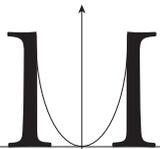


FINANCIAL STATEMENTS AND AUDITORS' REPORT  
YEAR ENDED JUNE 30, 2008

## TABLE OF CONTENTS

Independent Auditors' Report	1
Management's Discussion and Analysis	2
Financial Statements:	
Statement of Net Assets	5
Statement of Revenues, Expenses and Changes in Fund Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8
Required Supplemental Information:	
Budget Comparison Schedule-Operating (General) Fund	18
Budgetary Comparison Schedule-Debt Service Fund	19
Budgetary Comparison Schedule-Capital Projects Fund	20
Budgetary Comparison Schedule-Maintenance Fund	21
Budgetary Comparison Schedule-Replacement Fund	22
Reconciliation of Activity Presented in Budgetary Schedules to Statement of Revenues, Expenses and Changes in Net Assets (GAAP Basis)	23
Other Supplemental Information:	
Member Operating and Service Payments	24



## 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, 2008, 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, 2008, 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 through 23 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 24 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*

January 20, 2009



# **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, 2008. Please read it along with the Authority's financial statements, which begin on page 5.

### **FINANCIAL HIGHLIGHTS**

The Authority's net assets decreased by \$191,000. Total revenues decreased by \$219,000 and total operating expenses increased by \$191,000.

A budgetary comparison schedule is included in the required supplemental information section. That schedule indicates we had a positive variance of \$331,000 when comparing actual activity with budgeted activity for the general fund.

### **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:

	<b>2008</b>	<b>2007</b>	<b>Increase (decrease)</b>
Current assets	\$ 3,296,713	\$ 2,781,031	\$ 515,682
Capital assets	23,970,091	25,795,328	(1,825,237)
Restricted assets	2,133,213	2,133,213	-
Other assets	230,071	245,196	(15,125)
Total assets	<u>29,630,088</u>	<u>30,954,768</u>	<u>(1,324,680)</u>
Current liabilities	1,741,377	1,666,213	75,164
Long-term debt	22,273,776	23,482,652	(1,208,876)
Total liabilities	<u>24,015,153</u>	<u>25,148,865</u>	<u>(1,133,712)</u>
Net assets:			
Invested in capital assets, net of debt	2,855,954	3,542,261	(686,307)
Unrestricted	2,758,981	2,263,642	495,339
Total net assets	<u>\$ 5,614,935</u>	<u>\$ 5,805,903</u>	<u>\$ (190,968)</u>

The increase in current assets is primarily a result of revenue outpacing expenditures. 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). Scheduled bond and loan payments resulted in a decrease in long-term debt.

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

	<b>2008</b>	<b>2007</b>	<b>Increase (decrease)</b>
Operating revenues:			
Member operating payments	\$1,716,928	\$1,499,300	\$ 217,628
Operating expenses	3,429,507	3,238,058	191,449
Income (loss) from operations	<u>(1,712,579)</u>	<u>(1,738,758)</u>	<u>26,179</u>
Non-operating revenues (expenses):			
Member service payments	2,348,703	2,250,212	98,491
Interest income	321,180	283,573	37,607
Other income		572,647	(572,647)
Amortization	(15,125)	(15,125)	-
Interest expense	<u>(1,133,147)</u>	<u>(1,123,798)</u>	<u>(9,349)</u>
Total non-operating revenues (expenses)	<u>1,521,611</u>	<u>1,967,509</u>	<u>(445,898)</u>
Increase (decrease) in net assets	<u>\$ (190,968)</u>	<u>\$ 228,751</u>	<u>\$ (419,719)</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 during 2006-07 that did not recur in 2007-08, which accounted for a reduction in other income. Higher system maintenance expense accounted for the increase in services and supplies.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

As scheduled, MERA paid bond principal of \$1,040,000 and approximately \$1,035,000 of bond interest. Additionally, loan principal of \$109,000 and loan interest of \$98,000 was paid.

