



**Marin Emergency Radio Authority [MERA]**

**FINANCIAL STATEMENTS AND AUDITORS' REPORT  
YEAR ENDED JUNE 30, 2015**

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## **INDEPENDENT AUDITORS' REPORT**

To the Governing Board Members and Alternates of  
Marin Emergency Radio Authority

We have audited the accompanying financial statements of the Marin Emergency Radio Authority (the Authority) as of and for the year ended June 30, 2015, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility 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; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The budgetary comparison schedules, schedule of member operating and service payments, and schedule of future debt service requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules, schedule of member operating and service payments, and schedule of future debt service requirements (the Schedules) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Maher Accountancy*

November X, 2015

# 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, 2015. Please read it along with the Authority's financial statements, which begin on page 7.

### FINANCIAL HIGHLIGHTS

The Authority's net position decreased by \$1,746,000 during the year. Total revenues increased by \$64,000 and total operating expenses increased by \$100,000 and non-operating expenses decreased by \$35,000 as compared to fiscal year 2013-14.

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

	Revenue Variance Positive (Negative)	Expenditure and transfer Variance Positive (Negative)	Net Variance Positive (Negative)
Operating Fund (70030)	\$ 1,865	\$ 102,186	\$ 104,051
New Project Financing Fund (70032)	\$ 504	\$ 25,436	\$ 25,940
Refunding Revenue Bonds Fund (70035)	\$ 14,831	\$ 20,250	\$ 35,081
Replacement Fund (70036)	\$ 971	\$ 272,544	\$ 273,515
Emergency Fund (70037)	\$ 926	\$ -	\$ 926

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

# MARIN EMERGENCY RADIO AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how MERA's net position changed during the fiscal year. All changes in net position are recognized at the date the underlying event that gives rise to the change occurs, regardless of the timing of the related cash flows.

The Statement of Cash Flows presents information about MERA's cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities. This statement shows the sources and uses of cash, as well as the change in the cash balances during the fiscal years.

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.

Changes in MERA's net position follows:

	<u>2015</u>	<u>2014</u>	<u>Increase (decrease)</u>
Current assets	\$ 4,009,120	\$ 4,091,376	\$ (82,256)
Noncurrent assets	8,161,930	11,545,562	(3,383,632)
Restricted assets	<u>1,276,500</u>	<u>1,434,500</u>	<u>(158,000)</u>
Total assets	13,447,550	17,071,438	(3,623,888)
Deferred outflows of resources	<u>44,550</u>	<u>60,967</u>	<u>(16,417)</u>
Total assets and deferred outflows of resources	<u>13,492,100</u>	<u>17,132,405</u>	<u>(3,640,305)</u>
Current liabilities	2,143,541	2,003,868	139,673
Long-term debt	<u>12,436,727</u>	<u>14,310,783</u>	<u>(1,874,056)</u>
Total liabilities	<u>14,580,268</u>	<u>16,314,651</u>	<u>(1,734,383)</u>
Net position:			
Net investment in capital assets	-	-	-
Restricted bond debt service	941,230	709,359	231,871
Unrestricted (deficit)	<u>(1,869,398)</u>	<u>108,395</u>	<u>(1,977,793)</u>
Total net position	<u>\$ (928,168)</u>	<u>\$ 817,754</u>	<u>\$ (1,745,922)</u>

Capital assets (net of depreciation) decreased primarily as a result of depreciation of the radio system. The largest component of current liabilities is debt payable due within one year. Long-term debt decreased as the scheduled payment for the bonds issued in 2010 was made during 2014-15.

# MARIN EMERGENCY RADIO AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

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

	<u>2015</u>	<u>2014</u>	<u>Increase (decrease)</u>
<b>Revenues:</b>			
Operating revenues			
Member operating payments	\$ 1,707,654	\$ 1,651,432	\$ 56,222
Nonoperating revenues			
Member service payments	2,346,825	2,346,325	500
Investment income	19,097	11,727	7,370
Miscellaneous income	-	186	(186)
Total revenues	<u>4,073,576</u>	<u>4,009,670</u>	<u>63,906</u>
<b>Expenses:</b>			
Operating expenses	5,337,795	5,237,503	100,292
Non-operating expenses			
Interest expense	<u>481,703</u>	<u>516,581</u>	<u>(34,878)</u>
Total expenses	<u>5,819,498</u>	<u>5,754,084</u>	<u>65,414</u>
Increase (decrease) in net position	<u><u>\$ (1,745,922)</u></u>	<u><u>\$ (1,744,414)</u></u>	<u><u>\$ (1,508)</u></u>

Member operating payments increased from 2013-14 as authorized in the budget. Interest expense decreased as we continue to make scheduled payments on the 2010 Revenue Bonds. The increase in expenses primarily was the result of increased contract services for the planned replacement of the radio system.

