

**911 Fund**  
**Financial Statements and Supplementary Information**  
**June 30, 2023**



**AKAMINE, OYADOMARI & KOSAKI**  
CPA'S, INC.

## TABLE OF CONTENTS

	<u>Page</u>
PART I - TRANSMITTAL	3
PART II - MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	6
PART III - FINANCIAL SECTION	
Independent Auditor's Report	14
Financial Statements	
Balance Sheet	17
Statement of Revenues, Expenditures and Change in Fund Balance	18
Notes to Financial Statements	19
PART IV – REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) - Special Revenue Fund	26
PART V - INTERNAL CONTROL AND COMPLIANCE SECTION	
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>	28
PART VI - SCHEDULE OF FINDINGS AND QUESTIONED COSTS	31
PART VII - CORRECTIVE ACTION PLAN	34



PART I  
TRANSMITTAL





December 12, 2024

To the Directors  
911 Board  
Honolulu, Hawaii

We have completed our financial audit of the 911 Fund as of and for the year ended June 30, 2023. The audit was performed in accordance with our agreement effective June 28, 2024 with the 911 Board.

### OBJECTIVES

The primary purpose of our audit was to form an opinion on the fairness of the presentation of the 911 Fund's financial statements as of June 30, 2023. 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 911 Fund.
2. To ascertain whether or not expenditures have been made and all revenues and other receipts to which the 911 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 911 Fund for the year ended June 30, 2023.

## 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 (unaudited).

PART III - presents the financial section which includes the 911 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 911 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,

Akamine, Oyadomari & Kosaki CPAs, Inc.



PART II

MANAGEMENT'S DISCUSSION AND ANALYSIS

**911 Fund**  
Management's Discussion and Analysis  
June 30, 2023

This section of the annual financial report presents an analysis of the 911 Fund's financial performance for the year ended June 30, 2023. Please read it in connection with the financial statements which follow this section.

SUMMARY OF THE ORGANIZATION

The 911 Board (the "Board") of the State of Hawaii was established on July 1, 2011. The 911 Board supersedes the Wireless Enhanced 911 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 911 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 911 Board administers the 911 Fund, separate and apart from the general fund of the State under Hawaii Revised Statutes (HRS) §138-3 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 911 Fund remains well positioned to provide the necessary funding to meet the legal requirements under HRS §138. The 911 Fund is self-sustaining through user surcharges and receives no subsidies from the State General Fund. The 911 Fund cannot incur debt, and disbursements are approved by the 911 Board of Directors following its five-year Strategic Budget Plan.

The Strategic Budget Plan ensures stable funding for the 911 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 increased by approximately \$547,000 for the period, due mainly to increase in subscriber count from the smaller service providers.
- Payments to the State for Department of Budget and Finance assessments for the fiscal year were \$646,843 and \$169,554, which are required under HRS §36-27 for Central Services and under HRS §36-30 for Administrative Expenses, respectively.

## 911 Fund

Management's Discussion and Analysis (continued)

June 30, 2023

### FINANCIAL HIGHLIGHTS (Continued)

- Hawaiian Telcom (HT), who is the sole provider of 9-1-1 services for the State of Hawaii, continues to be funded by the 911 Fund. Communications cost for all PSAPs for Hawaiian Telcom related services and other various components of the 9-1-1 system amounted to \$2,631,492.
- Maintenance costs for all PSAPs for various components of the 9-1-1 system amounted to \$3,204,416.

### 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 911 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 911 Fund was established by the Hawaii State Legislature in 2004. The fund financial statements provide detailed information about the 911 Fund.

#### 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 911 Fund's financial condition at the end of the fiscal year. As of June 30, 2023 and 2022, the 911 Fund's fund balances were \$36,435,000 and \$31,581,000, respectively.



**911 Fund**  
Management's Discussion and Analysis (continued)  
June 30, 2023

OVERVIEW OF BASIC FINANCIAL STATEMENTS (continued)

Fund Financial Analysis (continued)

Tables 1 and 2 present a comparative view of fund balances and changes in fund balances as of June 30, 2023 and 2022.

