

**PUBLIC CABLE TELEVISION AUTHORITY**

**Basic Financial Statements**

**Year ended June 30, 2022**

**PUBLIC CABLE TELEVISION AUTHORITY**

**Basic Financial Statements**

**Year ended June 30, 2022**

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## **Independent Auditor's Report**

Board of Directors  
Public Cable Television Authority  
Fountain Valley, California

### **Report on the Audit of the Financial Statements**

#### ***Disclaimer of Opinion***

We were engaged to audit the financial statements of the governmental activities and major fund of the Public Cable Television Authority (the Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

#### ***Basis for Disclaimer of Opinion***

Adequate supporting documentation was not available for our audit for the year ended June 30, 2022. As a result of this matter, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded balances, and the elements making up the financial statements of the governmental activities and major fund of the Authority, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

#### ***Emphasis of Matter***

The financial statements for the year ended June 30, 2022 reflect certain prior period adjustments as described further in note to the financial statements. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial

statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are required to be independent of the Authority and to meet our other ethical responsibilities with the relevant ethical requirement relating to our audit.

### ***Report on Summarized Comparative Information***

We were previously engaged to audit Authority's financial statements as of and for the year ended June 30, 2021, and we issued a disclaimer of opinion on those financial statements in our report dated August 30, 2024. The summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the financial statements from which it has been derived.

### ***Other Matters***

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not effected by this missing information.

### ***Report on Other Legal and Regulatory Requirements***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2025 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Authority's internal control over financial reporting and compliance.

*Davis Farr LLP*

Irvine, California  
June 23, 2025

**BASIC FINANCIAL STATEMENTS**

**PUBLIC CABLE TELEVISION AUTHORITY**  
**Statement of Net Position**  
**June 30, 2022**  
**(with comparative information for prior year)**

	<u>2022</u>	<u>2021</u>
Assets:		
Cash and investments (note 2)	\$ 1,604,614	\$ 1,526,711
Franchise fees receivable	320,746	317,465
PEG support fees receivable	64,149	63,493
Interest receivable	-	1,139
Miscellaneous receivable	-	7,576
Capital assets:		
Capital assets, depreciable net (note 3)	<u>900,751</u>	<u>720,849</u>
Total Assets	<u>2,890,260</u>	<u>2,637,233</u>
Liabilities:		
Accounts payable	5,106	7,920
Payroll tax payable	27	-
Direct Deposit Liabilities	(3,943)	-
Suspense	3,456	-
Franchise fees payable	<u>566,229</u>	-
Total Liabilities	<u>570,875</u>	<u>7,920</u>
Net Position:		
Investment in capital assets	900,751	720,849
Restricted	<u>1,418,634</u>	<u>1,908,465</u>
Total Net Position	<u>\$ 2,319,385</u>	<u>\$ 2,629,314</u>

See accompanying notes to the basic financial statements.

**PUBLIC CABLE TELEVISION AUTHORITY**

**Statement of Activities**

**Year ended June 30, 2022  
(with comparative information for prior year)**

Function	Expenses	Charges for Services	Totals	
			2022	2021
Governmental activities:				
Cable franchise	1,233,023	-	(1,233,023)	(503,365)
Public, Education and Government programs (note 6)	<u>282,170</u>	<u>253,464</u>	<u>(28,706)</u>	<u>(805,331)</u>
Total	<u>\$ 1,515,193</u>	<u>253,464</u>	<u>(1,261,729)</u>	<u>(1,308,696)</u>
General revenues:				
Franchise fee			1,264,158	1,298,791
Sale of asset			-	6,234
Miscellaneous			-	7,579
Investment income			<u>4,672</u>	<u>7,927</u>
Total general revenues			1,268,830	1,320,531
Change in net position			7,101	11,835
Net position, beginning of year (as restated)			<u>2,312,284</u>	<u>2,617,479</u>
Net position, end of year			<u>\$ 2,319,385</u>	<u>2,629,314</u>

See accompanying notes to the basic financial statements.

