

November 25, 2014

To the Board of Directors  
Marin Telecommunications Agency

We have audited the financial statements of the Marin Telecommunications Agency for the year ended June 30, 2014, and have issued our report thereon November 25, 2014. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated June 4, 2014, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

**Significant Audit Findings**

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Marin Telecommunications Agency are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no significant estimates used in preparing the financial statements.

***Difficulties Encountered in Performing the Audit***

We encountered no difficulties in dealing with management in performing and completing our audit.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Routine adjustments were required in order to present MTA's financial statements on the full accrual basis of accounting in



addition to the modified-accrual basis of accounting under which it maintains its books. Any other misstatements detected as a result of audit procedures and corrected by management were immaterial, either individually or in the aggregate, to the financial statements taken as a whole.

***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated November 25, 2014.

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other matters***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

MTA's agreement with Community Media Center of Marin (CMCM) requires that CMCM be responsible for the proper maintenance, recordkeeping and safekeeping of all equipment and facilities under the agreement. We recommend that management evaluate the effectiveness of CMCM's procedures.

This information is intended solely for the use of Board of Directors and management of Marin Telecommunications Agency and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

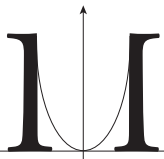
*Maher Accountancy*



**FINANCIAL STATEMENTS AND AUDITORS' REPORT  
YEAR ENDED JUNE 30, 2014**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Marin Telecommunications Agency

We have audited the accompanying financial statements of the Marin Telecommunications Agency (Agency) as of and for the year ended June 30, 2014, which collectively comprise the Agency'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. 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 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 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.



## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency as of June 30, 2014, and the respective changes in financial position 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 and budgetary comparison information, 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 Supplemental Information*

Our audit was conducted for the purpose of forming opinions on the Marin Telecommunication Agency's basic financial statements. Other supplemental information is presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental information 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 them.

*Maher Accountancy*

November 25, 2014

## MARIN TELECOMMUNICATIONS AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis provides an overview of the Marin Telecommunications Agency (MTA) financial activities for the fiscal year ended June 30, 2014. Please read it along with MTA's financial statements, which begin on page 7.

### FINANCIAL HIGHLIGHTS

MTA's net position is \$273,108, a decrease of \$5,842 over the prior year. Total revenues increased by \$155,895 and total expenses increased by \$82,943.

Budgetary comparison schedules are found starting on page 18. Those schedules indicate we had a positive variance of \$83,599 in the General Fund, and a negative variance of \$1,163 in the PEG Fund when comparing actual activity with budgeted.

### USING THIS ANNUAL REPORT

This annual report consists of financial statements for Marin Telecommunications Agency as a whole. The statement of net position and the statement of activities provide information about the activities of MTA as a whole and present a long-term view of MTA's finances. The fund financial statements present a short-term view of MTA's activities (they include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future).

### MTA AS A WHOLE

One important question asked about MTA's finances is, "Is MTA better or worse off as a result of the year's activities?" The information in the government-wide financial statements helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the basis of accounting used by most private-sector companies.

The change in *net position* (the difference between total assets and total liabilities) over time is one indicator of whether MTA's financial health is improving or deteriorating. However, one must consider other nonfinancial factors in making an assessment of the Agency's health, such as changes in the economy and changes in its jurisdiction, etc.

**MARIN TELECOMMUNICATIONS AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

Changes in MTA's net position were as follows:

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
Current assets	\$ 1,386,017	\$ 1,337,278	\$ 48,739
Current liabilities	<u>1,112,909</u>	<u>1,058,328</u>	<u>54,581</u>
Net assets			
Restricted	8,166	97,607	(89,441)
Unrestricted	<u>264,942</u>	<u>181,343</u>	<u>83,599</u>
Total net position	<u>\$ 273,108</u>	<u>\$ 278,950</u>	<u>\$ (5,842)</u>

MTA's total net position decreased primarily because of the release of previously undistributed PEG fees to Community Media Center of Marin (CMCM), with whom MTA has an agreement to construct and operate a media center. This release was agreed upon prior to the recent Direct Access Provider (DAP) agreement with CMCM which directs PEG fees collected by franchisees to be immediately released to CMCM. In previous years, a portion of the PEG fees collected were released on a reimbursable type basis, and an undistributed balance was accumulated.

