

**BAY AREA
REGIONAL INTEROPERABLE
COMMUNICATIONS SYSTEM**

AUDIT REPORT

YEAR ENDED JUNE 30, 2012



Vargas and Company
certified public accountants

Basic Financial Statements



Vargas and Company

certified public accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Bay Area Regional Interoperable
Communications System
San Jose, California

We have audited the accompanying financial statements of the business-type activities of Bay Area Regional Interoperable Communications System ("BayRICS") as of and for the year ended June 30, 2012. These financial statements are the responsibility of BayRICS' management. Our responsibility is to express an opinion 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. These 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 business-type activities of BayRICS as of June 30, 2012, and the respective changes in financial position, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 inquires 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.


Vargas and Company
San Jose, California
November 28, 2012

BAYRICS
BALANCE SHEET
YEAR ENDED JUNE 30, 2012

ASSETS

Current Assets

| | |
|-----------------------|------------|
| Cash | \$ 149,098 |
| Receivables- Interest | 295 |

| | |
|----------------------|----------------|
| Total Current Assets | <u>149,393</u> |
|----------------------|----------------|

| | |
|--------------|-------------------|
| Total Assets | <u>\$ 149,393</u> |
|--------------|-------------------|

LIABILITIES AND FUND BALANCE

Current Liabilities

| | |
|---------------------------|----------|
| Accounts Payable | \$ - |
| Total Current Liabilities | <u>-</u> |

| | |
|-------------------|----------|
| Total Liabilities | <u>-</u> |
|-------------------|----------|

Fund Balance

| | |
|----------------------------|----------------|
| Fund Balance | |
| Per accompanying statement | 149,393 |
| Total Fund Balance | <u>149,393</u> |

| | |
|------------------------------------|-------------------|
| Total Liabilities and Fund Balance | <u>\$ 149,393</u> |
|------------------------------------|-------------------|

BAYRICS
STATEMENT OF REVENUES AND EXPENDITURES
YEAR ENDED JUNE 30, 2012

| | | |
|-------------------------|----|----------------|
| REVENUES | | |
| Dues | \$ | 328,500 |
| Interest | | 1,250 |
| | | <hr/> |
| Total Revenues | | 329,750 |
| | | <hr/> |
| EXPENDITURES | | |
| Professional legal fees | | 157,045 |
| Insurance | | 7,973 |
| Administration | | 15,339 |
| | | <hr/> |
| Total Expenditures | | 180,357 |
| | | <hr/> |
| FUND BALANCE | | |
| Beginning of the period | | |
| End of the period | \$ | <u>149,393</u> |

BAYRICS
STATEMENT OF CASH FLOW
YEAR ENDED JUNE 30, 2012

| | |
|---------------------------------------|--------------------------|
| Cash Flows from Operating Activities | |
| Cash receipts from revenues | \$ 329,750 |
| Cash payments for expenses | <u>(180,357)</u> |
| Net Cash Used by Operating Activities | 149,393 |
| Cash and cash equivalents, Beginning | <u>0</u> |
| Cash and cash equivalents, Ending | <u><u>\$ 149,393</u></u> |

**BAY AREA REGIONAL INTEROPERABLE
COMMUNICATION SYSTEM**
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 1. REPORTING ORGANIZATION

A. Organization

Bay Area Regional Interoperable Communication system ("BayRICS") was created under the Joint Powers Agreement that was created in 2011. Consisting of a consortium of city, county, and other government agencies in the San Francisco Bay Area, BayRICS is intended to establish a regional, interoperable public safety broadband communications system and other advanced information systems for interoperable public communication services.

The members wish to work cooperatively in developing these services for use within the counties of Alameda, Contra Costa, Marin, Napa, San Francisco, Santa Clara, Santa Cruz, San Mateo, Solano and Sonoma.

B. Board of Directors

BayRICS is governed by the Board of Directors (Board) comprised of one representative from each member and the Governor of the State of California plus a Seat at Large to be determined by the Board. Each member has one vote and is also encouraged to designate an alternate to serve in the absence of its regular representative. The Board elects a President and a Vice-President to hold office for a one-year term, except as otherwise provided in the agreement.

The Board was formally established on August 8, 2011. The officers for 2011-2012 (the initial year of operation) were:

| | | |
|----------------|-----------------|--------------------|
| President | Rich Lucia | Alameda County |
| Vice-President | Michelle McGurk | City of San Jose |
| Secretary | Dennis Smiley | Sonoma County |
| Treasurer | Emily Harrison | Santa Clara County |

The Board has powers and functions to establish priorities in the performance of services, to conduct on behalf of BayRICS all its business, and to adopt bylaws for the conduct of its business in consistent with the agreement and with all applicable laws.

C. Audit

Article III subparagraph 3.03 of the Joint Powers Agreement requires that an annual examination of the financial statements of BayRICS shall be conducted. Accordingly, this report is in compliance with that requirement.

**BAY AREA REGIONAL INTEROPERABLE
COMMUNICATION SYSTEM**
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting and Presentation

BayRICS complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The financial statements of BayRICS are presented as those of an enterprise fund under the broad category of funds called proprietary fund. Enterprise fund accounts for operations that are financed and operated in a manner similar to private business enterprise, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Enterprise funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values.

B. Capital Assets

Capital assets, which include land, building, and equipment and vehicles, are valued at historical cost. Donated capital assets are valued at their estimated fair market value on the date donated. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs or renovations that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Capital assets used in operations are depreciated using the straight-line method over the asset's estimated useful lives. BayRICS has no capital assets as of June 30, 2012.

C. Revenues

BayRICS' revenues (inflows) are composed of membership fees. Each member pays all fees in accordance with the fee schedule, adopted annually pursuant to the bylaws, including fines that may be assessed for not meeting member obligations.

D. Equity Classifications

In the proprietary fund financial statements, equity is classified as net assets and divided into three components:

**BAY AREA REGIONAL INTEROPERABLE
COMMUNICATION SYSTEM**

**Notes to the Basic Financial Statements
Year Ended June 30, 2012**

- *Investment In Capital Assets, Net of Related Debt* – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. BayRICS has no investments in capital assets, net of related debt as of June 30, 20102.
- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. BayRICS has no restricted net assets as of June 30, 2012.
- *Unrestricted Net Assets* – This category represents net assets of BayRICS, not restricted for any project or other purpose.

E. Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

NOTE 3. CASH

The Governmental Accounting Standards Board through its statement No. 31 requires that all investments be reported on a fair market value and that any changes in this value be reflected in the statement of revenues, expenses and changes in fund net assets.

BayRICS maintains its cash with the County which pools its cash resources in a pooled investment program. Activities of BayRICS are conducted through the County Treasury, however the County does not account or maintain BayRICS resources in an independent pool. Consequently, the fair market value of the cash and investments are not known to BayRICS.

Due to the amounts of cash and the activities involved, BayRICS' management believes that any fluctuation is immaterial to the presentation of the financial statements.

NOTE 4. RELATED PARTY TRANSACTION

The County of Santa Clara serves as the host organization for conducting accounting and financial services for BayRICS and is also a member. BayRICS maintains office space provided by the County of Alameda and BayRICS staff are employed by the County of Alameda and the City and County of San Francisco, also members of BayRICS. BayRICS does not currently employ staff or operate separate facilities.