



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE _____ July 24, 2013

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the Wireless E911 Emergency Communications Fund of the Iowa Homeland Security and Emergency Management Division of the Iowa Department of Public Defense for the year ended June 30, 2012.

The Fund was established to account for a monthly surcharge of up to 65 cents to be imposed on each wireless communications service number provided in Iowa. The surcharge was imposed to fund the implementation of network and public safety answering point improvements and wireless carriers' transport costs related to wireless E911 services.

The Fund had revenues totaling \$18,907,400 for fiscal year 2012, an increase of 10.1% over the prior year. Revenues included \$17,600,850 from fees, licenses and permits, \$1,269,037 from federal support and \$37,513 from interest on investments. The Fund's expenditures for the year totaled \$18,643,681, an increase of 33.4% over the prior year. Expenditures included \$18,348,748 for contractual services, including payments to the Joint E911 Service Boards and for wireless carriers' transport costs related to wireless E911 services.

A copy of the audit report is available for review in the Iowa Homeland Security and Emergency Management Division of the Iowa Department of Public Defense, in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/1360-5820-B000.pdf>.

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**WIRELESS E911 EMERGENCY COMMUNICATIONS FUND
IOWA HOMELAND SECURITY AND EMERGENCY MANAGEMENT
DIVISION OF THE IOWA DEPARTMENT OF PUBLIC DEFENSE**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2012

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**Wireless E911 Emergency Communications Fund
Iowa Homeland Security and Emergency Management Division
of the Iowa Department of Public Defense**

Officials

Name

Title

Honorable Terry E. Branstad
Honorable Michael L. Fitzgerald
David Roederer
Glen Dickinson

Governor
Treasurer of State
Director, Department of Management
Director, Legislative Services Agency

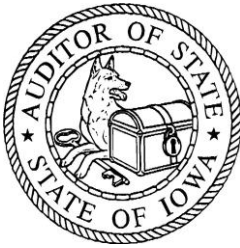
Agency

Brigadier General Timothy E. Orr
Steven Lorenz
Mark Schouten

Adjutant General
Resource Manager
Administrator, Iowa Homeland Security
and Emergency Management Division
E911 Program Manager
E911 Program Planner

Barbara S. Vos
Kathy Karn

**Wireless E911 Emergency Communications Fund
Iowa Homeland Security and Emergency Management Division
of the Iowa Department of Public Defense**



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Independent Auditor's Report

To Mark Schouten, Administrator of the
Iowa Homeland Security and Emergency Management Division:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Wireless E911 Emergency Communications Fund of the Iowa Homeland Security and Emergency Management Division of the Iowa Department of Public Defense (Wireless Fund), as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements listed in the table of contents. These financial statements are the responsibility of the Wireless Fund's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. 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 our audit provides a reasonable basis for our opinions.


As discussed in Note 1, the financial statements of the Wireless Fund are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State of Iowa that is attributable to the transactions of the Wireless Fund. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2012, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Wireless Fund as of June 30, 2012, and the respective changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 24, 2013 on our consideration of the Wireless Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Wireless Fund's management has not presented Management's Discussion and Analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on information the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

U.S. generally accepted accounting principles require the budgetary comparison information on page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 24, 2013

Basic Financial Statements

Exhibit A

Wireless E911 Emergency Communications Fund
Iowa Homeland Security and Emergency Management Division
of the Iowa Department of Public Defense

Governmental Fund Balance Sheet and Statement of Net Assets

June 30, 2012

	General Fund	Adjustments (Note 4)	Statement of Net Assets
Assets			
Cash	\$ 11,060,715	-	11,060,715
Accounts receivable	4,609,283	-	4,609,283
Total assets	<u>\$ 15,669,998</u>	-	<u>15,669,998</u>
Liabilities			
Accounts payable	\$ 4,586,216	-	4,586,216
Compensated absences:			
Due within one year	-	11,515	11,515
Due after one year	-	54,895	54,895
Total liabilities	4,586,216	66,410	<u>4,652,626</u>
Fund Balance/Net Assets			
Fund balance - restricted for Wireless E911 purposes	11,083,782	(11,083,782)	-
Total liabilities and fund balance	<u>\$ 15,669,998</u>		
Net assets - restricted for Wireless E911 purposes		<u>\$ 11,017,372</u>	<u>11,017,372</u>

See notes to financial statements.

