



Mt. Hood Cable Regulatory Commission

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

COVER SHEET -- AGENDA ITEM #R1

For Commission Meeting: December 18, 2023

“MHCRC FY22-23 Fund Audit”

Recommendation

Staff recommends that the Commission acknowledge receipt of the MHCRC FY22-23 Fund Audit prepared by Moss Adams and direct MHCRC staff to submit the Audit to the Secretary of State by December 31, 2023.

Background

Under MHCRC Resolution 2013-03, the MHCRC delegated to the MHCRC Finance Committee the authority to review and approve the annual MHCRC Financial Statements, in order to proceed with a timely MHCRC Fund audit as required under Oregon law.

At its December 4, 2023 meeting, the Finance Committee approved the FY22-23 MHCRC Fund Financial Statements, prepared by the Accounting Division of the City of Portland through an interagency with the MHCRC.

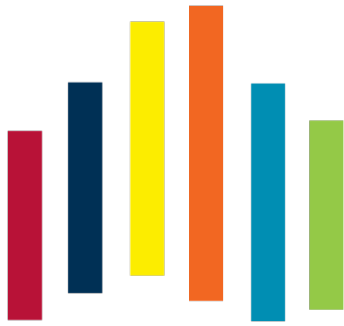
Moss Adams, the MHCRC independent audit firm, completed its audit of the MHCRC Fund Financial Statements and will make a detailed presentation of the results at the December MHCRC meeting.

Once the MHCRC reviews and acknowledges the audit, the MHCRC staff submit it to the Oregon Secretary of State along with the annual filing fee.

Attachments: MHCRC Financial Statements and Report of Independent Auditors, Moss Adams
Oregon Minimum Audit Standards (OMS) Report
Communications with those Charged with Governance under SAS 114

Prepared by: Rebecca Gibbons
December 13, 2023





MHCRC

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

Financial Statements

And

Auditor's Report

Fiscal Year Ended June 30, 2023

Mt. Hood Cable Regulatory Commission
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INTRODUCTORY SECTION

Mt. Hood Cable Regulatory Commission

June 30, 2023

Administration Offices

1810 SW Fifth Avenue, Suite 710
Portland, Oregon 97201

Commission Members as of June 30, 2023

Julia DeGraw	Chair – Portland Representative
Scott Harden	Vice Chair – Wood Village Representative
Jeff Dennerline	Fairview Representative
Cherri Wagner	Gresham Representative
Leslie Goodlow	Portland Representative
Carol Studenmund	Multnomah County Representative
Rich Roche	Portland Representative
Norm Thomas	Troutdale Representative

Director

Donnie Oliveira

Program Manager

Rebecca Gibbons

Finance Manager

Quang Le and Michael Wong

Accounting Staff

Jared Longoria

(City of Portland Bureau of Revenue & Financial Services)



December --, 2023

The Mt. Hood Cable Regulatory Commission (MHCRC) is pleased to submit the MHCRC Audit for the fiscal year ended June 30, 2023.

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 residents, 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 auditors. 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 both the government-wide and fund level financial statements as well as a separate column for MHCRC's component unit, 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 resident 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 MetroEast Community Media (MetroEast).

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

Comcast: Portland, Gresham, Troutdale, Fairview, Wood Village, and Multnomah County
Zply: Gresham, Troutdale, Fairview, and Wood Village

The MHCRC contracts for staff and other administrative support services through an agreement with the City of Portland. The MHCRC funds an equivalent of five full-time staff positions plus related materials, services and overhead. These staff are currently housed in the Community Technology Division of the Bureau of Planning and Sustainability. 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. Cable fee revenues to the Jurisdictions peaked in FY 2016-17. Since that time however, fee revenues declined steadily at a pace of approximately 5.5% overall each year. Portland’s fees decreased by 3.9% in FY 2022-23 with East County Jurisdictions franchise fees decreasing by 4.3% in FY 2022-23 as well. The MHCRC anticipates this decline in revenues to continue as people move from subscribing to traditional cable TV services 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. The Commission has recently initiated a strategic planning process to discuss the future priorities of the MHCRC in this context.

