

## **REGULAR AGENDA**

**STAFF REPORT -- AGENDA ITEM #R1**

For Commission Meeting: December 21, 2015

“MHCRC FY14-15 Fund Audit – Report from Moss Adams”

**Recommendation**

Acknowledge the Audit prepared by Moss Adams for FY 14-15 MHCRC Fund, substantially similar to that attached, and authorize the MHCRC Staff Director to accept the audit for the MHCRC by signing and submitting it to the Secretary of State by December 31, 2015.

**Background**

Each year since FY11-12 the MHCRC has contracted to have an audit prepared by Moss Adams.

Financial Statements were prepared by the Accounting Division of the City of Portland through an interagency with the MHCRC. Moss Adams performed the audit and provided a detailed presentation of the results at the Finance Committee meeting on December 7. The Finance Committee recommends that the MHCRC acknowledge the audit and authorize the Staff Director to submit it to the Secretary of State by December 31, 2015. Moss Adams will make a detailed presentation of the audit results at the December 21 MHCRC meeting.

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

Prepared by: Mary Beth Henry  
December 14, 2015



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, 2015

Mt. Hood Cable Regulatory Commission  
Table of Contents

**INTRODUCTORY SECTION**

---

Commission Members i

---

Transmittal Letter ii-iv

---

**FINANCIAL SECTION**

---

Report of Independent Auditors 1-3

---

Management's Discussion and Analysis 4-7

---

Governmental Fund Balance Sheet / Statement of Net Position 8

---

Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance /  
Statement of Activities 9

---

Notes to Financial Statements 10-21

---

***REQUIRED SUPPLEMENTAL INFORMATION***

---

Schedule of Revenues and Expenditures – Budget and Actual 23

---

**AUDIT COMMENTS AND DISCLOSURES**

---

Independent Auditor's Report on Compliance and on Internal Control Over  
Financial Reporting Based on an Audit of Financial Statements Performed  
in Accordance with *Oregon Auditing Standards*. 24-25

# INTRODUCTORY SECTION

Mt. Hood Cable Regulatory Commission

June 30, 2015

## Administration Offices

111 SW Columbia Street, Suite 600  
Portland, Oregon 97201

*Commission Members as of June 30, 2015*

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

## Director

Mary Beth Henry

## Program Manager

Julie S. Omelchuck

December 21, 2015

The Mt Hood Cable Regulatory Commission (MHCRC) is pleased to submit the MHCRC Audit for the fiscal year ended June 30, 2015.

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

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

## **THE FINANCIAL STATEMENTS**

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

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

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

## **MHCRC PROFILE**

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

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

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

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

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

Frontier: Gresham, Troutdale, Fairview and Wood Village

Century Link: Portland

Cascade Access: unincorporated east Multnomah County

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

## **OUTLOOK**

The MHCRC embarked on a new initiative -- TechSmart Initiative for Student Success. Through the TechSmart Initiative, the MHCRC plans to strategically invest nearly \$19 million through 2021 in local public schools to improve academic outcomes for all students in Multnomah County.

The MHCRC TechSmart Initiative is a long-term funding partnership with the public school districts within Multnomah County. The Initiative provides grants and evaluation resources to school districts for technology and teacher supports in order to innovate and transform teaching strategies and practices.

The TechSmart Initiative focuses on the following academic outcomes key to student success: Kindergarten Readiness, English Language Learners' Annual Progress, Third Grade Reading, Eighth Grade Math, Ninth Grade Credit Attainment and High School Graduation.

## **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 Technical Accounting Division and Accounting staff in the Revenue Division, both within the Bureau of Revenue and Financial Services.

