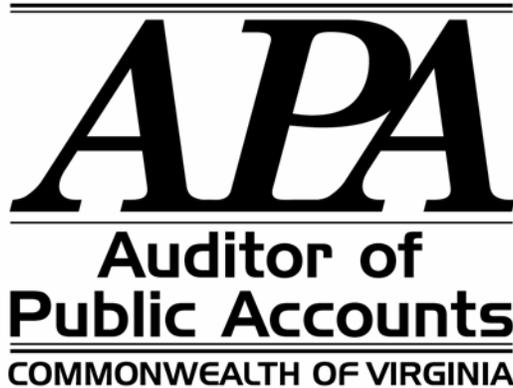


**WIRELESS E-911 SERVICES BOARD**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2006**



## **AUDIT SUMMARY**

Our audit of the Wireless E-911 Services Board for the year ended June 30, 2006, found:

- the accompanying financial statements present fairly, in all material respects, the Board's financial position as of June 30, 2006, 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.

- TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
FINANCIAL STATEMENTS:	
Statement of Net Assets	2
Statement of Revenues, Expenses, and Changes in Fund Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	6-9
INDEPENDENT AUDITOR'S REPORTS:	
Report on Financial Statements	10
Report on Internal Control over Financial Reporting and on Compliance and Other Matters	11
BOARD MEMBERS	12

# **FINANCIAL STATEMENTS**

WIRELESS E-911 SERVICES BOARD  
STATEMENT OF NET ASSETS  
As of June 30, 2006

ASSETS	
Current assets:	
Cash with Treasurer of Virginia (Note 2)	\$ 24,000,065
Cash Equivalents with Treasurer of Virginia (Note 2)	3,998,717
Investments with Treasurer of Virginia (Note 2)	3,957,190
Accounts receivable	<u>4,379,067</u>
Total current assets	<u>36,335,039</u>
LIABILITIES	
Current liabilities:	
Accounts payable (Note 6)	13,814,586
Accrued compensated absences (Note 4)	21,579
Due to Other State Agencies	56
Obligations under securities lending program	<u>7,955,907</u>
Total current liabilities	21,792,128
Non-current liabilities:	
Accrued compensated absences (Note 4)	<u>6,969</u>
Total liabilities	<u>21,799,097</u>
NET ASSETS	
Unrestricted	<u>14,535,942</u>
Total net assets	<u>\$ 14,535,942</u>

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, 2006

Operating revenues:	
Charges for services	<u>\$ 42,905,088</u>
Operating expenses:	
Personal expenses	414,434
Contractual services	217,894
Supplies and materials	15,224
Rent, insurance, and other related charges	40,313
Expendable equipment/improvements	20,480
Non-recurring cost estimate payments to providers (Note 3)	<u>37,878,520</u>
Total operating expenses	<u>38,586,865</u>
Operating income	<u>4,318,223</u>
Non-operating revenues:	
Interest	<u>650,784</u>
Total non-operating revenues	<u>650,784</u>
Income before transfers	4,969,007
Transfer to the General Fund of the Commonwealth	<u>(1,000,000)</u>
Changes in net assets	3,969,007
Total net assets, July 1	<u>10,566,935</u>
Total net assets, June 30	<u><u>\$ 14,535,942</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, 2006

---

Cash flows from operating activities:	
Cash receipts for sales and services	\$ 43,595,058
Internal activity cash payments to other funds	(26,834)
Cash payments to suppliers for goods and services	(75,615)
Cash payments for contractual services	(129,574)
Cash payments to employees	(449,580)
Payments to providers for non-recurring cost estimates	(38,019,554)
Other operating revenue	<u>76,535</u>
Net cash provided by operating activities	<u>4,970,436</u>
Cash flows from noncapital financing activities:	
Cash transfer out to General Fund of the Commonwealth	<u>(1,000,000)</u>
Cash flows from investing activities:	
Cash received from interest on cash and investments	<u>650,784</u>
Net increase in cash	4,621,220
Cash, July 1	<u>19,378,845</u>
Cash, June 30	<u><u>\$ 24,000,065</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 4,318,223
Adjustments to reconcile operating loss to net cash used by operating activities:	
Changes in assets and liabilities:	
Decrease in accounts receivable	718,998
Decrease in accounts payable	(76,267)
Increase in accrued compensated absences	<u>9,482</u>
Net cash used by operating activities	<u><u>\$ 4,970,436</u></u>

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

## **NOTES TO FINANCIAL STATEMENTS**

WIRELESS E-911 SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 2006

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) and the Financial Accounting Standards Board (FASB).

