ENHANCED 911 FUND

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2020

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PART I

TRANSMITTAL

EGAMI & ICHIKAWA
CERTIFIED PUBLIC ACCOUNTANTS, INC.

November 18, 2020

To the Directors
Enhanced 911 Board
Honolulu, Hawaii

We have completed our financial audit of the Enhanced 911 Fund (the "E911 Fund") as of and for the year ended June 30, 2020. The audit was performed in accordance with our agreement dated March 1, 2018 with the Enhanced 911 Board ("the Board").

OBJECTIVES

The primary purpose of our audit was to form an opinion on the fairness of the presentation of the E911 Fund's financial statements as of June 30, 2020. More specifically, the objectives of our audit were as follows:

1. To provide a basis for an opinion on the fairness of the financial statements of the E911 Fund.

2. To ascertain whether or not expenditures have been made and all revenues and other receipts to which the E911 Fund is entitled have been collected and accounted for in accordance with the laws, rules and regulations, and policies and procedures of the State of Hawaii.

3. To ascertain the adequacy of the financial and other management information reports in providing officials at the different levels of the State and the Board the proper information to plan, evaluate, control and correct program activities.

4. To evaluate the adequacy, effectiveness and efficiency of the systems and procedures for financial accounting, operational and internal controls, and to recommend improvements to such systems and procedures.

SCOPE OF THE AUDIT

Our audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The scope of our audit included an examination of the transactions and accounting records of the E911 Fund for the year ended June 30, 2020.

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ORGANIZATION OF THE REPORT

This report is organized into seven parts:

PART I - presents the transmittal letter.

PART II - presents management's discussion and analysis.

PART III - presents the financial section which includes the E911 Fund's financial statements and the auditors' report on such statements.

PART IV - presents the budgetary comparison schedule (non-GAAP budgetary basis) - special revenue fund.

PART V - contains the report on internal controls over financial reporting and compliance.

PART VI - presents the schedule of audit findings and questioned costs.

PART VII - contains the corrective action plan.

At this time, we wish to thank the Board's personnel for their cooperation and assistance extended to us. We will be happy to respond to any questions that you may have on this report.

Very truly yours,

Egami + Dennan CPAs LLC.

PART II

MANAGEMENT'S DISCUSSION AND ANALYSIS

ENHANCED 911 FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

This section of the annual financial report presents an analysis of the E911 Fund's financial performance for the year ended June 30, 2020. Please read it in connection with the financial statements which follow this section.

SUMMARY OF THE ORGANIZATION

The Enhanced 911 Board ("the Board") of the State of Hawaii was established on July 1, 2011. The Board supersedes the Wireless Enhanced 911 Board (the "Wireless Board") of the State of Hawaii (the "State") which was established in 2004 to oversee the deployment of an enhanced wireless 911 system, designed to route 911 calls from a wireless telephone to Public Safety Answering Points (PSAPs) along with the caller's identification and location. The Board continues to deploy and sustain enhanced 911 services as well as funding future enhanced 911 technologies.

The Board is comprised of thirteen voting members; eleven members representing PSAPs, wireless and Voice over Internet Protocol (VoIP) communications service companies, Hawaii's regulated wireline service providers, and the City & County who are appointed by the Governor; the remaining two members consist of the State Chief Information Officer and the Consumer Advocate or their designees.

For administrative purposes, the Board is under the State Department of Accounting and General Services. The Board administers the E911 Fund, separate and apart from the general fund of the State (§138-3), Hawaii Revised Statutes (HRS), from monies received monthly from telecommunications service surcharges and expended by the Board exclusively for purposes of deployed and sustained enhanced 911 service.

FINANCIAL HIGHLIGHTS

The financial status of the E911 Fund remains well positioned to provide the necessary funding to meet the legal requirements under §138, HRS. The E911 Fund is self-sustaining through user surcharges and receives no subsidies from the State General Fund. The E911 Fund cannot incur debt and disbursements are approved by the E911 Board of Directors following its 5 year Strategic Budget Plan.

