

**SS Summers, Spencer &
&C Callison, CPAs, Chartered**
CERTIFIED PUBLIC ACCOUNTANTS

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To the Local Collection Point Administrator
of the Wireless Enhanced 911 Local Fee Fund

In planning and performing our audits of the statements of cash receipts and disbursements of the Wireless Enhanced 911 Local Fee Fund (the Fund) for the years ended June 30, 2006 and 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the statements of cash receipts and disbursements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Fund's ability to initiate, record, process, and report financial data consistent with the assertions of management in the statement of cash receipts and disbursements.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters in the internal control that might be reportable conditions. In addition, because of inherent limitations in internal control, misstatements due to error or fraud may occur and not be detected by such controls.

This report is intended solely for the information and use of the boards of directors of the Local Collection Point Administrator, management and the Governor's Grant Program and is not intended to be and should not be used by anyone other than these specified parties.

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October 17, 2006

Reportable Conditions

Improve Cash Receipts Controls

We noted instances where incoming mail is being opened by Dennis, who is the person responsible for recording income. We recommend someone other than Dennis open the incoming mail and document the receipts obtained. A comparison should then be made between the documented receipts from incoming mail to the spreadsheet prepared by Dennis and the amount actually deposited.

Accounting for Statewide Fund

The current procedure to record allocations to the statewide fund is to debit an income account named "Statewide Receipts" with a corresponding credit to a liability account named "Statewide Training Fund." This process results in a negative income account balance and, therefore, income reported on financial statements produced by the accounting system does not reflect total cash received during the period. In addition, the liability balance does not reflect the balance of the Statewide Training Fund because 1) the procedures have not been consistently followed and 2) no corresponding procedures exist for statewide training expenses.

In order to preserve the cash receipts and disbursements basis of the income statement, we suggest using two sub-accounts for cash in the accounting system – one for general and one for statewide training. The cash itself would physically remain in the same bank account but, by selecting the appropriate sub-account when posting cash transactions, the balance of the statewide training cash sub-account would reflect the balance of funds available for statewide training. (Note: The main (header) cash account should be selected when reconciling to the bank statement in order to view both sub-accounts in an integrated fashion.)

Other Matters

Payment of Administrative Fees

We noted administrative fees were not paid in May and June. The oversight was detected and corrected by management prior to our audit. We recommend administrative fees be paid at the same time payment is made to PSAPs. To verify that all fees have been paid, the balance of the administrative payable account should be \$2,000 at the end of the month.

Completeness of Fee Income

We noted that the Kansas Corporation Commission is to inform Fund management of new wireless carriers in Kansas. However, since the wireless carrier industry is not regulated and not required to register with the Kansas Corporation Commission the absence of new fees may go undetected.

Matters identified for the year ended June 30, 2005 and resolutions to those comments.
 (Please refer to the June 30, 2005 management letter for further details of the matters noted.)

| Finding | Resolution |
|--|---|
| Lack of information provided by wireless carriers. | Kansas Statutes have been amended to include rules and regulations authorizing the assessment of civil penalties to wireless carriers. |
| Account structure nets receipts and disbursements. | Receipts and disbursements are now recorded at their gross amounts. The class function in Quickbooks is currently being utilized to summarize transactions in their respective collection periods. |
| No accounting procedures manual. | An accounting procedures manual has been created. The manual includes thorough written procedures and instructions to ensure that transactions are recorded consistently and properly. Additionally, the manual will be a good tool to aid in the training of new employees. |
| Fund not covered by blanket employee dishonesty insurance. | The necessary insurance coverage for this Fund has been obtained. |
| Improvements needed to bank reconciliation procedures. | Bank reconciliations have been improved due to the utilization of additional accounting personnel. Phyllis completes the bank reconciliation in a timely manner. Kim reviews both the unopened bank statements and the completed bank reconciliation and initials and dates both to provide documentation of her reviews. Kim also compares the spreadsheet sent by Dennis to the cash receipts on the bank statements. |
| No policy to approve journal entries. | A policy for journal entries is located in the newly created accounting procedures manual. Journal entries are accompanied with the spreadsheet provided by KAC as supporting documentation. Journal entries are reviewed and initialed by the LKM director. |

WIRELESS ENHANCED 911 LOCAL FEE FUND

Statements of Cash Receipts and Disbursements

YEARS ENDED JUNE 30, 2006 AND 2005

SS Summers, Spencer &
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CERTIFIED PUBLIC ACCOUNTANTS

*Wireless Enhanced 911 Local Fee Fund
Statements of Cash Receipts and Disbursements
Years Ended June 30, 2006 and 2005*

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INDEPENDENT AUDITORS' REPORT

To the Local Collection Point Administrator
Wireless Enhanced 911 Local Fee Fund

We have audited the accompanying statements of cash receipts and disbursements of the

WIRELESS ENHANCED 911 LOCAL FEE FUND

for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the statements of cash receipts and disbursements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements of cash receipts and disbursements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statements of cash receipts and disbursements. We believe that our audits provide a reasonable basis for our opinion.

