

**REPORT OF THE AUDIT OF
THE KENTUCKY 911 SERVICES BOARD**

**For The Fiscal Years Ended
June 30, 2018 and June 30, 2019**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5481**

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Kentucky 911 Services Board
Josh Keats, Chairman
200 Mero Street
Frankfort, KY 40601

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balance - Modified Cash Basis financial statements of the Kentucky 911 Services Board, as of and for the years ended June 30, 2018 and June 30, 2019, and the related notes to the financial statements, which collectively comprise the Kentucky 911 Services Board's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Kentucky 911 Services Board's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's



preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the Kentucky 911 Services Board, as of June 30, 2018 and June 30, 2019, and the respective changes in financial position – modified cash basis and, where applicable, cash flows, thereof for the years then ended on the basis of accounting described in Note 2.

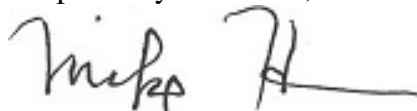
Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2020 on our consideration of Kentucky 911 Services Board'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 Kentucky 911 Services Board's internal control over financial reporting and compliance.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

July 1, 2020

FINANCIAL STATEMENTS

KENTUCKY 911 SERVICES BOARD
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	Board Administration Fund	Carrier Cost Recovery Fund	PSAP Pro Rata Disbursement Fund	PSAP Volume Disbursement Fund	Grant Fund	Total
Receipts						
Provider payments	\$ 514,596	\$ 512,729	\$ 8,832,687	\$ 8,832,687	\$ 1,896,537	\$ 20,589,236
Interest income	3,979	3,979	67,640	67,640	15,915	159,153
Prepaid service charges	227,822	227,344	3,864,850	3,864,850	909,376	9,094,242
Total Receipts	<u>746,397</u>	<u>744,052</u>	<u>12,765,177</u>	<u>12,765,177</u>	<u>2,821,828</u>	<u>29,842,631</u>
Operating Disbursements						
Provider disbursements		1,323,373	15,373,260	15,026,858	2,528,893	34,252,384
Personnel services						
Salaries and wages	96,851					96,851
Employee benefits	81,376					81,376
Professional fees	18,161					18,161
Insurance premiums	19,513					19,513
Utilities	3,676					3,676
Miscellaneous services	2,926					2,926
Supplies	963					963
Travel charges	3,636					3,636
Automotive expenses	22,646					22,646
Total Operating Disbursements	<u>249,748</u>	<u>1,323,373</u>	<u>15,373,260</u>	<u>15,026,858</u>	<u>2,528,893</u>	<u>34,502,132</u>
Other Financing Sources (Uses)						
Transfers in		11,537	625,920	509,143	313,514	1,460,114
Transfers out	(728,851)			(116,777)	(614,486)	(1,460,114)
Total Other Financing Sources (Uses)	<u>(728,851)</u>	<u>11,537</u>	<u>625,920</u>	<u>392,366</u>	<u>(300,972)</u>	
Excess (deficiency) of receipts over (under) disbursements	(232,202)	(567,784)	(1,982,163)	(1,869,315)	(8,037)	(4,659,501)
Fund Balance June 30, 2017	2,211,595	588,442	3,435,978	3,544,201	4,758,672	14,538,888
Restatement of Fund Balance	40,168				(34,217)	5,951
Fund Balance June 30, 2018	<u>\$ 2,019,561</u>	<u>\$ 20,658</u>	<u>\$ 1,453,815</u>	<u>\$ 1,674,886</u>	<u>\$ 4,716,418</u>	<u>\$ 9,885,338</u>

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

KENTUCKY 911 SERVICES BOARD
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2019

