



***East Bay Regional
Communications
System Authority***



Participating agencies include Alameda and Contra Costa Counties and the following cities and special districts: Alameda, Albany, Antioch, Berkeley, Brentwood, Clayton, Concord, Danville, Dublin, El Cerrito, Emeryville, Fremont, Hayward, Hercules, Lafayette, Livermore, Martinez, Moraga, Newark, Oakley, Pinole, Pittsburg, Pleasant Hill, Pleasanton, Richmond, San Leandro, San Pablo, San Ramon, Union City, Walnut Creek, East Bay Regional Park District, Kensington Police Community Services District, Livermore Amador Valley Transit Authority, Moraga-Orinda Fire District, Rodeo-Hercules Fire District, San Ramon Valley Fire District, and California Department of Transportation

**Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2012**

**East Bay Regional Communications System Authority
Alameda County Office of Homeland Security and Emergency Services
4985 Broder Blvd, Dublin CA 94568 • (925) 803-7802 • www.ebrcsa.org**

**Prepared by the Alameda County Auditor-Controller Agency
Specialized Accounting Unit**

East Bay Regional Communications System Authority

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Introductory Section

East Bay Regional Communications System Authority

Board of Directors

County Representatives

Scott Haggerty, President, Alameda County Board of Supervisors
Karen Mitchiff, Supervisor, Contra Costa County
David Livingston, Sheriff, Contra Costa County
Greg Ahern, Sheriff, Alameda County (Currently serving as Board Vice Chair)
Susan Muranishi, County Administrator, Alameda County
David Twa, County Administrator, Contra Costa County

City Representatives

Jennifer Hosterman, Mayor, City of Pleasanton
Leonard McNeil, Mayor, City of San Pablo
Tim Sbranti, Mayor, City of Dublin
Bill Shinn, Councilmember, City of Concord (Currently serving as Board Chair)
Cindy Silva, Councilmember, City of Walnut Creek
Matt Rodriguez, City Manager, City of San Pablo
Marc Roberts, City Manager, City of Livermore
Joe Calabrigo, Town Manager, Town of Danville
June Catalano, City Manager, City of Pleasant Hill
Larry Cheeves, City Manager, City of Union City
Patrick O'Keeffe, City Manager, City of Emeryville
TBD, Alameda County Mayor's Conference

Public Safety Representatives

Mike McQuiston, Police Chief, City of Albany
Pete Dunbar, Police Chief, City of Pleasant Hill
Lance Maples, Fire Chief, El Cerrito Fire Department
Andy Smith, Alameda County Assistant Fire Chief

