



FINANCIAL STATEMENTS AND AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

Independent Auditor’s Report	1
Management’s Discussion and Analysis	5
Financial Statements:	
Statement of Net Position	11
Statement of Revenues, Expenses, and Changes in Net Position	12
Statement of Cash Flows	13
Notes to the Financial Statements	15
Supplemental Information:	
Budgetary Comparison Schedule – Operating Fund	26
Budgetary Comparison Schedule – Next Generation System Project Fund	27
Notes to Supplemental Information	28
Schedule of Member Operating Payments	29
Schedule of Future Debt Service Requirements	30

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Marin Emergency Radio Authority
Corte Madera, California

Opinion

We have audited the accompanying financial statements of the business-type activities of the Marin Emergency Radio Authority (Authority), California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of June 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management's for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplemental Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the budgetary comparison schedules, schedule of member operating and service payment and schedule of future debt service requirements, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Maze + Associates

Pleasant Hill, California
December 8, 2023

This Page Left Intentionally Blank

MARIN EMERGENCY RADIO AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis provides an overview of the Marin Emergency Radio Authority's (MERA) financial activities for the fiscal year ended June 30, 2023. The information presented here should be considered in conjunction with the audited financial statements.

BACKGROUND

MERA is a California Joint Powers Authority (JPA) created on February 28, 1998. MERA's purpose is to plan, finance, implement, manage, own, and operate a multijurisdictional and countywide public safety, public service, and emergency radio system.

Financial reporting

MERA presents its financial statements as an enterprise fund under the economic resources measurement focus and the accrual basis of accounting, in accordance with Generally Accepted Accounting Principles (GAAP) for proprietary funds, as prescribed by the Governmental Accounting Standards Board (GASB).

Contents of this report

This report is divided into the following sections:

- Management discussion and analysis.
- The basic financial statements:
 - The *Statements of Net Position* include all of MERA's assets, liabilities, and net position and provides information about the nature and amount of resources and obligations at a specific point in time.
 - The *Statements of Revenues, Expenses, and Changes in Net Position* report all of MERA's revenues and expenses for the years shown.
 - The *Statements of Cash Flows* report the cash provided and used by operating activities, as well as other sources and uses, such as capital asset acquisitions and investment.
 - The notes to the Basic Financial Statements, which provide additional details and information related to the basic financial statements.

**MARIN EMERGENCY RADIO AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

FINANCIAL HIGHLIGHTS

The following table is a summary of MERA's assets, liabilities, and net position and a discussion of significant changes during the years ended June 30:

	<u>2023</u>	<u>2022</u>	Increase (decrease)
Current assets	\$ 7,710,373	\$ 7,326,865	\$ 383,508
Noncurrent assets	<u>56,516,105</u>	<u>53,177,229</u>	<u>3,338,876</u>
Total assets	<u>64,226,478</u>	<u>60,504,094</u>	<u>3,722,384</u>
Current liabilities	5,686,168	2,807,262	2,878,906
Noncurrent liabilities	<u>28,477,872</u>	<u>30,714,652</u>	<u>(2,236,780)</u>
Total liabilities	<u>34,164,040</u>	<u>33,521,914</u>	<u>642,126</u>
Net position:			
Net investment in capital assets	25,211,901	13,485,272	11,726,629
Restricted	4,850,537	13,496,908	(8,646,371)
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>
Total net position	<u>\$ 30,062,438</u>	<u>\$ 26,982,180</u>	<u>\$ 3,080,258</u>

MERA's net position improved by approximately \$3 million during the year. Still in the development of the NextGen Project, capital expenditures for the Next Generation System were \$9.2 million. Noncurrent liabilities decreased by \$2.2 million primarily due to the payment of debt service in the amount of \$1.7 million.

