

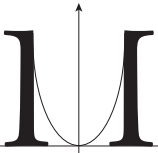


Marin Emergency Radio Authority [MERA]

**FINANCIAL STATEMENTS AND AUDITORS' REPORT
YEAR ENDED JUNE 30, 2011**

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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, 2011, 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, 2011, 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 5 is not a required part of the basic financial statements, but is 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 supplemental information presented on pages 20 through 27 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.

Mahe Accountancy

September 26, 2011



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, 2011. Please read it along with the Authority's financial statements, which begin on page 6.

FINANCIAL HIGHLIGHTS

The Authority's net assets decreased by \$387,000 during the year. Total revenues decreased by \$401,000 and total operating expenses decreased by \$104,000 and non-operating expenses decreased by \$361,000 as compared to fiscal year 2009-10.

A budgetary comparison schedule is included in the supplemental information section. That schedule indicates we had a positive variance of \$172,000 when comparing actual activity with budgeted activity for the operating 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.

MARIN EMERGENCY RADIO AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Changes in MERA's net assets were as follows:

| | <u>2011</u> | <u>2010</u> | Increase (decrease) |
|--|---------------------|---------------------|--------------------------------|
| Current assets | \$ 3,831,962 | \$ 3,248,358 | \$ 583,604 |
| Capital assets | 19,918,236 | 21,069,481 | (1,151,245) |
| Restricted for 2010 debt service reserve | 1,857,500 | 1,950,938 | (93,438) |
| Other assets | 479,220 | 576,292 | (97,072) |
| Total assets | <u>26,086,918</u> | <u>26,845,069</u> | <u>(758,151)</u> |
| Current liabilities | 1,696,348 | 557,044 | 1,139,304 |
| Long-term debt | 19,768,619 | 21,279,566 | (1,510,947) |
| Total liabilities | <u>21,464,967</u> | <u>21,836,610</u> | <u>(371,643)</u> |
| Net assets: | | | |
| Invested in capital assets, net of debt | 2,327,258 | 2,161,497 | 165,761 |
| Restricted for 2010 debt service | 244,068 | 147,021 | 97,047 |
| Unrestricted | 2,050,625 | 2,699,941 | (649,316) |
| Total net assets | <u>\$ 4,621,951</u> | <u>\$ 5,008,459</u> | <u>\$ (386,508)</u> |

Cash increased as we accumulated funds in anticipation of our first 2010 bond payment that was due in August 2011. 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). The largest component of current liabilities is debt principal and interest due within one year. Current liabilities increased and long-term debt decreased because the first payment for the bonds issued in 2010 will be due within one year. There were no bond principal payments due during 2010-11.

MARIN EMERGENCY RADIO AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

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

| | <u>2011</u> | <u>2010</u> | <u>Increase (decrease)</u> |
|-----------------------------------|---------------------|---------------------|--------------------------------|
| Revenues: | | | |
| Operating revenues | | | |
| Member operating payments | \$1,496,105 | \$1,642,002 | \$ (145,897) |
| Nonoperating revenues | | | |
| Member service payments | 2,073,750 | 2,350,963 | (277,213) |
| Investment income | 74,943 | 37,144 | 37,799 |
| Miscellaneous income | - | 15,897 | (15,897) |
| Total revenues | <u>3,644,798</u> | <u>4,046,006</u> | <u>(401,208)</u> |
| Expenses: | | | |
| Operating expenses | 3,383,129 | 3,487,209 | (104,080) |
| Non-operating expenses | | | |
| Amortization | 58,956 | 32,657 | 26,299 |
| Interest expense | 589,221 | 872,573 | (283,352) |
| Total expenses | <u>4,031,306</u> | <u>4,392,439</u> | <u>(361,133)</u> |
| Increase (decrease) in net assets | <u>\$ (386,508)</u> | <u>\$ (346,433)</u> | <u>\$ (40,075)</u> |

Member operating and service payments decreased as planned due to lower anticipated County DPW contract changes effective in 2011. Investment earnings increased due to a one-time premature termination fee by the bank in 2010 that did not recur in 2011. Interest expense decreased due to a lower effective interest rate obtained as a result of our 2010 refinance of the 1999 Revenue Bonds.