Changes in MTA's revenues were as follows:

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
Franchise/PEG fees	\$ 4,241,498	\$ 4,085,197	\$ 156,301
Investment earnings	<u>578</u>	<u>1,236</u>	<u>(658)</u>
Total revenue	<u>4,242,328</u>	<u>4,086,433</u>	<u>155,895</u>

MTA franchise and PEG revenues are determined as a fixed percentage of its franchisee's qualifying revenue. Accordingly, the increase in revenue reported by MTA is mostly due to greater revenue collections of its franchisees.



**MARIN TELECOMMUNICATIONS AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

Changes in MTA's expenses and net position were as follows:

	<u>2014</u>	<u>2013</u>	<b>Increase (Decrease)</b>
Expenses:			
Telecommunications	\$ 3,735,361	\$ 3,780,450	\$ (45,089)
PEG	512,809	384,777	128,032
Total expenses	<u>4,248,170</u>	<u>4,165,227</u>	82,943
Less: program revenues	<u>4,242,328</u>	<u>4,086,433</u>	155,895
Changes in net position	<u><u>\$ (5,842)</u></u>	<u><u>\$ (78,794)</u></u>	<u><u>\$ 72,952</u></u>

The decreases in telecommunications expense is mostly the result of the release of certain accumulated franchise revenues to member agencies in 2013 that did not occur in 2014. The accumulation occurred when a franchise ceased to provide MTA information needed to allocate the fee between the members. In 2013 the Agency amended its bylaws clarifying its distribution method, and the accumulated funds were released.

PEG expenses are related to PEG revenue MTA received from its various franchise arrangements. The large increase from the prior year is the result of the release of accumulated PEG revenues from prior years. Prior to 2014, certain portions of the PEG revenue were distributed to CMCM only after certain expenses were incurred by CMCM. During 2014 the agreement between MTA and CMCM was revised to allow for all PEG revenues received by MTA to be distributed to the CMCM.

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide detailed information about the MTA's funds - the general (Telecommunications) fund and PEG Special Revenue funds.

The fund financial statements provide a short-term view of MTA's operations. They are reported using an accounting basis called *modified accrual* which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash.

Total governmental fund balances decreased by \$5,842, as shown on page 10.

**MARIN TELECOMMUNICATIONS AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

**ACCOMPLISHMENTS AND PLANS**

The MTA – Community Media Center of Marin (CMCM) initial Dedicated Access Provider (DAP) Agreement would have expired June 30, 2013, however it was extended through May 15, 2014 in order to allow the negotiations for a new agreement to continue. MTA approved a new MTA-CMCM Dedicated Access Provider Agreement (DAP) for a term commencing May 15, 2014 and ending on June 30, 2019, unless terminated earlier as per the agreement or extended by mutual agreement. A key element of the negotiations was the consideration of using franchise fees to help fund the CMCM during a bridge period until Comcast begins paying 1% PEG fees, estimated to be about January 2017. The final DAP included a provision that in addition to PEG fee payments as described in the agreement, the MTA would pay the CMCM \$220,000 in fiscal year 2014-15, \$220,000 in fiscal year 2015-16, and \$165,000 in fiscal year 2016-17.

In June 2014 the California Public Utilities Commission approved funding for the new North Bay/North Coast Broadband Consortium comprised of the Counties of Marin, Sonoma, Napa and Mendocino. MTA is participating in the Marin Broadband Task Force as a part of this Consortium in order to promote the expansion of broadband in un-served and underserved priority areas in West Marin and broadband adoption in key areas in Marin. The consortium will receive minor CPUC funding through June 2016.

