



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE

July 5, 2017

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the Wireless E-911 Emergency Communications Fund (Wireless Fund) of the Iowa Department of Homeland Security and Emergency Management for the year ended June 30, 2017.

The Wireless Fund was established to account for a monthly surcharge of up to \$1 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 E-911 services.

The Wireless Fund had revenues totaling \$25,532,410 for the year ended June 30, 2017, a decrease of 11.4% from the prior year. Revenues included \$25,400,815 from fees, licenses and permits and \$131,595 from interest on investments.

The Wireless Fund's expenditures for the year ended June 30, 2017 totaled \$31,744,438, a decrease of 4.2% from the prior year. Expenditures included \$27,161,568 for contractual services, including payments to the Joint E-911 Service Boards and for wireless carriers' transport costs related to wireless E-911 services. The decrease is primarily due to a decrease in grants provided to local service boards to assist in upgrading the statewide next generation E-911 system.

A copy of the audit report is available for review in the Iowa Department of Homeland Security and Emergency Management, in the Office of Auditor of State and on the Auditor of State's website at <https://auditor.iowa.gov/reports/1860-5830-B000>.

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**WIRELESS E-911 EMERGENCY COMMUNICATIONS FUND  
IOWA DEPARTMENT OF HOMELAND SECURITY  
AND EMERGENCY MANAGEMENT**

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

**JUNE 30, 2017**

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Basic Financial Statements:	<u>Exhibit</u>
Governmental Fund Balance Sheet and Statement of Net Position	A           8
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance and Statement of Activities	B           9
Notes to Financial Statements	11-17
Required Supplementary Information:	
Budgetary Comparison Schedule	21
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 <u>Government Auditing Standards</u>	23-24
Schedule of Findings	25
Staff	26

**Wireless E-911 Emergency Communications Fund  
Iowa Department of Homeland Security and Emergency Management**

**Officials**

Name

Title

**State**

Honorable Kim K. Reynolds  
Honorable Michael L. Fitzgerald  
David Roederer  
Glen P. Dickinson

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

**Agency**

Mark Schouten (Retired May 31, 2018)  
Joyce Flinn (Effective June 1, 2018)

Director, Iowa Department of Homeland  
Security and Emergency Management  
Acting Director, Iowa Department of Homeland  
Security and Emergency Management/Operations  
Division Administrator  
Planning & Finance Division Administrator  
E-911 Program Manager

Angela Chen  
Blake DeRouchey

**Wireless E-911 Emergency Communications Fund  
Iowa Department of Homeland Security  
and Emergency Management**



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Independent Auditor's Report

To Joyce Flinn, Acting Director of the  
Iowa Department of Homeland Security and Emergency Management:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Wireless E-911 Emergency Communications Fund of the Iowa Department of Homeland Security and Emergency Management (Wireless Fund) as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Wireless Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Wireless Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the governmental activities and the major fund of the Wireless Fund as of June 30, 2017, and the respective changes in its financial position for the year then ended, in accordance with U.S. generally accepted accounting principles.

### Emphasis of a Matter

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, 2017, and the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

### Other Matters


#### *Required Supplementary Information*

Management has omitted Management's Discussion and Analysis which U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such omitted 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 financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinions on the basic financial statements are not affected by this omitted information.

U.S. generally accepted accounting principles require the budgetary comparison information on page 19 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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 22, 2018 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 in considering the Wireless Fund's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

June 22, 2018



## **Basic Financial Statements**

**Exhibit A**Wireless E-911 Emergency Communications Fund  
Iowa Department of Homeland Security and Emergency Management

## Governmental Fund Balance Sheet and Statement of Net Position

June 30, 2017

	General Fund	Adjustments (Note 6)	Statement of Net Position
Cash	\$ 13,298,725	-	13,298,725
Accounts receivable	3,137,144	-	3,137,144
Capital assets net of accumulated depreciation/amortization	-	2,092,082	2,092,082
<b>Total assets</b>	<b>\$ 16,435,869</b>	<b>2,092,082</b>	<b>18,527,951</b>
Accounts payable	\$ 6,445,433	-	6,445,433
Compensated absences:			
Due within one year	-	3,178	3,178
Due after one year	-	4,747	4,747
<b>Total liabilities</b>	<b>6,445,433</b>	<b>7,925</b>	<b>6,453,358</b>
<b>Fund Balance/Net Position</b>			
Fund balance - restricted for Wireless E-911 purposes	9,990,436	(9,990,436)	-
<b>Total liabilities and fund balance</b>	<b>\$ 16,435,869</b>		
<b>Net position</b>			
Net investment in capital assets		2,092,082	2,092,082
Restricted for wireless E-911 purposes		9,982,511	9,982,511
Total net position		<b>\$ 12,074,593</b>	<b>12,074,593</b>

See notes to financial statements.