CAPITAL ASSET AND DEBT ADMINISTRATION

MERA owns various communication systems and equipment. A detail of our capital assets is shown in note 3 to the financial statements.

As scheduled, MERA paid bond interest of approximately \$669,000 of bond interest. No bond principal payment was required in 2011. Principal of \$124,000 and loan interest of \$85,000 was paid related to our loan from Citizen's Bank. The statement of revenues, expenses and changes in net assets report the interest payments adjusted for accruals and amortization.

MARIN EMERGENCY RADIO AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

THE FUTURE OF THE AUTHORITY

Significant time and effort have been expended by Authority members and staff on implementing MERA's Strategic Plan including addressing future governance issues, financing replacement technology and improving member and community communications. The Authority continues to actively seek and receive external funding from Federal and State sources to fund current system improvements and analyze and prepare for next generation technology.

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 95 Rowland Way, Novato, CA 94945.

Respectively submitted,

Maureen Cassingham

Executive Officer

DRAFT

BASIC FINANCIAL STATEMENTS

DRAFT

MARIN EMERGENCY RADIO AUTHORITY

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011**

ASSETS

| | |
|--|-------------------|
| Current assets: | |
| Cash in Marin County Treasury | \$ 2,107,136 |
| Interest receivable | 2,252 |
| Prepaid expenses | 37,477 |
| Investments with fiscal agent | <u>1,685,097</u> |
| Total current assets | 3,831,962 |
| Capital assets, net of \$12,580,047 accumulated depreciation | 19,918,236 |
| Restricted assets: | |
| Investments with fiscal agent | 1,857,500 |
| Other Assets: | |
| Bond issuance costs, less accumulated amortization of \$183,331 | <u>479,220</u> |
| Total assets | <u>26,086,918</u> |

LIABILITIES

| | |
|--|-------------------|
| Current liabilities: | |
| Accounts payable | 77,624 |
| Accrued interest | 272,933 |
| Deferred revenue | 16,364 |
| Note principal payable within one year | 129,427 |
| Bond principal payable within one year | <u>1,200,000</u> |
| Total current liabilities | 1,696,348 |
| Noncurrent liabilities | |
| Notes payable after one year | 1,655,487 |
| Bonds payable after one year | <u>18,113,132</u> |
| Total noncurrent liabilities | <u>19,768,619</u> |
| Total liabilities | <u>21,464,967</u> |

NET ASSETS

| | |
|---|---------------------|
| Invested in capital assets, net of related debt | 2,327,258 |
| Restricted for debt service | 244,068 |
| Unrestricted | <u>2,050,625</u> |
| Total net assets | <u>\$ 4,621,951</u> |

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

MARIN EMERGENCY RADIO AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2011

OPERATING REVENUES:

| | |
|---------------------------|--------------|
| Member operating payments | \$ 1,496,105 |
|---------------------------|--------------|

OPERATING EXPENSES:

| | |
|-------------------------------|------------------|
| Contract services | 205,259 |
| County system maintenance | 458,450 |
| County technical services | 118,342 |
| County communication engineer | 164,479 |
| Site rentals and leases | 306,731 |
| Site utilities | 71,428 |
| Site maintenance | 11,553 |
| Insurance | 31,060 |
| Audit and accounting services | 13,600 |
| Legal services | 2,948 |
| Miscellaneous expenses | 1,117 |
| Depreciation | <u>1,998,162</u> |

| | |
|-------------------------|------------------|
| Total operating expense | <u>3,383,129</u> |
|-------------------------|------------------|

| | |
|-------------------------|-------------|
| Operating income (loss) | (1,887,024) |
|-------------------------|-------------|

