

North Carolina 911 Fund

Raleigh, NC



Financial Statement Audit Report

For the Year Ended June 30, 2024

State Auditor
Dave Boliek

*A Constitutional Office of the
State of North Carolina*





North Carolina Office of the State Auditor

Dave Boliek, State Auditor

Auditor's Transmittal

The Honorable Josh Stein, Governor
The Honorable Phil Berger, President Pro Tempore
The Honorable Destin Hall, Speaker of the House
Honorable Members of the North Carolina General Assembly
North Carolina 911 Board
Teena Piccione, Secretary and State Chief Information Officer / NC 911 Board Chair

North Carolina's public safety answering points are the first points of reception for 911 calls. To help with operations, these centers receive allocations from the North Carolina 911 Fund, which is managed by an overseeing board and audited by the North Carolina Office of the State Auditor.

In total, the Fund collected \$89.3 million in service charge revenue for the fiscal year ended June 30, 2024. That's money acquired via a fifty-five-cent retail transaction charge put on purchases of prepaid wireless telecommunications services, like a prepaid wireless phone.

Through financial audits of North Carolina entities and organizations, the North Carolina Office of the State Auditor assesses whether the records prepared by these entities and organizations are materially correct. Our audit of the North Carolina 911 Fund's financial records show no material errors for the year ended June 30, 2024. The audited statements make for a clean opinion and can be relied upon by management.

I'd like to thank management and staff for their cooperation as our team conducted this financial statement audit.

Respectfully submitted,

Dave Boliek
State Auditor

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Chapter 147, Article 5A of the North Carolina General Statutes gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.



Independent Auditor's Report



North Carolina Office of the State Auditor

Dave Boliek, State Auditor

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the North Carolina 911 Fund (911 Fund), a special revenue fund of the North Carolina Department of Information Technology (Department), as of and for the year ended June 30, 2024, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the 911 Fund, as of June 30, 2024, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 911 Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2024 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.

Responsibilities of Management for the Financial Statements

The 911 Fund's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 911 Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAGAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAGAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 911 Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 April 22, 2025 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.



Dave Boliek
State Auditor

Raleigh, North Carolina

April 22, 2025



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 911 Fund for the fiscal year ended June 30, 2024.

Financial Highlights

- The assets of the 911 Fund exceeded its liabilities at the close of the fiscal year by \$182,554,024, all of which is committed.
- The 911 Fund's total fund balance increased by \$12,899,748 for the fiscal year, which was primarily caused by service charge revenues outpacing expenditures from statutory distributions, grant payments, and contracted services. See below for further discussions related to these accounts.

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 basic 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 Year Ended June 30, 2024 and 2023

	2024	2023 Unaudited	Variance
Assets	\$ 205,855,134	\$ 180,407,285	\$ 25,447,849
Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows	\$ 205,855,134	\$ 180,407,285	\$ 25,447,849
Liabilities	\$ 23,301,110	\$ 10,753,009	\$ 12,548,101
Deferred Inflows of Resources	-	-	-
Fund Balance			
Committed	182,554,024	169,654,276	12,899,748
Total Fund Balance	182,554,024	169,654,276	12,899,748
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 205,855,134	\$ 180,407,285	\$ 25,447,849

Total assets increased \$25,447,849 for fiscal year 2024. This increase is mainly due to the increase from the prior year in cash and cash equivalents of \$14,435,354 and the increase in State Treasurer's securities lending collateral of \$13,502,221. The increase in cash and cash equivalents is primarily due to the North Carolina 911 Board (911 Board) approved decreases in the funding needs of five counties which allowed the 911 Fund to maintain a higher cash balance at fiscal year-end. The State Treasurer's securities lending collateral is allocated to the 911 Fund by the Office of the State Controller.

Total liabilities increased \$12,548,101 for fiscal year 2024. This increase occurred mainly due to the securities and lending obligation under the State Treasurer's security and lending agreement increasing by \$13,502,221 from the prior year. This amount is allocated to the 911 Fund by the Office of the State Controller.