Special District Representative

Tim Anderson, Police Chief, East Bay Regional Park District

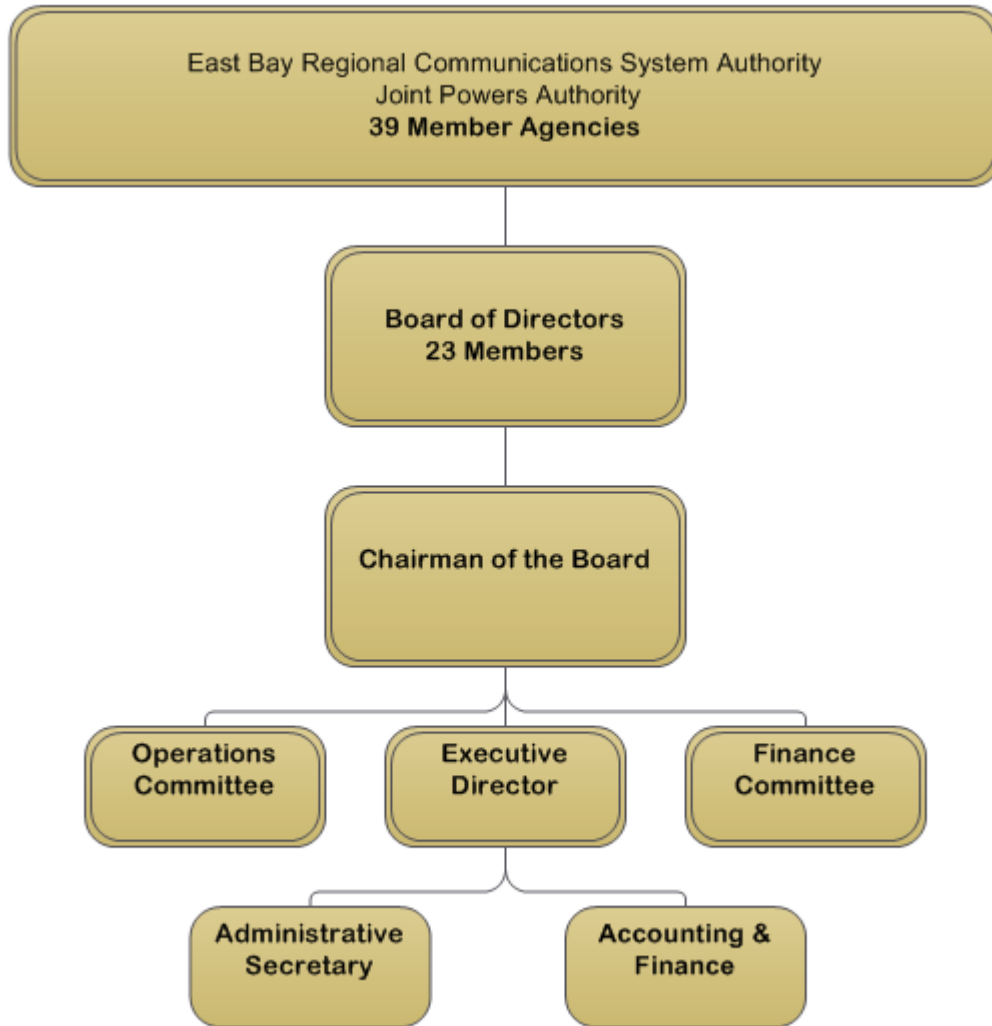
Management Personnel

Executive Director

William McCammon

East Bay Regional Communications System Authority

Organization Chart



East Bay Regional Communications System Authority

Members

The EBRCSA currently has 39 member agencies. Participating agencies include:

Counties

Alameda County
Contra Costa County

Special Districts

East Bay Regional Park District
Kensington Police Community Services District
Livermore Amador Valley Transit Authority
Rodeo-Hercules Fire Protection District
San Ramon Valley Fire Protection District
Moraga-Orinda Fire District

State

California Department of Transportation

Cities

City of Alameda
City of Albany
City of Antioch
City of Brentwood
City of Berkeley
City of Clayton
City of Concord
Town of Danville
City of Dublin
City of El Cerrito
City of Emeryville
City of Fremont
City of Hayward
City of Hercules
City of Lafayette
City of Livermore
City of Martinez
Town of Moraga
City of Newark
City of Oakley
City of Pinole
City of Pittsburg
City of Pleasant Hill
City of Pleasanton
City of Richmond
City of San Leandro
City of San Pablo
City of San Ramon
City of Union City
City of Walnut Creek

Financial Section



C. G. UHLENBERG LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
East Bay Regional Communications System Authority
Dublin, California

We have audited the accompanying financial statements of the business-type activities of East Bay Regional Communications System Authority (the "Authority") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and is derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

C. G. Uhlenberg CCF

November 26, 2012
Redwood City, California

**East Bay Regional Communications System Authority
Management's Discussion and Analysis (Unaudited)
For Fiscal Year Ended June 30, 2012**

This section of the East Bay Regional Communications System Authority (the Authority) of the Authority's financial statements presents a narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2012. This information is presented in conjunction with the audited basic financial statements, which follows this section.

Financial Highlights

- The Authority's total assets exceeded its total liabilities by \$32,070,940 (net assets) as of June 30, 2012, and the total net assets increased by \$5,249,485 as compared to fiscal year 2011.
- The Authority's capital assets increased by \$5,214,095, or 30%, \$4,777,160 of which was funded through restricted net assets.
- The Authority received federal funds of \$4,340,251 and capital contributions of \$1,131,200 primarily from the addition of a new member, namely Livermore Amador Valley Transit Authority for the purpose of communications system development. This resulted in an increased in unrestricted net assets of \$4,827,026.
- During Fiscal Year 2012, the Authority's non-operating grants revenue decreased by \$7,058,126 or 62% primarily due to a decrease in federal grant funding in comparison with the prior year.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the East Bay Regional Communications System Authority's basic financial statements. The Authority reports financial statements under the enterprise fund type as it is used to report activities for which fees are charged to external users for goods and services. As such, the Authority's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles which are generally accepted in the United States of America.

Required Financial Statements

The Authority's financial information is presented in the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. The Statement of Net Assets includes all the Authority's assets and liabilities, and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). The Statement of Revenues, Expenses, and Changes in Net Assets identify the Authority's revenues and expenses and can be used to determine whether the Authority has successfully recovered all its costs through user fees and other charges. The Statement of Cash Flows provides information on the Authority's cash receipts, cash disbursements, and net changes in cash resulting from operations, investments, and financing activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis of the Authority

Statement of Net Assets – The statement of net assets presents information on all of the Authority’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. A summarized comparison of the Authority’s assets, liabilities, and net assets at June 30 is shown below:

Table 1: Condensed Statement of Net Assets

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	2012 vs. 2011	
			<u>Dollar Change</u>	<u>Percent Change</u>
Assets:				
Current assets	16,390,609	17,246,384	(855,775)	-5 %
Deferred charges - bond issuance costs	126,135	134,591	(8,456)	-6 %
Capital assets	<u>22,813,644</u>	<u>17,599,549</u>	<u>5,214,095</u>	30 %
Total Assets	<u>39,330,388</u>	<u>34,980,524</u>	<u>4,349,864</u>	12 %
Liabilities:				
Current liabilities	821,337	1,973,958	(1,152,621)	-58 %
Noncurrent liabilities	<u>6,438,111</u>	<u>6,185,111</u>	<u>253,000</u>	4 %
Total Liabilities	<u>7,259,448</u>	<u>8,159,069</u>	<u>(899,621)</u>	-11 %
Net Assets:				
Invested in capital assets, net of related debt	16,796,893	11,597,274	5,199,619	45 %
Restricted	3,259,729	8,036,889	(4,777,160)	-59 %
Unrestricted	<u>12,014,318</u>	<u>7,187,292</u>	<u>4,827,026</u>	67 %
Total Net Assets	<u>32,070,940</u>	<u>26,821,455</u>	<u>5,249,485</u>	20 %

In fiscal year 2012, current assets decreased by \$855,775. This was mostly due to a decrease in accounts receivable of \$1,366,290 and offset by an increase in cash of \$510,515.

Total assets increased by \$4,349,864, or 12%. This was primarily due to a \$5,214,095 increase in capital assets. The Authority continued to build out the final communications system. As explained earlier, this was funded through restricted net assets

Total net assets increased by \$5,249,485. This was primarily due to grant revenues of \$4,340,251 and capital contributions of \$1,131,200.

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the Authority, assets exceed liabilities by \$32,070,940 as of June 30, 2012.

Statement of Revenues, Expenses and Changes in Net Assets – The Statements of Revenues, Expenses and Changes in Net Assets reflect how the Authority’s net assets changed during the recent fiscal year as compared to the prior year. These changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. A summary of the Statements of Revenues, Expenses and Changes in Net Assets is shown below:

Table 2: Changes in Net Assets

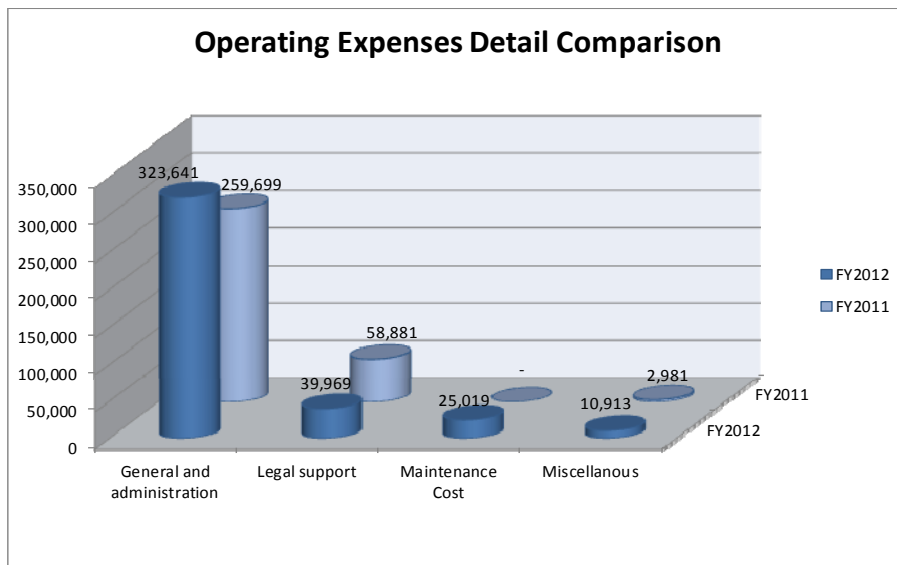
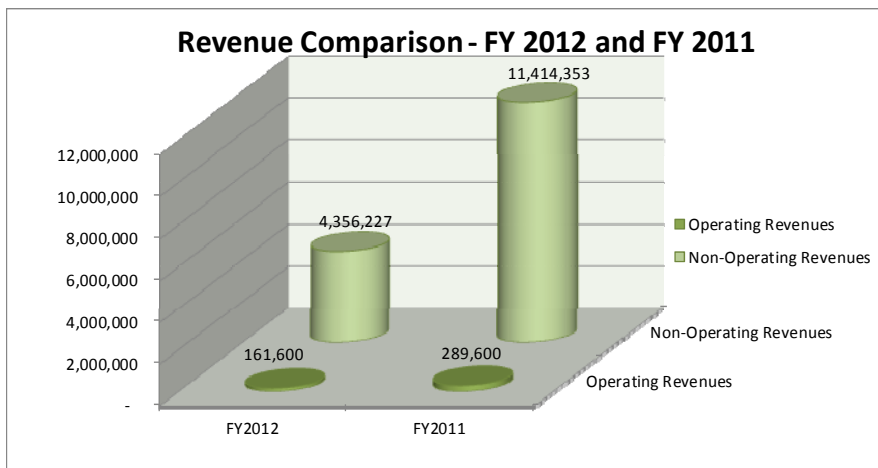
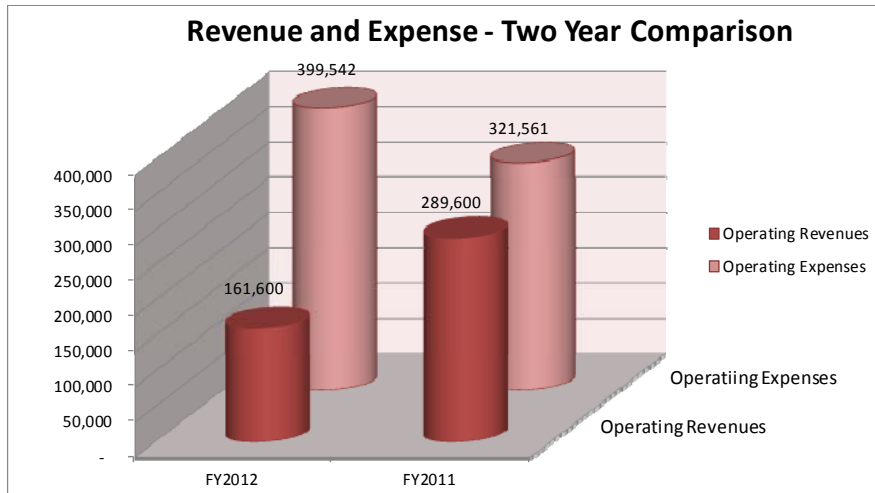
	2012 vs. 2011			
	<u>FY 2012</u>	<u>FY 2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues				
Charges for services				
Initial payments	\$ 161,600	\$ 289,600	\$ (128,000)	-44 %
Total Operating Revenues	<u>161,600</u>	<u>289,600</u>	<u>(128,000)</u>	<u>-44 %</u>
Operating Expenses				
General and administration	323,641	259,699	63,942	25 %
Legal support	39,969	58,881	(18,912)	-32 %
Maintenance Cost	25,019	0	25,019	100 %
Miscellaneous	10,913	2,981	7,932	266 %
Total Operating Expenses	<u>399,542</u>	<u>321,561</u>	<u>77,981</u>	<u>24 %</u>
Non-Operating Revenues (Expenses):				
Grants	4,340,251	11,402,698	(7,062,447)	-62 %
Interest Income	24,432	13,064	11,368	87 %
Bonds Issuance Costs	(8,456)	(1,409)	(7,047)	500 %
Total Non-Operating Revenues	<u>4,356,227</u>	<u>11,414,353</u>	<u>(7,058,126)</u>	<u>-62 %</u>
Income (Loss) Before Contribution and Transfers	<u>4,118,285</u>	<u>11,382,392</u>	<u>(7,264,107)</u>	<u>-64 %</u>
Capital contribution	<u>1,131,200</u>	<u>11,518,400</u>	<u>(10,387,200)</u>	<u>-90 %</u>
Change in net assets	<u>5,249,485</u>	<u>22,900,793</u>	<u>(17,651,308)</u>	<u>-77 %</u>
Total net assets - beginning	<u>26,821,455</u>	<u>3,920,662</u>	<u>22,900,793</u>	<u>584 %</u>
Total net assets - ending	<u>\$ 32,070,940</u>	<u>\$ 26,821,455</u>	<u>\$ 5,249,485</u>	<u>20 %</u>