### CAPITAL ASSET AND DEBT ADMINISTRATION

MERA owns various communication systems and equipment. More information about capital assets is shown in note 3 to the financial statements.

As scheduled, MERA paid bond principal of \$1,580,000 and bond interest of approximately \$522,000. Principal and interest related to our loan from Citizen's Bank amounted to \$147,000 and \$61,000, respectively. The statement of revenues, expenses and changes in net position report the interest payments adjusted for accruals and amortization.

# MARIN EMERGENCY RADIO AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

### THE FUTURE OF THE AUTHORITY

The MERA Governing Board, per its Strategic Plan, approved the Next Generation System Project Financing Plan utilizing parcel tax revenues for the police and fire services portion of the Project and MERA Reserves for non-police and fire Project costs.

MERA's 24 member agencies passed Resolutions of Support for the Project and parcel tax and requesting the County of Marin to place a parcel tax measure on MERA's behalf on the November 2014 Ballot. The County, on July 22, 2014 by resolution, called for the special election to be consolidated with the general election, placing Measure A on the ballot.

The Measure A Parcel Tax was passed by Marin County voters with 67.14% support. Total estimated levy is \$3.6M less County collection costs. Wireless Communication Consultant Federal Engineering (FE) has been engaged to assist with Project implementation through vendor selection in 2016. Project completion is expected in 2018.

The Measure A Citizens Oversight Committee was convened in June 2015 and it will review the expenditures of revenues collected pursuant to the Parcel Tax Ordinance.

The Authority is actively engaged in planning for a Gen III Reserve and analyzing a System Upgrade Agreement (SUA) to keep Next Gen System current throughout its useful life.

The Authority also continues to seek grants, through the County of Marin, to assist with Project costs and has ongoing member support for 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 95 Rowland Way, Novato, CA 94945.

Respectively submitted,

*Maureen Cassingham*

Executive Officer



**BASIC FINANCIAL STATEMENTS**

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**MARIN EMERGENCY RADIO AUTHORITY**

**STATEMENT OF NET POSITION  
AS OF JUNE 30, 2015**

**ASSETS**

Current assets:

Cash in Marin County Treasury	\$ 1,217,263
Prepaid expenses	42,443
Investments with fiscal agent	<u>2,749,414</u>
Total current assets	4,009,120

Noncurrent assets:

Land	160,000
Capital assets, net of depreciation	<u>8,161,930</u>
Total noncurrent assets	8,321,930

Restricted assets:

Investments with fiscal agent	<u>1,276,500</u>
Total assets	<u>13,607,550</u>

**DEFERRED OUTLOWS OF RESOURCES**

Bond redemption premium, less accumulated amortization of \$145,800	<u>44,550</u>
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<b>TOTAL ASSETS AND DEFERRED OUTLOWS OF RESOURCES</b>	<u>13,652,100</u>
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**LIABILITIES**

Current liabilities:

Accounts payable	10,371
Payable to related parties	59,969
Accrued interest	208,647
Note principal payable within one year	153,931
Bond principal payable within one year	<u>1,620,000</u>
Total current liabilities	2,143,541

Noncurrent liabilities:

Note payable after one year	1,077,845
Bond payable after one year	<u>11,358,882</u>
Total noncurrent liabilities	<u>12,436,727</u>

Total liabilities	<u>14,580,268</u>
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**NET POSITION**

Net investment in capital assets	-
Restricted for bond debt service	941,230
Unrestricted (deficit)	<u>(1,869,398)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (928,168)</u>

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

**MARIN EMERGENCY RADIO AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2015**

**OPERATING REVENUES:**

Member operating payments	\$ 1,707,654
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**OPERATING EXPENSES:**

Contract services	435,653
County system maintenance	490,383
County technical services	242,645
County communication engineer	195,378
Site rentals and leases	376,311
Site utilities	78,039
Site maintenance	11,432
Insurance	35,975
Audit services	15,960
Legal services	88,703
Miscellaneous expenses	9,165
Depreciation	<u>3,358,151</u>
Total operating expenses	<u>5,337,795</u>
Operating income (loss)	(3,630,141)