**THE FUTURE OF THE AUTHORITY**

Construction of the \$29 million system was completed in 2006. Day-to-day operations of the system have been successful. Communications during significant events in FY07-08 have focused the Authority's efforts on system capacity and coverage issues and policies and procedures. MERA will be engaging in strategic planning for the future of the system to deal with the evolving needs of its members and changes in technology. The Authority continues to pursue Homeland Security grant funding for greater system interoperability with other Bay Area County public agencies.

**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,

*Maureen Cassingham*

Executive Officer

## **BASIC FINANCIAL STATEMENTS**

**MARIN EMERGENCY RADIO AUTHORITY**

**STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2008**

**ASSETS**

Current assets:

Cash in Marin County Treasury	\$ 3,162,899
Prepaid expenses	28,448
Investments with fiscal agent	<u>105,366</u>

Total current assets 3,296,713

Capital assets, net of \$6,757,326 accumulated depreciation 23,970,091

Restricted assets:

Investments with fiscal agent 2,133,213

Other Assets:

Bond issuance costs, less accumulated  
amortization of \$102,668 230,071

Total assets 29,630,088

**LIABILITIES**

Current liabilities:

Accounts payable	79,677
Accrued interest	423,512
Deferred revenue	34,543
Note principal payable within one year	113,645
Bond principal payable within one year	<u>1,090,000</u>

Total current liabilities 1,741,377

Noncurrent liabilities

Notes payable after one year	2,027,531
Bonds payable after one year	<u>20,246,245</u>

Total noncurrent liabilities 22,273,776

Total liabilities 24,015,153

**NET ASSETS**

Invested in capital assets, net of related debt 2,855,954

Unrestricted 2,758,981

Total net assets \$ 5,614,935

**MARIN EMERGENCY RADIO AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**YEAR ENDED JUNE 30, 2008**

<b>OPERATING REVENUES:</b>	
Member operating payments	\$ 1,716,928
<b>OPERATING EXPENSES:</b>	
General insurance	24,771
Site maintenance	5,484
County system maintenance	925,936
Office supplies	437
Rent	277,631
Miscellaneous	20
Contract services	205,389
Telephone	3,317
Legal fees	8,837
Accounting and audit fees	14,836
Utilities	60,640
Depreciation	<u>1,902,209</u>
Total operating expense	<u>3,429,507</u>
Operating income (loss)	(1,712,579)
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Member service payments	2,348,703
Interest income	321,180
Amortization of bond issuance costs	(15,125)
Interest expense	<u>(1,133,147)</u>
Total nonoperating revenues (expenses)	<u>1,521,611</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(190,968)
Net assets at beginning of the year	<u>5,805,903</u>
Net assets at end of the year	<u><u>\$ 5,614,935</u></u>

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

**MARIN EMERGENCY RADIO AUTHORITY**

**STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2008**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Member contributions	\$ 1,716,928
Operating expenses	<u>(1,474,477)</u>
Net cash provided by (used for) operating activities	<u>242,451</u>

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

Member service payments	2,332,307
Bodega Bay site reimbursement	88,258
Additions to capital assets	(76,972)
Bond principal payments	(1,040,000)
Note principal payments	(108,824)
Interest payments	<u>(1,159,386)</u>
Net cash used for capital activities and related financing activities	<u>35,383</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest income	<u>320,961</u>
Net cash provided by investing activities	<u>320,961</u>

Net increase (decrease) in cash and cash equivalents	598,795
Cash and cash equivalents at beginning of year	<u>2,564,104</u>
Cash and cash equivalents at end of year	<u>\$ 3,162,899</u>

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

Operating income (loss)	\$ (1,712,579)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation, an expense not requiring the use of cash	1,902,209
(Increase) decrease in prepaid expenses	(4,926)
Increase (decrease) in accounts payable	<u>57,747</u>
Net cash provided by operating activities	<u>\$ 242,451</u>

# **MARIN EMERGENCY RADIO AUTHORITY**

## **NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008**

### **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 principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations.). Government 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, 2008**

**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 estimated useful lives of ten and twenty years, depending on the nature of the assets.