Total change in net assets decreased by \$17,651,308 for fiscal year ending June 30, 2012, because of the following:

- Grant revenues reduced by \$7,062,447, or 62%, as compared to last year.
- Capital contributions reduced by \$10,387,200, or 90%, as most members had already contributed in the last fiscal year.

However, as stated above, the Authority increased its net assets by \$5,249,485 (20%) during the fiscal year ending June 30, 2012, as spending was reduced commensurate with revenue reduction, and as the communications system was approaching its last phase of construction

Two-Year Comparison of Operating Revenues and Expenses – The three charts that follow illustrate revenues and expenses for fiscal years 2011 and 2012.



Capital Assets and Debt Administration

Capital Assets – The Authority began developing the Project 25¹ compliant communications system in fiscal year 2008. During fiscal year 2012, the Authority added \$5.2 million to construction-in-progress as follows:

Construction in Progress

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2012</u>
Brittanny Loop Microwave - Dublin	\$ 287,707	\$ -	\$ 287,707
Dispatch Consoles - Livermore	414,312	-	414,312
Dispatch Consoles - Pleasanton	414,345	-	414,345
East Cell Completion	621,014	-	621,014
East Dublin Repeater Site	7,654	-	7,654
Equipment Shelters	82,946	164,373	247,319
Final Communications System Build Out	10,177,384	4,979,390	15,156,774
Glenn Dyer Jail Prime Site	935,364	-	935,364
IP Upgrade	1,719,467	-	1,719,467
NICE Master Site Logging Record	413,173	-	413,173
Professional Service - CTA	97,044	70,332	167,376
Project Cornerstone	2,429,139	-	2,429,139
Total Construction-in-progress	<u>\$ 17,599,549</u>	<u>\$ 5,214,095</u>	<u>\$ 22,813,644</u>

There were no completed capital assets as of June 30, 2012. Once completed, the Authority will identify the useful life of the major components and depreciate the assets accordingly.

