

**WIRELESS 911 BOARD**

Raleigh, North Carolina

**General Purpose Financial Statements  
and  
Compliance Report**

Year Ended June 30, 2001

Performed Under Contract With the  
North Carolina Office of the State Auditor

Ralph Campbell, Jr.

State Auditor

**FINANCIAL STATEMENT AUDIT REPORT OF**

**WIRELESS 911 BOARD  
RALEIGH, NORTH CAROLINA**

**YEAR ENDED JUNE 30, 2001**

**BOARD OF DIRECTORS**

**RONALD P. HAWLEY, CHAIRMAN**

**ADMINISTRATIVE OFFICER**

**RICHARD TAYLOR, EXECUTIVE DIRECTOR**

WIRELESS 911 BOARD  
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Year Ended June 30, 2001

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Wireless 911 Board  
Raleigh, North Carolina

We have audited the accompanying Balance Sheet of Wireless 911 Board as of June 30, 2001 and the related Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the year ended June 30, 2001. These general purpose financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these general purpose 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 the 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of Wireless 911 Board as of June 30, 2001 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2001 on our consideration of Wireless 911 Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Raleigh, North Carolina  
December 21, 2001

WIRELESS 911 BOARD  
**BALANCE SHEET**  
June 30, 2001

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**ASSETS**

Cash	
Designated	\$ 31,814,186
Undesignated	383,968
	<u>32,198,154</u>
Accounts receivable	3,120,100
Interest receivable	146,708
	<u>3,266,808</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 35,464,962</u></u></b>

**LIABILITIES AND FUND BALANCE**

<b>Liabilities</b>	
Accounts payable	\$ 244,919
Intergovernmental payables	2,279,206
Other payables	988
<b>Total liabilities</b>	<u>2,525,113</u>
<b>Fund balance</b>	<u>32,939,849</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u><u>\$ 35,464,962</u></u></b>

The accompanying notes are an integral part of the general purpose financial statements.

WIRELESS 911 BOARD  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL**  
 Year Ended June 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Service charge revenues	\$ 18,897,494	\$ 27,114,798	\$ 8,217,304
Interest on investments	465,287	1,704,474	1,239,187
Administration fees	194,695	273,888	79,193
<b>Total revenues</b>	<u>19,557,476</u>	<u>29,093,160</u>	<u>9,535,684</u>
<b>Expenditures</b>			
Statutory distributions	19,354,781	12,892,469	6,462,312
State of North Carolina	5,000,000	5,000,000	-
Salaries and benefits	150,897	107,451	43,446
Transportation	24,730	11,908	12,822
Rent	4,389	3,610	779
Telephone	3,540	3,363	177
Registration fees	3,225	3,035	190
Other	2,668	2,426	242
Equipment - computers	8,500	1,717	6,783
Postage and freight	1,546	1,048	498
Dues and subscriptions	2,000	357	1,643
Computer	1,200	150	1,050
<b>Total expenditures</b>	<u>24,557,476</u>	<u>18,027,534</u>	<u>6,529,942</u>
<b>Revenues over expenditures</b>	<u>(5,000,000)</u>	<u>11,065,626</u>	<u>16,065,626</u>
<b>Other financing sources</b>			
Appropriated fund balance	5,000,000	-	(5,000,000)
<b>REVENUES AND OTHER FINANCING OVER EXPENDITURES</b>	<u>\$ -</u>	<u>11,065,626</u>	<u>\$ 11,065,626</u>
<b>Fund balance - beginning of year, as previously stated</b>		22,521,449	
Prior period adjustment		<u>(647,226)</u>	
<b>Fund balance - beginning of year, as restated</b>		<u>21,874,223</u>	
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 32,939,849</u>	

The accompanying notes are an integral part of the general purpose financial statements.

WIRELESS 911 BOARD  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
June 30, 2001

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**Note 1 – Organization and purpose**

Wireless 911 Board (the Board) was created on October 1, 1998, upon ratification of Senate Bill 1242 by the General Assembly of North Carolina (General Assembly). The Board provides for an enhanced wireless 911 system for the use of personal cellular communication and other wireless telephone services. The intent of the Board is to provide funding for major improvements in the quality and reliability of enhanced wireless 911 services available to the customers of wireless telecommunications service providers.