NONOPERATING REVENUES (EXPENSES):

| | |
|-------------------------------------|------------------|
| Member service payments | 2,073,750 |
| Investment income | 74,943 |
| Amortization of bond issuance costs | (58,956) |
| Interest expense | <u>(589,221)</u> |

| | |
|--|------------------|
| Total nonoperating revenues (expenses) | <u>1,500,516</u> |
|--|------------------|

| | |
|--|------------------|
| INCREASE (DECREASE) IN NET ASSETS | (386,508) |
|--|------------------|

| | |
|-------------------------------------|------------------|
| Net assets at beginning of the year | <u>5,008,459</u> |
|-------------------------------------|------------------|

| | |
|-------------------------------|----------------------------|
| Net assets at end of the year | <u><u>\$ 4,621,951</u></u> |
|-------------------------------|----------------------------|

MARIN EMERGENCY RADIO AUTHORITY

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|--|--------------|
| Member contributions | \$ 1,496,105 |
| Operating expenses | (1,459,302) |
| | <hr/> |
| Net cash provided by (used for) operating activities | 36,803 |

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

| | |
|--|-----------|
| Member service payments | 2,073,973 |
| Miscellaneous income | 14,173 |
| Additions to capital assets | (846,917) |
| Note principal payments | (123,938) |
| Interest payments | (753,136) |
| | <hr/> |
| Net cash used for capital activities and related financing activities | 364,155 |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|--|-------------|
| Transfers to investments with fiscal agent | (1,276,342) |
| Interest income | 168,381 |
| | <hr/> |
| Net cash provided by investing activities | (1,107,961) |

| | |
|--|--------------|
| Net increase (decrease) in cash and cash equivalents | (707,003) |
| Cash and cash equivalents at beginning of year | 2,814,139 |
| | <hr/> |
| Cash and cash equivalents at end of year | \$ 2,107,136 |

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

| | |
|---|----------------|
| Operating income (loss) | \$ (1,887,024) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | |
| Depreciation, an expense not requiring the use of cash | 1,998,162 |
| (Increase) decrease in prepaid expenses | (28,438) |
| Increase (decrease) in accounts payable | (45,897) |
| | <hr/> |
| Net cash provided by operating activities | \$ 36,803 |

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

MARIN EMERGENCY RADIO AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

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.). Governments 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, 2011

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 within the County of Marin Treasurer's Pooled Investment Fund.

Investments:

Investments with fiscal agents are stated at fair value. These investments consist of cash and debt securities held by Bank of New York Mellon Trust Company in connection with the Marin Emergency Radio Authority 2010 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 the assets, depending on the nature of the assets.

MARIN EMERGENCY RADIO AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

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, 2011

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, 2011, the County's investment pool had a weighted average maturity of 281 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, 2011**

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 has cash and investments held by Bank of New York Mellon Trust Company (BoNY) as trustee relating to its outstanding bonds. Investments include money market funds and an obligation of the Federal National Mortgage Association (FNMA) that matures in December 2013 and bears interest at fixed rate of 2.875%.

As of June 30, 2011, investments held by BoNY (including \$1,857,500 restricted for debt service) were as follows:

| | <u>Cost</u> | <u>Market</u> |
|--------------------|---------------------|---------------------|
| FNMA obligation | \$ 1,942,049 | \$ 1,976,527 |
| Money market funds | 1,566,070 | 1,566,070 |
| Total | <u>\$ 3,508,119</u> | <u>\$ 3,542,597</u> |

CONCENTRATION OF CREDIT RISK

This is the risk of loss attributed to the concentration of MERA's investment in a single issuer.

Following is a summary of the concentration of credit risk by investment type of the Marin County Investment Pool as a percentage of fair value at June 30, 2011.

| Investments in Investment Pool | <u>Percent of Portfolio</u> |
|---------------------------------------|------------------------------------|
| Federal agency issues - coupon | 23% |
| Federal agency issues - discount | 75% |
| Money market funds | 2% |
| | 100% |