**Table 1**  
**Balance Sheets**  
(Rounded to nearest \$1,000)

	June 30,	
	2023	2022
<b>Assets</b>		
Current assets	\$ 38,810,000	\$ 33,782,000
Total assets	\$ 38,810,000	\$ 33,782,000
<b>Liabilities</b>		
Current liabilities	\$ 2,375,000	\$ 2,201,000
Total liabilities	2,375,000	2,201,000
<b>Fund Balance</b>		
Restricted for 911 services	36,435,000	31,581,000
Total liabilities and fund balance	\$ 38,810,000	\$ 33,782,000

Total assets increased by \$5,028,000 or 14.9%, and liabilities increased by \$174,000 or 7.9% in 2023. Total fund balance increased by \$4,854,000, or 15.4% in 2023. The fund balance is restricted by legislation for the purposes of ensuring adequate funding to deploy and sustain 911 services, developing and funding future 911 technologies, and for expenses of administering the 911 Fund.

**911 Fund**  
Management's Discussion and Analysis (continued)  
June 30, 2023

OVERVIEW OF BASIC FINANCIAL STATEMENTS (continued)

Fund Financial Analysis (continued)

**Table 2**  
**Comparison of Statement of Revenues, Expenditures, and Changes in Fund Balance**  
(Rounded to nearest \$1,000)

	June 30,	
	2023	2022
<b>Revenues</b>		
Enhanced 911 surcharge collections	\$ 10,475,000	\$ 9,928,000
VoIP surcharge collections	1,236,000	1,232,000
Interest	1,226,000	106,000
Total revenues	12,937,000	11,266,000
<b>Expenditures</b>		
PSAP cost reimbursements	7,023,000	7,030,000
Administrative	1,060,000	938,000
Total expenditures	8,083,000	7,968,000
Net change in fund balance	4,854,000	3,298,000
Beginning fund balance	31,581,000	28,283,000
Ending fund balance	\$ 36,435,000	\$ 31,581,000

Total revenues increased by \$1,671,000 or 14.8%, and expenditures increased by \$115,000 or 1.4% in 2023. The increase in revenue was due mainly to the increase in interest income during the year, while expenditures increased as a result of increases in personnel service expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

There were no capital assets or debt as of June 30, 2023 and 2022.

SPECIAL FUND BUDGETARY ANALYSIS

The annual budget for the 911 Fund is detailed in Note J 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 were \$1,336,000 or 10.6% above budget, while total expenditures were \$3,639,000 or 52.9% below the budget.

## 911 Fund

Management's Discussion and Analysis (continued)

June 30, 2023

### CURRENTLY KNOWN DECISIONS AND FACTS

- The Board has approved funding for 9-1-1 Telecommunicators to obtain the Association of Public-Safety Communications Officials-International (APCO) Agency Training Program Certification. All Public Safety Answering Points (PSAPs) are working to complete call taking and dispatching certification for all their personnel in the 911 Centers. Due to the level of security clearance and training involved in this position, the Board has agreed to ask legislators to recognize 9-1-1 Telecommunicators as First Responders due to the nature and technical skill needed to perform their duties. The Reclassification of 9-1-1 Telecommunicators has been brought to the attention of legislators this legislative session.
- The 911 Board increased the legislative spending ceiling to \$11,014,447 in FY 2024 and to \$11,022,491 in FY 2025. The increase in the legislative spending ceiling was in preparation for the transition of all PSAPs to Next Generation 9-1-1 (NG9-1-1).
- On January 19, 2023, the Board agreed to transition from First Hawaiian Bank to Central Pacific Bank to improve efficiency in processing receipts and disbursements. The transition to Central Pacific Bank was completed on June 29, 2023.
- The 911 Board consulted Winbourne Consulting, LLC for information and guidance on the process to transition the State of Hawaii's current system to Next Generation 9-1-1. Winbourne Consulting presented Deliverables 3 - 7 and submitted an estimated timeframe and cost of the transition. There are three distinct phases to this plan. The first phase is the finalization of the requirements for Next Generation Core Services, Emergency Services Internet Protocol Network and 911 Call Processing Equipment and the development and release of a Request for Proposal (RFP) for said products and services. The second phase involves the review, ranking, and selection of a vendor and or vendors to meet the State's goals. The third and final phase is working with the vendor to develop a logical and achievable timeline for implementation. Winbourne Consulting LLC stated that this proposed timeline could be completed within 24-30 months should no critical obstacles arise. Currently, the Board is in phase one of this plan and is preparing to complete the transition by the end of Fiscal Year 2025. Winbourne Consulting, LLC successfully fulfilled their contract for providing an estimated cost of hardware and software that will be used to transition into NG9-1-1. The 911 Board approved final payment to Winbourne Consulting on October 21, 2022. Currently, the Public Safety Answering Points (PSAPs) are in the process of creating a Request for Proposal (RFP) to engage a consultant to assist in the procurement of the hardware and software for NG9-1-1.
- The fiscal year ended June 30, 2023 encumbrance balance was approximately \$11,712,000.

