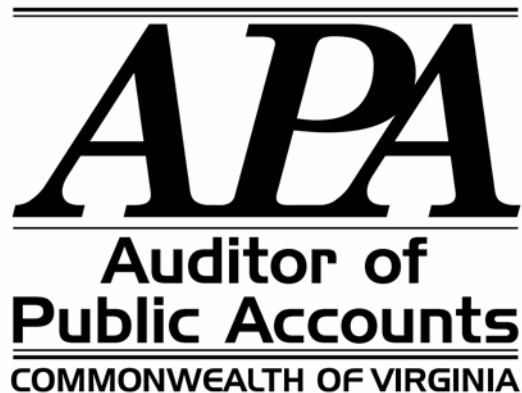


WIRELESS E-911 SERVICES BOARD

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2004**



AUDIT SUMMARY

Our audit of the Wireless E-911 Services Board for the year ended June 30, 2004, found:

- the accompanying financial statements present fairly, in all material respects, the Board's financial position as of June 30, 2004, and the changes in its financial position and its cash flows for the year then ended, in conformity with generally accepted accounting principles;
- no material weaknesses in the internal control over financial reporting; and
- no instances of noncompliance or other matters with material laws and regulations that are required to be reported.

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BOARD MEMBERS



Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

January 12, 2005

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
and Review Commission

Board of Directors
Wireless E-911 Services Board

We have audited the accounts and records of **Wireless E-911 Services Board**, as of and for the year ended June 30, 2004, and submit herewith our complete reports on financial statements and compliance and internal control over financial reporting.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Wireless E-911 Services Board (Board), a component unit of the Commonwealth of Virginia, as of and for the year then ended June 30, 2004, which collectively comprise the Board's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Board's 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 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Wireless E-911 Services Board as of June 30, 2004, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Wireless E-911 Services Board has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 that are required to be reported under Government Auditing Standards.

The "Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters" is intended solely for the information and use of the Governor and General Assembly of Virginia, and the Wireless E-911 Services Board of Directors and management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

EXIT CONFERENCE

We discussed this report with management at an exit conference on March 29, 2005.

AUDITOR OF PUBLIC ACCOUNTS

KKH/kva
kva:

WIRELESS E-911 SERVICES BOARD
STATEMENT OF NET ASSETS
As of June 30, 2004

ASSETS

Current assets:

Cash with Treasurer of Virginia (Note 2)	\$13,561,120
Investments with the Treasurer of Virginia	3,598,407
Accounts receivable	<u>4,693,327</u>

Total assets	<u>21,852,854</u>
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LIABILITIES

Current liabilities:

Accounts payable	3,560,615
Accrued compensated absences (Note 6)	9,881
Obligations under securities lending program	<u>3,598,407</u>

Total current liabilities	<u>7,168,903</u>
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Noncurrent liabilities:

Accrued compensated absences (Note 6)	<u>1,665</u>
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Total liabilities	<u>7,170,568</u>
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NET ASSETS

Unrestricted	<u>14,682,286</u>
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Total net assets	<u>\$14,682,286</u>
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The accompanying Notes to Financial Statements are an integral part of the financial statements.

WIRELESS E-911 SERVICES BOARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2004

Operating revenues:	
Charges for services	<u>\$ 34,381,027</u>
Operating expenses:	
Personal expenses	273,251
Contractual services	872,221
Supplies and materials	5,400
Rent, insurance, and other related charges	24,744
Expendable equipment/improvements	5,391
Non-recurring cost estimate payments to providers (Note 3)	<u>35,855,045</u>
Total operating expenses	<u>37,036,052</u>
Operating income (loss)	<u>(2,655,025)</u>
Nonoperating revenues (expenses):	
Interest	295,988
Loss on the disposal of fixed assets (Note 5)	(5,160)
Other	<u>(8,595)</u>
Total nonoperating revenues (expenses)	<u>282,233</u>
Income before transfers	(2,372,792)
Transfer to the General Fund of the Commonwealth (Note 4)	<u>(9,843,098)</u>
Changes in net assets	(12,215,890)
Total net assets, July 1	<u>26,898,176</u>
Total net assets, June 30	<u><u>\$ 14,682,286</u></u>

The accompanying Notes to Financial Statements are an integral part of the financial statements.

WIRELESS E-911 SERVICES BOARD
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2004

Cash flows from operating activities:	
Cash receipts for sales and services	\$33,658,684
Cash payments to suppliers for goods and services	(35,949)
Cash payments for contractual services	(862,663)
Cash payments to employees	(268,272)
Payments to providers for non-recurring cost estimates	<u>(35,545,182)</u>
Net cash used by operating activities	<u>(3,053,382)</u>
Cash flows from noncapital financing activities:	
Cash transfer out to General Fund of the Commonwealth	<u>(9,843,098)</u>
Cash flows from investing activities:	
Cash received from interest on cash and investments	<u>287,394</u>
Net decrease in cash	(12,609,086)
Cash, July 1	<u>26,170,206</u>
Cash, June 30	<u><u>\$13,561,120</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$(2,655,025)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Changes in assets and liabilities:	
(Increase) in accounts receivable	(722,343)
Increase in accounts payable	322,427
Increase in accrued compensated absences	<u>1,559</u>
Net cash used by operating activities	<u><u>\$(3,053,382)</u></u>

The accompanying Notes to Financial Statements are an integral part of the financial statements.

