



FINANCIAL STATEMENTS AND AUDITORS' REPORT
YEAR ENDED JUNE 30, 2007

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of
Marin Emergency Radio Authority

We have audited the accompanying financial statements of the Marin Emergency Radio Authority as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the California State Controller's *Minimum Audit Requirements for California Special Districts*. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marin Emergency Radio Authority as of June 30, 2007, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

The management's discussion and analysis on pages 2 through 4 and required supplemental information on pages 18 and 19 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The other supplemental information presented on page 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. It has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

MaHer Accountancy

April 30, 2008



Marin Emergency Radio Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis provides an overview of the Marin Emergency Radio Authority (MERA) financial activities for the fiscal year ended June 30, 2007. Please read it along with the Authority's financial statements, which begin on page 5.

FINANCIAL HIGHLIGHTS

The Authority's net assets increased by \$228,751. Total operating revenues increased by \$377,917 and total operating expenses increased by \$322,891.

A budgetary comparison schedule is included in the required supplemental information section. That schedule indicates we had a positive variance of \$1,016,983 when comparing actual activity with budgeted.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to MERA's basic financial statements. MERA's basic financial statements comprise two components: (1) government-wide financial statements and (2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of MERA's finances, similar to a private-sector business.

The statement of net assets presents information on all of MERA's assets and liabilities, with the difference between assets and liabilities reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of MERA is improving or deteriorating.

The statement of activities presents information showing how MERA's net assets changed during the fiscal year. All changes in net assets are recognized at the date the underlying event that gives rise to the change occurs, regardless of the timing of the related cash flows.

Management of MERA is a single-purpose entity that has elected to account for its activity as a proprietary fund type under governmental accounting standards. Accordingly, MERA presents only government-wide financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Changes in the MERA's net assets were as follows:

	<u>2007</u>	<u>2006</u>	Increase (decrease)
Current assets	\$ 2,781,031	\$ 1,958,024	\$ 823,007
Capital assets	25,795,328	26,136,568	(341,240)
Restricted assets	2,133,213	2,133,213	-
Other assets	245,196	260,321	(15,125)
Total assets	<u>30,954,768</u>	<u>30,488,126</u>	<u>466,642</u>
Current liabilities	1,666,213	2,524,268	(858,055)
Long-term debt	23,482,652	22,386,706	1,095,946
Total liabilities	<u>25,148,865</u>	<u>24,910,974</u>	<u>237,891</u>
Net assets:			
Invested in capital assets, net of debt	3,542,261	4,282,608	(740,347)
Unrestricted	2,263,642	1,294,544	969,098
Total net assets	<u>\$ 5,805,903</u>	<u>\$ 5,577,152</u>	<u>\$ 228,751</u>

Current assets increased partly because proceeds from a new loan from Citizens Business Bank were not entirely expended during the year. Depreciation of capital assets more than offset the cost of additions to the radio system, resulting in a reduction of capital assets (net of depreciation).

Changes in MERA's revenues and expenses were as follows:

	<u>2007</u>	<u>2006</u>	Increase (decrease)
Operating revenues:			
Member operating payments	\$1,499,300	\$1,118,900	\$ 380,400
Other		2,483	(2,483)
Total operating revenues	<u>1,499,300</u>	<u>1,121,383</u>	<u>377,917</u>
Operating expenses	<u>3,238,058</u>	<u>2,915,167</u>	<u>322,891</u>
Income (loss) from operations	(1,738,758)	(1,793,785)	55,027
Non-operating revenues (expenses):			
Member service payments	2,250,212	2,133,213	116,999
Bolinás site reimbursement	438,389		438,389
Bodega Bay site reimbursement	134,258		131,775
Interest income	283,573	257,600	25,973
Amortization	(15,125)	(15,125)	-
Interest expense	(1,123,798)	(1,132,459)	8,661
Total non-operating revenues (expenses)	<u>1,967,509</u>	<u>1,243,229</u>	<u>724,280</u>
Increase (decrease) in net assets	<u>\$ 228,751</u>	<u>\$ (550,556)</u>	<u>\$ 779,307</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Member operating and service payments increased based on our budget that was approved at the beginning of the year. We received reimbursements from the County of Marin and certain sub-tenants for the improvements at the Bolinas and Bodega Bay sites.

CAPITAL ASSET AND DEBT ADMINISTRATION

During the fiscal year, the Authority invested \$1,558,281 in communication systems and other equipment. As scheduled, MERA paid bond principal of \$1,000,000 and approximately \$1,028,000 of bond interest. MERA also borrowed \$2,250,000 to provide financing for the final costs of building the radio system.

