

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

**For The Fiscal Years Ended  
June 30, 2022 and June 30, 2023**



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CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS FOR THE YEAR ENDED JUNE 30, 2022 .....	5
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS FOR THE YEAR ENDED JUNE 30, 2023 .....	6
NOTES TO THE FINANCIAL STATEMENTS .....	9
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	21
SCHEDULE OF FINDINGS AND RECOMMENDATIONS.....	25





ALLISON BALL  
AUDITOR OF PUBLIC ACCOUNTS

*Independent Auditor's Report*

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

***Report on the Audit of the Financial Statements***

***Opinion***

We have audited the accompanying modified cash basis financial statements of the Kentucky 911 Services Board (Board), as of and for the years ended June 30, 2022, and June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board'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 respective modified cash basis financial position of the Board, as of June 30, 2022, and June 30, 2023, and the respective changes in financial position-modified cash basis and, where applicable, cash flows, thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

***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*, 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 Board 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 opinions.

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***Emphasis of Matter - 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 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.

***Responsibilities of Management for the Financial Statements***

The 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, and for 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 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 opinions. 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 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, we:

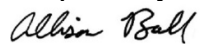
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 Board'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 Board'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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2024 on our consideration of the 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 solely 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 the effectiveness of 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 Board's internal control over financial reporting and compliance.

Respectfully submitted,  
  
Allison Ball  
Auditor of Public Accounts  
Frankfort, KY

June 28, 2024





## **FINANCIAL STATEMENTS**



**KENTUCKY 911 SERVICES BOARD**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN FUND BALANCE - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Federal Fund	Board Administration Fund	NG Technology Fund	PSAP Pro Rata Disbursement Fund	PSAP Volume Disbursement Fund	Grant Fund	Total
Receipts							
Provider Postpaid Fees	\$	\$ 641,665	\$ 641,665	\$ 10,908,065	\$ 10,908,065	\$ 2,567,128	\$ 25,666,588
Interest Income							
Prepaid Service Charges		251,027	251,027	4,267,454	4,267,454	1,004,107	10,041,069
Federal Aid - Highway Safety	1,460,110						1,460,110
Total Receipts	<u>1,460,110</u>	<u>892,692</u>	<u>892,692</u>	<u>15,175,519</u>	<u>15,175,519</u>	<u>3,571,235</u>	<u>37,167,767</u>
Operating Disbursements							
Grants-in-Aid - State					(8,614)	2,565,321	2,556,707
Provider Disbursements				15,637,131	15,911,792		31,548,923
Personnel Services							
Salaries and Wages		221,683					221,683
Employee Benefits		245,506					245,506
Professional Fees	1,234,376	996,334	51,248				2,281,958
Insurance Premiums		25,846					25,846
Utilities	208,387	157,071					365,458
Miscellaneous Services		1,810					1,810
Supplies		1,488					1,488
Travel Charges	26	13,714					13,740
Automotive Expenses		695					695
Software Renewal Fees	104,193	250,179					354,372
Computer Hardware > \$5,000	151,763	101,176	43,861				296,800
Total Operating Disbursements	<u>1,698,745</u>	<u>2,015,502</u>	<u>95,109</u>	<u>15,637,131</u>	<u>15,903,178</u>	<u>2,565,321</u>	<u>37,914,986</u>
Other Financing Sources (Uses)							
Transfers In				728,874	728,874		1,457,748
Transfers Out						(1,457,748)	(1,457,748)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>728,874</u>	<u>728,874</u>	<u>(1,457,748)</u>	<u>-</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(238,635)	(1,122,810)	797,583	267,262	1,215	(451,834)	(747,219)
Fund Balance June 30, 2021	(319,958)	2,259,882	863,686	2,932,890	3,222,589	6,142,190	15,101,279
Fund Balance June 30, 2022	<u>\$ (558,593)</u>	<u>\$ 1,137,072</u>	<u>\$ 1,661,269</u>	<u>\$ 3,200,152</u>	<u>\$ 3,223,804</u>	<u>\$ 5,690,356</u>	<u>\$ 14,354,060</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, 2023**