**Condensed Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2024 and 2023**

	2024	2023 Unaudited	Variance
Revenues			
Service Charge Revenues	\$ 89,327,578	\$ 99,156,012	\$ (9,828,434)
Other Revenues	9,382,874	5,200,646	4,182,228
Total Revenues	98,710,452	104,356,658	(5,646,206)
Expenditures			
Statutory Distributions	34,627,258	36,580,730	(1,953,472)
Grant Payments	13,039,471	8,259,677	4,779,794
Contracted Services	35,228,369	33,721,862	1,506,507
Other Expenditures	2,915,606	2,072,300	843,306
Total Expenditures	85,810,704	80,634,569	5,176,135
Revenues Over Expenditures	12,899,748	23,722,089	(10,822,341)
Fund Balance, Beginning of Year	169,654,276	145,932,187	23,722,089
Fund Balance, End of Year	\$ 182,554,024	\$ 169,654,276	\$ 12,899,748

Service charge revenues decreased by \$9,828,434 from prior year due to the service charge rate decreasing from \$0.65 in fiscal year 2023 to \$0.55 in fiscal year 2024. Other revenues increased by \$4,182,228 primarily due to investment earnings and the changes in administrative revenue collection of fees.

As of June 30, 2024, the 911 Board was disbursing 911 funds to 113 primary and 11 secondary Public Safety Answering Points (PSAPs) in North Carolina each month, including the Eastern Band of the Cherokee Indians.

Expenditures for the fiscal year were \$85,810,704 and included statutory distributions, grant payments, contracted services, and other expenditures. Statutory distributions decreased by \$1,953,472 due to fewer funding requests from PSAPs as well as changes in the PSAP fund distribution method due to cost shifting of funds for payment of legacy phone technology. This amount also decreased based on the current funding model that reduces a PSAP's distributions when fund balance accrues above the allowable legislative 20% carryforward amount per North Carolina General Statute 143B-1406(c)(1). Grant payments expenditures increased by \$4,779,794. The increase is due to an increased number of reimbursement requests from the PSAPs during this fiscal year. See PSAP Funding Method section below for more details. Contracted services increased \$1,506,507 due to the continued progress of migrating PSAPs to the Next Generation 911 (NG 911) Emergency Services IP Network (ESInet), annual assessments of PSAP operations per the Administrative Code, and the annual PSAP managers conference. Other expenditures increased \$843,306 primarily due to adding additional 911 Board staff, training opportunities for PSAPs, 911 Board office relocation, new administrative software, and Department of Information Technology (DIT) subscription costs.

As of June 30, 2024, the Commercial Mobile Radio Service (CMRS) Cost Recovery Fund balance was \$810,037 with an average monthly disbursement of \$114,899 (CMRS cost recovery legislation repealed effective July 1, 2024). As of the same date, the average monthly disbursement for the PSAP was \$2,778,630. Average monthly revenues to the PSAP fund as of June 30, 2024, were \$4,248,944.

PSAP Funding Method

North Carolina General Statute 143B-1406(a)(1) states, "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 911 Board approved the current PSAP fund distribution method on December 7, 2010, and it became effective July 1, 2011. This method distributed funds to eligible PSAPs based on an average of the most recent five years of eligible 911 Fund expenditures. Each year going forward, the oldest expenses would be removed from the average and the most current year added, creating a "rolling average."

Four PSAPs made formal funding reconsideration requests for fiscal year 2024 and all were increased from the proposed amount after careful review of past expenditures and fund balances within the individual PSAP.

The total approved PSAP distribution for fiscal year 2024 was \$34,627,258.

In performing the annual revenue/expenditure reports from the PSAPs, the 911 Board noted that at the end of fiscal year 2024, PSAP fund balances (the amount that PSAPs have on hand locally) totaled \$88,290,522.