**PUBLIC CABLE TELEVISION AUTHORITY**  
**Balance Sheet - Governmental Funds**  
**June 30, 2022**  
**(with comparative information for prior year)**

	General Fund	Totals	
		2022	2021
<b>Current Assets:</b>			
Cash and investments (Note 2)	\$ 1,604,614	1,604,614	1,526,711
Franchise fees receivable	320,746	320,746	317,465
PEG support fees receivable	64,149	64,149	63,493
Interest receivable	-	-	1,139
Miscellaneous receivable	-	-	7,576
Total Assets	<u>\$ 1,989,509</u>	<u>1,989,509</u>	<u>1,916,384</u>
<b>Liabilities:</b>			
Accounts payable	5,106	5,106	7,920
Payroll tax payable	27	27	-
Direct Deposit Liabilities	(3,943)	(3,943)	-
Suspense	3,456	3,456	-
Franchise fees payable	566,229	566,229	-
Total Liabilities	<u>570,875</u>	<u>570,875</u>	<u>7,920</u>
<b>Fund Balances:</b>			
Unassigned	<u>1,418,634</u>	<u>1,418,634</u>	<u>1,908,465</u>
Total Fund Balances (deficit)	<u>1,418,634</u>	<u>1,418,634</u>	<u>1,908,465</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,989,509</u>	<u>1,989,509</u>	<u>1,916,385</u>

See accompanying notes to the basic financial statements.

**PUBLIC CABLE TELEVISION AUTHORITY**

**Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position**

**Year ended June 30, 2022**

Fund balances of governmental funds		\$ 1,418,634
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental fund balance sheet.		
Capital assets (note 3)	\$ 2,114,960	
Accumulated depreciation	<u>(1,214,209)</u>	
		<u>900,751</u>
Net position of governmental activities		<u>\$ 2,319,385</u>

See accompanying notes to the basic financial statements.

**PUBLIC CABLE TELEVISION AUTHORITY**  
**Statement of Revenue, Expenditures, and Changes in**  
**Fund Balance - Governmental Funds**  
**Year ended June 30, 2022**  
**(with comparative information for prior year)**

	General Fund	Totals	
		2022	2021
Revenues:			
Franchise Fees	\$ 1,264,158	1,264,158	1,298,791
PEG support fees	253,464	253,464	260,381
Sale of Asset	-	-	6,234
Miscellaneous	-	-	7,579
Interest income	4,672	4,672	7,927
Total Revenues	<u>\$ 1,522,294</u>	<u>\$ 1,522,294</u>	<u>\$ 1,580,912</u>
Expenditures:			
Current:			
Distribution to members	1,139,401	1,139,401	981,327
Professional fees	20,283	20,283	20,158
Payroll Tax	811	811	-
Payroll	-	-	10,721
Mileage	43	43	72
Director's Fee	6,800	6,800	3,080
Administration	2,890	2,890	-
Dues and subscription	154	154	2,495
Insurance	5,730	5,730	3,218
Supplies, postage and communication	4,463	4,463	1,088
Rent	30,068	30,068	6,854
Operating Expense	21,450	21,450	-
Executive Director's salary	-	-	34,728
Bank Charges	930	930	-
Miscellaneous	-	-	1,971
PEG channel	462,072	462,072	503,365
Total Expenditures	<u>1,695,095</u>	<u>1,695,095</u>	<u>1,569,077</u>
Net changes in fund balance	(172,801)	(172,801)	11,835
Fund Balances (Deficit) at Beginning of Year (as restated)	<u>1,591,435</u>	<u>1,591,435</u>	<u>1,896,630</u>
Fund Balances (Deficit) at End of Year	<u>\$ 1,418,634</u>	<u>1,418,634</u>	<u>1,908,465</u>

See accompanying notes to the basic financial statements.

**PUBLIC CABLE TELEVISION AUTHORITY**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balance of Governmental Funds to the Statement of Activities**

**Year ended June 30, 2022**

Net changes in fund balances - total governmental funds	\$ (172,801)
Amounts reported for governmental activities in the statement of activities are different because:	-
When capital assets owned by the Authority are purchased or constructed, the resources expended for those assets are reported as expenditures in the governmental fund. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	<u>(179,902)</u>
Change in net position of governmental activities	<u>\$ 7,101</u>

See accompanying notes to the basic financial statements.

# **PUBLIC CABLE TELEVISION AUTHORITY**

## **Notes to the Basic Financial Statements**

**Year ended June 30, 2022**

### **(1) Summary of Significant Accounting Policies**

The basic financial statements of the Public Cable Television Authority (the "Authority" or "PCTA") have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

#### **(a) Reporting Entity**

The Authority is a public entity created in 1971 pursuant to a joint powers agreement between the Cities of Fountain Valley, Westminster and Huntington Beach (member cities). In 1981, the City of Stanton was admitted as a member of the Authority. In 2019, the City of Huntington Beach terminated its membership with the Authority. The Authority was created for the purpose of exercising the common powers of the member cities to regulate the Community Antenna Television System (CATV) within these cities.