## 911 Fund

Management's Discussion and Analysis (continued)

June 30, 2023

### CURRENTLY KNOWN DECISIONS AND FACTS (continued)

- Encumbering funds allows the Board to reserve funding for specific commitments whose timeline for completion may exceed the current fiscal year. When subtracted from the cash balance of \$37,222,000, the outstanding encumbrances results in an unencumbered cash balance of \$25,510,000.
- During the course of the fiscal year, the cash held in the bank has exceeded \$30.0M. Therefore, to continue to protect the asset, the financial institution has increased the collateralization of the 911 Fund's bank account to a net worth of \$53.0M.
- A new executive director was appointed on May 1, 2023.

PART III  
FINANCIAL SECTION





Independent Auditor's Report

To the Directors  
Enhanced 911 Board  
Honolulu, Hawaii

**Opinion**

We have audited the accompanying financial statements of the 911 Fund, a special fund of the State of Hawaii, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the 911 Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 911 Fund as of June 30, 2023, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 911 Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Emphasis of Matter**

As discussed in Note A, the financial statements present only the 911 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, 2023, 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.

**Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 911 Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 911 Fund's ability to continue as a going concern for a reasonable period of time.

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



## Required Supplementary Information

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

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2024, on our consideration of 911 Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 911 Fund's internal control over financial reporting and compliance.

This report is solely for the information and use of the management of the 911 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.

Akamine, Oyadomari & Kosaki CPAs, Inc.

Honolulu, Hawaii  
December 12, 2024





**911 Fund**  
Balance Sheet  
June 30, 2023

**Assets**

Cash	\$ 37,221,708
Accounts receivable	<u>1,588,575</u>
Total assets	<u><u>\$ 38,810,283</u></u>

**Liabilities**

Accounts payable	<u>\$ 2,375,092</u>
Total liabilities	<u>2,375,092</u>

**Fund Balance**

Restricted for 911 services	<u>36,435,191</u>
Total fund balance	<u>36,435,191</u>
Total liabilities and fund balance	<u><u>\$ 38,810,283</u></u>

See accompanying notes to financial statements.



**911 Fund**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Year Ended June 30, 2023

**Revenues**

Enhanced 911 surcharge collections	\$ 10,475,365
VoIP surcharge collections	1,235,652
Interest	1,225,848
	12,936,865
Total revenues	12,936,865

**Expenditures**

PSAP cost reimbursements	7,023,288
Budget and finance assessments	816,397
Personnel services	221,105
Others	21,991
	8,082,781
Total expenditures	8,082,781

Net change in fund balance	4,854,084
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<b>Fund balance, July 1, 2022</b>	<b>31,581,107</b>
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<b>Fund balance, June 30, 2023</b>	<b>\$ 36,435,191</b>
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See accompanying notes to financial statements.



## 911 Fund

Notes to the Financial Statements  
June 30, 2023

### NOTE A - NATURE OF THE ORGANIZATION

The 911 Board (“the Board”) of the State of Hawaii was established on July 1, 2011. The Board supersedes the Wireless Enhanced 911 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 911 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.

The 911 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 911 Fund. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2023, 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 an annual comprehensive financial report (ACFR) for the State, which includes the 911 Fund’s financial activities.

### 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 significant accounting policies established by GAAP and used by the 911 Fund are as follows:

#### 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 911 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 911 Fund was established by the Hawaii State Legislature in 2004. The fund financial statements provide detailed information about the 911 Fund.



## 911 Fund

Notes to the Financial Statements (continued)  
June 30, 2023

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Measurement Focus and Basis of Accounting

The 911 Fund is a Special Revenue Fund as defined by the GASB and is accounted for on a current financial resources 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 measurable and available to finance expenditures of the current period. Revenues are considered to be available if they are collected 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 911 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 911 Fund.



## 911 Fund

Notes to the Financial Statements (continued)  
June 30, 2023

### NOTE D - CASH

HRS §138-3 requires the 911 Fund to be held outside of the State Treasury at any federally insured financial institution in an interest-bearing account. During fiscal year 2023, the 911 Fund established and transferred funds to a newly-established account at a second Hawaii financial institution. The original bank account was closed subsequent to fiscal year-end in November 2023.