PSAP Grant and Statewide 911 Projects

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

The three largest fiscal year 2024 grant expenditures to counties are as follows: Currituck County (\$1,695,830), Johnston County (\$1,087,070), and Sampson County (\$694,495).

The 911 Board continued funding statewide 911 projects. Fiscal year 2024 expenditures for the orthography project, 911 call data analytics project, and the continuation of PSAP interpretative services project totaled \$4,828,472, \$1,410,657, and \$583,508, respectively.

911 Service Charge

The 911 Board is to administer the 911 Fund and the monthly 911 service charge as authorized by North Carolina General Statute 43B-1403. The 911 service charge for all devices (wireline, wireless, and Voice over Internet Protocol) remained at \$0.65 for the entirety of fiscal year 2023. Effective July 1, 2023, the service charge was decreased to \$0.55 by the 911 Board.

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 North Carolina General Statute 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 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 budgets are attributable to the timing issue between when the 911 Board approves the budget and when it is processed along with the State budget. Grant payments are fluid and the 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 911 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 or the NG 911 Reserve Fund. In this same timeframe, the 911 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 budgets. Similarly, a variance in revenues may arise as service charge rates increase or decrease at the time of the 911 Board's issuance of the approved budget. This is completed in April of the 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 PSAPs to the Emergency Services IP Network (ESInet) project and the awarding of two additional statewide projects totaling \$4.5 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 budget and actual results occurs as changes are made throughout the year due to new or changing activities. Other changes occurred due to the following:

- 1) Investment Earnings - There were higher cash balances and consistently higher rates of return than in the previous fiscal year.
- 2) Statutory Distribution - CMRS providers decreased reimbursement requests. The 911 Board prepares an estimated figure based on an approved cost recovery plan; 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.
- 3) 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.
- 4) Contracted Services - Statewide grants were awarded to recipients; however, invoices were not received for payment in the fiscal year funds were budgeted.

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.

In August 2017, the 911 Board awarded AT&T a contract for NG 911 services, including an ESInet and hosted call handling equipment for a seven-year term, which was amended in November 2024. The managed services contract provides a benefit of no upfront capital expenditures and a comprehensive service level agreement covering all maintenance and long-term support costs. The contract ensured high levels of service availability and sophisticated cybersecurity protections. Per the NG 911 contract, payment to AT&T began upon successful migration of the first PSAP to the state's NG 911 system. Thereafter, the 911 Board pays a monthly recurring charge for each migrated PSAP from the NG 911 Fund within 45 days of system production status for each PSAP. The 911 Board's calendar year 2024 costs for on-boarded PSAPs were \$31,852,799 for monthly recurring charges and an additional one-time cost of \$2,042,221. For calendar year 2025, the estimated cost is \$37,302,786 based upon changes to the contract, as discussed below. Any services provided to PSAPs under this contract are at no cost to the local government operating the PSAP but are instead billed directly to the 911 Board.

The 911 Board awarded a contract for NG 911 Geospatial Information Services (GIS) to GeoComm, Inc., on March 29, 2019. The contract has enabled the creation of a statewide dataset that meets National Emergency Number Association (NENA) i3 standards for location-based 911 call routing and replaces address-based databases. The i3 standard refers to the NG 911 system architecture defined by the NENA, which standardizes the structure and design of the functional elements that make up the set of software services, databases, network elements, and interfaces needed to process multi-media emergency calls and data for NG 911. The 911 Board's partnership has been very successful, and the provision of GIS services by GeoComm, Inc. will continue under the 911 Board's future amended contract with AT&T. Under the amendment, the work performed with GeoComm, Inc. will increase to include special event boundaries throughout the year, allowing jurisdictions to establish areas during large events, such as festivals, that will help direct 911 call traffic and response in those areas.

