



FIRE • LAW ENFORCEMENT • EMS

Muskogee City County Enhanced 911 Trust Authority

FINANCIAL STATEMENTS AND AUDITORS' REPORT

FOR THE YEAR ENDED

JUNE 30, 2016



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Muskogee City/County Enhanced 911 Trust Authority
Muskogee, Oklahoma

We have audited the accompanying financial statements of the business-type activities of Muskogee City/County Enhanced 911 Trust Authority, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which comprise the Authority's basic financial statements.

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 opinions 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 of 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Muskogee City/County Enhanced 911 Trust Authority as of

June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 content. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions of the financial statements that comprise the Authority's basic financial statements. The budgetary comparison is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedure, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2016 on our consideration of the Authority'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. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Clothier and Company, CPA's, PC
October 24, 2016

**Muskogee City County Enhanced 911
Balance Sheet
June 30, 2016**

ASSETS

Current Assets

Cash and Cash Equivalents	\$	236,147
Current Portion LT Receivable		0
Total Current Assets		236,147

Fixed Assets

Building		1,097,211
Furniture & Fixtures		630,378
Equipment/Vehicles		1,878,860
Software License		206,708
Accumulated Depreciation		(2,075,272)
Total Fixed Assets		1,737,885

Other Assets

Long-term Receivable		405,460
Less: Current Portion LT Receivable		0
Total Other Assets		405,460

Total Assets	\$	2,379,492
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LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable	\$	11,531
Accrued Interest Payable		22,704
Accrued Wages Payable		44,486
Accrued Vacation Payable		7,449
Current Portion LT Debt		246,689
Total Current Liabilities		332,859

Long Term Liabilities

Notes Payable		1,559,307
Less: Current Portion LT Debt		(246,689)
Total Long Term Liabilities		1,312,618

Net Assets

General Fixed Assets		178,578
Restricted Net Assets		0
Unrestricted Net Assets		555,437
Total Net Assets		734,015

Total Liabilities and Net Assets	\$	2,379,492
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See accompanying footnotes and independent auditors' report.

**Muskogee City County Enhanced 911
Income Statement
June 30, 2016**

Revenue	
E-911 Phone Fees	\$ 871,868
CAD-RMS Mobile Contract	87,402
Dispatch Service Income	898,800
Miscellaneous Revenue	16,230
Interest Income	21,301
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Total Revenue	1,895,601
 Operating Expenses	
Accounting/Auditing/Legal Expense	7,822
Contract Services	14,548
Employee Benefits	217,388
Dues & Subscriptions	329
Postage	357
Supplies	12,686
Telephone/Telecommunication	101,170
Utilities	23,315
Finance Expense	12,831
Insurance	15,187
Miscellaneous Expense	1,127
Payroll Tax Expense	74,049
Wages	992,228
Repairs & Maintenance	164,854
Payroll Service Fees	6,461
Travel/Meetings/Training	3,669
Interest Expense	78,426
Vehicle Expense	180
Depreciation Expense	407,854
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Total Operating Expenses	2,134,481
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Net Change in Unrestricted Net Assets	(238,880)
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Beginning Net Assets	972,895
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Ending Net Assets	\$ <u><u>734,015</u></u>

See accompanying footnotes and independent auditors' report.

**Muskogee City County Enhanced 911
Statement of Cashflows
June 30, 2016**

Cash Flows From Operating Activities:	
Cash received from funding sources	\$ 871,868
Cash received from services	1,002,432
Cash paid to employees	(1,187,831)
Cash paid to suppliers	(427,054)
Net Cash Flows from Operating Activities	259,415
 Cash Flows From Non-operating Activities:	
Cash received from lease/purchase agreements	92,022
Cash paid for goods sold	0
Net Cash Flows from Non-operating Activities	92,022
 Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	(17,179)
Proceeds from debt	0
Payment of debt	(319,575)
Payment of interest	(78,426)
Net cash Used for Capital and Related Financing Activities	(415,180)
 Cash Flows from Investing Activities:	
Receipt of interest	21,301
Net Cash Provided by Investing Activities	21,301
Net increase in cash and cash equivalents	(42,442)
Cash and cash equivalents at beginning of year	278,589
Cash and cash equivalents at end of year	\$ 236,147
 Reconciliation of Operating Income to Net Cash Flows from Operating Activities:	
Net income (loss)	\$ (238,880)
Less Interest Income	(21,301)
Add Depreciation Expense	407,854
Add Interest Expense	78,426
(Increases)/Decreases in Current Assets:	
Accounts Receivable	0
Increases/(Decreases) in Current Liabilities:	
Accounts Payable	11,531
Accrued Expenses	21,785
Net Cash Flows from Operating Activities	\$ 259,415

See accompanying footnotes and independent auditors' report.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

1- NATURE OF THE ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Creation of Trust

The Muskogee City-County Enhanced 911 Trust Authority (the Authority) is a public trust, created February 10, 2009, under Title 60 of the Oklahoma Statutes, Sections 176-180, by virtue of an Interlocal Agreement, to provide the residents of the City and County of Muskogee the highest quality emergency services possible within the shortest time possible.