The impact of COVID on MHCRC finances and internal operations had little to no effect, although the financial impact does not ostensibly reduce cable subscribers short of a prolonged economic recession. There was a moderate dip in grant awards during the pandemic, reflecting the reduced operating capacity of some community-based organizations. This was reversed in FY 2022-23. Cable demand is assumed to continue at current trends and will continue to be monitored in the upcoming fiscal year. In late 2022, the Portland Office of Community Technology merged into the Bureau of Planning and Sustainability, a change which provides MHCRC program staff with a greater level of operating support (finance, communications, human resources, etc.).

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,

Donnie Oliveira
Director, Bureau of Planning and Sustainability
Mt. Hood Cable Regulatory Commission

FINANCIAL SECTION

Report of Independent Auditors

The Board of Commissioners
Mt. Hood Cable Regulatory Commission

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2023, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Commission as of June 30, 2023, 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.

We did not audit the financial statements of MetroEast Community Media, which represent 100% of the assets, net position and revenues of the discretely presented component unit of the Commission as of June 30, 2023. 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 MetroEast Community Media, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 23, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section on pages ii through iv is presented for purposes of additional analysis, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2023 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Commission's 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 Commission's internal control over financial reporting and compliance.

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 7, 2023, 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.



Keith Simovic, Partner
For Moss Adams LLP
Portland, Oregon
December 7, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2023.

FINANCIAL HIGHLIGHTS

The following are MHCRC's financial highlights for fiscal year ending June 30, 2023:

- The assets of MHCRC exceeded its liabilities at the close of FY 2022-23 by \$12,012,699 (*net position*).
- MHCRC's total net position decreased by \$400,845 during FY 2022-23. This decrease in net position was budgeted. The key reasons for the decrease are downward trending program revenues and upward trending community development expenses. Given the nature of the MHCRC grant agreements, sizable year-to-year expense fluctuations are customary. Grant awards increased in FY 2022-23 as many community-based organizations renewed activity that had been paused or slowed during the COVID pandemic.
- The MHCRC's governmental fund reported an ending fund balance of \$12,012,699, a decrease of \$400,845.

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) for which the MHCRC is financially accountable. Financial information for MetroEast is 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.

- **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 supplementary 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 \$12,012,699 at the close of FY 2022-23.

A. Analysis of net position

The largest portions of MHCRC's net position consist of \$8,908,905 in cash and investments, \$2,010,560 of grant advances, and \$1,415,803 in receivables.

All of MHCRC's assets are restricted by intergovernmental agreements.

**Mt. Hood Cable Regulatory Commission
Summary of Net Position
Balances as of**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>
Assets	\$ 12,335,268	\$ 12,884,082	\$ (548,814)
Liabilities	322,569	470,538	(147,969)
Restricted Net Position	12,012,699	12,413,544	(400,845)
Total Net Position	<u>\$ 12,012,699</u>	<u>\$ 12,413,544</u>	<u>\$ (400,845)</u>

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, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>
Revenues			
Program revenues:			
Intergovernmental	\$ 5,655,804	\$ 6,069,429	\$ (413,625)
General revenues:			
Investment earnings	<u>151,354</u>	<u>58,381</u>	<u>92,973</u>
Total revenues	5,807,158	6,127,810	(320,652)
Expenses			
Community development	<u>6,208,003</u>	<u>5,711,615</u>	<u>496,388</u>
Changes in net position	(400,845)	416,195	(817,040)
Net position - beginning	<u>12,413,544</u>	<u>11,997,349</u>	<u>416,195</u>
Net position - ending	<u><u>\$ 12,012,699</u></u>	<u><u>\$ 12,413,544</u></u>	<u><u>\$ (400,845)</u></u>

Net position decreased by \$400,845 due to an excess of expenses over revenues in FY 2022-23. This decrease in net position was budgeted. 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 \$12,012,699 which is a decrease of \$400,845. The General Fund is the only fund of MHCRC.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were \$441,672 less than the final budget, which is 7.2% under the final budget. Actual expenditures were \$0.9 million less than the final budget due to lower-than-expected program expenditures. These lower-than-expected program 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 FY 2022-23. During FY 2022-23, General Fund expenditures did not exceed budgetary estimates.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The MHCRC has no debt. Capital Assets consist of internally generated grants management software and are fully depreciated.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Cable fee revenues to the Jurisdictions peaked in FY 2016-17. Since that time however, fee revenues declined steadily at a pace of approximately 5.5% overall each year. Portland's fees decreased 3.9% in FY 2022-23 with East County Jurisdictions franchise fees decreasing by 4.3% in FY 2022-23. The MHCRC anticipates this decline in revenues to continue as people move from subscribing to traditional cable TV services 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.