Respectfully submitted,

---

Mary Beth Henry  
Staff Director  
Mt Hood Cable Regulatory Commission



## **FINANCIAL SECTION**

## REPORT OF INDEPENDENT AUDITORS

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major fund, and the discretely presented component units of the Mt. Hood Cable Regulatory Commission ("MHCRC"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise MHCRC's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Portland Community Media or MetroEast Community Media, which in the aggregate, represent 100% of the assets, net position and revenues of the discretely presented component units of MHCRC. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Portland Community Media and MetroEast Community Media, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

**MOSS ADAMS** LLP

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

***Opinions***

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the discretely presented component units, of the Mt. Hood Cable Regulatory Commission, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of revenues, expenditures and changes in fund balance – budget and actual on pages 4 through 7, and 23, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to management's discussion and analysis described in the preceding paragraph 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 this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

**MOSS ADAMS** LLP*Other Information*

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

**Report on Other Legal and Regulatory Requirements**

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 7, 2015, on our consideration of MHCRC'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.



For Moss Adams LLP  
Eugene, Oregon  
December 7, 2015

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, 2015.

### FINANCIAL HIGHLIGHTS

The following are MHCRC's financial highlights for fiscal year ending June 30, 2015:

- The assets of MHCRC exceeded its liabilities at the close of FY2014-15 by \$12,558,855 (*net position*).
- MHCRC's total net position increased by \$1,482,492 from FY2014-15. The increase is due to community grant funds being carried over from the previous fiscal year as the MHCRC developed a new strategic funding initiative called the TechSmart Initiative for Student Success. The TechSmart initiative launched in the summer of 2014, with combined funding from carryover funds and new revenue in FY2014-15. The MHCRC plans to grant about \$10 million to local school districts through FY2016-17 under the Initiative. The MHCRC's governmental fund reported an ending fund balance of \$12,546,855, an increase of \$1,470,492.

### 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) and Portland Community Media (PCM) that are legally separate entities for which the MHCRC is financially accountable. Financial information for MetroEast and PCM 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.

Mt. Hood Cable Regulatory Commission  
Management's Discussion and Analysis  
June 30, 2015

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. For MHCRC, there is no difference between the two bases of accounting, so the columns are identical.

**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 \$12,558,855 at the close of FY2014-15.

**A. Analysis of net position**

The largest portions of MHCRC's net position consist of \$11,139,245 in cash, \$612,434 of grant advances, and \$1,745,760 in receivables.

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

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

	June 30, 2015	June 30, 2014	Change
Assets	\$ 13,532,585	\$ 11,458,535	\$ 2,074,050
Liabilities	973,730	382,172	591,558
Restricted Net Position	\$ 12,558,855	\$ 11,076,363	\$ 1,482,492

Mt. Hood Cable Regulatory Commission  
Management's Discussion and Analysis  
June 30, 2015

**B. Analysis of changes in net position**

As noted previously, MHCRC's overall net position increased by \$1,482,492 during FY2014-15.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Change</u>
<b>Revenues</b>			
Program revenues:			
Intergovernmental	\$ 7,173,466	\$ 7,177,898	\$ (4,432)
General revenues:			
Investment earnings	<u>57,577</u>	<u>49,262</u>	<u>8,315</u>
Total revenues	7,231,043	7,227,160	3,883
<b>Expenses</b>			
Community development	<u>5,748,551</u>	<u>5,340,144</u>	<u>408,407</u>
Changes in net position	1,482,492	1,887,016	(404,524)
Net position - beginning	<u>11,076,363</u>	<u>9,189,347</u>	<u>1,887,016</u>
Net position - ending	<u><u>\$ 12,558,855</u></u>	<u><u>\$ 11,076,363</u></u>	<u><u>\$ 1,482,492</u></u>

The key factor giving rise to the increase in net position was that the MHCRC reserved a portion of its community grants funds to fully develop the new strategic funding initiative, the TechSmart Initiative for Student Success, which will provide grants to school districts within Multnomah County. The MHCRC launched the initiative in the summer of 2014 with combined funding from carryover community grant funds and from FY14-15 PEG/I-Net Fee revenues. The MHCRC intends to grant about \$10 million over through FY16-17 under the initiative. In addition, the MHCRC provides support for public, educational, and governmental (PEG) access and the Institutional Network (I-Net) under the cable services franchise agreements. Expenses vary from year to year due to the timing of PEG and I-Net projects, which can take anywhere from one to three years to complete.

