

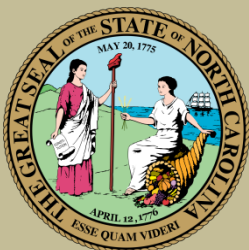
STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR
BETH A. WOOD, CPA



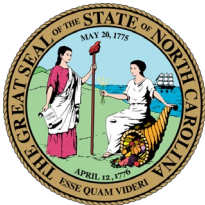
NORTH CAROLINA 911 FUND

RALEIGH, NORTH CAROLINA
FINANCIAL STATEMENT AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2020



NCOSA
The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
North Carolina 911 Board

We have completed a financial statement audit of the North Carolina 911 Fund for the year ended June 30, 2020, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

A handwritten signature in black ink that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



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State Auditor

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INDEPENDENT AUDITOR'S REPORT

North Carolina 911 Board
North Carolina 911 Fund
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina 911 Fund (911 Fund), a special revenue fund of the Department of Information Technology (Department), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the 911 Fund's basic financial statements as 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 accounting principles generally accepted in the United States of America; 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 911 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 911 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 911 Fund, as of June 30, 2020, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the 911 Fund are intended to present the financial position and changes in financial position that are only attributable to the transactions of the 911 Fund. They do not purport to, and do not, present fairly the financial position of the State of North Carolina nor the North Carolina Department of Information Technology as of June 30, 2020 or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information, as listed in the table of contents, 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 who 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 auditing standards generally accepted in the United States of America, 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, 2021 on our consideration of the 911 Fund's internal control over financial reporting and on 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 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 911 Fund's internal control over financial reporting and compliance.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

June 22, 2021



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the North Carolina 911 Fund (911 Fund) and the fund previously identified as the Enhanced Wireless 911 fund, we are providing the readers of these financial statements this narrative overview and analysis of the financial activities of the Fund for the fiscal year ended June 30, 2020.

Financial Highlights

- The assets of the Fund exceeded its liabilities at the close of the fiscal year by \$120,353,551 all of which is committed.
- The Fund's total fund balance increased by \$19,235,807 for the fiscal year, which was primarily caused by the increase in cash and cash equivalents of \$21,356,844 discussed further below.

Overview

This discussion and analysis is intended to serve as an introduction to the 911 Fund's financial statements. The financial statements consist of the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance.

- The Balance Sheet presents the 911 Fund's assets, deferred outflows, liabilities, and deferred inflows that are considered relevant to an assessment of near-term liquidity. The difference between assets (plus deferred outflows of resources) and liabilities (plus deferred inflows of resources) is reported as fund balance.
- The Statement of Revenues, Expenditures, and Changes in Fund Balance reports the resource flow (revenues and expenditures) of the 911 Fund.

The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Required Supplementary Information (RSI) follows the financial statements and notes to the financial statements. The RSI is mandated by the Governmental Accounting Standards Board (GASB) and includes the 911 Fund's budgetary comparison schedule reconciling the statutory fund balance to the generally accepted accounting principles (GAAP) fund balance at fiscal year-end.

The following schedule reflects condensed financial information for the 911 Fund.

Condensed Balance Sheet
For the Fiscal Years Ended June 30, 2020 and 2019

	2020	2019 Unaudited	Variance
Assets	\$ 132,011,398	\$ 113,305,528	\$ 18,705,870
Deferred Outflows of Resources	0	0	0
Total Assets and Deferred Outflows	\$ 132,011,398	\$ 113,305,528	\$ 18,705,870
Liabilities	\$ 11,657,847	\$ 12,187,784	\$ (529,937)
Deferred Inflows of Resources	0	0	0
Fund Balance			
Committed	120,353,551	101,117,744	19,235,807
Total Fund Balance	120,353,551	101,117,744	19,235,807
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 132,011,398	\$ 113,305,528	\$ 18,705,870

MANAGEMENT'S DISCUSSION AND ANALYSIS

Total assets increased from \$113,305,528 to \$132,011,398 for the year. The increase is mainly due to the increase in cash and cash equivalents of \$21,356,844 needed to expend for the ongoing Next Generation 911 project (NG 911). The transition to the NG 911 platform is expected to start moving at a rapid pace and expenditures for this project will continue to increase in fiscal years 2021 through 2022. For more information on this project see the Future Highlights section of the MD&A.

Total liabilities decreased from \$12,187,784 to \$11,657,847 for the year. The decrease occurred due to fewer requests for additional funding from the Public Safety Answering Points (PSAPs).

Condensed Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2020 and 2019

	2020	2019 Unaudited	Variance
Revenues			
Service Charge Revenues	\$ 94,304,682	\$ 91,885,741	\$ 2,418,941
Other Revenues	2,871,971	2,609,890	262,081
Total Revenues	97,176,653	94,495,631	2,681,022
Expenditures			
Statutory Distributions	54,361,979	55,596,605	(1,234,626)
Grant Payments	8,092,306	14,979,220	(6,886,914)
Contracted Services	14,377,833	3,029,241	11,348,592
Other Expenditures	1,108,728	1,054,322	54,406
Total Expenditures	77,940,846	74,659,388	3,281,458
Revenues Over Expenditures	19,235,807	19,836,243	(600,436)
Fund Balance, Beginning of Year	101,117,744	81,281,501	19,836,243
Fund Balance, End of Year	\$ 120,353,551	\$ 101,117,744	\$ 19,235,807

Service charge revenues increased by \$2,418,941 from prior year due to a timing issue of revenue received and an increase in the number of carriers submitting revenue during the fiscal period. Other revenues increased by \$262,081 primarily due to increases in investment earnings in the State Treasurer's Short-Term Investment Fund (STIF). Service charge revenues and interest earned on the STIF continue to be the primary revenue sources of the 911 Fund.

As of June 30, 2020, the North Carolina 911 Board was disbursing 911 funds to 115 Primary and 12 Secondary PSAPs in North Carolina each month, including the Eastern Band of the Cherokee Indians.