**MARIN EMERGENCY RADIO AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

The following table is a summary of MERA's results of operations and a discussion of significant changes for years ended June 30:

	<u>2023</u>	<u>2022</u>	<u>Increase (decrease)</u>
Revenues:			
Operating revenues			
Member operating payments	\$ 2,701,700	\$ 2,391,490	\$ 310,210
Nonoperating revenues			
Member service payments	-	225,000	(225,000)
Parcel taxes	3,543,508	3,531,848	11,660
Investment income	<u>537,047</u>	<u>76,277</u>	<u>460,770</u>
Total revenues	<u>6,782,255</u>	<u>6,224,615</u>	<u>557,640</u>
Expenses:			
Operating expenses	2,883,978	3,215,097	(331,119)
Nonoperating expenses			
Interest expense	<u>818,019</u>	<u>839,900</u>	<u>(21,881)</u>
Total expenses	<u>3,701,997</u>	<u>4,054,997</u>	<u>(353,000)</u>
Increase (decrease) in net position	<u>\$ 3,080,258</u>	<u>\$ 2,169,618</u>	<u>\$ 910,640</u>

Member operating payments increased in accordance with the authorized budget. Investment income increased due to the increase of market rates.

**MARIN EMERGENCY RADIO AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

Budgetary comparison schedules are included in the supplementary information section. Below is a summary of variances when comparing actual activity with budgeted activity:

	Actual Over (Under) Budget	Actual Under (Over) Budget
Operating Fund (70030)	\$ 243,890	\$ 495,920
Net Gen Project Fund (70038)	117,616	6,224

Budgetary comparison schedules are included in the supplemental information starting on page 26. The excess of expenditures over amounts budgeted related primarily capital expenditures for the NexGen project.

CAPITAL ASSET AND DEBT ADMINISTRATION

MERA owns various communication systems and equipment. Significant investments in capital assets occurred in 2022-23 for the development of the Next Generation System Project and the pace of expenditures is scheduled to increase as the project draws closer to completion. More information about capital assets is shown in Note 4 to the financial statements.

MERA paid the scheduled payment of principal of \$1,725,000 and interest of approximately \$675,050 towards the 2016 Revenue Bonds.

The statement of revenues, expenses and changes in net position reports the interest payments as adjusted for accruals and amortization of premiums and discounts.

**MARIN EMERGENCY RADIO AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

THE FUTURE OF THE AUTHORITY

A contract with Motorola Solutions, Inc. was approved by the County of Marin and the MERA Governing Board on February 22, 2017, to acquire and install the Next Gen System.

The total contract cost, as amended, is \$46.4 million for the base system, enhanced Fire Station Alerting, subscriber equipment, Construction Management and extended warranty for system upgrades to prolong its useful life. Completion of the project had been delayed due to design issues, construction delays, and supply chain impacts. The Governing Board is committed to ensuring the fiscal sustainability of the project and is reviewing the reserves policy to ensure adequacy of funds. Staff is exploring options to mitigate costs, including grant funding and additional Bond sales. The delays in the project will have a significant impact on the original budget numbers. Since the project was started there have been several impacting scenarios that have taken place, including COVID-19 and the resulting supply chain issues as well as considerable inflation on the required services and materials not covered by the Motorola Contract. MERA has now acquired the necessary leases for the 18 sites, and has completed the construction on 16 of them. The remaining 2 sites are under contract for the construction work, which is currently underway and are expected to be completed by the end of calendar year 2023, with the Motorola System installation completed by Q3 of 2024 and system acceptance and full use in Q4 2024.

Motorola has committed to extending current system's life by assisting in locating parts and providing support consistent with the Next Gen Project Implementation Schedule, which was finalized with the Governing Board's Certification of the Subsequent Environmental Impact Report (SEIR) and approval of Project Planning Design Plans in December 2019 and continues to be updated to reflect the delays that are being experienced.

Authority Members have committed funding for ongoing Next Gen System Operating costs.

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 300 Tamalpais, Corte Madera, CA 94925.