In February 2024, the 911 Board voted to approve contracting with AT&T to provide the FirstNet Wireless Redundant Backup Solution to primary PSAPs. This is another service that the 911 Board provides to PSAPs at no cost to them. This provides yet another critical layer of connectivity for 911 calls to be delivered to the PSAP. This solution is a unique setup, where only 911 and Session Initiated Protocol (SIP) administrative calls traverse the solution, and no other traffic is allowed. To date, 112 of 113 PSAPs have elected to implement the redundant solution. An implementation schedule has been created to include the installation of replacement ESInet routers at the same time. This is a turnkey installation for the PSAPs that functions seamlessly in the back room as an additional AT&T Virtual Private Network route for 911 and SIP administrative calls.

In April 2022, the 911 Board approved an SIP administrative call solution for PSAPs using hosted call handling equipment. This innovative system allows administrative calls to be delivered at a significant cost savings while providing redundant phone communications with flexible options for call delivery under various circumstances. The 911 Board provides this service through a contract with DIT, such that the 911 Board is billed directly and local governments are provided this service at no cost to them. Weekly virtual meetings hosted by AT&T that also include 911 Board staff and DIT representatives were and are being held for

any interested PSAP to make inquiries and gather information about the onboarding process. The 911 Board began the year with 62 PSAPs onboarded growing by 25 PSAPs to now have 87 or 77% of the 113 hosted PSAPs capable of utilizing SIP administrative calls.

As the cost for NG 911 is being realized, the current funding model is being, and will continue to be, evaluated to consider 911 services, NG 911 services, PSAP operations, and 911 Board operations. Consideration of a prospective funding model versus a rolling average method will be paramount. Use of 911 Fund revenue will be reviewed, revised, and updated, seeking legislative changes as necessary to align with PSAP services in the NG 911 environment. Improvement and optimization of the reimbursement process should be explored. This includes the current and ongoing review of the excessive 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 an 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 911 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, 2024

Exhibit A-1

ASSETS

Cash and Cash Equivalents	\$ 179,500,607
Accounts Receivable (Note 1)	7,435,702
Interest Receivable	647,429
Due from Other Funds	1,630,022
Securities Lending Collateral	16,641,374
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Total Assets	205,855,134

DEFERRED OUTFLOWS OF RESOURCES

	-
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Total Assets and Deferred Outflows	\$ 205,855,134

LIABILITIES

Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 2,150,869
Intergovernmental Payable	4,492,275
Other Payables	16,592
Obligations Under Security Lending	16,641,374
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Total Liabilities	23,301,110

DEFERRED INFLOWS OF RESOURCES

	-
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FUND BALANCE

Committed	182,554,024
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Total Liabilities, Deferred Inflows, and Fund Balance	\$ 205,855,134

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, 2024

Exhibit A-2

REVENUES

Service Charge Revenues	\$ 89,327,578
Investment Earnings	7,559,862
Administration Fees	1,823,012
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Total Revenues	98,710,452
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EXPENDITURES

Statutory Distributions	34,627,258
Grant Payments	13,039,471
Salaries and Benefits	1,967,594
Contracted Services	35,228,369
Travel	96,404
Communication	203,159
Data Processing	73,085
Vehicle Lease	24,034
Registration Fees	8,344
Postage and Freight	893
Other	376,360
Capital Outlay	165,733
	<hr/>
Total Expenditures	85,810,704
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Revenues Over Expenditures	12,899,748
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OTHER FINANCING SOURCES (USES)

Total Other Financing Sources (Uses)	<hr/> -
	<hr/>
Net Change in Fund Balance	12,899,748
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Fund Balance, July 1, 2023	169,654,276
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Fund Balance, June 30, 2024	\$ 182,554,024
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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 - On October 1, 1998, the General Assembly of North Carolina (General Assembly) ratified Senate Bill 1242 which established the Enhanced Wireless 911 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 North Carolina 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-1401, the 911 Fund is governed by a seventeen member 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 appointed 911 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 a 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 *Annual Comprehensive Financial Report*.