**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 \$12,546,855, an increase of \$1,470,492. The General Fund is the only fund of MHCRC.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

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

Actual revenues were \$56.9 thousand above the final budget, primarily due to increased revenues under cable services franchise agreements from rate increases. Actual expenditures were \$8.3 million less than the final budget, primarily due to under expenditures for program expenditures of \$7.4 million and general operating contingencies of \$0.9 million. These under expenditures were due to MHCRC's focus on developing the TechSmart Initiative for Student Success and ensuring sufficient funds to cover all potential spending on PEG and I-Net projects being performed by public agencies and non-profit organizations under MHCRC contracts.

Although MHCRC is exempt from state budget law per ORS 294.316 (14), a budget was adopted for MHCRC for FY2014-15. During FY2014-15, General Fund expenditures did not exceed budgetary estimates.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

The MHCRC has no debt. Capital Assets internally generated during FY2014-15 consisted of grants management software in the amount of \$12,000.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- According to many industry and financial reports, the cable companies revenues derived from video services will continue to grow through 2015, but not at the robust rates of previous years. Since there is a direct correlation between a cable company's gross revenues and the amount paid to MHCRC for PEG and I-Net support, MHCRC's revenues are predicted to increase slightly in 2015. The increase is primarily due to rate increases for subscribers.
- According to the U.S. Bureau of Labor Statistics, the unemployment rate for Oregon fell from 7 percent in June 2014 to 5.5 percent in June 2015. Continuing improvement in the economy affects the revenues of the local jurisdictions which fund MHCRC's operating expenses. The MHCRC received about a nine percent increase in jurisdictional funding for personal and other expenditures for the FY2014-15 Budget.

These factors were considered in preparing MHCRC's budget for the 2015 fiscal year, and resulted in an increased revenue estimate of \$0.35 million from the 2014-15 fiscal year. Although revenue estimates increased only slightly, spending for program expenditures decreased by \$63 thousand.

### **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, 2015**

	General Fund	Reconciliation Governmental Fund Balance	Statement of Net Position	Component Units	
				MetroEast Community Media	Portland Community Media
<b>ASSETS</b>					
Cash and investments	\$ 11,139,245	\$ -	\$ 11,139,245	\$ 2,000,344	\$ 799,877
Receivables:					
Accounts, net	1,745,760	-	1,745,760	-	31,858
Accrued interest	23,146	-	23,146	5,455	-
Due from Mt. Hood Cable Regulatory Commission	-	-	-	271,979	16,358
Advances - MetroEast Community Media	155,900	-	155,900	-	-
Advances - Portland Community Media	407,903	-	407,903	-	-
Advances-Others	48,631	-	48,631	-	-
Inventories	-	-	-	-	1,975
Prepaid expense	-	-	-	114,080	22,744
Capital Assets, not being depreciated					
Land	-	-	-	210,330	283,000
Intangible assets:					
FCC license	-	-	-	78,000	-
Capital Assets, being depreciated					
Buildings	-	-	-	2,825,710	2,209,293
Equipment	-	-	-	2,353,934	6,173,242
Computer software	-	12,000	12,000	-	-
Accumulated depreciation	-	-	-	(2,286,893)	(5,147,129)
<b>Total assets</b>	<b>13,520,585</b>	<b>12,000</b>	<b>13,532,585</b>	<b>5,572,939</b>	<b>4,391,218</b>
<b>LIABILITIES</b>					
Accounts payable	685,393	-	685,393	3,354	54,911
Due to MetroEast Community Media	271,979	-	271,979	-	-
Due to Portland Community Media	16,358	-	16,358	-	-
Refundable advances - MHCRC	-	-	-	155,900	407,903
Refundable advances - Others	-	-	-	-	4,859
Accrued payroll and related expenses	-	-	-	74,503	48,029
Notes payable - current portion	-	-	-	37,567	-
Notes payable - long term portion	-	-	-	945,400	-
<b>Total liabilities</b>	<b>973,730</b>	<b>-</b>	<b>973,730</b>	<b>1,216,724</b>	<b>515,702</b>
<b>FUND BALANCE / NET POSITION</b>					
Fund balance:					
Restricted	12,546,855				
Total liabilities and fund balance	\$ 13,520,585				
Net position:					
Restricted		12,000	12,558,855	-	-
Unrestricted		-	-	4,356,215	3,875,516
<b>Total net position</b>		<b>\$ 12,000</b>	<b>\$ 12,558,855</b>	<b>\$ 4,356,215</b>	<b>\$ 3,875,516</b>