The Strategic Budget Plan ensures stable funding for the E911 Strategic Plan that includes future years of infrastructure upgrades and continuous dispatch workforce training. Some of the outstanding events and expenditures during the period are as follows:

- Surcharge revenues decreased by approximately $105,000 for the period, due mainly to a decrease in subscriber count from the major service providers by approximately 16,000 subscribers.

FINANCIAL HIGHLIGHTS (Continued)

- Payments to the State for Department of Budget and Finance assessments for the fiscal year were $201,345 and $552,561, which are required under §36-27, HRS for Central Services and under §36-30, HRS, respectively, for Administrative Expenses.

- Hawaiian Telecom (HT), the only regulated telecommunication company in the State of Hawaii, continues to be funded by the E911 Fund, accounts for a major portion of the PSAP expenditures. HT provides equipment and the communications link from the E911 caller to the dispatch centers for all county PSAPs. Total expenditures for the period were $2,929,888.

- Program Management Consulting Services by Akimeka, LLC continued to provide vital services for state-wide counties. The services rendered included: program management support to PSAPs; day-to-day operational support, Geographic Information System (GIS) services, Master Street Address Guide (MSAG) services, database synchronization, and complete wireless database services. These services amounted to $1,290,888 for the period.

- Over 75% of emergency 911 caller services to the PSAPs are from mobile phone users with a small volume from VoIP service providers. Current law excludes prepaid mobile phones from surcharge assessments. This excluded potential revenue becomes more significant during economic recession periods when consumers opt for less costly prepaid mobile phones rather than the traditional mobile phone plan subscriptions. This loss of revenues significantly impedes E911 funds from accruing needed capital for costly future program infrastructure. An estimated $500,000 from the excluded prepaid mobile service is lost revenues and capacity building opportunities.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The basic financial statements include the fund financial statements and related notes.

Fund Financial Statements

A fund is an account that is used to maintain control over resources that have been segregated for specific activities or objectives. The E911 Fund is a special fund that is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The E911 Fund was established by the Hawaii State Legislature in 2004. The fund financial statements provide detailed information about the E911 Fund.

OVERVIEW OF BASIC FINANCIAL STATEMENTS (Continued)

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the Fund Financial Statements.

Fund Financial Analysis

The Balance Sheets reflect the E911 Fund's financial condition at the end of the fiscal year. As of June 30, 2020 and 2019, the E911 Fund's fund balances were $28,477,000 and $26,169,000, respectively.

Tables 1 and 2 present a comparative view of fund balance and change in fund balance as of June 30, 2020 and 2019.

TABLE 1
BALANCE SHEETS
(Rounded to nearest $1,000)

	June 30,	
	2020	2019
ASSETS		
Current Assets	$ 29,534,000	$ 28,423,000
TOTAL ASSETS	$ 29,534,000	$ 28,423,000
LIABILITIES		
Current Liabilities	$ 1,057,000	$ 2,254,000
TOTAL LIABILITIES	1,057,000	2,254,000
FUND BALANCE		
Restricted for enhanced 911	28,477,000	26,169,000
TOTAL LIABILITIES AND FUND BALANCE	$ 29,534,000	$ 28,423,000

Fund Financial Analysis (Continued)

Total assets increased by $1,111,000 or 3.91%, and liabilities decreased by $1,197,000 or 53.11% in 2020. Total fund balance increased by $2,308,000, or 8.82% in 2020. The fund balance is restricted by legislation for the purposes of ensuring adequate funding to deploy and sustain enhanced 911 services, developing and funding future enhanced 911 technologies and for expenses of administering the E911 Fund.

