



PASADENA COMMUNITY ACCESS CORPORATION (A COMPONENT UNIT OF THE CITY OF PASADENA, CALIFORNIA)

FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE INFORMATION FOR THE
YEAR ENDED JUNE 30, 2018)

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

Focused
on YOU



PASADENA COMMUNITY ACCESS CORPORATION
(A COMPONENT UNIT OF THE
CITY OF PASADENA, CALIFORNIA)

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

Prepared by:

GEORGE FALARDEAU, EXECUTIVE DIRECTOR

PASADENA COMMUNITY ACCESS CORPORATION
(A COMPONENT UNIT OF THE CITY OF PASADENA, CALIFORNIA)
FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pasadena Community Access Corporation
Pasadena, California

We have audited the accompanying financial statements of the Pasadena Community Access Corporation (the Corporation), a component unit of the City of Pasadena, California as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Corporation'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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation's, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.





To the Board of Directors
Pasadena Community Access Corporation
Pasadena, California

Prior Period Adjustment

As described in Note 13 to the financial statements, the Corporation expensed a security deposit which should have been recorded as a deposit causing the restatement to 2018. Accordingly, beginning net position as of July 1, 2018, was restated to reflect the correction of this error. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Prior Year Comparative Information

The financial statements include (partial or summarized) prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2018, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Brea, California
October 10, 2019

PASADENA COMMUNITY ACCESS CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Pasadena Community Access Corporation's (a component unit of the City of Pasadena, California) (the Corporation) financial performance provides an overview of the Corporation's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the Corporation's financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

- The Corporation's net position for the fiscal year ending June 30, 2019, was \$368,426, a decrease of \$58,573 or 14%.
- During the year, the Corporation had operating expenses that were \$16,788 more than the \$954,542 generated from the operating agreement, service contracts, and other revenues from the Corporation's programs from the fiscal year ended June 30, 2019. This compares to last year, when operating revenues exceeded expenses by \$63,947.
- Total cost of all the Corporation's programs was \$971,330. The programmatic activities of the Corporation remained unchanged.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position (on pages 7 and 8) provide information about the activities of the Corporation as a whole and present a long-term view of the Corporation's finances. As the Corporation operates as a business-type activity, no additional fund statements are necessary. When the Corporation charges customers for the services it provides—whether to outside customers or to the City of Pasadena or other governments—these services are reported similarly to the way a business operates.

A Statement of Cash Flows is also presented using the direct method, which portrays inflows and outflows for specific classes of operations along with an indirect reconciliation of increases to net cash provided by operations. There were no non-cash entries during the year.

Reporting the Corporation's Results as a Whole

Our analysis of the Corporation as a whole begins on page 4. One of the most important questions asked about the Corporation's finances is, "Is the Corporation as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Corporation as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Corporation's *net position* and changes in them. You can think of the Corporation's net position—the difference between assets and liabilities—as one way to measure the Corporation's financial health, or *financial position*. Over time, *increases or decreases* in the Corporation's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Corporation's long-term contractual revenues and the condition of the Corporation's equipment and other assets, to assess the *overall health* of the Corporation.

THE CORPORATION AS A WHOLE

The Corporation's net position decreased from a year ago, from \$427,035 to \$368,462. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Corporation's activities.

Table 1

	June 30, 2019	June 30, 2018
Current and other assets	\$517,898	\$379,367
Capital assets, net	123,848	177,539
Total assets	<u>641,746</u>	<u>556,906</u>
Current Liabilities	<u>(273,284)</u>	<u>(129,871)</u>
Net position:		
Net investment in capital assets	123,848	177,539
Unrestricted	244,614	249,496
Total net position	<u>\$368,462</u>	<u>\$427,035</u>

Unrestricted net position—the part of net position that can be used to finance day-to-day operations without constraints established by debts, contribution restrictions, or other legal requirements—changed from \$249,496 at June 30, 2018, to \$244,614 at the end of this fiscal year. Unless restricted by donation or grant covenant (of which the Corporation has no such restrictions at the present time), the Corporation generally can use this net position to finance continuing operations in the coming fiscal year.