In June 2014 the MTA approved funding for franchise revenue reviews/audits of AT&T and Comcast to be performed by a consultant that specializes in these types of revenue audits.

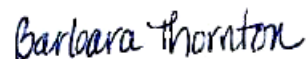
The MTA continues to review and provide comments when appropriate regarding legal/regulatory telecommunications matters before the State and Federal legislatures, California Public Utilities Commission (CPUC), Federal Communications Commission (FCC) and similar agencies.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our residents, taxpayers and creditors with a general overview of the MTA's finances and to demonstrate its accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to Marin Telecommunications Agency, 555 Northgate Dr. #230, San Rafael, CA 94903.

Respectively submitted,



Barbara Thornton  
Executive Officer

**MARIN TELECOMMUNICATIONS AGENCY**

**STATEMENT OF NET POSITION  
AS OF JUNE 30, 2014**

**ASSETS**

Current assets:	
Cash in County treasury	\$ 302,706
Receivables:	
Franchise fees	<u>1,083,311</u>
Total current assets	<u>1,386,017</u>

**LIABILITIES**

Current liabilities:	
Accounts payable and accrued expenses	29,598
Payable to CMCM	109,053
Franchise fees payable to Agency members	<u>974,258</u>
Total current liabilities	<u>1,112,909</u>

**NET POSITION**

Restricted for PEG project	8,166
Unrestricted	<u>264,942</u>
Total net position	<u>\$ 273,108</u>

**MARIN TELECOMMUNICATIONS AGENCY**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

	<b>Telecom- munications</b>	<b>PEG</b>	<b>Total</b>
<b>EXPENSES</b>			
Professional services	\$ 205,213		\$ 205,213
Administration and financial	14,050		14,050
Insurance	9,478		9,478
Professional development	2,835		2,835
Office expenses, rent and supplies	12,829		12,829
Franchise fee distributions	3,490,956		3,490,956
Grants for PEG System		\$ 512,809	512,809
Total expenses	<u>3,735,361</u>	<u>512,809</u>	<u>4,248,170</u>
<b>PROGRAM REVENUES</b>			
Franchise/PEG fees	3,818,214	423,284	4,241,498
Interest income	494	84	578
Total program revenues	<u>3,818,960</u>	<u>423,368</u>	<u>4,242,328</u>
Net program revenue (expense)	<u>\$ 83,599</u>	<u>\$ (89,441)</u>	<u>\$ (5,842)</u>
<b>NET POSITION - BEGINNING OF THE YEAR</b>			<u>278,950</u>
<b>NET POSITION - END OF THE YEAR</b>			<u>\$ 273,108</u>

The accompanying notes are an integral part of these financial statements.

**MARIN TELECOMMUNICATIONS AGENCY**

**BALANCE SHEET  
YEAR ENDED JUNE 30, 2014**

	<b>General Fund</b>	<b>Special Revenue</b>	<b>Total</b>
	<b>Fund 70040</b>	<b>PEG</b>	<b>Governmental</b>
	<b>Fund 70040</b>	<b>Fund 70041</b>	<b>Funds</b>
<b>ASSETS</b>			
Cash in County treasury	\$ 294,540	\$ 8,166	\$ 302,706
Receivables:			
Franchise/ PEG fees	974,258	109,053	1,083,311
	<hr/>	<hr/>	<hr/>
Total assets	\$ 1,268,798	\$ 117,219	\$ 1,386,017
	<hr/>	<hr/>	<hr/>
<b>LIABILITIES</b>			
Accounts payable and accrued expenditures	\$ 29,598		\$ 29,598
Payable to CMCM		\$ 109,053	109,053
Franchise fees payable to agency members	974,258		974,258
	<hr/>	<hr/>	<hr/>
Total liabilities	1,003,856	109,053	1,112,909
<b>FUND BALANCE</b>			
Restricted		8,166	8,166
Unassigned	264,942		264,942
	<hr/>	<hr/>	<hr/>
Total fund balance	264,942	8,166	273,108
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	\$ 1,268,798	\$ 117,219	\$ 1,386,017
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