As required by North Carolina General Statute 62A-4, certain elected officials appoint the thirteen Board members. The Secretary of Commerce, or the Secretary's designee, serves as the chair. Two members are appointed by the Governor, five members are appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives and five members are appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate.

Of the thirteen Board members, five members represent the Commercial Mobile Radio Service (CMRS) providers and two members represents the Public Safety Answering Points (PSAPs). During the year CMRS providers remit monthly service charges to the fund and PSAPs receive statutory distributions from the fund.

**Note 2 – Summary of significant accounting policies**

**Basis of presentation - fund accounting** – The accounts of the Board are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Board uses the Governmental Fund Type - Special Revenue Fund. The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The primary revenue source is wireless 911 service charge revenue.

**Reporting entity** – As required by accounting principles generally accepted in the United States of America, these financial statements include all funds and account groups that are controlled by, or financially dependent on, the Board. There are no separate organizations for which the Board is financially accountable.

WIRELESS 911 BOARD  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
June 30, 2001

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**Note 2 – Summary of significant accounting policies (continued)**

**Measurement focus** – The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues) and decreases (i.e., expenditures) in net current assets.

As required by GASB 33 of the Governmental Accounting Standards Board, *Accounting and Reporting for Nonexchange Transactions*, the Board has begun recognizing capital contributions as revenue in the current year, rather than as contributed capital.

**Basis of accounting** – The basis of accounting determines when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

In accordance with North Carolina General Statutes, the fund of the Board is maintained during the year using the modified accrual basis of accounting. The fund type is presented in the financial statements on this basis. Under the modified accrual basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measurable" and "available") to pay the liabilities of the current period. In addition, expenditures are recorded when the related fund liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The Board recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized on the modified accrual basis of accounting when they are measurable and available. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return.

**Budgetary data** – The Board's budget is adopted as required by North Carolina General Statutes and the Office of State Budget, Planning and Management. An annual budget is adopted for the Fund. All budgets are prepared using the cash basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for annually budgeted funds. Any revisions that alter the total expenditures of any fund must be approved by the governing board. During the year, the governing board approved several amendments to the original budget.

**Encumbrances** – The Board is not required to maintain encumbrance accounts.



WIRELESS 911 BOARD  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
June 30, 2001

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**Note 2 – Summary of significant accounting policies (continued)**

**Deposits** – All of the Board’s deposits are insured or collateralized by the Pooling Method. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer’s agent in the name of the State Treasurer of North Carolina. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the Board’s agent in the Board’s name. The amount of the pledged collateral is based on an approved averaging method for noninterest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for undercollateralization and this risk may increase in periods of high cash flows. However, the State Treasurer enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. At June 30, 2001, the Board’s deposits had a carrying amount of \$32,198,154.

**Intergovernmental payables** – Intergovernmental payables represent amounts due to eligible Public Safety Answering Points (PSAPs). Eligible PSAPs are those providers that have complied with the provisions of “North Carolina General Statutes, Chapter 62A, Article 2, Wireless Telephone Service”. These amounts are calculated based on a percentage of the wireless enhanced 911 service charge and are distributed monthly. In addition, any amounts remaining in this fund on January 31 of each year will be equally distributed to each of the eligible PSAPs. At June 30, 2001, approximately \$852,000 represents amounts currently due the PSAPs. The remaining \$1,427,000 represents residual amounts due on January 31.

**Service charge fees** – A monthly service charge is levied on each Commercial Mobile Radio Service (CMRS) connection. The monthly service charge was initially set on October 1, 1998 and may be adjusted by the Board every two years beginning July 1, 2000 to ensure full recovery of costs associated with developing and maintaining a wireless enhanced 911 system. The Board receives a 1% administrative fee from the total service charges remitted by the CMRS providers.