Wireless E-911 Emergency Communications Fund  
Iowa Department of Homeland Security and Emergency Management

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

Year ended June 30, 2017

	General Fund	Adjustments (Note 7)	Statement of Activities
Revenues:			
Fees, licenses and permits	\$ 25,400,815	(48,946)	25,351,869
Interest on investments	131,595	-	131,595
Total revenues	<u>25,532,410</u>	<u>(48,946)</u>	<u>25,483,464</u>
Expenditures/expenses:			
Personal services	180,844	1,287	182,131
Travel and subsistence	11,814	-	11,814
Supplies and materials	4,923	-	4,923
Contractual services	27,161,568	(632,081)	26,529,487
Equipment and repair	2,289	-	2,289
Claims and miscellaneous	4,383,000		4,383,000
Total expenditures/expenses	<u>31,744,438</u>	<u>(630,794)</u>	<u>31,113,644</u>
Deficiency of revenues under expenditures/expenses	(6,212,028)	6,212,028	-
Change in net position	-	(5,630,180)	(5,630,180)
Fund balance/net position beginning of year (as restated)	<u>16,202,464</u>	<u>1,502,309</u>	<u>17,704,773</u>
Fund balance/net position end of year	<u>\$ 9,990,436</u>	<u>2,084,157</u>	<u>12,074,593</u>

See notes to financial statements.

**Wireless E-911 Emergency Communications Fund  
Iowa Department of Homeland Security  
and Emergency Management**

Wireless E-911 Emergency Communications Fund  
Iowa Department of Homeland Security and Emergency Management

Notes to Financial Statements

June 30, 2017

**(1) Summary of Significant Accounting Policies**

The Wireless E-911 Emergency Communications Fund of the Iowa Department of Homeland Security and Emergency Management (Wireless Fund) was established to account for a monthly surcharge of up to one dollar 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 E-911 Service Boards and wireless carriers' transport costs related to wireless E-911 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 Position 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 – The restricted fund balance of \$9,990,436 at June 30, 2017 consists of wireless fees collected and maintained for use in operating, maintaining and improving network and public safety answering points at the Joint E-911 Service Boards and other related costs in accordance with Chapter 34A.7A of the Code of Iowa.

Net Position – Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted through enabling legislation totaled \$9,982,511 at June 30, 2017 and consists of wireless fees collected and maintained for use in operating, maintaining and improving network and public safety answering points at the Joint E-911 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. Capital Assets

Capital assets are reported in the financial statements at historical cost. Donated capital assets acquired before July 1, 2015, are reported at their estimated fair market value at the date of acquisition. Donated capital assets acquired after June 30, 2015, are reported at their acquisition value at the date of acquisition. Capital assets utilized in governmental funds are reported as expenditures when purchased in the governmental fund financial statements. Intangible assets, as defined by the Wireless Fund’s policy, acquired after June 30, 1980, are reported. Reportable capital assets are defined by the Wireless Fund as assets above the following thresholds:

<u>Asset Class</u>	<u>Amount</u>
Intangible assets	\$ 500,000
Equipment	5,000

Capital assets are depreciated over their useful lives using the straight-line depreciation method. The government-wide financial statements report depreciation expense. The following useful lives are used:

Asset Class	Estimated Useful Lives (In Years)
Intangible assets	5-20
Equipment	2-20

E. 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 Position. 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 the 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.

F. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measureable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of fees not collected within sixty days after year-end.

**(2) Deposits**

The Wireless Fund's deposits with the Treasurer of State throughout the year and at June 30, 2017 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 ensure there will be no loss of public funds.