The sustained declining revenues are not expected to materially change at this time and will continue to be monitored to determine if the steady decline will continue and what action this prompts. Reductions to the operational budget are still an option but have not been taken at this time. Cable activity and associated franchise fees and other revenues will continue to be monitored and discussions with stakeholders will continue regarding long term plans to administer MHCRC within forecasted resources. The Commission has recently initiated a strategic planning process to discuss the future priorities of the MHCRC in this context.

The impact of COVID resulted in reduced expenditures in recent fiscal years due to limited capacity on new capital projects from non-profits and public agencies. Spending rebounded in FY 2022-23. 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: MHCRC Program, Bureau of Planning and Sustainability, 1810 SW Fifth Avenue, Suite 710, Portland, OR 97201.

Mt. Hood Cable Regulatory Commission
Governmental Fund Balance Sheet / Statement of Net Position
June 30, 2023

	Primary Government			Component Unit
	General Fund	Reconciliation Governmental Fund Balance	Statement of Net Position	MetroEast Community Media
ASSETS				
Cash and investments	\$ 8,908,905	\$ -	\$ 8,908,905	\$ 1,207,099
Receivables:				
Accounts, net	1,348,252	-	1,348,252	-
Accrued interest	67,551	-	67,551	1,747
Due from Mt. Hood Cable Regulatory Commission	-	-	-	240,168
Advances - MetroEast Community Media	427,593	-	427,593	-
Advances - others	1,582,967	-	1,582,967	-
Prepaid expense	-	-	-	33,842
Capital assets, not being depreciated				
Land	-	-	-	210,330
Intangible assets:				
FCC license	-	-	-	78,000
Capital assets, being depreciated				
Buildings	-	-	-	3,287,495
Equipment	-	12,000	12,000	2,038,726
Vehicles	-	-	-	100,005
Accumulated depreciation	-	(12,000)	(12,000)	(3,167,430)
Total assets	<u>12,335,268</u>	<u>-</u>	<u>12,335,268</u>	<u>4,029,982</u>
LIABILITIES				
Accounts payable	121,909	-	121,909	3,830
Due to MetroEast Community Media	200,660	-	200,660	-
Refundable advances - MHCRC	-	-	-	427,593
Accrued payroll	-	-	-	37,217
Compensated absences	-	-	-	41,534
Total liabilities	<u>322,569</u>	<u>-</u>	<u>322,569</u>	<u>510,174</u>
FUND BALANCE / NET POSITION				
Fund balance:				
Restricted	<u>12,012,699</u>			
Total liabilities and fund balance	<u>\$ 12,335,268</u>			
Net position:				
Restricted		-	12,012,699	7,142
Unrestricted		-	-	<u>3,512,666</u>
Total net position		<u>\$ -</u>	<u>\$ 12,012,699</u>	<u>\$ 3,519,808</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, 2023

	Primary Government			Component Unit
	General Fund	Reconciliation Governmental Fund Balance	Statement of Activities	MetroEast Community Media
Expenditures / Expenses:				
Community development	\$ 6,208,003	\$ -	\$ 6,208,003	\$ 1,789,537
Total expenditures / expenses	<u>6,208,003</u>	<u>-</u>	<u>6,208,003</u>	<u>1,789,537</u>
Program revenues:				
Intergovernmental	5,655,804	-	5,655,804	-
Grants	-	-	-	2,153,965
Membership income	-	-	-	3,211
Service charges	-	-	-	107,571
In-kind contributions	-	-	-	18,325
Total program revenues	<u>5,655,804</u>	<u>-</u>	<u>5,655,804</u>	<u>2,283,072</u>
Net program (expense) revenue		<u>-</u>	<u>(552,199)</u>	<u>493,535</u>
General revenues:				
Investment earnings (losses)	151,354	-	151,354	71,523
Excess of revenues over expenditures	(400,845)	-		
Change in net position	-	-	(400,845)	565,058
Fund balances / net position				
Beginning of the year	<u>12,413,544</u>	<u>-</u>	<u>12,413,544</u>	<u>2,954,750</u>
End of the year	<u>\$ 12,012,699</u>	<u>\$ -</u>	<u>\$ 12,012,699</u>	<u>\$ 3,519,808</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
- Public Education Governmental (“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.

