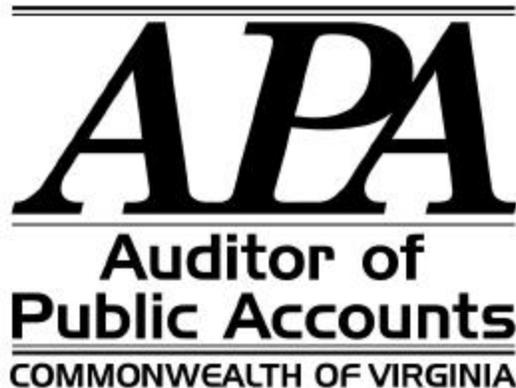


**WIRELESS E-911 SERVICES BOARD
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE NINE MONTHS ENDED
JUNE 30, 2001**



AUDIT SUMMARY

Our audit of the Wireless E-911 Services Board for the nine months ended June 30, 2001 found:

- the accompanying financial statements present fairly, in all material respects, the Board's financial position as of June 30, 2001, and the results of operations and cash flows for the period then ended, in conformity with accounting principles generally accepted in the United States of America;
- no material weaknesses in the internal control over financial reporting; and
- no instances of noncompliance that are required to be reported.

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December 7, 2001

The Honorable James S. Gilmore, III
Governor of Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission

Board of Directors
Wireless E-911 Services Board

We have audited the accounts and records of the **Wireless E-911 Services Board** as of June 30, 2001, and for the period then ended, and submit herewith our complete reports on the financial statements and compliance and internal control over financial reporting.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the balance sheet of the Wireless E-911 Services Board as of June 30, 2001 and the related statement of revenues, expenses, and changes in retained earnings, and statement of cash flows for the nine-month period 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 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.

As discussed in Note 1, the financial statements of the Wireless E-911 Services Board are intended to present the financial position and results of its operations on only that portion of the financial reporting entity of the Commonwealth of Virginia that is attributable to the transactions of the Board.

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, 2001 and results of its operations and cash flows for the nine-month period then ended, in conformity with accounting principles generally accepted in the United States of America.

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 Services Board as of and for the nine-month period ended June 30, 2001, we considered internal controls over financial reporting and tested compliance with certain provisions of laws, regulations, contracts, and grants 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.

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, regulations, contracts, and grants, 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 to 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 E-911 Services 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.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on December 11, 2001.

AUDITOR OF PUBLIC ACCOUNTS

JBS:whb
whb:34

FINANCIAL STATEMENTS

WIRELESS E-911 SERVICES BOARD
WIRELESS E911 FUND
BALANCE SHEET
As of June 30, 2001

Assets:	
Cash, cash equivalents, and investments (Note 2)	\$ 44,188,920
Accounts receivable	2,981,027
Travel advances	800
Property, plant, and equipment	<u>5,975</u>
Total assets	<u>\$ 47,176,722</u>
Liabilities:	
Accounts payable	\$ 805,499
Obligations under securities lending program	5,253,989
Compensated absences	<u>3,141</u>
Total liabilities	<u>6,062,629</u>
Fund Equity:	
Retained earnings, unreserved	<u>41,114,093</u>
Total liabilities and fund equity	<u>\$ 47,176,722</u>

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

WIRELESS E-911 SERVICES BOARD
WIRELESS E911 FUND
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
For the Nine Months Ended June 30, 2001

Operating revenues:	
Charges for sales and services	<u>\$ 18,737,782</u>
Operating expenses:	
Personal services	155,186
Contractual services	31,139
Supplies and materials	8,439
Grants and distributions to localities (Note 3)	5,644,213
Equipment	35,073
Amortization	136
Rent, insurance, and other related charges	<u>8,509</u>
Total operating expenses	<u>5,882,695</u>
Operating income (loss)	<u>12,855,087</u>
Nonoperating revenues (expenses):	
Interest, dividends, and other investment income	1,133,060
Income from securities lending transactions	69,361
Expenses for securities lending transactions	<u>(65,563)</u>
Total nonoperating revenues (expenses)	<u>1,136,858</u>
Net income before transfers	<u>13,991,945</u>
Transfers:	
Operating transfers in from component units	<u>27,122,148</u>
Net income	<u>41,114,093</u>
Retained earnings, October 1	<u>-</u>
Retained earnings, June 30	<u><u>\$ 41,114,093</u></u>