Basis of Accounting

The accompanying financial statements of Muskogee City County Enhanced 911 Trust Authority have been prepared on the accrual basis in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Authority are discussed below.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Authority considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Deposits not covered by FDIC insured are to be collateralized.

Restricted and Unrestricted Revenue and Support

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Muskogee City County Enhanced 911 Trust Authority

Property, Plant and Equipment

Property, plant and equipment are recorded at cost when purchased or constructed. Donated property or equipment is recorded at fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets are capitalized when construction is completed.

Depreciation is recorded on a straight-line basis over the useful lives of the assets. Equipment is depreciated over 5 to 7 years and buildings are depreciated for 40 years. Assets having a value of \$500 or greater are capitalized.

2 – CUSTODIAL CREDIT RISK - DEPOSITS

Custodial Credit Risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. The Authority maintains deposits in Citizens Security Bank in Muskogee, Oklahoma.

A public unit is insured through its official custodian. If the same individual or individuals are official custodian for more than one public unit, they are treated as one official custodian if action or consent by all of these individuals is required for the exercise of control over the funds of a single public unit. Deposits insured by the Federal Deposit Insurance Corporation up to \$250,000 for each public unit or \$250,000 total as of June 30, 2016. A Tri-Party Public Deposit Pledge and Custody Agreement through Citizens Security Bank secure the deposits not covered by FDIC.

3 – PROPERTY, PLANT & EQUIPMENT

	Beginning Balance	Additions/ Deletions	Accumulated Depreciation	Book Balance
Building/Improvements	1,097,211	0	(158,042)	939,169
Furniture/Fixtures	624,005	6,371	(487,520)	142,856
Equipment	1,856,064	0	(1,228,762)	627,302
Software License	195,900	10,809	(183,471)	23,238
Vehicles	22,797	0	(17,477)	5,320
Totals	3,795,977	17,180	(2,075,272)	1,737,885

Depreciation expense for the year ending June 30, 2016 was \$407,854.

4 – SOURCE OF INCOME

The Authority receives revenue from fees generated by the 911 Emergency Number Act collected by telephone exchange companies in Muskogee, County. The 911 fees are charged on every land and cell phone

Muskogee City County Enhanced 911 Trust Authority line. The Authority also provides dispatch services for the City of Muskogee and Muskogee County Sheriff for a monthly fee.

5 – LONG TERM RECEIVABLE

As of June 30, 2016 there is \$405,460 balance due from the City of Muskogee for radio equipment. Payments received are applied to the Motorola lease-purchase agreement discussed in the next note.

The following is a schedule of the principal due on the long term receivable.

	City of Muskogee
December 1,	
2017	87,471
2018	91,057
2019	94,791
2020	98,677
Thereafter	33,465
	\$405,461

The City of Muskogee would not confirm the balance of the receivable. They have been making extra payments in December along with their scheduled payment and are not obligated to make a payment this year. It is likely that they will choose to make the scheduled payment in December 2016, but since they did not confirm the entire balance due will be considered long term.

6 – LONG TERM DEBT

On October 12, 2010 the Authority entered into a lease-purchase agreement with Government Capital Corporation for equipment, computers and software necessary to operate the 911-call center. The total amount of the agreement is \$1,600,000. Seven annual payments of \$262,551 (including interest) commenced October 12, 2011. On September 17, 2013 the agreement was revised and the payments were reduced to 4 payments of \$257,088 beginning July 15, 2014 and ending July 15, 2017. On May 27, 2016 the agreement was revised again to 6 annual payments of 91,365 beginning October 15, 2016 and ending October 15, 2021. Distribution of funds and receipt of payments are now through Security State Bank of Wewoka formally through Spirit Bank. The balance as of June 30, 2016 was \$504,280.

