

COMMERCIAL MOBILE RADIO SERVICE BOARD
FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
JUNE 30, 2010 AND 2009

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board Members of
Commercial Mobile Radio Service Board

We have audited the accompanying financial statements of the governmental activities and major fund of Commercial Mobile Radio Service Board as of and for the years ended June 30, 2010 and 2009, which collectively comprise the Commercial Mobile Radio Service Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Commercial Mobile Radio Service Board's management. Our responsibility is to express opinions 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 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 that our audits provide a reasonable basis for our opinions.

As discussed in Note 1-B, Commercial Mobile Radio Service Board prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities and major fund of Commercial Mobile Radio Service Board as of June 30, 2010 and 2009, and the respective changes in financial position - modified cash basis thereof, for the years then ended in conformity with the basis of accounting described in Note 1-B.

The management's discussion and analysis on pages 3 through 5 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

Haddock Reed Barber & Calhoun PLLC

September 24, 2010

COMMERCIAL MOBILE RADIO SERVICE BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

Our discussion and analysis of Commercial Mobile Radio Service Board's financial performance provides an overview of the Board's financial activities for the years ended June 30, 2010 and 2009. Please read it in conjunction with the Board's financial statements which begin on page 6.

FINANCIAL HIGHLIGHTS

- The Board's cash and cash equivalents (the Board's only asset) increased by \$2,121,578 from \$20,433,751 at June 30, 2009 to \$22,555,329 at June 30, 2010.
- Program revenue (CMRS charges) increased by \$920,719 from \$22,042,123 for the year ended June 30, 2009 to \$22,962,842 for the year ended June 30, 2010.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statements of Net Assets - Modified Cash Basis and the Statements of Activities - Modified Cash Basis (on pages 6 and 7) are designed to provide information about the activities of the Board as a whole while the Statements of Assets, Liabilities and Fund Balance - Modified Cash Basis and the Statements of Receipts, Expenditures and Changes in Fund Balance - Modified Cash Basis (on pages 8 and 9) are designed to tell how these services were financed in the short term as well as what remains for future spending. Since the Board has not expended funds for capital assets and has not financed any activities through the issuance of debt, the two sets of financial statements present the same financial information.

FINANCIAL ANALYSIS OF THE BOARD

The Board's net assets increased from \$19,128,431 at June 30, 2009 to \$20,038,520 as reflected in the following table:

Condensed Statement of Net Assets - Modified Cash Basis

	<u>FY 2010</u>	<u>FY 2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current assets - cash and cash equivalents	\$ 22,555,329	20,433,751	2,121,578	10.4%
Current liabilities - accounts payable	2,516,809	1,305,320	1,211,489	92.8%

COMMERCIAL MOBILE RADIO SERVICE BOARD

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED:
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

FINANCIAL ANALYSIS OF THE BOARD - CONTINUED:

Condensed Statement of Net Assets - Modified Cash Basis - continued:

	<u>FY 2010</u>	<u>FY 2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Net assets:				
Restricted for:				
Costs incurred by CMRS providers in complying with wireless E911 service requirements	\$ 18,067,299	17,238,687	828,612	4.8 %
Administrative expenses	1,376,118	1,294,641	81,477	6.3 %
Unrestricted	<u>595,103</u>	<u>595,103</u>	-	
	\$ <u>20,038,520</u>	<u>19,128,431</u>	<u>910,089</u>	4.8 %

As can be seen from the table above, both net assets restricted for future cost to fund CMRS providers in complying with wireless E911 service requirements and net assets restricted for administrative expenses, increased during the current fiscal year.

In addition, accounts payable increased by 92.8% as a result of the Board not paying a Commercial Mobile Radio Service Board provider for E911 implementation cost due to the fact that the provider has not been submitting its charges for pre-paid minutes. The implementation costs have been recorded in the accompanying financial statements and will be promptly paid as soon as the charges for pre-paid minutes are received from the provider.