Wireless E911 Emergency Communications Fund
Iowa Homeland Security and Emergency Management Division
of the Iowa Department of Public Defense

Statement of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance and Statement of Activities

Year ended June 30, 2012

	General Fund	Adjustments (Note 5)	Statement of Activities
Revenues:			
Fees, licenses and permits	\$ 17,600,850	-	17,600,850
Federal support	1,269,037	-	1,269,037
Interest on investments	37,513	-	37,513
Total revenues	18,907,400	-	18,907,400
Expenditures/expenses:			
Personal services	198,830	12,316	211,146
Travel and subsistence	8,350	-	8,350
Supplies and materials	906	-	906
Contractual services	18,348,748	-	18,348,748
Equipment and repair	86,583	-	86,583
Claims and miscellaneous	264	-	264
Total expenditures/expenses	18,643,681	12,316	18,655,997
Excess of revenues over expenditures/expenses	263,719	(263,719)	-
Change in net assets	-	251,403	251,403
Fund balance/net assets beginning of year	10,820,063	(54,094)	10,765,969
Fund balance/net assets end of year	\$ 11,083,782	(66,410)	11,017,372

See notes to financial statements.

**Wireless E911 Emergency Communications Fund
Iowa Homeland Security and Emergency Management Division
of the Iowa Department of Public Defense**

Wireless E911 Emergency Communications Fund
Iowa Homeland Security and Emergency Management Division
of the Iowa Department of Public Defense

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

The Wireless E911 Emergency Communications Fund of the Iowa Homeland Security and Emergency Management Division of the Iowa Department of Public Defense (Wireless Fund) was established to account for a monthly surcharge of up to 65 cents to be imposed on each wireless communications service number provided in Iowa. The surcharge was imposed to fund the implementation of network and public safety answering point improvements at the Joint E911 Service Boards and wireless carriers' transport costs related to wireless E911 services.

The financial statements of the Wireless Fund have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The more significant of the Wireless Fund's accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the Wireless Fund has included all funds. The Wireless Fund has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Wireless Fund are such that exclusion would cause the Wireless Fund's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Wireless Fund to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Wireless Fund. The Wireless Fund has no component units which meet the Governmental Accounting Standards Board criteria.

B. Entity-wide and Fund Financial Statements

The financial statements on pages 8 and 9 combine both an entity-wide perspective and a governmental fund perspective.

The General Fund comprises the Wireless Fund's governmental fund type. This fund is the general operating fund of the Wireless Fund and the difference between assets and liabilities of the fund is referred to as fund balance.

The entity-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the Wireless Fund. Governmental activities are those which normally are supported by taxes and intergovernmental revenues.

Fund Balance – In the governmental fund financial statements, fund balance is classified and reported in categories which describe the extent to which certain resources may be spent. Resources are categorized as spendable or non-spendable.

Spendable fund balance includes resources in spendable form (e.g. cash) which are available for spending. The spendable fund balance of the Wireless Fund is further classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

The restricted fund balance at June 30, 2012 of \$11,083,782 consists of wireless fees collected and maintained for use in operating, maintaining and improving network and public safety answering points at the Joint E911 Service Boards and other related costs in accordance with Chapter 34A.7A of the Code of Iowa.

Net Assets – Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted through enabling legislation totaled \$11,017,372 at June 30, 2012 and consist of wireless fees collected and maintained for use in operating, maintaining and improving network and public safety answering points at the Joint E911 Service Boards and other related costs in accordance with Chapter 34A.7A of the Code of Iowa.

C. Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses 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.

The entity-wide financial statements 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Wireless Fund considers revenues to be available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences are recorded only when payment is due.

D. Compensated Absences

Wireless Fund employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use, for payment of the employer portion of insurance premiums upon retirement or for payment upon termination, death or retirement. A liability is recorded when incurred in the entity-wide Statement of Net Assets. Wireless Fund employees accrue vacation, compensatory time and sick leave at rates specified in the Code of Iowa and/or collective bargaining agreements. Accumulated unused vacation leave and compensatory time is payable upon termination of employment. Accumulated unused sick leave is payable only upon retirement and only to limits specified in the Code of Iowa and/or collective bargaining agreements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The liabilities for compensated absences are based on current rates of pay and current insurance rates.

(2) Deposits

The Wireless Fund's deposits with the Treasurer of State throughout the year and at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

(3) Changes in Compensated Absences

Changes in compensated absences for the year ended June 30, 2012 are summarized as follows:

Balance beginning of year	\$ 54,094
Increases	23,663
Decreases	<u>(11,347)</u>
Balance end of year	<u>\$ 66,410</u>
Due within one year	<u>\$ 11,515</u>

Sick Leave Insurance Program (SLIP) – Included in the accrued compensated absences liability at June 30, 2012 is the cost of a voluntary termination benefit program titled Sick Leave Insurance Program (SLIP). The program is an opportunity for employees who are retirement-eligible to use the value of their unused sick leave to pay the employer share of the monthly premium of the State's group health insurance plan after their retirement.

Upon retirement, employees shall first receive a cash payment of up to \$2,000 for accumulated, unused sick leave converted at the employee's current regular hourly rate of pay, payable with the final payroll warrant which includes the employee's retirement date. The value of the remaining balance of the accrued sick leave will be converted based upon the original balance (before the cash payment). The remainder of the sick leave value is calculated as follows, based on the number of sick leave hours the employee had before the cash payment:

<u>If the sick leave balance is:</u>	<u>The conversion rate is:</u>
Zero to 750 hours	60% of the value
Over 750 hours to 1,500 hours	80% of the value
Over 1,500 hours	100% of the value

The final calculated dollar value will be credited to the employee's SLIP account. Each month, the Wireless Fund will pay 100 percent of the employer's share of the selected state group health insurance premium from the retiree's SLIP account. The retiree is responsible for any additional premiums associated with the employee/retiree share.

The Wireless Fund will continue to pay the employer's share of the health insurance premium each month until the converted value of the employee's sick leave balance is exhausted, until the employee is eligible for Medicare, the employee waives the benefit or the employee dies, whichever comes first. The retired employee may stay with the same health insurance program as when employed or switch down at any time without underwriting. The converted value of the sick leave can only be applied to the employer's share of health insurance premiums. It has no cash value and it is not transferable to another use or to an heir. If a retired employee who has utilized this benefit returns to permanent state employment, all remaining balances in the sick leave insurance program will be forfeited. All SLIP benefits are financed on a pay-as-you-go basis. Amounts calculated for this program are included in the compensated absences liability.

(4) Explanation of Difference between the Governmental Fund Balance Sheet and the Statement of Net Assets

The difference results from the long-term economic resources focus of the Statement of Net Assets versus the current financial resources focus of the Governmental Fund Balance Sheet.

Long-term liabilities applicable to the Wireless Fund's governmental activities are not due and payable in the current year and, therefore, are not reported as fund liabilities. However, they are reported in the Statement of Net Assets. These liabilities are compensated absences of \$66,410.

(5) Explanation of Difference between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities

The difference results from the long-term economic resources focus of the Statement of Activities versus the current financial resources focus of the governmental fund.

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These expenses result from an increase in compensated absences of \$12,316.

