ALAMEDA COUNTY

East Bay Regional Communications System Authority

CONTRA COSTA COUNTY

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, California Department of Transportation, Ohlone Community College District, Contra Costa Community College District, Dublin-San Ramon Services District and University of California, Berkeley

Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2013

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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East Bay Regional Communications System Authority

Board of Directors

County Representatives

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

City Representatives

John Marchand, Mayor, City of Livermore
Olden Henson, Alameda County Mayor's Conference
Tim Sbranti, Mayor, City of Dublin
Scott Perkins, Councilmember, City of San Ramon
Michael Metcalf, Councilmember, City of Moraga
Cindy Silva, Councilmember, City of Walnut Creek
Larry Cheeves, City Manager, City of Union City
Patrick O'Keeffe, City Manager, City of Emeryville
Marc Roberts, City Manager, City of Livermore
Joe Calabrigo, Town Manager, Town of Danville
June Catalano, City Manager, City of Pleasant Hill
Matt Rodriguez, City Manager, City of San Pablo

Public Safety Representatives

Mike McQuiston, Police Chief, City of Albany
Lance Maples, Fire Chief, El Cerrito Fire Department
Andy Smith, Alameda County Assistant Fire Chief
Bob Priebe, Police Chief, City of Moraga

Special District Representative

Tim Anderson, Police Chief, East Bay Regional Park District (Currently serving as Board Vice Chair)