MHCRC is reported as a Custodial Fund within the City of Portland’s Annual Comprehensive Financial Report but they are not recognized as a component unit of the City of Portland.

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 unit is reported in a separate column 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, underrepresented neighborhoods and groups are able to participate in and be aware of community and government activities and services. MetroEast provides gavel-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:

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 unit. *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, 2023, under the modified accrual basis of accounting, were as follows:

- Franchise fees
- Charges for services

Expenditures generally are recorded when a liability is incurred.

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:

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 in accordance with GASB Statement No. 31 and GASB Statement No. 72.

All investment pool cash purchases and sales are part of the City of Portland's cash management activity and are 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.

I. Summary of significant accounting policies, continued:

D. Assets, liabilities, and net position, continued:

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.

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.

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 impairment 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.

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

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

The estimated useful lives of capital assets are:

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

Component Unit

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.

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.

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:

Net investment 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.

I. Summary of significant accounting policies, continued:

E. Adoption of new GASB pronouncements:

The following pronouncements were implemented during the year:

GASB Statement No. 94, Public-Private and Public-Public Partnership and Availability Payment Arrangements. This Statement was issued March 2020 to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). It also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). Under this Statement, a transferor is required to recognize the receivables for installment payments to be submitted by the operator and a deferred inflow of resources, while an operator is required to recognize a liability for installment payments to be submitted and a deferred outflow of resources, which taken together enhance the relevance and consistency of information about governments' outsourcing of functions to external operators. MHCRC did not have any agreements covered by GASB Statement No. 94 in the fiscal year ending June 30, 2023. Therefore, there are no effects on MHCRC's financial statements upon implementation.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). This statement was issued May 2020 to better meet the information needs of financial statement users by establishing a definition for SBITAs and prescribing accounting and financial reporting for SBITAs by governments. Prior to the issuance of GASB Statement No. 96, there was no accounting or financial reporting guidance specifically for SBITAs. Under this Statement, a subscriber is required to recognize a subscription liability and an intangible right-to-use subscription asset, thereby enhancing the relevance and consistency of information about governments' SBITA activities. MHCRC did not have any agreements covered by GASB Statement No. 96 in the fiscal year ending June 30, 2023. Therefore, there are no effects on MHCRC's financial statements upon implementation.

GASB Statement No. 99, Omnibus 2022. This statement was issued April 2022 and enhances comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. This Statement addresses a variety of topics including issues related to leases implementation, derivative instruments, nonmonetary transactions, public-private and public-public partnerships and availability payment arrangements, subscription-based information technology arrangements, LIBOR, SNAP and other terminology updates. Specifically, the paragraphs implemented for the fiscal year ended June 30, 2023 address the following topics:

- Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives (paragraphs 11-17)
- Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset (paragraphs 18-22)
- Clarification of provisions in Statement No. 96 SBITAs related to terms and definitions: subscription termination, short-term SBITAs, and measurement of subscription liabilities (paragraphs 23-25)

GASB Statement No. 99 paragraphs 11-17, 18-22, and 23-25 were implemented by MHCRC for the fiscal year ending June 30, 2023. There is no effect on MHCRC's financial statements as a result of the implementation.