On December 29, 2009 the Authority entered into a lease-purchase agreement with Motorola, Inc. for the radio equipment totaling \$3,150,000 necessary to operate the 911-call center and for area agencies as mentioned in the preceding note. On February 1, 2013 the Authority refinanced this note with Government Capital Corporation with seven annual payments of \$250,037 beginning January 15, 2014. On January 15, 2016 the agreement was revised to 6 annual payments of 197,800 beginning January 15, 2017. Distribution of funds and receipt of payments are through Spirit Bank of Tulsa. Balance as of June 30, 2016 was \$1,055,027.

Muskogee City County Enhanced 911 Trust Authority

Current maturities and debt service for the note are as follows:

	<u>Maturities</u>	<u>Debt Service</u>
2017	246,689	289,165
2018	245,711	289,165
2019	253,842	289,165
2020	262,244	289,165
2021	270,926	289,165
Thereafter	<u>279,896</u>	<u>289,165</u>
Totals	1,559,307	<u>1,734,987</u>
Less: current portion long term debt	<u>246,689</u>	
Total Long term debt	<u>1,312,618</u>	

8 – SUBSEQUENT EVENTS

Muskogee City/County Enhanced 911 has evaluated subsequent events through the date which the financial statements were available to be issued with none found.



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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*

Board of Trustees
Muskogee City/County Enhanced 911 Trust Authority
Muskogee, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Muskogee City/County Enhanced 911 Trust Authority, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated October 24, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Muskogee City/County Enhanced 911 Trust Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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.

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 the internal control that might be material weaknesses or significant deficiencies. Given the limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Muskogee City/County Enhanced 911 Trust Authority's financial statements are free of 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 statements 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 compliances. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Clothier & Company CPAs".

Clothier & Company, CPA's, P.C.

October 24, 2016

Supplemental Information

**Muskogee City/County Enhanced 911
Budgetary Comparison
June 30, 2016**

	Original	Final	Actual	Variance
Revenue:				
E-911 Fees	910,000	910,000	871,868	38,132
Radio Lease Income	211,847	211,847	0	211,847
Dispatch Services	898,800	898,800	898,800	0
CAD-RMS Mobile	94,253	94,253	87,402	6,851
Interest	0	0	21,301	(21,301)
Miscellaneous	0	0	16,230	(16,230)
Loan Proceeds	0	0	9,192	(9,192)
Total Revenue	2,114,900	2,114,900	1,904,793	210,107
Personnel:				
Salaries	887,500	887,500	992,228	(104,728)
Payroll Taxes/Paychex	79,100	79,100	74,049	5,051
Employee benefits	175,000	175,000	217,388	(42,388)
Other Payroll Expenses	0	0	6,461	(6,461)
Total Personnel	1,141,600	1,141,600	1,290,126	(148,526)
Operating:				
Utilities/Telephone	109,000	109,000	124,485	(15,485)
Insurance	27,792	27,792	15,187	12,605
Office Supplies/Printing	18,000	18,000	12,686	5,314
Travel/Training	10,000	10,000	3,669	6,331
Memberships/Dues/Sub	500	500	329	171
Equipment/Software Contract	161,300	161,300	164,854	(3,554)
Auto Expense	1,500	1,500	180	1,320
Postage/Freight	435	435	357	78
Contractual Services	7,000	7,000	22,370	(15,370)
Equipment/Maintenance	19,000	19,000	12,831	6,169
Interest expense	0	0	78,426	(78,426)
Miscellaneous	500	500	1,127	(627)
Debt/Lease Payments	0	0	328,767	(328,767)
Total Operating	355,027	355,027	765,268	(410,241)
Capital Outlay:				
Vehicle	0	0	0	0
Office equipment	0	0	6,371	(6,371)
Spare parts-radio consoles	0	0	0	0
Law&fire dispatsh NAED	0	0	0	0
Voice & Data recorder	0	0	0	0
Callworx Mapping Interface	0	0	0	0
New World MPD Modules	0	0	10,809	(10,809)
Total Capital Outlay	0	0	17,180	(17,180)
Total Expenses	1,496,627	1,496,627	2,072,574	(575,947)

See accompanying footnotes and independent auditors' report.

**Muskogee City/County Enhanced 911
Reconciliation of Budgetary Comparison to Income Statement
June 30, 2016**

Total revenue per budgetary comparison:	\$1,904,793	
Less: Radio Lease Income	0	
Loan proceeds	(9,192)	
Total revenue per income statement		\$1,895,601
Total expense per budgetary comparison:	2,072,574	
Less: Debt/lease payments	(328,767)	
Less: Capital outlay	(17,180)	
Add: Depreciation expense	407,854	
Total expense per income statement		\$2,134,481

See accompanying footnotes and auditors' report.