



FIRE • LAW ENFORCEMENT • EMS

Muskogee City County Enhanced 911 Trust Authority

FINANCIAL STATEMENTS AND AUDITORS' REPORT

FOR THE YEAR ENDED

JUNE 30, 2017



Clothier & Company CPA's P.C.

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Muskogee City County Enhanced 911 Trust Authority

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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, 2017, 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 the Muskogee City/County Enhanced 911 Trust Authority as of June 30, 2017, 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 procedures 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 February 6, 2018 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
February 6, 2018

**Muskogee City County Enhanced 911
Balance Sheet
June 30, 2017**

ASSETS

Current Assets

Cash and Cash Equivalents	\$	103,497
Current Portion LT Receivable		91,057
Total Current Assets		194,554

Fixed Assets

Building		1,097,211
Furniture & Fixtures		630,378
Equipment/Vehicles		1,920,401
Software License		206,708
Accumulated Depreciation		(2,305,768)
Total Fixed Assets		1,548,930

Other Assets

Long-term Receivable		317,989
Less: Current Portion LT Receivable		(91,057)
Total Other Assets		226,932

Total Assets	\$	1,970,416
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LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable	\$	45,454
Accrued Interest Payable		24,836
Accrued Wages Payable		44,064
Accrued Vacation Payable		18,458
Accrued Payroll Liabilities		11,434
Current Portion LT Debt		245,711
Total Current Liabilities		389,957

Long Term Liabilities

Notes Payable		1,312,617
Less: Current Portion LT Debt		(245,711)
Total Long Term Liabilities		1,066,906

Net Assets

General Fixed Assets		236,313
Restricted Net Assets		
Unrestricted Net Assets		277,240
Total Net Assets		513,553

Total Liabilities and Net Assets	\$	1,970,416
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See accompanying footnotes and independent auditors' report.

**Muskogee City County Enhanced 911
Income Statement
June 30, 2017**

Revenue

E-911 Phone Fees	\$ 796,827
CAD-RMS Mobile Contract	99,047
Dispatch Service Income	844,550
Miscellaneous Revenue	97,253
Interest Income	2,269

Total Revenue 1,839,946

Operating Expenses

Accounting/Auditing/Legal Expense	2,856
Contract Services	5,537
Employee Benefits	327,484
Dues & Subscriptions	369
Postage	310
Supplies	10,130
Telephone/Telecommunication	124,441
Utilities	23,958
Finance Expense	0
Insurance	33,956
Miscellaneous Expense	87
Payroll Tax Expense	81,056
Wages	994,122
Repairs & Maintenance	166,075
Payroll Service Fees	6,953
Travel/Meetings/Training	6,999
Interest Expense	44,606
Vehicle Expense	973
Depreciation Expense	230,496

Total Operating Expenses 2,060,408

Net Change in Unrestricted Net Assets (220,462)

Beginning Net Assets 734,015

Ending Net Assets \$ 513,553

See accompanying footnotes and independent auditors' report.

Muskogee City County Enhanced 911
Statement of Cashflows
June 30, 2017

Cash Flows From Operating Activities:	
Cash received from funding sources	\$ 796,827
Cash received from services	1,040,850
Cash paid to employees	(1,378,509)
Cash paid to suppliers	(348,721)
Net Cash Flows from Operating Activities	<u>110,447</u>
Cash Flows From Non-operating Activities:	
Cash received from lease/purchase agreements	87,471
Cash paid for goods sold	0
Net Cash Flows from Non-operating Activities	<u>87,471</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	(41,541)
Proceeds from debt	0
Payment of debt	(246,690)
Payment of interest	(44,606)
Net cash Used for Capital and Related Financing Activities	<u>(332,837)</u>
Cash Flows from Investing Activities:	
Receipt of interest	2,269
Net Cash Provided by Investing Activities	<u>2,269</u>
Net increase in cash and cash equivalents	(132,650)
Cash and cash equivalents at beginning of year	<u>236,147</u>
Cash and cash equivalents at end of year	<u>\$ 103,497</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:	
Net income (loss)	\$ (220,462)
Less Interest Income	(2,269)
Add Depreciation Expense	230,496
Add Interest Expense	44,606
(Increases)/Decreases in Current Assets:	
Accounts Receivable	
Increases/(Decreases) in Current Liabilities:	
Accounts Payable	13,144
Accrued Expenses	44,932
Net Cash Flows from Operating Activities	<u>\$ 110,447</u>

See accompanying footnotes and independent auditors' report.

