
**BAY AREA REGIONAL INTEROPERABLE
COMMUNICATIONS SYSTEMS**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2015

BAY AREA REGIONAL INTEROPERABLE COMMUNICATIONS SYSTEMS

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Introductory Section

BAY AREA REGIONAL INTEROPERABLE COMMUNICATIONS SYSTEMS

BOARD OF DIRECTORS

State Representative

Karen Wong, Vice Chair, State of California

County Representatives

Richard Lucia, Chair, Alameda County
Candace Anderson, Contra Costa County
Lee Ann Magoski, Marin County
Emily Harrison, Santa Clara County
Anne Kronenberg, San Francisco County
Chris Flatmoe, San Mateo County
Dennis Smiley, Sonoma County

City Representatives

Renee' Domingo, City of Oakland
Greg Suhr, City of San Francisco
Michelle McGurk, City of San Jose

Special District Representatives

Joe Calabrigo, East Bay Hub
Dan Winter, South Bay Hub

Management Personnel

General Manager

Barry Fraser

BAY AREA REGIONAL INTEROPERABLE COMMUNICATIONS SYSTEMS

ORGANIZATION CHART



BAY AREA REGIONAL INTEROPERABLE COMMUNICATIONS SYSTEMS

MEMBERS

BayRICS currently has 16 member agencies. Participating agencies include:

Counties

Alameda County
Contra Costa County
Marin County
Santa Clara County
San Francisco County
San Mateo County
Sonoma County

Cities

City of Oakland
City of San Francisco
City of San Jose

Special Districts

East Bay Hub (East Bay Regional Communications System Authority)
South Bay Hub (City of Monte Sereno, City of Santa Clara, City of Sunnyvale, and the Town of Los Gatos)

State

California Emergency Management Agency

Financial Section

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Bay Area Regional Interoperable Communications Systems
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and major fund of Bay Area Regional Interoperable Communications Systems (the Authority), as of and for the year ended June 30, 2015, 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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's *Minimum Audit Requirements for California Special District*. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority'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.

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 and major fund of the Authority as of June 30, 2015, and the respective changes in financial position and cash flows 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 on pages 6 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section 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 January 14, 2016 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.

Patricia A. Brown, CPA

Oakland, California
January 14, 2016

**BAY AREA REGIONAL INTEROPERABLE COMMUNICATIONS SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015**

This section of the financial statements for the Bay Area Regional Interoperable Communications Systems (the Authority) presents a narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2015. 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 \$244,237 (net position) as of June 30, 2015 and total net position decreased by \$161,655 compared to fiscal year 2014.
- During fiscal year 2015, the Authority received membership fees of \$91,000 a decrease of \$244,899 from fiscal year 2014 due to a decrease in the rate for membership fees.
- The Authority received grant revenues of \$211,129 to offset the costs to monitor and maintain the BayLOOP microwave system.

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.

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

**BAY AREA REGIONAL INTEROPERABLE COMMUNICATIONS SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015**

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 as of June 30, 2015 and June 30, 2014 is shown below:

Table 1: Condensed Statement of Net Position

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Assets:		
Current assets	\$ 277,598	\$ 480,650
Total Assets	<u>277,598</u>	<u>480,650</u>
Liabilities:		
Current liabilities	<u>33,361</u>	<u>74,758</u>
Total Liabilities	<u>33,361</u>	<u>74,758</u>
Net Position:		
Unrestricted	<u>244,237</u>	<u>405,892</u>
Total Net Position	<u>\$ 244,237</u>	<u>\$ 405,892</u>

In fiscal year 2015, total assets decreased by \$203,052 or 42 percent. This was due to a decrease in cash of \$155,206 and accounts receivable of \$47,842.

Total liabilities for fiscal year 2015 decreased by \$41,397. This was due to a reduction in unearned revenues of \$36,750 and accounts payable of \$4,647.

