

FINANCE COMMITTEE MEETING

December 1, 2020
Time: 4:00 pm – 5:30pm

Join Zoom Meeting

<https://us02web.zoom.us/j/84987529212?pwd=aXUwRkFvSIVObmp2U0REdWNVMFdLZz09>

Meeting ID: 849 8752 9212

Passcode: 784073

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AGENDA

1. Introductions
2. FY 2019-20 MHCRC Fund Financial Statements*

*Denotes possible action item

COVER SHEET – AGENDA ITEM #2

For Finance Committee Meeting: December 1, 2020

“FY 2019-2020 MHCRC Financial Statements”

Recommendation

Staff recommends that the Finance Committee approve the FY 2019-2020 MHCRC Fund Financial Statements.

Background

The City of Portland accounting group annually prepares the MHCRC Fund Financial Statements. On May 20, 2013, the MHCRC passed resolution 2013-02 which “delegates authority to the MHCRC finance Committee to...annually review and approve the MHCRC Finance Statements on behalf of the full Commission, in order to proceed with a timely audit as required by Oregon law.” The MHCRC annual statements are then provided to Moss Adams for the annual audit. Kevin Sanders, who worked on the statements, will attend the Finance Committee meeting.

Moss Adams will present the MHCRC Fund Audit to the Commission at its December 21, 2020 meeting. Moss Adams has conducted the MHCRC Fund audit since FY 2012-2013.

Attachment #1: Draft FY 2019-2020 MHCRC Fund Financial Statements

Prepared By: Elisabeth Perez
November 24, 2020



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, 2020

Mt. Hood Cable Regulatory Commission
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INTRODUCTORY SECTION

Mt. Hood Cable Regulatory Commission

June 30, 2020

Administration Offices

1120 SW 5th Ave, Suite 405
Portland, Oregon 97204

Commission Members as of June 30, 2020

Carol Studenmund	Chair - Multnomah County Representative
Scott Harden	Vice Chair - Wood Village Representative
Jeff Dennerline	Fairview Representative
Jacquenette McIntire	Gresham Representative
Kory Murphy	Portland Representative
Rich Roche	Portland Representative
Norm Thomas	Troutdale Representative

Interim Director
Elisabeth Perez

Program Manager
Julie S. Omelchuck

Accounting Staff
Aaron Rivera
(City of Portland Bureau of Revenue & Financial Services)

Kevin Sanders
(City of Portland Bureau of Revenue & Financial Services)

December --, 2020

The Mt. Hood Cable Regulatory Commission (MHCRC) is pleased to submit the MHCRC Audit for the fiscal year ended June 30, 2020.

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 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 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 four companies, serving the following areas:

Comcast: Portland, Gresham, Troutdale, Fairview, Wood Village and Multnomah County
Frontier/Ziplay: 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. Cable fee revenues to the Jurisdictions peaked in FY 2016-17. Since that time however, fee revenues declined steadily at a pace of approximately 7% overall each year. Portland's fees decreased by 7.8% in FY 2019-20 with Easy County Jurisdictions franchise fees decreasing by 3.4% in FY 2019-20. 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 impact of COVID on MHCRC finances and internal operations is difficult to determine at this time, although the financial impact doesn't ostensibly reduce cable subscribers short of a prolonged economic recession. Cable demand is assumed to continue at current trends, and will continue to be monitored in the upcoming fiscal year. Internally, bureau operations will realize additional bandwidth and dedicated financial support with the hiring of a finance manager and shift to internal financial and operational support systems. Areas of concern include a minimal amount of redundancy and backup support, which will be mitigated as much as possible by leveraging available city support with attention to relationship building and support structures if backup or additional support is necessary.

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,

Elisabeth Perez
Interim Staff Director
Mt. Hood Cable Regulatory Commission

FINANCIAL SECTION

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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, 2020.

FINANCIAL HIGHLIGHTS

The following are MHCRC's financial highlights for fiscal year ending June 30, 2020:

- The assets of MHCRC exceeded its liabilities at the close of FY 2019-20 by \$10,517,572 (*net position*).
- MHCRC's total net position decreased by \$3,729,591 from FY 2019-20. The key factor for this decrease was an increase in the amount of program expenditures during the year. 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 \$10,517,572 a decrease of \$3,727,191.

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 supplemental 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 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.

- **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 \$10,517,572 at the close of FY 2019-20.

A. Analysis of net position

The largest portions of MHCRC's net position consist of \$12,421,281 in cash and investments, \$944,821 of grant advances, and \$1,568,000 in accounts receivable.

