

**EAST BAY REGIONAL
COMMUNICATIONS SYSTEM AUTHORITY**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2009
AND
FOR THE PERIOD FROM
SEPTEMBER 11, 2007 TO JUNE 30, 2008**

EAST BAY REGIONAL COMMUNICATIONS SYSTEM AUTHORITY

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**FINANCIAL
SECTION**



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities of East Bay Regional Communications System Authority ("Authority") as of June 30, 2009 and 2008 and for the year then ended June 30, 2009 and the period from September 11, 2007 to June 30, 2008, which collectively comprise the Authority'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. 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 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 governmental activities of the Authority as of June 30, 2009 and June 30, 2008, and the respective changes in financial position thereof for the two year then ended June 30, 2009 and the period from September 11, 2007 to June 30, 2008 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 October 28, 2009, 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 the 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.

The management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 23, are not a required part of the basic financial statements but are supplementary



information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

C. D. Ahlberg LLP

October 28, 2009

Redwood City, California

Management's Discussion and Analysis

**EAST BAY REGIONAL COMMUNICATIONS SYSTEM AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009 AND JUNE 30, 2008**

As management of the East Bay Regional Communications System Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2009 and June 30, 2008.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the fiscal year 2009 and 2008 by \$1,215,713 and \$583,811, respectively.
- The total net assets increased during the first two fiscal years of its existence. The Authority is a new joint powers authority, and there are no beginning net assets, as of September 11, 2007.
- As of June 30, 2009 and 2008, the Authority's governmental fund reported an ending fund balance of \$1,215,713 and \$583,811, respectively. The main source of the fund is from radio subscription fees contributed from member cities and agencies in Alameda County and Contra Costa County.
- At the close of the fiscal years, the entire general fund balance was unreserved and available for spending at the Authority's discretion.
- The Authority recognized federal funds in the amount of \$944,058 in its second year of operation. These funds were used for consulting services and project administration.

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's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to private-sector business.

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.

The statement of activities presents information showing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus,

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009 AND JUNE 30, 2008**

revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected fees and expenses pertaining to owed but unpaid services received.

Both of the government-wide statements distinguish functions of the Authority that are principally supported by federal grants from other functions that are intended to recover a significant portion of their costs through user fees such as radio subscription revenue contributed by various cities and special districts from Alameda County and Contra Costa County. The governmental activities of the Authority are entirely related to the development of an interoperable radio system for the two county areas.

The government-wide financial statements are located on pages 12, 13 and 14 of this report.

Fund financial statements. Fund financial statements are designed to report information about groupings of related amounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The only fund currently used by the Authority is the general fund, which is considered a governmental fund.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. These governmental fund statements, however, focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. The focus, therefore, is on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

The Authority maintains only one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balance for the general fund. These fund statements can be found on pages 15 and 16 of this report. The Authority adopts an annual budget (a two-year budget for the first two years of operation) for its general fund. A budgetary comparison has been provided for the general fund to demonstrate compliance with this budget.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009 AND JUNE 30, 2008**

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 22 of this report.

Government-wide Financial Analysis

Analysis of net assets

The Authority was established in 2007. This is the first time the Authority presents its financial statements, and it will do so under the new reporting model required by the Governmental Accounting Standards Board Statement No.34 (GASB 34), *Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments*. Since fiscal year 2008 was the first year of operation, and since that fiscal year was not audited separately, the following is a comparison of the first two fiscal years of operation. In future years, when prior-year audited information is available, a comparative analysis of audited government-wide data will be included in this report.

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 \$1,215,713 and \$583,811 at June 30, 2009 and 2008, respectively.

East Bay Regional Communication System Authority's Net Assets

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Assets:			
Current and other assets	\$ 1,259,282	\$ 608,081	\$ 651,201
Total assets	<u>1,259,282</u>	<u>608,081</u>	<u>651,201</u>
Liabilities:			
Other liabilities	43,569	24,270	19,299
Total liabilities	<u>43,569</u>	<u>24,270</u>	<u>19,299</u>
Net assets:			
Unrestricted	1,215,713	583,811	631,902
Total net assets	<u>\$ 1,215,713</u>	<u>\$ 583,811</u>	<u>\$ 631,902</u>

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East Bay Regional Communication System Authority's Changes in Net Assets

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenues:			
Program revenues:			
Operating Grants and Contributions	\$ 944,058	\$ -	\$ 944,058
General revenues:			
Radio subscription fees	645,600	741,600	(96,000)
Interest revenue	14,634	8,420	6,214
 Total revenues	 <u>1,604,292</u>	 <u>750,020</u>	 <u>854,272</u>
 Expenses:			
Administrative and operating expenses	972,390	166,209	806,181
 Total expenses	 <u>972,390</u>	 <u>166,209</u>	 <u>806,181</u>
 Increase in net assets	 631,902	 583,811	 48,091
Net assets - beginning	583,811	-	583,811
 Net assets - ending	 <u>\$ 1,215,713</u>	 <u>\$ 583,811</u>	 <u>\$ 631,902</u>

Governmental Activities. The activities of the East Bay Regional Communications System Authority increased its net assets by \$631,902 in fiscal year 2009 and by \$583,811 in fiscal year 2008. Key elements of this increase are listed as follow:

- As mentioned above, this is the second fiscal year of the Authority's operations. This financial report covers the first two years of operation. There is no prior year beginning balance for net assets.
- The main source of revenues for Authority in the first fiscal year was from radio subscription fees from cities and districts in Alameda County and Contra Costa County. Second year revenues included grant revenue as well as radio subscription fees.
- During the second year (July 2008 through June 2009), the Authority received reimbursements from federal grants. Expenses for project costs were approximately equal to these project revenues.
- Other revenues include interest earned from deposits with the Treasurer.