

COMMERCIAL MOBILE RADIO SERVICE BOARD
FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
JUNE 30, 2005 AND 2004

HADDOX REID BURKES & CALHOUN PLLC
Certified Public Accountants

Jackson, Mississippi

TABLE OF CONTENTS

<u>DESCRIPTION</u>	<u>PAGE</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statements of Net Assets - Modified Cash Basis	6
Statements of Activities - Modified Cash Basis	7
Fund Financial Statements:	
Statements of Assets, Liabilities and Fund Balance - Modified Cash Basis - Governmental Fund Type - Special Revenue Fund	8
Statements of Receipts, Expenditures and Changes in Fund Balance - Modified Cash Basis - Governmental Fund Type - Special Revenue Fund	9
Notes to Financial Statements	10

HADDOX REID BURKES & CALHOUN PLLC
Certified Public Accountants

EMMITTE J. HADDOX
JIMMY E. BURKES
PAUL W. CALHOUN
M. GREGORY KING
TED B. EDWARDS
JAN F. LEWIS
CHERYL J. LEE
W.R. LEE ADAMS
WALTER J. LEE

1100 AMSOUTH PLAZA
P.O. DRAWER 22507
JACKSON, MISSISSIPPI 39225-2507
TELEPHONE 601/948-2924
FACSIMILE 601/960-9154

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, 2005 and 2004, 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, 2005 and 2004, 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.

Haddon Reed Bank & Colman PLLC

October 6, 2005

COMMERCIAL MOBILE RADIO SERVICE BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

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, 2005 and 2004. 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) decreased by \$1,592,592 from \$15,332,975 at June 30, 2004 to \$13,740,383 at June 30, 2005.
- Program revenue (CMRS charges) increased by \$1,538,773 from \$14,735,554 for the year ended June 30, 2004 to \$16,274,327 for the year ended June 30, 2005.

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 decreased from \$14,461,842 at June 30, 2004 to \$12,697,647 as reflected in the following table:

COMMERCIAL MOBILE RADIO SERVICE BOARD

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED:
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

FINANCIAL ANALYSIS OF THE BOARD - CONTINUED:

Condensed Statement of Net Assets - Modified Cash Basis

	<u>FY 2005</u>	<u>FY 2004</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current assets - cash and cash equivalents	\$ 13,740,383	15,332,975	(1,592,592)	(10) %
Current liabilities - accounts payable	<u>1,042,736</u>	<u>871,133</u>	<u>171,603</u>	20 %
Net assets:				
Restricted for:				
Costs incurred by CMRS providers in comply- ing with wireless E911 service require- ments	11,831,800	13,669,338	(1,837,538)	(13) %
Administrative expenses	270,744	197,401	73,343	37 %
Unrestricted	<u>595,103</u>	<u>595,103</u>	<u>-</u>	
	\$ <u>12,697,647</u>	<u>14,461,842</u>	<u>(1,764,195)</u>	(12) %

As can be seen from the table above, the primary decrease related to net assets restricted for future cost to fund CMRS providers in complying with wireless E911 service requirements.

Condensed Statements of Activities - Modified Cash Basis

	<u>FY 2005</u>	<u>FY 2004</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Program revenue	\$ 16,274,327	14,735,554	1,538,773	10 %
Other revenues	<u>163,532</u>	<u>71,325</u>	<u>92,207</u>	129 %
	<u>16,437,859</u>	<u>14,806,879</u>	<u>1,630,980</u>	11 %
Operating expenses:				
Distributions to districts	11,395,440	10,314,887	1,080,553	10 %
E911 implementation cost	6,701,949	1,435,866	5,266,083	367 %
Administrative	<u>104,665</u>	<u>76,524</u>	<u>28,141</u>	37 %
	<u>18,202,054</u>	<u>11,827,277</u>	<u>6,374,777</u>	54 %
Changes in net assets	(1,764,195)	2,979,602	(4,743,797)	
Beginning net assets	<u>14,461,842</u>	<u>11,482,240</u>	<u>2,979,602</u>	
Ending net assets	\$ <u>12,697,647</u>	<u>14,461,842</u>	<u>(1,764,195)</u>	

COMMERCIAL MOBILE RADIO SERVICE BOARD

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED:
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

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 significantly increased from the prior year due to the implementation of Phase II, which relates to identifying the place of primary use.