TABLE 2
CHANGE IN FUND BALANCE
(Rounded to nearest $1,000)

	June 30,	
	2020	2019
REVENUES		
Enhanced 911 surcharge collections	$ 9,358,000	$ 9,429,000
VoIP surcharge collections	1,399,000	1,433,000
Interest	297,000	516,000
TOTAL REVENUES	11,054,000	11,378,000
EXPENDITURES		
PSAP cost reimbursements	7,625,000	9,958,000
Administrative	1,053,000	1,231,000
WSP cost reimbursements	68,000	58,000
TOTAL EXPENDITURES	8,746,000	11,247,000
NET CHANGE IN FUND BALANCE	2,308,000	131,000
BEGINNING FUND BALANCE	26,169,000	26,038,000
ENDING FUND BALANCE	$ 28,477,000	$ 26,169,000

Total revenues decreased by $324,000 or 2.85%, and expenditures decreased by $2,501,000 or 22.24% in 2020. The decline in revenue was due mainly to the decrease in Enhanced 911 and VoIP connections during the year, while expenditures decreased as a result of expenditures relating to PSAP cost reimbursements.

CAPITAL ASSET AND DEBT ADMINISTRATION

There were no capital assets or debt as of June 30, 2020 and 2019.

SPECIAL FUND BUDGETARY ANALYSIS

The annual budget for the E911 Fund is detailed in Note K to the financial statements. The significant differences between budgeted and actual revenues and expenditures in the Special Fund were primarily due to accrued revenues, expenditures, and encumbrances. Total revenues differed by $112,000 or 1.0% below budget, while total expenditures were $2,505,000 or 27.82% below the budget.

CURRENTLY KNOWN DECISIONS AND FACTS

- Next Generation 9-1-1 (NG9-1-1) is the future national standard that allows the transition from only telephone voice-based systems to a fully interoperable Internet Protocol (IP) base multimedia system capable of supporting a variety of communications devices and protocols for reporting emergencies. Advancing the NG9-1-1 system is essential to correlate its telecom functionality with familiar mobile device capabilities that are now public expectations. NG9-1-1 technology with improved networking capability will integrate Hawaii into the public safety community nationwide. Improvements include more location accuracies on a horizontal and vertical axis along with improved GIS capability. This will provide our growing numbers of high rise buildings with quicker response times by first responders. In a just released NG9-1-1 Cost Estimate Report to Congress, the lifecycle NG9-1-1 costs are estimated to be $13.0 - $16.0 billion nationwide; and that the NG9-1-1 costs for deployment nationwide is estimated to be $9.5 - $12.0 billion and will take approximately 10 years to complete. Although the report did not provide a state-by-state cost analysis, the Board anticipates substantial cost and will continue to maintain a conservative financial outlook and take every opportunity to conserve cash until deployment and operational costs for NG9-1-1 in Hawaii becomes predictable.

- The initial step toward the transition to NG9-1-1 is to determine the estimated cost of the required i3 standards-compliant equipment and software needed for all counties. To accomplish this task, the Board has authorized a Request for Proposal (RFP) to be issued to Subject Matter Experts (SMEs), who will provide a proposal for the estimated cost of hardware and software to be used to transition to NG9-1-1. The RFP was released and subsequently awarded by competitive bidding to Winbourne Consultants for $228,640.

CURRENTLY KNOWN DECISIONS AND FACTS (Continued)

- The Enhanced 911 Board has authorized the application for a federal grant to assist the county PSAPs statewide in their transition to Next Generation 911 (NG911) by supporting their efforts to initiate ongoing training for its call-takers, dispatchers and first responders. The Board was awarded $327,847 on August 8, 2019 of which $131,139 is the required 40% matching funds to be contributed by the Board.

- The Enhanced 911 Board will not introduce legislation to exempt the Board from the Central Services annual assessment of 5.0% annually on all revenues received by the Board. The assessment has grown to over $500,000 per year. The federal government has ruled that the assessments were not considered raiding by the State.

- The Governor has decided to adopt or opt-in to FirstNet's deployment plan of its national interoperable network in the State of Hawaii that is exclusively for the State's public safety community. FirstNet and AT&T will build a highly secure wireless broadband communications network for Hawai'i's first responder and public safety communities at no cost. User fees paid by the states will go toward future upgrades and maintenance. The FirstNet network will deliver innovation and create an entire system of modernized devices, apps, and tools for first responders. The recurring cost for this service will be left up to the individual PSAP's to negotiate with AT&T or a telecommunications service provider of choice.