Expenditures for the fiscal year were \$77,940,846 and included statutory distributions and other operating expenditures. Statutory distributions decreased by \$1,234,626 due to fewer funding reconsideration requests from PSAPs. This amount also decreased based on the current funding model which reduces a PSAP's distributions when fund balance accrues above the allowable legislative 20% carryforward amount per *North Carolina General Statute* 143B-1406(c). Grant payments expenditures decreased by \$6,886,914. The decrease is due to smaller number of reimbursement requests from the PSAP during this fiscal year. Contracted services increased by \$11,348,592 from prior year. The primary reason for the increase is due to the continued progress of migrating PSAPs to the Emergency Services IP Network (ESInet).

As of June 30, 2020, the Commercial Mobile Radio Service (CMRS) Cost Recovery Fund balance was \$5,964,801 with an average monthly disbursement of \$273,897. These funds represent a portion of receipts allocated to CMRS's for additional costs associated with providing enhanced 911 services. As of the same date, the average monthly disbursement for the PSAP was \$4,264,156. Average monthly revenues to the PSAP fund as of June 30, 2020 were \$6,008,554.

Budget Variations

Data for the budget variances is presented in Exhibit B-1: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis - Non-GAAP) of this report.

The 911 Fund budget is based on receipts received from access lines as noted in G.S.143B-1400. It is not unusual for the budget to change during the fiscal year in relation to budget adjustments made to accommodate changes in NC 911 Board activity. Under current state budget management practice, primary emphasis is placed on comparisons of the final authorized budget and actual spending.

Variances - Original and Final Budget:

In general, the variance between the grant payments and service charge revenues original and final budget are attributable to the timing issue between when the NC 911 Board approves the budget and when it is processed along with the State budget. Grant payments are fluid and the NC 911 Board approval of grant carry forward amounts can change based on payments made by fiscal year close. At the end of the fiscal year, the Board must determine whether to distribute any remaining fund balance in the PSAP account to the PSAP's on a per capita basis, or to move the funds to the PSAP Grant and Statewide Projects account. In this same timeframe, the Board may also choose to move funds from the CMRS account if it is determined funds are required to assist in procurement for PSAP grants or Statewide projects. Since this action is completed after the approved budget is submitted, this action lends to budget variances between initial and final budget. Similarly, a variance in revenues may arise as service charge rates may increase or decrease at the time of the Board's issuance of the approved budget. This is completed in September of the following fiscal year.

Additionally, the variance between the original and final budgeted amounts for contracted services was due to the planned estimated payments relating to migration of the Public Safety Answering Points (PSAPs) to the Next Generation 911 ESInet and awarding of three Statewide projects totaling \$2.1 million during the fiscal year.

The final budget reflects all budget revisions made throughout the fiscal year to adjust for known facts as well as supplemental adjustments approved by the NC 911 Board Executive Director during the fiscal year.

Variances - Final Budget and Actual Results:

A variance between final and actual occurs as changes are made throughout the year due to new or changing activities. Other changes occurred due to the following:

- 1) Statutory Distribution - CMRS providers decreased reimbursement requests. The NC 911 Board prepares an estimated figure based on prior years' request; however, the CMRS provider is not guaranteed to submit requests. Additionally, the PSAP reconsiderations were less than expected, so this caused the decrease in payments to the PSAPs.

- 2) Grant Payments - Grant recipient's reimbursement requests are based on the recipient's project schedule so the request may or may not occur within the fiscal year; however, it must be budgeted as such to be sure funds are available if requested.
- 3) Contracted Services - Statewide grants were awarded to recipients; however, invoices were not received for payment in the fiscal year funds were budgeted. Additionally, planned expenses for the PSAPs migration to the ESInet were not incurred as anticipated.

PSAP Funding Method

North Carolina General Statute 143B-1406 states that "The Board must determine a method for establishing distributions that is equitable and sustainable and that ensures distributions for eligible operating costs and anticipated increases for all funded PSAPs. The Board must establish a formula to determine each PSAP's base amount."

The Board approved a new PSAP fund distribution method on December 7, 2010 to be effective July 1, 2011. This method distributed funds to eligible PSAPs based on an average of the most recent five years of eligible 911 expenditures. Each year going forward, the oldest expenses would be removed from the average and the most current year added, creating a "rolling average."

Twelve PSAPs made formal funding reconsideration request for FY2020, of the twelve, 5 were increased from the proposed amount after careful review of past expenditures and fund balances within the individual PSAP.

The approved PSAP distribution for FY2020 was \$50,449,551.

In performing the annual revenue/expenditure reports from the PSAPs, the 911 Board staff noted that at the end of the fiscal year of June 30, 2020, PSAP fund balances (the amount that PSAPs have on hand locally) totaled over \$76,369,542.

PSAP Grant and Statewide 911 Projects

The enactment of SL 2010-158 (codified in G.S. 143B-1407), expanded the Board's grant authority in two significant ways: to consolidate one or more PSAPs with a primary PSAP, and to fund statewide 911 projects. SL 2015-261 allows for capital expenditures that enhance the 911 system, including costs not authorized under G.S. 143B-1406(c).

The three largest fiscal year 2020 grant expenditures to counties are as follows: Chatham County (\$2,339,608), Cumberland County (\$2,251,387), and Franklin County (\$3,958,873).

The 911 Board continued funding statewide 911 projects. Fiscal year 2020 expenditures for the orthography project, 911 Emergency Call Tracking System call analysis (ECATS) project, and the continuation of translation services (Voiance) project totaled \$4,108,739, \$1,458,380, and \$230,000, respectively.

A transfer of \$16,162,172 from the grant account to the Next Generation 911 (NG 911) account was approved August 23, 2019. The transferred funds were considered excess in the PSAP Distribution Fund and did not impact the 911 Fund's ability to meet its fiscal responsibilities.