WIRELESS E-911 SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements have been prepared in conformance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

B. Reporting Entity

The Wireless E-911 Service Board directs the funding used to comply with the June 1996 Federal Communications Commission (FCC) directive (FCC Order 94-102), which mandated a two-phase implementation of E-911 technology by wireless service providers.

A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The Board is a component unit of the Commonwealth of Virginia and is included in the Commonwealth's *Comprehensive Annual Financial Report*.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The cash basis of accounting is used during the year. The financial statements are prepared on the accrual basis at the end of the fiscal year.

The activities of the Board are accounted for in an enterprise fund used to account for governmental operations that are financed and operated in a manner similar to private business enterprises. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating.

GASB Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, provides governments two options for reporting their proprietary fund activities. All proprietary funds reported herein apply all applicable GASB pronouncements, Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless those conflict with or contradict GASB pronouncements. In accordance with GASB Statement 20, the Board has elected not to apply FASB pronouncements issued after November 30, 1989.

2. CASH AND INVESTMENTS

Cash of the Board represents cash on deposit with the Treasurer of Virginia. All cash on deposit is covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Securities for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia. Investments held by the Treasurer of Virginia represent the Board's allocated share of cash collateral received and reinvested and securities received for the State Treasury's securities lending program. Information related to the credit risk of the cash equivalents and investments and the State Treasury's securities lending program is available on a statewide level in the Commonwealth of Virginia's *Comprehensive Annual Financial Report*.

3. PAYMENTS TO PSAP OPERATORS AND CMRS PROVIDERS

The Board provides payments to Public Safety Answering Point (PSAP) operators of all wireless E-911 PSAP costs and to Commercial Mobile Radio Service (CMRS) providers of all wireless E-911 CMRS costs as defined in the Code of Virginia, Title 56, Chapter 15. Each PSAP operator and CMRS provider must provide the estimated costs it expects to incur during the next fiscal year. The Board reviews these estimates and makes quarterly payments to each PSAP operator based on the estimate and to each CMRS provider based on actual cost reimbursements submitted. The Board determines whether qualifying payments to PSAP operators and CMRS providers during the preceding fiscal year exceeded or were less than the actual wireless costs incurred. Any overpayments shall be refunded to the Board or credited to qualifying payments during the current fiscal year.

For the year ended June 30, 2004, the Board made payments to PSAP operators and CMRS providers as follows:

PSAP operators	\$ 23,016,308
CMRS providers	<u>12,838,737</u>
Total	<u>\$ 35,855,045</u>

4. TRANSFERS

Transfers to the General Fund of the Commonwealth represent transfers to the Commonwealth of Virginia for mandatory budget reductions pursuant to Chapter 1042 of the 2003 Appropriations Act.

5. CAPITAL ASSETS

The Board's detailed changes in capital assets by classification for the year ended June 30, 2004, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Depreciable capital assets:				
Leasehold improvements	\$6,111	\$ -	\$6,111	\$ -
Less: Accumulated depreciation	<u>950</u>	<u>-</u>	<u>950</u>	<u>-</u>
Total depreciable capital assets, net	<u>\$5,161</u>	<u>\$ -</u>	<u>\$5,161</u>	<u>\$ -</u>

During fiscal year 2004, the Board transferred ownership of their assets to the Virginia Information Technologies Agency according to the Commonwealth's information technology consolidation plan.

6. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Compensated absences	<u>\$9,987</u>	<u>\$10,810</u>	<u>\$9,251</u>	<u>\$11,546</u>	<u>\$9,881</u>

7. WIRELESS E-911 SERVICE BOARD

The 2000 General Assembly enacted the Enhanced Public Safety Telephone Service Act (56-484.12 through 56-484.18). The Act established the Wireless E-911 Services Board and the Public Safety Communications Division of the Department of Technology Planning and continued the Wireless E-911 special fund. The Board shall be responsible for promoting and assisting the development, deployment, and maintenance of a statewide enhanced emergency telecommunications system and enhanced wireline emergency telecommunications services in specific local jurisdictions not currently wireline E-911 capable. The Board shall also be responsible for overseeing and allocating the wireless E-911 special funds and managing moneys appropriated for enhanced wireline emergency telecommunication services in local jurisdictions not wireline E-911 capable.

8. PENSION PLAN AN OTHER POST RETIREMENT BENEFITS

Employees of the Board are employees of the Commonwealth of Virginia. The employees participate in a defined benefit retirement plan administered by the Virginia Retirement System (VRS). The VRS also administers life insurance and health-related plans for retired employees. Information related to these plans is available at the statewide level only in the Commonwealth of Virginia's *Comprehensive Annual Financial Report*. The Commonwealth of Virginia, not the Board, has the overall responsibility for contributions to these plans.

9. RISK MANAGEMENT

The Board is exposed to various risk of loss related to torts: theft or, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The Board participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The Board pays premiums to each of these Departments for its insurance coverage. Information related to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's *Comprehensive Annual Financial Report*.

WIRELESS E-911 SERVICES BOARD

BOARD MEMBERS

As of June 30, 2004

Lemuel C. Stewart, Jr.
Chairman

Robert W. Woltz, Jr.
Vice Chairman

David Von Moll
Treasurer

Linda W. Cage
Tracy Hanger
Gaylene C. Kanoyton
Ron D. Oakes
Denise B. Smith

John Furlough
John G. Howell, III
Michael P. Neuhard
Pat B. Shumate
Henry Stanley

Albert F. Vincent