- The fiscal year 2020's encumbrance balance was approximately $13,210,000.

- Encumbering funds allows the Board to reserve funding for a specific purpose and is no longer available for use in other transactions. When subtracted from the cash balance of $28,383,000, the outstanding encumbrances results in an unencumbered cash balance of $15,173,000.

- The COVID-19 Pandemic has impacted our cash flow and staffing. Surcharge fee receipts and interest revenue are projected to decrease -5% and -90%, respectively. The decrease in surcharge fees is attributable to residents' departure to the mainland and mobile phone customers changing service from post-paid to pre-paid. Simultaneously, the Federal Reserve's actions reduced interest rates to near "zero." The Governor has also imposed a hiring freeze that prevented the renewal of a staff assistant's employment agreement. In addition, the Governor has given notice that a partial furlough for State employees is forthcoming. The State's budgetary crisis is projected to continue for four years before returning to the pre-COVID-19 economy.

PART III

FINANCIAL SECTION

EGAMI & ICHIKAWA
CERTIFIED PUBLIC ACCOUNTANTS, INC.

REPORT ON INDEPENDENT AUDITORS

To the Directors
Enhanced 911 Board
Honolulu, Hawaii

We have audited the accompanying financial statements of the Enhanced 911 Fund (the E911 Fund), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the E911 Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the E911 Fund, as of June 30, 2020, and the change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B, the financial statements present only the E911 Fund and do not purport to, and do not, present fairly the financial position of the State of Hawaii, or any other segment thereof, as of June 30, 2020, and the changes in its fund balance for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 3 – 8 and 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2020, on our consideration of E911 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 E911 Funds' internal control over financial reporting and compliance.

This report is solely for the information and use of the management of the Board, the Department of Accounting and General Services and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Egomi ~ Okamura CPAs Inc.

Honolulu, Hawaii
November 18, 2020

ENHANCED 911 FUND
BALANCE SHEET
JUNE 30, 2020

ASSETS	
Cash	$ 28,382,884
Accounts receivable	1,150,994
TOTAL ASSETS	$ 29,533,878
LIABILITIES	
Accounts payable	$ 1,056,953
TOTAL LIABILITIES	1,056,953
FUND BALANCE	
Restricted for enhanced 911	28,476,925
TOTAL FUND BALANCE	28,476,925
TOTAL LIABILITIES AND FUND BALANCE	$ 29,533,878

See accompanying notes to financial statements.

ENHANCED 911 FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
YEAR ENDED JUNE 30, 2020

REVENUES	
Enhanced 911 surcharge collections	$ 9,358,229
VoIP surcharge collections	1,398,707
Interest	297,324
TOTAL REVENUES	11,054,260
EXPENDITURES	
PSAP cost reimbursements	7,625,177
Budget and finance assessments	753,906
Personnel services	195,194
WSP cost reimbursements	68,351
Travel and meetings	21,377
Others	82,095
TOTAL EXPENDITURES	8,746,100
NET CHANGE IN FUND BALANCE	2,308,160
FUND BALANCE, JUNE 30, 2019	26,168,765
FUND BALANCE, JUNE 30, 2020	$ 28,476,925

See accompanying notes to financial statements.

ENHANCED 911 FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A - NATURE OF THE ORGANIZATION

The Enhanced 911 Board ("the Board") of the State of Hawaii was established on July 1, 2011. The Board supersedes the Wireless Enhanced 911 Board (the "Wireless Board") of the State of Hawaii (the "State") which was established in 2004 to oversee the deployment of an enhanced wireless 911 system, designed to route 911 calls from a wireless telephone to Public Safety Answering Points (PSAPs) along with the caller's identification and location. The Board continues to deploy and sustain enhanced 911 services as well as funding future enhanced 911 technologies.

The Board consists of thirteen voting members; eleven members representing PSAPs, wireless and Voice over Internet Protocol (VoIP) communications service companies, Hawaii's regulated wireline service providers, and the City & County who are appointed by the Governor; the remaining two members consist of the State Chief Information Officer and the Consumer Advocate or their designees.