THE FUTURE OF THE AUTHORITY

The Marin Emergency Radio Authority completed construction of all its transmit/receive sites and became fully operational in December 2006. During FY06-07, the Authority also transferred responsibility for MERA's day to day operations, including system repairs, maintenance and user technical training to the Marin County Department of Public Works. The Authority is pursuing grant funding for future system interoperability with other Bay Area organizations.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Authority's finances and to demonstrate MERA's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to 371 Bel Marin Keys Boulevard, Suite 100, Novato, CA 94949.

Respectively submitted,

Michael Garvey

Interim Executive Officer

BASIC FINANCIAL STATEMENTS

DRAFT

MARIN EMERGENCY RADIO AUTHORITY

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2007**

ASSETS

Current assets:

Cash in Marin County Treasury	\$ 2,564,104
Accounts receivable	88,258
Prepaid expenses	23,522
Investments with fiscal agent	<u>105,147</u>

Total current assets 2,781,031

Capital assets, net of \$4,855,117 accumulated depreciation 25,795,328

Restricted assets:

Investments with fiscal agent 2,133,213

Other Assets:

Bond issuance costs, less accumulated
amortization of \$87,543 245,196

Total assets 30,954,768

LIABILITIES

Current liabilities:

Accounts payable	21,930
Accrued interest	444,520
Deferred revenue	50,939
Note principal payable within one year	108,824
Bond principal payable within one year	<u>1,040,000</u>

Total current liabilities 1,666,213

Noncurrent liabilities

Notes payable after one year 2,141,176
Bonds payable after one year 21,341,476

Total noncurrent liabilities 23,482,652

Total liabilities 25,148,865

NET ASSETS

Invested in capital assets, net of related debt 3,542,261
Unrestricted 2,263,642

Total net assets \$ 5,805,903

MARIN EMERGENCY RADIO AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2007

OPERATING REVENUES:

Member operating payments	\$ 1,499,300
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OPERATING EXPENSES:

General insurance	29,456
Site maintenance	11,324
County system maintenance	613,989
Office supplies	841
Rent	253,651
Miscellaneous	1,782
Contract services	342,602
Telephone	3,630
Legal fees	5,375
Accounting and audit fees	12,600
Utilities	63,287
Depreciation	<u>1,899,521</u>

Total operating expense	<u>3,238,058</u>
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Operating income (loss)	(1,738,758)
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NONOPERATING REVENUES (EXPENSES):

Member service payments	2,250,212
Bolinas site reimbursement	438,389
Bodega Bay site reimbursement	134,258
Interest income	283,573
Amortization of bond issuance costs	(15,125)
Interest expense	<u>(1,123,798)</u>

Total nonoperating revenues (expenses)	<u>1,967,509</u>
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INCREASE (DECREASE) IN NET ASSETS	228,751
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Net assets at beginning of the year	<u>5,577,152</u>
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Net assets at end of the year	<u><u>\$ 5,805,903</u></u>
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MARIN EMERGENCY RADIO AUTHORITY

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES:

Member contributions	\$ 1,499,300
Operating expenses	<u>(1,511,306)</u>
Net cash provided by (used for) operating activities	<u>(12,006)</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Member service payments	2,233,802
Bolinas site reimbursement	438,389
Bodega Bay site reimbursement	46,000
Proceeds from long-term debt	2,250,000
Additions to capital assets	(2,419,069)
Bond principal payments	(1,000,000)
Interest payments	<u>(1,109,462)</u>
Net cash used for capital activities and related financing activities	<u>439,660</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	<u>280,757</u>
Net cash provided by investing activities	<u>280,757</u>

Net increase (decrease) in cash and cash equivalents	708,411
Cash and cash equivalents at beginning of year	<u>1,855,693</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,564,104</u></u>

**RECONCILIATION OF OPERATING INCOME
(LOSS) TO NET CASH PROVIDED (USED)
BY OPERATING ACTIVITIES**

Operating income (loss)	\$ (1,738,758)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation, an expense not requiring the use of cash	1,899,521
(Increase) decrease in prepaid expenses	(23,522)
Increase (decrease) in accounts payable	<u>(149,247)</u>
Net cash provided by operating activities	<u><u>\$ (12,006)</u></u>

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

MARIN EMERGENCY RADIO AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Marin Emergency Radio Authority (MERA) is a joint powers authority created on February 28, 1998 by and among the County of Marin and certain public agencies within the County (collectively, the "Members"). MERA was formed to plan, finance, implement, manage, own and operate a multi-jurisdictional and countywide public safety and emergency radio system. This radio system will be used by member agencies in the law enforcement, fire management, emergency medical, road maintenance, transit, public works, local government and other county-based entities in Marin County. MERA is governed by a Board of Directors comprised of one appointed official from each participating member

INTRODUCTION

MERA's financial statements are prepared in accordance with generally accepted accounting principals (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations.). Government proprietary funds (such as MERA) are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

BASIS OF ACCOUNTING

The Authority's operations are accounted for as a governmental enterprise fund. GAAP requires that enterprise funds use the accrual basis of accounting – similar to business enterprises. Accordingly, revenues are recognized when they are earned and expenses are recognized at the time liabilities are incurred.