MARIN EMERGENCY RADIO AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

| | Beginning Balance | Additions | Ending Balance |
|---------------------------------|------------------------------|----------------------|---------------------------|
| Motorola communications system | \$24,408,783 | \$ 846,917 | \$25,255,700 |
| Other capitalized services | 3,254,314 | | 3,254,314 |
| Equipment | 124,972 | | 124,972 |
| Radio frequencies | 562,500 | | 562,500 |
| Capitalized interest costs, net | 3,140,797 | | 3,140,797 |
| Land and improvements | 160,000 | | 160,000 |
| | <u>31,651,366</u> | <u>846,917</u> | <u>32,498,283</u> |
| Less accumulated depreciation | <u>10,581,885</u> | <u>1,998,162</u> | <u>12,580,047</u> |
| Total capital assets | <u>\$21,069,481</u> | <u>\$(1,151,245)</u> | <u>\$19,918,236</u> |

MARIN EMERGENCY RADIO AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

4. BONDS PAYABLE

MERA's debt issues and transactions for the year ended June 30, 2011 are summarized below and discussed in detail subsequently:

| | <u>Beginning</u> <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending</u> <u>Balance</u> |
|------------------------------|------------------------------------|-----------------------|---------------------|---------------------------------|
| 2010 Revenue Bonds | 18,575,000 | | | 18,575,000 |
| Unamortized premium | 919,651 | | \$ (181,519) | 738,132 |
| | 19,494,651 | - | (181,519) | 19,313,132 |
| Less current portion | - | 1,200,000 | - | 1,200,000 |
| Bonds payable after one year | <u>\$ 19,494,651</u> | <u>\$ (1,200,000)</u> | <u>\$ (181,519)</u> | <u>\$ 18,113,132</u> |

In February 2010 MERA re-financed its 1999 Revenue Bonds (Bonds) that were originally issued to finance the acquisition public safety radio equipment. The 2010 bonds were issued at a premium of \$934,382 above their nominal value of \$18,575,000. Issuance and related costs totaled \$409,249. These serial bonds mature annually from 2011 to 2021 and bear interest from 2.0% to 4.0%.

Principal payments are payable annually on August 15th. Interest is payable semiannually on August 15 and February 15. Bonds maturing after August 15, 2021 may be early redeemed at face value after August 2020. The Bonds are special obligations of MERA and are secured by the Members' Service Payments (see Note 1) which are remitted directly from members to the bond trustee (Bank of New York Mellon Trust Company). The annual schedule for debt service payments is as follows: Member agency Service Payments are due by August 1 of each year. The Trustee holds the Service Payments until payments are due for interest on the following February 15 and principal and interest the following August 15.

In accordance with the bond indenture agreement, the Trustee holds \$1,857,500 to satisfy a reserve requirement until all bonds are retired.

MARIN EMERGENCY RADIO AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

4. BONDS PAYABLE (continued)

Minimum future obligations for debt service for bonds are as follows:

| | Principal | Interest | Total |
|---------------------|---------------------|---------------------|---------------------|
| Year ended June 30, | | | |
| 2012 | \$ 1,200,000 | \$ 636,750 | \$ 1,836,750 |
| 2013 | 1,495,000 | 606,062 | 2,101,062 |
| 2014 | 1,535,000 | 564,350 | 2,099,350 |
| 2015 | 1,580,000 | 521,575 | 2,101,575 |
| 2016 | 1,620,000 | 469,425 | 2,089,425 |
| 2017-2021 | 9,105,000 | 1,332,738 | 10,437,738 |
| 2022 | 2,040,000 | 40,800 | 2,080,800 |
| | <u>\$18,575,000</u> | <u>\$ 4,171,700</u> | <u>\$22,746,700</u> |

The premium and issuance costs of the 2010 bonds will be amortized over the term of the 2010 bonds. The unamortized premium and discounts of the 1999 bonds will be amortized over remaining term of the original 1999 bond issue.