As of June 30, 2023, cash of \$37,221,708 was held at these two Hawaii financial institutions. Approximately \$37,000,000 of funds held at one of the financial institutions was not collateralized as of June 30, 2023. Subsequent to fiscal year-end, in August 2023, the 911 Fund entered into agreements with this financial institution to fully collateralize the deposit balance with securities held in the financial institution's name by its agent.

### NOTE E - STATE DEPARTMENT OF BUDGET AND FINANCE ASSESSMENTS

HRS §36-27 requires that the 911 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 911 Fund's revenues. Amounts representing 5% of the gross receipts of the 911 Fund were transferred to the General Fund of the State of Hawaii. Total revenue assessments for the year ended June 30, 2023 were \$646,843.

HRS §36-30 requires that the 911 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 2.33% of adjusted expenditures were transferred to the general fund of the State. Total administrative expense assessments for the year ended June 30, 2023 were \$169,554.

### NOTE F - PERSONNEL SERVICES

HRS §76-16 allows the 911 Board to employ an executive director and staff exempt from civil service and collective bargaining laws in HRS Chapters 76 and 89. During the fiscal year, the Board employed an Executive Director and assistant under a cost reimbursement agreement with DAGS. For the year ended June 30, 2023, total personnel expenses reimbursed to DAGS, including compensation for unused vacation balances, was \$221,105.

### NOTE G - ENCUMBRANCES

Encumbrances represent commitments of the 911 Fund relating to unperformed contracts for goods and services and are not reported as liabilities on the 911 Fund's financial statements. At June 30, 2023, there were approximately \$11,712,000 in encumbrances outstanding on contracts for goods and services.



## 911 Fund

Notes to the Financial Statements (continued)  
June 30, 2023

### NOTE H - 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 HRS §138.

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

### NOTE I - SURCHARGES ON COMMUNICATIONS SERVICE CONNECTIONS

In accordance with HRS §138-4, a monthly 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 911 Fund within 60 days after the end of each calendar month. Surcharges on communications service connections comprise 91% of the 911 Fund's revenues for fiscal year 2023.

### NOTE J - BUDGETING AND BUDGETARY CONTROL

The 911 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 (non-GAAP 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 Special Revenue Funds have legally appropriated annual budgets. The Special 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 (non-GAAP budgetary basis) represents the original appropriations, transfers, and other legally authorized legislative and executive changes.



## 911 Fund

Notes to the Financial Statements (continued)  
June 30, 2023

### NOTE J - BUDGETING AND BUDGETARY CONTROL (continued)

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 and source of funds; however, transfers of appropriations between departments generally require legislative authorization. Records and reports reflecting the detailed 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 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 (non-GAAP 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 for the year ended June 30, 2023 from the GAAP basis to the budget basis are as follows:

Net change in fund balance, GAAP basis	\$ 4,854,084
Increase (decrease) in revenues:	
Current year receivables	(1,588,574)
Prior period receivables	1,263,046
	<u>(325,528)</u>
Increase (decrease) in expenditures:	
Current year accounts payable	(2,375,092)
Prior period accounts payable	2,200,615
Current year encumbrances, net of liquidation of prior year encumbrances and lapses	(1,034,215)
	<u>(1,208,692)</u>
Net change in fund balance, budgetary basis	<u>\$ 5,737,248</u>



## 911 Fund

Notes to the Financial Statements (continued)

June 30, 2023

### NOTE K - COMMITMENTS AND CONTINGENCIES

#### Risk Management

Insurance coverage is maintained at the State level. The State records a liability for risk financing and insurance related losses if it is determined that a loss has been incurred and the amount can be reasonably estimated. The State retains various risks and insures certain excess layers with commercial insurance companies. The excess layers insured with commercial insurance companies are consistent with the prior fiscal year. Settled claims have not exceeded the coverage provided by commercial insurance companies in any of the past ten fiscal years. A summary of the State's underwriting risks can be found in the State's ACFR.

#### Torts and Litigation

The 911 Fund may be subject to various actions, the outcome of which, in the opinion of management, will not have a material adverse effect on the 911 Fund's financial position. Losses, if any, are either covered by insurance or will be paid from legislative appropriations of the State's general fund.