	Federal Fund	Board Administration Fund	NG Technology Fund	PSAP Pro Rata Disbursement Fund	PSAP Volume Disbursement Fund	Grant Fund	Total
<b>Receipts</b>							
Provider Postpaid Fees	\$	\$ 677,380	\$ 1,298,826	\$ 11,515,469	\$ 11,515,469	\$ 2,088,065	\$ 27,095,209
Interest Income		7,278	14,556	123,730	123,730	21,835	291,129
Prepaid Service Charges		263,684	487,562	4,482,628	4,482,628	830,858	10,547,360
Federal Aid - Highway Safety	558,593	160,194					718,787
<b>Total Receipts</b>	<b>558,593</b>	<b>1,108,536</b>	<b>1,800,944</b>	<b>16,121,827</b>	<b>16,121,827</b>	<b>2,940,758</b>	<b>38,652,485</b>
<b>Operating Disbursements</b>							
Grants-in-Aid - State						2,088,396	2,088,396
Provider Disbursements				16,767,097	16,967,003		33,734,100
Personnel Services							-
Salaries and Wages		230,347					230,347
Employee benefits		244,838					244,838
Professional Fees		363,893	259,444				623,337
Insurance Premiums		19,690					19,690
Utilities		13,006	950,173				963,179
Miscellaneous Services		1,426					1,426
Supplies		6,520					6,520
Travel Charges		26,857					26,857
Automotive Expenses		257					257
Software Renewal Fees		972	347,312				348,284
Computer Hardware > \$5,000		864					864
<b>Total Operating Disbursements</b>	<b>-</b>	<b>908,670</b>	<b>1,556,929</b>	<b>16,767,097</b>	<b>16,967,003</b>	<b>2,088,396</b>	<b>38,288,095</b>
<b>Other Financing Sources (Uses)</b>							
Transfers In					399,562		399,562
Transfers Out		(399,562)					(399,562)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(399,562)</b>	<b>-</b>	<b>-</b>	<b>399,562</b>	<b>-</b>	<b>-</b>
<b>Excess (Deficiency) of Receipts Over (Under) Disbursements</b>	<b>558,593</b>	<b>(199,696)</b>	<b>244,015</b>	<b>(645,270)</b>	<b>(445,614)</b>	<b>852,362</b>	<b>364,390</b>
Fund Balance June 30, 2022	(558,593)	1,137,072	1,661,269	3,200,152	3,223,804	5,690,356	14,354,060
Fund Balance June 30, 2023	\$ -	\$ 937,376	\$ 1,905,284	\$ 2,554,882	\$ 2,778,190	\$ 6,542,718	\$ 14,718,450

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, 2022 AND JUNE 30, 2023**

**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, 2022 AND JUNE 30, 2023  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

Receipts

Receipts are collected in accordance with KRS 65.7635. Each provider of wireless traditional postpaid service acts as a collection agent for the CMRS fund, collecting the CMRS service charge levied upon CMRS connections as part of the provider's normal monthly billing process. The providers remit collections, less a collection cost allowance of 1.5% 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 \$0.93 fee collected at POS. Those fees, minus a 3% collection allotment, are then remitted to the Kentucky Department of Revenue (DOR). DOR retains a 1% processing fee and then forwards the balance to the 911 Board. Also, legislation passed by the 2020 Kentucky General Assembly modified KRS 65.7636 to require providers of low-income wireless Lifeline service to remit the same monthly 911 fee assessment of \$0.70 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).