**NONOPERATING REVENUES (EXPENSES):**

Member service payments	2,346,825
Investment income	19,097
Interest expense	<u>(481,703)</u>
Total nonoperating revenues (expenses)	<u>1,884,219</u>

**INCREASE (DECREASE) IN NET POSITION**

	(1,745,922)
Net position at beginning of the year	<u>817,754</u>
Net position at end of the year	<u><u>\$ (928,168)</u></u>

**MARIN EMERGENCY RADIO AUTHORITY**

**STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Member contributions	\$ 1,707,654
Operating expenses	<u>(1,990,662)</u>
Net cash provided by (used for) operating activities	<u>(283,008)</u>

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

Member service payments	225,000
Miscellaneous income	26,646
Acquisition of capital assets	(134,519)
Note principal payments	(147,401)
Interest payments	<u>(61,097)</u>
Net cash (used) by capital activities and related financing activities	<u>(91,371)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest income	<u>4,265</u>
Net increase (decrease) in cash and cash equivalents	(370,114)
Cash and cash equivalents at beginning of year	<u>1,587,377</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,217,263</u></u>

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

Operating income (loss)	\$ (3,630,141)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation, an expense not requiring the use of cash	3,358,151
(Increase) decrease in prepaid expenses	(30,799)
Increase (decrease) in accounts payable	<u>19,781</u>
Net cash provided by operating activities	<u><u>\$ (283,008)</u></u>

**NONCASH CAPITAL, RELATED FINANCING AND INVESTING ACTIVITIES:**

Member service payments related to bonds are made directly to the bond trustee who makes the debt service payments	
Member service revenue	\$ 2,121,825
Interest and dividend income	\$ 14,211
Bond principal payments	\$ 1,580,000
Bond interest payments	\$ 521,575

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

# **MARIN EMERGENCY RADIO AUTHORITY**

## **NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015**

### **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

#### **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.).

#### **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, 2015**

**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 money market funds 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. The original estimated lives were:

Buildings and improvements	10-20 years
Equipment, radio and other	5-20 years

Based on an analysis of capital assets currently in place, management has determined that the useful lives of the majority of MERA's assets do not extend past 2018. Accordingly, depreciation expense on most assets have been accelerated to match this timeline.

# MARIN EMERGENCY RADIO AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

### 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, 2015

### 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, 2015, the County's investment pool had a weighted average maturity of 176 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, 2015**

**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.

**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, 2015.

<b>Investments in Investment Pool</b>	<b><u>Percent of Portfolio</u></b>
Federal agency issues - coupon	13%
Federal agency issues - discount	85%
Money market funds	<u>2%</u>
	100%

**MARIN EMERGENCY RADIO AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**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, 2015 was as follows:

	Beginning balance	Additions	Transfers	Ending Balance
Nondepreciable assets:				
Land	\$ 160,000	-	-	\$ 160,000
Construction in progress	26,644		\$ (26,644)	-
	<u>\$ 186,644</u>	<u>\$ -</u>	<u>\$ (26,644)</u>	<u>\$ 160,000</u>
Depreciable capital assets:				
Motorola communications system	\$ 25,255,701	-	-	\$ 25,255,701
Other capitalized services	3,254,314	-	-	3,254,314
Equipment	319,023	\$ 99,727	-	418,750
Buildings and improvements	28,660	34,792	26,644	90,096
Radio frequencies	562,500	-	-	562,500
Capitalized interest costs, net	3,140,797	-	-	3,140,797
Totals at historical cost	<u>32,560,995</u>	<u>134,519</u>	<u>26,644</u>	<u>32,722,158</u>
Less: Accumulated depreciation				
Motorola communications system	17,127,102	2,594,649	-	19,721,751
Other capitalized services	1,934,881	329,861	-	2,264,742
Equipment	137,382	70,345	-	207,727
Buildings and improvements	5,732	21,091	-	26,823
Radio frequencies	112,500	28,125	-	140,625
Capitalized interest costs, net	1,884,480	314,080	-	2,198,560
Total accumulated depreciation	<u>21,202,077</u>	<u>3,358,151</u>	<u>-</u>	<u>24,560,228</u>
Depreciable capital assets, net	<u>\$ 11,358,918</u>	<u>\$ (3,223,632)</u>	<u>\$ 26,644</u>	<u>\$ 8,161,930</u>