	Board Administration Fund	Carrier Cost Recovery Fund	PSAP Pro Rata Disbursement Fund	PSAP Volume Disbursement Fund	Grant Fund	Total
Receipts						
Provider payments	\$ 668,851	\$ 668,855	\$ 11,370,457	\$ 11,370,457	\$ 2,675,402	\$ 26,754,022
Interest income	6,612	6,612	112,399	112,399	26,447	264,469
Prepaid service charges	228,111	228,111	3,877,892	3,877,892	912,445	9,124,451
Total Receipts	<u>903,574</u>	<u>903,578</u>	<u>15,360,748</u>	<u>15,360,748</u>	<u>3,614,294</u>	<u>36,142,942</u>
Operating Disbursements						
Provider disbursements		1,242,298	13,889,302	14,651,604	2,538,357	32,321,561
Personnel services						
Salaries and wages	164,303					164,303
Employee benefits	175,504					175,504
Professional fees	159,427					159,427
Insurance premiums	21,959					21,959
Utilities	6,751					6,751
Miscellaneous services	9,355					9,355
Supplies	2,822					2,822
Travel charges	11,281					11,281
Automotive expenses	856					856
Total Operating Disbursements	<u>552,258</u>	<u>1,242,298</u>	<u>13,889,302</u>	<u>14,651,604</u>	<u>2,538,357</u>	<u>32,873,819</u>
Other Financing Sources (Uses)						
Transfers in	190	386,835	352,280	558,346	(20)	1,297,631
Transfers out	(478)		(591,899)	(1,003)	(704,559)	(1,297,939)
Total Other Financing Sources (Uses)	<u>(288)</u>	<u>386,835</u>	<u>(239,619)</u>	<u>557,343</u>	<u>(704,579)</u>	<u>(308)</u>
Excess (deficiency) of receipts over (under) disbursements	351,028	48,115	1,231,827	1,266,487	371,358	3,268,815
Fund Balance June 30, 2018	2,019,561	20,658	1,453,815	1,674,886	4,716,418	9,885,338
Fund Balance June 30, 2019	<u>\$ 2,370,589</u>	<u>\$ 68,773</u>	<u>\$ 2,685,642</u>	<u>\$ 2,941,373</u>	<u>\$ 5,087,776</u>	<u>\$ 13,154,153</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**KENTUCKY 911 SERVICES BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2019**

Note 1 – Nature of Organization

The Commercial Mobile Radio Service Emergency Telecommunications Board of Kentucky (CMRS Board) was promulgated by Kentucky Revised Statute (KRS) 65.7623. KRS 65.7623 was later amended to attach the CMRS Board to the Kentucky Office of Homeland Security for administrative purposes. The name of the CMRS Board was changed to the Kentucky 911 Services Board (911 Board), and the composition of the board membership was changed by a revision to KRS 65.7623 effective July 15, 2016.

The 911 Board was reorganized by executive order in May 2017, which abolished and reconstituted the board membership. Legislation passed by the 2018 General Assembly changed the Board membership to seven members. The 2018 legislation also codified the establishment of the 911 Advisory Council and transferred responsibility of the day-to-day operations of the 911 Board to the Kentucky Office of Homeland Security as stated in the executive order, and also increased the cap on the grant fund to \$3,000,000 in obligated funds during a fiscal year. The 911 Board continues to operate as an independent entity within state government, though the Kentucky Office of Homeland Security is responsible for managing the daily operations of the Board and its staff.

The 911 Board is charged with administering the CMRS fund, an interest-bearing deposit account held by the State Treasury for the purpose of implementing wireless emergency 911 services throughout the Commonwealth of Kentucky in accordance with state and federal legislation and regulation.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statement has been prepared on a cash basis of accounting modified by the application of KRS 45.229, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the cash basis of accounting, revenues are recognized when cash is received and expenditures are recorded when paid. The application of KRS 45.229 provides that for a period of 30 days after the close of any fiscal year, warrants may be drawn against available balances of appropriations made for that fiscal year, for the payment of expenditures incurred during the year or in fulfillment of contracts properly made during the year but for no other purpose.