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 February 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, 2010 | \$ 1,908,852 |
| Principal paid | <u>(123,938)</u> |
| Balance as of June 30, 2011 | 1,784,914 |
| Less current portion | <u>129,427</u> |
| Note payable due after one year | <u>\$ 1,655,487</u> |

MARIN EMERGENCY RADIO AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

5. NOTE PAYABLE (continued)

Minimum future obligations for debt service for notes payable are as follows:

| Year ended June 30, | Principal | Interest | Total |
|---------------------|---------------------|-------------------|---------------------|
| 2012 | \$ 129,427 | \$ 79,072 | \$ 208,499 |
| 2013 | 135,161 | 73,338 | 208,499 |
| 2014 | 141,149 | 67,350 | 208,499 |
| 2015 | 147,401 | 61,098 | 208,499 |
| 2016 | 153,931 | 54,568 | 208,499 |
| 2016-2021 | 878,191 | 164,304 | 1,042,495 |
| 2022 | 199,654 | 8,844 | 208,498 |
| | <u>\$ 1,784,914</u> | <u>\$ 508,574</u> | <u>\$ 2,293,488</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 \$15,504,000, with automatic coverage of up to \$50,000,000 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, 2011**

7. COMMITMENTS AND CONTINGENCIES

At June 30, 2011, 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 \$307,000 for 2011.

Future minimum lease payments under the leases are as follows:

| Year ended June 30, | |
|---------------------|---------------------|
| 2012 | \$ 262,780 |
| 2013 | 274,650 |
| 2014 | 281,524 |
| 2015 | 214,176 |
| 2016 | 170,413 |
| 2017-2021 | 896,948 |
| 2022-2026 | 795,703 |
| 2027-2031 | 150,000 |
| 2032-2036 | 150,000 |
| 2037 | 2,500 |
| | <u>\$ 3,198,694</u> |

In addition to the lease commitments above, MERA has the following commitments:

| <u>Contractor</u> | <u>Purpose</u> | <u>Amount</u> |
|-------------------|--------------------------------------|---------------------|
| County of Marin | Maintenance Agreement - 5 years | \$ 1,629,720 |
| County of Marin | Communications engineering - 3 years | 328,958 |
| County of Marin | Technical services-3 years | 278,200 |
| Various | Professional services | 130,626 |
| | | <u>\$ 2,367,504</u> |

MARIN EMERGENCY RADIO AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

8. RELATED PARTY TRANSACTIONS

The County of Marin, which is a member of MERA, was paid \$887,000 for maintenance and technical services. Additionally, the Novato Fire Protection District, which is also a member of MERA, was paid \$60,000 for administrative services.

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SUPPLEMENTAL INFORMATION

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MARIN EMERGENCY RADIO AUTHORITY

**BUDGETARY COMPARISON SCHEDULE
OPERATING FUND (70030)
YEAR ENDED JUNE 30, 2011**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|---|----------------------------|-------------------------|---------------|---|
| REVENUES | | | | |
| Member contributions | \$1,496,105 | \$1,496,105 | \$1,496,105 | \$ - |
| Interest | | | 5,869 | 5,869 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total revenues | 1,496,105 | 1,496,105 | 1,501,974 | 5,869 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Contract services | 145,500 | 155,000 | 155,014 | (14) |
| County system maintenance | 483,930 | 483,930 | 458,450 | 25,480 |
| County technical services | 219,000 | 219,000 | 118,342 | 100,658 |
| County communication engineer | 165,000 | 165,000 | 164,479 | 521 |
| Site rentals and leases | 310,200 | 310,200 | 306,731 | 3,469 |
| Site utilities | 77,975 | 77,975 | 71,428 | 6,547 |
| Site maintenance | 15,000 | 12,000 | 7,915 | 4,085 |
| Insurance | 30,000 | 32,000 | 31,060 | 940 |
| Auditing services | 13,000 | 14,000 | 13,600 | 400 |
| Legal services | 15,000 | 10,000 | 2,948 | 7,052 |
| Miscellaneous expenses | 1,500 | 1,500 | 478 | 1,022 |
| General contingencies | 20,000 | 15,500 | 0 | 15,500 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total expenditures | 1,496,105 | 1,496,105 | 1,330,445 | 165,660 |
| Excess of revenues over (under) expenditures | <hr/> | <hr/> | <hr/> | <hr/> |
| | - | - | 171,529 | 171,529 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers to other funds | <hr/> | <hr/> | <hr/> | <hr/> |
| | - | (400,000) | (400,000) | - |
| Net change in fund balance | <hr/> | <hr/> | <hr/> | <hr/> |
| | \$ - | \$ (400,000) | (228,471) | \$ 171,529 |
| Fund balance at beginning of year | | | <hr/> | |
| | | | 439,314 | |
| Fund balance at end of year | | | <hr/> | |
| | | | \$ 210,843 | |