I. Summary of significant accounting policies, continued:

F. Future adoption of GASB pronouncements:

The following GASB pronouncements have been issued, but are not yet effective as of June 30, 2023:

GASB Statement No. 99, Omnibus 2022. This statement was issued April 2022 and enhances comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. This Statement addresses a variety of topics including issues related to leases implementation, derivative instruments, nonmonetary transactions, public-private and public-public partnerships and availability payment arrangements, subscription-based information technology arrangements, LIBOR, SNAP, and other terminology updates. Specifically, the paragraphs for future adoption address the following topics:

- Classification and reporting of derivative instruments within the scope of Statement No. 53 (paragraphs 4-10)

GASB Statement No. 99 paragraphs 4-10 will be effective for the MHCRC for the fiscal year ending June 30, 2024.

GASB Statement No. 100, Accounting Changes and Error Corrections. This statement is an amendment of GASB Statement No. 62 and was issued June 2022 to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. GASB Statement No. 100 will be effective for the MHCRC for the fiscal year ending June 30, 2024.

GASB Statement No. 101, Compensated Absences. This statement was issued June 2022 to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. Other requirements include that a liability for certain types of compensated absences not be recognized until the leave commences, and that a liability for specific types of compensated absences not be recognized until the leave is used. GASB Statement No. 101 will be effective for the MHCRC for the fiscal year ending June 30, 2025.

The MHCRC will implement new GASB pronouncements no later than the required effective date. The MHCRC is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to the City's financial statements.

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.

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

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 Annual Comprehensive Financial Report (ACFR). The City's ACFR can be found at: <http://www.portlandonline.com/omf/index.cfm?c=26053>.

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 Government	Component Unit MetroEast	Total
City of Portland external investment pool	\$ 8,908,905	\$ -	\$ 8,908,905
Cash and cash equivalents	-	542,717	542,717
Equity securities	-	413,258	413,258
Government and fixed income securities	-	235,066	235,066
Certificates of deposit	-	16,058	16,058
Total	\$ 8,908,905	\$ 1,207,099	\$ 10,116,004

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

III. Detailed notes, continued:

A. Cash and investments, continued:

Component Unit disclosures

Investments of the component unit 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.

<u>MetroEast</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 413,258	\$ -	\$ -	\$ 413,258
Government and fixed income securities	-	235,066	-	235,066
Total	<u>\$ 413,258</u>	<u>\$ 235,066</u>	<u>\$ -</u>	<u>\$ 648,324</u>

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

III. Detailed notes, continued:

B. Receivables:

Receivables as of June 30, 2023, are as follows:

	Primary Government	<u>Component Unit</u> MetroEast	Total
Franchise fees receivable	\$ 1,348,252	\$ -	\$ 1,348,252
Due from MHCRC	-	240,168	240,168
Accrued interest receivable	67,551	1,747	69,298
Total	<u>\$ 1,415,803</u>	<u>\$ 241,915</u>	<u>\$ 1,657,718</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, 2023 advance balances were:

	<u>Primary Government</u>
MetroEast	\$ 427,593
Other entities	1,582,967
Total	<u>\$ 2,010,560</u>

MetroEast had \$33,842 of prepaid expenses at June 30, 2023.

D. Payables:

Payables and other accrued liabilities at June 30, 2023 are as follows:

	Primary Government	<u>Component Unit</u> MetroEast	Total
Payable to vendors and contractors	\$ 121,909	\$ 3,830	\$ 125,739
Due to component units	200,660	-	200,660
Total	<u>\$ 322,569</u>	<u>\$ 3,830</u>	<u>\$ 326,399</u>

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

III. Detailed notes, continued:

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 activity for the component units, for the year ended June 30, 2023, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>MHCRC</u>				
Capital Assets, being depreciated				
Computer software	\$ 12,000	\$ -	\$ -	\$ 12,000
Accumulated amortization	(12,000)	-	-	(12,000)
Capital assets, net	\$ -	\$ -	\$ -	\$ -
<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	3,273,774	13,721	-	3,287,495
Equipment	1,886,670	154,835	(2,779)	2,038,726
Vehicles	98,488	1,517	-	100,005
Accumulated depreciation	(2,747,260)	(420,234)	64	(3,167,430)
Capital assets, net	\$ 2,800,002	\$ (250,161)	\$ (2,715)	\$ 2,547,126

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

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

III. Detailed notes, continued:

G. Debt:

As of June 30, 2023, MetroEast had a note payable with Bank of America, N.A. with a principal balance outstanding of \$683,323. The note payable was paid in full during the year ended June 30, 2023.