Debt Administration – On April 21, 2011, the Authority issued a total of \$6,136,866 in 2011 Series A & B revenue bonds in the amount of \$3,681,751.81 and \$2,455,113.76, which were acquired by Alameda County and Contra Costa County respectively. The bonds have an interest rate of 4.05%. The first payment for scheduled debt service is December 1, 2013. The purpose for the issuance and sale of revenue bonds is to finance the build out and completion of the communications system. Additional information on long term debt can be found in Note 7 of the Notes to the Financial Statements of this report.

Economic Factors and Next Year's Budgets and Rates

According to the U.S. Department of Labor, the unemployment rate for Alameda County was 9.5% in June 2012, down 1.4% from last June. The rate for Contra Cost County was 9.4% on June 2012 down from last year's rate of 11%. The unemployment rate for the State of California was slightly higher at 10.7%, and the national unemployment rate was 8.2% for June 2012.

Interest rates remained low during the preceding 12 months. The earned interest rate yield on funds held by the County Treasurer for fiscal year 2011-2012 was approximately 0.41%. Though future rates cannot be predicted, it is reasonably safe to assume that rates will remain low during the first half of fiscal year 2013.

All of these factors were considered in preparing the Authority's budget for the 2012 fiscal year. The development of the communications system was in its last phase of construction.

¹ The Project 25 standard, defined by public safety users, supports interoperable communications across multiple systems.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Below is the contact for questions about this report or requests for additional financial information.

East Bay Regional Communications System Authority
Alameda County Office of Homeland Security and Emergency Services
4985 Broder Blvd., Dublin, CA 94568
Website: www.ebrcsa.org

East Bay Regional Communications System Authority
Statement of Net Assets
June 30, 2012

Assets

Current assets:

Cash and cash equivalents	\$ 7,475,452
Cash with fiscal agent	3,259,729
Receivables, net	<u>5,655,428</u>
Total current assets	<u>16,390,609</u>

Noncurrent assets:

Deferred charges - bond issuance costs	126,135
Capital assets:	
Construction in progress	<u>22,813,644</u>
Total noncurrent assets	<u>22,939,779</u>

Total assets	<u><u>\$ 39,330,388</u></u>
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Liabilities

Current liabilities

Accounts payable	<u>821,337</u>
Total current liabilities	<u>821,337</u>

Noncurrent liabilities

Accrued bonds interest payable	301,245
Bonds payable	<u>6,136,866</u>
Total noncurrent liabilities	<u>6,438,111</u>

Total Liabilities	<u>7,259,448</u>
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Net assets

Invested in capital assets, net of related debt	16,802,913
Restricted	3,259,729
Unrestricted	<u>12,008,298</u>
Total net assets	<u>32,070,940</u>

Total liabilities and net assets	<u><u>\$ 39,330,388</u></u>
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The accompanying notes are an integral part of these financial statements

East Bay Regional Communications System Authority
Statement of Revenues, Expenses and Changes in Net Assets
For Fiscal Year Ended June 30, 2012

Operating revenues:	
Initial payments	\$ 161,600
Total Operating revenue	<u>161,600</u>
Operating expenses:	
General and administration	\$ 323,641
Legal support	39,969
Maintenance Cost	25,019
Miscellaneous	10,913
Total operating expenses	<u>399,542</u>
Operating Income (Loss)	<u>\$ (237,942)</u>
Nonoperating revenues (expenses):	
Grants	\$ 4,340,251
Interest Income	24,432
Bond issuance costs	(8,456)
Total nonoperating revenues (expenses)	<u>4,356,227</u>
Income (Loss) Before Contribution and Transfers	<u>\$ 4,118,285</u>
Capital contribution from members	<u>1,131,200</u>
Change in net assets	<u>5,249,485</u>
Total net assets - beginning	26,821,455
Total net assets - ending	<u><u>\$ 32,070,940</u></u>

The accompanying notes are an integral part of these financial statements

East Bay Regional Communications System Authority
Statement of Cash Flows
For Fiscal Year Ended June 30, 2012

Cash flows from operating activities	
Receipts from members	\$ 138,400
Payments to suppliers	(139,366)
Payments for contractual services	(246,524)
Net cash provided (used) by operating activities	<u>(247,490)</u>
Cash flows from capital and related financing activities	
Grants	5,833,892
Capital contribution	1,027,050
Acquisition and construction of capital assets	(6,127,369)
Net cash provided (used) by capital and related financing activities	<u>733,573</u>
Cash flows from investing activities	
Interest and dividends	24,432
Net cash provided (used) by investing activities	<u>24,432</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 510,515</u>
Balances - Beginning of the year	<u>10,224,666</u>
Balances - End of the year	<u>\$ 10,735,181</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (237,942)
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Change in assets and liabilities	
Receivables, net	(23,200)
Accounts payable	13,653
Net cash provided (used) by operating activities	<u>\$ (247,490)</u>
Noncash investing , capital and financing activities	
Capital Contribution due from member	\$ 167,150
Purchase of Capital Assets on account	\$ 798,996
Grants recognized as receivables	<u>\$ 5,465,078</u>