MARIN EMERGENCY RADIO AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

The Authority distinguishes between operating and nonoperating activities. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an entities principal ongoing operation. The principal operating revenues of the Authority are budgeted member payments. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition, including member contributions made to service debt (service payments), are reported as non-operating revenues and expenses.

FINANCIAL STATEMENT AMOUNTS

CASH AND CASH EQUIVALENTS:

For purpose of the statement of cash flows, MERA has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with fiscal agent (County of Marin).

Investments:

Investments with fiscal agents are stated at fair value. These investments consist of cash and cash equivalents administered by the Bank of New York held in connection with the Marin Emergency Radio Authority 1999 Revenue Bonds (see Note 4).

Capital Assets:

MERA capitalized all costs directly associated with the acquisition, development and construction of the public safety and emergency radio system (the "Project"). Costs include the backbone system, user equipment, fire station alerting equipment, improvements to communications centers and construction-period interest and other project development costs. Depreciation is computed on the straight-line basis over an estimated useful life of twenty years.

MARIN EMERGENCY RADIO AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL STATEMENT AMOUNTS (continued)

Member payments:

Each member agrees to pay the cost of financing the acquisition of certain public safety radio equipment (“Service Payments”) and the cost of annual operations (“Operating Payments”) in an amount determined by the MERA Board for each operating period. All service payments have been assigned by MERA to the trustee in trust; pursuant to its bond indenture (see Note 4).

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. CASH AND INVESTMENTS

MERA maintains most of its cash in the County of Marin pooled investment fund for the purpose of increasing interest earnings through pooled investment activities. Interest earned on the investment pool is allocated quarterly to the participating funds using the daily cash balance of each fund. This pool, which is available for use by all funds, is displayed in the financial statements as “Cash.”

The County Pool includes both voluntary and involuntary participation from external entities. The State of California statutes require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer.

The County’s investment pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and by the County’s investment policy. The objectives of the policy are in order of priority, safety, liquidity, yield, and public trust. The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the types of investments in the pool, maturity dates, par value, actual costs and fair value.

MARIN EMERGENCY RADIO AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2007

2. CASH AND INVESTMENTS (continued)

Under MERA's investment policy, and in accordance with Section 53601 of the California Government Code, MERA may invest in the following:

- Securities of the U.S. government or its agencies
- Bankers acceptances
- Commercial paper
- Medium term corporate notes
- California Local Agency Investment Fund ("LAIF")
- Passbook savings account demand deposits
- Guaranteed investment contracts
- Mutual funds
- Repurchase agreements (not to exceed 30 days)
- Collateralized mortgage obligations

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates. MERA has not adopted a policy to manage interest rate risk.

In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment pool to 540 days, or 1.5 years. At June 30, 2007, the County's investment pool had a weighted average maturity of 238 days.

For purposes of computing weighted average maturity, the maturity date of variable rate notes is the length of time until the next reset date rather than the stated maturity date.

MARIN EMERGENCY RADIO AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

2. CASH AND INVESTMENTS (continued)

CREDIT RISK

State law and the County's Investment Policy limits investments in commercial paper, corporate bonds, and medium term notes to the rating of "A" or higher as provided by Moody's Investors Service or Standard & Poor's Corporation. The County's Investment Policy limits investments purchased by Financial Institution Investment Accounts, a type of mutual fund, to United States Treasury and Agency obligations with a credit quality rating of "AAA." MERA's only non-cash investment is a Guaranteed Investment Contract agreement with MBIA Management Investment Corp. in the amount of \$2,133,212. The contract is rated Triple-A by Moody's Investors Service and Standard & Poor's Ratings Service.

CONCENTRATION OF CREDIT RISK

This is the risk of loss attributed to the concentration of MERA's investment in a single issuer. As previously mentioned, all MERA's investments are concentrated in a Guaranteed Investment Contract with MBIA.

The following is a summary of the concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2007.

