



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
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NEWS RELEASE

FOR RELEASE August 15, 2007

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Wireless E911 Emergency Communication Fund of the Iowa Homeland Security and Emergency Management Division of the Iowa Department of Public Defense for the year ended June 30, 2006.

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 \$13,021,178 for fiscal year 2006, which included \$12,958,522 from fees, licenses and permits and \$62,656 from interest on investments. The Fund's expenditures for the year totaled \$11,261,235, which included \$11,092,608 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/reports.htm>.

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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**

**JUNE 30, 2006**

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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

**Governor**

Honorable Thomas J. Vilsack  
(Ended during January 2007)

Honorable Chester J. Culver  
(Began during January 2007)

**Director, Department of Management**

Michael L. Tramontina  
(Ended during January 2007)

Charles J. Krogmeier  
(Began during January 2007)

**Director, Legislative Services Agency**

Dennis C. Prouty

**Agency**

Major General Ron Dardis  
Duane Jamison  
David L. Miller

Michael W. Beaman

John R. Benson  
Barbara S. Vos

Adjutant General  
Comptroller, State Fiscal Office  
Administrator, Iowa Homeland Security and Emergency  
Management Division  
Chief of Staff, Iowa Homeland Security and Emergency  
Management Division  
E911 Program Manager  
E911 Program Planner

**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 David L. Miller, 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, 2006, 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.

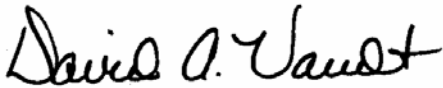
As discussed in Note 1, the financial statements of the Wireless Fund are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State of Iowa that is attributable to the transactions of the Wireless Fund. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2006, 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, 2006, and the respective changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

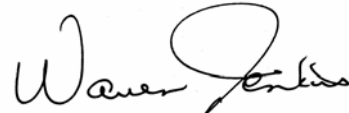
In accordance with Government Auditing Standards, we have also issued our report dated June 5, 2007 on our consideration of the Wireless Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other 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.

Budgetary comparison information on pages 16 and 17 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 5, 2007



## **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, 2006

	General Fund	Adjustments (Note 4)	Statement of Net Assets
<b>Assets</b>			
Cash	\$ 1,631,174	-	1,631,174
Accounts receivable	3,308,362	-	3,308,362
<b>Total assets</b>	<u>\$ 4,939,536</u>	-	<u>4,939,536</u>
<b>Liabilities</b>			
Accounts payable	\$ 2,670,269	-	2,670,269
Compensated absences:			
Due within one year	-	9,865	9,865
Due after one year	-	7,793	7,793
<b>Total liabilities</b>	2,670,269	17,658	2,687,927
<b>Fund Balance/Net Assets</b>			
Unreserved fund balance	2,269,267	(2,269,267)	-
<b>Total liabilities and fund balance</b>	<u>\$ 4,939,536</u>		
<b>Unrestricted net assets</b>		<u>\$ 2,251,609</u>	<u>2,251,609</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, 2006

	General Fund	Adjustments (Note 5)	Statement of Activities
Revenues:			
Fees, licenses and permits	\$ 12,958,522	-	12,958,522
Interest on investments	62,656	-	62,656
Total	13,021,178	-	13,021,178
Expenditures/expenses:			
Personal services	149,537	1,393	150,930
Travel and subsistence	14,720	-	14,720
Supplies and materials	3,349	-	3,349
Contractual services	11,092,608	-	11,092,608
Equipment and repair	476	-	476
Claims and miscellaneous	545	-	545
Total expenditures	11,261,235	1,393	11,262,628
Excess of revenues over expenditures/expenses	1,759,943	(1,759,943)	-
Change in net assets	-	1,758,550	1,758,550
Fund balance/net assets beginning of year	509,324	(16,265)	493,059
Fund balance/net assets end of year	\$ 2,269,267	(17,658)	2,251,609

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, 2006

**(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.

The Statement of Net Assets presents the Fund's assets and liabilities, with the difference reported as net assets. Unrestricted net assets consists of net assets not having constraints placed on them from external sources or imposed by law through constitutional provisions or enabling legislation.

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 period or soon enough thereafter to pay liabilities of the current period. 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

Fund employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use 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 and sick leave at rates specified in the Code of Iowa and/or collective bargaining agreements. Accumulated unused vacation leave 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 rates of pay in effect at June 30, 2006.

**(2) Deposits**

The Wireless Fund's deposits with the Treasurer of State throughout the period and at June 30, 2006 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, 2006 are summarized as follows:

Balance beginning of year	\$ 16,265
Increases	12,188
Decreases	<u>(10,795)</u>
Balance end of year	<u><u>\$ 17,658</u></u>

**(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 period and, accordingly, are not reported as fund liabilities. However, they are reported in the Statement of Net Assets. The effect of this difference is due to compensated absences of \$17,658.

**(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. The effect of this difference is the increase in compensated absences of \$1,393.

**(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 3.70% of their annual covered salary and the Fund is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The Fund's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$6,457, \$7,300 and \$7,078, 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).



**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

Year ended June 30, 2006

	Actual	Original/ Final Budget	Final to Actual Variance
<b>Revenues:</b>			
Intra-State transfers	\$ -	555,391	(555,391)
Interest on investments	62,656	12,000	50,656
Fees for services	12,958,522	9,351,000	3,607,522
Refunds and reimbursements	-	12	(12)
Total revenues	<u>13,021,178</u>	<u>9,918,403</u>	<u>3,102,775</u>
<b>Expenditures:</b>			
Personal services	149,537	159,065	9,528
Travel and subsistence	14,720	54,000	39,280
Supplies and materials	3,349	28,000	24,651
Contractual services	11,092,608	9,615,491	(1,477,117)
Equipment and repair	476	80,512	80,036
Claims and miscellaneous	545	5,000	4,455
Total expenditures	<u>11,261,235</u>	<u>9,942,068</u>	<u>(1,319,167)</u>
Excess of revenues over expenditures	1,759,943		
Balance beginning of year	<u>509,324</u>		
Balance end of year	<u>\$ 2,269,267</u>		

See accompanying independent auditor's report.

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

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

The budget for the General Fund is adopted on a basis consistent with U.S. generally accepted accounting principles. Actual expenditures exceeded budgeted expenditures as a result of the receipt and legal expenditure of non-state funds which had been received for restricted purposes. There were no material violations of finance-related legal and contractual provisions.

**Wireless E911 Emergency Communications Fund  
Iowa Homeland Security and Emergency Management Division  
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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 David L. Miller, 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, 2006 and have issued our report thereon dated June 5, 2007. 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

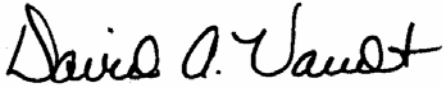
In planning and performing our audit, we considered the Wireless Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

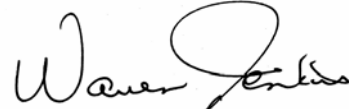
As part of obtaining reasonable assurance about whether the Wireless Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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. This report 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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 5, 2007

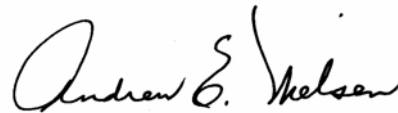
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Wireless E911 Emergency Communications Fund  
Iowa Homeland Security and Emergency Management Division of the  
Iowa Department of Public Defense

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
Chad D. Lehman, Staff Auditor  
Michelle L. Harris, Staff Auditor  
Gelu Sherpa, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State