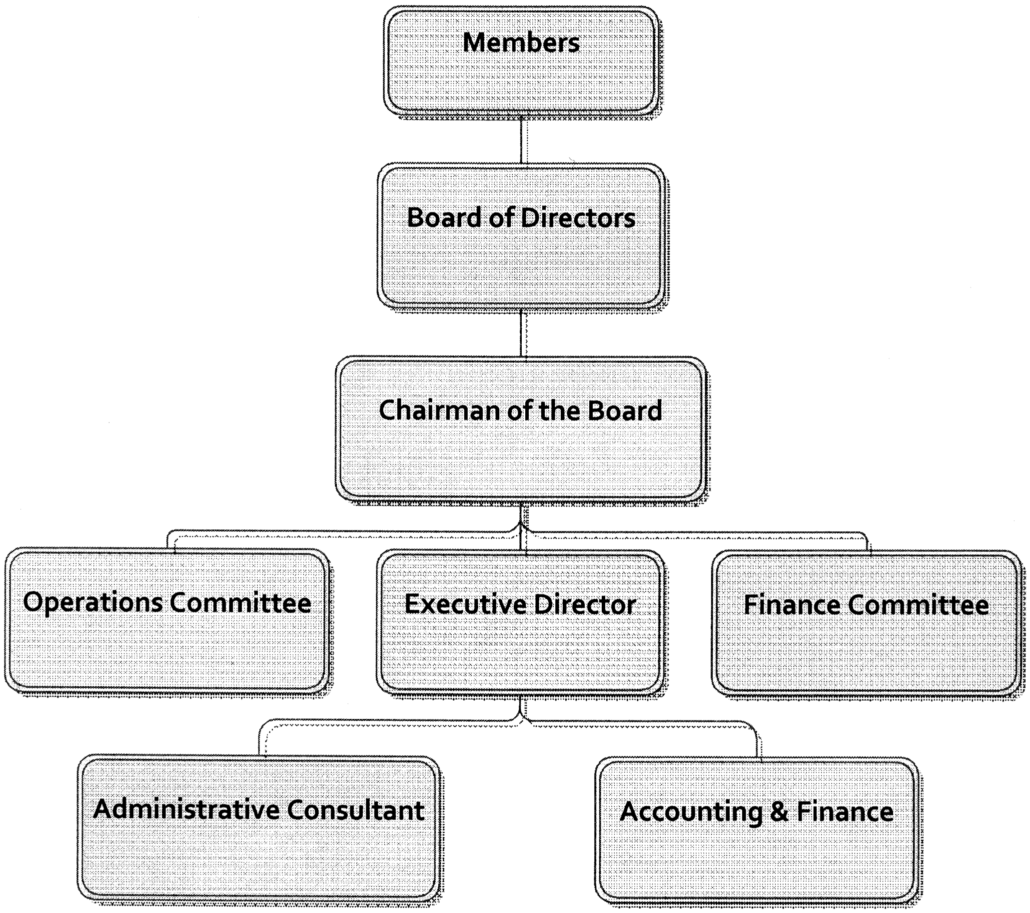
Management Personnel

Executive Director

William McCammon

East Bay Regional Communications System Authority

Organization Chart



East Bay Regional Communications System Authority

Members

The EBRCSA currently has 43 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
Ohlone Community College District
Contra Costa Community College District
Dublin-San Ramon Services District
University of California, Berkeley

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 AUDITORS' REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Authority's 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.

Auditors' 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 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 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 auditors' 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.

333 Twin Dolphin Drive, Suite 230 • Redwood City, CA 94065 • Phone (650) 802-8668 • Fax (650) 802-0866

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Authority, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof 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 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.

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 schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of expenditures of federal awards has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2014 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 in considering the Authority's internal control over financial reporting and compliance.

C. G. Uhlenberg LLP

Redwood City, California
February 6, 2014

This section of the financial statements for the East Bay Regional Communications System Authority (the Authority) presents a narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2013. This information is presented in conjunction with the audited basic financial statements, which follows this section.

The Authority spent $2,429,139 and received reimbursements in the same amount from a Homeland Security federal grant for the Bay Area Urban Areas Security Initiative (UASI) to test a broadband system. The Authority decommissioned the system in 2012. Motorola removed the related assets in April of 2012. The Authority considered this an adjustment to last year's financial statement because as of June 30, 2012 it no longer held titles to and had physical possession of the assets relating to the system. As a result, the Authority reduced the beginning net assets from $32,070,940 to $29,641,801 and accordingly adjusted the change in net assets by the same amount, or $2,429,139. For comparison purposes, all amounts for the fiscal year ended June 30, 2012 have been restated to reflect this adjustment.

Financial Highlights

- The Authority's total assets exceeded its total liabilities by $29,671,481 (net position) as of June 30, 2013, and the total net position increased by $29,680 compared to fiscal year 2012.
- The Authority's capital assets increased by $10,755,869, or 53 percent, $3,259,729 of which was funded through restricted net position.
- The Authority received grant revenue of $1,038,033 and service payments of $15,400 from the addition of a new member, Ohlone Community College District for the purpose of communications system development.
- The Authority phased in segments of the P25 compliant communication system throughout the year and by the end of June 30, 2013 the system was fully operational. This allowed the Authority to earn Operating Payments of $740,475 as segments of the system became operational and accessible to its members.
- During Fiscal Year 2013, the Authority's non-operating revenue decreased by $2,160,595 or 103 percent, primarily due to the reduction of federal grant funding as a result of the completion of the project.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the 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 Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The Statement of Net Position 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 Position 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 Position

The statement of net position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position at June 30 is shown below:

Table 1: Condensed Statement of Net Position

	June 30, 2013	June 30, 2012 (as restated)	2013 vs. 2012 Dollar Change	2013 vs. 2012 Percent Change
Assets:				
Current assets	8,806,656	16,390,609	(7,583,953)	-86 %
Deferred charges - bond issuance costs	117,679	126,135	(8,456)	-7 %
Capital assets	31,140,375	20,384,505	10,755,870	53 %
Total Assets	40,064,710	36,901,249	3,163,461	
Liabilities:				
Current liabilities	3,930,229	821,337	3,108,892	379 %
Noncurrent liabilities	6,463,000	6,438,111	24,889	%
Total Liabilities	10,393,229	7,259,448	3,133,781	43 %
Net Position:				
Net investment in capital assets	24,579,054	14,367,754	10,211,300	71 %
Restricted	-	3,259,729	(3,259,729)	-100 %
Unrestricted	5,092,427	12,014,318	(6,921,891)	-58 %
Total Net Position	29,671,481	29,641,801	29,680	%

In fiscal year 2013, current assets decreased by $7,583,952. This was mostly due to a decrease in accounts receivable of $4,652,699 and offset by a decrease in cash of $2,975,068.