**MARIN EMERGENCY RADIO AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**4. BONDS PAYABLE**

MERA's debt issues and transactions for the year ended June 30, 2015 are summarized below and discussed in detail subsequently:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
2010 Revenue Bonds	\$ 14,345,000	\$ -	\$ 1,580,000	\$ 12,765,000
Unamortized premium	314,007		100,125	213,882
	14,659,007	-	1,680,125	12,978,882
Less current portion	1,580,000	1,620,000	1,580,000	1,620,000
Bonds payable after one year	<u>\$ 13,079,007</u>	<u>\$ (1,620,000)</u>	<u>\$ 100,125</u>	<u>\$ 11,358,882</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 2012 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 \$1,276,000 to satisfy a reserve requirement until all bonds are retired.

**MARIN EMERGENCY RADIO AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**4. BONDS PAYABLE (continued)**

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

Year ended June 30,	Principal	Interest	Total
2016	\$ 1,620,000	\$ 469,425	\$ 2,089,425
2017	1,685,000	403,325	2,088,325
2018	1,755,000	338,913	2,093,913
2019	1,815,000	271,900	2,086,900
2020	1,890,000	197,800	2,087,800
2021-2022	4,000,000	161,600	4,161,600
	<u>\$12,765,000</u>	<u>\$ 1,842,963</u>	<u>\$14,607,963</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 2010 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, 2014	\$ 1,379,177
Principal paid	<u>(147,401)</u>
Balance as of June 30, 2015	1,231,776
Less current portion	<u>153,931</u>
Note payable due after one year	<u>\$ 1,077,845</u>

**MARIN EMERGENCY RADIO AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**5. NOTE PAYABLE (continued)**

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

Year ended June 30,	Principal	Interest	Total
2016	\$ 153,931	\$ 54,568	\$ 208,499
2017	160,751	47,748	208,499
2018	167,872	40,628	208,500
2019	175,309	33,190	208,499
2020	183,075	25,424	208,499
2021-2022	390,838	26,158	416,996
	<u>\$ 1,231,776</u>	<u>\$ 227,716</u>	<u>\$ 1,459,492</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. Property coverage was purchased with a limit of \$350,000,000.

**MARIN EMERGENCY RADIO AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**7. COMMITMENTS AND CONTINGENCIES**

At June 30, 2015, 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 \$376,000 for 2015.

Future minimum lease payments under the leases are as follows:

Year ended June 30,	
2016	\$ 227,132
2017	237,551
2018	247,955
2019	259,182
2020	260,054
2021-2025	1,323,405
2026-2030	180,236
2031-2035	150,000
2036-2040	30,000
	<u>\$ 2,915,515</u>

In addition to the lease commitments above, MERA has the following commitments as of June 30, 2015:

<u>Contractor</u>	<u>Purpose</u>	<u>Amount</u>
County of Marin	Maintenance Agreement	\$ 1,365,373
County of Marin	Technical Services	297,507
County of Marin	System Analysis Agreement	129,000
County of Marin	Communications Engineer	202,000
County of Marin	Bay Hill Tower replacment project	75,000
County of Marin	Next Generation radio system implementation	2,000,000
Various	Professional Services	211,674
		<u>\$ 4,280,554</u>

**MARIN EMERGENCY RADIO AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**8. RELATED PARTY TRANSACTIONS**

The County of Marin, which is a member of MERA, was paid \$1,076,000 for maintenance and technical services. Marin Municipal Water District, which is a member of MERA, was paid \$67,000 for services related to utility projects. Additionally, the Novato Fire Protection District, which is also a member of MERA, was paid \$58,000 for accounting and administrative services and office space rent.