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

WIRELESS E-911 SERVICES BOARD
WIRELESS E911 FUND
STATEMENT OF CASH FLOWS
For the Nine Months Ended June 30, 2001

Cash flows from operating activities:	
Cash receipts for sales and services	\$ 17,465,882
Cash payments to suppliers for goods and services	(51,342)
Payments for quasi-external operating transactions with other funds	(1,872)
Payments to employees	(139,102)
Payments for contractual services	(26,018)
Other operating expense	<u>(4,855,585)</u>
Net cash provided by operating activities	<u>12,391,963</u>
Cash flows from noncapital financing activities:	
Transfers in from component units	<u>25,413,021</u>
Cash flows from capital and related financing activities:	
Acquisition of fixed assets	<u>(6,111)</u>
Cash flows from investing activities:	
Cash received from interest cash and investments	<u>1,136,858</u>
Net increase in cash and cash equivalents	38,935,731
Cash and cash equivalents, October 1	<u>-</u>
Cash and cash equivalents, June 30	<u>\$ 38,935,731</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 12,855,087
Adjustments to reconcile operating income to net cash provided by operating activities:	
Amortization expense	136
(Increase) decrease in accounts receivable	(1,271,900)
Increase (decrease) in accounts payable	805,499
Increase (decrease) in compensated absences	<u>3,141</u>
Net cash provided by operating activities	<u>\$ 12,391,963</u>
Reconciliation of Cash, Cash Equivalents, and Investments:	
Per the Balance Sheet:	
Cash, Cash Equivalents, and Investments	\$ 44,188,920
Cash and travel advances	800
Less: Investments with original maturities greater than three months	<u>5,253,989</u>
Cash and Cash Equivalents per the Statement of Cash Flows	<u>\$ 38,935,731</u>

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

NOTES TO FINANCIAL STATEMENTS

WIRELESS E-911 SERVICES BOARD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED JUNE 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Wireless E-911 Services 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.

Effective October 1, 2000, the Division of Public Safety Communications was established within the Department of Technology Planning to provide the Board administrative support. In addition, the Wireless E-911 Fund was moved under the Department of Technology Planning. The following is a summary of certain significant accounting policies employed by the Department that apply to the Fund.

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 exercise oversight authority. The Board is an agency of the Commonwealth of Virginia and is included in the general purpose financial statements of the Commonwealth.

B. Fund Accounting

The activities of the Board are accounted for in an enterprise fund, reflecting transactions related to resources received and used for financing self-supporting activities of the Board. Operations are accounted for in a manner similar to a private business enterprise.

C. Basis of Accounting

The accounts of the Fund are presented on the accrual basis whereby revenues are recognized when earned and expenses are recognized when the liability is incurred.

D. Property, Plant, and Equipment

Fixed assets of the proprietary funds are capitalized in the fund in which the fixed assets are utilized and depreciated on a straight-line basis over the useful lives. Fixed assets are valued at historical cost.