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, 2015**

	General Fund	Reconciliation: Governmental Statement of Revenues, Expenditures, and Changes in Fund Balance		Component Units	
		Statement of Activities	MetroEast Community Media	Portland Community Media	
Expenditures / Expenses:					
Community development	\$ 5,760,551	\$ (12,000)	\$ 5,748,551	\$ 1,826,642	\$ 2,157,793
Interest expense	-	-	-	50,399	-
Total expenditures / expenses	<u>5,760,551</u>	<u>(12,000)</u>	<u>5,748,551</u>	<u>1,877,041</u>	<u>2,157,793</u>
Program revenues:					
Intergovernmental	7,173,466	-	7,173,466	-	-
Grants	-	-	-	1,577,262	1,992,307
Service charges	-	-	-	32,454	240,197
Total program revenues	<u>7,173,466</u>	<u>-</u>	<u>7,173,466</u>	<u>1,609,716</u>	<u>2,232,504</u>
Net program (expense) revenue		<u>12,000</u>	<u>1,424,915</u>	<u>(267,325)</u>	<u>74,711</u>
General revenues:					
Investment earnings (losses)	<u>57,577</u>	<u>-</u>	<u>57,577</u>	<u>59,230</u>	<u>(4,165)</u>
Excess of revenues over expenditures	1,470,492	12,000			
Change in net position	-	12,000	1,482,492	(208,095)	70,546
Fund balances / net position					
Beginning of the year	<u>11,076,363</u>	<u>-</u>	<u>11,076,363</u>	<u>4,564,310</u>	<u>3,804,970</u>
End of the year	<u>\$ 12,546,855</u>	<u>\$ 12,000</u>	<u>\$ 12,558,855</u>	<u>\$ 4,356,215</u>	<u>\$ 3,875,516</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, 2015

**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 Grant 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;
- TechSmart Initiative for Student Success which will strategically invest about \$19 million over the next 10 years in local public schools to positively impact academic outcomes for all students in Multnomah County;
- 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 (Portland Community Media and MetroEast Community Media) and other assets, such as channels on the cable system, digital capacity, and sites throughout the community used to originate programming.

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

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

- Fiscal dependency by the organizations on MHCRC.

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

**Discretely presented component unit – MetroEast Community Media (MetroEast)**

MetroEast is a non-profit organization that uses media to invigorate civic engagement, inspire diverse voices, and strengthen community life. MetroEast's services are generally targeted to the areas within the Cities of Gresham, Troutdale, Fairview and Wood Village and unincorporated Multnomah County. The MHCRC contracts with MetroEast for community media services. Through government and education programs broadcast on public access cable TV channels, under represented neighborhoods and groups are able to participate in and be aware of community and government activities and services. MetroEast provides important outreach and awareness of government programs and policies by carrying live, 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 8<sup>th</sup> Street, Gresham, OR 97030.

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

**A. Reporting Entity, continued:**

**Discretely presented component unit – Portland Community Media (PCM)**

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

**B. Government-wide and fund financial statements:**

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

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

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

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

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

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

Significant measurable and available revenues for the fiscal year ended June 30, 2015, under the modified accrual basis of accounting, were as follows:

- Franchise fees

Expenditures generally are recorded when a liability is incurred.

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

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

MHCRC reports the following major governmental fund:

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

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

1. Cash and investments

MHCRC's cash is held in the City of Portland's cash and investment pool. Cash and investments are presented on the balance sheet in the basic financial statements at fair value in accordance with GASB Statement No. 31.