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

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

	June 30, 2020	June 30, 2019	Change
Assets	\$ 14,986,500	\$ 15,588,022	\$ (601,522)
Liabilities	4,468,928	1,340,859	3,128,069
Net Position			
Net Investment in capital			
assets	-	2,400	(2,400)
Restricted Net Position	10,517,572	14,244,763	(3,727,191)
Total Net Position	\$ 10,517,572	\$ 14,247,163	\$ (3,729,591)

B. Analysis of changes in net position

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

	June 30, 2020	June 30, 2019	Change
Revenues			
Program revenues:			
Intergovernmental	\$ 7,131,015	\$ 7,451,244	\$ (320,229)
General revenues:			
Investment earnings	265,053	291,295	(26,242)
Total revenues	7,396,068	7,742,539	(346,471)
Expenses			
Community development	11,125,659	7,733,135	3,392,524
Changes in net position	(3,729,591)	9,404	(3,738,995)
Net position - beginning	14,247,163	14,237,759	9,404
Net position - ending	<u>\$ 10,517,572</u>	<u>\$ 14,247,163</u>	<u>\$ (3,729,591)</u>

Net position decreased by \$3,729,591 during the year due to a planned increase in program expenditures. 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 \$10,517,572 a decrease of \$3,727,191. The General Fund is the only fund of MHCRC.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were \$965,560 above the final budget which is an increase over the final budget of 15%. Actual expenditures were \$1.1 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 FY 2019-20. During FY 2019-20, 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 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 7% overall each year. Portland's fees decreased 7.8% in FY 2019-20 with East County Jurisdictions franchise fees decreasing by 3.4% in FY 2019-20. 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 continued 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 impact of COVID is indeterminate at this time given the minimal impact on revenue collections at the end of FY 2019-20. Franchise fee revenue will be monitored in the upcoming fiscal year to determine actual impacts of COVID once first and second quarter revenues are received. At the time of this audit, first quarter revenues have not been received and processed. Additional budget information can be obtained at <http://www.mhcrc.org/about-the-mhcrc/>.

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, 2020

	Primary Government			Component Unit
	General Fund	Reconciliation Governmental Fund Balance	Statement of Net Position	MetroEast Community Media
ASSETS				
Cash and investments	\$ 12,421,281	\$ -	\$ 12,421,281	\$ 1,352,567
Receivables:				
Accounts, net	1,568,888	-	1,568,888	-
Accrued interest	51,510	-	51,510	1,148
Due from Mt. Hood Cable Regulatory Commission	-	-	-	238,275
Advances - MetroEast Community Media	427,223	-	427,223	-
Advances - others	517,598	-	517,598	-
Prepaid expense	-	-	-	12,511
Capital assets, not being depreciated				
Land	-	-	-	210,330
Intangible assets:				
FCC license	-	-	-	78,000
Capital assets, being depreciated				
Buildings	-	-	-	3,147,209
Equipment	-	12,000	12,000	1,525,677
Vehicles	-	-	-	29,825
Accumulated depreciation	-	(12,000)	(12,000)	(2,019,920)
Total assets	<u>14,986,500</u>	<u>-</u>	<u>14,986,500</u>	<u>4,575,622</u>
LIABILITIES				
Accounts payable	4,230,653	-	4,230,653	16,922
Due to MetroEast Community Media	238,275	-	238,275	-
Refundable advances - MHCRC	-	-	-	427,223
Accrued payroll and related expenses	-	-	-	118,772
Current portion of long-term debt	-	-	-	47,615
Long-term debt	-	-	-	924,809
Capital lease obligation - current	-	-	-	18,468
Capital lease obligation - long-term	-	-	-	10,466
Total liabilities	<u>4,468,928</u>	<u>-</u>	<u>4,468,928</u>	<u>1,564,275</u>
FUND BALANCE / NET POSITION				
Fund balance:				
Restricted	<u>10,517,572</u>			
Total liabilities and fund balance	<u>\$ 14,986,500</u>			
Net position:				
Net investment in capital assets		-	-	-
Restricted		-	10,517,572	-
Unrestricted		-	-	3,011,347
Total net position		<u>\$ -</u>	<u>\$ 10,517,572</u>	<u>\$ 3,011,347</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, 2020

	Primary Government			Component Unit
	General Fund	Reconciliation Governmental Fund Balance	Statement of Activities	MetroEast Community Media
Expenditures / Expenses:				
Community development	\$ 11,123,259	\$ 2,400	\$ 11,125,659	\$ 2,057,491
Interest expense	-	-	-	-
Total expenditures / expenses	<u>11,123,259</u>	<u>2,400</u>	<u>11,125,659</u>	<u>2,057,491</u>
Program revenues:				
Intergovernmental	7,131,015	-	7,131,015	-
Grants	-	-	-	1,451,148
Membership income	-	-	-	6,913
Service charges	-	-	-	89,094
In-kind contributions	-	-	-	36,387
Total program revenues	<u>7,131,015</u>	<u>-</u>	<u>7,131,015</u>	<u>1,583,542</u>
Net program (expense) revenue		<u>(2,400)</u>	<u>(3,994,644)</u>	<u>(473,949)</u>
General revenues:				
Investment earnings (losses)	<u>265,053</u>	-	<u>265,053</u>	<u>76,200</u>
Excess of revenues over expenditures	(3,727,191)	(2,400)		
Change in net position	-	(2,400)	(3,729,591)	(397,749)
Fund balances / net position				
Beginning of the year	<u>14,244,763</u>	<u>2,400</u>	<u>14,247,163</u>	<u>3,409,096</u>
End of the year	<u>\$ 10,517,572</u>	<u>\$ -</u>	<u>\$ 10,517,572</u>	<u>\$ 3,011,347</u>