**(3) Capital Assets**

Capital assets activity for the year ended June 30, 2017 is as follows:

	Balance		Balance	
	Beginning		End	
	of Year		of Year	
	(as restated)	Increases	Decreases	
<b>Governmental Activities</b>				
<b>Capital assets not being depreciated:</b>				
Construction in process	\$ -	498,700	-	498,700
<b>Total capital assets not being depreciated</b>	-	498,700	-	498,700
<b>Capital assets being depreciated</b>				
Intangible assets	-	606,476	-	606,476
Equipment	2,018,430	-	-	2,018,430
<b>Total capital assets being depreciated</b>	2,018,430	606,476	-	2,624,906
<b>Less accumulated depreciation for:</b>				
Intangible assets	-	67,117	-	67,117
Equipment	558,429	405,978	-	964,407
<b>Total accumulated depreciation</b>	558,429	473,095	-	1,031,524
<b>Total capital assets being depreciated, net</b>	1,460,001	133,381	-	1,593,382
<b>Governmental activities capital assets, net</b>	\$ 1,460,001	632,081	-	2,092,082

**(4) Changes in Compensated Absences**

Changes in compensated absences for the year ended June 30, 2017 are summarized as follows:

Balance beginning of year	\$ 6,638
Increases	6,965
Decreases	(5,678)
Balance end of year	\$ 7,925
Due within one year	\$ 3,178

Sick Leave Insurance Program (SLIP) – Included in the accrued compensated absences liability at June 30, 2017 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:

<b><u>If the sick leave balance is:</u></b>	<b><u>The conversion rate is:</u></b>
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% 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.

**(5) Explanation of Difference between the Governmental Fund Balance Sheet and the Statement of Net Position**

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

Capital assets applicable to the Wireless Fund's governmental activities are not current financial resources and therefore, are not reported in the governmental fund. However, they are reported in the Statement of Net Position. The cost of capital assets is \$3,123,606 and the accumulated depreciation/amortization is \$1,031,524.

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 Position. These liabilities are compensated absences of \$7,925.

**(6) Explanation of Difference between the Statement of Governmental Fund 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 Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance.

Because some revenues will not be collected for several months after year-end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds. Deferred inflows of resources decreased by \$48,946 in current year.

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 the governmental fund. These expenses result from an increase in compensated absences of \$1,287.

Governmental funds report capital outlays as expenditures while the governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation/amortization expense in the current year by \$632,081.

**(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) Legislative Appropriation**

For fiscal year 2017 the Iowa General Assembly appropriated \$4,383,000 from the Wireless Fund to the Iowa Department of Public Safety to be used to pay the first annual installment on the Iowa Statewide Interoperable Communications System capital lease. The capital lease is reported by the Iowa Department of Public Safety. The \$4,383,000 annual installment for the year ended June 30, 2017 is reported as claims and miscellaneous expenditures on Exhibit B. The annual installment for the year ended June 30, 2018 is appropriated from the Rebuild Iowa Infrastructure Fund.

**(9) Commitments**

The Wireless Fund entered into contracts totaling \$24,954,000 for the development and implementation of a Statewide IP Enabled Next Generation E-911 System. As of June 30, 2017, costs of \$15,611,050 on the project have been incurred. The \$9,342,950 remaining on the contracts at June 30, 2017 will be paid as work on the project progresses. These contracts are primarily related to services and maintenance for the system and equipment purchased that exceeded the capitalization threshold has been capitalized.

The Wireless Fund entered into a contract totaling \$1,297,875 for aerial photographs to be taken and posted to a webmap server. As of June 30, 2017, costs of 1,105,176 on the project have been incurred. The \$192,699 remaining on the contract at June 30, 2017 will be paid as work on the project progresses. The completed phases of this project have been capitalized as intangible assets and the phases still in progress have been capitalized as construction in progress.

The Wireless Fund entered into a contract totaling \$281,500 for orthoimagery photos to be taken for 49 counties across the state. As of June 30, 2017, costs of \$186,535 on the project have been incurred. The \$94,965 remaining on the contract at June 30, 2017 will be paid as work on the project progresses.

The Wireless Fund entered into a contract totaling \$4,362,384 for Next Generation E-911 GIS Consulting Services and data hosting. As of June 30, 2017, costs of \$1,315,440 on the project have been incurred. The \$3,046,944 remaining on the contract at June 30, 2017 will be paid as work on the project progresses.

The Wireless Fund entered into contracts totaling \$1,474,045 for a Text to 911 project. As of June 30, 2017, costs of \$212,611 on the project have been incurred. The \$1,261,434 remaining on the contracts at June 30, 2017 will be paid as work on the project progresses. The equipment purchased under this contract is owned by the local public safety answering points.