Respectfully submitted,

Heather Plamondon

Executive Officer

BASIC FINANCIAL STATEMENTS

MARIN EMERGENCY RADIO AUTHORITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2023

ASSETS

Current assets:	
Cash and cash equivalents	\$ 5,381,039
Restricted cash and cash equivalents	2,128,444
Interest receivable	130,034
Prepaid expenses	<u>70,856</u>
Total current assets	<u>7,710,373</u>
Noncurrent assets:	
Restricted cash and cash equivalents	15,689,796
Capital assets, net of accumulated depreciation	<u>40,826,309</u>
Total non-current assets	<u>56,516,105</u>
Total assets	<u>64,226,478</u>

LIABILITIES

Current Liabilities:	
Accounts payable	3,204,982
Accrued interest	274,083
Lease liability payable within one year	447,103
Bond principal payable within one year	<u>1,760,000</u>
Total current liabilities	<u>5,686,168</u>
Noncurrent liabilities:	
Lease liability payable after one year	3,858,806
Bonds payable after one year	<u>24,619,066</u>
Total noncurrent liabilities	<u>28,477,872</u>
Total liabilities	<u>34,164,040</u>

NET POSITION

Net investment in capital assets	25,211,901
Restricted	<u>4,850,537</u>
TOTAL NET POSITION	<u>\$ 30,062,438</u>

See accompanying notes to financial statements

MARIN EMERGENCY RADIO AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

OPERATING REVENUES

Member operating payment \$ 2,701,700

OPERATING EXPENSES

Contract services	519,202
County system maintenance	589,156
County technical services	52,296
County communication engineer	208,076
Site rentals and leases	281,266
Site utilities	109,740
Site maintenance	82,064
Insurance	148,083
Audit services	226,701
Legal Services	41,859
Miscellaneous expenses	3,431
Amortization	550,303
Depreciation	71,801
	2,883,978
Total operating expenses	2,883,978
Operating loss	(182,278)

NONOPERATING REVENUES (EXPENSES)

Parcel taxes	3,543,508
Investment income	537,047
Miscellaneous income	670
Interest expense	(818,689)
	3,262,536
Total nonoperating revenues	3,262,536

INCREASE (DECREASE) IN NET POSITION 3,080,258

NET POSITION, BEGINNING OF YEAR 26,982,180

NET POSITION, END OF YEAR \$ 30,062,438

See accompanying notes to financial statements

MARIN EMERGENCY RADIO AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	2023
CASH FLOWS FROM OPERATING ACTIVITIES	
Member contributions	\$ 2,701,700
Operating expenses	30,958
Cash Flows from Operating Activities	2,732,658
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Parcel taxes	3,543,508
Cash Flows from Operating Activities	3,543,508
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(10,189,413)
Bond principal payments	(1,725,000)
Interest payments on long-term debt	(833,064)
Cash Flows (used for) Capital and Related Financing Activities	(12,747,477)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale or maturity of investments	116,653
Interest earnings	437,979
Cash Flows from Investing Activities	554,632
NET CASH FLOWS	(5,916,679)
Cash, beginning of year	\$29,115,958
Cash, end of year	\$23,199,279
Reconciliation of cash and cash equivalents to statement of net position:	
Cash and cash equivalents - current	\$5,381,039
Restricted cash and cash equivalents - current	17,818,240
Total cash and cash equivalents	\$ 23,199,279

MARIN EMERGENCY RADIO AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

RECONCILIATION OF NET INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	<u>2023</u>
Net income from operations	\$ (182,278)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	71,801
Change in assets and liabilities:	
(Increase) decrease in assets:	
Prepaid expenses and other assets	27,315
Increase (decrease) in liabilities:	
Accounts payable	<u>2,815,820</u>
Net cash provided by operating activities	<u>\$ 2,732,658</u>

See accompanying notes to financial statements

MARIN EMERGENCY RADIO AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 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 Governing Board comprised of one appointed official from each participating member

BASIS OF ACCOUNTING

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.

BASIS OF ACCOUNTING

MERA’s operations are accounted for as a governmental enterprise fund and are reported using the economic resources measurement focus and 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. Enterprise fund- type operating statements present increases (revenues) and decreases (expenses) in total net position. Reported net position is segregated into three categories – net investment in capital assets, restricted and unrestricted.