**Statutory distributions** – The Board is required to use the wireless enhanced 911 service charge fees, less a 1% administrative fee, to cover the costs associated with developing and maintaining a wireless enhanced 911 system. Sixty percent of the fees are to be used to reimburse CMRS for actual costs incurred in order to comply with the wireless 911 requirements established by the Federal Communications Commission (FCC) Order. Forty percent of the fees are to be used to make monthly distributions to eligible PSAPs.

WIRELESS 911 BOARD  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
June 30, 2001

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**Note 3 – Cash**

Cash consists of the following at June 30, 2001:

Designated for CMRS providers	\$ 30,775,293
Designated for PSAPs	<u>1,038,893</u>
	31,814,186
Undesignated	<u>383,968</u>
	<u>\$ 32,198,154</u>

**Note 4 – Risk management**

The Board is exposed to various risks of loss related to torts, theft of assets, errors and omissions, and injuries to employees. The Board carries insurance through the North Carolina Department of Insurance for risks of loss.

The Board is protected for losses from employee dishonesty and faithful performance of employees. The crime policy, which provides coverage of \$1,000,000 per occurrence, is with a private insurance company and is handled by the State Department of Insurance.

Employees are provided health care coverage by the Comprehensive Major Medical Plan. The Plan is funded by employer and employee contributions and is administered by a third party contractor. Health care coverage is optionally available through contractual agreements with several HMO plans.

Term life insurance of between \$25,000 and \$50,000 is provided to eligible workers. This self-insured death benefit program is administered by the Office of the State Treasurer and funded by employer contributions.

Additional details on the state-administered risk management programs are disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*, issued by the Office of the State Auditor.

**Note 5 – Pension plans**

**Retirement plan** – All full-time employees of the Board participate in the North Carolina Teachers' and State Employees' Retirement System (the System). The System is a multiple-employer, cost sharing defined benefit pension plan administered by the State Treasurer. Additional detail information about the System is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

Employees are required to contribute 6% of their annual covered salary and the Board to contribute 3% of covered wages to the System for the period ended June 30, 2001. Total payroll for the period was \$77,107 of which \$76,607 is covered under the System.

WIRELESS 911 BOARD  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
June 30, 2001

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**Note 5 – Pension plans (continued)**

**Supplemental retirement income plan** – All members of the System are eligible to enroll in the Supplemental Retirement Income Plan created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the Board.

**Note 6 – Other postemployment benefits**

**Long-term disability** – The Board participates in the Disability Income Plan of North Carolina. The Plan provides disability income to eligible participants. Eligible participants are employees that are members of the System. Additional detailed information about the Plan is disclosed in the State of North Carolina’s *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2001.

**Note 7 – Contingencies**

As of June 30, 2001 CMRS providers incurred costs of approximately \$1,176,100 in complying with the wireless 911 requirements for which the Board had not yet received sworn invoices. As such, no liability for these costs has been accrued at June 30, 2001.

**Note 8 – Prior period adjustment**

Certain errors resulting in the understatement of revenues and expenses as reported in the Board’s previously issued financial statements were noted during the current year. The adjustments to correct these errors had the following effect on the Board’s beginning fund balance:

Distributions due to PSAPs	\$ (1,579,642)
Additional service charges to be accrued	<u>932,416</u>
	<u>\$ (647,226)</u>

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL**  
**OVER FINANCIAL REPORTING BASED ON AN AUDIT OF**  
**FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE**  
**WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Wireless 911 Board  
Raleigh, North Carolina

We have audited the financial statements of Wireless 911 Board (the Board) as of June 30, 2001 and have issued our report thereon dated December 21, 2001. 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.

**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 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 operations that we consider to be material weaknesses. We noted other matters involving the internal control over financial reporting that we have reported to management of the Board in a separate letter dated December 21, 2001.

Board of Directors  
Wireless 911 Board  
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This report is intended solely for the information and use of the Board of Directors, management, the Governor and the General Assembly and is not intended to be, and should not be, used by anyone other than these specified parties.

**CHERRY, BEKAERT & HOLLAND, L.L.P.**

Raleigh, North Carolina  
December 21, 2001

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In accordance with G.S. § 147-64.5 and G.S. § 147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

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