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

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

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

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

2. Receivables

MHCRC records monies due from other governmental agencies as receivables.

3. Advances

MHCRC contracts with other entities to provide a variety of services. Since those entities are small not-for-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.

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

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

5. Capital assets

Primary Government

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

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

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

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

The estimated useful lives of capital assets are:

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

Component Units

MetroEast follows the practice of capitalizing, at cost, all expenditures for property, equipment, and leasehold improvements in excess of \$100. 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.

PCM's policy is to capitalize items over \$100. Acquisitions of property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at the date of donation. Depreciation is computed using the straight-line method. Buildings are depreciated over a 20 year life and equipment is depreciated over 5 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 (GAAP) in the United States of America, 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.

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

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

8. **Net position and fund balances**

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

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

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

**Unrestricted net position** represents amounts not restricted.

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

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

E. **Adoption of new GASB pronouncements:**

The following pronouncements were implemented during the year:

GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Issued June 2012, this statement makes significant changes to how governments report their pension-related accounting activity. Since MHCRC currently has no employees it has no impact on MHCRC.

GASB Statement No. 69, Government Combinations and Disposals of Government Operations. Issued January 2013, this statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This standard does not have any impact upon MHCRC during this year of implementation.

F. **Future adoption of GASB pronouncements:**

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2015:

GASB Statement No. 72, Fair Value Measurement and Application. Issued February 2015, this statement establishes accounting and financial reporting standards for fair value measurements, the level of fair value hierarchy, and valuation techniques. GASB Statement No. 72 will be effective for the MHCRC, fiscal year ending June 30, 2016.

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68. Issued June 2015, this statement establishes accounting and financial reporting standards for pensions that don't meet the requirements set out in GASB Statements No. 67 and 68, and makes some

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

**F. Future adoption of GASB pronouncements, continued:**

modifications to GASB Statements No. 67 and 68. Since MHCRC currently has no employees this statement has no impact on MHCRC.

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Issued June 2015, this statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial*

*Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. GASB Statement No. 74 will be effective for the MHCRC, fiscal year ending June 30, 2017. Since MHCRC currently has no employees this statement has no impact on MHCRC.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). Issued June 2015, this statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. GASB Statement No. 75 will be effective for the MHCRC, fiscal year ending June 30, 2018. Since MHCRC currently has no employees this statement has no impact on MHCRC.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. Issued June 2015, this statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. GASB Statement No. 76 will be effective for the MHCRC, fiscal year ending June 30, 2016.

GASB Statement No. 77, Tax Abatement Disclosures. Issued August 2015, this statement requires governments that enter into tax abatement agreements to disclose information about those agreements. GASB Statement No. 77 will be effective for the MHCRC, fiscal year ending June 30, 2017.

MHCRC will implement new GASB pronouncements no later than the required effective date. MHCRC is currently evaluating whether or not the above-listed GASB pronouncements will have a significant impact to MHCRC'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 1<sup>st</sup>, 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. Continued  
For the Fiscal Year Ended June 30, 2015

**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	Component Units		Total
		MetroEast	PCM	
City of Portland external investment pool	\$ 11,139,245	\$ -	\$ -	\$ 11,139,245
Cash and cash equivalents	-	629,842	604,480	1,234,322
Equity securities	-	881,328	145,397	1,026,725
Real estate investment trust	-	-	50,000	50,000
Government and fixed income securities	-	372,291	-	372,291
Certificates of deposit	-	116,883	-	116,883
<b>Total</b>	<b>\$ 11,139,245</b>	<b>\$ 2,000,344</b>	<b>\$ 799,877</b>	<b>\$ 13,939,466</b>

Component Unit disclosures

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

Accounting principles generally accepted in the United States of America for non-profit entities establish a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets

Mt. Hood Cable Regulatory Commission  
Notes to the Financial Statements. Continued  
For the Fiscal Year Ended June 30, 2015