Condensed Statements of Activities - Modified Cash Basis

	<u>FY 2010</u>	<u>FY 2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Program revenue	\$ 22,962,842	22,042,123	920,719	4.2 %
Other revenues	<u>30,465</u>	<u>90,152</u>	<u>(59,687)</u>	(66.2)%
	<u>22,993,307</u>	<u>22,132,275</u>	<u>861,032</u>	3.9 %
Operating expenses:				
Distributions to districts	16,073,989	15,429,486	644,503	4.2 %
E911 implementation cost	5,937,697	4,619,319	1,318,378	28.5 %
Administrative	<u>71,532</u>	<u>74,767</u>	<u>(3,235)</u>	(4.3)%
	<u>22,083,218</u>	<u>20,123,572</u>	<u>1,959,646</u>	9.7 %
Changes in net assets	910,089	2,008,703	(1,098,614)	
Beginning net assets	<u>19,128,431</u>	<u>17,119,728</u>	<u>2,008,703</u>	
Ending net assets	\$ <u>20,038,520</u>	<u>19,128,431</u>	<u>910,089</u>	

COMMERCIAL MOBILE RADIO SERVICE BOARD

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED:
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

FINANCIAL ANALYSIS OF THE BOARD - CONTINUED:

While the Statement of Net Assets - Modified Cash Basis shows the change in financial position of net assets, the Statement of Activities - Modified Cash Basis provides answers as to the nature and source of these changes. As can be seen from the table above, there was an increase in program revenue and the resulting distributions to the districts. The cost incurred in the E911 implementation increased from the prior year by 28.5%.

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide the users with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Board's financial personnel at P. O. Box 22964, Jackson, Mississippi 39225-2964.

COMMERCIAL MOBILE RADIO SERVICE BOARD

STATEMENTS OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2010 AND 2009

ASSETS

	<u>2010</u> <u>Governmental</u> <u>Activities</u>	<u>2009</u> <u>Governmental</u> <u>Activities</u>
ASSETS:		
Cash and cash equivalents	\$ <u>22,555,329</u>	<u>20,433,751</u>
Total assets	\$ <u>22,555,329</u>	<u>20,433,751</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable - county emergency communications districts	\$ 1,374,954	1,305,320
Accounts payable - wireless carrier E911 service requirements	<u>1,141,855</u>	<u>-</u>
Total liabilities	<u>2,516,809</u>	<u>1,305,320</u>

NET ASSETS:

Restricted for:		
Costs incurred by CMRS providers in complying with wireless E911 service requirements	18,067,299	17,238,687
Administrative expenses of the CMRS Board	1,376,118	1,294,641
Unrestricted	<u>595,103</u>	<u>595,103</u>
Total net assets	\$ <u>20,038,520</u>	<u>19,128,431</u>

The accompanying notes are an integral part of these statements.

COMMERCIAL MOBILE RADIO SERVICE BOARD

STATEMENTS OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CMRS service charge distribution:		
Distributions to districts	\$ 16,073,989	15,429,486
E911 implementation	5,937,697	4,619,319
Administrative	<u>71,532</u>	<u>74,767</u>
Total program expenses	22,083,218	20,123,572
Program revenues:		
CMRS charges	<u>22,962,842</u>	<u>22,042,123</u>
Net program revenue	<u>879,624</u>	<u>1,918,551</u>
General revenues:		
Late charges	-	122
Interest	<u>30,465</u>	<u>90,030</u>
Total general revenues	<u>30,465</u>	<u>90,152</u>
Increase in net assets	910,089	2,008,703
Net assets - beginning of year	<u>19,128,431</u>	<u>17,119,728</u>
Net assets - end of year	\$ <u>20,038,520</u>	<u>19,128,431</u>

The accompanying notes are an integral part of these statements.

COMMERCIAL MOBILE RADIO SERVICE BOARD
STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE -
MODIFIED CASH BASIS
GOVERNMENTAL FUND TYPE - SPECIAL REVENUE FUND
JUNE 30, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Assets:		
Cash - interest bearing accounts	\$ <u>22,555,329</u>	<u>20,433,751</u>
Total assets	\$ <u>22,555,329</u>	<u>20,433,751</u>

LIABILITIES AND FUND BALANCE

Liabilities:		
Accounts payable - county emergency communications districts	\$ 1,374,954	1,305,320
Accounts payable - wireless carrier E911 service requirements	<u>1,141,855</u>	<u>-</u>
Total liabilities	<u>2,516,809</u>	<u>1,305,320</u>
Fund Balance:		
Reserved for costs incurred by CMRS providers in complying with wireless E911 service requirements	18,067,299	17,238,687
Designated for administrative expenses of the CMRS Board	1,376,118	1,294,641
Unreserved	<u>595,103</u>	<u>595,103</u>
Total fund balance	<u>20,038,520</u>	<u>19,128,431</u>
Total liabilities and fund balance	\$ <u>22,555,329</u>	<u>20,433,751</u>

The accompanying notes are an integral part of these statements.

