# BAY AREA
# REGIONAL INTEROPERABLE
# COMMUNICATIONS SYSTEM

## AUDIT REPORT

## YEAR ENDED JUNE 30, 2013

**Vargas and Company**
certified public accountants

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# 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, 2013, and the related notes to the financial statements, which collectively comprise the BayRICS basic 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; which 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.

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 misstatements.

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, 2013, 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.

Vargas and Company
San Jose, California
September 18, 2013

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BAYRICS
BALANCE SHEET
YEAR ENDED JUNE 30, 2013

| | | |
|---|---|---|
| ASSETS | | |
| Current Assets | | |
| Cash | $ | 378,524 |
| Receivables- Interest | | 379 |
| Total Current Assets | | 378,903 |
| Total Assets | $ | 378,903 |
| LIABILITIES AND FUND BALANCE | | |
| Current Liabilities | | |
| Accounts Payable | $ | - |
| Total Current Liabilities | | - |
| Total Liabilities | | - |
| Fund Balance | | |
| Fund Balance | | |
| Per accompanying statement | | 378,903 |
| Total Fund Balance | | 378,903 |
| Total Liabilites and Fund Balance | $ | 378,903 |



The accompanying notes are an integral part of these statements

BAYRICS
STATEMENT OF REVENUES AND EXPENDITURES
YEAR ENDED JUNE 30, 2013

| | | |
|---|---|---|
| REVENUES | | |
| Dues | $ | 331,111 |
| Interest | | 1,826 |
| Total Revenues | | 332,937 |
| EXPENDITURES | | |
| Professional legal fees | | 89,593 |
| Insurance | | 6,281 |
| Administration | | 7,553 |
| Total Expenditures | | 103,427 |
| Revenues over expenditures | | 229,510 |
| FUND BALANCE | | |
| Beginning of the period | | 149,393 |
| End of the period | $ | 378,903 |



The accompanying notes are an integral part of these financial statements

BAYRICS
STATEMENT OF CASH FLOW
YEAR ENDED JUNE 30, 2013

| | |
|---|---|
| Cash Flows from Operating Activities | |
| Cash receipts from revenues | $ 332,937 |
| Cash payments for expenses | (103,427) |
| Net Cash Used by Operating Activities | 229,510 |
| Cash and cash equivalents, Beginning | 149,393 |
| Cash and cash equivalents, Ending | $ 378,903 |



The accompanying notes are an integral part of these financial statements

# BAY AREA REGIONAL INTEROPERABLE COMMUNICATION SYSTEM
## Notes to the Basic Financial Statements
## Year Ended June 30, 2013

### NOTE 1. REPORTING ORGANIZATION

#### A. Organization

Bay Area Regional Interoperable Communication system ("BayRICS") was created under the Joint Powers Agreement that created in 2011. Consisting of a consortium of city, county, and other government agencies in the San Francisco 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 officers for 2012-2013 were:

| | | |
|---|---|---|
| President | Rich Lucia | Alameda County |
| Vice-President | Karen Wong | State of California |
| Secretary | David Kosicki (until 10/31/2012) | Alameda County |
| | D. Marie Smith (from 11/1/2012 to 6/30/2013) | Alameda 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.

## 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, 2013.

### 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:

- *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, 2013.

- *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, 2013.

- *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 of Santa Clara 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.