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

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 entity’s 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:

MERA has defined cash and cash equivalents to include all cash on hand, demand deposits, and short-term investments for presentation in the statement of cash flows.

MARIN EMERGENCY RADIO AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments:

Investments with fiscal agent represents an investment in the California Local Agency Investment Fund (LAIF) held by US Bank in connection with the Marin Emergency Radio Authority 2016 Special Parcel Tax Revenue Bonds and is valued at cost because its redemption terms do not consider market rates.

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 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. The original estimated lives of equipment, radio, and others are 3-20 years.

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 5).

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.

Leases:

A lease is defined as a contract that conveys control of the right to use another entity’s nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment.

GASB Pronouncements:

The following Governmental Accounting Standards Board (GASB) pronouncements were effective in fiscal year 2022-23:

MARIN EMERGENCY RADIO AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this Statement is to improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. This Statement is effective for reporting periods beginning after June 15, 2022. The implementation of this Statement had no effect on the financial statements.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. This Statement is effective for reporting periods beginning after June 15, 2022. The implementation of this Statement had no effect on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

Cash and cash equivalents consist of the following as of June 30, 2023:

Cash and cash equivalents in County of Marin treasury	\$6,229,831
Cash and equivalents with fiscal agency	<u>16,969,448</u>
Total	<u><u>\$23,199,279</u></u>

MERA maintains most of its cash in the County of Marin pooled investment fund to increase 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.” There are no limitations or restrictions on withdrawals from the pool.

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

MARIN EMERGENCY RADIO AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

NOTE 2 – CASH AND INVESTMENTS (continued)

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.

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

FAIR VALUE MEASUREMENT

MERA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2023, MERA had cash and money market instruments in commercial banks, an investment in a non-market-value- participating guaranteed investment contract that is valued at cost and an investment in the Marin County Pooled Investment fund that is considered a cash equivalent.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. MERA's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. Deposits and withdrawals from the County Pool are made on the basis of \$1 which is substantially equal to fair value. MERA's proportionate share of investments in the County Pool as of June 30, 2023, of \$6,229,831 is not required to be categorized under the fair value hierarchy.

MARIN EMERGENCY RADIO AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 2 – CASH AND INVESTMENTS (continued)

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 investment pool's 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, 2023, the County's investment pool had a weighted average maturity of 196 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.

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 the United States Treasury and Agency obligations with a credit quality rating of "AAA."

MERA has cash and investments held by US Bank as trustee relating to its outstanding bonds. Investments include money market funds.

CONCENTRATION OF CREDIT RISK

MERA did not have investments in any one individual issuers, other than Pooled Investments that made up more than 5% of the total investments.

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits of cash and equivalents 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.

MARIN EMERGENCY RADIO AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 3 – RESTRICTED ASSETS

MEMBER CONTRIBUTIONS DESIGNATED FOR DEBT SERVICE

Member contributions designated for debt service are considered restricted for debt service.

MEASURE A PARCEL TAX PROCEEDS

Marin County voters approved Measure A in November 2014 to assess a real property parcel tax to be used for *obtaining, furnishing, operating and maintaining a public safety and emergency radio communication system*. As required by Measure A, the parcel taxes are restricted for use for the Next Generation System Project (NextGen Project).

SUMMARY OF RESTRICTED CASH, CASH EQUIVALENTS, AND INVESTMENTS

Balances of restricted cash, cash equivalents and investments held for the following purposes as of June 30, 2023:

Bonded debt	\$ 5,077,916
NextGen Project - from Measure A parcel taxes	562,809
NextGen Project - from bond proceeds	<u>12,177,515</u>
Total restricted	<u><u>\$ 17,818,240</u></u>