The accompanying notes are an integral part of these financial statements

East Bay Regional Communications System Authority

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

Note 1: General Information

The East Bay Regional Communications System Authority (the Authority) was officially created on September 11, 2007 with the formation of a Joint Powers Authority (JPA). In California State Statute, a JPA is viewed as an independent government agency with powers that accrue to one of the member agencies. Currently there are 39 member agencies consisting of 2 counties, 30 cities, 6 special districts, and the California Department of Transportation, serving a population of over 2.5 million people. The Board of Directors consists of 23 representatives consisting of Elected Officials, Police Chiefs, Fire Chiefs, and City Managers who are responsible for the overall development, operations, and funding of the system.

Representatives from both counties have been working together on this project for over 7 years using Homeland Security grants funds from the Urban Area Security Initiative (UASI), Community Oriented Policing Services (COPS), Public Safety Interoperable Communications (PSIC), State Homeland Security Grant Programs (SHSGP), revenue bonds, and capital contributions from members to fund communications system build-out. The project to build the communications system is estimated to cost nearly \$70 million.

The Livermore Amador Valley Transit Authority joined the Authority in fiscal year 2012.

Note 2: Summary of Significant Accounting Policies

A. Reporting entity

The Authority is legally separate from the two Counties, and is governed by a Board of Directors made up of 23 elected and appointed officials from the Counties of Alameda and Contra Costa and 36 cities and districts, California Department of Transportation and University of California at Berkeley, within those counties. The Authority's financial activities are reported under the JPA Radio Interoperability Fund in the County of Alameda and funds are held by the Treasurer of the County of Alameda and with a trustee. The books and records for the Authority are maintained by the County of Alameda, Auditor-Controller Agency's Specialized Accounting Unit.

B. Measurement focus, basis of accounting, and financial statement presentation

The financial statements of the Authority are presented as those of an enterprise fund under the broad category of funds called proprietary funds. The acquisition and capital outlays for the build-out of the communications system are financed from existing cash resources, cash flow from operations, federal grants, issuance of bonds, and contributed capital from member agencies.

Enterprise funds account for business-like activities that are financed primarily by user charges and uses the *economic resources measurement focus* and the accrual basis of accounting similar to the private sector. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues when all eligibility requirements imposed by the provider have been met.

The financial statements are presented in accordance with the pronouncements of the Government Accounting Standard Board (GASB). According to GASB Statement 34, enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services.

The Authority follows accounting principles generally accepted in the United States of America issued by the GASB, which includes accounting principles issued by the FASB on or before November 30, 1989.

C. Assets, liabilities, and net assets

1. Deposits and Investments

For the purpose of statement of cash flow, the Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. The Authority maintains its cash with the County of Alameda Treasurer and Deutsche Bank.

The County pools funds with those of other departments in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. State statute authorizes the government to invest in obligations of the U.S. Treasury, commercial paper, and mutual funds that invested in authorized securities.

2. Receivables and Payables

Revenue from expenditure-driven (reimbursement) grants, including those used for capital projects, is recognized as expenditures are incurred. Claims that were or were not presented to the federal government for grant-related expenditures incurred prior to July 1, 2012 were recorded in accrual basis of accounting. These amounts that were not received are reflected as accounts receivable as of June 30, 2012. In the same way, allowable costs are recognized as liabilities when cost incurred and services provided. These unpaid amounts are treated as accounts payables as of June 30, 2012.

3. Restricted Assets

Advanced service payments received from member agencies are classified as restricted because they are maintained in a separate bank account and their use is limited by the terms of the trust agreement.

4. Revenue

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the Authority. Non-operating revenue such as grant revenue and investment earnings, result from non-exchange transactions.

5. Capital Contributions

Member agencies may elect to prepay the service payment component of the user payments. The Authority considers these advanced service payments as capital contributions. Service payments are annual payments by member agencies for services provided and are to be used by the Authority to pay the principal and interest on the bonds or deposited in the reserve and replacement fund.

6. *Capital Assets*

Acquisition of land and purchase or construction of structures and equipment costing more than \$5,000 are considered capital items and are not expensed in the year acquired. There were no completed capital assets as of June 30, 2012. Once completed, the Authority will identify the useful life of the major components and depreciate the assets accordingly.

7. *Long-Term Debt and Related Costs*

Bonds payable are reported at face value. Costs related to the issuance of debt are deferred and amortized over the life of the debt issue and are shown as an asset on the Statement of Net Assets.

8. *Accounting and Administrative Services*

The County of Alameda provides the Authority accounting and administrative services at zero cost.