Total assets increased by $3,171,917, or 8 percent. This was primarily due to a $10,755,869 increase in capital assets. The Authority continued the construction of the communications system throughout the year until it was fully operational June 30, 2013. As explained earlier, this was funded through restricted net position.

Total net position increased by only $29,680 compared to $2,820,346 in the prior year. This was primarily due to a decrease in non-operating revenues which consisted of a decrease in grant revenues of $3,302,218 and a decrease in capital contribution of $1,131,200.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceed liabilities by $29,671,481 as of June 30, 2013.

Statement of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position reflect how the Authority's net position 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 Position is shown below:

Table 2: Changes in Net Position

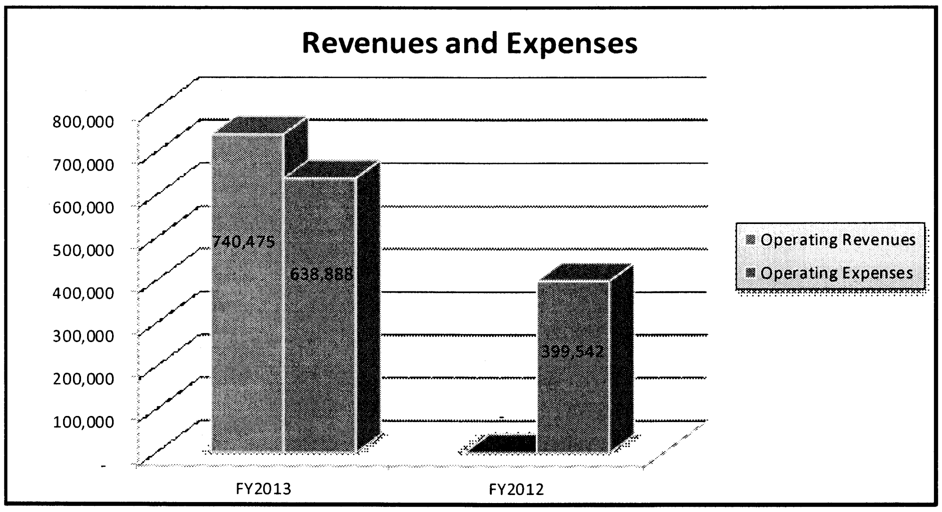
	FY 2013	FY 2012 (as restated)	2013 vs. 2012 Dollar Change	2013 vs. 2012 Percent Change
Operating Revenues				
Charges for services				
Operating Payments	$ 740,475	$ -	$ 740,475	100 %
Total Operating Revenues	740,475	-	740,475	100 %
Operating Expenses				
General and administration	349,222	323,641	25,581	8 %
Legal support	11,532	39,969	(28,437)	-71 %
Maintenance Cost	267,549	25,019	242,530	969 %
Miscellaneous	10,585	10,913	(328)	-3 %
Depreciation Expense	912,646	-	912,646	100 %
Total Operating Expenses	1,551,534	399,542	1,151,992	288 %
Non-Operating Revenues (Expenses):				
Grants	1,038,033	4,340,251	(3,302,218)	-76 %
Initial payments	35,200	161,600	(126,400)	-78 %
Service Payments	15,400	-	15,400	100 %
Interest Income	23,993	24,432	(439)	-2 %
Bond Issuance Costs	(8,456)	(8,456)	-	%
Bond Interest Expense	(263,431)	-	(263,431)	100 %
Decommission Expense	0	(2,429,139)	2,429,139	-100 %
Total Non-Operating Revenues	840,739	2,088,688	(1,247,949)	-60 %
Income (Loss) Before Contribution and Transfers	29,680	1,689,146	(1,659,466)	-98 %
Capital contribution	0	1,131,200	(1,131,200)	-100 %
Change in net position	29,680	2,820,346	(2,790,666)	-99 %
Total net position - beginning	29,641,801	26,821,455	2,820,346	11 %
Total net position - ending	29,671,481	29,641,801	29,680	%