# MARIN EMERGENCY RADIO AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008

### 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, 2008

### 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, 2008, the County's investment pool had a weighted average maturity of 218 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, 2008**

**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 was rated A2 by Moody's Investors Service as of June 30, 2008. On November 10, 2008, Moody's downgraded the contract to Baa1.

**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, 2008.

<b>Investments in Investment Pool</b>	<b><u>Percent of Portfolio</u></b>
U.S. Agency	65%
U.S. Treasury	11%
Local Agency Investment Fund	2%
Money market funds	6%
Certificates of deposits	11%
Bankers acceptances	4%
Commercial paper	1%
	<hr/>
	100%

**MARIN EMERGENCY RADIO AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**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, 2008**

**3. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Motorola communications system	\$24,095,334		\$24,095,334
Other capitalized services	3,254,314	\$ 76,972	3,331,286
Capitalized interest costs, net	3,140,797		3,140,797
Land and improvements	160,000		160,000
	<u>30,650,445</u>	<u>76,972</u>	<u>30,727,417</u>
Less accumulated depreciation	<u>4,855,117</u>	<u>1,902,209</u>	<u>6,757,326</u>
Total capital assets	<u><u>\$25,795,328</u></u>	<u><u>\$(1,825,237)</u></u>	<u><u>\$23,970,091</u></u>

**4. BONDS PAYABLE**

MERA's debt issues and transactions for the year ended June 30, 2008 are summarized below and discussed in detail subsequently:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
MERA 1999 Revenue Bonds	\$ 22,310,000		\$ 1,040,000	\$ 21,270,000
Unamortized premium	196,993		14,415	182,578
Unamortized discount	(125,517)		(9,184)	(116,333)
	<u>22,381,476</u>	<u>-</u>	<u>1,045,231</u>	<u>21,336,245</u>
Less current portion	<u>1,040,000</u>	<u>\$ 1,090,000</u>	<u>1,040,000</u>	<u>1,090,000</u>
Bonds payable after one year	<u><u>\$ 21,341,476</u></u>	<u><u>\$ (1,090,000)</u></u>	<u><u>\$ 5,231</u></u>	<u><u>\$ 20,246,245</u></u>

**MARIN EMERGENCY RADIO AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**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 15, 2009 may be early redeemed at 101% of face value until August 2010, 100.5% until August 2011, and 100% thereafter. 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:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ended June 30,			
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	1,325,000	768,720	2,093,720
2014-2018	7,660,000	2,776,296	10,436,296
2019-2022	7,580,000	741,001	8,321,001
	<u>\$21,270,000</u>	<u>\$ 7,964,990</u>	<u>\$29,234,990</u>

# MARIN EMERGENCY RADIO AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008

### 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. The loan agreement provides that early payment of the note, in part or in whole, may be made at par commencing August 15, 2011. Debt service payments will be funded by member operating payments.

Changes during the year were as follows:

Balance as of June 30, 2007	\$ 2,250,000
Principal paid	<u>(108,824)</u>
Balance as of June 30, 2008	<u>\$ 2,141,176</u>

Minimum future obligations for debt services are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ended June 30,			
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	135,161	73,338	208,499
2014-2018	771,104	271,392	1,042,496
2019-2022	<u>749,223</u>	<u>84,772</u>	<u>833,995</u>
	<u>\$ 2,141,176</u>	<u>\$ 777,810</u>	<u>\$ 2,918,986</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, 2008**

**7. COMMITMENTS AND CONTINGENCIES**

At June 30, 2008, 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 \$278,000 for 2008.

Future minimum lease payments under the leases are as follows:

Year ended June 30,	
2009	\$ 290,939
2010	249,136
2011	260,323
2012	272,084
2013	284,447
Thereafter	<u>2,932,624</u>
	<u>\$ 4,289,553</u>

**8. RELATED PARTY TRANSACTIONS**

The County of Marin, which is a member of MERA, was paid \$926,000 for maintenance services.