**III. Detailed notes, continued, continued:**

**A. Cash and investments, continued:**

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>	Level 1	Level 2	Level 3	Total
Equity securities	\$ 734,572	\$ -	\$ -	\$ 734,572
Mutual funds	146,756	-	-	146,756
Government and fixed income securities	-	372,291	-	372,291
Total	<u>\$ 881,328</u>	<u>\$ 372,291</u>	<u>\$ -</u>	<u>\$ 1,253,619</u>

<u>PCM</u>	Level 1	Level 2	Level 3	Total
Real estate equities	\$ 145,397	\$ -	\$ -	\$ 145,397
Real estate investment trust	-	-	50,000	50,000
Total	<u>\$ 145,397</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 195,397</u>

**B. Receivables:**

Receivables as of June 30, 2015, are as follows:

	Primary	<u>Component Units</u>		Total
	Government	MetroEast	PCM	
Franchise fees receivable	\$ 1,745,760	\$ -	\$ -	\$ 1,745,760
Due from MHCRC	-	271,979	16,358	288,337
Other receivables	-	-	31,858	31,858
Accrued interest receivable	23,146	5,455	-	28,601
Total	<u>\$ 1,768,906</u>	<u>\$ 277,434</u>	<u>\$ 48,216</u>	<u>\$ 2,094,556</u>

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

Mt. Hood Cable Regulatory Commission  
Notes to the Financial Statements. Continued  
For the Fiscal Year Ended June 30, 2015

**III. Detailed notes, continued, continued:**

**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, 2015 advance balances were:

	Primary Government
MetroEast	\$ 155,900
PCM	407,903
Other entities	48,631
Total	\$ 612,434

MetroEast had \$114,080 and PCM had \$22,744 of prepaid expenses at June 30, 2015.

**D. Payables:**

Payables and other accrued liabilities at June 30, 2015 are as follows:

	Primary Government	Component Units		Total
	MetroEast	PCM		
Payable to vendors and contractors	\$ 685,393	\$ 3,354	\$ 54,911	\$ 743,658
Due to component units	288,337	-	-	288,337
Total	\$ 973,730	\$ 3,354	\$ 54,911	\$ 1,031,995

**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. Continued  
For the Fiscal Year Ended June 30, 2015

**III. Detailed notes, continued:**

**F. Capital assets:**

Capital assets activities for the component units, for the year ended June 30, 2015, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>MHCRC</u>				
Capital Assets, being depreciated				
Computer Software	\$ -	\$ 12,000	\$ -	\$ 12,000
Accumulated amortization	-	-	-	-
	<u>\$ -</u>	<u>\$ 12,000</u>	<u>\$ -</u>	<u>\$ 12,000</u>
<u>MetroEast</u>				
Capital Assets, not being depreciated				
Land	\$ 210,330	\$ -	\$ -	\$ 210,330
Intangible assets:				
FCC license	78,000	-	-	78,000
Capital Assets, being depreciated				
Buildings	2,939,470	-	(113,760)	2,825,710
Equipment	2,403,877	181,645	(231,588)	2,353,934
Accumulated depreciation	(2,045,716)	(450,926)	209,749	(2,286,893)
Capital assets, net	<u>\$ 3,585,961</u>	<u>\$ (269,281)</u>	<u>\$ (135,599)</u>	<u>\$ 3,181,081</u>
<u>PCM</u>				
Capital Assets, not being depreciated				
Land	\$ 283,000	\$ -	\$ -	\$ 283,000
Construction in progress	31,175	-	(31,175)	-
Capital Assets, being depreciated				
Buildings	2,126,779	82,514	-	2,209,293
Equipment	5,440,990	870,182	(137,930)	6,173,242
Accumulated depreciation	(4,302,747)	(987,448)	143,066	(5,147,129)
Capital assets, net	<u>\$ 3,579,197</u>	<u>\$ (34,752)</u>	<u>\$ (26,039)</u>	<u>\$ 3,518,406</u>

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

Mt. Hood Cable Regulatory Commission  
Notes to the Financial Statements. Continued  
For the Fiscal Year Ended June 30, 2015

**III. Detailed notes, continued:**

**G. Debt:**

In July 2013 MetroEast refinanced its long-term debt with KeyBank, N.A. The proceeds of the refinance were also used to repay its line of credit with Bank of America, N.A., and retire its interest rate swap agreement with KeyBank, N.A. MetroEast paid \$64,073 to terminate the swap agreement.