MetroEast has a variable line of credit agreement with Bank of America, N. A. (the Bank) with a limit that fluctuates based on the value the Organization's investments, which have been pledged as collateral. The available capacity was \$468,603 at June 30, 2023. Interest is payable at a variable rate of interest equal to the one-month Bloomberg Short-Term Bank Yield (BSBY) plus the Bank's interest spread (approximately 8.76 percent at June 30, 2023), measured weekly and is payable on demand. There were no outstanding borrowings under this obligation at June 30, 2023.

Debt and long-term liability activity of the two entities for the year ended June 30, 2023, was:

<u>MetroEast:</u>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Note payable	\$ 683,323	\$ -	\$ 683,323	\$ -	\$ -
Compensated absences	51,660	41,534	51,660	41,534	41,534
Total MetroEast	<u>\$ 734,983</u>	<u>\$ 41,534</u>	<u>\$ 734,983</u>	<u>\$ 41,534</u>	<u>\$ 41,534</u>

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

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:

MHCRC employees are covered under the City of Portland’s pension plan. For more details, refer to the City of Portland’s Annual Comprehensive Financial Report for the year ended June 30, 2023, note to the financial statements IV.E, Employee retirement systems and pension plans, pages 167 through 181.

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, 2023 and 2022 was \$53,034 and \$60,341, respectively.

C. Commitments:

MHCRC has entered into multiple contractual agreements to provide future grants to various community-based agencies. These obligations are not expected to be fully paid from current financial resources and are not recognized as a liability until performance under the contract has occurred. These agreements are represented by open purchase orders with balances at June 30, 2023 as follows:

Organization	Project Description	<u>Commitments</u>
Portland Community College	Equitable Access to Ed Programs	\$ 9,660
Portland Community College	PPCTV Channel Infrastructure Update	6,097
Northwest Children's Theater	NWCT Moves to Broadway	161,056
Roots and Beats Project	MERP Food Sovereignty Media Series	44,344
		<u>\$ 221,157</u>

REQUIRED SUPPLEMENTARY INFORMATION

Mt. Hood Cable Regulatory Commission
Schedule of Revenues and Expenditures - Budget and Actual
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Intergovernmental revenue	\$ 6,097,476	\$ 6,097,476	\$ 5,655,804	\$ (441,672)
Other:				
Investment earnings	<u>103,190</u>	<u>103,190</u>	<u>151,353</u>	<u>48,163</u>
Total revenues	<u>6,200,666</u>	<u>6,200,666</u>	<u>5,807,157</u>	<u>(393,509)</u>
EXPENDITURES				
Current:				
Program expenditures	<u>8,109,205</u>	<u>8,109,205</u>	<u>7,181,279</u>	<u>927,926</u>
Total expenditures	<u>8,109,205</u>	<u>8,109,205</u>	<u>7,181,279</u>	<u>927,926</u>
Revenues over (under) expenditures	(1,908,539)	(1,908,539)	(1,374,122)	534,417
Fund balance - beginning	<u>7,963,838</u>	<u>7,963,838</u>	<u>15,521,431</u>	<u>7,557,593</u>
Fund balance - ending	<u>\$ 6,055,299</u>	<u>\$ 6,055,299</u>	14,147,309	<u>\$ 8,092,010</u>
Adjustment to generally accepted accounting principles (GAAP) basis:				
Non-budgetary advance recovery			<u>(2,134,610)</u>	
Net position - GAAP basis			<u>\$ 12,012,699</u>	

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

The Board of Commissioners
Mt. Hood Cable Regulatory Commission

We have audited, in accordance with the 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, the financial statements of the Mt. Hood Cable Regulatory Commission (the “Commission”), which comprise the financial statements of the governmental activities, the major fund, and the discretely presented component unit as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated December 7, 2023. Our report includes a reference to other auditors who audited the financial statements of MetroEast Community Media as described in our report on the Commission’s financial statements. The financial statements of MetroEast Community Media were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the discretely presented component unit or that are reported on separately by those auditors who audited the financial statements of MetroEast Community Media.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control. 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 a 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. 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Portland, Oregon
December 7, 2023