Fund Accounting

The 911 Board uses fund accounting to report on the results of operations. A fund is a separate accounting unit with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The 911 Board uses funds to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

**KENTUCKY 911 SERVICES BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2019
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Receipts

Receipts are collected in accordance with KRS 65.7635. Each provider of wireless postpaid service acts as a collection agent for the CMRS fund collecting the CMRS service charge levied upon CMRS connections as a part of the provider's normal monthly billing process. The providers remit collections, less a collection cost allowance of 1.5 percent of total collections, within 60 days after the end of a calendar month. This was changed to 30 days by the revision to KRS 65.7635, effective July 15, 2016.

Legislation passed by the 2016 Kentucky General Assembly created a system for the collection of 911 fees on prepaid wireless services at the point-of-sale (POS) under KRS 65.7634. Beginning January 1, 2017, any prepaid wireless transaction generates a \$.93 fee collected at POS. Those fees, minus a 3 percent collection allotment, are then remitted to the Kentucky Department of Revenue (DOR). DOR retains a 1 percent processing fee, then forwards the balance to the 911 Board. Also, KRS 65.7636 defined Lifeline providers of low-income wireless service and gave providers the responsibility of remitting the same monthly 911 fee assessment of \$.70 per month to the 911 Board as paid by postpaid wireless subscribers. A Lifeline provider is a provider participating in the wireless Lifeline program (a discount service for low income subscribers).

Disbursements

The monies in the CMRS fund are apportioned among approved uses of the fund as specified by KRS 65.7631. No more than 2.5 percent of total monthly revenues shall be used to pay administrative expenses. Total monthly revenues of 17.5 percent were used to reimburse wireless providers certified by the 911 Board for the actual expenses incurred in complying with wireless emergency 911 service requirements. Total monthly revenues of 35 percent were distributed to Public Safety Answering Points (PSAPs) using a formula based on the total number of PSAPs requesting disbursement of funds. Total monthly revenues of 35 percent were distributed to PSAPs based on the number of wireless connections in that PSAP's geographical jurisdiction. Amounts distributed to PSAPs are to be used for the purposes of answering 911 calls and for compliance with wireless emergency 911 service requirements. Total monthly revenues of 10 percent deposited into the CMRS fund were to be disbursed or reserved for disbursement by the 911 Board to provide direct grants or matching money to PSAPs or providers. The grant monies are to be used to establish and improve enhanced 911 service. The allocation percentages changed for FY 2016 and FY 2017 to 2.5 percent for reimbursing wireless providers for actual expenses, 42.5 percent for PSAPs based on the number of PSAPs requesting reimbursement, and 42.5 percent for PSAPs based on the number of wireless connections.

Note 3 – Cash and Cash Equivalents

All agency receipts are deposited into the CMRS Fund by the State Treasurer pursuant to KRS 65.7627. At June 30, 2019, the 911 Board had deposits and interest income of \$13,154,153. The 911 Board participates in the internal cash and investment pool of the Commonwealth of Kentucky. Therefore, it follows the policies established by the Commonwealth for all pooled cash investments.

**KENTUCKY 911 SERVICES BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2019
(Continued)**

Note 3 – Cash and Cash Equivalents (Continued)

The risk disclosures related to deposits and investments are reported in the Commonwealth's Comprehensive Annual Financial Report (CAFR). Accordingly, the Commonwealth's CAFR for the years ended June 30, 2018 and June 30, 2019 should be referred to for disclosures required by the Governmental Accounting Standards Board (GASB).

Note 4 – Employee Retirement System

The employees of the 911 Board participate in the Kentucky Employees Retirement System (KERS) of the Commonwealth of Kentucky, administered by the Kentucky Retirement System. This is a cost sharing, multiple employer defined benefit pension plan covering substantially all regular full-time employees. The plan provides retirement, disability, and death benefits to plan members. KERS provides for cost-of-living adjustments at the discretion of the Kentucky legislature.