Total net position decreased by \$161,655 compared to a \$26,989 increase in the prior year due to decrease in membership fees.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position reflect how the Authority's net position changed during the current 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 Statement of Revenues, Expenses and Changes in Net Position is as follows:

**BAY AREA REGIONAL INTEROPERABLE COMMUNICATIONS SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015**

Table 2: Changes in Net Position

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Operating revenues:		
Membership fees	\$ 91,000	\$ 335,899
Total operating revenues	<u>91,000</u>	<u>335,899</u>
Operating expenses:		
Administration	224,395	219,641
Audit	5,830	8,500
Insurance	9,437	7,637
Legal	12,700	71,789
Maintenance	211,129	214,410
Miscellaneous	1,694	2,685
Total operating expenses	<u>465,185</u>	<u>524,662</u>
Non-operating revenues:		
Grants	211,129	214,410
Interest	1,401	1,342
Total non-operating revenues	<u>212,530</u>	<u>215,752</u>
Change in net position	(161,655)	26,989
Net position – beginning of year	<u>405,892</u>	<u>378,903</u>
Net position – end of year	<u>\$ 244,237</u>	<u>\$ 405,892</u>

The Authority's change in net position decreased by \$188,644 during the fiscal year ended June 30, 2015. The decrease was due to a \$244,899 reduction in membership fees offset by the \$59,477 decrease in operating expenses.

Economic Factors and Next Year's Budgets and Rates

According to the U.S. Department of Labor, the unemployment rate for the San Francisco metropolitan area was 4.2 percent in June 2015, compared to the rate of 5.2 percent in June 2014. The San Jose metropolitan area had an unemployment rate of 4.1 percent in June 2015, compared to the rate of 5.5 percent in June 2014. The State's unemployment rate was 6.3 percent in June 2015, compared to the rate of 7.4 percent in June 2014.

**BAY AREA REGIONAL INTEROPERABLE COMMUNICATIONS SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015**

Spending for goods and services throughout the state and the country showed signs of improvements as unemployment rates, as indicated above, began to decrease. According to the U.S. Department of Commerce, the gross domestic product for the State of California increased to 4.4 percent in the second quarter of 2015 from 4.1 percent in 2014. By comparison, the national gross domestic product increased to 3.8 percent in the second quarter of 2015 from 3.5 percent in 2014.

All of the above factors were considered in preparing the Authority's budget for fiscal year 2016.

The Authority adopted its fiscal year 2016 budget on April 10, 2015.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, and members 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 information for questions about this report or requests for additional financial information.

Bay Area Regional Interoperable Communications Systems
Alameda County Office of Homeland Security and Emergency Services
4985 Broder Boulevard, Dublin, CA 94568
Website: www.bayrics.net

BAY AREA REGIONAL INTEROPERABLE COMMUNICATIONS SYSTEMS
STATEMENT OF NET POSITION
JUNE 30, 2015

Assets:	
Cash and cash equivalents (Note 3)	\$ 246,559
Grants receivable (Note 5)	29,281
Prepaid expenses	<u>1,758</u>
Total assets	<u>277,598</u>
Liabilities:	
Accounts payable (Note 6)	<u>33,361</u>
Total liabilities	<u>33,361</u>
Net Position	
Unrestricted	<u>244,237</u>
Total net position	<u>\$ 244,237</u>

The accompanying notes are an integral part of these financial statements

**BAY AREA REGIONAL INTEROPERABLE COMMUNICATIONS SYSTEMS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

Operating revenues:	
Membership fees	\$ <u>91,000</u>
Total operating revenues	<u>91,000</u>
Operating expenses:	
Administration (Note 8)	224,395
Audit	5,830
Insurance	9,437
Legal	12,700
Maintenance	211,129
Miscellaneous	<u>1,694</u>
Total operating expenses	<u>465,185</u>
Operating (loss)	<u>(374,185)</u>
Nonoperating revenues:	
Grants	211,129
Interest	<u>1,401</u>
Total nonoperating revenues	<u>212,530</u>
Change in net position	(161,655)
Net position – beginning of year	<u>405,892</u>
Net position – end of year	\$ <u><u>244,237</u></u>

The accompanying notes are an integral part of these financial statements

BAY AREA REGIONAL INTEROPERABLE COMMUNICATIONS SYSTEMS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

Cash flows from operating activities:	
Receipts from members	\$ 52,510
Payments to suppliers and service providers	<u>(469,837)</u>
Net cash used by operating activities	<u>(417,327)</u>
Cash flows from noncapital financing activities:	
Grants received	<u>260,721</u>
Net cash provided by noncapital financing activities	<u>260,721</u>
Cash flows from investing activities:	
Interest and dividends	<u>1,401</u>
Net cash provided by investing activities	<u>1,401</u>
Net decrease in cash and cash equivalents	(155,205)
Cash and cash equivalents – beginning of year	<u>401,764</u>
Cash and cash equivalents – end of year	<u>\$ 246,559</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ <u>(374,185)</u>
Changes in assets and liabilities:	
Accounts receivable	(1,750)
Prepaid expenses	5
Accounts payable	(4,647)
Unearned revenue	<u>(36,750)</u>
Total adjustments	<u>(43,142)</u>
Net cash used by operating activities	<u>\$ (417,327)</u>