The accompanying financial statements present all funds for which the 911 Board is financially accountable. The 911 Fund's accounts and transactions are included in the State's *Annual Comprehensive 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 government entities. The financial statements are prepared according to GAAP as follows:

The accompanying financial statements are presented in accordance with accounting 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 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.

- 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.

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 receivables are expected to

be collected within one year. As of June 30, 2024, the 911 Fund had an accounts receivable balance of \$7,435,702. This amount includes \$5,056,277 in service charge fees, \$2,230,711 Next Generation 911 Reserve fees, and \$148,714 in administration fees from the voice communication providers. As of June 30, 2024, the 911 Fund had an interest receivable of \$647,429 based on the STIF account balance.

G. Due from Other Funds - As of June 30, 2024, the North Carolina Department of Revenue owed the 911 Fund \$1,630,022 for prepaid wireless revenues collected for May and June 2024.

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 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.ncosc.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, 2024.

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, 2024, \$2,719,822 is currently due to the PSAPs and \$1,772,453 to 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, 2024, the 911 Fund had a committed fund balance of \$182,554,024.
- 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 each July 1 as approved by the 911 Board. For fiscal year ended 2024, the rate was set at \$0.55 per line. The voice communication providers may retain an allowance, or administration fee, equal to one percent (1%) of the total collected or fifty dollars (\$50.00), whichever is greater. The service providers will remit the amount collected, less the administration fee, to the 911 Board. For fiscal year ended 2024, the 911 Board retained a two percent (2%) fee from the service providers' remittances for 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 a 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 911 Board may approve a grant application and enter into agreement with a PSAP if the 911 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 911 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. North Carolina 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, 2024, the Balance Sheet reported cash and cash equivalents of \$179,500,607, 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 regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.4 years as of June 30, 2024. 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, 2024. 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.
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| 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, the 911 Fund's cash and cash equivalents, valued at \$179,500,607 were held in the STIF. Ownership interests of the STIF are 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 Statement No. 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 unreduced retirement benefits at age 65 with five years of membership 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 reduced retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership 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 in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. 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. Plan members 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 and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The TSERS Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The 911 Fund's contractually-required contribution rate for the year ended June 30, 2024 was 17.64% of covered payroll. Plan members' contributions to the pension plan were \$67,936, and the 911 Fund's contributions were \$199,731 for the year ended June 30, 2024.

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 2023 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.ncosc.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 are 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 participate 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 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 2023 *Annual Comprehensive Financial Report*.

Net Pension Liability: At June 30, 2024, the 911 Fund's proportionate share of the collective net pension liability was \$871,043. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total pension liability to June 30, 2023. The 911 Fund's proportion of the net pension liability was based on a projection of the present value of future salaries for the 911 Fund relative to the projected present value of future salaries for all participating employers, actuarially-

determined. As of June 30, 2023, the 911 Fund's proportion was 0.00563%, which was an increase of 0.00062 from its proportion measured as of June 30, 2022, which was 0.00501%.

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	12/31/2022
Inflation	2.5%
Salary Increases*	3.25% - 8.05%
Investment Rate of Return**	6.5%

* Salary increases include 3.25% 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. public plan population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

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, 2023 (the measurement date) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	0.9%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	8.2%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, 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 2.25%. 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, 2023 is 0.78%.

Discount Rate: The discount rate used to measure the total pension liability was 6.5% for the December 31, 2022 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, 2023 calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current rate:

Net Pension Liability		
1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
\$ 1,495,376	\$ 871,043	\$ 355,988

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2024, the 911 Fund proportionate share of the collective pension expense was \$265,185. At June 30, 2024, the 911 Fund reported deferred outflows of resources and deferred inflows of resources related to TSERS 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	\$ 71,011	\$ 6,429
Changes of Assumptions	30,590	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	242,585	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	49,466	-
Contributions Subsequent to the Measurement Date	199,731	-
Total	\$ 593,383	\$ 6,429