911 Service Charge

The 911 Board is to administer the 911 Fund and the monthly 911 service charge as authorized by N.C.G.S. §143B-1403. The 911 service charge for all devices (wireline, wireless & VoIP)

was reduced to \$0.60 in July 2010 by the 911 Board. In March 2018, the service charge was increased to \$0.65 by the Board, becoming effective July 1, 2018.

Future Highlights

The 911 Board continues their effort in bringing North Carolina from antiquated analog technology to a digital IP based network of the 21st century.

With the award of the ESInet contract in August of 2017, the transition to the Next Generation 911 platform is moving at a very rapid pace. The contract is a managed services contract that provides the benefit of no upfront capital expenditures and a comprehensive service level agreement (SLA) to cover all maintenance and long-term support costs. The contract ensures high levels of service availability and sophisticated cybersecurity protections. Per the NG911 contract, payment to AT&T began upon successful migration of the first PSAP to the State's NG911 system. Since then, the Board has been paying the monthly recurring charges from the NG911 fund per migrated PSAP within 45 days of system production status for each PSAP. The Board estimates FY 2020/2021 costs for migrated PSAPs at \$15,687,334 for monthly recurring charges. One-time charges are incurred for diverse routing installation costs for circuit installations and PSAP wiring infrastructure as required. The one-time/non-recurring costs are estimated at \$3,278,110 for FY 2020/2021.

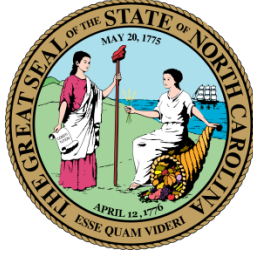
The award of this contract for NG911 managed services put into motion a very aggressive project timeline and implementation plan that celebrated the migration of the first PSAP in not only North Carolina, but the Nation, to the AT&T/State of North Carolina managed service ESInet and hosted call handling solution, along with capability of Text-to-911, in November 2018.

In addition, the Board added a Geographic Information System (GIS) component to the AT&T infrastructure. GIS-based 911 call routing replaces reliance upon physical addresses and takes advantage of improving location technologies for mobile devices. This reduces errors that can result in increasing response times and loss of life by improving each PSAP's ability to quickly and accurately locate the citizen needing emergency assistance. Geospatial routing provides call routing based on geographical coordinates that can be transmitted in the data stream of a 911 call.

As the cost for NG911 is being realized, the current funding model is being and will continue to be evaluated to consider 911 services, NG911 services, PSAP operations, and 911 Board operations. Consideration of a prospective funding model versus a rolling average method will be paramount. Use of 911 revenue will be reviewed, revised, and updated, seeking legislative changes as necessary to align with PSAP services in the NG911 environment. Improvement and optimization of the reimbursement process should be explored. This includes the current and ongoing review of the excessive individual PSAP fund balances to ensure there are technology and spending plans approved to address the PSAP needs per eligibility identified in legislation. In parallel to this review, there will also be analysis performed to identify those PSAPs that may have a lower fund balance that could potentially indicate the need for additional funding.

Request for Information

This report is designed to provide an overview of the Fund's finances for those with an interest in this area. Questions concerning any of the information presented in this report or requests for additional financial information should be directed to the Chief Financial Officer, North Carolina 911 Fund, 3700 Wake Forest Road, Raleigh, North Carolina 27609.



FINANCIAL STATEMENTS

North Carolina 911 Fund
Balance Sheet
June 30, 2020

Exhibit A-1

ASSETS

Cash and Cash Equivalents (Note 2)	\$	118,673,276
Accounts Receivable		7,338,217
Interest Receivable		117,706
Due from Other Funds		3,222,886
Securities Lending Collateral		2,659,313

Total Assets		<u>132,011,398</u>
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DEFERRED OUTFLOWS OF RESOURCES

0

Total Assets and Deferred Outflows	\$	<u><u>132,011,398</u></u>
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LIABILITIES

Accounts Payable and Accrued Liabilities:

Accounts Payable	\$	4,426,081
Intergovernmental Payable		4,469,743
Other Payables		102,710
Obligations Under Securities Lending		2,659,313

Total Liabilities		<u>11,657,847</u>
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DEFERRED INFLOWS OF RESOURCES

0

FUND BALANCE

Committed		<u>120,353,551</u>
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Total Liabilities, Deferred Inflows and Fund Balance	\$	<u><u>132,011,398</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

North Carolina 911 Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance
For the Fiscal Year Ended June 30, 2020

Exhibit A-2

REVENUES

Service Charges Revenues	\$	94,304,682
Investment Earnings		2,113,639
Administration Fees		758,332
		<hr/>
Total Revenues		97,176,653
		<hr/>

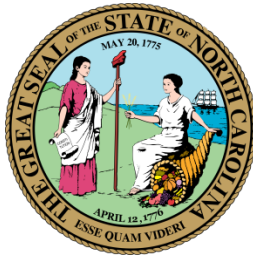
EXPENDITURES

Statutory Distributions		54,361,979
Grant Payments		8,092,306
Salaries and Benefits		957,076
Contracted Services		14,377,833
Travel		34,263
Communication		9,364
Data Processing		26,385
Vehicle Lease		13,557
Registration Fees		1,789
Postage and Freight		372
Other		7,621
Capital Outlay		58,301
		<hr/>
Total Expenditures		77,940,846
		<hr/>
Revenues Over Expenditures		19,235,807
		<hr/>

OTHER FINANCING SOURCES (USES)

Total Other Financing Sources (Uses)		<hr/> 0
Net Change in Fund Balance		19,235,807
Fund Balance, July 1, 2019		<hr/> 101,117,744
Fund Balance, June 30, 2020	\$	<hr/> <hr/> 120,353,551

The accompanying notes to the financial statements are an integral part of this statement.



NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - On October 1, 1998, the General Assembly of North Carolina (General Assembly) ratified Senate Bill 1242 which established the Enhanced 911 Wireless Fund and the North Carolina Wireless 911 Board. On July 27, 2007, the General Assembly of North Carolina further revised *North Carolina General Statute* 62A, creating a North Carolina 911 Fund (911 Fund), a Special Revenue Fund within the Department of Information Technology, and North Carolina 911 Board (911 Board). The 911 Board consolidates the State's Enhanced 911 system under a single board with a uniform 911 service charge to integrate the State's 911 system, enhance efficiency and accountability, and create a level competitive playing field among voice communication providers.

The 911 Board continues to provide for an enhanced 911 system for the use of wireless, wireline, and Voice over Internet Protocol (VoIP) telephone services. In addition, the 911 Fund provides funding for major improvements in the quality and reliability of statewide 911 services available to the customers of voice communication service providers.

As required by *North Carolina General Statute* 143B-1400, certain elected officials appoint the sixteen members of the 911 Fund's Board. The State Chief Information Officer or the Chief Information Officer's designee serves as the chair. Four members are appointed by the Governor, six members are appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives, and six members are appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate.

Of the sixteen Board members, three members represent the Commercial Mobile Radio Service (CMRS) providers, four members represent the Local Exchange Carriers, and one member represents VoIP providers and are considered the "Industry" representatives. Of the remaining eight members representing the "Public Sector," there is one member representing a county, one member representing a municipality, one member who is a sheriff, one member who is a police chief, one member who is a fire chief, one member who is a rescue or emergency medical services chief, one member representing the NC Chapter of the National Emergency Number Association (NENA), and one member representing the NC Chapter of the Association of Public Safety Communication Officials (ACPO).

During the year, voice communications providers remit monthly service charges to the 911 Fund and Public Safety Answering Points (PSAPs) receive statutory distributions from the fund. The 911 Board manages all revenues remitted to the 911 Fund, establishes procedures for disbursement of funds, and advises all voice communications service providers and eligible counties of such procedures.

- B. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their

constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The 911 Fund is part of the North Carolina Department of Information Technology, as well as the State of North Carolina and is an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds for which the 911 Fund Board is financially accountable. The 911 Fund's accounts and transactions are included in the State's *Comprehensive Annual Financial Report* as part of the State's governmental funds.

- C. Basis of Presentation** - The 911 Fund's records are maintained on a cash basis throughout the year, but adjustments are made at the end of the fiscal year to convert to GAAP for governmental entities. The financial statements are prepared according to GAAP as follows:

The accompanying financials statements are presented in accordance with principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* requires the presentation of both government-wide and fund level financial statements. The financial statements presented are governmental fund financial statements of the 911 Fund. Because the 911 Fund is not a separate legal entity, government-wide financial statements are not prepared.

The 911 Fund is the primary operating fund and is used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes. The primary revenue source is the 911 service charge.

- D. Measurement Focus and Basis of Accounting** - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities generally are included on the balance sheet. The operating statement presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources.

Under the modified accrual basis, 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 for the current period. For this purpose, the 911 Fund considers revenues to be available if they are collected within 35 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when payment is due. Pension and other postemployment benefits contributions to cost-sharing plans are recognized as expenditures in the

period to which the payment relates, even if the payment is not due until the subsequent period.

Nonexchange transactions, in which the 911 Fund receives (or gives) value without directly giving (or receiving) equal value in exchange, includes investment earnings (or losses), the 911 service charge, and administration fees. Revenues are recognized when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements have been met.

Since pension and other postemployment benefits liability amounts relating to the 911 Fund are reported only at the statewide level, these amounts are not included in the 911 Fund's financial statements. However, these liabilities are reported in Note 4 and Note 5, respectively, in the Notes to the Financial Statements.

- E. Cash and Cash Equivalents** - This classification includes deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. The 911 Fund's equity position in the STIF is recorded at fair value. Additional information regarding the fair value measurement of deposits held by the State Treasurer in the STIF is disclosed in Note 3.
- F. Receivables** - This classification consists of service charges for voice communication connections with no provision of doubtful accounts. Accounts receivable are expected to be collected within one year. As of June 30, 2020, the 911 Fund had an accounts receivable balance of \$7,338,217. This amount includes \$6,106,130 in service charge fees, \$1,174,115 Next Generation 911 Reserve fees, and \$57,972 in administration fees from the voice communication providers. As of June 30, 2020, the 911 Fund had an interest receivable of \$117,706 based on the STIF account balance.
- G. Due from Other Funds** - As of June 30, 2020, the Department of Revenue owed the 911 Fund \$3,222,886 for prepaid wireless revenues collected for May and June 2020.
- H. Securities Lending** - While the 911 Fund does not directly engage in securities lending transactions, it deposits certain funds with the STIF which participates in securities lending activities. Based on the State Treasurer's allocation of these transactions, the 911 Fund recognizes its allocable share of the assets and liabilities related to these transactions on the accompanying financial statements as "Securities Lending Collateral" and "Obligations Under Securities Lending." The allocable share of the income and costs arising from the transactions is included on the Statement of Revenues, Expenditures, and Changes in Fund Balance. Based on the authority provided in *North Carolina General Statute* 147-69.3(e), the State Treasurer lends securities from its external investment pool to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The

Treasurer's custodian manages the securities lending program. During the year, the securities lent U.S. government and agency securities, corporate bonds and equity securities, and notes for collateral. The program is permitted to receive cash, U.S. Government and agency securities, as collateral for the securities lent. The collateral is initially pledged at 102 percent of the market value of the domestic securities lent in both the fixed income portfolios and the equity-based trust and 105 percent of the market value of foreign securities lent in the equity-based trust program. Additional collateral is required if its value falls to less than 100 percent of the market value of the securities lent. There are no restrictions on the amount of loans that can be made. Substantially all security loans can be terminated on demand by either the State Treasurer or the borrower. The State Treasurer cannot pledge or sell the collateral securities received unless the borrower defaults.