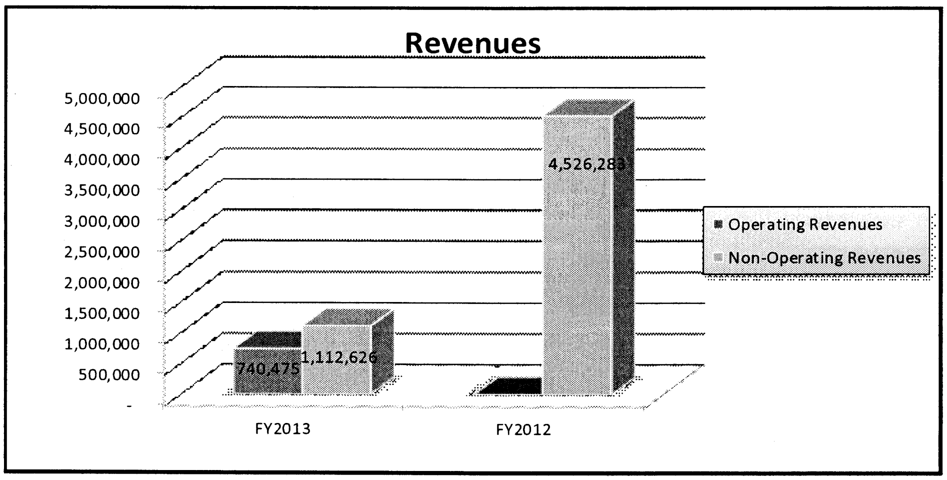
Total change in net position decreased by $2,790,666 for fiscal year ending June 30, 2013, because of the following:

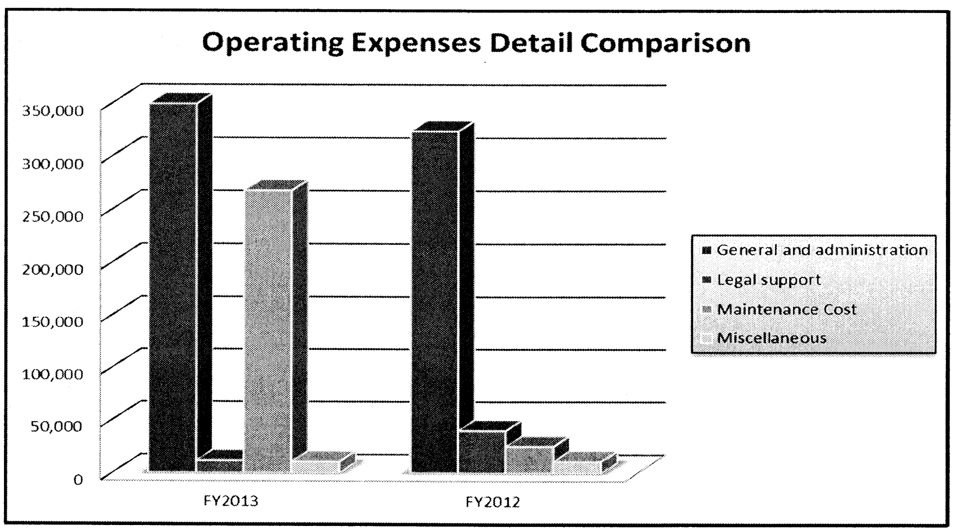
- Grant revenues reduced by $3,302,218, or 76 percent, as compared to last year. This was primarily due to construction of the system nearing completion.
- Capital contributions reduced by $1,131,200 or 100 percent, due to the fact that all members have either prepaid the service payment or will pay a monthly amount throughout the year.