The 911 Services Board qualified for a \$2,312,695 federal Next Generation 911 (NG911) grant in 2019 from the National Highway Traffic Safety Administration and the National Telecommunications and Information Administration. The grant required local matching funds of 40 percent of the total project value, or \$1,543,797. Projects funded by the NG911 grant include: revision of Kentucky's state NG911 adoption plan, contribution to the state aerial photography initiative to provide high-resolution orthographic imagery to all Kentucky Public Safety Answering Points (PSAPs), hiring a third party contracted agency to provide GIS integration services for locally acquired PSAP mapping, and the creation of a statewide supplemental data portal and issuance of a contract with a third party entity to display aggregated statewide GIS data and myriad supplemental data layers made available by the Commonwealth Office of Technology's Division of Geographic Service's GIS clearinghouse. The grant performance period ran through March 31, 2022. Covid and federal obstacles led to procurement delays, which resulted in contracts for the GIS integration solution and the supplemental data portal being issued in March and June 2021, respectively. The final payment was made on the grant effective July 1, 2022. The grant received a desk review from federal administrators and the grant was closed.

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% of total monthly revenues shall be used to pay administrative expenses. 2.5% of the total monthly revenues deposited into the CMRS fund shall be used solely for the purpose of establishing or maintaining statewide 911 initiatives to assist with the adoption and operation of next generation 911 services. Legislation passed in 2022 temporarily increased the amount of funding dedicated to the NG911 Technology Fund from 2.5% to 5% until July 1, 2024. 2022 House Bill 363 temporarily changed the total monthly revenues of 10% deposited into the CMRS Grant fund to 7.5% until



**KENTUCKY 911 SERVICES BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2023  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

July 1, 2024. The grant monies are to be used to establish and improve enhanced 911 service and to acquire equipment and services that are compatible with Next Generation 911 technologies. Total monthly revenues of 42.5% are distributed to PSAPs using a formula based on the total number of PSAPs requesting disbursement of funds. Total monthly revenues of 42.5% are 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.

**Note 3 – Cash and Cash Equivalents**

All agency receipts are deposited into the CMRS Fund by the State Treasurer pursuant to KRS 65.7627. As of June 30, 2023, the 911 Board had deposits and interest income of \$14,718,450. 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.

The risk disclosures related to deposits and investments are reported in the Commonwealth's Annual Comprehensive Financial Report (ACFR). Accordingly, the Commonwealth's ACFR for the years ended June 30, 2022, and June 30, 2023, 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% to 2.0% 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% of their salary to KERS. The 911 Board was statutorily required to contribute 83.97% in FY 2022 and 78% rate in FY 2023. Contributions were made for each year as follows: FY 2022 \$186,230 and FY 2023 \$183,763.

**KENTUCKY 911 SERVICES BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2023  
(Continued)**

**Note 4 – Employee Retirement System (Continued)**

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% 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 (5%) rate based on creditable compensation. The employee's account is also credited with a 4 percent (4%) employer pay credit. In addition to the 5 percent (5%) contribution, all active employees participating on or after January 1, 2014, pay a one percent (1%) pretax contribution to the KERS Insurance Fund. At the end of each fiscal year, interest is paid into the employee's account.

The account is guaranteed a 4% 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%. 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 ACFR 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 ACFR.

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 ACFR 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, 2022 AND JUNE 30, 2023**  
**(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
<b>Covered Employees:</b>	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.		
<b>Benefit Formula:</b>	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
<b>Final Compensation:</b>	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
<b>Benefit Factor:</b>	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.
<b>Cost of Living Adjustment (COLA):</b>	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
<b>Unreduced Retirement Benefit:</b>	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.	
<b>Reduced Retirement Benefit:</b>	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, 2022 AND JUNE 30, 2023  
(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% of their official salary. Employer contribution rates are actuarially determined and established in the Budget Bill.

Publicly available financial reports for the Kentucky Public Pensions Authority 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 ACFR.

**KENTUCKY 911 SERVICES BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2023**  
**(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 dependents 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.

<b>Traditional Defined Benefit Plan</b>		<b>Hybrid Benefit Plan</b>		<b>Hybrid Benefit Plan</b>	
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 – Litigation**

Unlike an earlier refund case involving Virgin Mobile, T-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 Services 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, who remanded the case back to the Franklin Circuit Court for further action. On January 20, 2022, the Franklin Circuit Court ruled in favor

**KENTUCKY 911 SERVICES BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2023  
(Continued)**

**Note 6 – Litigation (Continued)**

of the Board's motion for summary judgement. The ruling was appealed by T-Mobile. The Kentucky Supreme Court agreed to hear the appeal in 2023. Both parties have submitted briefs to the Supreme Court, which may either issue a ruling based on the filed briefs or request oral arguments.