B Reporting Entity

The Virginia Information Technologies Agency (VITA) 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 Wireless E-911 Services 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.

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

The accompanying financial statements of the proprietary fund 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 Wireless E-911 Services 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 non-operating 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 non-operating.

GASB Statement No. 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 and all 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 No. 20, the Board has elected not to apply FASB pronouncements issued after November 30, 1989.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash of the Wireless E-911 Services 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. Cash equivalents and 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 CRMS PROVIDERS

The Wireless E-911 Services 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 CRMS costs as defined in the Code of Virginia Title 56, Chapter 17. Each PSAP operator and CMRS provider must provide the estimated costs it expects to incur during the next fiscal year. The Wireless E-911 Services Board reviews these estimates and makes quarterly payments to each PSAP operator and CMRS provider for qualifying costs. 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 Wireless E-911 Services Board or credited to qualifying payments during the current fiscal year. Effective March 2002, the Board no longer makes estimated payments to CMRS providers. The CMRS providers are reimbursed for actual costs.

The Board made payments to PSAP operators and CMRS providers as follows:

	For the Year Ended
	<u>June 30, 2006</u>
PSAP Operators	\$23,421,244
CMRS Providers	<u>14,457,276</u>
Total	<u>\$37,878,520</u>

4. LONG-TERM LIABILITIES

Accrued compensated absences liability activity for the year ended June 30, 2006 was as follows:

<u>Beginning</u>			<u>Ending</u>	<u>Amount</u>
<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due Within</u>
				<u>One Year</u>
\$19,066	\$25,810	\$16,328	\$28,548	\$21,579

5. 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 wire line emergency telecommunications services in specific local jurisdictions not currently wire line 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 wire line emergency telecommunication services in local jurisdictions not wire line E-911 capable.

6. LEGAL LIABILITIES

There is a legal liability of \$10.5 million due to a location measurement unit (LMU) issue. The Wireless E-911 Service Board made a decision several years ago, that made a significant cost from Cingular ineligible for funding. Cingular appealed that decision, and after much consultation with counsel, the Wireless E-911 Service Board authorized the Commonwealth's Chief Information Officer to settle the claim for \$10.5 million. Cingular has accepted the \$10.5 million as the dollar amount and the Board recorded this amount as a liability in these financial statements. This amount was paid to Cingular in February 2007.

7. PENSION PLAN AND 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.

## 8. 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.



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

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

April 20, 2007

The Honorable Timothy M. Kaine  
Governor of Virginia

The Honorable Thomas K. Norment, Jr.  
Chairman, Joint Legislative Audit  
And Review Commission

Board of Directors  
Wireless E-911 Services Board

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying basic financial statements of **Wireless E-911 Services Board** (Board), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2006, 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 respective financial position of the Board as of June 30, 2006 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.

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 result of our tests disclosed no instances of noncompliance or other matters 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 the General Assembly of Virginia, and the Wireless E-911 Services Board of Directors and management, and is not intended to 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 April 30, 2007.

AUDITOR OF PUBLIC ACCOUNTS

SAH/sks

WIRELESS E-911 SERVICES BOARD

BOARD MEMBERS

As of June 30, 2006

Lemuel C. Stewart, Jr.  
Chairman

Robert W. Woltz, Jr.  
Vice Chairman

David Von Moll  
Treasurer

Linda W. Cage	Robert McAvoy
Edward Frankenstein	Michael Neuhard
John Furlough	Fred Newman
Tracy Hanger	Pat B. Shumate
John Howell	Denise B. Smith
Albert Vincent	