Employees who retire at or after age 65 with 48 months of credited service are entitled to a retirement benefit based on a range of 1.97 percent to 2.0 percent of their final average salary multiplied by their years of service. Final average salary is the employee's average of the three or five fiscal years during which the employee had the highest average monthly salary. Benefits fully vest on reaching five years of service. Vested employees may retire after 27 years of service and receive full benefits; or retire after age 55 and receive reduced benefits. The KERS provides retirement, as well as health care, disability, and death benefits to plan members. The KERS provides for cost-of-living adjustments at the discretion of the Kentucky legislature. Benefits are established by Kentucky Revised Statutes.

Employees hired before September 1, 2008 are required by state statute to contribute 5 percent of their salary to KERS. The 911 Board was statutorily required to contribute 83.43 percent in FY 2019 and 49.47 percent in FY 2018. Contributions were made for each year as follows: FY 2019 \$132,723 and FY 2018 \$54,497.

On June 27, 2008, House Bill 1, a pension reform measure, was signed into law. This legislation significantly impacted retirement benefits for employees who began participating with KERS on or after September 1, 2008. The law had a few provisions that affected then-current employees and retirees. Those employees beginning participation on or after September 1, 2008 are required to contribute 5 percent of their annual covered salary. Employers, including the 911 Board, continue to be required to contribute an actuarially determined rate. House Bill 1 contained a provision expressing the intent of the General Assembly to gradually increase the employer contributions to KERS beginning July 1, 2010.

Covered employees hired after December 31, 2013, are eligible to participate in a cash balance plan which requires employees to pay a pre-tax 5 percent rate based on creditable compensation. The employee's account is also credited with a 4 percent employer pay credit. In addition to the 5 percent contribution, all active employees participating on or after January 1, 2014 pay a 1 percent pretax contribution to the KERS Insurance Fund. At the end of each fiscal year, interest is paid into the employee's account.

**KENTUCKY 911 SERVICES BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2019
(Continued)**

Note 4 – Employee Retirement System (Continued)

The account is guaranteed a 4 percent interest credit on the employee's account balance as of June 30 of the previous year. The employee's account may be credited with additional interest if the five-year average investment return exceeds 4 percent. At the time of termination, the employee is eligible to either take a refund of the accumulated account balance if vested (five or more years of service), or annuitize their account balance, if eligible for retirement. If the employee terminates employment and requests a refund prior to vesting, the employee is eligible only for the employee's contributions and associated interest, and forfeits the employer pay credit and associated interest.

Ten-year historical trend information showing the KERS' progress in accumulating sufficient assets to pay benefits when due (as well as financial statements and other required supplementary information) is presented in the Kentucky Retirement System's Annual Financial Report (which is a matter of public record). The Commonwealth's CAFR should be referred to for additional disclosures related to the Kentucky Employees Retirement System.

Because these financial statements are prepared on the modified cash basis, certain disclosures and financial statement accounts related to GASB 68 are not applicable and therefore, not included in the financial statements or notes to the financial statements. For disclosures related to GASB 68, see the Commonwealth's CAFR.

In addition to the above defined benefit pension plan, the 911 Board's employees are also eligible to participate in two deferred compensation plans sponsored by the Commonwealth of Kentucky. These plans are organized as a Section 457 plan and as a Section 401(k) plan under the Internal Revenue Code. Both plans permit employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. The Commonwealth's CAFR should be referred to for additional disclosures related to the deferred compensation plans.