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**SUPPLEMENTAL INFORMATION**

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**MARIN EMERGENCY RADIO AUTHORITY**

**BUDGETARY COMPARISON SCHEDULE  
OPERATING FUND (70030)  
YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>				
Member contributions	\$1,707,654	\$1,707,654	\$1,707,654	\$ -
Interest			1,865	1,865
Total revenues	<u>1,707,654</u>	<u>1,707,654</u>	<u>1,709,519</u>	1,865
<b>EXPENDITURES</b>				
Current:				
Contract services	157,000	175,000	174,465	535
County system maintenance	511,500	511,500	490,383	21,117
County technical services	291,375	271,375	204,911	66,464
County communications engineer	195,378	195,378	195,378	-
Site rentals and leases	367,301	380,001	376,311	3,690
Site utilities	82,000	82,000	78,039	3,961
Site maintenance	12,200	12,200	11,432	768
Insurance	42,200	40,000	35,975	4,025
Auditing services	15,000	15,000	14,950	50
Legal services	12,500	24,000	22,790	1,210
Miscellaneous expenses	1,200	1,200	834	366
General contingencies	20,000	0	-	-
Total expenditures	<u>1,707,654</u>	<u>1,707,654</u>	<u>1,605,468</u>	<u>102,186</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>104,051</u>	<u>104,051</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	<u>-</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>(95,949)</u>	<u>\$ 104,051</u>
Fund balance at beginning of year			<u>211,527</u>	
Fund balance at end of year			<u>\$ 115,578</u>	

**MARIN EMERGENCY RADIO AUTHORITY**

**BUDGETARY COMPARISON SCHEDULE  
NEW PROJECT FINANCING – 2007 BANK NOTE FUND (70032)  
YEAR ENDED JUNE 30, 2015**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Member contributions	\$ 225,000	\$ 225,000	\$ -
Interest	-	504	504
Total revenues	<u>225,000</u>	<u>225,504</u>	<u>504</u>
<b>EXPENDITURES</b>			
Return prior year check to DPW		6,454	(6,454)
DPW system analysis agreement - capital projects	18,000	4,804	13,196
Forbes Reservoir Utility Undergrounding Project	42,500	34,906	7,594
Legal	15,000	3,900	11,100
Debt service	208,499	208,499	-
Total expenditures	<u>283,999</u>	<u>258,563</u>	<u>25,436</u>
Excess of revenues over (under) expenditures	<u>\$ (58,999)</u>	<u>(33,059)</u>	<u>\$ 25,940</u>
Fund balance at beginning of year		<u>217,699</u>	
Fund balance at end of year		<u>\$ 184,640</u>	

**MARIN EMERGENCY RADIO AUTHORITY**

**BUDGETARY COMPARISON SCHEDULE  
2010 REFUNDING REVENUE BONDS FUND (70035)  
YEAR ENDED JUNE 30, 2015**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Member contributions	\$ 2,121,825	\$ 2,121,825	\$ -
Interest income	-	14,831	14,831
Total revenues	2,121,825	2,136,656	14,831
<b>EXPENDITURES</b>			
Debt service	2,121,825	2,101,575	20,250
Excess of revenues over (under) expenditures	\$ -	35,081	\$ 35,081
Fund balance at beginning of year		3,900,208	
Fund balance at end of year		\$ 3,935,289	

**MARIN EMERGENCY RADIO AUTHORITY**

**BUDGETARY COMPARISON SCHEDULE  
REPLACEMENT FUND (70036)  
YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 971	\$ 971
Miscellaneous	-	-	-	-
	<u>-</u>	<u>-</u>	<u>971</u>	<u>971</u>
<b>EXPENDITURES</b>				
Admin fees (bonds, arbitration, auditor)		7,500	5,324	2,176
Outreach, contract staffing, etc. through 12/31/14		126,800	107,750	19,050
DPW Next Generation outreach		10,000	6,646	3,354
Contract staffing, admin, technical, interface support, misc. (legal) Jan- June 2015		100,000	44,737	55,263
Parcel tax administration		11,875	11,966	(91)
Measure A validation process		22,500	22,500	-
Election cost		81,000	80,865	135
Public records act request costs		25,000	18,139	6,861
Website		1,000	725	275
Legal		18,000	16,375	1,625
Surety substitution		38,721	40,314	(1,593)
Next gen system project		207,000	26,284	180,716
Equipment replacement	208,500	110,500	105,727	4,773
<b>Total expenditures</b>	<u>208,500</u>	<u>759,896</u>	<u>487,352</u>	<u>272,544</u>
<b>Excess of revenues over (under) expenditures</b>	(208,500)	(759,896)	(486,381)	273,515
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from other funds, net		200,000	200,000	-
<b>Net change in fund balance</b>	<u>\$ (208,500)</u>	<u>\$ (559,896)</u>	<u>(286,381)</u>	<u>\$ 273,515</u>
Fund balance at beginning of year			<u>640,501</u>	
Fund balance at end of year			<u>\$ 354,120</u>	