On September 24, 2019, the Board suspended collection of Lifeline fees due to resistance of a provider claiming federal preemption. With the passage of 2020 House Bill 208, the Board once again began collecting Lifeline fees in April 2020. Due to litigation filed by CTIA, The Wireless Association and judgment appealed by the fee collection for Lifeline, subscribers were suspended again on March 30, 2021. The case remains in open litigation.

**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 other than a portion of security guard costs for the building.

**Note 8 – Transfers**

As mandated by KRS 65.7631(4), any unobligated funds in the grant fund in excess of \$2,500,000 in any fiscal year must be redirected in equal portions to the call volume and pro rata funds, respectively. During FY 2022, \$1,457,748 was swept from the grant fund to the call volume and pro rata funds. During FY 2023, grant awards approved during the June 2023 board meeting left an unobligated balance of \$2,258,825, leaving no funds in excess of \$2,500,000.

In January 2022, zip code reporting was updated in the volume payment spreadsheet because Bluegrass Cellular announced the sale of its wireless subscriber base to Verizon Wireless in March 2021, which would be fully integrated into Verizon by the end of 2021. Bluegrass Cellular zip code reporting was removed from the volume payment spreadsheet to reflect that sale. Bluegrass Cellular had a subscriber footprint throughout the state but had a much larger subscriber count in some areas. After the February 2022 volume payment was released, inquiries by two PSAPs were received regarding a significant drop in their volume payments. Staff began analysis to determine the extent of the anomaly, and it was confirmed through outreach to Verizon Wireless that Verizon had erroneously omitted reporting Bluegrass Cellular's subscriber base in their fourth quarter 2021 reporting. At the June 21, 2022, board meeting, the board's chief operations officer made the board aware of the error. Letters were sent to PSAPs on June 29, 2022, (some PSAPs being overpaid while others were underpaid) informing the correction would be made in their August 2022 quarterly volume payment and credit balances would be applied with future quarterly payments until the credit balance zeroed out. Following the APA finance review for fiscal years 2021 and 2022, auditors discovered one of the largest providers was underreporting subscribers in fiscal year 2022. Staff then completed outreach to providers to amend zip code reporting to reflect accurate

**KENTUCKY 911 SERVICES BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2023  
(Continued)**

**Note 8 – Transfers (Continued)**

numbers based upon their remittance and audit results. During the March 7, 2023, board meeting, staff disclosed that based upon the updated zip code reporting, volume payments for 2022 had been recalculated and analyzed against previous volume payments for 2022 revealing several PSAPs having been over withheld. The overpayments based upon analysis were minimal, so it was decided to only issue payments owed to those who had been over withheld, with the net result being the issuance of \$414,062 in restorative payments. The refunds were paid from the volume account with a transfer against previous transfers covering the cash flow of other corrections issued from the Board's administrative account, leaving no PSAP negatively affected by the correction. On March 10, 2023, payments were issued to the previously over withheld PSAPs. At the end of fiscal year 2023, there was one PSAP remaining with a credit balance, which zeroed out and was able to receive funds again in fiscal year 2024 following the August 2023 payment.

**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. Interest ran at a deficit for most of FY 2020 and FY 2021. Transfer of interest was not made in fear of overdrawing the \$1,867 balance at the end of FY 2020 and \$1,475 balance at end of FY 2021. Negative postings continued in FY 2022 with a deficit balance transferred by finance in the amount of \$25,005 notated as a cash loan. Positive interest rates returned in FY 2023, when transfers were re-initiated with a balance for transfers made into the account at fiscal year-end after the sweep was made, leaving a balance of \$40,767.