Table 2

	For the Year Ended June 30, 2019	For the Year Ended June 30, 2018	Percentage Change From 2018
Revenues			
Operating revenues:			
Operating Agreement	\$910,000	\$940,000	-3.2%
Service contracts	18,000	18,000	0.0%
Production and other operating revenue	26,542	35,241	-24.7%
Total operating revenues	954,542	993,241	-3.9%
Nonoperating revenues:			
Public, education & gov't (PEG) revenue	-	259,349	-100.0%
Interest income	486	56	767.9%
Total nonoperating revenues	486	259,405	-99.8%
Total revenues	955,028	1,252,646	-23.8%
Operating expenses:			
Salaries and benefits	719,577	685,374	5.0%
Production expense	16,158	12,311	31.2%
Occupancy expense	175,819	175,227	0.3%
Contractual services	27,170	26,150	3.9%
General and administrative	32,606	30,232	7.9%
Total operating expenses	971,330	929,294	4.5%
Nonoperating expenses:			
PEG expense	-	138,846	-100.0%
Depreciation	53,691	60,500	-11.3%
Total expenses	1,025,021	1,128,640	-9.2%
Net Income (loss)	(69,993)	124,006	-156.4%
Net position at beginning of year	427,035	303,029	-40.9%
Restatement	11,420	0	100.0%
Net position at end of year	\$368,462	\$427,035	-13.7%

Although the Corporation's total cost of programs and services had a net decrease of 9.2% (\$103,619), a closer look shows that Operating expenditures increased 4.5% (\$42,036), while there were no PEG expenditures, thus decreasing 100.0% (\$138,846). The Corporation's revenues decreased by a net 23.8% (\$297,618), resulting from a combination of decreased Operating revenues and decreased deferred revenue recognition in Nonoperating revenue.

Budgetary Highlights

Over the course of the year, the Board of Directors reviewed the budget during regular monthly meetings. A budget reforecast was submitted for approval to address a \$50,000 reduction in Operating Agreement revenue.

The Corporation's revised operating budget was \$966,800 for the fiscal year ended June 30, 2019. Actual operating revenues were \$12,258 less than budget, and operating expenses exceeded budget by \$4,530.

CAPITAL ASSETS

At the end of 2019, the Corporation had \$123,848 invested in capital assets, net of accumulated depreciation. (See Table 3 below.) This amount represents a net decrease (including additions and disposals) of \$53,691 or 30% under last year.

Table 3

	June 30, 2019	June 30, 2018
Production equipment	\$340,370	\$340,370
Leasehold improvements	93,897	93,897
Accumulated depreciation	(310,419)	(256,728)
Property and equipment, net	<u>\$123,848</u>	<u>\$177,539</u>

More detailed information about the Corporation's capital assets is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Corporation's Board of Directors considered many factors when setting the fiscal year 2020 budget. The major expense budget increases were in occupancy costs as there will be no rent abatements this year along with the rent escalator built into the lease. Personnel cost-of-living increases and projected increases in healthcare insurance premiums, as well as a decrease in legal fees were also included.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our stakeholders including donors, customers, and the City of Pasadena's officials with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Corporation Office at 150 S. Los Robles Avenue, Suite 101, Pasadena, California, 91101. Our main office number is 626-794-8585 and our email is info@pasadenamedia.org.

PASADENA COMMUNITY ACCESS CORPORATION

STATEMENT OF NET POSITION

JUNE 30, 2019 (WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2018)

	<u>2019</u>	<u>2018</u>
Assets		
Current:		
Cash and cash equivalents (Note 2)	\$ 500,394	\$ 340,981
Receivables:		
Accounts	1,948	19,063
Prepaid assets	3,136	18,323
Deposits	12,420	1,000
Total Current Assets	<u>517,898</u>	<u>379,367</u>
Noncurrent:		
Capital assets, net of accumulated depreciation (Note 3)	123,848	177,539
Total Noncurrent Assets	<u>123,848</u>	<u>177,539</u>
Total Assets	<u>641,746</u>	<u>556,906</u>
Liabilities		
Current:		
Accounts payable and other liabilities	6,147	3,443
Related party payables (Note 12)	-	8,000
Advances from other agencies (Note 7)	227,280	80,879
Accrued salaries and benefits	18,234	17,011
Compensated absences (Note 9)	21,623	20,538
Total Current Liabilities	<u>273,284</u>	<u>129,871</u>
Total Liabilities	<u>273,284</u>	<u>129,871</u>
Net Position		
Net investment in capital assets	123,848	177,539
Unrestricted	244,614	249,496
Total Net Position	<u>\$ 368,462</u>	<u>\$ 427,035</u>

The accompanying notes are an integral part of these financial statements.

