

**WIRELESS E-911 SERVICE BOARD
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 1999**

***AUDITOR OF
PUBLIC
ACCOUNTS***



COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the Wireless E-911 Service Board for the year ended June 30, 1999, found:

- the accompanying financial statements present fairly, in all material respects, the Board's financial position as of June 30, 1999, and the results of operations and 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 that are required to be reported.

- TABLE OF CONTENTS -

AUDIT SUMMARY

INDEPENDENT AUDITOR'S REPORTS:

Report on the Financial Statements

Report on Compliance and on Internal Control Over Financial Reporting

FINANCIAL STATEMENTS:

Balance Sheet

Statement of Revenues, Expenses, and Changes in Retained Earnings

Statement of Cash Flows

Notes to Financial Statements

BOARD MEMBERS

November 5, 1999

The Honorable James S. Gilmore, III
Governor of Virginia

The Honorable Richard J. Holland
Chairman, Joint Legislative Audit
and Review Commission

Board of Directors
Wireless E-911 Service Board

We have audited the accounts and records of the **Wireless E-911 Service Board** as of and for the year ended June 30, 1999, and submit herewith our complete reports on the financial statements and compliance and internal control.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

We have audited the balance sheet of the Wireless E-911 Service Board as of June 30, 1999, and the related statement of revenues, expenses, and changes in retained earnings, and statement of cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 Service Board as of June 30, 1999, and results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles.

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

In planning and performing our audit of the financial statements of the Wireless E-911 Service Board as of and for the year ended June 30, 1999, we considered internal controls over financial reporting and tested compliance with certain provisions of laws and regulations in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

Compliance

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 and regulations, 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.

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 provide assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to 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.

The Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting is intended solely for the information and use of the Governor and General Assembly of Virginia, the Wireless E911 Service Board 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.

AUDITOR OF PUBLIC ACCOUNTS

WHC:whb
whb:27

FINANCIAL STATEMENTS

WIRELESS E-911 SERVICE BOARD
BALANCE SHEET
As of June 30, 1999

Assets	
Cash and investments (Note 2)	\$ 10,350,591
Accounts receivable	<u>2,373,305</u>
Total assets	<u><u>\$ 12,723,896</u></u>
Liabilities and Equity	
Liabilities	\$ -
Equity:	
Retained earnings	<u>12,723,896</u>
Total liabilities and equity	<u><u>\$ 12,723,896</u></u>

The accompanying notes to financial statements are an integral part of this statement.

WIRELESS E-911 SERVICE BOARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
For the Year Ended June 30, 1999

Operating revenues:	
Charges for sales and services	<u>\$ 12,590,581</u>
Operating expenses:	
Personal services	503
Contractual services	495
Office supplies	73
Other	<u>244</u>
Total operating expenses	<u>1,315</u>
Operating income	12,589,266
Nonoperating revenues:	
Interest income	<u>134,630</u>
Net income	12,723,896
Retained earnings, July 1, 1998	<u>-</u>
Retained earnings, June 30, 1999	<u><u>\$ 12,723,896</u></u>

The accompanying notes to financial statements are an integral part of this statement.

WIRELESS E-911 SERVICE BOARD
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 1999

Cash flows from operating activities:	
Cash received for sales and services	\$ 10,217,276
Cash payments for personal services	(503)
Cash payments for contractual services	(495)
Cash payments for supplies	(73)
Cash payment for other services	(244)
	<hr/>
Net cash provided by operating activities	10,215,961
Cash flows from investing activities:	
Cash received from interest on cash and investments	<hr/> 134,630
Net increase in cash and cash equivalents	10,350,591
Cash and cash equivalents, July 1, 1998	<hr/> -
Cash and cash equivalents, June 30, 1999	<hr/> <hr/> \$ 10,350,591
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 12,589,266
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Increase in accounts receivable	<hr/> (2,373,305)
Net cash provided by operating activities	<hr/> <hr/> \$ 10,215,961

The accompanying notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

WIRELESS E-911 SERVICE BOARD

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Wireless E-911 Service Board was created by Chapter 15, Title 56, Code of Virginia 1950, as amended (the "Wireless Enhance Public Safety Telephone Service Act"). The 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 general purpose financial statements of the Commonwealth.

The accounting and reporting policies of the Board conform to generally accepted accounting principles (GAAP) applicable to governmental units as prescribed by the Governmental Accounting Standards Board (GASB), the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Board's significant policies.

B. Basis of Accounting

The accompanying financial statements are reported on the accrual basis of accounting under which revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. 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 by the Board.

C. Fund Accounting

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. Enterprise fund accounting is used where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate. All fund accounts of the Board are presented in total on the financial statements.

2. CASH AND INVESTMENTS

Cash and investments of the Board represent cash on deposit and cash in the Local Government Investment Pool (LGIP) held by 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 2.1-359 et. seq. of the Code of Virginia.

Details of cash and investments are presented below:

	Fair Value
Cash and investments:	
Cash on deposit	\$ 5,772,389
Cash with Local Government Investment Pool	4,578,202
	<hr/>
Total cash and investments	\$ 10,350,591
	<hr/>

3. DELINQUENT SURCHARGES

In accordance with Section 56-484.10 of the Code of Virginia, each Commercial Mobile Radio Service (CMRS) provider collected wireless E-911 surcharges beginning July 1, 1998 from each of its customers whose billing address is within the Commonwealth. Surcharges collected must be forwarded to the Wireless E-911 Service Board within thirty days. Several providers claimed they were unaware of the surcharge requirement, and for part of the year, did not collect the funds contemplated by this statute. As of June 30, 1999, approximately \$108,430 in delinquent surcharges has not been collected. The Board is issuing demand letters to each of the providers that are delinquent in the payment of these funds. Due to the uncertainty surrounding the collection of these surcharges, this amount has not been reported as a receivable within the financial statements.

4. YEAR 2000 READINESS

Many existing computer and embedded technology systems use only two digits to identify a year in the date field. These systems were designed and developed without considering the impact of the upcoming change in the century. If not corrected, these systems could fail or create erroneous results by or at the Year 2000. In addition, the Year 2000 is a leap year, which may generate additional problems. The Board recognizes the need to ensure its operations will not be adversely impacted by Year 2000 failures.

The Board is a political subdivision of the Commonwealth of Virginia (the "Commonwealth") and is staffed by the Department of Accounts (DOA). DOA has modified its systems to address this issue, with particular emphasis on its "mission critical" systems, which include, but are not limited to, various financial systems. However, due to the interdependent nature of computer systems, DOA may be adversely impacted in the Year 2000 depending on whether it or other entities not affiliated with the Commonwealth address this issue successfully.

As of June 30, 1999, DOA had completed the Awareness, Assessment, Renovation, and Testing/Validation Stages of its Year 2000 compliance efforts and is nearing the completion of the Implementation Stage. As of June 30, 1999, DOA had incurred approximately \$1,359,536 in Year 2000 related costs and it was estimated that approximately \$874,706 of additional costs would be required to complete the implementation of systems to ensure Year 2000 compliance.

5. SURETY BOND

The Commonwealth of Virginia, through its Department of General Services, Division of Risk Management, maintains self-insurance programs with coverage in the amount of \$500,000 for each loss. All employees of the Commonwealth, as well as parties acting on behalf of the Commonwealth, such as the board members of the Wireless E-911 Service Board, are covered under this policy.

WIRELESS E-911 SERVICE BOARD

Richmond, Virginia

BOARD MEMBERS

William E. Landside, Chairman

Melvin Breeden

Charles W. Davis

Steve Marzolf

James McDonnell

Carla G. Ussery

Robert W. Woltz