Investments in Investment Pool	<u>Percent of Portfolio</u>
U.S. Agency	53%
U.S. Treasury	22%
Local Agency Investment Fund	5%
Money market funds	3%
Certificates of deposits	10%
Commercial paper	7%
	<hr/>
	100%

MARIN EMERGENCY RADIO AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

2. CASH AND INVESTMENTS (continued)

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that in the event of a financial institution's failure, MERA would not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. MERA's deposits are not exposed to custodial credit risk as its deposits are eligible for and covered by "pass-through insurance" in accordance with applicable law and FDIC rules and regulations.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, MERA would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in MERA's name, and held by the counterparty. MERA's investment securities are not exposed to custodial credit risk because all securities are held by MERA's custodial bank in MERA's name.

LOCAL AGENCY INVESTMENT FUND

The County Treasurer's Pool maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisor Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute.

MARIN EMERGENCY RADIO AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Ending Balance
Motorola communications system	\$22,646,131	\$1,449,203	\$24,095,334
Other capitalized services	3,145,236	109,078	3,254,314
Capitalized interest costs, net	3,140,798		3,140,797
Land and improvements	160,000		160,000
	<u>29,092,165</u>	<u>1,558,281</u>	<u>30,650,445</u>
Less accumulated depreciation	<u>2,955,596</u>	<u>1,899,521</u>	<u>4,855,117</u>
Total capital assets	<u>\$26,136,569</u>	<u>\$ (341,240)</u>	<u>\$25,795,328</u>

4. BONDS PAYABLE

MERA's debt issues and transactions for the year ended June 30, 2007 are summarized below and discussed in detail subsequently:

	Beginning Balance	Additions	Dispositions	Ending Balance
MERA 1999 Revenue Bonds	\$ 23,310,000		\$ 1,000,000	\$ 22,310,000
Unamortized premium	211,407		14,414	196,993
Unamortized discount	(134,701)		(9,184)	(125,517)
	<u>23,386,706</u>	<u>-</u>	<u>1,005,230</u>	<u>22,381,476</u>
Less current portion	<u>1,000,000</u>	<u>\$ 1,040,000</u>	<u>1,000,000</u>	<u>1,040,000</u>
Bonds payable after one year	<u>\$ 22,386,706</u>	<u>\$ (1,040,000)</u>	<u>\$ 5,230</u>	<u>\$ 21,341,476</u>

MARIN EMERGENCY RADIO AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

4. BONDS PAYABLE (continued)

The Marin Emergency Radio Authority 1999 Revenue Bonds (Bonds) were issued for the purpose of providing funds to finance the acquisition public safety radio equipment. Bonds in the principal amount of \$26,940,000 were issued in February 1999 by MERA. The Bonds provide for annual interest ranging from 3.45% to 5.01%. Principal payments are payable annually on August 15th. Interest payments are payable semiannually on August 15 and February 15. Bonds maturing after August 1, 2009 are subject to call on any interest payment date at par, plus a premium of 1% to 2% of the principal amount. The Bonds are special obligations of MERA and are secured by the Members' service payments (see Note 1).

Minimum future obligations for debt services are as follows:

	Principal	Interest	Total
Year ended June 30,			
2008	\$ 1,040,000	\$ 1,059,712	\$ 2,099,712
2009	1,090,000	1,006,462	2,096,462
2010	1,145,000	950,587	2,095,587
2011	1,205,000	891,837	2,096,837
2012	1,265,000	830,087	2,095,087
2013-2017	7,300,000	3,144,877	10,444,877
2018-2022	9,265,000	1,488,769	10,753,769
	<u>\$22,310,000</u>	<u>\$ 9,372,331</u>	<u>\$31,682,331</u>

MARIN EMERGENCY RADIO AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

5. NOTE PAYABLE

On February 1, 2007, the Authority borrowed \$2,250,000 from Citizens Business Bank. The note is being amortized over 14 ½ years at an interest rate of 4.43% per year. Interest is due each February and August and principal is due in August of each year. Debt service payments will be funded by member operating payments.

Minimum future obligations for debt services are as follows:

	Principal	Interest	Total
Year ended June 30,			
2008	\$ 108,824	\$ 99,675	\$ 208,499
2009	113,645	94,854	208,499
2010	118,679	89,820	208,499
2011	123,937	84,562	208,499
2012	129,427	79,072	208,499
2013-2017	738,393	304,102	1,042,495
2018-2022	917,095	125,400	1,042,495
	<u>\$ 2,250,000</u>	<u>\$ 877,485</u>	<u>\$ 3,127,485</u>

6. RISK MANAGEMENT

MERA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. During the year, MERA purchased liability and property insurance as part of a group of municipalities. Coverage for general liability, errors and omissions and non-owned automobile was \$4,000,000 after a \$50,000 deductible. Property coverage was purchased for values of \$13,700,000, with automatic coverage of up to \$40,000,000 of additional property if added. A sublimit of \$1,000,000 applied to fire damage liability.