Additional detailed information on the State Treasurer's securities lending program can be located in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

- I. **Accounts Payable** - Accounts payable represent amounts due to vendors, CMRS providers, and employees for goods, services, or travel provided/incurred by June 30, 2020.
- J. **Intergovernmental Payables** - Intergovernmental payables represent amounts due to eligible PSAPs and PSAP Grant recipients. Eligible PSAPs are those providers that have complied with the provisions of *North Carolina General Statute* 143B-1406. PSAP Grant recipients are chosen based on requirements reflected in *North Carolina General Statute* 143B-1407. At June 30, 2020, \$4,246,371 is currently due to the PSAPs and \$223,372 to PSAP Grant recipients.
- K. **Fund Balance** - Fund balance for governmental funds is reported in five categories: nonspendable, restricted, committed, assigned, and unassigned. The fund balance for the 911 Fund is committed since it can only be used for specific purposes pursuant to constraints imposed by formal action of the North Carolina General Assembly, the State's highest level of decision-making authority. The General Assembly establishes commitments through the passage of legislation that becomes State law. Commitments may be changed or lifted only by taking the same formal action that imposed the constraint originally. As of June 30, 2020, the 911 Fund had a committed fund balance of \$120,353,551.
- L. **Service Charge Revenues and Administration Fees** - A monthly service charge is levied on each voice communication service connection. The monthly service charge was initially set on October 1, 1998 and may be adjusted by the 911 Board to ensure full cost recovery for voice communication service providers and for primary PSAPs over a reasonable period of time. A change in the rate may become effective only on July 1. The 911 Fund receives a 1% administration fee from the total

service charge remitted by the voice communication providers. The voice communication providers may retain an allowance equal to the greater of 1% or fifty dollars (\$50.00) a month of the \$0.65 collected for their administrative costs.

- M. Statutory Distributions** - The 911 Fund is required to use the 911 service charge fees, a minimum of 1% administrative fee, minimum of 5% PSAP Grant and Statewide Projects fee, and minimum of 15% Next Generation 911 Reserve Fund fee, to cover the costs associated with developing, maintaining, and providing technical assistance to primary PSAPs of the enhanced 911 system and other costs as approved by the 911 Board. A portion of the remaining fees are to be used to reimburse CMRS providers for actual costs incurred in complying with the requirements of enhanced 911 service and to the primary PSAPs providing enhanced 911 services.
- N. Grant Payments** - The 911 Board funds grants to PSAPs in rural and other high-cost areas and projects that provide statewide benefits for 911 service. A PSAP may apply to the 911 Board for a grant. The Board may approve a grant application and enter into agreement with a PSAP if the Board determines the estimated costs are reasonable, the expenses are consistent with the 911 plan, sufficient funds are available, and the costs are authorized PSAP costs or the costs are for consolidating PSAPs, or the relocation costs of a primary PSAP.

The 911 Board may use funds for a statewide project if the Board determines the project is consistent with the 911 plan, the project is cost-effective and efficient, the project is an eligible expense under *North Carolina General Statute* 143B-1405, and the project will have a statewide benefit for 911 service.

- O. Next Generation 911 Reserve Fund** - The 911 Board must allocate a minimum of 15% of the total service charge to the Next Generation 911 Reserve Fund per *North Carolina General Statute* 143B-1407. This fund may be used to cover costs associated with the implementation of the Next Generation 911 systems. The 911 Board may provide funds directly to PSAPs to implement the Next Generation 911 systems.

NOTE 2 - DEPOSITS

Unless specifically exempt, the 911 Fund is required by *North Carolina General Statute* 147-77 to deposit monies received with the State Treasurer or with a depository institution in the name of the State Treasurer. General Statute 147-69.1, authorizes the State Treasurer to invest all deposits in the following: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; specified repurchase agreements; obligations of the State of North Carolina; time deposits with specified financial institutions; prime quality commercial paper with specified ratings; specified bills of exchange or time drafts; asset-backed securities with specified ratings; and corporate bonds and notes with specified ratings.

At June 30, 2020, the Balance Sheet reported cash and cash equivalents of \$118,673,276, which represents the 911 Fund’s equity position in the State Treasurer’s Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer’s Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any formal oversight other than that of the legislative body and does not have a credit rating) had a weighted average maturity of 1.3 years as of June 30, 2020. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer’s Investment Pool (which includes the State Treasurer’s STIF) are included in the North Carolina Department of State Treasurer Investment Programs’ separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer’s website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.

NOTE 3 - FAIR VALUE MEASUREMENTS

To the extent available, the 911 Fund’s investments are recorded at fair value as of June 30, 2020. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity’s assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1	Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
Level 2	Investments with inputs - other than quoted prices included within Level 1 - that are observable for an asset, either directly or indirectly.
Level 3	Investments classified as Level 3 have unobservable inputs and may require a degree of professional judgment.

Short-Term Investment Fund - At year-end, all of the 911 Fund's cash and cash equivalents valued at \$118,673,276 were held in the STIF. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year-end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB 72. The 911 Fund's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

NOTE 4 - PENSION PLANS

Defined Benefit Plan

Pension contributions to cost sharing plans are recognized as expenditures in the period to which the payment relates, even if the payment is not due until the subsequent period. Consequently, the net pension liability is not reported on the face of the fund financial statements.

Plan Administration: The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General

Assembly. Employees are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act based on the actuarially determined rate recommended by the State's consulting actuary. The 911 Fund's contractually-required contribution rate for the year ended June 30, 2020 was 12.97% of covered payroll. Employee contributions to the pension plan were \$42,512, and the 911 Fund's contributions were \$91,896 for the year ended June 30, 2020.

The TSERS plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2019 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

TSERS Basis of Accounting: The financial statements of the TSERS plan were prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the TSERS plan, and additions to/deductions from the TSERS plan's fiduciary net position have been determined on the same basis as they are reported by TSERS.