In the CTIA Lifeline court case, the U.S. District Court in March of 2024 upheld the U.S. Court of Appeals ruling in favor of the 911 Services Board from the previous year. CTIA elected not to appeal the decision within the allowable timeline, so legal counsel advised the Board that it could consider the case to be concluded. At its June 11, 2024, meeting, the Board voted to resume collecting 911 fees from wireless providers of Lifeline service retroactive to April 2021.

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**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***





ALLISON BALL  
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*

Independent Auditor's Report

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

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 Statement of Receipts, Disbursements, and Changes in Fund Balance - Modified Cash Basis of the Kentucky 911 Services Board (Board) for the years ended June 30, 2022 and June 30, 2023, and the related notes to the financial statements and have issued our report thereon dated June 28, 2024.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the 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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Recommendations as Finding 2023-001 that we consider to be a significant deficiency.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the 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*.

### ***The Board's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Board's response to the findings identified in our audit and described in the accompanying schedule of findings and recommendations. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### ***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 Board'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,  
*Allison Ball*  
Allison Ball  
Auditor of Public Accounts  
Frankfort, KY

June 28, 2024

## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**



**KENTUCKY 911 SERVICES BOARD  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2023**

**2023-001: The Kentucky 911 Services Board Was Unable To Verify The Accuracy Of The Prepaid Service Charges**

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**Condition and Context**

Prepaid service charges related to the purchase of prepaid cell phones and prepaid calling cards are remitted by retailers to the Department of Revenue (DOR), which then remits the funds to the Kentucky 911 Services Board (Board) along with reports with detailed information about the amounts collected. During fiscal years 2022 and 2023, the detailed reports of the amounts remitted to the Board were not received timely or consistently from DOR. Thus, the Board was unable to timely reconcile prepaid service charges and verify the accuracy of the funds received.

**Cause**

Reports with a detailed breakdown of which entities provided payments each month were not provided to the Board timely.

**Effect**

Without reports detailing the retailers name, amount remitted, and total remitted each month, the Board cannot reconcile prepaid service charges or verify the accuracy of the funds received, including accuracy of the amounts remitted by the retailers and the administrative amount withheld by DOR.

**Criteria**

KRS 142.135(1) states, in part, “The department shall transmit the amounts remitted to it by retailers as required by KRS 142.105 to the board on a monthly basis...” Additionally, KRS 142.135 (2) states “The department shall provide a monthly report of receipts from the CMRS prepaid service charge to the board.”

Sound internal controls dictate the timely reconciliation of supporting documentation of the amounts remitted and recorded by the Board. Reconciliations should be completed timely to achieve operational effectiveness and allow for effective month-end and year-end activities.

**Recommendation**

We recommend the Board work with appropriate state agency officials to obtain the information needed to implement procedures for the timely reconciliation and verification of amounts remitted by DOR.

**KENTUCKY 911 SERVICES BOARD  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2023  
(Continued)**

**2023-001: The Kentucky 911 Services Board Was Unable To Verify The Accuracy Of The Prepaid Service Charges (Continued)**

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**Management's Response and Planned Corrective Action**

*The 911 Services Board has struggled to get necessary documentation from the KY Department of Revenue (DOR) for 911 fees remitted by prepaid wireless providers because, by statute, prepaid wireless 911 fees are collected at point of sale by retailers and sent to the DOR, who then forwards remittances to the 911 Services Board on a monthly basis. However, they don't regularly send the Board a detailed accounting by provider, so Board staff have no way to validate remittances against self-reported subscriber counts. Board staff have held numerous meetings and have sent scores of written requests for proper documentation for the last six years, but the problem has not been resolved on the DOR side. In October 2022, the board added an additional staff position for a compliance officer to focus on provider remittances and improved communication and reconciliation with prepaid fees collected by DOR.*

*The only way to remedy this ongoing situation is to seek a statutory change that would allow prepaid wireless providers to directly remit 911 fees to the 911 Services Board. Discussions have taken place between DOR and legal staff of the Office of the Governor regarding this situation. The 911 Services Board will pursue a legislative solution to remedy this ongoing concern in the 2025 legislative session.*