COMMERCIAL MOBILE RADIO SERVICE BOARD

**STATEMENTS OF RECEIPTS, EXPENDITURES AND CHANGES IN
FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUND TYPE - SPECIAL REVENUE FUND
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Receipts:		
CMRS emergency telephone system charges received from providers	\$ 22,962,842	22,042,123
Late charges received from providers	-	122
Interest received	<u>30,465</u>	<u>90,030</u>
Total receipts	<u>22,993,307</u>	<u>22,132,275</u>
Expenditures:		
Distributions to county emergency communications districts	16,073,989	15,429,486
E911 implementation expenses	5,937,697	4,619,319
Administrative expenses:		
Professional services	64,294	62,106
Website fees	396	3,155
Bank charges	623	1,319
Office supplies	364	341
Travel expenses	<u>5,855</u>	<u>7,846</u>
Total expenditures	<u>22,083,218</u>	<u>20,123,572</u>
Excess of receipts over expenditures	910,089	2,008,703
Fund balance at beginning of period	<u>19,128,431</u>	<u>17,119,728</u>
Fund balance at end of period	\$ <u>20,038,520</u>	<u>19,128,431</u>

The accompanying notes are an integral part of these statements.

COMMERCIAL MOBILE RADIO SERVICE BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Commercial Mobile Radio Service Board (the Board) was created under the provisions of Senate Bill No. 2821 of the State of Mississippi and began conducting operations in August 1998. The original legislation has been amended on several occasions to effectively extend the Board's mission through June 30, 2014 at which time new or extended legislation will be required for the continuation of the organization.

The Board was formed to receive and distribute a commercial mobile radio service (CMRS) emergency telephone service charge levied on CMRS customers in the state. The Board is a separately administered organization consisting of seven members. The members are appointed as follows: one member from the Northern Public Service Commission District selected from two nominees submitted to the Governor by the Mississippi 911 Coordinators Association; one member from the Central Public Service Commission District selected from two nominees submitted to the Governor by the Mississippi Chapter of the Association of Public Safety Communication Officers; one member from the Southern Public Service Commission District selected from two nominees submitted to the Governor by the National Emergency Numbering Association; two members who are wireless provider representatives; one member who is a consumer representing the state at large with no affiliation to the three trade associations or the wireless providers; and one member who is a member of the Mississippi Law Enforcement Officers Association selected from two nominees submitted to the Governor by the association.

The Board is fiscally dependent upon the service charge receipts as established by the enabling legislation.

The Board has adopted Governmental Accounting Standards Board (GASB) Statement #34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. The Board is deemed to be a single-program special-purpose government under the provisions of GASB Statement #34.

B. Basis of Accounting

The Board has adopted the modified cash basis of accounting for financial reporting purposes. The primary differences in this method and accounting principles generally accepted in the United States of America for state and local governmental units are that service charges and other revenues and the related assets are recognized when received

COMMERCIAL MOBILE RADIO SERVICE BOARD

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

B. Basis of Accounting - continued:

rather than when they become both measurable and available; liabilities and the related expenditures for distributions to county emergency communication districts arising from the receipt of service charges are recognized at the time of receipt; and other expenditures are recognized when paid rather than when the obligation is incurred.

C. Basic Financial Statements - Government-Wide Statements

The Board's government-wide financial statements include Statements of Net Assets and Statements of Activities. These statements present a summary of governmental activities of the Board. The Board does not operate any business type activities.

The government-wide financial statements are presented on an "economic resources" measurement focus and the modified cash basis of accounting.

The government-wide Statements of Activities report both the gross and net cost of the Board's primary function to receive and distribute CMRS emerging telephone services charges. The function is also supported by general government revenues such as interest and late charges. The Statements of Activities reduce gross expenses by related program revenues.