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.

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, 2017. 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	(187,662)	909,549
Furniture/Fixtures	630,376	0	(520,464)	109,912
Equipment	1,856,064	41,541	(1,376,793)	520,812
Software License	206,709	0	(198,813)	7,896
Vehicles	22,797	0	(22,036)	761
Totals	3,813,157	41,541	(2,305,768)	1,548,930

Depreciation expense for the year ending June 30, 2017 was \$230,496.

Muskogee City County Enhanced 911 Trust Authority

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 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, 2017 there is \$317,990 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,	
2018	91,057
2019	94,791
2020	98,677
2021	33,465
Thereafter	0
	<u>\$317,990</u>

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, 2017 was \$418,781.

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, 2017 was \$893,836.

Muskogee City County Enhanced 911 Trust Authority

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

	<u>Maturities</u>	<u>Debt Service</u>
2018	245,711	289,165
2019	253,842	289,165
2020	262,244	289,165
2021	270,925	289,165
2022	279,895	289,165
Totals	<u>1,312,617</u>	<u>1,445,823</u>
Less: current portion long term debt	<u>245,711</u>	
Total Long term debt	<u>1,066,906</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, 2017, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated February 6, 2018.

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 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 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 compliance. 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.

Handwritten signature in cursive script that reads "Clothier & Company CPA's".

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

February 6, 2018

Supplemental Information

**Muskogee City/County Enhanced 911
Budgetary Comparison
June 30, 2017**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenue:				
E-911 Fees	831,000	831,000	796,827	34,173
Radio Lease Income	89,010	89,010	0	89,010
Dispatch Services	922,400	922,400	844,550	77,850
CAD-RMS Mobile	0	0	99,047	(99,047)
Interest	0	0	2,269	(2,269)
Miscellaneous	119,128	119,128	97,253	21,875
Loan Proceeds	0	0	0	0
Total Revenue	<u>1,961,538</u>	<u>1,961,538</u>	<u>1,839,946</u>	<u>121,592</u>
Personnel:				
Salaries	1,008,000	1,008,000	994,122	13,878
Payroll Taxes/Paychex	66,370	66,370	81,056	(14,686)
Employee benefits	191,000	191,000	327,484	(136,484)
Other Payroll Expenses	4,000	4,000	10,093	(6,093)
Total Personnel	<u>1,269,370</u>	<u>1,269,370</u>	<u>1,412,755</u>	<u>(143,385)</u>
Operating:				
Utilities/Telephone	105,600	105,600	148,399	(42,799)
Insurance	28,579	28,579	30,816	(2,237)
Office Supplies/Printing	15,500	15,500	10,130	5,370
Travel/Training	10,000	10,000	6,999	3,001
Memberships/Dues/Sub	500	500	369	131
Equipment/Software Contract	181,000	181,000	151,986	29,014
Auto Expense	800	800	973	(173)
Postage/Freight	300	300	310	(10)
Contractual Services	7,000	7,000	8,393	(1,393)
Equipment/Maintenance	15,000	15,000	14,089	911
Interest expense	0	0	44,606	(44,606)
Miscellaneous	0	0	87	(87)
Debt/Lease Payments	327,888	327,888	246,690	81,198
Total Operating	<u>692,167</u>	<u>692,167</u>	<u>663,847</u>	<u>28,320</u>
Total Expenses	<u>1,961,537</u>	<u>1,961,537</u>	<u>2,076,602</u>	<u>(115,065)</u>
Less: Debt/lease payments			(246,690)	
Less: Capital outlay			0	
Add: Depreciation expense			230,496	
			<u>2,060,408</u>	

See accompanying footnotes and independent auditors' report.