PART IV  
SUPPLEMENTARY INFORMATION



## 911 Fund

### Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) - Special Revenue Fund Year Ended June 30, 2023

	Original/ Final Budget	Actual (Budgetary Basis)	Variance - Favorable (Unfavorable)
<b>Revenues</b>			
Enhanced 911 surcharge collections	\$ 11,200,000	\$ 11,379,693	\$ 179,693
Interest	75,000	1,231,644	1,156,644
Total revenues	<u>11,275,000</u>	<u>12,611,337</u>	<u>1,336,337</u>
<b>Expenditures</b>			
PSAP cost reimbursements	-	5,824,593	
Budget and finance assessments	-	811,457	
Personnel services	-	221,353	
Others	-	16,686	
Total expenditures	<u>10,512,858</u>	<u>6,874,089</u>	<u>3,638,769</u>
<b>Net change in fund balance</b>	<u>\$ 762,142</u>	<u>\$ 5,737,248</u>	<u>\$ 4,975,106</u>

See accompanying notes to financial statements.



PART V  
INTERNAL CONTROL AND COMPLIANCE SECTION





**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards***

To the Directors  
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 911 Fund as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the 911 Fund's basic financial statements, and have issued our report thereon dated December 12, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 911 Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 911 Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the 911 Fund's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 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 that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 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 911 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, directives, and circulars, 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*.

## 911 Fund's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the 911 Fund's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The 911 Fund's response was not subjected to the other 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 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.

Akamine, Oyadomari & Kosaki CPAs, Inc.

Honolulu, Hawaii  
December 12, 2024



PART VI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS



**911 Fund**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2023

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	None reported
Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No

**Section II - Financial Statement Findings**

**Status of Prior Audit Comments**

No matters were reported.



**911 Fund**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2023

**Section II - Financial Statement Findings (continued)**

**Current Year Comment**

**Finding #2023-001: Payables and Receivables Should Be Timely Accrued and Reconciled**

***Criteria:*** To provide reasonable assurance that the financial statements are complete, the 911 Fund's financial statements should fully utilize accounts payable and receivable accounts to properly recognize revenue earned and expenses incurred for an accounting period. These accounts should be regularly reviewed for accuracy.

***Condition:*** During our audit, we noted the accounts receivable and payable accounts were not utilized during fiscal year 2023. Audit adjusting entries were recorded to accrue \$1,588,575 of accounts receivable and related revenues, and \$2,375,092 of accounts payable and related expenditures.

***Cause:*** The accounting records are maintained throughout the year on the cash basis of accounting with adjusting entries to accrue receivables and liabilities. However, as of June 30, 2023, the accounts receivable and payable balances had not been recorded.

***Effect:*** Failure to properly recognize receivables, payables, and the related revenues and expenditures may lead to unauthorized spending, overspent or inaccurate encumbrance balances, or misstated financial reports.

***Recommendation:*** We recommend the 911 Fund implement the necessary internal controls to ensure receivable and payable balances are complete and accurate.

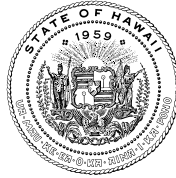
***Cause and View of Responsible Officials:*** The deficiency was due to the transition of new Executive Director. Previous files were not properly maintained and transferred upon succession.





PART VII  
CORRECTIVE ACTION PLAN

JOSH GREEN, M.D.  
GOVERNOR  
KE KIA'ĀINA



KEITH A. REGAN  
COMPTROLLER  
KA LUNA HO'OMALU HANA LAULĀ

MEOH-LENG SILLIMAN  
DEPUTY COMPTROLLER  
KA HOPE LUNA HO'OMALU HANA LAULĀ

**STATE OF HAWAI'I | KA MOKU'ĀINA O HAWAI'I**  
**DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELU A LAWELAWE LAULĀ**  
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

## **911 Board Corrective Action Plan**

**Year Ended June 30, 2023**

### **Finding No. 2023-001 Payables and Receivables Should Be Timely Accrued and Reconciled**

#### **Person Responsible:**

Royce Murakami, Executive Director

#### **Anticipated Date of Completion:**

Currently in the process of creating internal controls to ensure receivable and payable balances are complete and accurate. Anticipated date of completion is set before the completion of Fiscal Year 2024-2025 Audit Report.

#### **Current Status of Corrective Action Plan:**

- Due to transition of new Executive Director. Previous files were not properly maintained upon succession.
- Fiscal Year 2022-2023 & 2023-2024 Audit Reports will show current deficiency. Person responsible was unable to act due to both audit reports being conducted concurrently.
- Currently in the process of creating internal controls with assistance from auditor that will be implemented in the current fiscal year.