(6) Pension and Retirement Benefits

The Wireless Fund contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the Wireless Fund is required to contribute 8.07% of covered salary. Contribution requirements are established by state statute. The Wireless Fund's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$11,860, \$9,040 and \$7,843, respectively, equal to the required contributions for each year.

(7) Risk Management

State employee benefits for health, dental, long-term disability and life insurance coverage are insured through commercial insurers. There were no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage for the past three fiscal years.

The State of Iowa self-insures on behalf of its agencies for losses related to workers' compensation, its motor vehicle fleet, property damage and torts. A contingent fund exists under Section 29C.20 of the Code of Iowa to provide compensation for loss or damage to state property (casualty losses).

(8) Commitments

The Wireless Fund entered into a contract for development and implementation of a Statewide IP Enable Next Generation 911 System totaling \$24,954,000, of which \$2,724,163 has been paid at June 30, 2012. The remaining balance of \$22,229,837 will be paid as work on the project progresses.

**Wireless E911 Emergency Communications Fund
Iowa Homeland Security and Emergency Management Division
of the Iowa Department of Public Defense**

Required Supplementary Information

Wireless E911 Emergency Communications Fund
Iowa Homeland Security and Emergency Management Division
of the Iowa Department of Public Defense

Required Supplementary Information

Budgetary Comparison Schedule

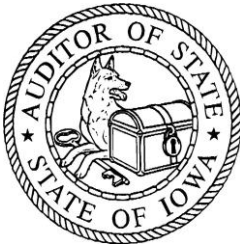
Year ended June 30, 2012

	Actual	Original/ Final Budget	Final to Actual Variance
Revenues:			
Fees, licenses and permits	\$ 17,600,850	18,600,000	(999,150)
Federal support	1,269,037	1,333,456	(64,419)
Interest on investments	37,513	50,000	(12,487)
Total revenues	<u>18,907,400</u>	<u>19,983,456</u>	<u>(1,076,056)</u>
Expenditures:			
Personal services	198,830	180,574	(18,256)
Travel and subsistence	8,350	7,000	(1,350)
Supplies and materials	906	2,051	1,145
Contractual services	18,348,748	22,754,707	4,405,959
Equipment and repair	86,583	152,400	65,817
Other expenses	264	225	(39)
State aid	-	1,333,456	1,333,456
Total expenditures	<u>18,643,681</u>	<u>24,430,413</u>	<u>5,786,732</u>
Excess of revenues over expenditures	263,719		
Balance beginning of year	<u>10,820,063</u>		
Balance end of year	<u>\$ 11,083,782</u>		

Note to Budgetary Reporting:

The budget for the General Fund is adopted on a basis consistent with U.S. generally accepted accounting principles.

See accompanying independent auditor's report.



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Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To Mark Schouten, Administrator of the
Iowa Homeland Security and Emergency Management Division:

We have audited the financial statements of the Wireless E911 Emergency Communications Fund of the Iowa Homeland Security and Emergency Management Division of the Iowa Department of Public Defense (Wireless Fund) as of and for the year ended June 30, 2012, and have issued our report thereon dated June 24, 2013. We conducted our audit in accordance with U.S. 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.

Internal Control over Financial Reporting

Management of the Wireless Fund is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Wireless Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Wireless Fund's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the Wireless Fund's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Wireless Fund's financial statements will not be prevented or detected and corrected on a timely basis.


Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Wireless Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Wireless Fund, citizens of the State of Iowa and other parties to whom the Wireless Fund may report, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Wireless Fund during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 24, 2013

Wireless E911 Emergency Communications Fund
Iowa Homeland Security and Emergency Management Division
of the Iowa Department of Public Defense

Schedule of Findings

For the Year Ended June 30, 2012

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

No matters were noted.

Wireless E911 Emergency Communications Fund
Iowa Homeland Security and Emergency Management Division of the
Iowa Department of Public Defense

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager
Dorothy O. Stover, Senior Auditor
Adam B. Bartz, Assistant Auditor
Kaylynn D. Short, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State