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

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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.

MHCRC is reported as a Custodial Fund within the City of Portland's Comprehensive Annual 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, under represented neighborhoods and groups are able to participate in and be aware of community and government activities and services. MetroEast 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, 2020, 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 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 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 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.

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

I. Summary of significant accounting policies, continued:

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

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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

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

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

I. Summary of significant accounting policies, continued:

E. Adoption of new GASB pronouncement:

The following pronouncement was implemented during the year:

GASB Statement No. 84, Fiduciary Activities. Issued January 2017, this statement establishes criteria for identifying fiduciary activities of all state and local governments. GASB 84 will be effective for the MHCRC, fiscal year ending June 30, 2020. There was no impact to the commission from this implementation.

GASB Statement No. 95, Postponement of Effective Dates. This Statement was issued May 2020 to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

F. Future adoption of GASB pronouncements:

The following GASB pronouncements have been issued, but are not yet effective as of June 30, 2020:

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. GASB Statement No. 87 will be effective for the MHCRC, fiscal year ending June 30, 2021.

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. 91, Conduit Debt Obligations. This statement was issued May 2019. This statement establishes accounting requirements for conduit debt obligations by issuers. The objectives of this statement are to eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB Statement No. 91 will be effective for the MHCRC for fiscal year ending June 30, 2022.

GASB Statement No. 92, Omnibus 2020. This statement was issued January 2020, this Statement enhances comparability and financial reporting to improve the consistency of authoritative literature 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 leases implementation, derivative instruments, postemployment benefits (pensions and other postemployment benefits [OPEB]), asset retirement obligations, risk pool and fair value measurements. GASB Statement No. 92 will be effective for the MHCRC for fiscal year ending June 30, 2023.

GASB Statement No. 93 Replacement of Interbank Offered Rates (IBOR). This Statement was issued March 2020 to address accounting and financial reporting implications that result from the replacement of an IBOR. GASB Statement No. 93 will be effective for the MHCRC for the fiscal year ending June 30, 2023.

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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). GASB Statement No. 94 will be effective for the MHCRC for the fiscal year ending June 30, 2024.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). This statement was issued May 2020 to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlay other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. GASB Statement No. 96 will be effective for the MHCRC for the fiscal year ending June 30, 2023.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32. This Statement was issued June 2020. The primary objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component unit in fiduciary fund financial statement; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meets the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 will be effective for the MHCRC for the fiscal year ending June 30, 2022.

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.

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

II. Stewardship, compliance, and accountability, continued:

A. Budgetary information, continued:

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>.

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	<u>Component Unit</u> MetroEast	Total
City of Portland external investment pool	\$ 12,421,281	\$ -	\$ 12,421,281
Cash and cash equivalents	-	614,049	614,049
Equity securities	-	504,377	504,377
Government and fixed income securities	-	204,251	204,251
Certificates of deposit	-	29,890	29,890
Total	<u>\$ 12,421,281</u>	<u>\$ 1,352,567</u>	<u>\$ 13,773,848</u>

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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	\$ 334,145	\$ -	\$ -	\$ 334,145
Mutual funds	170,232	-	-	170,232
Government and fixed income securities	-	204,251	-	204,251
Total	<u>\$ 504,377</u>	<u>\$ 204,251</u>	<u>\$ -</u>	<u>\$ 708,628</u>

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

III. Detailed notes, continued:

B. Receivables:

Receivables as of June 30, 2020, are as follows:

	Primary Government	Component Unit	
		MetroEast	Total
Franchise fees receivable	\$ 1,568,888	\$ -	\$ 1,568,888
Due from MHCRC	-	238,275	238,275
Accrued interest receivable	51,510	1,148	52,658
Total	\$ 1,620,398	\$ 239,423	\$ 1,859,821

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, 2020 advance balances were:

	Primary Government
MetroEast	\$ 427,223
Other entities	517,598
Total	\$ 944,821

MetroEast had \$12,511 of prepaid expenses at June 30, 2020

D. Payables:

Payables and other accrued liabilities at June 30, 2020 are as follows:

	Primary Government	Component Unit	
		MetroEast	Total
Payable to vendors and contractors	\$ 4,230,653	\$ 16,922	\$ 4,247,575
Due to component units	238,275	-	238,275
Total	\$ 4,468,928	\$ 16,922	\$ 4,485,850

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.

