,959</u>	<u>\$ 12,732,961</u>
Adjustment to generally accepted accounting principles (GAAP) basis:				
Capital assets, net of accumulated depreciation and amortization			<u>4,800</u>	
Net position - GAAP basis			<u>\$ 14,237,759</u>	

Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Oregon Minimum Auditing Standards*

The Board of Commissioners
Mt. Hood Cable Regulatory Commission
Portland, Oregon

We have audited the basic financial statements of the governmental activities and the major fund of the Mt. Hood Cable Regulatory Commission (the Commission), as of and for the year ended June 30, 2018, and have issued our report thereon dated December 11, 2018. We did not audit the financial statements of Open Signal or MetroEast Community Media, which in the aggregate, represent 100% of the assets, net position and revenues of the discretely presented component units of MHCRC. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Open Signal and MetroEast Community Media, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the Commission’s basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 to 162-10-330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The use of various depositories to secure the deposit of public funds.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal years 2018 and 2019.
- The requirements relating to insurance and fidelity bond coverage.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.
- Certain other fiscal affairs.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Oregon Administrative Rules 162-10-000 to 162-10-330.

Internal Control Over Financial Reporting

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, material weaknesses may exist that have not been identified.

Purpose of this Report

This report is intended solely for the information of management and Commission Members, others within the entity, and the Oregon Secretary of State Audits Division and is not intended to be and should not be used by anyone other than those specified parties.



James C. Lanzarotta, Partner
for Moss Adams LLP
Portland, Oregon
December 11, 2018