For administrative purposes, the Board is under the State Department of Accounting and General Services. The Board administers the E911 Fund, separate and apart from the general fund of the State (§138-3), Hawaii Revised Statutes (HRS), from moneys received monthly from telecommunications service surcharges and expended by the Board exclusively for purposes of deployed and sustained enhanced 911 service.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established by GAAP and used by the E911 Fund are discussed below.

Reporting Entity

The E911 Fund's financial statements are intended to present the financial position and the changes in financial position of the State that are attributable to the transactions of the E911 Fund. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2020, and the change in its financial position for the year then ended. The State Comptroller maintains the central accounts for all State funds and publishes financial statements for the State annually, which includes the E911 Fund's financial activities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

A fund is an account that is used to maintain control over resources that have been segregated for specific activities or objectives. The E911 Fund is a special fund that is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The E911 Fund was established by the Hawaii State Legislature in 2004. The fund financial statements provide detailed information about the E911 Fund.

Measurement Focus and Basis of Accounting

The E911 Fund is a Special Revenue Fund as defined by the GASB, and is accounted for on a spending or "financial flow" measurement focus. The statement of revenues, expenditures and change in fund balance generally presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. The financial statements are prepared on the modified accrual basis of accounting. Generally, revenues are recognized when they become "susceptible to accrual", that is, measurable and available to finance expenditures of the current period. Revenues susceptible to accrual include enhanced 911 surcharges, VoIP surcharges, and interest earnings on cash received within 60 days of year end. Expenditures are recognized when the liabilities are incurred, if measurable.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE C - FUND BALANCE

Fund balances are classified by the following categories:

Nonspendable Fund Balance - This includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - This includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance - This includes amounts that can be used only for the specific purposes determined by a formal action of the members of the Board.

Assigned Fund Balance - This includes amounts that are designated by the members of the Board for specific purposes.

Unassigned Fund Balance - This is the residual classification that includes all spendable amounts not contained in the other classifications.

The entire fund balance of the E911 Fund has been classified as a restricted fund balance since the Hawaii State Legislature requires the enhanced 911 surcharges to be used only for the purposes of ensuring adequate funding to deploy and sustain enhanced 911 services, funding future enhanced 911 technologies and for funding expenses of administering the E911 Fund.

NOTE D - CASH

§138-3, HRS requires the E911 Fund to be held outside of the State Treasury at any federally insured financial institution in an interest bearing account. As of June 30, 2020, cash of $28,382,884 was held at a Hawaii financial institution. Amounts in excess of the federally insured amounts were fully collateralized by securities held in the financial institution's name by its agent.

NOTE E - RISK MANAGEMENT

The E911 Fund may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions. As part of the State Department of Accounting and General Services (DAGS) the Board is insured under the State as follows. The State generally retains the first $1 million per occurrence of property losses such as fires and 3% of property's replacement cost value for catastrophic losses such as hurricanes, earthquakes and floods, the first $4 million with respect to general liability claims, and the first $500,000 of losses due to crime and cyber liability. Losses in excess of those retention amounts are insured with commercial insurance carriers. The limit per occurrence for property losses is $200 million, except for terrorism, which is $100 million per occurrence. The annual aggregate limit for general liability losses is $9 million per occurrence, $50 million for cyber liability losses and, for crime losses, the limit per occurrence is $10 million with no aggregate limit. The State also has an insurance policy to cover medical malpractice risk in the amount of $35 million per occurrence and $39 million in aggregate. The State is generally self-insured for workers' compensation and automobile claims.

The estimated reserve for losses and loss adjustment costs includes the accumulation of estimates for losses and claims reported prior to fiscal year-end, non-incremental estimates (based on projections of historical developments) of claims incurred but not reported, and nonincremental estimates of costs for investigating and adjusting all incurred and unadjusted claims. Amounts reported are subject to the impact of future changes in economic and social conditions. The State believes that, given the inherent variability in any such estimates, the reserves are within a reasonable and acceptable range of adequacy. Reserves are continually monitored and reviewed, and as settlements are made and reserves adjusted, the differences are reported in current operations. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss is reasonably estimated.