In 2004, the joint powers agreement was amended to include the regulation of open video systems, or cable television systems (collectively "cable systems") and any and all services, including non-cable services provided on or through said cable systems. The powers of the Authority include, but are not limited to, granting franchises, administering franchises, renewing franchises, administering channels allocated for city, school, public safety or community uses, conducting research, appearing before or communicating with administrative or legislative bodies, acquiring, constructing, financing, managing and operating a community antenna television system or cable television system and all other necessary and incidental powers with respect to cable system and the services provided on or through those systems.

With the passage of California Assembly Bill (AB) 2987, the Digital Infrastructure and Video Competition Act of 2006 (DIVCA), new competitive video service providers such as Verizon and AT&T were able to provide video services in all PCTA communities. In addition, pursuant to this law, Time Warner Cable's franchise with the PCTA was automatically converted to a state franchise as of January 2, 2008. Although the state became the franchisor of all video service providers serving the PCTA member cities at this time, the PCTA maintained the authority for the enforcement of customer services requirements and other standards as well as maintained its regulatory responsibilities over PEG access channel support and operations.

The Authority is financially accountable to the member cities and is being governed by the Board of Directors appointed by the City Council of each member city.

#### **(b) Basis of Accounting and Measurement Focus**

The *basic financial statements* of the Authority are composed of the following:

- (a) Government-wide financial statements
- (b) Fund financial statements
- (c) Notes to the basic financial statements

**PUBLIC CABLE TELEVISION AUTHORITY**

**Notes to the Basic Financial Statements**

**(Continued)**

**(1) Summary of Significant Accounting Policies (Continued)**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Under the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) associated with their activity are included on the statement of net position. Operating statements present increases (revenues) and decreases (expenses) in total net position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under 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.

Program revenues include charges for services from Public, Education and Government (PEG) programs fees. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program. Franchise fees and other items not properly included among program revenues are reported instead as general revenues. Franchise fees, PEG fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available where cash is received by the government.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets.

When both restricted and unrestricted resources are combined in a fund, expenditures are considered to be paid first from restricted resources, and then from unrestricted resources.

(c) Investments

For financial reporting purposes, investments are adjusted to their fair value whenever the difference between fair market value and the carrying amount is material.

(d) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods, which are accounted for under the consumption method and are recorded as prepaid items in both the government-wide and fund financial statements.

(e) Capital Assets

The Authority's policy is to capitalize assets with an initial individual cost of more than \$500 and an estimated useful life of more than one year. All assets are depreciated on a straight-line basis. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the statement of net position.

**PUBLIC CABLE TELEVISION AUTHORITY**

**Notes to the Basic Financial Statements**

**(Continued)**

**(1) Summary of Significant Accounting Policies (Continued)**

(f) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The Authority does not have any applicable deferred outflows of resources.

In addition to liabilities, the statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any applicable deferred inflows of resources.

(g) Net Position

In the government-wide financial statements, net position is classified in the following categories:

Investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets. The Authority has no debt related to capital assets.

Restricted net position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position - This amount is all net position that does not meet the definition of "investment in capital assets" or "restricted net position".

(h) Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Authority's practice to consider restricted net position to have been depleted before unrestricted net position is applied.

(i) Fund Balances

In the governmental fund financial statements, fund balances are classified in the following categories:

**PUBLIC CABLE TELEVISION AUTHORITY**

**Notes to the Basic Financial Statements**

**(Continued)**

**(1) Summary of Significant Accounting Policies (Continued)**

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers or through enabling legislation. The Authority's restricted fund balance as of June 30, 2022, includes unspent PEG revenues in the amount of \$1,908,891. This amount is restricted exclusively for PEG channel facilities and operating costs per Assembly Bill 2987.

Unassigned - This category is for any balances that have no restrictions placed upon them.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Authority's policy is to apply restricted fund balance first.

When an expenditure is incurred for purposes for which committed or unassigned fund balance classifications could be used, and all those funds are available, the Authority will spend in the order of the committed and unassigned.

(j) Fund Balances

The Authority adopts a budget for expenditures only. Revenues, distributions to members, and capital expenditures are not budgeted.