The new loan with Bank of America, N.A, bears interest at 1.99 percent through July 2014, and 4.75 percent beginning August 2014, through the maturity of the loan in July 2023. Monthly principal and interest payments of \$5,310 were due through July 2014, at which time they increased to \$6,954 through July 2023.

All outstanding principal and interest will be due July 31, 2023.

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

Fiscal Year Ending June 30,	Amount
2016	\$ 37,567
2017	39,390
2018	41,303
2019	43,308
2020	45,410
Thereafter	<u>775,989</u>
Total	<u>\$ 982,967</u>

Debt and long term liability activity of the three entities for the year ended June 30, 2015, was:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>MetroEast:</u>					
Note payable	\$ 1,114,372	\$ -	\$ 131,405	\$ 982,967	\$ 37,567
Compensated absences	46,534	74,503	46,534	74,503	74,503
Total MetroEast	<u>\$ 1,160,906</u>	<u>\$ 74,503</u>	<u>\$ 177,939</u>	<u>\$ 1,057,470</u>	<u>\$ 112,070</u>
 <u>PCM:</u>					
Compensated absences	\$ 29,152	\$ 48,029	\$ 29,152	\$ 48,029	\$ 48,029
Total PCM	<u>\$ 29,152</u>	<u>\$ 48,029</u>	<u>\$ 29,152</u>	<u>\$ 48,029</u>	<u>\$ 48,029</u>

**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.

**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, 2015 and 2014 was \$44,078 and \$48,230, respectively.

PCM formerly sponsored a qualified, 403(b) savings plan covering eligible employees. Effective July 1, 2013 PCM began sponsoring a qualified, 401(k) savings plan (the plan) covering eligible employees. Eligible employees can contribute a portion of their annual compensation to the plan, subject to Internal Revenue Service limitations. To be eligible, employees must have completed one year of service and have attained 21 years of age. The plan provides for PCM to contribute 4 percent of salary for participating employees. Contributions to the plan were \$10,385 and \$10,290 for the years ended June 30, 2015 and 2014, respectively.

**C. Commitments:**

MHCRC has several open purchase orders and contracts related to the programs they are engaged in. At June 30, 2015 open purchase orders total:

	<u>Commitments</u>
Reynolds SD Transformation to Construct a Classroom	\$ 1,313,554
Earl Boyles Early Learning Tech Integra	450,526
Portland Public Schools Digital Transformation	410,085
1-to-1 iPads at Parkrose High School	363,796
Rockwood Innovation Station Project	159,254
Other	1,032,998
Total	<u>\$ 3,730,213</u>

**D. Subsequent Events:**

Subsequent to fiscal year-end, as part of the TechSmart Initiative for Student Success, the MHCRC provided a \$5.1 million grant to Portland Public Schools in October 2015.

**REQUIRED SUPPLEMENTAL INFORMATION**

**Mt. Hood Cable Regulatory Commission**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>REVENUES</b>				
Intergovernmental revenue	\$ 7,144,122	\$ 7,144,122	\$ 7,173,466	\$ 29,344
Investment earnings	30,000	30,000	57,577	27,577
Total revenues	<u>7,174,122</u>	<u>7,174,122</u>	<u>7,231,043</u>	<u>56,921</u>
<b>EXPENDITURES</b>				
Current:				
Program expenditures	13,126,766	13,126,766	5,760,551	7,366,215
General operating contingencies	932,900	932,900	-	932,900
Total expenditures	<u>14,059,666</u>	<u>14,059,666</u>	<u>5,760,551</u>	<u>8,299,115</u>
Revenues over (under) expenditures	<u>(6,885,544)</u>	<u>(6,885,544)</u>	<u>1,470,492</u>	<u>8,356,036</u>
Fund balance - beginning	<u>9,064,245</u>	<u>9,064,245</u>	<u>11,076,363</u>	<u>2,012,118</u>
Fund balance - ending	<u>\$ 2,178,701</u>	<u>\$ 2,178,701</u>	12,546,855	<u>\$ 10,368,154</u>
Adjustment to generally accepted accounting principles (GAAP) basis:				
Capital assets, net of accumulated depreciation and amortization			<u>12,000</u>	
Net position - GAAP basis			<u>\$ 12,558,855</u>	