NOTE F - STATE DEPARTMENT OF BUDGET AND FINANCE ASSESSMENTS

§36-27, HRS requires that the E911 Fund be assessed its pro rata share of central service expenses of government in relation to other special funds based on a percentage of the E911 Fund's revenues. Amounts representing 5% of the gross receipts of the E911 Fund were transferred to the General Fund of the State of Hawaii. Total revenue assessments for the year ended June 30, 2020 were $552,561.

NOTE F - STATE DEPARTMENT OF BUDGET AND FINANCE ASSESSMENTS (Continued)

§36-30, HRS requires that the E911 Fund be assessed its pro rata share of administrative expenses incurred by DAGS, based on the ratio of the general administrative service expenses to DAGS' net departmental expenses. Amounts equal to 2.61% of adjusted expenditures were transferred to the General Fund of the State of Hawaii. Total administrative expense assessments for the year ended June 30, 2020 were $201,345.

NOTE G – PERSONNEL SERVICES

§138-2, HRS allows the Board to employ an executive director exempt from Chapters 76 and 89, and other staff. During the fiscal year, the Board employed an Executive Director and assistant under a cost reimbursement agreement with DAGS. Total personnel expenses reimbursed to DAGS for the year ended June 30, 2020 was $195,194.

NOTE H - ENCUMBRANCES

Encumbrances represent commitments of the E911 Fund relating to unperformed contracts for goods and services and are not reported as liabilities on the E911 Fund's financial statements. At June 30, 2020, there was approximately $13,210,000 in encumbrances outstanding on contracts for goods and services.

NOTE I - RELATED PARTIES

Certain members of the Board represent PSAPs and communication service providers that receive cost reimbursements from the Board for expenditures as allowed under §138, HRS.

Certain members of the Board represent communications service providers that remit enhanced 911 surcharges in accordance with §138-4, HRS.

NOTE J - SURCHARGES ON COMMUNICATIONS SERVICE CONNECTIONS

In accordance with §138-4, HRS, a monthly enhanced 911 surcharge is imposed upon each communications service connection with certain exceptions. The current rate of the surcharge is a 66 cents per month for each connection. Each communications service provider must remit the surcharges to the E911 Fund within 60 days after the end of each calendar month. Surcharges on communications service connections consist of over 97% of the E911 Fund's revenues for each fiscal year.

NOTE K - BUDGETING AND BUDGETARY CONTROL

The E911 Fund's budget is established through the State's budgetary process.

The budget of the State is a detailed operating plan identifying estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, services, and activities to be provided during each fiscal year; (2) the estimated revenues available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented, and controlled. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during each fiscal year. Amounts reflected as budgeted revenues in the State's General Fund Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis) are those estimates as compiled by the Council on Revenues and the Director of Finance. Budgeted expenditures are derived primarily from the General Appropriations Act, Supplemental Appropriations Act, and from other authorizations contained in the State Constitution, the Hawaii Revised Statutes, and other specific appropriations acts in various State Legislative Hearings.

All expenditures of appropriated funds are made pursuant to the appropriations in the biennial budget.

The General Fund and Special Revenue Funds have legally appropriated annual budgets. The Capital Projects Fund's appropriated budgets are for projects that may extend over several fiscal years.

The final legally adopted budget in the accompanying general fund schedule of revenues and expenditures - budget and actual (budgetary basis) represents the original appropriations, transfers, and other legally authorized legislative and executive changes.

The legal level of budgetary control is maintained at the appropriation line item level by department, program, and source of funds as established in the appropriations acts. The Governor is authorized to transfer appropriations between programs within the same department

NOTE K - BUDGETING AND BUDGETARY CONTROL (Continued)

and source of funds; however, transfers of appropriations between departments generally require legislative authorization. Records and reports reflecting the detail level of control are maintained by and are available at the Department of Accounting and General Services.