Methods Used to Value TSERS Investment: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina are the sole participants in the Long-Term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment Portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment Portfolios. The Global Equity Asset Class includes the Equity Investment Portfolio. The investment balance of each pension trust fund represents its share of the fair market value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2019 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2020, the 911 Fund's proportionate share of the collective net pension liability was \$352,441. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, and update procedures were used to roll forward the total pension liability to June 30, 2019. The 911 Fund's proportion of the net pension liability was based on the present value of future salaries for the 911 Fund

relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2019, the 911 Fund's proportion was 0.0034%, which was an increase of 0.0015 from its proportion measured as of June 30, 2018 which was 0.0019%.

Actuarial Assumptions: The following table presents the actuarial assumptions used to determine the total pension liability for the TSERS plan at the actuarial valuation date:

Valuation Date	12/31/2018
Inflation	3%
Salary Increases*	3.50% - 8.10%
Investment Rate of Return**	7.00%

* Salary increases include 3.5% inflation and productivity factor.

** Investment rate of return includes inflation assumption and is net of pension plan investment expense.

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e., teacher, general, law enforcement officer) and health status (i.e., disabled, and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2018 valuations were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

Future ad hoc cost of living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Opportunistic Fixed Income	6.0%
Inflation Sensitive	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2019 is 1.4%.

Discount Rate: The discount rate used to measure the total pension liability was calculated at 7.00% for the December 31, 2018 valuation. The discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan at June 30, 2019 calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

Net Pension Liability		
1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 670,793	\$ 352,441	\$ 85,384

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2020, the 911 Fund's proportionate share of the collective pension expense was \$159,748. At June 30, 2020, the 911 Fund's proportionate share of the collective deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions by Classification:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 29,481	\$ 706
Changes of Assumptions	37,554	
Net Difference Between Projected and Actual Earnings on Plan Investments	6,756	
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	86,593	
Contributions Subsequent to the Measurement Date	91,896	
Total	\$ 252,280	\$ 706

The 911 Fund's deferred outflows of resources related to contributions subsequent to the measurement date of \$91,896 will represent an increase of the net pension liability in the fiscal year ended June 30, 2021. Other amounts of deferred outflows of resources and deferred inflows of resources related to pensions will be included in the pension expense as follows:

Schedule of the Net Amount of the Employer's Balances of Deferred Outflows of Resources and Deferred Inflows of Resources That will be Included in Pension Expense:

<u>Year Ended June 30:</u>	<u>Amount</u>
2021	\$ 83,160
2022	40,611
2023	33,544
2024	2,363
Total	\$ 159,678

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS

Other postemployment benefit (OPEB) contributions to cost sharing plans are recognized as expenditures in the period to which the payment relates, even if payment is not due until the subsequent period. Consequently, the net OPEB liability or asset is not reported on the face of the fund financial statements.

The 911 Fund participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2019 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

A. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: The financial statements of these plans were prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of each plan, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the plans.

Methods Used to Value Plan Investments: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the other postemployment benefits funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan of North Carolina is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair market value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2019 *Comprehensive Annual Financial Report*.

B. Plan Descriptions

1. Health Benefits

Plan Administration: The State of North Carolina administers the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Plan), a healthcare plan exclusively for the benefit of employees of the State, the University of North Carolina System, community colleges, and certain other component units. In addition, Local Education Agencies (LEAs), charter schools, and some select local governments that are not part of the State's financial reporting entity also participate. Health benefit programs and premium rates are determined by the State Treasurer upon approval of the Plan Board of Trustees.

The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of eligible former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

By statute, RHBF is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System (TSERS). RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the Plan. The State Treasurer, with the approval of the Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the Plan.

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 6. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully insured Medicare Advantage/Prescription Drug Plan options or the self-funded Traditional 70/30 Preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of TSERS, the Consolidated Judicial Retirement System, the Legislative Retirement System, the Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium.

The Plan's and RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Bill. The 911 Fund's contractually required contribution rate for the year ended June 30, 2020 was 6.47% of covered payroll.

The 911 Fund's contributions to the RHBF were \$45,842 for the year-ended June 30, 2020.

2. Disability Income

Plan Administration: As discussed in Note 6, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer, defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units, LEAs which are not part of the reporting entity, and the ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

Benefits Provided: Long-term disability benefits are payable as an PEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing five years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than \$10 a month. After the first

36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the ORP.

For employees who had less than five years of membership service as of July 31, 2007 and meet the requirements for long-term disability on or after August 1, 2007, during the first 36 months of the long-term disability period, the monthly long-term benefit shall be reduced by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee become age 62 during the first 36 months. This reduction becomes effective as of the first day of the month following the month of initial entitlement to Social Security benefits. After the first 36 months of the long-term disability, no further benefits are payable under the terms of this section unless the employee has been approved and is in receipt of primary Social Security disability benefits.

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State's fiscal year. The 911 Fund's contractually required contribution rate for the year ended June 30, 2020 was 0.10% of covered payroll. The 911 Fund's contributions to DIPNC were \$709 for the year ended June 30, 2020.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2020, the 911 Fund's proportionate share of the collective net OPEB liability for RHBF was \$922,901. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018, and update procedures were used to roll forward the total OPEB liability to June 30, 2019. The 911 Fund's proportion of the net OPEB liability was based on the present value of future salaries for the 911 Fund relative to the present value of future salaries for all participating employers, actuarially determined. As of June 30, 2019, the 911 Fund's proportion was 0.0029%, which was an increase of 0.00013 from its proportion measured as of June 30, 2018, which was 0.0016%.