(k) Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**(2) Cash and Investments**

Cash as of June 30, 2022 is classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 1,604,614
Total cash	<u>\$ 1,604,614</u>

**PUBLIC CABLE TELEVISION AUTHORITY**

**Notes to the Basic Financial Statements**

**(Continued)**

**(2) Cash and Investments (Continued)**

Cash as of June 30, 2022 consisted of the following:

Cash - deposits	\$	443,301
Investment in Local Agency Investment Fund		<u>1,161,313</u>
Total cash	\$	<u>1,604,614</u>

***Investments Authorized by the California Government Code***

The table below identifies the investment types that are authorized for the Authority by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
United States Treasury Obligations	5 years	None	None
United States Government Sponsored Entities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75 million

N/A -Not Applicable

***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 Authority manages its exposure to interest rate risk is by purchasing shorter term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations. The Authority's investments in LAIF are available on demand.

# **PUBLIC CABLE TELEVISION AUTHORITY**

## **Notes to the Basic Financial Statements**

**(Continued)**

### **(2) Cash and Investments (Continued)**

#### ***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 Authority's investments in LAIF are not rated.

#### ***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 and the Authority's investment policy do 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 market 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 deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The Authority's had no deposits with financial institutions that are insured by the Federal Deposit Insurance Corporation.

#### ***Investment in Local Agency Investment Fund (LAIF)***

The Authority is a voluntary participant in LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

#### ***Fair Value Measurements***

The Authority categorizes its fair value measurement within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices for similar assets in active markets (significant other observable inputs), and Level 3 inputs are significant unobservable inputs. The Authority's investment in LAIF is not subject to the fair value measurement hierarchy.

**PUBLIC CABLE TELEVISION AUTHORITY**

**Notes to the Basic Financial Statements**

**(Continued)**

**(3) Capital Assets**

Changes in capital assets for the year ended June 30, 2022, are as follows:

	<u>Balance at June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2022</u>
Capital assets, being depreciated:				
Furniture, fixtures and equipment	\$ 1,935,058	179,902	-	2,114,960
Less accumulated depreciation:				
Furniture, fixtures and equipment	<u>(1,214,209)</u>	<u>-</u>	<u>-</u>	<u>(1,214,209)</u>
Total capital assets, net	<u>\$ 720,849</u>	<u>179,902</u>	<u>-</u>	<u>\$ 900,751</u>

**(4) Franchise Agreement**

In August 1976, the Authority granted a franchise to Dickinson Communications, Ltd. On October 2, 1979, the franchise was assigned to Dickinson Pacific Cablesystems, a partnership (Grantee). The franchise provided for the construction and operation of a CATV within the Cities of Fountain Valley, Westminster, and Stanton, financed entirely by the Grantee through use of its own funds or other private capital.

The original terms of the franchise gave the member cities, or their nominees, the option to purchase the CATV system upon expiration of the franchise term. Alternatively, the member cities could acquire the system by extending the franchise of the Grantee to operate the system for an additional 5 years, at the termination of which Grantee would convey title in the system to the member cities or their nominees. The original term of the franchise was for 15 years to 1994. This was subsequently extended to 1999.

In February of 1989, the Board approved the transfer of the franchise to KBL Cable, Inc., as well as an additional five year extension of the franchise to the year 2004. The Board also approved and the member cities accepted a settlement agreement of ten million dollars, which deleted from the original agreement their rights to purchase the CATV system at the end of the franchise term or to acquire the system at the end of the franchise extension. The Authority distributed the ten million dollars to its participating members in March, 1989.

In February, 1996, Time Warner, Inc. completed its purchase of KBL Cable, Inc. The terms of the Authority's franchise agreement were not changed.

In August 2000, the Authority approved the transfer of control of the franchise granted to Time Warner Inc. to AOL Time Warner, Inc. (AOL).

**PUBLIC CABLE TELEVISION AUTHORITY**

**Notes to the Basic Financial Statements**

**(Continued)**

**(4) Franchise Agreement (Continued)**

In August 2002, AOL/Time Warner sought the Authority's consent to the transfer of the franchise, from AOL to Time Warner Cable Inc. (TWC). The Authority approved the transfer in March 2003. The terms of the Authority's franchise agreement were not changed.

The franchise agreement expired on September 30, 2004. However, the Authority continued to receive franchise fees equal to 5% of gross revenues under the terms of the expired franchise agreement until January 1, 2009, when the provisions of AB 2987 took effect for existing cable television franchisees.

In January 2007, pursuant to AB 2987, the Authority became eligible to receive franchise fees from other video service providers, including Time Warner Cable, Inc. (collectively, the "cable system operators"). In addition to a franchise fee of 5% of gross revenue, new PEG facilities support fee, which was effective January 1, 2009 for existing cable system operators and effective immediately for any new cable system operators. AB 2987 provided that the cable system operators shall pay to the Authority a PEG support fee of 1% of the cable system operators' gross revenues per year from cable television operations within the franchised cities.