**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH OREGON MINIMUM AUDITING STANDARDS**

Board of Commissioners, Mt. Hood Cable Regulatory Commission

We have audited the basic financial statements of the governmental activities and the major fund of the Mt. Hood Cable Regulatory Commission (the Commission), as of and for the year ended June 30, 2015, and have issued our report thereon dated December 7, 2015. We did not audit the financial statements of Portland Community Media or MetroEast Community Media, which in the aggregate, represent 100% of the assets, net position and revenues of the discretely presented component units of MHCRC. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Portland Community Media and MetroEast Community Media, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

**Compliance**

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

- The use of various depositories to secure the deposit of public funds.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal years 2015 and 2016.
- The requirements relating to insurance and fidelity bond coverage.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.
- Certain other fiscal affairs.

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

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Purpose of this Report**

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



James C. Lanzarotta, Partner  
for Moss Adams LLP  
Eugene, Oregon  
December 7, 2015

## Communications with Those Charged with Governance under SAS No. 114

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") for the year ended June 30, 2015. 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 our audit contract with the City of Portland, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with generally accepted auditing standards and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. 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 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.

### **OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS**

Our responsibility for other information in the financial statements does not extend beyond the financial information identified in our report. We do not have an obligation to perform any procedures to corroborate other information contained in these documents. However, we have read the information and nothing came to our attention that caused us to believe that such information or its manner of presentation is materially inconsistent with the information or manner of its presentation appearing in the financial statements.

## MOSS ADAMS<sub>LLP</sub>

### **PLANNED SCOPE AND TIMING OF THE AUDIT**

We performed the audit according to the planned scope and timing.

### **SIGNIFICANT AUDIT FINDINGS**

#### **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. We noted no transactions entered into by MHCRC during the year for which there is a lack of authoritative guidance or consensus.

#### **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 MHCRC's financial statements are:

- Value of receivables and the related allowances for bad debts
- 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 and Portland Community Media as discretely presented component units.
- 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 Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

# MOSS ADAMS LLP

## **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There was one audit adjustment identified in our audit procedures that was recorded by management. The adjustment resulted in increases in accounts payable and in program expenditures/expenses in the amount of \$141 thousand. There were no uncorrected misstatements noted during the current year engagement.

## **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. We are pleased to report that no such disagreements arose during the course of our audit.

## **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated December 7, 2015.

## **Management Consultations 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 MHCRC'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 generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as MHCRC's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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



Eugene, Oregon  
December 7, 2015

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH OREGON MINIMUM AUDITING  
STANDARDS**

Board of Commissioners, Mt. Hood Cable Regulatory Commission

We have audited the basic financial statements of the governmental activities and the major fund of the Mt. Hood Cable Regulatory Commission (the Commission), as of and for the year ended June 30, 2015, and have issued our report thereon dated December 7, 2015. We did not audit the financial statements of Portland Community Media or MetroEast Community Media, which in the aggregate, represent 100% of the assets, net position and revenues of the discretely presented component units of MHCRC. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Portland Community Media and MetroEast Community Media, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

**Compliance**

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

- The use of various depositories to secure the deposit of public funds.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal years 2015 and 2016.
- The requirements relating to insurance and fidelity bond coverage.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.
- Certain other fiscal affairs.

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

**Internal Control Over Financial Reporting**

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James C. Lanzarotta, Partner  
for Moss Adams LLP  
Eugene, Oregon  
December 7, 2015