PASADENA COMMUNITY ACCESS CORPORATION

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018)

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Operating agreement	\$ 910,000	\$ 940,000
Service contracts	18,000	18,000
Production and other operating revenue	26,542	35,241
Total Operating Revenues	<u>954,542</u>	<u>993,241</u>
Operating Expenses		
Salaries and benefits	719,577	685,374
Production expense	16,158	12,311
Occupancy expense	175,819	175,227
Contractual services	27,170	26,150
General and administrative	32,606	30,232
Total Operating Expenses	<u>971,330</u>	<u>929,294</u>
Operating Income (Loss)	<u>(16,788)</u>	<u>63,947</u>
Nonoperating Revenues (Expenses)		
Public, education, and government (PEG) revenue	-	259,349
PEG expense	-	(138,846)
Depreciation expense	(53,691)	(60,500)
Interest income	486	56
Total Nonoperating Revenues (Expenses)	<u>(53,205)</u>	<u>60,059</u>
Changes in Net Position	<u>(69,993)</u>	<u>124,006</u>
Net Position		
Beginning of Year, as previously reported	427,035	303,029
Restatement	11,420	-
Beginning of Year, as restated	<u>438,455</u>	<u>303,029</u>
End of Year	<u>\$ 368,462</u>	<u>\$ 427,035</u>

The accompanying notes are an integral part of these financial statements.

PASADENA COMMUNITY ACCESS CORPORATION

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018)

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 26,542	\$ 35,241
Cash received from contracts	945,115	942,369
Cash paid to employees for services	(717,269)	(684,498)
Cash paid to suppliers for goods and services	<u>(241,862)</u>	<u>(306,542)</u>
Net Cash Provided by (Used in) Operating Activities	<u>12,526</u>	<u>(13,430)</u>
Cash Flows from Capital and Related Financing Activities		
Capital grants received	146,401	198,956
PEG eligible expenses paid	-	(138,846)
Acquisition of capital assets	<u>-</u>	<u>(63,002)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>146,401</u>	<u>(2,892)</u>
Cash Flows from Investing Activities:		
Investment income	<u>486</u>	<u>56</u>
Net Cash Provided by Investing Activities	<u>486</u>	<u>56</u>
Net Increase (Decrease) in Cash and Cash Equivalents	159,413	(16,266)
Cash and Cash Equivalents at Beginning of Year	<u>340,981</u>	<u>357,247</u>
Cash and Cash Equivalents at End of Year	<u>\$ 500,394</u>	<u>\$ 340,981</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating		
Operating Income (Loss)	\$ (16,788)	\$ 63,947
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
(Increase) decrease in accounts receivable	17,115	(15,631)
(Increase) decrease in prepaid assets	15,187	10,982
Increase in accounts payable and accrued expenses	<u>(2,988)</u>	<u>(72,728)</u>
Total Adjustments	<u>29,314</u>	<u>(77,377)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 12,526</u>	<u>\$ (13,430)</u>

The accompanying notes are an integral part of these financial statements.

PASADENA COMMUNITY ACCESS CORPORATION

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Note 1: Organization and Summary of Significant Accounting Policies

a. Reporting Entity

The Pasadena Community Access Corporation (the Corporation) was organized in 1983 as a nonprofit, telecommunications resource for the City of Pasadena, California (the City). The Corporation was organized to perform the community access function of the Pasadena telecommunications system pursuant to the Cable Communications Ordinance of the City. In 2011, the City Council determined that the Corporation should be reported as a discretely presented component unit of the City in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Board of Directors consists of eleven members with representatives from each of the seven City Council Districts, the Mayor, the City Manager, Pasadena Community College (PCC), and Pasadena Unified School District (PUSD). Residency is required except for the City Manager, PCC, and PUSD representatives. These operations constitute part of the overall financial reporting entity of the City and are accounted for as a discretely presented component unit in the City's Comprehensive Annual Financial Report consistent with GAAP. Revenues and expenses of the Corporation include direct revenues and expenses and certain allocations from the City.

b. Basis of Presentation

The Corporation's basic financial statements are presented in conformance with Governmental Accounting Standards Board (GASB) Statement No. 34, which established standards for external financial reporting for all state and local governmental entities. The basic financial statements include the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows.

c. Basis of Accounting

The Corporation is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The Corporation utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred.

d. Classification of Revenues and Expenses

The Corporation classifies its revenues and expenses into the following classifications: operating revenues, operating expenses, nonoperating revenues, and nonoperating expenses.