To the extent not expended or encumbered, the General Fund and Special Revenue Fund appropriations generally lapse at the end of each fiscal year for which the appropriations are made. The State Legislature specifies the lapse dates and any other contingencies which may terminate the authorizations for other appropriations.

Budgets adopted by the State Legislature for the Special Fund are presented in the statement of revenues and expenditures - budget and actual (budgetary basis). The Fund's annual budget is prepared on the cash basis of accounting except for the encumbrance of purchase order and contract obligations (basis difference), which is a departure from GAAP.

Adjustments necessary to convert the results of operations and fund balance for the year ended June 30, 2020 from the GAAP basis to the budget basis are as follows:

Net change in fund balance GAAP basis	$ 2,308,160
Increase (decrease) in revenues:	
Current year receivables	(1,150,994)
Prior period receivables	1,214,877
	63,883
Increase (decrease) in expenditures:	
Current year accounts payable	(1,056,953)
Prior period accounts payable	2,254,525
Current year encumbrances and others	1,050,618
	2,248,190
Net change in fund balance, budgetary basis	$ 4,620,233

NOTE L - SUBSEQUENT EVENTS

On March 23, 2020, the Governor for the State of Hawaii declared an emergency proclamation and issued an order to close all nonessential business. A Stay-at-Home Order went into effect on March 25, 2020 and was extended through May 31, 2020. Management has not seen a significant impact on the E911 Fund's operations resulting from the COVID-19 outbreak as of the date of the report on these financial statements. The duration and impact of the COVID-19 pandemic remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Fund's operations for the future periods.

PART IV

SUPPLEMENTARY INFORMATION

ENHANCED 911 FUND
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES			
Enhanced 911 surcharge collections	$ 10,700,000	$ 10,779,782	$ 79,782
Interest	530,000	338,466	(191,534)
TOTAL REVENUES	11,230,000	11,118,248	(111,752)
EXPENDITURES			
PSAP cost reimbursements	-	5,219,137	
Budget and finance assessments	-	732,135	
Personnel services	-	203,608	
NG911 Consultant	-	228,640	
WSP cost reimbursements	-	68,270	
Travel and meetings	-	19,106	
Others	-	27,119	
TOTAL EXPENDITURES	9,003,000	6,498,015	(2,504,985)
NET CHANGE IN FUND BALANCE	$ 2,227,000	$ 4,620,233	$ 2,393,233

See accompanying notes to financial statements.

PART V

INTERNAL CONTROL AND COMPLIANCE SECTION

EGAMI & ICHIKAWA
CERTIFIED PUBLIC ACCOUNTANTS, INC.

INDEPENDENT AUDITORS' 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*

To the Directors
Enhanced 911 Board
Honolulu, Hawaii

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 Enhanced 911 Fund (the E911 Fund) as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the E911 Fund's basic financial statements, and have issued our report thereon dated November 18, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the E911 Fund'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the E911 Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the E911 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 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.

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

MICHAEL Y. ICHIKAWA, CPA OWEN M. FUKUMOTO, CPA DANA R. ABE, CPA TAMMIE R. OKAMI, CPA
615 Pi'ikoi Street Suite 2001 Honolulu, Hawai'i 96814-3147 Tel (808) 591-2772 Fax (808) 591-0850 www.eicpas.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the E911 Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, including applicable provisions of the Hawaii Public Procurement Code (Chapter 103D of the Hawaii Revised Statutes) and procurement rules, 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.

This report is solely for the information and use of the management of the Board, the Department of Accounting and General Services and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Egami + Associates CPAs Inc.

Honolulu, Hawaii
November 18, 2020

PART VI

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

ENHANCED 911 FUND
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS:

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

Status of Prior Audit Comments

No matters were reported.

Current Year's Comments

No matters were reported.

PART VII

CORRECTIVE ACTION PLAN

ENHANCED 911 FUND
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2020

A corrective action plan is not required since there were no audit findings and questioned costs reported for the year ended June 30, 2020.