Prior Year Comparison of Operating Revenues and Expenses

The three charts that follow illustrate revenues and expenses for fiscal years 2012 and 2013.







Capital Assets and Debt Administration

Capital Assets

Alameda and Contra Costa counties encompass a land area of over 1,500 square miles with a combined population of over 2.5 million people. The Authority began constructing the Project 25 compliant communications system in fiscal year 2008 with the goal of developing a communications system that would allow public agencies within the two counties to communicate with one another. The Project 25 standard, defined by public safety users, supports interoperable communications across multiple systems. The East Bay Regional Communications System consists of 6 cells with a total 33 sites. The system provides fully interoperable communications to all public agencies within the two counties. The system is also designed to offer participation to adjoining counties, as well as State and Federal agencies. As of June 30, 2013, construction of the system was complete and the system was fully operational. The final construction cost of the system was $32,053,021. Below are the major components identified by their useful life and depreciated amounts:

P25 Compliant Communication System

Major Component	Useful Life	Cost	Depreciation
Buildings	30 years	$ 2,504,558	38,873
Equipment	15 years	29,548,463	$ 873,773
Total		$ 32,053,021	$ 912,646

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 a fixed interest rate of 4.05 percent. The purpose for the issuance and sale of the revenue bonds was to finance the construction of the communications system. Additional information on long term debt can be found in Note 8 of the Notes to the Financial Statements of this report.

Economic Factors and Next Year's Budgets and Rates

According to the California Employment Development Department, the mean of the hourly wage for Alameda County and Contra Costa County was $28.79 for the first calendar year in 2013, a quarter-to-quarter growth of 2.02%, comparing to last year. The mean of the hourly wage for the State of California was slightly lower at $25.47.

All of these factors were considered in preparing the Authority's budget for the 2014 fiscal year. The development of the communications system was in its last phase of construction.

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 Position
June 30, 2013

Assets	
Current assets:	
Cash and cash equivalents (Note 4)	$ 7,362,576
Cash with fiscal agent (Note 4)	397,537
Accounts receivable (Note 5)	1,002,729
Prepaid account	43,814
Total current assets	8,806,656
Noncurrent assets:	
P25 communication system (Note 7)	32,053,021
Accumulated depreciation (Note 7)	(912,646)
Total noncurrent assets	31,140,375
Total assets	39,947,031
Deferred Outflow of Resources	
Deferred charges - bond issuance cost	117,679
Liabilities	
Current liabilities	
Accounts payable (Note 6)	$ 3,691,342
Accrued bonds interest payable	22,887
Bonds payable	216,000
Total current liabilities	3,930,229
Noncurrent liabilities	
Bonds payable	6,463,000
Total noncurrent liabilities	6,463,000
Total liabilities	10,393,229
Net Position	
Invested in capital assets, net of related debt	24,579,054
Unrestricted	5,092,427
Total net position	29,671,481
Total liabilities and net position	$ 40,064,710

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 Position
For Fiscal Year Ended June 30, 2013

Operating revenues:	
Operating Payments	$ 740,475
Total operating revenue	740,475
Operating expenses:	
General and administration	$ 349,222
Legal support	11,532
Maintenance cost	267,549
Miscellaneous	10,585
Depreciation Expense	912,646
Total operating expenses	1,551,534
Operating Income (Loss)	$ (811,059)
Nonoperating revenues (expenses):	
Grants	$ 1,038,033
Initial payments	35,200
Service Payment	15,400
Interest Income	23,993
Bond issuance costs	(8,456)
Bond Interest Expense	(263,431)
Total nonoperating revenues (expenses)	840,739
Change in net position	29,680
Total net position - beginning	32,070,940
Prior period adjustment	(2,429,139)
Total net position - beginning (restated)	29,641,801
Total net position - ending	$ 29,671,481