Operating revenues consist of charges to customers for membership fees and use fees of the facilities and equipment, with the relating costs considered operating expenses. Nonoperating revenues consist of investment earnings and other nonoperating income.

PASADENA COMMUNITY ACCESS CORPORATION

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

e. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of 3 months or less.

f. Prepaid Assets

Certain payments to vendors, which reflect costs applicable to future accounting periods, are recorded as prepaid assets.

g. Capital Assets

The Corporation capitalizes capital assets having an estimated useful life in excess of one year and acquisition cost of at least \$5,000. Capital assets, which include production equipment are recorded at cost and are depreciated over the estimated useful life of the asset using the straight-line method of depreciation. Donated capital assets are recorded at estimated fair value as of the date of the donation. All significant expenditures exceeding \$5,000 for repairs, renewals, and betterments that materially prolong the useful lives of the assets are capitalized.

The estimated useful lives of the assets are as follows:

Leasehold improvements	6 years
Furniture and fixtures	5 years
Production equipment	5 years

h. Compensated Absences

Regular full-time and part-time employees accrue vacation. Vacation time is accrued two to four weeks per year, depending on how long an employee has been with the Corporation. Part-time employees who work 20 hours per week or more are eligible to accrue vacation on a pro rata basis. It is the Corporation's policy to permit employees to accumulate earned but unused vacation benefits from year to year up to a maximum of two times a full-time employee's annual vacation amount.

All accumulated compensated absences are recorded as an expense and a liability at the time the benefit is earned.

i. Net Position

Net position represents the difference between assets and liabilities on the Statement of Net Position. Net positions were classified in the following categories: net investment in capital assets and unrestricted.

Net investment in capital assets consists of the cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets, as applicable.

PASADENA COMMUNITY ACCESS CORPORATION

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Net position is reported as restricted when there are limitations imposed on the use either through the enabling legislation adopted by the Corporation's Board of Directors, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.

When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use unrestricted resources first, and then restricted resources as they are needed.

j. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and 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.

k. Comparative Data

The amounts shown for the year ended June 30, 2018, in the accompanying financial statements are included to provide a basis for comparison with 2019 and present summarized totals only. Accordingly, the 2018 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Note 2: Cash and Cash Equivalents

a. Summary of Cash and Cash Equivalents

As of June 30, 2019, cash and cash equivalents were reported in the accompanying financial statements:

Cash on hand	\$	200
Deposits with financial institutions		<u>500,194</u>
Total cash and cash equivalents	\$	<u>500,394</u>

b. Deposits

At June 30, 2019, the carrying amount of the Corporation's deposits was \$500,394 and the bank balance was \$500,285. The \$109 difference represents outstanding checks and other reconciling items. Balances in the bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Included in the bank balance, the Corporation had a funds in a credit union totaling \$75,247. This amount is insured by the National Credit Union Administration (NCUA) up to \$250,000.

PASADENA COMMUNITY ACCESS CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 2: Cash and Cash Equivalents (Continued)

c. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Corporation's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

d. Investments Authorized by the California Government Code

The table below identifies the investment types that are authorized for the Corporation by the California Government Code. Other than what is in the Government Code, the Corporation has no other investment policy.

Investment Types Authorized by the California Government Code	Authorized by Investment Policy	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Bankers' Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	1 year	None	None
Reverse Repurchase Agreements	Yes	92 days	20%	None
Medium-Term Notes	Yes	5 years	30%	None
Mutual Funds	Yes	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	20%	None
County Pooled Investment Funds	Yes	N/A	None	None
Local Agency Investment Fund	Yes	N/A	None	None
Joint Power Agency Pools (other investment pools)	Yes	N/A	None	None

e. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Corporation manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The Corporation held no investments as of the year ended June 30, 2019.