Report of Independent Auditors Required by Oregon State Regulations

The Board of Commissioners
Mt. Hood Cable Regulatory Commission

We have audited, 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, the financial statements of the governmental activities and the major fund of the Mt. Hood Cable Regulatory Commission (MHCRC or the Commission), as of and for the year ended June 30, 2023, and have issued our report thereon dated December 7, 2023. We did not audit the financial statements of MetroEast Community Media, which in the aggregate, represent 100% of the assets, net position and revenues of the discretely presented component unit of MHCRC. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for MetroEast Community Media, is based solely on the reports of the other auditors.

Compliance

As part of obtaining reasonable assurance about whether the Commission's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules (OAR) 162-010-0000 to 162-010-0330, of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the financial statements. 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.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to, the following:

- Accounting records and internal control
- Public fund deposits
- Insurance and fidelity bonds
- Investments
- Public contracts and purchasing

In connection with our testing, nothing came to our attention that caused us to believe the Commission was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of ORS as specified in OAR 162-010-0000 through 162-010-0330 of the Minimum Standards for Audits of Oregon Municipal Corporations.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. 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 a 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. 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Commissioners and management of the Commission and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



Keith Simovic, Partner
For Moss Adams LLP
Portland, Oregon
December 7, 2023

December 7, 2023

Quang Le, MHCRC Finance Manager
Mt. Hood Cable Regulatory Commission
111 SW Columbia St., Ste. 600
Portland, OR 97201

We have completed our audit of the financial statements of Mt. Hood Cable Regulatory Commission (MHCRC) for the year ended June 30, 2023 and have issued our report thereon dated December 7, 2023. In planning and performing our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (Government Auditing Standards), issued by the Comptroller General of the United States, we considered MHCRC's internal controls over financial reporting (internal controls) as a basis for designing our auditing procedures and for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MHCRC's internal controls. Accordingly, we do not express an opinion on the effectiveness of MHCRC's internal controls.

During the course of the audit, we noted a matter involving the internal control structure, operations, and financial reporting that we would categorize as a deficiency in internal controls, which we have reviewed with you verbally during the course of the audit. We have included the recommendations in our letter below, along with comments on new accounting standards and the proposed impact on MHCRC.

Deficiency in Controls over Financial Close and Reporting – Accounts Payable

- 1) During our procedures over fiscal year-end accruals, we noted that the MHCRC posted reversing entries to accounts payable for prior year accruals that were posted outside of the SAP general ledger and instead recorded as memo entries directly to the workbook used to create the financial statements. This resulted in the ending accounts payable balance to be understated, and ultimately resulted in an audit adjustment of \$79,704. We recommend that MHCRC establish procedures to ensure that reversing entries are reviewed for accuracy, and furthermore that the accounts payable balances at year end are accurate and agree to all charges incurred prior to fiscal year end.

Comments on New Accounting Standards

Below is a summary of the new accounting standards that will be effective in future years. We have found management to be very supportive of the accounting staff in obtaining the necessary training and education on the requirements of new accounting standards, and we appreciate that continued support. We appreciate the opportunity to discuss with you the implementation issues and financial reporting ramifications of any of these new standards.

Accounting Changes and Error Corrections

In June 2022, GASB issued Statement No. 100, which is aimed at enhancing the accounting and financial reporting requirements for accounting changes and error corrections. This standard is effective for the fiscal year ending June 30, 2024

Impact to MHCRC – Adoption of this Statement is not expected to impact the MHCRC unless error corrections or other accounting changes are identified in a future reporting period.

Compensated Absences

In June 2022, GASB issued Statement No. 101, which will require liabilities for compensated absences for leave that has not been used and for leave that has been used but not yet paid in cash or settled through noncash means. This Statement also requires that certain types of compensated absences, including parental leave, military leave, and jury duty leave, not be recognized as a liability until the leave commences. This standard is effective for the fiscal year ending June 30, 2025

Impact to MHCRC – Management will be required to evaluate the different types of leave offered to employees and adjust current accounting practices to align with the liability recognition requirements of Statement No. 101. Overall, this is not expected to have a material impact on the financial reporting for MHCRC, but should be evaluated to ensure procedures are appropriately updated and applied.