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal

year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TSERS will be recognized as 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 Recognized in Pension Expense:**

Year Ending June 30:	Amount
2025	\$ 137,200
2026	72,929
2027	166,731
2028	10,363
Total	\$ 387,223

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 governmental 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 2023 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.ncosc.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 other postemployment benefits (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 benefit 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 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 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 *2023 Annual Comprehensive 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 by Chapter 135-7, Article 1 of the General Statutes as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of 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 the former employees become eligible for Medicare. The benefits provided include medical and pharmacy coverage for employees and their dependents. Non-Medicare eligible members have two self-funded options administered by the State Health Plan while Medicare members have three options, including one self-funded option and two fully-insured Medicare Advantage/Prescription Drug Plan options. Self-funded medical and pharmacy claims costs are shared between the covered member and the State Health Plan. If the self-funded plan is elected by a Medicare eligible member, the coverage is secondary to Medicare. Fully-insured claims include cost sharing from covered members with the remaining balance paid by the fully-insured carrier.

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 (CJRS), the Legislative Retirement System (LRS), the University Employees' 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 North Carolina General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the North Carolina 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 North Carolina 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 Plan's total noncontributory premium. Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with five but less than 10 years of retirement service credit are eligible for coverage on a fully contributory basis.

Section 35.21 (c) & (d) of Session Law 2017-57 repealed retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amended Chapter 135, Article 3B of the General Statutes to require that retirees must earn contributory retirement service in the TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

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 Act. The 911 Fund's contractually-required contribution rate for the year ended June 30, 2024 was 7.14% of covered payroll. The 911 Fund's contributions to the RHBF were \$80,843 for the year ended June 30, 2024.

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 and LEAs which are not part of the State's reporting entity, and the University Employees' 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 OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. 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 University Employees' ORP, earned within 96 months prior to becoming disabled 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. A general 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; (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, by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee be at least age 62, 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 University Employees' 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, benefits are calculated in the same manner as described above except that after the first 36 months of the long-term disability, no further long-term disability benefits are payable unless the employee has been approved and is in receipt of primary Social Security benefits.

Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act by the North Carolina General Assembly and coincide with the State's fiscal year. The 911 Fund's contractually-required contribution rate for the year ended June 30, 2024 was 0.11% of covered payroll. The 911 Fund's contributions to DIPNC were \$1,245 for the year ended June 30, 2024.

C. Net OPEB Liability

Retiree Health Benefit Fund: At June 30, 2024, the 911 Fund's proportionate share of the collective net OPEB liability for RHBF was \$1,265,854. The net OPEB liability was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total OPEB liability to June 30, 2023. The 911 Fund's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the 911 Fund relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2023, the 911 Fund's proportion was 0.00512%, which was an increase of 0.00067 from its proportion measured as of June 30, 2022, which was 0.00445%.

Disability Income Plan of North Carolina: At June 30, 2024, the 911 Fund's proportionate share of the collective OPEB liability was \$1,176. The net OPEB liability was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total OPEB liability to June 30, 2023. The 911 Fund's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the 911 Fund relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2023, the 911 Fund's proportion was 0.00476%, which was an increase of 0.00052 from its proportion measured as of June 30, 2022, which was 0.00424%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2022, 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, 2023 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2022	12/31/2022
Inflation	2.5%	2.5%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3.0%
Healthcare Cost Trend Rate - Medical***	6.5% grading down to 5% by 2029	N/A
Healthcare Cost Trend Rate - Prescription Drug***	10% grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Prescription Drug Rebates***	7% grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Medicare Advantage***	0% through 2025, 5% thereafter	N/A
Healthcare Cost Trend Rate - Administrative***	3%	N/A

* Salary increases include 3.25% inflation and productivity factor.

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

*** Disability Income Plan of NC eliminated employer reimbursements from the Plan (which included State Health Plan premiums) effective July 1, 2019.