The accompanying notes are an integral part of these financial statements

BAY AREA REGIONAL INTEROPERABLE COMMUNICATIONS SYSTEMS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: GENERAL INFORMATION

The Bay Area Regional Interoperable Communications Systems (the Authority) was officially created on May 2, 2011 with the formation of a Joint Powers Authority (JPA). Per California State Statute, a JPA is viewed as an independent government agency with powers that accrue to one of the member agencies. The intent of the Authority is to establish a regional, interoperable public safety broadband communications system and other advanced information systems for interoperable public communications services. Currently there are 16 member agencies consisting of 7 counties, 7 cities and towns, 1 special district, and the California Emergency Management Agency.

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 officers for fiscal year 2015 were:

President	Rich Lucia	Alameda County
Vice-President	Karen Wong	State of California
Secretary	D.Marie Smith	Alameda County
Treasurer	Emily Harrison	Santa Clara County

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Scope of Financial Reporting Entity

The Authority is legally separate from the seven counties, and is governed by a Board of Directors made up of 16 elected and appointed officials from each member agency. The Authority's financial activities are reported under the JPA BayRICS 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.

BAY AREA REGIONAL INTEROPERABLE COMMUNICATIONS SYSTEMS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Enterprise funds account for business-like activities that are financed primarily by user charges and use 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 Standards 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. Cash 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.

The County follows the practice of pooling cash and investments of all funds with the County Treasurer, except for certain restricted funds, which are generally held by outside custodians and classified as "Cash and investments with fiscal agents" within its financial statements. The fair value of the Treasurer's pool is determined on a quarterly basis. The adjustment to the cash balance of all participants in the pool is based on the cash balance at the valuation date. The change in the fair value of the investments is recognized in the year in which the change occurred.

D. Capital Assets

Capital assets, which include land, construction in progress, structures and improvements, machinery and equipment, software, and infrastructure, are valued at historical cost. The Authority capitalizes equipment and computer software with minimum cost of \$5,000 and \$250,000, respectively, and an estimated useful life in excess of one year. Structures and improvements and infrastructure with a value of at least \$250,000 are capitalized. Donated capital assets are recorded at estimated fair value at the date of donation. The Authority has no capital assets as of June 30, 2015.

E. Net Position

Net Investment in Capital Assets

This category of net position groups all capital assets into one component. Accumulated depreciation and the outstanding balances of debt, excluding unexpended bond proceeds, related to the acquisition, construction, or improvement of the capital assets reduce the balance in this category. The Authority has no net investment in capital assets as of June 30, 2015.

BAY AREA REGIONAL INTEROPERABLE COMMUNICATIONS SYSTEMS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Restricted Net Position

Restricted net position are those assets, net of their related liabilities, that have constraints placed on their use by creditors, grantors, contributors, or by enabling legislation. Accordingly, restricted assets may include unspent grant revenues, certain fees and charges and restricted tax revenues. The Authority has no restricted net position as of June 30, 2015.

F. Cash Flows

A statement of cash flows is presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the County's Treasury represent monies in a cash management pool. Such accounts are similar in nature to demand deposits.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3: CASH AND INVESTMENTS

A. Deposits

As of June 30, 2015 the Authority's cash and deposits were as follows:

Cash and cash equivalents	\$ <u>246,559</u>
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Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside entity. The Authority's investment policy requires that deposits in banks must meet the requirements of the California Government Code. As required by California Government Code Section 53652, the market value of the pledged securities must equal at least 110 percent of the Authority's deposits, with the exception of mortgage-backed securities, which must equal at least 150 percent.

BAY AREA REGIONAL INTEROPERABLE COMMUNICATIONS SYSTEMS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

B. Investments

County of Alameda Treasurer's Investments

The Authority is considered to be a voluntary participant in an external investment pool as the Authority deposits all receipts and collections, except those required to be deposited with the trustee, with the County of Alameda Treasurer.