**MARIN TELECOMMUNICATIONS AGENCY**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2014**

	<b>General Fund Fund 70040</b>	<b>Special Revenue PEG Fund 70041</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Franchise fees	\$ 3,818,214	\$ 423,284	\$ 4,241,498
Interest income	494	84	578
<b>Total revenues</b>	<b>3,818,960</b>	<b>423,368</b>	<b>4,242,328</b>
<b>EXPENDITURES</b>			
Services and supplies:			
Professional services	205,213		205,213
Administration and financial	14,050		14,050
Insurance	9,478		9,478
Professional development	2,835		2,835
Office expenses, rent and supplies	12,829		12,829
<b>Total services and supplies</b>	<b>244,405</b>		<b>244,405</b>
Franchise fee distributions	3,490,956		3,490,956
Grants for PEG system		512,809	512,809
<b>Total expenditures</b>	<b>3,735,361</b>	<b>512,809</b>	<b>4,248,170</b>
Excess (deficiency) of revenues over expenditures	83,599	(89,441)	(5,842)
<b>FUND BALANCES - BEGINNING</b>	<b>181,343</b>	<b>97,607</b>	<b>278,950</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 264,942</b>	<b>\$ 8,166</b>	<b>\$ 273,108</b>

The accompanying notes are an integral part of these financial statements.

**MARIN TELECOMMUNICATIONS AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

The Marin Telecommunications Agency (MTA) was formed under a joint powers agreement between the County of Marin and ten municipalities within Marin County. The primary purpose of MTA is to regulate rates for cable television services and equipment, and to advise the participants on their exercise of their license authority. MTA receives franchise fees from Comcast, AT&T and Horizon Cable and remits them to each member agency.

The governing board of MTA consists of one appointed official from each of the governing bodies of the participants. The powers and responsibilities of MTA are contained in the Joint Powers Agreement.

**INTRODUCTION**

Marin Telecommunications Agency's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations.).

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE STATEMENTS**

The Organization's basic financial statements include both government-wide (reporting MTA as a whole) and fund financial statements (reporting MTA's major funds).

In the government-wide Statement of Net Position, the MTA's activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. MTA's net position is reported in two parts: (1) restricted net position and (2) unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of MTA's functions. The function is supported by general government revenues and franchise and related fees from the local television cable operators. The Statement of Activities reduces gross expenses by related program revenues.

The net costs (by function) are normally covered by general revenues.

The government-wide focus is more on the sustainability of the MTA as an entity and the change in its net position resulting from the current year's activities.

**MARIN TELECOMMUNICATIONS AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**FUND FINANCIAL STATEMENTS**

The financial transactions of MTA are reported in individual funds in the fund balancing accounts that comprise its assets, liabilities, restrictions, fund balance, revenues and expenditures.

MTA uses the following fund type:

**Governmental funds:**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial positions (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of Marin Telecommunications Agency:

**General fund** accounts for the Organization's general operations. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special revenue funds** are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. MTA's "PEG" Fund is used to account for fees paid from cable television franchisees that are restricted for the development and operation of public, educational and governmental (PEG) access to cable television and the internet. MTA makes grants to Community Media Center of Marin (CMCM) to operate the PEG activities.

**BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurement made regardless of the measurement focus applied.

**ACCRUAL:**

The governmental activities in the governmental-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.



**MARIN TELECOMMUNICATIONS AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**MODIFIED ACCRUAL:**

The government fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

**FINANCIAL STATEMENT AMOUNTS**

**CASH AND CASH EQUIVALENTS:**

Management has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with fiscal agent (County of Marin).