MARIN EMERGENCY RADIO AUTHORITY

**BUDGETARY COMPARISON SCHEDULE
NEW PROJECT FINANCING – 2007 BANK NOTE FUND (70032)
YEAR ENDED JUNE 30, 2011**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|----------------------------|-------------------------|--------------------------|---|
| REVENUES | | | | |
| Member contributions | \$ 225,000 | \$ 225,000 | \$ 225,000 | \$ - |
| Interest | | | 5,342 | 5,342 |
| Total revenues | 225,000 | 225,000 | 230,342 | 5,342 |
| EXPENDITURES | | | | |
| Capital outlay | 16,501 | 841,344 | 846,918 | (5,574) |
| Debt service | 208,499 | 208,499 | 208,499 | - |
| Total expenditures | 225,000 | 1,049,843 | 1,055,417 | (5,574) |
| Excess of revenues over (under) expenditures | <u>\$ -</u> | <u>\$ (824,843)</u> | (825,075) | <u>\$ (232)</u> |
| Fund balance at beginning of year | | | <u>1,175,459</u> | |
| Fund balance at end of year | | | <u><u>\$ 350,384</u></u> | |

MARIN EMERGENCY RADIO AUTHORITY

**BUDGETARY COMPARISON SCHEDULE
2010 REFUNDING REVENUE BONDS FUND (70035)
YEAR ENDED JUNE 30, 2011**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------------|---|
| REVENUES | | | | |
| Member contributions | \$ 2,126,963 | \$ 1,848,750 | \$ 1,848,750 | \$ - |
| Interest income | - | - | 57,339 | 57,339 |
| Total revenues | <u>2,126,963</u> | <u>1,848,750</u> | <u>1,906,089</u> | <u>57,339</u> |
| EXPENDITURES | | | | |
| Debt service | <u>2,126,963</u> | <u>1,848,750</u> | <u>668,573</u> | <u>1,180,177</u> |
| Excess of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>1,237,516</u> | <u>1,237,516</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer to other funds | <u>-</u> | <u>(54,835)</u> | <u>(54,835)</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (54,835)</u> | <u>1,182,681</u> | <u>\$ 1,237,516</u> |
| Fund balance at beginning of year (adjusted) | | | <u>2,362,168</u> | |
| Fund balance at end of year | | | <u>\$ 3,544,849</u> | |

MARIN EMERGENCY RADIO AUTHORITY

**BUDGETARY COMPARISON SCHEDULE
REPLACEMENT FUND (70036)
YEAR ENDED JUNE 30, 2011**

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|--------------------------------------|---------------------|---|
| REVENUES | | | |
| Interest | \$ - | \$ 3,865 | \$ 3,865 |
| EXPENDITURES | | | |
| Current | | | |
| Contract services | 67,848 | 50,245 | 17,603 |
| Site maintenance | 3,638 | 3,638 | - |
| Miscellaneous | 705 | 639 | 66 |
| Total expenditures | <u>72,191</u> | <u>54,522</u> | <u>17,669</u> |
| Excess of revenues over (under) expenditures | (72,191) | (50,657) | 21,534 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfer from other funds | <u>454,835</u> | <u>454,835</u> | - |
| Net change in fund balance | <u>\$ 382,644</u> | 404,178 | <u>\$ 21,534</u> |
| Fund balance at beginning of year | | <u>598,561</u> | |
| Fund balance at end of year | | <u>\$ 1,002,739</u> | |