On February 15, 2017, the Board adopted ordinance 2017-1 that reauthorized the PEG support fee for Frontier and AT&T. On November 15, 2017, the Board adopted ordinance 2017-2 that reauthorized the PEG support fee for Charter/Spectrum.

**(5) Franchise Fees and Member Distributions**

Under the terms of AB 2987, cable system operators shall pay to the Authority 5% of the cable system operators' gross revenues per year from cable system operations within the franchised cities. For new cable system operators, AB 2987 requirements were effective beginning January 1, 2007. The cable system operators voluntarily made quarterly payments in fiscal year ended June 30, 2022, totaling \$1,264,158.

The Authority uses the franchise fee revenue to pay for the operating expenses for the current year. Any balances remaining are distributed to the participating member cities. During the current year, the participating members total franchise fees (net of expenses) amounted to \$1,139,401. Each member's distributable share was as follows:

Westminster	\$ 460,280
Fountain Valley	495,746
Stanton	<u>183,375</u>
Total	<u>\$1,139,401</u>

**PUBLIC CABLE TELEVISION AUTHORITY**

**Notes to the Basic Financial Statements**

**(Continued)**

**(6) Public, Education and Government (PEG) Support Fees**

Under DIVCA, local entities may require video service providers to provide PEG support fees up to 1% of gross revenues. PCTA has required the video service providers serving its communities to pay to the Authority 1% of the cable system operators' gross revenues per year. As a preexisting cable television franchisee, Time Warner was exempt from paying PEG support fees until January 2008, when Time Warner was transferred to a state franchise. All other video service providers were required to pay PEG support fees under their state franchises beginning as early as January 2007.

During the fiscal year ended June 30, 2022, the PEG support fees amounted to \$462,072.

The Authority uses the PEG support fees to pay for the costs associated with the PEG access channel. During the current year, the Authority had the following PEG channel-related expenditures, which were paid for through PEG support fees:

Salary and insurance	\$ 154,448
Repairs and maintenance	1,122
Professional fees	17,208
Mileage	497
Truck expense	1,324
Seminars and conventions	325
Dues and subscriptions	6,489
Supplies	902
Capital Expenditures	180,991
Miscellaneous	3,055
Video production and streaming equipment	87,835
Equipment video production support	<u>7,876</u>
Total	<u>\$ 462,072</u>

**PUBLIC CABLE TELEVISION AUTHORITY**

**Notes to the Basic Financial Statements**

**(Continued)**

**(7) Prior Period Adjustment**

Fund Balance at beginning of year	\$ 1,908,465
Restatement	<u>305,195</u>
Fund Balance at beginning of year as restated	<u>\$ 1,591,435</u>
Net Position at beginning of year	\$ 2,312,284
Restatement	<u>317,030</u>
Net Position at beginning of year as restated	<u>\$ 2,002,355</u>

A prior period adjustment was recorded to correct reporting errors identified during the current year. As a result, the Fund Balance and Net Position at the beginning of the year were adjusted, as restated. These adjustments were necessary to ensure the financial statements present fairly, in all material respects, the financial position of the entity in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

**REQUIRED SUPPLEMENTARY INFORMATION**

**PUBLIC CABLE TELEVISION AUTHORITY**

**Schedule of Expenditures  
Budget and Actual - General Fund**

**Year ended June 30, 2022**

	Budgeted Amounts		Actual	Variance- Positive (Negative)
	Original	Final		
Expenditures:				
Personal Admin Expense	\$ -	-	11,050	11,050
Operating Admin Expense	-	-	82,572	82,572
PEG channel	-	-	462,072	462,072
Total Budgeted Expenditures	\$ -	\$ -	555,694	555,694
Distributions to members *			1,139,401	1,139,401
Total Expenditures	\$ -	\$ -	1,695,095	1,695,095

\* The Authority does not budget these amounts.

Budgets and Budgetary Data:

The Authority's Executive Director prepares and submits an administrative and PEG budget to the Board of Directors each year. The budget is not adopted in accordance with generally accepted accounting principles. For certain expenditures which are budgeted, the budget does not differ substantially from the modified accrual basis of accounting. The Authority does not budget revenues or distributions to members. The Board of Directors must approve all supplemental appropriations to the budget between major accounts.

See accompanying notes to the basic financial statements.