PASADENA COMMUNITY ACCESS CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 2: Cash and Cash Equivalents (Continued)

f. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Corporation held no investments as of the year ended June 30, 2019.

g. Concentration of Credit Risk

In accordance with GASB Statement No. 40 requirements, the Corporation is considered to be exposed to concentration of credit risk whenever they have invested more than 5% of their total investments in any one issuer. Investments guaranteed by the U.S. Government and investments in mutual funds and external investment pools are excluded from this requirement. The Corporation held no investments as of the year ended June 30, 2019.

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2019 is as follows:

	<u>Balance at June 30, 2018</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance at June 30, 2019</u>
Capital assets being depreciated:				
Production Equipment	\$ 340,370	\$ -	\$ -	\$ 340,370
Leasehold Improvements	93,897	-	-	93,897
Less accumulated depreciation for:				
Production Equipment	(248,903)	(38,041)	-	(286,944)
Leasehold Improvements	(7,825)	(15,650)	-	(23,475)
Total capital assets	<u>\$ 177,539</u>	<u>\$ (53,691)</u>	<u>\$ -</u>	<u>\$ 123,848</u>

Depreciation expense for the year ended June 30, 2019, was \$53,691.

Note 4: Defined Contribution Retirement Plan

Effective April 4, 2017, the Corporation adopted a Savings Incentive Match Plan for Employees Individual Retirement Account plan (the Plan) for which all employees who have completed ninety days of service are eligible to participate. The employees of the Corporation may elect to contribute to the Plan (subject to overall limits) in any one plan year. Each year the Corporation will make a matching contribution to the Plan on a dollar-for-dollar basis up to 3% of the employee's compensation, for the employees who are contributing to the Plan.

The Corporation contributed \$13,632 to the Plan for the year ended June 30, 2019.

PASADENA COMMUNITY ACCESS CORPORATION

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Note 5: Operating Lease

The Corporation leases office and production facilities in Pasadena, California, under an operating lease agreement. The lease term expires August 31, 2020. The Corporation is obligated to pay utilities, property taxes, insurance, and normal repairs and maintenance for the space that the Corporation occupies. The current monthly rent, including common area maintenance charge is \$12,120.

The minimum annual lease payments due during the term of the lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 148,434
2021	24,839
Total	<u>\$ 173,273</u>

Total rent expense, including common area maintenance charges, for the year ended June 30, 2019 was \$145,788.

Note 6: Other Provisions of Revenue and Contracts

a. Franchise Fees

On December 2, 1983, a 15-year cable franchise agreement (the Agreement) was entered into by and between the City and a cable communications operator (Cable Operator). According to the terms of the Agreement, the Corporation is entitled to receive 2% of the Cable Operator's gross revenues (as defined in the Agreement) in return for providing the public access and public service programming function of the Cable Operator's communications system. This agreement expired during the year ended June 30, 1999. The City committed to continue to fund the agreement, after expiration, until a new agreement could be reached.

Effective October 1, 2000, the City and the Cable Operator entered into a new nonexclusive franchise agreement to operate a cable television system in the City. The agreement expired on October 17, 2005, and was extended on a month-to-month basis under mutual agreement with the Cable Operator while negotiating a franchise renewal. This agreement ended prior to statewide franchising that took effect in 2008.

The City now receives 5% of the state franchise holders' gross revenues derived from the provision of video service pursuant to California Public Utilities Code Section 5840. The franchise fee is considered General Fund revenue for the City and, although the City continues to fund the Corporation at approximately 75% of the franchise fee revenue, the funding amount is at the discretion of the Pasadena City Council.

b. Management and Operating Agreement

On February 10, 2015, the Corporation entered into an agreement with the City to provide operation and day-to-day management of the local PEG access system, for a period of twenty-five (25) years, commencing as of the date of the Agreement, and ending July 1, 2040.

PASADENA COMMUNITY ACCESS CORPORATION

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Note 6: Other Provisions of Revenue and Contracts (Continued)

c. 1% Public, Education, and Government (PEG) Allocation

Pursuant to Pasadena Municipal Code 18.04.060, it was established that a fee would be paid to the City for the support of public, educational, and governmental access facilities and activities within the City. The Pasadena Municipal Code states that this fee shall be one percent (1%) of a cable provider's gross revenues, as defined in California Public Utilities Code Section 5860.

