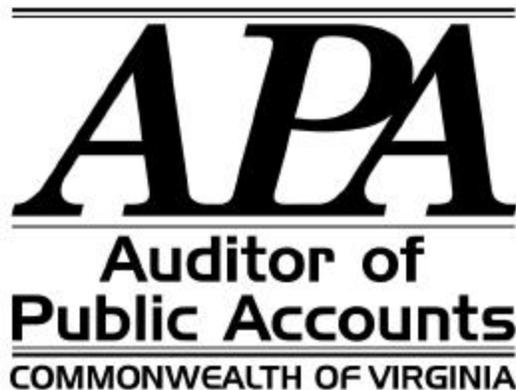


**WIRELESS E-911 SERVICE BOARD
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2000
AND THE PERIOD JULY 1, 2000
THROUGH SEPTEMBER 30, 2000**



AUDIT SUMMARY

Our audit of the Wireless E-911 Service Board for the year ended June 30, 2000, and the three-month period ended September 30, 2000, found:

- the accompanying financial statements present fairly, in all material respects, the Board's financial position as of June 30, 2000 and September 30, 2000, and the results of operations and cash flows for the periods 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.

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October 31, 2000

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 Service Board

We have audited the accounts and records of the **Wireless E-911 Service Board** as of June 30, 2000 and September 30, 2000, and for the periods 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 Service Board as of June 30, 2000 and September 30, 2000, and the related statement of revenues, expenses, and changes in retained earnings, and statement of cash flows for the periods 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.

As discussed in Note 5, the 2000 General Assembly enacted the Enhanced Public Safety Telephone Services Act, which established a new Wireless E-911 Services Board. The current Board was to continue to administer the provisions of the Wireless Enhanced Public Safety Telephone Service Act, and on October 1, 2000, transfer responsibility to the Wireless E-911 Services Board. Therefore, we have audited the financial activity and account balances as of and through September 30, 2000.

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, 2000 and September 30, 2000, and results of its operations and cash flows for the periods 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 June 30, 2000 and September 30, 2000, we considered internal controls over financial reporting and tested compliance with certain provisions of laws, regulations, contracts, and grants 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, 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 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:kva
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FINANCIAL STATEMENTS

WIRELESS E-911 SERVICE BOARD
BALANCE SHEET
As of June 30, 2000 and September 30, 2000

	June 30, 2000	September 30, 2000
ASSETS		
Cash and investments (Note 2)	\$ 23,298,773	\$ 24,676,695
Accounts receivable	<u>2,477,516</u>	<u>2,445,453</u>
Total assets	<u>\$ 25,776,289</u>	<u>\$ 27,122,148</u>
LIABILITIES AND EQUITY		
Liabilities	\$ -	\$ -
Equity:		
Retained earnings	<u>25,776,289</u>	<u>27,122,148</u>
Total liabilities and equity	<u>\$ 25,776,289</u>	<u>\$ 27,122,148</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, 2000 and the period July 1, 2000 through September 30, 2000

	June 30, 2000	September 30, 2000
Operating revenues:		
Charges for sales and services	<u>\$ 17,573,900</u>	<u>\$ 4,640,414</u>
Operating expenses:		
Personal services	1,255	245
Contractual services	541	-
Non-recurring cost estimate payments to providers (Note 3)	<u>5,034,760</u>	<u>3,121,647</u>
Total operating expenses	<u>5,036,556</u>	<u>3,121,892</u>
Operating income	<u>12,537,344</u>	<u>1,518,522</u>
Nonoperating revenues (expenses):		
Interest income	676,145	259,817
Transfer to state agencies	<u>(375,648)</u>	<u>(432,480)</u>
Total nonoperating revenues (expenses)	<u>300,497</u>	<u>(172,663)</u>
Net income	12,837,841	1,345,859
Retained earnings, July 1, as restated (Note 4)	<u>12,938,448</u>	<u>25,776,289</u>
Retained earnings, June 30 and September 30	<u><u>\$ 25,776,289</u></u>	<u><u>\$ 27,122,148</u></u>

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

WIRELESS E-911 SERVICE REPORT
STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2000 and the period July 1, 2000 through September 30, 2000

	June 30, 2000	September 30, 2000
Cash flows from operating activities:		
Cash receipts for sales and services	\$ 17,684,241	\$ 4,672,477
Cash payments for personal services	(1,255)	(245)
Cash payments for contractual services	(541)	-
Payments to providers for non-recurring cost estimates	(5,034,760)	(3,121,647)
Net cash provided by operating activities	<u>12,647,685</u>	<u>1,550,585</u>
Cash flows from noncapital financing activities:		
Transfer out to other State agencies	(375,648)	(432,480)
Cash flows from investing activities:		
Cash received from interest on cash and investments	676,145	259,817
Net increase in cash and cash equivalents	12,948,182	1,377,922
Cash and cash equivalents, July 1	<u>10,350,591</u>	<u>23,298,773</u>
Cash and cash equivalents, June 30 and September 30	<u>\$ 23,298,773</u>	<u>\$ 24,676,695</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 12,537,344	\$ 1,518,522
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets and liabilities:		
Decrease in accounts receivable	110,341	32,063
Net cash provided by operating activities	<u>\$ 12,647,685</u>	<u>\$ 1,550,585</u>

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

NOTES TO FINANCIAL STATEMENTS

WIRELESS E-911 SERVICE BOARD

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 2000 AND SEPTEMBER 30, 2000

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.

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 as of <u>June 30, 2000</u>	Fair Value as of <u>September 30, 2000</u>
Cash and investments:		
Cash on deposit	\$ 8,647,237	\$ 9,781,671
Investments with Local Government Investment Pool	<u>14,651,536</u>	<u>14,895,024</u>
Total cash and investments	<u>\$23,298,773</u>	<u>\$24,676,695</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 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 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 Board or credited to qualifying payments during the current fiscal year.

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

	For the Year Ended <u>June 30, 2000</u>	For the Three-Month Period Ended <u>September 30, 2000</u>
PSAP operators	\$ 4,382,203	\$ 2,818,026
CMRS providers	<u>652,557</u>	<u>303,621</u>
Total	<u>\$ 5,034,760</u>	<u>\$ 3,121,647</u>

4. RESTATEMENT OF BEGINNING RETAINED EARNINGS

The restatement is required to record accounts receivable as of June 30, 1999, that were not reported in the prior year.

Balance as of June 30, 1999	\$12,723,896
Adjustment:	
Accounts receivable not previously reported	<u>214,552</u>
Balance as of July 1, 1999, as restated	<u>\$12,938,448</u>

5. WIRELESS E-911 SERVICES BOARD

The 2000 General Assembly repealed the Wireless Enhanced Public Safety Telephone Service Act (§§ 56-484.8 through 56-484.11) and enacted the Enhanced Public Safety Telephone Services Act (§§ 56-484.12 through 56-484.18). The new act establishes the Wireless E-911 Services Board and the Public Safety Communications Division of the Department of Technology Planning, and continues 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 telecommunication 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. The current Wireless E-911 Service Board shall continue to administer the provisions of the Wireless Enhanced Public Safety Telephone Service Act, and on October 1, 2000, the responsibility for the administration of the Enhanced Public Safety Telephone Services Act or any successor statute shall be transferred to the Wireless E-911 Services Board, created by this act.

6. 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, Jr.

Steve Marzolf

James McDonnell, Jr.

John R. Rodman, III

Robert W. Woltz