Funds with the County Treasurer are invested pursuant to the annual investment policy established by the Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses the soundness of financial institution in which the County deposits funds, the types of investment instruments and the percentage of the portfolio, which may be invested in certain instruments, as permitted by Section 53600 et seq. of the Government Code of the State of California. Authorized instruments in which the Treasurer can invest include U.S. Treasury securities, banker's acceptances, federal, state and local government securities, commercial paper, medium-term corporate notes, negotiable certificates of deposit, local agency investment fund, money market funds, mutual funds that invest in authorized securities, and mortgage-backed securities.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rate will affect the fair value of an investment. In accordance with the investment policy, the County Treasurer manages the risk exposure by limiting the weighted average maturity of its investment portfolio to not more than two years at any time.

NOTE 4: 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 Alliant Insurance Services, Inc. government crime policy. The policy provides for coverage for faithful performance/employee dishonesty, money and securities, forgery or alteration, computer fraud, robbery and safe burglary, and money order and counterfeit paper currency. The Authority's deductibles and maximum coverage as of June 30, 2015 are as follows:

<u>Coverage Description</u>	<u>Deductible</u>	<u>Insurance Coverage</u>
Government Crime	\$2,500	\$15,000,000

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.

**BAY AREA REGIONAL INTEROPERABLE COMMUNICATIONS SYSTEMS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5: GRANTS RECEIVABLE

Grants receivable as of June 30, 2015, was comprised of the following:

<u>Source</u>		
City of Monte Sereno	\$	1,750
UASI 2014		<u>27,531</u>
	\$	<u>29,281</u>

NOTE 6: ACCOUNTS PAYABLE

Accounts payable as of June 30, 2015, was comprised of the following:

<u>Vendor</u>		
Aviat U.S., Inc.	\$	27,531
County of Alameda		530
Patel & Associates, LLP		<u>5,300</u>
	\$	<u>33,361</u>

NOTE 7: MAINTENANCE AGREEMENT

On February 15, 2013 the Authority entered into a maintenance agreement with Aviat U.S., Inc. for the Bayloop Digital Microwave System by which Aviat U.S., Inc. shall provide maintenance and remote monitoring services including: technical support, repair services, onsite corrective maintenance, preventative maintenance and advanced network operations center services. These services are provided on certain covered equipment held by the Authority and its member agencies. The costs incurred from the maintenance agreement are offset by Homeland Security federal grants from the Bay Area Urban Areas Security Initiative (UASI).

NOTE 8: ADMINISTRATIVE SERVICES AGREEMENT

The Authority has entered into an agreement with Alameda County Sheriff's Office (ACSO) under which ACSO provides the Authority with management services by providing staff for the general manager position, necessary office and meeting space, equipment, supplies, technical assistance, and access to ACSO telephone system and voicemail. For these services, the Authority reimburses ACSO the actual costs up to an amount not to exceed \$230,483. This agreement is for a period of one year from June 1, 2013 to May 31, 2014 with two options to extend the term of the agreement for up to one year each extension. On June 1, 2015 the Authority exercised the final option on the agreement through May 31, 2016.

**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**

The Board of Directors
Bay Area Regional Interoperable Communications Systems
Oakland, California

We have audited, in accordance with the 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 and major fund of Bay Area Regional Interoperable Communications Systems as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Bay Area Regional Interoperable Communications Systems' basic financial statements, and have issued our report thereon dated January 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bay Area Regional Interoperable Communications Systems' 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 Bay Area Regional Interoperable Communications Systems' internal control. Accordingly, we do not express an opinion on the effectiveness of the Bay Area Regional Interoperable Communications Systems' 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Bay Area Regional Interoperable Communications Systems' 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bay Area Regional Interoperable Communications Systems' 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 Bay Area Regional Interoperable Communications Systems' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bay Area Regional Interoperable Communications Systems' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Palmieri & Associates, LLP

Oakland, California
January 14, 2016

**BAY AREA REGIONAL INTEROPERABLE COMMUNICATIONS SYSTEMS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2015**

No matters were reported.

**BAY AREA REGIONAL INTEROPERABLE COMMUNICATIONS SYSTEMS
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2015**

There were no findings in the prior year.