Note 3: Cash and Investments

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

	<u>FY 2012</u>
Cash in treasury	\$ 7,475,452
Cash with fiscal agent	<u>\$ 3,259,729</u>
Total	<u>\$ 10,735,181</u>

Cash in treasury pool – The Authority is considered to be a voluntary participant in an external investment pool as the Authority is required to deposit all receipts and collections, except those required to be deposited with the trustee, with the Treasurer. The fair value of the Authority’s investment in the pool is reported in the accounting financial statements at amounts based on the Authority’s prorate share of the fair value provided by the Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Treasurer of Alameda County, which is recorded on the amortized cost basis.

The Authority is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Cash with fiscal agent – The cash with fiscal agent is invested in a money market mutual fund, which is stated at fair value and has a Moody’s investment rating of A-mf. According to the trust agreement with the fiscal agent, the fiscal agent is allowed to make certain permitted investments including money market mutual funds.

Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statement of net assets.

The Authority has no formal investment policy on managing interest rate, credit risk and concentration of credit risk. However, the Authority manages these risks by participating in the County's pool. These risks are described below:

- Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.
- Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment.
- Custodial risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it.

Note 4: Accounts Receivable

As of June 30, 2012, the Authority's receivable consists primarily of grant reimbursements from Alameda County and/or Contra Costa County, radio initial fees, and capital contributions from members. The following table shows the summary of accounts receivable as of June 30, 2012.

<u>Entity</u>	<u>Grants Program/Account</u>	<u>Receivable Amount</u>
Alameda and Contra Costa County	UASI ¹ 2011 Both Counties	\$ 5,009,560
Alameda County Sheriff's Department	SHSGP ² 2010	455,518
Livermore Amador Valley Transit Authority	Radio Initial Fees	23,200
Livermore Amador Valley Transit Authority	Capital Contribution	115,350
San Ramon Valley Fire Protection District	Capital Contribution	51,800
	Total	<u>\$ 5,655,428</u>

¹UASI - Urban Area Security Initiative

² SHSGP - State Homeland Security Initiative Program

Note 5: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2012, comprised the following:

<u>Project/Account</u>	<u>Payable Amount</u>
General and administration	\$ 14,581
Legal Support	6,674
Professional fee	28,597
Construction in Progress	770,400
Miscellaneous	1,085
Total	<u>\$ 821,337</u>

Note 6: Capital Assets and Depreciation

There were no completed capital assets as of June 30, 2012, and no assets have been depreciated. In fiscal year 2012, the Authority added \$5,214,095 to Construction-in-Progress. The Authority plans to complete and place some assets into service beginning July 2012.

<u>Description</u>	<u>Beginning Balance July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2012</u>
Construction-In-Progress	\$ 17,599,549	\$ 5,214,095	\$ -	\$ 22,813,644

Note 7: Long Term Debt

Long-term debt activities for the fiscal year ended June 30, 2012 were as follows:

<u>Description</u>	<u>Beginning Balance July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2012</u>	<u>Amounts Due</u>	
					<u>Within One Year</u>	<u>Amounts Due Over One Year</u>
2011 Revenue Bonds	6,136,866	-	-	6,136,866	-	6,136,866

2011 Revenue Bonds, Series A & B

The Authority issued \$6,136,866 in revenue bonds to finance the build out of the communications system on April 21, 2011. The Series A bond was issued for \$3,681,752 and the Series B bond was issued for \$2,455,114. The interest rate for both bonds is 4.05%. The Revenue Bonds are payable from and secured by the revenues from service payments from the operations of the Authority's communications system.

Costs related to the issuance of debt of \$136,000 are deferred and amortized over the life of the debt issue. The amount amortized for the fiscal year ended June 30, 2012 was \$8,456. The total interest incurred for the year ended June 30, 2012 was \$253,000 which was capitalized as a component of the cost of construction in progress during the year. Annual debt service requirements to maturity for the revenue bonds, including interest payments, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	-	-	-
2014	198,467	288,032	486,500
2015	355,587	293,164	648,751
2016	370,288	278,790	649,078
2017	385,909	263,848	649,756
2018-2022	2,175,790	1,071,749	3,247,539
2023-2027	<u>2,650,825</u>	<u>593,937</u>	<u>3,244,762</u>
	<u>6,136,866</u>	<u>2,789,520</u>	<u>8,926,386</u>

Note 8: Schedule of Expenditures of Federal Award

The Authority prepares the Schedule of Expenditures of Federal Award (SEFA) for the year which included expenditures that were reimbursed and the expenditures that are claimable but accrued as grants revenue for the year. The expenditures transactions are reported in SEFA as an accrual basis of accounting. In fiscal year 2012, the Authority received several federal grants directly from the U.S.

Department of Justice and indirectly from the U.S. Department of Commerce and Department of Homeland Security under different programs. Furthermore, some of these indirect federal awards received were passed through the local governments: County of Alameda and County of Contra Costa. The grants received were reimbursements from capital incurred by the Authority in fiscal year 2012.