MARIN EMERGENCY RADIO AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Ending Balance
Nondepreciable assets:			
Land	\$ 160,000	\$ -	\$ 160,000
Construction in Progress	26,167,342	10,189,413	36,356,755
Total nondepreciable assets	26,327,342	10,189,413	36,516,755
Cost of depreciable capital assets in service			
Motorola communications system	25,255,701		25,255,701
Other capitalized services	3,254,314		3,254,314
Equipment	990,985		990,985
Buildings and improvements	127,208		127,208
Radio frequencies	562,500		562,500
Capitalized interest costs	3,140,797		3,140,797
Lease - Intangible right-to-use	5,090,752		5,090,752
Subtotal	38,422,257		38,422,257
Less: Accumulated depreciation			
Motorola communications system	25,255,701		25,255,701
Other capitalized services	3,254,314		3,254,314
Equipment	824,779	43,674	868,453
Buildings and improvements	127,208		127,208
Radio frequencies	337,500	28,125	365,625
Capitalized interest costs	3,140,797		3,140,797
Lease - Intangible right-to-use	550,304	550,301	1,100,605
Subtotal	33,490,603	622,100	34,112,703
Depreciable capital assets in service, net	4,931,657	(622,100)	4,309,554
Capital assets, net of depreciation	\$ 31,258,999	\$ 9,567,313	\$ 40,826,309

Construction in progress includes costs incurred for the Next Generation System Project (Project). Depreciation will begin when the Project is placed in service.

MARIN EMERGENCY RADIO AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 5 – LEASE PAYABLE

MERA has entered into seven multi-year lease agreements as lessee for the use of land and communication equipment. An initial lease liability was recorded in the amount of \$5,090,751 during the year ended June 2022. As of June 30, 2023, the value of the lease liability was \$4,305,909. MERA is required to make monthly principal and interest payment of \$49,534. The value of the right-to-use asset as of the end of the current fiscal year are \$5,090,752 and had accumulated amortization of \$1,100,605

A summary of lease transaction for the fiscal year ended June 30, 2023, are as follows:

Leases Liability	Balance	Retirements	Balance	Current
	June 30, 2022		June 30, 2023	Portion
Land	\$ 2,354,118	\$ (84,969)	\$ 2,269,149	\$ 92,852
Equipment	2,356,434	(319,674)	2,036,760	354,251
Total	<u>\$ 4,710,552</u>	<u>\$ (404,643)</u>	<u>\$ 4,305,909</u>	<u>\$ 447,103</u>

The future principal and interest lease payments as of June 30, 2023, were as follows:

For the Year Ended June 30	Principal	Interest	Total
2024	\$ 447,103	\$ 170,412	\$ 617,515
2025	492,846	151,053	643,899
2026	371,701	132,945	504,646
2027	391,534	118,503	510,037
2028	428,425	102,454	530,879
2029-2033	1,188,515	316,960	1,505,475
2034-2038	801,841	140,918	942,759
2039-2043	183,944	5,428	189,372
	<u>\$ 4,305,909</u>	<u>\$ 1,138,673</u>	<u>\$ 5,444,582</u>

MARIN EMERGENCY RADIO AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 6 – BONDS PAYABLE

MERA’s debt issues and transactions for the year ended June 30, 2023, are summarized below and discussed in detail subsequently:

	Balance June 30, 2022	Retirements	Balance June 30, 2023	Amount due within one year
2016 Special Parcel Tax Revenue Bonds	\$ 28,020,000	\$ 1,725,000	\$ 26,295,000	\$ 1,760,000
Unamortized premium-2016 bonds	113,742	29,676	84,066	-
Total long-term debt	<u>\$ 28,133,742</u>	<u>\$ 1,754,676</u>	<u>\$ 26,379,066</u>	<u>\$ 1,760,000</u>

2016 SPECIAL PARCEL TAX REVENUE BONDS

In May 2016 MERA issued 2016 Special Parcel Tax Revenue Bonds for \$33,000,000, to plan, finance and build the Next Generation Radio System. These bonds were issued at a premium of \$581,596 above their nominal value of \$33,000,000. Issuance and related costs totaled \$642,249. These bonds mature annually from 2019 to 2035 and bear interest from 1.19% to 3.04%.

Principal payments are payable annually on August 1st, beginning in 2019. Interest is paid semi-annually in February and August. The Bonds are special obligations of MERA and are secured by a lien on the revenues derived by MERA.