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, 2005 AND 2004

ASSETS

	2005 <u>Governmental Activities</u>	2004 <u>Governmental Activities</u>
Cash and cash equivalents	\$ <u>13,740,383</u>	<u>15,332,975</u>
Total assets	\$ <u>13,740,383</u>	<u>15,332,975</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable - county emergency communications districts	\$ <u>1,042,736</u>	<u>871,133</u>
Total liabilities	<u>1,042,736</u>	<u>871,133</u>

NET ASSETS:

Restricted for:		
Costs incurred by CMRS providers in complying with wireless E911 service requirements	11,831,800	13,669,338
Administrative expenses of the CMRS Board	270,744	197,401
Unrestricted	<u>595,103</u>	<u>595,103</u>
Total net assets	\$ <u>12,697,647</u>	<u>14,461,842</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, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
CMRS service charge distribution:		
Distributions to districts	\$ 11,395,440	10,314,887
E911 implementation	6,701,949	1,435,866
Administrative	<u>104,665</u>	<u>76,524</u>
Total program expenses	18,202,054	11,827,277
Program revenues:		
CMRS charges	<u>16,274,327</u>	<u>14,735,554</u>
Net program revenue (expense)	<u>(1,927,727)</u>	<u>2,908,277</u>
General revenues:		
Late charges	2,948	749
Interest	160,426	66,369
Other	<u>158</u>	<u>4,207</u>
Total general revenues	<u>163,532</u>	<u>71,325</u>
Increase (decrease) in net assets	(1,764,195)	2,979,602
Net assets - beginning of year	<u>14,461,842</u>	<u>11,482,240</u>
Net assets - end of year	\$ <u>12,697,647</u>	<u>14,461,842</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, 2005 AND 2004

ASSETS

	<u>2005</u>	<u>2004</u>
Cash - interest bearing accounts	\$ <u>13,740,383</u>	<u>15,332,975</u>
Total assets	\$ <u>13,740,383</u>	<u>15,332,975</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable - county emergency communications districts	\$ <u>1,042,736</u>	<u>871,133</u>
Total liabilities	<u>1,042,736</u>	<u>871,133</u>

Fund Balance:

Reserved for costs incurred by CMRS providers in complying with wireless E911 service requirements	11,831,800	13,669,338
Designated for administrative expenses of the CMRS Board	270,744	197,401
Unreserved	<u>595,103</u>	<u>595,103</u>
Total fund balance	<u>12,697,647</u>	<u>14,461,842</u>
Total liabilities and fund balance	\$ <u>13,740,383</u>	<u>15,332,975</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, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Receipts:		
CMRS emergency telephone system charges received from providers	\$ 16,274,327	14,735,554
Late charges received from providers	2,948	749
Interest received	160,426	66,369
Other income	158	4,207
Total receipts	<u>16,437,859</u>	<u>14,806,879</u>
Expenditures:		
Distributions to county emergency communications districts	11,395,440	10,314,887
E911 implementation expenses	6,701,949	1,435,866
Administrative expenses:		
Professional services	95,208	66,094
Website fees	125	4,715
Bank charges	857	1,150
Office supplies	213	565
Travel expenses	8,262	4,000
Total expenditures	<u>18,202,054</u>	<u>11,827,277</u>
Excess (deficiency) of receipts over (under) expenditures	(1,764,195)	2,979,602
Fund balance at beginning of period	<u>14,461,842</u>	<u>11,482,240</u>
Fund balance at end of period	\$ <u>12,697,647</u>	<u>14,461,842</u>

The accompanying notes are an integral part of these statements.

COMMERCIAL MOBILE RADIO SERVICE BOARD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

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 was amended effective July 1, 2002 by House Bill No. 1144 which extended the Board's mission through July 1, 2004. House Bill No. 1144 was reenacted without change effective July 1, 2003 through July 1, 2007, 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 adopted Governmental Accounting Standards Board (GASB) Statement #34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, during the prior fiscal year. This statement provided significant changes in financial reporting. The Board is considered a single-program special-purpose government under the provisions of GASB Statement #34.

COMMERCIAL MOBILE RADIO SERVICE BOARD

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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 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

COMMERCIAL MOBILE RADIO SERVICE BOARD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

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.

Since the Board has not invested in capital assets, nor does it own any non-current 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 Investments

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 - DEPOSITS

The Board's deposits are categorized to give an indication of the level of risk assumed by the Board at fiscal year-end. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the Board or by its agent in the Board's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Board's name.

Category 3 - Uncollateralized.

COMMERCIAL MOBILE RADIO SERVICE BOARD

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

NOTE 2 - DEPOSITS - CONTINUED:

Deposits categorized by level of risk at June 30, 2005 and 2004 are:

	<u>Bank Balance</u>	<u>Category</u>			<u>Carrying Amount</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
2005	\$ 14,012,409	100,000	13,912,409	-	13,740,383
2004	15,354,743	100,000	15,254,743	-	15,332,975

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.

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, 2005 or 2004.