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, 2013

Cash flows from operating activities		
Receipts from members	$	723,200
Payments to suppliers and service providers		(669,710)
Net cash provided (used) by operating activities		53,490
Cash flows from capital and related financing activities		
Grants		6,003,111
Initial Payments		17,400
Service Payments		182,550
Acquisition and construction of capital assets		(9,255,612)
Net cash provided (used) by capital and related financing activities		(3,052,551)
Cash flows from investing activities		
Interest and dividends		23,993
Net cash provided (used) by investing activities		23,993
Net increase (decrease) in cash and cash equivalents	$	(2,975,068)
Balances - Beginning of the year		10,735,181
Balances - End of the year	$	7,760,113
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$	(811,059)
Depreciation expense	$	912,646
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Change in assets and liabilites		
Accounts receivable, net		(17,275)
Prepaid expenses		(43,814)
Accounts payable		12,992
Net cash provided (used) by operating activities	$	53,490
Noncash investing , capital and financing activities		
Grants recognized as receivables	$	500,000
Purchase of capital assets on account	$	(3,211,556)
Bond issuance costs	$	(8,456)
Accrued bond interest expense	$	(263,431)
Refund of purchase of capital assets	$	444,293

The accompanying notes are an integral part of these financial statements

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 Statue, a JPA is viewed as an independent government agency with powers that accrue to one of the member agencies. During the year Ohlone Community College District, Contra Costa Community College District, Dublin-San Ramon Services District, and the University of California, Berkeley joined the Authority. Currently there are 43 member agencies consisting of 2 counties, 30 cities, 10 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 8 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 the communications system build-out.

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, Contra Costa, 30 cities, 10 special districts, and the California Department of Transportation. 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.

C. Change in Accounting Principles

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The Authority has implemented the provisions of this Statement for the year ended June 30, 2013, and will implement next year Statement No. 65, Items Previously Reported as Assets and Liabilities.

D. Elements of Financial Statements - Assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, inflows of resources, and outflows of resources

1. *Deposits and Investments*

   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 U.S. 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. Deferred Inflows and Outflows of Resources

   The Authority does not have any deferred inflows and deferred outflows of resources as defined by GASB 63 (see below paragraph), such as derivatives or service concession arrangements. Therefore, the Authority is not required to display these financial elements on the Statement of Net Position or the Fund Financial Statements in 2013. The Authority will display these financial elements next year for accounts that meet GASB 65's definition for these financial elements.

3. *Restricted Assets*

   The Authority holds no assets whose use is subject to constraints that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

4. *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. The Authority has identified the useful life of the major components and depreciated them accordingly.

5. *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 Position.

6. *Revenue*

Operating revenue consist solely of Operating Payments. These result from exchange transactions associated with the principal activity of the Authority, which is to provide communications service to its members.

Non-operating revenues consist of grant revenue, Service Payments, Initial Payments and investment earnings. These revenues result from non-exchange transactions and are primarily used for either debt service or repair and replacement of the system.

7. *Accounting and Administrative Services*

The County of Alameda provides the Authority accounting and administrative services at no cost to the Authority.

Note 3: Prior Period Adjustment

The Authority spent $2,429,139 and received reimbursements in the same amount from a Homeland Security federal grant for the Bay Area Urban Areas Security Initiative (UASI) to test a broadband system. The Authority decommissioned the system in 2012. Motorola removed the related assets in April of 2012. The Authority considered this an adjustment to last year's financial statement because as of June 30, 2012 it no longer held titles to and had physical possession of the assets relating to the system. As a result, the Authority reduced the beginning net assets from $32,070,940 to $29,641,801 and accordingly adjusted the change in net assets by the same amount, or $2,429,139.

Note 4: Cash

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

	FY 2013
Cash in treasury	$ 7,362,576
Cash with fiscal agent	397,537
Total	$ 7,760,113

A. Cash in treasury

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.

B. 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 position.

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:

1. 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.

2. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment.