**REQUIRED SUPPLEMENTAL INFORMATION**

**MARIN EMERGENCY RADIO AUTHORITY**

**BUDGET COMPARISON SCHEDULE-GENERAL FUND  
YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>				
Member contributions	\$1,716,926	\$1,716,926	\$1,716,928	\$ 2
Interest			53,910	53,910
Total sources	1,716,926	1,716,926	1,770,838	53,912
<b>EXPENDITURES</b>				
General insurance	38,640	38,640	24,771	13,869
Site maintenance	30,000	30,000	5,484	24,516
County system maintenance	640,094	640,094	552,557	87,537
County training/tech	201,000	286,000	206,712	79,288
County communication engineer	159,642	159,642	166,667	(7,025)
Office supplies	500	500	437	63
Rent	285,705	285,705	277,631	8,074
Miscellaneous expenses	25,000	25,000	20	24,980
Contract services	113,800	113,800 *	202,739	(88,939)
Legal expenses	25,000	25,000	8,837	16,163
Accounting and audit fees	30,000	30,000	14,836	15,164
Utilities	67,545	67,545	63,957	3,588
General contingencies	100,000	100,000		100,000
Total services and supplies	<u>1,716,926</u>	<u>1,801,926</u>	<u>1,524,648</u>	<u>277,278</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (85,000)</u>	246,190	<u>\$ 331,190</u>
Fund balance at beginning of year			<u>86,760</u>	
Fund balance at end of year			<u>\$ 332,950</u>	

\* In December 2008, the Board approved an increase of \$55,020 for this category. That increase is not included in the budget amount indicated above.

**MARIN EMERGENCY RADIO AUTHORITY**

**BUDGET COMPARISON SCHEDULE-DEBT SERVICE FUND  
YEAR ENDED JUNE 30, 2008**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Member contributions	\$2,123,803	\$2,123,703	\$ (100)
Interest		172,799	172,799
	<u>2,123,803</u>	<u>2,296,502</u>	<u>172,699</u>
<b>EXPENDITURES</b>			
Contract services		2,650	
Debt service			
Principal		1,040,000	
Interest		1,059,712	
	<u>2,123,803</u>	<u>2,102,362</u>	<u>21,441</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	194,140	<u>\$ 194,140</u>
Fund balance at beginning of year		<u>2,758,673</u>	
Fund balance at end of year		<u><u>\$2,952,813</u></u>	

**MARIN EMERGENCY RADIO AUTHORITY**

**BUDGET COMPARISON SCHEDULE-CAPITAL PROJECTS  
YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>				
Member contributions	\$225,000	\$ 225,000	\$ 225,000	\$ -
Interest			<u>56,724</u>	<u>56,724</u>
Total sources	225,000	225,000	281,724	56,724
<b>EXPENDITURES</b>				
Capital outlay			76,972	
Debt service				
Principal			108,824	
Interest			<u>99,675</u>	
Total expenditures	<u>225,000</u>	<u>375,000</u>	<u>285,471</u>	<u>89,529</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	<u>\$(150,000)</u>	\$ (3,747)	<u>\$ 146,253</u>
Fund balance at beginning of year			<u>1,158,012</u>	
Fund balance at end of year			<u><u>\$1,154,265</u></u>	

**MARIN EMERGENCY RADIO AUTHORITY**

**BUDGET COMPARISON SCHEDULE-MAINTENANCE FUND  
YEAR ENDED JUNE 30, 2008**

	<b><u>Original and Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Positive (Negative)</u></b>
<b>REVENUES</b>			
Interest	<u>\$ -</u>	<u>\$ 18,869</u>	<u>\$ 18,869</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	<u>18,869</u>	<u>\$ 18,869</u>
Fund balance at beginning of year		<u>418,927</u>	
Fund balance at end of year		<u><u>\$437,796</u></u>	