MARIN EMERGENCY RADIO AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

7. COMMITMENTS AND CONTINGENCIES

At June 30, 2007, MERA has lease commitments for various site communication facilities. The leases have terms ranging from five to twenty years and provide for various rental payment requirements including some at little or no cost. Certain of the leases contain options to extend for additional five year periods. Certain lessors that are Members of MERA have waived any lease fees under their agreements. Rental expense was \$254,000 for 2007.

Future minimum lease payments under the leases are as follows:

Year ended June 30,	
2008	\$ 279,601
2009	267,270
2010	147,086
2011	61,345
2012	64,651
Thereafter	980,393
	<u>\$ 1,800,346</u>

8. RELATED PARTY TRANSACTIONS

The County of Marin, which is a member of MERA, was paid \$611,000 for maintenance services.

REQUIRED SUPPLEMENTAL INFORMATION

DRAFT

MARIN EMERGENCY RADIO AUTHORITY

**BUDGET COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2007**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest		\$ 283,573	\$ 283,573
Contributions from member agencies	\$ 1,499,300	1,499,300	-
Bolinas site reimbursement		438,389	438,389
Other		134,258	134,258
	<u>1,499,300</u>	<u>2,355,520</u>	<u>856,220</u>
EXPENDITURES			
General insurance	36,800	29,456	7,344
Site maintenance	30,000	11,324	18,676
County system maintenance	678,000	613,989	64,011
Office supplies	500	841	(341)
Rent	272,100	253,651	18,449
Miscellaneous expenses	25,000	1,782	23,218
Contract services	272,400	342,602	(70,202)
Telephone services	3,600	3,630	(30)
Legal expenses	50,000	5,375	44,625
Accounting and audit fees	20,000	12,600	7,400
Utilities	60,900	63,287	(2,387)
General contingencies	50,000		50,000
	<u>1,499,300</u>	<u>1,338,537</u>	<u>160,763</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 1,016,983</u>	<u>\$ 1,016,983</u>

MARIN EMERGENCY RADIO AUTHORITY

**BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30 2007
(continued)**

**Reconciliation to Statement of Revenues and Expenses
and Changes in Fund Net Assets**

Excess of sources over uses - budgetary basis	\$ 1,016,983
Depreciation expense	(1,899,521)
Member service payments used to pay bond principal and interest	2,250,212
Interest expense	(1,123,798)
Amortization expense	<u>(15,125)</u>
Increase (decrease) in net assets	<u><u>\$ 228,751</u></u>

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OTHER SUPPLEMENTAL INFORMATION

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**MARIN EMERGENCY RADIO AUTHORITY
OTHER SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30 2007**

	Member Operating Payments	Member "Service" Payments	
		Bonds	Note
City of Belvedere	\$ 14,420	\$ 16,411	\$ 1,197
Bolinas Fire Protection District	8,823	12,776	733
College of Marin	5,419	*	450
Town of Corte Madera	21,357	33,480	1,773
Town of Fairfax	30,017	42,727	2,493
Inverness Public Utility District	7,470	12,010	620
Kentfield Fire Protection District	12,170	14,434	1,011
City of Larkspur	25,502	39,815	2,118
County of Marin	522,894	747,209	43,420
Marin County Transit District	14,947	25,083	1,241
Marinwood Community Services District	13,295	18,196	1,104
City of Mill Valley	68,161	90,789	5,660
Marin Municipal Water District	6,259	20,343	520
Novato Fire Protection District	80,239	104,032	6,663
City of Novato	169,331	221,754	14,061
Town of Ross	14,192	17,282	1,179
Ross Valley Fire Department	26,527	34,309	2,203
Town of San Anselmo	44,915	64,260	3,730
City of San Rafael	222,900	359,522	18,509
City of Sausalito	40,885	60,136	3,395
Skywalker Ranch	5,447	*	452
Southern Marin Fire Protection District	25,658	35,223	2,131
Stinson Beach Fire Projection District	7,954	13,073	660
Tiburon Fire Protection District	17,867	23,170	1,484
Town of Tiburon	33,820	39,305	2,808
Twin Cities Police Department	58,831	80,373	4,885
	<u>\$ 1,499,300</u>	<u>\$ 2,125,712</u>	<u>\$ 124,500</u>

* Not required to pay service payments or previously paid