The Corporation serves as a receiving, holding, and disbursing entity for monies intended to promote noncommercial uses of the cable telecommunication medium. These funds are allocated as grants solely for PEG related purposes.

During the 2018-2019 fiscal year, the Corporation received \$146,401 in PEG funding, while spending \$0 on eligible PEG capital expenses, including the purchase of capital assets.

As shown in Note 7, cumulative unspent PEG funding of \$227,280 has been classified as advances from other agencies within these financial statements.

d. Other Contracts

The Corporation earns additional service contract revenue by providing various production services to Los Angeles County for Altadena Town Council Meetings.

Note 7: Advances from other Agencies

As described in Note 6, the Corporation received \$146,401 of PEG funding during the year ended June 30, 2019. Any PEG funds that have not been spent on approved capital expenditures will be deferred until earned. These unearned amounts are classified as advances from other agencies within these financial statements.

As of June 30, 2019, advances from other agencies were as follows:

Beginning advances from other agencies	\$	80,879
PEG Grant:		
PEG revenue received		146,401
PEG capital equipment expense		-
Capitalized production equipment		-
PEG subtotal		<u>146,401</u>
Ending advances from other agencies	\$	<u><u>227,280</u></u>

Note 8: Concentrations of Revenue

For the year ended June 30, 2019, income from the Operating Agreement accounted for 95% of total revenue.

PASADENA COMMUNITY ACCESS CORPORATION

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 9: Compensated Absences

Changes in compensated absences as of June 30, 2019, were as follows:

<u>Balance at June 30, 2018</u>	<u>Incurred</u>	<u>Satisfied</u>	<u>Balance at June 30, 2019</u>	<u>Amount Due Within One Year</u>	<u>Amount Due in More than One Year</u>
<u>\$ 20,538</u>	<u>\$ 27,847</u>	<u>\$ (26,762)</u>	<u>\$ 21,623</u>	<u>\$ 21,623</u>	<u>\$ -</u>

Note 10: Risk Management

The Corporation is covered under Special Liability, Property and Participant Accident policies through Alliant Insurance Services, Inc. Liability and Participant Accident claims are insured for up to \$1,000,000 per occurrence for any amount over the Corporation's deductible amount of \$1,000. Property claims are insured for up to \$25,000,000 per occurrence for any amount over the Corporation's deductible amount of \$1,000.

Workers' Compensation claims are covered under a purchased policy through Hartford Accident and Indemnity Company for claims up to \$1,000,000 for each occurrence for any amount over the Corporation's deductible amount of \$1,000.

Note 11: Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Corporation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Corporation and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year ending June 30, 2019.

The Corporation files Form 990 in the U.S. federal jurisdiction and Form 199 in the State of California.

Note 12: Related Party Transactions

The City of Pasadena (the City) bills the Corporation for advances and services rendered on the Corporation's behalf. Advances and services provided to the Corporation for the year ended June 30, 2019 was \$20,000. The Corporation did not have an amount payable to the City as of June 30, 2019.

PASADENA COMMUNITY ACCESS CORPORATION

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Note 13: Prior Period Adjustment

The Corporation expensed a security deposit which should have been recorded as a deposit causing the restatement to 2018. Accordingly, the 2018 amount of net position has been restated in these financial statements.

The following summarizes the prior period adjustment:

	<u>Retained Earnings</u>
Balance at June 30, 2018, as previously reported	\$ 427,035
Prior period adjustment	<u>11,420</u>
Balance at June 30, 2018, as restated	<u>\$ 438,455</u>

Note 14: Subsequent Events

The Corporation has evaluated subsequent events through October 10, 2019, the date on which the financial statements were available to be issued.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Pasadena Community Access Corporation
City of Pasadena, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Pasadena Community Access Corporation, (the Corporation), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated October 10, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.





CPAs AND ADVISORS

To the Board of Directors
Pasadena Community Access Corporation
City of Pasadena, California

Purpose of this Report

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

Lance, Soll & Lughard, LLP

Brea, California
October 10, 2019