D. Basic Financial Statements - Fund Financial Statements

Governmental fund financial statements include Statements of Assets, Liabilities and Fund Balance and Statements of Receipts, Expenditures and Changes in Fund Balance. Governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified cash basis of accounting. Accordingly, only current assets and current liabilities are included on the Statements of Assets, Liabilities and Fund Balance. The Statements of Receipts, Expenditures and Changes in Fund Balance present increases (revenues and other financial uses) and decreases (expenditures and other financial uses) in net current assets. The Board's accounts have been grouped into a governmental fund type, special revenue fund. Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Board's special revenue fund is reported as a major fund.

COMMERCIAL MOBILE RADIO SERVICE BOARD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

D. Basic Financial Statements - Fund Financial Statements - continued:

Since the Board has not invested in capital assets, nor does it own any noncurrent assets, and has not incurred any long-term debt, there is no difference in fund balance and changes in fund balance as presented in these financial statements, and net assets and changes in net assets as presented in the government-wide financial statements.

E. Cash and Cash Equivalents

The Board's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash deposits are authorized by legislation to be placed in insured interest bearing accounts. Cash deposits are reported at carrying amount which reasonably estimates fair value.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS

The composition of the Board's cash, cash equivalents and investments is as follows at June 30, 2010:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Cash and cash equivalents	\$ <u>22,555,329</u>	<u>22,570,568</u>

The difference of \$15,239 was principally due to outstanding checks.

COMMERCIAL MOBILE RADIO SERVICE BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

NOTE 2 - CASH AND CASH EQUIVALENTS - CONTINUED:

Deposits

The financial institution holding all the Board's cash accounts is deemed to be an insured depository institution that participates in the Federal Deposit Insurance Corporation (FDIC)'s Transaction Account Guarantee (TAG) component of the Temporary Liquidity Guarantee Program (TLGP). In accordance with this program, all accounts identified by a financial institution as being covered under TLGP are 100% guaranteed by the FDIC through December 31, 2010. These accounts are limited to an interest rate of .5 percent through June 30, 2010 (.25 percent after June 30, 2010).

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the Board's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not guaranteed by the Federal Depository Insurance Corporation. Since the Board's cash balances are 100% covered by the FDIC, no securities have been pledged by the Board's financial institution to provide collateral for the balances.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Board's deposits may not be returned to it. As of June 30, 2010, none of the Board's bank balance of \$22,570,568 was exposed to custodial credit risk as a result of the Board's financial institution participating in the FDIC's TAG program. The Board's custodial credit risk policy requires its depositories to issue a collateral sufficiency analysis report when deposits exceed FDIC coverage.

NOTE 3 - SERVICE CHARGE RECEIPTS

The CMRS emergency telephone service charges are levied at the rate of one dollar (\$1.00) per month per CMRS connection on each CMRS customer that has a billing address within the state of Mississippi. Each CMRS provider is to act as a collection agent for the CMRS Fund and remit to the Board the net CMRS service charges so collected after deducting a collection fee authorized by the legislation.

COMMERCIAL MOBILE RADIO SERVICE BOARD

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 3 - SERVICE CHARGE RECEIPTS - CONTINUED:

Out of the funds received by the Board, thirty percent is to be set aside to pay actual costs incurred by CMRS providers in complying with the wireless E911 service requirements established by the Federal Communications Commission and to defray the administrative expenses of the Board. Seventy percent of the funds received are to be distributed by the Board monthly to the county ECDs for use in providing wireless E911 service.

NOTE 4 - FUND BALANCE RESERVATIONS

Reservations of fund balance show amounts that are legally restricted for specific uses. The purpose for the reservation is indicated by the account title on the face of the Statements of Assets, Liabilities and Fund Balance.

NOTE 5 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts, theft of assets, and errors and omissions. The Board carries commercial insurance for risks of loss. Settled claims resulting from these commercially covered risks have not exceeded commercial coverage. Claims expenditures and liabilities for uninsured risks are accounted for in accordance with requirements of Governmental Accounting Standards Board Statement No. 10, and no provision for such liabilities was deemed necessary as of June 30, 2010 or 2009.

NOTE 6 - SUBSEQUENT EVENTS

The Board had no subsequent events of a material nature requiring disclosure in the financial statements through September 24, 2010, the date the financial statements were approved by the Board and thereby available to be issued.