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

III. **Detailed notes**, continued:

F. **Capital assets:**

Capital assets activities for the component units, for the year ended June 30, 2020, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>MHCRC</u>				
Capital Assets, being depreciated				
Computer software	\$ 12,000	\$ -	\$ -	\$ 12,000
Accumulated amortization	(9,600)	(2,400)	-	(12,000)
	\$ 2,400	\$ (2,400)	\$ -	\$ -
<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	3,154,676		(7,467)	3,147,209
Equipment	3,478,103	217,009	(2,169,435)	1,525,677
Vehicles	-	29,825		29,825
Accumulated depreciation	(3,833,594)	(355,761)	2,169,435	(2,019,920)
	\$ 3,087,515	\$ (108,927)	\$ (7,467)	\$ 2,971,121

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

G. **Leases:**

MetroEast has entered into a capital lease obligation on April 14, 2019 for certain production and maintenance equipment costing \$47,047. Future minimum lease payments under the capital lease total \$28,934 less amounts representing interest of \$3,385.

Capital Lease Obligation Fiscal Year Ending June 30,	Amount
2021	\$ 18,468
2022	13,851
	32,319
Less amounts representing interest	(3,385)
	\$ 28,934

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

III. Detailed notes, continued:

H. Debt:

MetroEast has a debt agreement with Bank of America. The note is due in monthly installments of \$6,954, including interest at 4.75% through the July 2023 maturity date of the note. The note is secured by land and building with a net book value of \$1,637,611.

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

MetroEast's Long-Term Debt Payments:	Long-Term Debt Fiscal Year Ending June 30,	Amount
	2021	\$ 47,615
	2022	49,927
	2023	52,350
	2024	629,609
	Total	\$ 779,501

Debt and long-term liability activity of the two entities for the year ended June 30, 2020, was:

<u>MetroEast:</u>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Note payable	\$ 827,667	\$ -	\$ 48,166	\$ 779,501	\$ 47,615
Compensated absences	205,981	118,772	205,981	118,772	118,772
Capital Lease Obligation	42,882		13,948	28,934	18,468
Total MetroEast	\$ 1,076,530	\$ 118,772	\$ 268,095	\$ 927,207	\$ 184,855

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, 2020 and 2019 was \$60,141 and \$79,773 respectively.

Mt. Hood Cable Regulatory Commission
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

IV. Other information, continued:

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, 2020 as follows:

Organization	Project Description	<u>Commitments</u>
Portland Public School District	TechSmart 3rd Grade Literacy Project	\$ 1,333,005
Centennial School District	CSD Techsmart Grant	611,787
Multnomah County	GBSD Techsmart Grant 2: MS Math	437,518
David Douglas School District	DDSD Techsmart Grant	300,111
Reynolds School District	Techsmart Grant 2: Expand Class	172,675
Multnomah County	Mobile Computing Device Checklist	122,360
Multnomah School District U2	GBSD K-3 Tech Integration	99,191
Multnomah County	Welcome to Computers	19,196
Junior Achievement	JA Biztown & B2TV Tech	11,708
Multnomah County	Digital Inclusion Resources	5,716
Mt. Hood Community College	MHCC Community Access	976
Boys & Girls Club	My Future Rockwood Expansion	701
Total		<u>\$ 3,114,944</u>

REQUIRED SUPPLEMENTARY INFORMATION

Mt. Hood Cable Regulatory Commission
Schedule of Revenues and Expenditures - Budget and Actual
For the Year Ended June 30, 2020

	Budgeted Amounts				Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts		(Negative)
REVENUES					
Intergovernmental revenue	\$ 6,165,455	\$ 6,165,455	\$ 7,131,015	\$	965,560
Other:					
Investment earnings	238,842	238,842	265,053		26,211
Total revenues	6,404,297	6,404,297	7,396,068		991,771
EXPENDITURES					
Current:					
Program expenditures	12,691,390	12,691,390	11,546,680		1,144,710
Total expenditures	12,691,390	12,691,390	11,546,680		1,144,710
Revenues over (under) expenditures	(6,287,093)	(6,287,093)	(4,150,612)		2,136,481
Fund balance - beginning	8,272,523	8,272,523	15,943,754		7,671,231
Fund balance - ending	\$ 1,985,430	\$ 1,985,430	11,793,142	\$	9,807,712
Adjustment to generally accepted accounting principles (GAAP) basis:					
Non-budgetary advance recovery			(1,275,570)		
Net position - GAAP basis			\$ 10,517,572		

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