We wish to thank Quang Le and other members of staff for their support and assistance during our audit, as well as the oversight and direction provided by Minh Dan Vuong of the City Auditor's office, who was very professional and pleasant to work with regarding the administration of our audit contract with the City of Portland and MHCRC.



Moss Adams LLP

cc: Minh Dan Vuong, City of Portland Performance Auditor II
Thomas Lannom, City of Portland Chief Financial Officer



Communications with Those
Charged with Governance

Mt. Hood Cable Regulatory Commission

June 30, 2023

Communications with Those Charged with Governance

To the Board of Commissioners
Mt. Hood Cable Regulatory Commission

We have audited the financial statements of the governmental activities and the major fund of the Mt. Hood Cable Regulatory Commission (“MHCRC”) as of and for the year ended June 30, 2023, and have issued our report thereon dated December 7, 2023. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in the engagement letter dated June 16, 2023, (the Contract), we are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). As part of an audit conducted in accordance with U.S. GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MHCRC’s internal control over financial reporting. Accordingly, we considered MHCRC’s internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

The supplementary information was subject to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

Other Information Documents Containing Audited Financial Statements

Management is responsible for the other information included in the financial statements. The other information does not include the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. Our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the audited financial statements. We have read the information, and nothing came to our attention that caused us to believe that such information is materially inconsistent with the financial statements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the Contract dated June 16, 2023.

Significant Audit Findings and Issues

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by MHCRC are described in Note I to the financial statements. The MHCRC adopted the provisions of the following GASB pronouncements during the year ended June 30, 2023: GASB 94, *Public-Private and Public-Public Partnership and Availability Payment Arrangements*; GASB 96, *Subscription-Based Information Technology Arrangements (SBITAs)*; and GASB 99, *Omnibus 2022*. Adoption of these standards had no impact on net position or the change in net position as of and for the year ended June 30, 2023. No other new accounting policies were adopted and there were no changes in the application of existing policies during fiscal year 2023. We noted no transactions entered into by the MHCRC during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Allowance for doubtful accounts.
- Estimated liabilities for cable franchise fee revenue due to other parties.

Financial Statement Disclosures

The disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of the reporting entity and significant accounting policies in Note I to the financial statements. This disclosure reports the operations under the governance of the Commissioners, as well as the more significant policies used by MHCRC in the preparation of the financial statements. Note I discloses MetroEast Community Media as a discretely presented component unit.
- The disclosure of MHCRC's risk management programs in Note IV.A. to the financial statements. This disclosure provides a summary of the various risks of loss MHCRC is exposed to, and its method of financing those risks.

Significant Unusual Transactions

We encountered no significant unusual transactions during our audit of the MHCRC's financial statements.

Significant Difficulties Encountered in Performing the Audit

Professional standards require us to inform you of any significant difficulties encountered in performing the audit. No significant difficulties were encountered during our audit of the Entity's financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Circumstances that Affect the Form and Content of the Auditor's Report

There may be circumstances in which we would consider it necessary to include additional information in the auditor's report in accordance with generally accepted auditing standards. There were no circumstances that affected the form and content of the auditor's report.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Corrected Misstatements: Corrected misstatements are those entries found during the course of the audit that management decided to post to the financial statements. We identified the following corrected misstatement during the course of our audit procedures:

1. Entry to accrue for liabilities incurred prior to June 30, 2023 – \$79,704 (increase in payables)

Uncorrected misstatements are those entries found during the course of the audit that management has decided to not post to the financial statements. We identified no uncorrected misstatements during the course of our audit procedures.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 7, 2023.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We are required to communicate to you other findings or issues arising from the audit that are, in our professional judgment, significant and relevant to your oversight of the financial reporting process. There were no such items identified.

This information is intended solely for the use of the Commissioners and management of the Mt. Hood Cable Regulatory Commission and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Portland, Oregon
December 7, 2023