MARIN EMERGENCY RADIO AUTHORITY

**BUDGETARY COMPARISON SCHEDULE
EMERGENCY FUND (70037)
YEAR ENDED JUNE 30, 2011**

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-----------------------------------|--------------------------------------|-------------------|---|
| REVENUES | | | |
| Interest | <u>\$ -</u> | \$ 2,528 | <u>\$ 2,528</u> |
| Fund balance at beginning of year | | <u>500,495</u> | |
| Fund balance at end of year | | <u>\$ 503,023</u> | |

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MARIN EMERGENCY RADIO AUTHORITY

NOTES TO SUPPLEMENTAL INFORMATION YEAR ENDED JUNE 30, 2011

BUDGETS

The budget included in these financial statements represents the original budget and amendments/additional allocations approved by the Board of Directors. The budgetary basis is the modified accrual basis of accounting. Various reclassifications have been made to the actual amounts to conform to classifications included in the approved budgets.

DESIGNATIONS AND RESERVES

The New Project Financing – 2007 Bank Note Fund is used to fund additional project costs and pay interest and principal on the loan with Citizens Business Bank.

The 2010 Refunding Revenue Bonds Fund is used to pay interest and principal on the bond related to the acquisition of the public safety radio equipment.

The Replacement Fund is designated for repairing, improving or replacing the MERA communications system or any component thereof.

The Emergency Fund is designated to immediately address any emergency conditions causing or likely to cause system service interruptions before insurance is available, for underinsured or uninsured losses and to self-insure liability and property insurance deductibles.

FUND BALANCE ADJUSTMENT

The beginning balance of the 2010 Refunding Revenue Bonds Fund (70035) has been increased \$16,364 to account for a prior year member operating prepayment.

MARIN EMERGENCY RADIO AUTHORITY

**SCHEDULE OF MEMBER OPERATING AND SERVICE PAYMENTS
YEAR ENDED JUNE 30, 2011**

| | Member Operating Payments | Member "Service" Payments | |
|---|--|----------------------------------|-------------------|
| | | Bonds | Note |
| City of Belvedere | \$ 14,390 | \$ 14,272 | \$ 2,164 |
| Bolinas Fire Protection District | 8,804 | 11,111 | 1,324 |
| College of Marin | 5,407 | * | 813 |
| Town of Corte Madera | 21,311 | 29,118 | 3,205 |
| Town of Fairfax | 29,953 | 37,160 | 4,505 |
| Inverness Public Utility District | 7,454 | 10,446 | 1,121 |
| Kentfield Fire Protection District | 12,144 | 12,553 | 1,826 |
| City of Larkspur | 25,447 | 34,627 | 3,827 |
| County of Marin | 521,779 | 649,854 | 78,471 |
| Marin County Transit District | 14,916 | 21,815 | 2,243 |
| Marinwood Community Services Distric | 13,267 | 15,825 | 1,995 |
| City of Mill Valley | 68,015 | 78,960 | 10,229 |
| Marin Municipal Water District | 6,246 | 17,693 | 939 |
| Novato Fire Protection District | 80,068 | 192,862 | 12,041 |
| City of Novato | 168,970 | 90,478 | 25,412 |
| Town of Ross | 14,162 | 15,030 | 2,130 |
| Ross Valley Fire Department | 26,471 | 29,839 | 3,981 |
| Town of San Anselmo | 44,820 | 55,888 | 6,740 |
| City of San Rafael | 222,425 | 312,679 | 33,451 |
| City of Sausalito | 40,797 | 52,301 | 6,136 |
| Skywalker Ranch | 5,435 | * | 817 |
| Southern Marin Fire Protection District | 25,604 | 30,634 | 3,851 |
| Stinson Beach Fire Projection District | 7,937 | 11,370 | 1,194 |
| Tiburon Fire Protection District | 17,829 | 20,151 | 2,681 |
| Town of Tiburon | 33,748 | 34,183 | 5,075 |
| Twin Cities Police Department | 58,706 | 69,901 | 8,829 |
| | <u>\$ 1,496,105</u> | <u>\$ 1,848,750</u> | <u>\$ 225,000</u> |