N/A - Not Applicable

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e. teacher, other educational employee, general employee, or law enforcement officer) and health status (i.e. disabled or not disabled). The current mortality rates are based on published tables and studies that cover significant portions of the U.S. public plan 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 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. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2023.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2023 (the measurement date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	0.9%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	8.2%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, 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 2.25%. 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, 2023 is 0.78%.

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. The results of the valuations fluctuate from year to year as actual experience differs from assumptions. This includes demographic experiences (i.e., mortality and retirement) that differ from expected. This also includes financial experiences (i.e., member medical costs and contributions) that vary from expected trends. 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 the historical pattern of sharing of benefit costs between the employer and plan members to that point. The RHBF is funded solely by employer contributions and 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. Prior to July 1, 2019, employers received a reimbursement from DIPNC for employer costs, including the employer's share of the State Health Plan premiums, incurred during the second six months of the first year of a member's short-term disability coverage. With the elimination of the reimbursement to employers, State Health Plan premiums are no longer reimbursed by DIPNC for the benefits that were effective on or after July 1, 2019.

The actuarial assumptions used in the December 31, 2022 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019,

as amended for updates to certain assumptions (such as 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 3.65% at June 30, 2023 compared to 3.54% at June 30, 2022. The projection of cash flow used to determine the discount rate assumed that contributions from employers would 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 to current plan members. As a result, a municipal bond rate of 3.65% was used as the discount rate used to measure the total OPEB liability. The 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

The discount rate used to measure the total OPEB liability for DIPNC was 3.00% at June 30, 2023 compared to 3.08% at June 30, 2022. The projection of cash flow used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was not projected to be available to make all projected future benefit payments to the current plan members. In order to develop the blended discount rate of 3.00%, 3.00% was used during the period that the plan was projected to have a fiduciary net position, and a municipal bond rate of 3.65% was used during the period that the plan was projected to have no fiduciary net position. The 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the 911 Fund's proportionate share of the net OPEB liability of the plans, as well as what the plans' net OPEB liability 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		
		1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
RHBF	\$	1,493,316	\$ 1,265,854	\$ 1,080,602
		1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
DIPNC	\$	1,414	\$ 1,176	\$ 934

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the plans, as well as what the plans' net OPEB liability 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						
		Current Healthcare Cost Trend Rates		1% Increase		
1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 9%, Pharmacy Rebate - 4% - 6%, Med. Advantage - 0% - 4%, Administrative - 2%)		(Medical - 5% - 6.5%, Pharmacy - 5% - 10%, Pharmacy Rebate - 5% - 7%, Med. Advantage - 0% - 5%, Administrative - 3%)		(Medical - 6% - 7.5%, Pharmacy - 6% - 11%, Pharmacy Rebate - 6% - 8%, Med. Advantage - 0% - 6%, Administrative - 4%)		
RHBF	\$	1,045,076	\$	1,265,854	\$	1,550,543

Effective with the actuarial valuation as of December 31, 2021, the liability for the State's potential reimbursement of costs incurred by employers was removed because the reimbursement by DIPNC was eliminated for disabilities occurring on or after July 1, 2019. Thus sensitivity to changes in the healthcare cost trend rates is not applicable for DIPNC.

OPEB Expense: For the fiscal year ended June 30, 2024, the 911 Fund recognized OPEB expense as follows:

OPEB Plan	Amount
RHBF	\$ 165,198
DIPNC	1,532
Total OPEB Expense	\$ 166,730

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2024, the 911 Fund's proportionate collective share of 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	\$ 13,939	\$ 1,030	\$ 14,969
Changes of Assumptions	137,130	86	137,216
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	10,112	1,536	11,648
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	344,828	269	345,097
Contributions Subsequent to the Measurement Date	80,843	1,245	82,088
Total	\$ 586,852	\$ 4,166	\$ 591,018