Net OPEB Asset: On June 30, 2020, the 911 Fund's proportionate share of the collective net OPEB asset for DIPNC was \$1,241. The net OPEB asset was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018, and update procedures were used to roll forward the total OPEB liability to June 30, 2019. The 911 Fund's proportion of the net OPEB asset was based on the present value of future salaries for the 911 Fund relative to the present value of future salaries for all participating

employers, actuarially determined. As of June 30, 2019, the 911 Fund's proportion was 0.0029%, which was an increase of 0.00013 from its proportion measured as of June 30, 2018, which was 0.0016%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2019 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2018	12/31/2018
Inflation	3.00%	3.00%
Salary Increases*	3.50% - 8.10%	3.50% - 8.10%
Investment Rate of Return**	7.00%	3.75%
Healthcare Cost Trend Rate - Medical	6.50% grading down to 5.00% by 2024	6.50% grading down to 5.00% by 2024
Healthcare Cost Trend Rate - Prescription Drug	9.50% grading down to 5.00% by 2028	9.50% grading down to 5.00% by 2028
Healthcare Cost Trend Rate - Medicare Advantage	6.50% grading down to 5.00% by 2024	N/A
Healthcare Cost Trend Rate - Administrative	3.00%	N/A

* Salary increases include 3.5% inflation and productivity factor.

** Investment rate of return is net of pension plan investment expense, including inflation.

N/A - Not Applicable

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e., teacher, general, law enforcement officer) and health status (i.e., disabled, and healthy). The current mortality rates are based on published tables and studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The projected long-term investment returns and inflation assumptions are developed through a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projects are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2019.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2019 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Opportunistic Fixed Income	6.0%
Inflation Sensitive	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2019 is 1.4%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial assumptions used for RHBF are consistent with those used to value the pension benefits of TSERS where appropriate. These assumptions are based on the most recent pension valuations available. The discount rate used for RHBF reflects a pay-as-you-go approach.

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members to that point. Historically, the benefits funded solely by employer contributions applied equally to all retirees. Currently, as described earlier in the note, benefits are dependent on membership requirements.

The actuarial methods and assumptions used for DIPNC include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions used in the December 31, 2018 valuations were generally based on the results of an actuarial experience study prepared as

of December 31, 2014, as amended for updates to certain assumptions (such as long-term investment return, medical claims, and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 3.50%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.50% was used as the discount rate used to measure the total OPEB liability. The 3.50% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2019.

The discount rate used to measure the total OPEB liability for DIPNC was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate: The following presents the 911 Fund's proportionate share of the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

Net OPEB Liability (Asset)					
	1% Decrease (2.50%)		Current Discount Rate (3.50%)		1% Increase (4.50%)
RHBF	\$ 1,096,740	\$	922,901	\$	783,707
	1% Decrease (2.75%)		Current Discount Rate (3.75%)		1% Increase (4.75%)
DIPNC	\$ (1,051)	\$	(1,241)	\$	(1,425)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

Net OPEB Liability (Asset)			
	1% Decrease (Medical - 4.00% - 5.50%, Pharmacy - 4.00% - 8.50%, Med. Advantage - 4.00% - 5.50%, Administrative - 2.00%)	Current Healthcare Cost Trend Rates (Medical - 5.00% - 6.50%, Pharmacy - 5.00% - 9.50%, Med. Advantage - 5.00% - 6.50%, Administrative - 3.00%)	1% Increase (Medical - 6.00% - 7.50%, Pharmacy - 6.00% - 10.50%, Med. Advantage - 6.00% - 7.50%, Administrative - 4.00%)
RHBF	\$ 759,939	\$ 922,901	\$ 1,137,170
DIPNC	\$ (1,243)	\$ (1,241)	\$ (1,239)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2020, the 911 Fund's proportionate share of the collective OPEB expense was \$92,200 for RHBF and \$1,107 for DIPNC, resulting in a total OPEB expense of \$93,307. At June 30, 2020 the 911 Fund's proportionate share of the collective deferred outflows of resources and deferred inflows of resources related to OPEB were from the following sources:

**Employer Balances of Deferred Outflows of Resources
Related to OPEB by Classification:**

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 0	\$ 1,268	\$ 1,268
Changes of Assumptions	44,359	137	44,496
Net Difference Between Projected and Actual Earnings on Plan Investments	615	236	851
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	525,631	152	525,783
Contributions Subsequent to the Measurement Date	45,842	709	46,551
Total	\$ 616,447	\$ 2,502	\$ 618,949

**Employer Balances of Deferred Inflows of Resources
Related to OPEB by Classification:**

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 46,526	\$ 0	\$ 46,526
Changes of Assumptions	277,468	127	277,595
Net Difference Between Projected and Actual Earnings on Plan Investments	23,277	1,128	24,405
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions			
Total	\$ 347,271	\$ 1,255	\$ 348,526

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will represent a reduction of the net OPEB liability related to RHBF and an increase of the net OPEB asset related to DIPNC in the fiscal year ended June 30, 2021. Other amounts of deferred outflows of resources and deferred inflows of resources related to OPEB will be included in OPEB expense as follows:

**Schedule of the Net Amount of the Employer's Balances of Deferred
Outflows of Resources and Deferred Inflows of Resources That will be
Included in OPEB Expense:**

Year Ended June 30:	RHBF	DIPNC
2021	\$ 17,421	\$ 433
2022	17,421	240
2023	17,510	143
2024	67,520	46
2025	103,462	108
Thereafter		(432)
Total	\$ 223,334	\$ 538

NOTE 6 - RISK MANAGEMENT

The 911 Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in state-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

A. Employee Benefit Plans

1. State Health Plan

911 Fund employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer contributions. Certain plans also require contributions from employees. The Plan has contracted with third parties to process claims. See Note 5, Other Postemployment Benefits, for additional information regarding retiree health benefits.

2. Death Benefit Plan of North Carolina

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers who enroll in the Teachers' and State Employees' Retirement System. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was 0.16% for the current fiscal year.

3. Disability Income Plan

Short-term and long-term disability benefits are provided to 911 Fund employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the 911 Fund up to the first six months of benefits and reimbursed by DIPNC for any additional short-term benefits. As discussed in Note 5, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

The 911 Fund is required to maintain fire and lightning coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such coverage is provided at no cost to the 911 Fund for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the coverage. Losses covered by the Fund are subject to a \$5,000 per occurrence deductible. However, some agencies have chosen a higher deductible for a reduction in premium.