3. Custodial risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it.

Note 5: Accounts Receivable

Accounts receivable and accrued receipts as of June 30, 2013, were comprised of the following:

Entity	Receivable Amount	
2012 ALACO SHSGP[1]	$	500,000
Bay Area Air Quality Management District		161
California Dept of Corrections and Rehab		8,900
City of Alameda		24,375
City of Pinole		23,400
Dept of Corrections - OCS		1,600
Motorola Solutions Inc.		444,293
	$	1,002,729

1 SHSGP - State Homeland Security Initiative Program

Note 6: Accounts Payable

Accounts payable and accrued expenses as of June 30, 2013, were comprised of the following:

Vendor	Payable Amount	
4LEAF, Inc.	$	480
Aviat U.S. Inc.		36,857
Bay Area Rapid Transit District		46,438
California Generator Service		1,820
CG Uhlenberg LLP		15,720
Contra Costa County - ITD		159,106
County of Alameda		100,000
H T Plamondon Management Solutions Inc		1,470
KPA Group		2,395
L.D. Strobel Co., Inc.		361,676
Labor Consultants of California		9,000
Meyer/Nave Riback Silver & Wilson		1,539
Motorola Solutions Inc.		2,938,239
Pacific Gas & Electric Co		6,534
Special District Risk Mgmt Authority		19
William J. McCammon		10,050
	$	3,691,342

Note 7: Capital Assets and Depreciation

The Authority increased construction in progress by $9,239,377 during the year and transferred a total of $32,053,021 to capital assets as follows:

Description	Beginning Balance July 1, 2011	Prior Period Adjustment	Increases	Decreases	Ending Balance June 30, 2012
Construction-In-Progress	$ 22,813,644	$ (2,429,139)	$ 11,668,516	$ (32,053,021)	$ -
Capital Assets	$ -	$ -	$ 32,053,021	$ -	$32,053,021

The Authority had $32,053,021 in capital assets as of June 30, 2013 and depreciated them as follows:

Major Component	Useful Life	Cost	Depreciation
Buildings	30 years	$ 2,504,558	$ 38,873
Equipment	15 years	29,548,463	873,773
Total		$ 32,053,021	$ 912,646

Note 8: Long Term Debt

Long-term debt activities for the fiscal year ended June 30, 2013 were as follows:

Long Term Debt:

Descriptiion	Beginning Balance July 1, 2012	Additions	Reductions	Ending Balance June 30, 2013	Amounts Due Within One Year	Amounts Due Over One Year
2011 Revenue Bonds	6,136,866	542,134	-	6,679,000	216,000	6,463,000

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 percent. 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, 2013 was $8,456. The total interest incurred for the year ended June 30, 2013 was $263,431 which was expensed during the year.

On June 1, 2013 the 2011 Revenue Bonds converted from Capital Appreciation Bonds to Current Interest Bonds. The accreted interest amount of $542,134 was applied to the principal balance of the loan. Annual debt service requirements to maturity for the revenue bonds, including interest payments, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	216,000	270,500	486,500
2015	387,000	261,752	648,752
2016	403,000	246,078	649,078
2017	420,000	229,757	649,757
2018	437,000	212,746	649,746
2019-2023	2,463,000	783,634	3,246,634
2024-2027	2,353,000	242,919	2,595,919
	6,679,000	2,247,386	8,926,386

Note 9: 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 2013, 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 and operating expenditures incurred by the Authority in fiscal year 2013.

Note 10: 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, 2013 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 11: Subsequent Events

There are no subsequent events to report.

Single Audit Section

East Bay Regional Communications System Authority
Schedule of Expenditures of Federal Awards
For Fiscal Year Ended June 30, 2013

Federal/Pass-Through Entity Name Federal Program Name Program Name/Totals	Federal CFDA No.	Federal Expenditures
Department of Homeland Security		
Passed through the County of Alameda, Sheriff's Office		
Urban Area Security Initiative		
2011 Urban Area Security Initiative Program Grant	97.008	538,528
Passed through the County of Alameda, Sheriff's Office		
Homeland Security Grant Program		
2012 Homeland Security Grant Program (HSGP)	97.067	500,000
Total U.S. Department of Homeland Security		**1,038,528**
Total Expenditures of Federal Awards		**$ 1,038,528**

C. G. UHLENBERG LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' 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, 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, the 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, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 6, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of audit findings and recommendations to be a material weakness: 2013-01.