**KENTUCKY 911 SERVICES BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2019
(Continued)**

Note 4 – Employee Retirement System (Continued)

**Kentucky Employees Retirement System
Governance KRS 61.510 through KRS 61.705
Cost Sharing Multiple Employer Defined Benefit
Non-Hazardous**

	Tier 1 Participation Prior to 9/1/2008	Tier 2 Participation 9/1/2008 through 12/31/2013	Tier 3 Participation on or after 1/1/2014
Covered Employees:	Substantially all regular full-time members employed in non-hazardous positions of any state department, board, or any agency directed by Executive Order to participate in the system.		
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
Final Compensation:	Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump-sum compensation payments (before and at retirement).	5 complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
Benefit Factor:	1.97%, or 2.0% for those retiring with service for all months between 1/1998 and 1/1999.	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years).	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Cost of Living Adjustment (COLA):	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit:	Any age with 27 years of service. Age 65 with 48 months of service. Money Purchase for age 65 with less than 48 months based on contributions and interest.	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service. No Money Purchase calculations.	
Reduced Retirement Benefit:	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 65 or has less than 27 years of service, whichever is smaller.	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 65, or does not meet the rule of 87 (age plus service) and is younger than age 57, whichever is smaller.	No reduced retirement benefit

**KENTUCKY 911 SERVICES BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2019
(Continued)**

Note 5 – Other Postemployment Benefits

The Kentucky Employees Retirement System (KERS) Non-Hazardous Plan is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). It is a cost-sharing other postemployment benefits (OPEB) plan. Contribution rates for employer and employees are established by Kentucky Revised Statutes. Members participating prior to September 2008 do not contribute to the OPEB plan directly; instead assets have been allocated between pension and retiree medical liabilities on the basis of accrued liability as of July 1, 2007. This amount has then been brought forward from that date based on actual cash flows and prorated allocation of investment returns. Members participating on or after September 2008 contribute 1 percent of their official salary. Employer contribution rates are actuarially determined and established in the Budget Bill.

Publicly available financial reports for the Kentucky Retirement Systems can be accessed at <https://kyret.ky.gov>.

Because these financial statements are prepared on the modified cash basis, certain disclosures and financial statement accounts related to GASB 75 are not applicable and therefore not included in the financial statements or notes to the financial statements. For disclosures related to GASB 75, see the Commonwealth of Kentucky's Comprehensive Annual Financial Report.

**KENTUCKY 911 SERVICES BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2019
(Continued)**

Note 5 – Other Postemployment Benefits (Continued)

**Kentucky Retirement Systems OPEB Plan
Governance KRS 61.510 -61.705
Cost Sharing Multiple Employer Defined Benefit
Kentucky Employee Retirement System Non-Hazardous**

Plan Administrator: The plan is administered by the Kentucky Employees Retirement System.

Covered Employees: Recipient of a retirement benefit from Kentucky Employees Retirement System are eligible to receive health care benefits.

Benefit Formula: Participation prior to 7/1/2003 hospital and medical insurance premium payment for retiree and their qualifying dependence based on years of service (see chart below). On or after 7/1/2003 but before 9/1/2008 10 years of earned service at retirement to be eligible for insurance benefit. Benefit of \$10.00 per month for each year of earned service without regard to a maximum dollar amount; adjusted annually. As of July 1, 2017 the Non-hazardous monthly contribution was 12.99/per year of service. The participant must agree to pay the balance of the premium in order to participant.

Traditional Defined Benefit Plan		Hybrid Benefit Plan		Hybrid Benefit Plan	
Participation prior to 7/1/2003		Participation between 7/1/2003 and 8/31/2008		Participation on or after 9/1/2008	
Months of Service	% of premium paid	Months of Service	% of premium paid	Months of Service	Premium Payments
<48	0%	<119	0	<179	0
48 to 119 inclusive	25%	120 or more	\$10 per month for each year of service without regard to a maximum dollar amount adjusted annually	180 or more	\$10 per month for each year of service without regard to a maximum dollar amount adjusted by 1.5% annually
120 to 179 inclusive	50%				
180 to 239 inclusive	75%				
240 or more	100%				

Cost of Living Adjustment (COLA): Health Insurance Hybrid Benefit Plan receive 1.50% increase contribution each July 1.

Contribution Rate: Contribution rates for the employer are actuarially determined. The Traditional plan members do not contribute to the OPEB plan directly. Instead assets have been allocated between pension and retiree medical liabilities on the basis of accrued liability as of July 1, 2007. This amount has then been brought forward from that date based on actual cash flows and prorated allocation of investment returns. The Hybrid plan members contribute 1% of their official salary.