**MARIN EMERGENCY RADIO AUTHORITY**

**BUDGET COMPARISON SCHEDULE-REPLACEMENT FUND  
YEAR ENDED JUNE 30, 2008**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Interest	<u>\$ -</u>	<u>\$ 18,878</u>	<u>\$ 18,878</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	18,878	<u>\$ 18,878</u>
Fund balance at beginning of year		419,004	
Fund balance at end of year		<u>\$437,882</u>	

**MARIN EMERGENCY RADIO AUTHORITY**

**BUDGETARY COMPARISON SCHEDULE  
RECONCILIATION OF ACTIVITY PRESENTED IN BUDGETARY  
SCHEDULES TO STATEMENT OF REVENUES, EXPENSES  
AND CHANGES NET ASSETS (GAAP BASIS)  
YEAR ENDED JUNE 30 2008**

	<u>REVENUES</u>	<u>EXPENDITURE S/ EXPENSES</u>	<u>EXCESS</u>
<b>Budgetary basis:</b>			
Operating (General) Fund	\$ 1,770,838	\$ 1,524,648	\$ 246,190
Debt Service Fund	2,296,502	2,102,362	194,140
Capital Projects Fund	281,724	285,471	(3,747)
Maintenance Fund	18,869		18,869
Replacement Fund	18,878		18,878
Totals - Budgetary basis	<u>4,386,811</u>	<u>3,912,481</u>	<u>474,330</u>
<b>Adjustments</b>			
Capital outlay expenditures		(76,972)	76,972
Debt principal payments		(1,148,824)	1,148,824
Amortization of bond premium		(5,232)	5,232
Change in accrued interest		(21,008)	21,008
Depreciation expense		1,902,209	(1,902,209)
Amortization of loan issuance costs		15,125	(15,125)
Total adjustments		<u>665,298</u>	<u>(665,298)</u>
<b>GAAP Basis</b>	<u>\$ 4,386,811</u>	<u>\$ 4,577,779</u>	<u>\$ (190,968)</u>

## **OTHER SUPPLEMENTAL INFORMATION**

**MARIN EMERGENCY RADIO AUTHORITY**

**SCHEDULE OF MEMBER OPERATING AND SERVICE PAYMENTS  
YEAR ENDED JUNE 30, 2008**

	<b>Member</b>	<b>Member "Service" Payments</b>	
	<b>Operating Payments</b>	<b>Bonds</b>	<b>Note</b>
City of Belvedere	\$ 16,514	\$ 16,395	\$ 2,164
Bolinas Fire Protection District	10,103	12,763	1,324
College of Marin	6,205	*	813
Town of Corte Madera	24,457	33,448	3,205
Town of Fairfax	34,374	42,687	4,505
Inverness Public Utility District	8,554	11,999	1,121
Kentfield Fire Protection District	13,936	14,420	1,826
City of Larkspur	29,203	39,777	3,827
County of Marin	598,793	746,506	78,471
Marin County Transit District	17,117	25,060	2,243
Marinwood Community Services District	15,225	18,179	1,995
City of Mill Valley	78,054	90,704	10,229
Marin Municipal Water District	7,167	20,324	939
Novato Fire Protection District	91,886	103,934	12,041
City of Novato	193,910	221,546	25,412
Town of Ross	16,253	17,257	2,130
Ross Valley Fire Department	30,378	34,277	3,981
Town of San Anselmo	51,435	64,200	6,740
City of San Rafael	255,255	359,183	33,451
City of Sausalito	46,819	60,080	6,136
Skywalker Ranch	6,238	*	817
Southern Marin Fire Protection District	29,383	35,190	3,851
Stinson Beach Fire Projection District	9,108	13,061	1,194
Tiburon Fire Protection District	20,461	23,148	2,681
Town of Tiburon	38,729	39,267	5,075
Twin Cities Police Department	67,371	80,298	8,829
	<u>\$ 1,716,928</u>	<u>\$ 2,123,703</u>	<u>\$ 225,000</u>

\* Not required to pay service payments or previously paid