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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, as described in the accompanying schedule of audit findings and recommendations, we identified certain deficiency in internal control that we consider to be material weakness.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C. G. Uhlenberg LLP

Redwood City, California
February 6, 2014

C. G. UHLENBERG LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE FEDERAL 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 the compliance of East Bay Regional Communications System Authority (the "Authority") with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Authority's management.

Auditors' Responsibility

Our responsibility is to express an opinion on the Authority's compliance with the applicable compliance requirements based on our compliance audit.

We conducted our compliance audit 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 U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and Circular A-133 require that we plan and perform the compliance 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 each of its major federal programs occurred. A compliance 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 compliance audit provides a reasonable basis for our opinion. Our compliance audit does not provide a legal determination of the Authority's compliance with those requirements.

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Opinion

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 its major federal program for the year ended June 30, 2013.

Internal Control over Compliance

The 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 compliance audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on each of its major federal programs to determine the compliance 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.

Restricted Use

The purpose of this report is solely for the information and use of management, others within the entity, federal awarding agencies, and pass-through entities. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control over financial reporting and compliance. Accordingly, this report is not suitable for any other purpose.

C. G. Uhlenberg LLP

Redwood City, California
February 6, 2014

Findings and Recommendations

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal Control over financial reporting:		
Material weakness (es) identified?	_X_ yes	___ 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 auditors' report issued on compliance for major programs:	Unmodified	
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:

CFDA Number(s)	Name of Federal Program or Cluster
97.008	2011 Urban Area Security Initiative Program
97.067	2012 Homeland Security Grant Program

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

Section II – Financial Statement Findings

FINDING 2013-01/MATERIAL WEAKNESS – ASSET TRANSFER NOT RECORDED

Condition – The Authority did not removed from its books and records equipment that had been transferred to Motorola during the year ended June 30, 2012. Motorola was contracted to manufacture, install and test the equipment for a broadband system with an understanding that it would remove the equipment and install it for another local agency to establish a broadband system for the region at a later date.

Criteria – The Authority should have a system in place to ensure that material events are reported to the accounting function on a timely basis.

Cause of Condition – The circumstance around the acquisition and removal of the Motorola equipment was outside the normal operating procedures of the Authority. The equipment was acquired under a unique program as a special request from the funding agency with the intention that the equipment would eventually be transferred to another local agency for a broadband system. The timing of the removal of the equipment was not part of the typical operation of the Authority.

Effect of Condition – The Authority's capital asset and net assets were overstated by approximately $2.4 million for the year ended June 30, 2012.

Recommendation – We recommend that the Authority enhance its process to ensure that the accounting function is notified of all accounting related transactions on a timely basis, even those whose circumstances are unusual in nature.

Management's Response – Motorola removed the equipment in April of 2012. The Authority would have accounted for the assets differently, such as a transfer, a donation, etc., if the broadband system was implemented as planned. It was only after the release of FY2011/12's CAFR that the Authority was certain that it would not be implemented. The Authority then decided to write-off the assets instead of keeping them on its books waiting for a transfer that most likely would not occur.

As the auditor has correctly noted above, the testing of equipment for a broadband system was a unique and isolated case and was outside of the Authority's normal operations. The Authority does not believe it will be involved in the testing of another communication system. Nevertheless, the Authority is taking steps to ensure its accountants, technicians and vendors (e.g., Motorola) work together to accurately account for asset replacements, additions and retirements in its fixed assets system.

Section III – Federal Award Findings and Questioned Costs

No current year finding.

Summary Schedule of Prior Audit Findings

No prior year finding.