Note 6 – Lawsuit Settlements

The 911 Board received a \$473,318 judgment in August 2015 from Virgin Mobile for unremitted prepaid wireless fees. Virgin Mobile appealed the case to the Kentucky Court of Appeals, which upheld the judgment in July 2017. Virgin Mobile stated the intention to file an appeal with the Kentucky Supreme Court but did not file the appropriate paperwork to do so. The \$473,318 settlement was disbursed according to the existing CMRS funding formula in May 2018.

**KENTUCKY 911 SERVICES BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2019
(Continued)**

Note 6 – Lawsuit Settlements (Continued)

Whereas Virgin Mobile chose a “self-help” scheme by which they chose to offset their prepaid wireless fee overpayments from future ones, T-Mobile chose to make their prepaid wireless fee payments in a timely manner, requesting a refund after the fact. The suits, filed in 2009 and 2015, as well as the tax appeal filed in 2009, are pure refund actions. Citing the Supreme Court decision in the Virgin Mobile case, T-Mobile is demanding that they receive back the money paid to the 911 Board, along with the interest accrued thereon. According to T-Mobile’s counsel, this demand is for more than \$1,700,000 in total, of which about \$600,000 is the principal. The 911 Board has defended the action using the defense in refund cases that the funds were paid to CMRS voluntarily with T-Mobile having a clear understanding of the law, thus they are not entitled to a refund. Both sides moved for judgment before the Franklin Circuit Court, but the circuit court refused to rule on the matter. Both sides agreed to push the case to the Kentucky Court of Appeals. A brief was submitted to the Court in September 2019, and the Board is currently awaiting a decision.

Note 7 – Office Space

The office is located in the Kentucky Office of Homeland Security at 200 Mero Street, in the Transportation Cabinet building. The 911 Board pays no fee for occupying space at its current location.

Note 8 – Transfers

As mandated by KRS 65.7631(4) as in effect during FY 2018, any unobligated funds in the grant fund in excess of \$2,000,000 in any fiscal year must be redirected in equal portions to the call volume and pro rata funds, respectively. During FY 2018 on May 3, 2018, \$614,486 was transferred out of the grant fund, split equally between the pro rata and call volume accounts. Pursuant to legislation passed by the 2018 General Assembly, KRS 65.7631(4) was changed effective July 14, 2018, to state that any unobligated funds in the grant fund in excess of \$3,000,000 in any fiscal year must be redirected in equal portions to the call volume and pro rata funds, respectively. During FY 2019, on June 25, 2019, \$704,559 was transferred out of the grant fund, split equally between the pro rata and call volume accounts. This transfer was reported to the 911 Services Board at its regular board meeting on July 2, 2019. All transfers were recorded on the financial statements in the correct fund.

Note 9 – Subsequent Events

Beginning in the early months of calendar year 2020, the economy and financial markets experienced a significant decline due to the coronavirus pandemic. These statements should be reviewed in that context.

Note 10 – Restatement

During FY 2018, a restatement of the beginning balance was required to account for a coding error between the grant fund and the board administration fund in the prior year.

**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***



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Kentucky 911 Services Board
Josh Keats, Chairman
200 Mero Street
Frankfort, KY 40601

Independent Auditor's Report

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 modified cash basis financial statements of the Kentucky 911 Services Board for the years ended June 30, 2018 and June 30, 2019 and the related notes to the financial statements and have issued our report thereon dated July 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Kentucky 911 Services Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Kentucky 911 Services Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Kentucky 911 Services Board'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Josh Keats, Chairman
Kentucky 911 Services Board
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

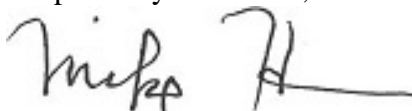
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kentucky 911 Services Board'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 determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

July 1, 2020