**MARIN EMERGENCY RADIO AUTHORITY**

**BUDGETARY COMPARISON SCHEDULE  
EMERGENCY FUND (70037)  
YEAR ENDED JUNE 30, 2015**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Interest	<u>\$ -</u>	\$ 926	<u>\$ 926</u>
Fund balance at beginning of year		<u>505,381</u>	
Fund balance at end of year		<u>\$ 506,307</u>	

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**MARIN EMERGENCY RADIO AUTHORITY**

**NOTES TO SUPPLEMENTAL INFORMATION  
YEAR ENDED JUNE 30, 2015**

**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.

**MARIN EMERGENCY RADIO AUTHORITY**

**SCHEDULE OF MEMBER OPERATING AND SERVICE PAYMENTS  
YEAR ENDED JUNE 30, 2015**

	<b>Member</b>	<b>Member "Service" Payments</b>	
	<b>Operating Payments</b>	<b>Bonds</b>	<b>Note</b>
City of Belvedere	\$ 16,424	\$ 16,380	\$ 2,164
Bolinas Fire Protection District	10,049	12,752	1,324
Central Marin Police Authority	109,306	80,226	14,402
Town of Corte Madera	24,325	33,419	3,205
Town of Fairfax	34,188	42,649	4,505
Inverness Public Utility District	8,508	11,988	1,121
Kentfield Fire Protection District	13,861	14,407	1,826
City of Larkspur	29,046	39,742	3,827
County of Marin	595,558	745,843	78,471
Marin County Transit District	17,025	25,038	2,243
Marin Community College District	6,172	*	813
Marinwood Community Services District	15,143	18,163	1,995
City of Mill Valley	77,633	90,623	10,229
Marin Municipal Water District	7,129	20,306	939
Novato Fire Protection District	91,389	103,842	12,041
City of Novato	192,862	221,349	25,412
Town of Ross	9,724	17,250	2,130
Ross Valley Fire Department	36,654	34,246	3,981
Town of San Anselmo	8,858	64,143	1,167
City of San Rafael	253,876	358,864	33,451
City of Sausalito	34,578	60,026	4,556
Skywalker Ranch	6,204	*	817
Southern Marin Fire Protection District	41,213	35,159	5,430
Stinson Beach Fire Projection District	9,059	13,049	1,194
Tiburon Fire Protection District	20,350	23,128	2,681
Town of Tiburon	38,520	39,233	5,076
	<u>\$ 1,707,654</u>	<u>\$ 2,121,825</u>	<u>\$ 225,000</u>

\* Not required to pay service payments or previously paid

**MARIN EMERGENCY RADIO AUTHORITY**

**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS**

<b>Date</b>	<b>Bonds</b>			<b>Note Payable</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Bond</b>	<b>Principal</b>	<b>Interest</b>	<b>Note</b>	<b>Total</b>
August 15, 2015	\$ 1,620,000	\$ 250,912	\$ 1,870,912		\$ 27,284	\$ 27,284	\$ 1,898,196
February 15, 2016		218,513	218,513	153,931	27,284	181,215	399,728
August 15, 2016	1,685,000	218,513	1,903,513		23,874	23,874	1,927,387
February 15, 2017		184,812	184,812	160,751	23,874	184,625	369,437
August 15, 2017	1,755,000	184,813	1,939,813		20,314	20,314	1,960,127
February 15, 2018		154,100	154,100	167,872	20,314	188,186	342,286
August 15, 2018	1,815,000	154,100	1,969,100		16,595	16,595	1,985,695
February 15, 2019		117,800	117,800	175,309	16,595	191,904	309,704
August 15, 2019	1,890,000	117,800	2,007,800		12,712	12,712	2,020,512
February 15, 2020		80,000	80,000	183,075	12,712	195,787	275,787
August 15, 2020	1,960,000	80,000	2,040,000		8,657	8,657	2,048,657
February 15, 2021		40,800	40,800	191,184	8,657	199,841	240,641
August 15, 2021	2,040,000	40,800	2,080,800		4,422	4,422	2,085,222
February 15, 2022				199,654	4,422	204,076	204,076
	<b>\$ 12,765,000</b>	<b>\$ 1,842,963</b>	<b>\$ 14,607,963</b>	<b>\$ 1,231,776</b>	<b>\$ 227,716</b>	<b>\$ 1,459,492</b>	<b>\$16,067,455</b>