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance is expensed as incurred.

MTA has an agreement with Community Media Center of Marin (CMCM) for the construction and operation of a media center. Accordingly, certain funds provided to CMCM have been used to purchase equipment and other capital assets. The equipment and other capital assets are included in CMCM's financial statements. In the event the agreement with CMCM is terminated or not renewed, the equipment and capital assets will be transferred to MTA.

**MARIN TELECOMMUNICATIONS AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fund Balance**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which MTA is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned. Following is a description of the components applicable to MTA:

**Restricted** – This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislations.

**Unassigned** – This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund.

**2. CASH**

MTA maintains all of its cash in the County of Marin pooled investment fund for the purpose of increasing interest earnings through pooled investment activities. Interest earned on the investment pool is allocated quarterly to the participating funds using the daily cash balance of each fund. This pool, which is available for use by all funds, is displayed in the financial statements as “Cash.”

The County Pool includes both voluntary and involuntary participation from external entities. The State of California statutes require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer.

The County’s investment pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and by the County’s investment policy. The objectives of the policy are in order of priority, safety, liquidity, yield, and public trust. The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the types of investments in the pool, maturity dates, par value, actual costs and fair value.

**MARIN TELECOMMUNICATIONS AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014**

**2. CASH (continued)**

**INTEREST RATE RISK**

In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment pool to 540 days, or 1.5 years. At June 30, 2014, the County's investment pool had a weighted average maturity of 264 days.

For purposes of computing weighted average maturity, the maturity date of variable rate notes is the length of time until the next reset date rather than the stated maturity date.

**CREDIT RISK**

State law and the County's Investment Policy limits investments in commercial paper, corporate bonds, and medium term notes to the rating of "A" or higher as provided by Moody's Investors Service or Standard & Poor's Corporation. The County's Investment Policy limits investments purchased by Financial Institution Investment Accounts, a type of mutual fund, to United States Treasury and Agency obligations with a credit quality rating of "AAA."

**CONCENTRATION OF CREDIT RISK**

The following is a summary of the concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2014.

	<u>Percent of portfolio</u>
Investments in investment pool	
Federal agency - discount	73%
Federal agency - coupon	24%
Money market funds	3%
	<u><u>100%</u></u>

**CUSTODIAL CREDIT RISK**

For investments and deposits held with safekeeping agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At year end, the County's investment pool had no securities exposed to custodial credit risk.

**MARIN TELECOMMUNICATIONS AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014**

**2. CASH (continued)**

**LOCAL AGENCY INVESTMENT FUND**

The County Treasurer's Pool maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisor Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute.

**3. FRANCHISE FEES**

MTA receives revenue from multiple franchisees and distinguishes these revenues as franchise fees and PEG fees. These fees are based on a percentage of the franchisees' sales.

The franchisee remits the franchise fees to MTA, who then distributes the fees to member agencies shortly after received. MTA retains a portion of the franchise fee revenue for administrative purposes. The largest franchisee is responsible for approximately 93% of all such fees collected.

PEG fees are also collected from the same franchisees. The franchisee remits the PEG fees to MTA, and based on current Board policy and contractual agreements MTA then distributes the money to CMCM. The majority of the PEG fees are distributed to CMCM shortly after received, however a small portion of PEG fees are remitted to CMCM as a form of reimbursement for certain video equipment installation expenses incurred by CMCM.

**4. GRANT EXPENSE/EXPENDITURES**

During the year, MTA transferred money to the Community Media Center of Marin for capital equipment and operations of the public, educational and government media system.

**5. RISK MANAGEMENT**

MTA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. During the year, the MTA purchased liability insurance with limits of \$5,000,000.