2. CASH AND INVESTMENTS

Cash of the Board represents cash on deposit held by the Treasurer of Virginia. Investments represent those that are also 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:

	<u>Fair Value as of June 30, 2001</u>
Cash on deposit	\$ 38,934,931
Investments held with the Treasurer of Virginia	<u>5,253,989</u>
Total cash and investments	<u>\$ 44,188,920</u>

3. PAYMENTS TO PSAP OPERATORS AND CMRS PROVIDERS

The Board provides payments to Public Safety Answering Point (PSAP) operators of all wireless E911 PSAP costs and to Commercial Mobile Radio Service (CMRS) providers of all wireless E-911 MRS costs as defined in Chapter 15, Title 56, of the Code of Virginia . To facilitate these payments, each PSAP operator and CMRS provider must provide the Board the estimated costs it expects to incur during the next fiscal year. The Board reviews these estimates and notifies the PSAP operators and CMRS providers of their total qualifying costs. The Board then makes quarterly payments to each PSAP operator and CMRS provider for the qualifying costs.

During the first quarter of the current fiscal year, 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 are refunded to the Board or credited to qualifying payments during the current fiscal year. For the nine-month period ended June 30, 2001, the Board made payments to PSAP operators and CMRS providers as follows:

	<u>Amount</u>
PSAP operators	\$ 3,651,195
CMRS providers	<u>1,993,018</u>
Total	<u>\$ 5,644,213</u>

Qualifying costs of the PSAP operators and CMRS providers authorized by the Board for payment during fiscal year 2002 are as follows:

	<u>Amount</u>
PSAP operators	\$ 10,950,455
CMRS providers	<u>1,044,240</u>
Total	<u>\$ 11,994,695</u>

Actual payments to CMRS providers may vary from currently authorized amounts as the payment is dependent on the number of subscribers serviced by the provider and in which phase of the E-911 project the provider is.

4. PROPERTY, PLANT, AND EQUIPMENT

A summary of the Board's fixed assets at June 30, 2001, follows:

	<u>Balance</u>
Leasehold improvements	\$ 6,011
Less: Accumulated amortization	<u>(136)</u>
Total	<u>\$ 5,875</u>

Leasehold improvements are amortized over the remaining useful life of the lease, which expires on December 31, 2004.

5. OPERATING LEASES

The Department of Technology Planning is committed under a lease for office space. This lease is considered for accounting purposes to be an operating lease. As a fund under the Department of Technology Planning, the lease expenses allocated to the Wireless E-911 Fund for the year ended June 30, 2001, amounted to \$7,949.

The Fund's portion of the future minimum lease payments for this lease is as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Amount</u>
2002	\$ 10,632
2003	10,950
2004	11,279
2005	<u>5,765</u>
Total	<u>\$ 38,626</u>

6. TRANSFERS

Effective October 1, 2000, the Board was changed from seven members to a fourteen member Board. Further, the Division of Public Safety Communications was established within the Department of Technology Planning to provide the Board administrative support. With the changing of the Board and creation of the Division, the old Board's retained earnings balance at September 30, 2000, totaling \$27,122,148, was transferred into the E-911 Wireless Fund. All activity of the Board is accounted for in this fund.

7. SURETY BOND

The Commonwealth of Virginia, through its Department of Treasury, 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 Services Board, are covered under this policy.

8. PENDING GASB STATEMENT

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis* – for State and Local Governments, issued June 1999, will be effective for the Commonwealth for the fiscal year ending June 30, 2002. This Statement imposes new standards for financial reporting. The changes to the Board’s financial statements will be minimal since its activity is accounted for in an enterprise fund. However, the Board’s management will be required to provide a management’s discussion and analysis that gives readers an analysis of the Board’s overall financial position and results of operations including a comparison of current year results with the prior year. The Board has completed its assessment of the changes required by this Statement and is preparing for implementation.

WIRELESS E-911 SERVICES BOARD
Richmond, Virginia

BOARD MEMBERS

Jerry Simonoff, Chairman

James M. McDonnell, Jr., Vice-Chairman

William E. Landside, Treasurer

David Apperson

Melvin Breeden

Edward Coglio

Captain John Furlough

D. Terry Hall

Thomas A. Hanson

Ralph Jones

Sheriff Ron D. Oakes

Chief Henry Stanley

Chief Julian H. Taliaferro

Robert W. Woltz, Jr.