As described in note 1, as prescribed by Kansas statute, these financial statements have been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the statements of cash receipts and disbursements referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Wireless Enhanced 911 Local Fee Fund for the years ended June 30, 2006 and 2005, on the basis of accounting described in note 1.

Summers, Spencer & Callison, CPAs, Chartered

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October 17, 2006

Wireless Enhanced 911 Local Fee Fund

FINANCIAL STATEMENTS

Wireless Enhanced 911 Local Fee Fund
Statements of Cash Receipts and Disbursements
YEARS ENDED JUNE 30, 2006 AND 2005

| | <u>2006</u> | <u>2005</u> |
|---|--------------------------|--------------------------|
| Receipts | | |
| Fees | \$ 4,529,814 | \$ 3,767,531 |
| Interest | <u>17,658</u> | <u>8,241</u> |
| <i>Total receipts</i> | <u>4,547,472</u> | <u>3,775,772</u> |
| Disbursements | | |
| PSAPs | 4,272,843 | 2,988,443 |
| Administrative fees | 70,598 | 59,574 |
| Statewide training expenses | <u>1,030</u> | <u>2,099</u> |
| <i>Total disbursements</i> | <u>4,344,471</u> | <u>3,050,116</u> |
| Excess receipts over disbursements | 203,001 | 725,656 |
| Cash at beginning of year | <u>725,656</u> | <u>-</u> |
| Cash at end of year | <u><u>\$ 928,657</u></u> | <u><u>\$ 725,656</u></u> |

Wireless Enhanced 911 Local Fee Fund

Notes to the Financial Statements

YEARS ENDED JUNE 30, 2006 AND 2005

1. Summary of significant accounting policies

(a) Organization

The 2004 Kansas Legislature created the Wireless Enhanced 911 Act (the Act), K.S.A. 12-5321 et seq. The Wireless Enhanced 911 Local Fee was established under this law (K.S.A. 12-5330) requiring wireless carriers to collect 25 cents for each wireless subscriber. The Wireless Enhanced 911 Local Fee Fund (the Fund) represents the fees remitted by the wireless carriers to the Local Collection Point Administrator for distribution to Public Safety Answering Points. The Act is administered by the Governor's Grants Program. As set forth in the statutes, the Kansas Association of Counties and the League of Kansas Municipalities share the duties of Local Collection Point Administrator.

(b) Basis of accounting

The accompanying financial statements present the Fund's activities following the cash receipts and disbursements accounting method. Under this method, revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. The statement of cash receipts and disbursements is a summary of the cash activity of the Fund and does not present transactions that would be included in financial statements prepared using the accrual method of accounting, as contemplated by generally accepted accounting principles.

2. Payments to PSAPs

Using zip code data supplied by the wireless carriers, the Local Collection Point Administrator allocates the fees to Public Safety Answering Points (PSAPs). The payments are made in the month following collection. In some cases, certain wireless carriers have not supplied the information necessary to make the allocation although the fees have been remitted to the Local Collection Point Administrator (see Note 5).

3. Administrative fees

The Local Collection Point Administrator is paid a 2% administrative fee calculated on payments made to PSAPs. All administrative expenses are paid from this administrative fee.

4. Statewide training expenses

Fees attributable to out-of-state zip codes are segregated within the Fund and utilized for training expenses benefiting all PSAPs.

5. Commitments

The Fund's cash balance at June 30, 2006 and 2005 is restricted for payment to PSAPs and the related 2% administrative fee. Undistributed amounts are as follows:

| | <u>2006</u> | <u>2005</u> |
|---|-------------------|-------------------|
| PSAPs | | |
| Collected August 2004 through June 2005 | \$ 246,388 | \$ 662,044 |
| Collected July 2005 through June 2006 | 548,982 | - |
| Statewide training fund | 71,816 | 39,818 |
| Administrative fees | 35,543 | 15,553 |
| Interest income (to be used for statewide training) | <u>25,928</u> | <u>8,241</u> |
| Fund balance at June 30, 2006 | <u>\$ 928,657</u> | <u>\$ 725,656</u> |

Wireless Enhanced 911 Local Fee Fund

Notes to the Financial Statements

YEARS ENDED JUNE 30, 2006 AND 2005

6. Deposits

The Fund's cash balance is held in an interest-bearing checking account at a financial institution. The bank balance is secured by a standby irrevocable letter of credit issued by the Federal Home Loan Bank of Topeka. For the year ending June 30, 2006, the letter of credit expires October 27, 2006. For the year ending June 30, 2005, the letter of credit expires October 28, 2005.

7. Subsequent events

Effective July 1, 2006, the Wireless Enhanced 911 Act was amended to include a voice over internet protocol (VoIP) Enhanced 911 fee in the amount of 25 cents per month per VoIP service user. These fees are to be remitted by VoIP providers to the Local Point Collection Administrator for distribution to Public Safety Answering Points.