**MARIN TELECOMMUNICATIONS AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014**

**6. COMMITMENTS**

The Agency shares office space with Marin General Services Agency (MGSA) and Marin Local Agency Formation Commission (LAFCO). In March 2012, MTA, MGSA and LAFCO entered into a four year lease to rent office space. MTA's share of the rent commences at \$995 and will not adjust during the remainder of the lease. Rent expense for the year was \$11,934. The following is a schedule of required future minimum lease payments:

Year ended June 30,	
2015	11,934
2016	<u>7,956</u>
	<u><u>\$ 19,890</u></u>

**MARIN TELECOMMUNICATIONS AGENCY**

**BUDGETARY COMPARISON SCHEDULE  
 TELCOMMUNICATIOIS (GENERAL) FUND  
 YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>REVENUES</b>				
Franchises	\$ 3,800,000	\$ 3,920,000	\$ 3,818,214	\$ (101,786)
Interest on pooled investments	3,000	3,000	494	(2,506)
Total revenues	3,803,000	3,923,000	3,818,960	(104,040)
<b>EXPENDITURES</b>				
Operating expenditures				
Professional services	236,000	236,000	181,917	(54,083)
Administration and financial	15,000	15,000	14,050	(950)
Insurance premiums	9,500	9,500	9,478	(22)
Communication services	25,300	25,300	23,296	(2,004)
Rent and operating leases	12,000	12,000	11,934	(66)
Professional development	4,000	4,000	2,835	(1,165)
Travel	2,000	2,000	-	(2,000)
Grant for low income discount	20,000	20,000	-	(20,000)
Office supplies	3,500	3,500	895	(2,605)
Total operating expenditures	327,300	327,300	244,405	(82,895)
Excess (deficiency) of revenues over operating expenditures	3,475,700	3,595,700	3,574,555	(21,145)
Other expenditures				
Franchise fee distributions to members	3,475,700	3,595,700	3,490,956	(104,744)
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ 83,599	\$ 83,599

**MARIN TELECOMMUNICATIONS AGENCY**

**BUDGETARY COMPARISON SCHEDULE  
PEG FUND  
YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>REVENUES</b>				
PEG fees	431,000	461,000	423,284	(37,716)
Interest on pooled investments	<u>1,000</u>	<u>1,000</u>	<u>84</u>	<u>(916)</u>
Total revenues	432,000	462,000	423,368	(38,632)
<b>EXPENDITURES</b>				
PEG fee payments to CMCM	<u>519,000</u>	<u>550,278</u>	<u>512,809</u>	<u>(37,469)</u>
Total expenditures	<u>519,000</u>	<u>550,278</u>	<u>512,809</u>	<u>(37,469)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (87,000)</u>	<u>\$ (88,278)</u>	<u>\$ (89,441)</u>	<u>\$ (1,163)</u>

## MARIN TELECOMMUNICATIONS AGENCY

### NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION YEAR ENDED JUNE 30, 2014

#### BUDGETARY BASIS OF PRESENTATION

The budget included in these financial statements represents the original budget and amendments approved by the Board of Directors. Budgets expire at the end of each year. The budgetary basis is the modified accrual basis of accounting. Various reclassifications have been made to the actual amounts to conform to classifications included in the approved budget.

#### OTHER SUPPLEMENTAL INFORMATION

##### CAPITAL ASSETS HELD BY CMCM

MTA has an agreement with Community Media Center of Marin (CMCM) for the construction and operation of a media center. Accordingly, certain funds provided to CMCM have been used to purchase equipment and other capital assets. The equipment and other capital assets are included in CMCM's financial statements. In the event the agreement with CMCM is terminated or not renewed, the equipment and capital assets will be transferred to MTA.

The following unaudited information has been provided by CMCM:

Balances as of June 30, 2014	
Furniture & equipment	\$ 758,085
Facilities	<u>501,969</u>
Total capital assets	1,260,054
Accumulated depreciation	<u>(968,046)</u>
Total capital assets, net	<u><u>\$ 292,008</u></u>