Note 9: Risk Management

The Authority is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Authority participates in the Special District Risk Management Authority’s (SDRMA) property and liability insurance program for risk of loss. The programs provides for coverage for general liability, public official and employee errors, personal liability for board members, employment practices liability, employee benefits liability, employee dishonesty coverage, auto liability, uninsured/underinsured motorists, property coverage, and boiler and machinery coverage. The Authority’s deductibles and maximum coverage as of June 30, 2012 are as follows:

Coverage Description	Deductible	Insurance Coverage
General Liability	\$ 500	\$5,000,000
Public Official And Employee Errors		\$5,000,000
Personal Liability For Board Members	\$500	\$500,000
Employment Practices Liability		\$5,000,000
Employee Benefits Liability		\$5,000,000
Employee Dishonesty Coverage		\$400,000
Auto Liability	\$1,000	\$5,000,000
Uninsured/Underinsured Motorists		\$1,000,000
Property Coverage		\$1,000,000,000
Boiler And Machinery Coverage		\$100,000,000

The Authority has had no settled claims resulting from these risks that exceeded the Authority’s insurance coverage in any of the past three years.

Note 10: Subsequent Events

The University of California at Berkeley signed a Project Operating Agreement and became the 40th member of the Authority, effective in July 2012.

Single Audit Section

East Bay Regional Communications System Authority
Schedule of Expenditures of Federal Awards
For Fiscal Year Ended June 30, 2012

Federal/Pass-Through Entity Name Federal Program Name	Federal CFDA No.	Federal Expenditures
<u>Program Name/Totals</u>		
<u>U.S. Department of Justice</u>		
Direct program:		
Community Oriented Policing Services COPS 2008, Grant#2008-CK-WX-0615	16.710	\$ 164,373
Total U. S. Department of Justice		<u>164,373</u>
<u>Department of Homeland Security</u>		
Passed through the County of Alameda, Sheriff's Office		
Urban Area Security Initiative		
2009 Urban Area Security Initiative Program Grant	97.008	21,772
2010 Urban Area Security Initiative Program Grant	97.008	375,380
2011 Urban Area Security Initiative Program Grant	97.008	1,117,000
Passed through the County of Alameda, Sheriff's Office		
Homeland Security Grant Program		
2009 Homeland Security Grant Program (HSGP)	97.067	89,208
2010 Homeland Security Grant Program (HSGP)	97.067	455,518
Passed through the County of Contra Costa		
Urban Area Security Initiative		
2011 Urban Area Security Initiative Program Grant	97.008	1,117,000
Passed through the County of Contra Costa		
Homeland Security Grant Program		
2011 Home land Security Grant Program (HSGP)	97.067	1,000,000
Total U.S. Department of Homeland Security		<u>4,175,878</u>
Total Expenditures of Federal Awards		<u>\$ 4,340,251</u>



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
East Bay Regional Communications System Authority
Dublin, California

We have audited the financial statements of the business-type activities of East Bay Regional Communications System Authority ("Authority") as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a

direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

C. G. Uhlenberg LLP

November 26, 2012
Redwood City, California



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
East Bay Regional Communications System Authority
Dublin, California

Compliance

We have audited East Bay Regional Communication System Authority (the "Authority")'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2012. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose

of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

C. D. Uhlenberg LLP

November 26, 2012

Redwood City, California

Findings and Recommendations

**East Bay Regional Communications System Authority
 Schedule of Findings and Questioned Costs
 For Fiscal Year Ended June 30, 2012**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified
 Internal Control over financial reporting:
 Material weakness (es) identified? ___ yes X no
 Significant deficiency (ies) identified that are
 not considered to be material weaknesses? ___ yes X none reported
 Noncompliance material to financial
 statement noted? ___ yes X no

Federal Awards

Type of auditor’s report issued on compliance
 for major programs: Unqualified
 Internal control over major programs:
 Material weakness (es) identified? ___ yes X no
 Significant deficiency (ies) identified that are
 not considered to be material weakness (es)? ___ yes X none reported
 Any audit findings disclosed that are
 required to be reported in accordance
 with section 510(a) of OMB Circular A-133? ___ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
16.710	Community Oriented Policing Services 2008 Technology Program
97.008	2009 Urban Area Security Initiative Program
97.008	2010 Urban Area Security Initiative Program
97.008	2011 Urban Area Security Initiative Program
97.067	2009 Homeland Security Grant Program
97.067	2010 Homeland Security Grant Program
97.067	2011 Homeland Security Grant Program

Dollar threshold used to distinguish between
 type A and type B programs: \$300,000
 Auditee qualified as low-risk auditee? ___ yes X no

Section II – Financial Statement Findings

No current year finding.

**East Bay Regional Communications System Authority
Schedule of Findings and Questioned Costs
For Fiscal Year Ended June 30, 2012**

Section III – Federal Award Findings and Questioned Costs

No current year finding.

Summary Schedule of Prior Audit Findings

No prior year finding.