In accordance with the bond indenture agreement, the MERA has purchased a surety bond for \$2,404,600 to satisfy a reserve requirement until all bonds are retired.

Minimum future obligations for debt service for the 2016 bonds are as follows:

For The Year Ending June 30	Principal	Interest
2024	\$ 1,760,000	\$ 640,200
2025	1,800,000	604,600
2026	1,835,000	568,250
2027	1,870,000	531,200
2028	1,910,000	493,400
2029-2033	10,230,000	1,777,900
2034-2036	6,890,000	314,490
	<u>\$ 26,295,000</u>	<u>\$ 4,930,040</u>

The premium of the 2016 bonds will be amortized over the terms of the bonds.

MARIN EMERGENCY RADIO AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 7 – NET POSITION RESTRICTIONS

Net position is the excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources. Some of MERA’s net assets are subject to restrictions imposed by contract or statute.

As discussed in Note 3, Measure A provides parcel tax revenue to be used for the Next Generation System Project and are restricted for that purpose.

NOTE 8 – 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. Property coverage was purchased with a limit of \$350,000,000.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

MERA has the following commitments as of June 30, 2023:

<u>Contractor</u>	<u>Purpose</u>	<u>Amount</u>
County of Marin	Maintenance	\$ 550,158
County of Marin	Technical	217,036
Federal Engineering	NG radio system implementation	404,000
Motorola Solutions	Next Gen Equipment and CM	13,041,519
Motorola Solutions	System Upgrade Agreement (SUA)	15,009,000
AECOM	Construction Admin Support	40,000
Fidato	Construction Contractor	9,077,621
Various	Construction support/Permits/Inspection	493,133
Various	Professional and Admin	411,250

NOTE 10 – RELATED PARTY TRANSACTIONS

The County of Marin, which is a member of MERA, invoiced \$1,125,988 for maintenance and technical services and reimbursement of payments to unrelated parties during 2022-23 and was owed \$0 as of June 30, 2023.

The Town of Corte Madera, which is also a member of MERA, was paid \$8,340 for accounting and administrative services.

SUPPLEMENTAL INFORMATION

MARIN EMERGENCY RADIO AUTHORITY
BUDGETARY COMPARISON SCHEDULE
OPERATING FUND (70030)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Member contributions	\$ 2,477,692	\$ 2,477,692	\$ 2,701,700	\$ 224,008
Interest			19,882	19,882
Total revenues	<u>2,477,692</u>	<u>2,477,692</u>	<u>2,721,582</u>	<u>243,890</u>
EXPENDITURES				
Current:				
Contract services	217,467	217,467	257,630	(40,163)
County system maintenance	632,209	632,209	589,156	43,053
County technical services	261,701	261,701	52,296	209,405
County communications services	239,632	239,632	208,076	31,556
Site rental and leases	780,581	780,581	281,266	499,315
Site utilities	113,802	113,802	109,740	4,062
Site maintenance	98,000	98,000	82,064	15,936
Insurance	75,900	75,900	148,083	(72,183)
Auditing services	30,900	30,900	226,701	(195,801)
Legal services	12,000	12,000	23,329	(11,329)
Miscellaneous expenses	1,500	1,500	3,431	(1,931)
General contingencies	14,000	14,000	-	14,000
Total expenditures	<u>2,477,692</u>	<u>2,477,692</u>	<u>1,981,772</u>	<u>495,920</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>739,810</u>	<u>(252,030)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			57,068	57,068
Transfers out			-	-
Total Other Financing Sources (Uses)			<u>57,068</u>	<u>57,068</u>
Net Change in Fund Balances			796,878	<u>\$ (194,962)</u>
Fund Balances, Beginning of Year			<u>\$ 1,115,033</u>	
Fund Balances, End of Year			<u>\$ 1,911,911</u>	