**(10) Restatement**

The beginning net position for governmental activities was restated to properly report the beginning balance for capital assets, as follows

	<u>Governmental Activities</u>
Net position, June 30, 2016, as previously reported	\$ 16,244,772
Correction to increase capital assets for equipment and intangible assets substantiated by State records	<u>1,460,001</u>
Net position, July 1, 2016, as restated	<u>\$ 17,704,773</u>

**Wireless E-911 Emergency Communications Fund  
Iowa Department of Homeland Security  
and Emergency Management**

**Required Supplementary Information**

**Wireless E-911 Emergency Communications Fund  
Iowa Department of Homeland Security  
and Emergency Management**

Wireless E-911 Emergency Communications Fund  
Iowa Department of Homeland Security and Emergency Management

Required Supplementary Information

Budgetary Comparison Schedule

Year ended June 30, 2017

	Actual	Original/ Final Budget	Final to Actual Variance
<b>Revenues:</b>			
Fees, licenses and permits	\$ 25,400,815	37,299,500	(11,898,685)
Interest on investments	131,595	100,000	31,595
Total revenues	<u>25,532,410</u>	<u>37,399,500</u>	<u>(11,867,090)</u>
<b>Expenditures:</b>			
Personal services	180,844	185,410	4,566
Travel and subsistence	11,814	98,400	86,586
Supplies and materials	4,923	7,400	2,477
Contractual services	27,161,568	50,711,069	23,549,501
Equipment and repair	2,289	6,221	3,932
Claims and miscellaenous	4,383,000	4,391,000	8,000
Total expenditures	<u>31,744,438</u>	<u>55,399,500</u>	<u>23,655,062</u>
Deficiency of revenues under expenditures	(6,212,028)		
Balance beginning of year	<u>16,202,464</u>		
Balance end of year	<u>\$ 9,990,436</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.

**Wireless E-911 Emergency Communications Fund  
Iowa Department of Homeland Security  
and Emergency Management**





**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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Auditor of State

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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 Joyce Flinn, Acting Director of the  
Iowa Department of Homeland Security and Emergency Management:

We have audited 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, the financial statements of the Wireless E-911 Emergency Communications Fund of the Iowa Department of Homeland Security and Emergency Management (Wireless Fund) as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the Wireless Fund's basic financial statements, and have issued our report thereon dated June 22, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Wireless Fund's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Wireless Fund's internal control.

A deficiency in internal control exists when the design or operation of a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings that we consider to be a material weakness.

### 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.


### Wireless Fund's Response to the Finding

The Wireless Fund's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The Wireless Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Wireless Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Wireless Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

June 22, 2018

Wireless E-911 Emergency Communications Fund  
Iowa Department of Homeland Security and Emergency Management

Schedule of Findings

For the Year ended June 30, 2017

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

**(A) FINANCIAL REPORTING**

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the Wireless Fund's financial statements.

Condition – A material amount of capital assets purchased in prior years were not properly recorded in the Wireless Fund's financial statements. A prior period adjustment was made to properly include these capital assets in the financial statements.

Cause – Although policies and procedures have been established to require independent review of financial reporting information to ensure financial statements are accurate and reliable, the review did not identify the omission of capital assets from the fiscal year 2016 Wireless Fund financial statements.

Effect – Wireless Fund employees did not detect the error in the normal course of performing their assigned functions. As a result, a material prior period adjustment to the Wireless Fund's financial statements was necessary.

Recommendation – The Wireless Fund should ensure financial information is properly reviewed for accuracy to help ensure the financial statements are accurate and reliable.

Response – Proper training has been provided to staff and future information will be accurate.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Other Findings Related to Required Statutory Reporting:**

No matters were noted.

Wireless E-911 Emergency Communications Fund  
Iowa Department of Homeland Security and Emergency Management

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager  
Dorothy O. Stover, Senior Auditor II  
Joseph B. Sparks, Senior Auditor  
Adjoa S. Adanledji, Staff Auditor  
Preston R. Grygiel, Staff Auditor  
Christopher M. Anderson, Staff Auditor  
McKinzie M. Anderson, Assistant Auditor  
Taylor N. Kivell, Assistant Auditor  
Nickolas A. Kruse, 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