State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence. The 911 Fund pays premiums to the North Carolina Department of Insurance for the coverage.

2. Public Officers' and Employees' Liability Insurance

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$2,000,000 per claim and \$10,000,000 in the aggregate per fiscal year via contract with a private insurance company. The 911 Fund pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud

The 911 Fund is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from state funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. The 911 Fund is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$100,000 deductible.

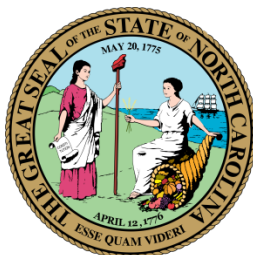
4. Statewide Workers' Compensation Program

The North Carolina Workers' Compensation Program provides benefits to workers injured on the job. All employees of the State and its component units are included in the program. When an employee is injured, the employer's primary responsibility is to arrange for and provide the necessary treatment for work related injury. The 911 Fund is responsible for paying medical benefits and compensation in accordance with the North Carolina Workers' Compensation Act. The 911 Fund retains the risk for workers' compensation.

Additional details on the state-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

NOTE 7 - COMMITMENTS

The 911 Board sets aside a portion of the 911 Fund's fund balance annually to provide grants to local PSAPs and to fund Statewide 911 projects. The PSAPs apply to the 911 Board for the funds with improvement project proposals that the 911 Board evaluates and either approves or denies. At June 30, 2020, the 911 Fund had outstanding commitments on these cost-reimbursement grants and contracts totaling \$18,371,128.



REQUIRED SUPPLEMENTARY INFORMATION

North Carolina 911 Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis-Non-GAAP)
For the Fiscal Year Ended June 30, 2020

Exhibit B-1

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Service Charges Revenues	\$ 85,250,848	\$ 93,256,922	\$ 93,071,971	\$ (184,951)
Investment Earnings	652,000	1,486,379	2,089,014	602,635
Administration Fees	750,368	791,402	758,859	(32,543)
Total Revenues	86,653,216	95,534,703	95,919,844	385,141
EXPENDITURES				
Statutory Distributions	63,500,000	60,106,208	54,296,021	5,810,187
Grant Payments	43,975,259	36,319,327	7,840,890	28,478,437
Salaries and Benefits	977,358	1,238,728	957,076	281,652
Contracted Services	12,874,337	22,827,063	11,305,618	11,521,445
Travel	115,550	175,700	36,481	139,219
Communication	15,860	60,029	8,390	51,639
Data Processing	20,600	86,714	26,232	60,482
Vehicle Lease	29,549	51,043	16,332	34,711
Registration Fees	4,500	9,100	1,789	7,311
Postage and Freight	2,675	2,675	309	2,366
Other	9,050	13,700	7,620	6,080
Capital Outlay	15,500	1,206,496	66,242	1,140,254
Total Expenditures	121,540,238	122,096,783	74,563,000	47,533,783
Excess of Revenues Over (Under) Expenditures	(34,887,022)	(26,562,080)	21,356,844	(47,918,924)
OTHER FINANCING SOURCES (USES)				
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balance	(34,887,022)	(26,562,080)	21,356,844	(47,918,924)
Fund Balance July 1, 2019	101,117,744	101,117,744	101,117,744	
Fund Balance - June 30, 2020	\$ 66,230,722	\$ 74,555,664	\$ 122,474,588	\$ (47,918,924)

The following table presents a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2020 to the fund balance on a modified accrual basis (GAAP).

Fund Balance (Budgetary Basis) June 30, 2020	\$ 122,474,588
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Accrued Revenues	1,186,397
Accrued Expenditures	(3,307,434)
Total Basis Differences	(2,121,037)
Fund Balance (GAAP Basis) June 30, 2020	\$ 120,353,551

The accompanying notes to required supplementary information are an integral part of this schedule.

North Carolina 911 Fund
Notes to Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis-Non-GAAP)
For the Fiscal Year Ended June 30, 2020

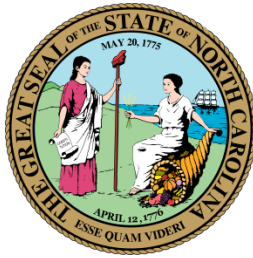
A. Budgetary Process

The State's annual budget is prepared principally on the cash basis. The 1985 General Assembly enacted certain special provisions which state that the original budget as certified in the appropriations act is the legal budget for all agencies. These special provisions also state that agencies may spend more than was originally certified in various line items provided the over-expenditure meets certain criteria and is authorized by the Director of the Budget. The process of approving these over-expenditures results in the authorized budget amounts.

B. Reconciliation of Budget/GAAP Reporting Differences

The Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis-Non-GAAP) presents comparisons of the legally adopted budget with actual data on a budgetary basis. Accounting principles applied to develop data on a budgetary basis differ significantly from those principles used to present financial statements in conformity with generally accepted accounting principles (GAAP). The following describes the major differences between budgetary financial data and GAAP financial data.

Basis differences. Budgetary fund balance is accounted for on the cash basis of accounting while GAAP fund balance is accounted for on the modified accrual basis of accounting. Accrued revenues and expenditures are recognized in the GAAP financial statements.



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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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**

North Carolina 911 Board
North Carolina 911 Fund
Raleigh, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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 North Carolina 911 Fund (911 Fund), a special revenue fund of the State of North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the 911 Fund's basic financial statements, and have issued our report thereon dated June 22, 2021.

As discussed in Note 1, the financial statements of the 911 Fund are intended to present the financial position and changes in financial position that are attributable to the transactions of the 911 Fund. They do not purport to, and do not, present fairly the financial position of the State of North Carolina nor the North Carolina Department of Information Technology as of June 30, 2020 or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 911 Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 911 Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the 911 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 that a material misstatement of the 911 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 911 Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 911 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 911 Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

June 22, 2021

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