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 1,240	\$ 651	\$ 1,891
Changes of Assumptions	337,718	201	337,919
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	-	905	905
Total	\$ 338,958	\$ 1,757	\$ 340,715

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as reductions of the net OPEB liabilities related to RHBF and DIPNC in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as 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 Recognized in OPEB Expense:**

Year Ending June 30:	RHBF	DIPNC
2025	\$ 123,977	\$ 469
2026	(11,733)	221
2027	12,828	359
2028	41,979	15
2029	-	56
Thereafter	-	44
Total	\$ 167,051	\$ 1,164

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 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 and employee contributions. 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 0.13% 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 for up to twelve months. The Board of Trustees of the DIPNC may extend the short-term disability benefits for up to an additional twelve months. During the extended period of short-term disability benefits, payments are made directly by the DIPNC to the beneficiary. 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

Fire and other property losses are covered by contracts with private insurance companies. 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.

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.

All 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 private insurance companies. 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 Risk Management Division of the North Carolina Office of State Fire Marshal. The 911 Fund is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence and a \$250,000 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 911 Fund'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 *Annual Comprehensive 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, 2024, the 911 Fund had outstanding commitments on these cost-reimbursement grants and contracts totaling \$39,867,800.



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, 2024

Exhibit B-1

	Budgeted Amounts		Actual	Favorable
	Original	Final	(Cash Basis)	(Unfavorable)
REVENUES				
Service Charges Revenues	\$ 93,768,083	\$ 91,390,002	\$ 92,005,465	\$ 615,463
Investment Earnings	1,486,379	1,486,379	7,049,001	5,562,622
Administration Fees	850,668	1,774,164	1,817,773	43,609
Total Revenues	96,105,130	94,650,545	100,872,239	6,221,694
EXPENDITURES				
Statutory Distributions	60,058,485	37,830,763	35,054,502	2,776,261
Grant Payments	37,247,413	62,062,062	12,980,621	49,081,441
Salaries and Benefits	1,875,774	2,998,693	1,967,464	1,031,229
Contracted Services	21,870,353	39,689,476	35,788,405	3,901,071
Travel	175,700	143,167	95,593	47,574
Communication	60,029	238,993	228,687	10,306
Data Processing	76,192	105,015	74,071	30,944
Vehicle Lease	46,193	40,000	22,590	17,410
Registration Fees	9,100	18,042	8,344	9,698
Postage and Freight	675	1,091	889	202
Other	62,700	3,793,253	55,572	3,737,681
Capital Outlay	1,184,596	220,669	160,147	60,522
Total Expenditures	122,667,210	147,141,224	86,436,885	60,704,339
Excess of Revenues Over (Under) Expenditures	(26,562,080)	(52,490,679)	14,435,354	66,926,033
OTHER FINANCING SOURCES (USES)				
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	(26,562,080)	(52,490,679)	14,435,354	66,926,033
Fund Balance - July 1, 2023	169,654,276	169,654,276	169,654,276	-
Fund Balance - June 30, 2024	\$ 143,092,196	\$ 117,163,597	\$ 184,089,630	\$ 66,926,033

The following table presents a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2024 to the fund balance on a modified accrual basis (GAAP).

Fund Balance (Budgetary Basis) June 30, 2024	\$ 184,089,630
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Accrued Revenues	(2,161,787)
Accrued Expenditures	626,181
Total Basis Differences	(1,535,606)
Fund Balance (GAAP Basis) June 30, 2024	\$ 182,554,024

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, 2024

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



North Carolina Office of the State Auditor

Dave Boliek, State Auditor

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 North Carolina Department of Information Technology, as of and for the year ended June 30, 2024, 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 April 22, 2025.

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, 2024, or the changes in the 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.

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. 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.



Dave Boliek
State Auditor

Raleigh, North Carolina

April 22, 2025

Ordering Information

Copies of this report may be obtained by contacting:

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State of North Carolina
20601 Mail Service Center
Raleigh, North Carolina 27699

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