* Not required to pay service payments or previously paid

MARIN EMERGENCY RADIO AUTHORITY

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS

| Date | Bonds | | | Note Payable | | | Total |
|-------------------|-------------------------|------------------------|-------------------------|------------------------|----------------------|------------------------|-------------------------|
| | Principal | Interest | Total | Principal | Interest | Note | |
| August 15, 2011 | \$ 1,200,000.00 | \$ 324,375.00 | \$ 1,524,375.00 | | \$ 39,536.00 | \$ 39,536.00 | \$ 1,563,911.00 |
| February 15, 2012 | | 312,375.00 | 312,375.00 | 129,427.00 | 39,536.00 | 168,963.00 | 481,338.00 |
| August 15, 2012 | 1,495,000.00 | 312,375.00 | 1,807,375.00 | | 36,669.00 | 36,669.00 | 1,844,044.00 |
| February 15, 2013 | | 293,687.50 | 293,687.50 | 135,161.00 | 36,669.00 | 171,830.00 | 465,517.50 |
| August 15, 2013 | 1,535,000.00 | 293,687.50 | 1,828,687.50 | | 33,675.00 | 33,675.00 | 1,862,362.50 |
| February 15, 2014 | | 270,662.50 | 270,662.50 | 141,149.00 | 33,675.00 | 174,824.00 | 445,486.50 |
| August 15, 2014 | 1,580,000.00 | 270,662.50 | 1,850,662.50 | | 30,549.00 | 30,549.00 | 1,881,211.50 |
| February 15, 2015 | | 250,912.50 | 250,912.50 | 147,401.00 | 30,549.00 | 177,950.00 | 428,862.50 |
| August 15, 2015 | 1,620,000.00 | 250,912.50 | 1,870,912.50 | | 27,284.00 | 27,284.00 | 1,898,196.50 |
| February 15, 2016 | | 218,512.50 | 218,512.50 | 153,931.00 | 27,284.00 | 181,215.00 | 399,727.50 |
| August 15, 2016 | 1,685,000.00 | 218,512.50 | 1,903,512.50 | | 23,874.00 | 23,874.00 | 1,927,386.50 |
| February 15, 2017 | | 184,812.50 | 184,812.50 | 160,751.00 | 23,874.00 | 184,625.00 | 369,437.50 |
| August 15, 2017 | 1,755,000.00 | 184,812.50 | 1,939,812.50 | | 20,314.00 | 20,314.00 | 1,960,126.50 |
| February 15, 2018 | | 154,100.00 | 154,100.00 | 167,872.00 | 20,314.00 | 188,186.00 | 342,286.00 |
| August 15, 2018 | 1,815,000.00 | 154,100.00 | 1,969,100.00 | | 16,595.00 | 16,595.00 | 1,985,695.00 |
| February 15, 2019 | | 117,800.00 | 117,800.00 | 175,309.00 | 16,595.00 | 191,904.00 | 309,704.00 |
| August 15, 2019 | 1,890,000.00 | 117,800.00 | 2,007,800.00 | | 12,712.00 | 12,712.00 | 2,020,512.00 |
| February 15, 2020 | | 80,000.00 | 80,000.00 | 183,075.00 | 12,712.00 | 195,787.00 | 275,787.00 |
| August 15, 2020 | 1,960,000.00 | 80,000.00 | 2,040,000.00 | | 8,657.00 | 8,657.00 | 2,048,657.00 |
| February 15, 2021 | | 40,800.00 | 40,800.00 | 191,185.00 | 8,657.00 | 199,842.00 | 240,642.00 |
| August 15, 2021 | 2,040,000.00 | 40,800.00 | 2,080,800.00 | | 4,422.00 | 4,422.00 | 2,085,222.00 |
| February 15, 2022 | | | | 199,654.00 | 4,422.00 | 204,076.00 | 204,076.00 |
| | <u>\$ 18,575,000.00</u> | <u>\$ 4,171,700.00</u> | <u>\$ 22,746,700.00</u> | <u>\$ 1,784,915.00</u> | <u>\$ 508,574.00</u> | <u>\$ 2,293,489.00</u> | <u>\$ 25,040,189.00</u> |