See notes to required supplementary information

MARIN EMERGENCY RADIO AUTHORITY

**BUDGETARY COMPARISON SCHEDULE
NEXT GENERATION SYSTEM PROJECT FUND (70038)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Parcel taxes	\$ 3,560,000	\$ 3,560,000	\$ 3,531,589	\$ (28,411)
Utility parcel taxes			11,919	11,919
Interest	35,544	35,544	169,652	134,108
Total revenues	<u>3,595,544</u>	<u>3,595,544</u>	<u>3,713,160</u>	<u>117,616</u>
EXPENDITURES				
Current:				
Financial and administrative services	286,326	286,326	261,572	24,754
Legal fees			18,530	(18,530)
Total expenditures	<u>286,326</u>	<u>286,326</u>	<u>280,102</u>	<u>6,224</u>
Excess (deficiency) of revenues over expenditures	<u>3,309,218</u>	<u>3,309,218</u>	<u>3,433,058</u>	<u>111,392</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			1,535,818	1,535,818
Transfers out			(3,301,026)	(3,301,026)
Total Other Financing Sources (Uses)			<u>(1,765,208)</u>	<u>(1,765,208)</u>
Net Change in Fund Balances			1,667,850	<u>\$ (1,653,816)</u>
Fund Balances, Beginning of Year			<u>\$ 9,454,566</u>	
Fund Balances, End of Year			<u>\$ 11,122,416</u>	

See notes to required supplementary information

MARIN EMERGENCY RADIO AUTHORITY

NOTES TO SUPPLEMENTAL INFORMATION YEAR ENDED JUNE 30, 2023

BUDGETS

The budgets included in these financial statements represents the original budget and amendments/additional allocations approved by the Governing Board. 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. MERA only budgets for the Operating Fund and the Next Generation System Project Fund.

DESIGNATIONS AND RESERVES

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

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.

The Next Generation System Project Fund is designated to receive and expend parcel tax proceeds.

The 2016 Bonds Fund is designated to receive Bond proceeds and disburse payments for the costs to acquire the Next Generation System.

MARIN EMERGENCY RADIO AUTHORITY

**SCHEDULE OF MEMBER OPERATING PAYMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Member Operating Payments</u>
City of Belvedere	\$ 25,986
Bolinas Fire Protection District	15,899
Central Marin Police Authority	172,934
Town of Corte Madera	38,484
Town of Fairfax	54,090
Inverness Public Utility District	13,460
Kentfield Fire Protection District	21,930
City of Larkspur	45,954
Marin Community College District	9,765
County of Marin	942,239
Marin County Transit District	26,935
Marinwood Community Services District	23,958
City of Mill Valley	122,823
Marin Municipal Water District	11,279
Novato Fire Protection District	144,588
City of Novato	305,130
Town of Ross	15,385
Ross Valley Fire Department	57,991
Town of San Anselmo	14,014
City of San Rafael	401,659
City of Sausalito	54,705
Skywalker Ranch	9,816
Southern Marin Fire Protection District	65,203
Stinson Beach Fire Protection District	14,333
Tiburon Fire Protection District	32,197
Town of Tiburon	60,943
	<u>\$ 2,701,700</u>

MARIN EMERGENCY RADIO AUTHORITY

**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

2016 Special Parcel Tax Revenue Bonds			
12 Months Ended	Principal	Interest	Bond
August 1, 2023	\$ 1,760,000	\$ 657,800	\$ 2,417,800
August 1, 2024	1,800,000	622,600	2,422,600
August 1, 2025	1,835,000	586,600	2,421,600
August 1, 2026	1,870,000	549,900	2,419,900
August 1, 2027	1,910,000	512,500	2,422,500
August 1, 2028	1,945,000	474,300	2,419,300
August 1, 2029	1,985,000	435,400	2,420,400
August 1, 2030	2,035,000	395,700	2,430,700
August 1, 2031	2,100,000	334,650	2,434,650
August 1, 2032	2,165,000	271,650	2,436,650
August 1, 2033	2,230,000	206,700	2,436,700
August 1, 2034	2,295,000	139,800	2,434,800
August 1, 2035	2,365,000	70,950	2,435,950
	<u>\$ 26,295,000</u>	<u>\$ 5,258,550</u>	<u>\$ 31,553,550</u>