Muskogee City County Enhanced 911 Trust Authority

ANNUAL REPORT

For the years ended
June 30, 2019 and 2018

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Muskogee City County Enhanced 911 Trust Authority
Table of Contents
June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Muskogee City/County Enhanced 911 Trust Authority (the "Authority") as of and for the year ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Authority, as of June 30, 2019 and 2018, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, the Schedule of Changes in Net Pension Liability (Asset) Cost Sharing Pension Plan, the Schedule of Changes in Net Other Postemployment Benefits (OPEB) Liability (Asset) cost sharing OPEB Plan, and the Schedule of Proportionate Share of Net OPEB & Contributions Cost Sharing OPEB Plan on pages 18-21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's 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 context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Clothier + Company CPA's

Clothier & Company CPA's
November 23, 2020

Muskogee City County Enhanced 911
Balance Sheet
June 30, 2019 and 2018

ASSETS	2019	Restated 2018
Current assets		
Cash and cash equivalents	$ 84,952	$ 65,137
Current portion LT receivable	98,677	94,791
E-911 fees receivable	98,424	60,733
Total current assets	282,053	220,661
Fixed assets		
Building	1,097,211	1,097,211
Furniture & fixtures	630,378	630,378
Equipment/vehicles	1,954,576	1,949,451
Software license	206,708	206,708
Accumulated depreciation	(2,720,692)	(2,522,190)
Total fixed assets	1,168,181	1,361,558
Other assets		
Long-term receivable	139,969	228,979
Less: current portion LT receivable	(98,677)	(94,791)
Deferred outflows - pension	0	38,048
Deferred outflows - OPEB	2,479	3,441
Net OPEB asset	16,493	5,870
Total other assets	60,264	181,547
Total assets	$ 1,510,498	$ 1,763,766
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	$ 38,287	$ 28,340
Accrued interest payable	15,380	20,185
Accrued wages payable	37,634	41,009
Accrued vacation payable	16,765	19,237
Accrued payroll liabilities	12,881	14,697
Current portion LT debt	261,632	253,842
Total current liabilities	382,579	377,310
Long term liabilities		
Notes payable	830,770	1,066,908
Less: current portion LT debt	(261,632)	(253,842)
Deferred inflows - pension	30,347	64,299
Deferred inflows - OPEB	15,184	14,673
Net pension liability	56,507	88,473
Net OPEB liability	0	0
Total long term liabilities	671,176	980,511
Net assets		
Invested in capital assets	337,411	294,650
Restricted net assets	0	0
Unrestricted net assets	119,332	111,295
Total net assets	456,743	405,945
Total liabilities and net assets	$ 1,510,498	$ 1,763,766

See accompanying footnotes and independent auditor's report.

Muskogee City County Enhanced 911
Income Statement
June 30, 2019 and 2018

	2019	Restated 2018
Revenue		
E-911 phone fees	$ 840,794	$ 894,304
CAD-RMS mobile contract	95,835	87,751
Dispatch service income	911,511	980,612
Miscellaneous revenue	119,431	87,858
Interest income	1,945	1,327
Total revenue	1,969,516	2,051,852
Operating expenses		
Accounting/auditing/legal expense	6,425	11,973
Contract services	193	316
Employee benefits	160,929	161,676
Dues & subscriptions	334	329
Postage	783	591
Supplies	8,682	9,223
Telephone/telecommunication	151,681	148,532
Utilities	24,232	26,756
Insurance	36,367	35,505
Miscellaneous expense	383	380
Payroll tax expense	78,224	80,331
Wages	1,012,390	1,047,378
Repairs & maintenance	177,900	229,795
Payroll service fees	7,228	6,906
Travel/meetings/training	5,790	4,084
Interest expense	48,222	43,475
Vehicle expense	453	654
Depreciation expense	198,502	216,422
Total operating expenses	1,918,718	2,024,326
Net change in unrestricted net assets	50,798	27,526
Beginning net assets	405,945	378,419
Ending net assets	$ 456,743	$ 405,945

See accompanying footnotes and independent auditor's report.

Muskogee City County Enhanced 911
Statement of Cash Flows
June 30, 2019 and 2018

	2019	Restated 2018
Cash flows From operating activities:		
Cash received from funding sources	$ 803,103	$ 878,898
Cash received from services	1,126,777	1,156,221
Cash paid to employees	(1,024,858)	(1,051,042)
Cash paid to suppliers	(686,677)	(794,540)
Net cash flows from operating activities	218,345	189,537
Cash flows from non-operating activities:		
Cash received from lease/purchase agreements	89,010	89,010
Net cash flows from non-operating activities	89,010	89,010
Cash flows from capital and related financing activities:		
Purchase of capital assets	(5,125)	(29,050)
Payment of debt	(236,138)	(245,709)
Payment of interest	(48,222)	(43,475)
Net cash used for capital and related financing activities	(289,485)	(318,234)
Cash flows from investing activities:		
Receipt of interest	1,945	1,327
Net cash provided by investing activities	1,945	1,327
Net increase in cash and cash equivalents	19,815	(38,360)
Cash and cash equivalents at beginning of year	65,137	103,497
Cash and cash equivalents at end of year	$ 84,952	$ 65,137
Reconciliation of operating income to net cash flows from operating activities:		
Net income (loss)	$ 50,798	$ 27,526
Less: Interest income	(1,945)	(1,327)
Add: Depreciation expense	198,502	216,422
Add: Interest expense	48,222	43,475
(Increases)/decreases in current assets:		
Accounts receivable	(37,691)	(15,406)
Increases/(decreases) in current liabilities:		
Accounts payable	9,947	(17,114)
Accrued expenses	(49,488)	(64,039)
Net cash flows from operating activities	$ 218,345	$ 189,537

See accompanying footnotes and independent auditor's report.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2019 and 2018

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 restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

Annual, Sick Leave, and Other Compensated Absences

The Authority has written policies for full-time employees to be entitled to annual leave which may not be carried over from one year to the next, except with the approval of the 911 Coordinator. Employees of the Authority shall be granted 8 hours of annual leave per month, up to a maximum of 96 hours during the first 10 years of employment. Beyond 10 years, employees shall be granted 12 hours of annual leave per month, up to a maximum of 144 hours. Upon separation, an employee will be paid for the balance of the accrued annual leave up to the maximum number of hours.

Employees of the Authority shall be granted 8 hours of sick leave per month up to a maximum of 1040 hours, which can be carried forward year after year. Upon separation, an employee will not collect pay for any accrued sick leave.

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 Mabrey Bank in Muskogee, Oklahoma. The Authority's deposits in 2019 were covered by FDIC insurance up to $250,000; and in 2018 any remaining portion was covered by pledged securities up to $185,173.

3 – PROPERTY, PLANT & EQUIPMENT

	Cost basis 6/30/2018	Additions/ (Deletions)	Accumulated Depreciation	Book Value 6/30/2019	Book Value 6/30/2018
Building/Improvements	1,097,211	0	(246,902)	850,309	879,929
Furniture/Fixtures	630,378	0	(580,476)	49,902	79,802
Equipment	1,926,654	5,125	(1,667,020)	264,759	396,274
Software License	206,708	0	(203,497)	3,211	5,553
Vehicles	22,797	0	(22,797)	0	0
Totals	3,883,748	5,125	(2,720,692)	1,168,181	1,361,558

Depreciation expense for the year ending June 30, 2019 was $198,502 and $216,422 in 2018.

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, Muskogee County Sheriff and other agencies within the county for a monthly fee. We also provide hosting services for Adair and Mayes County E-911 systems.

5 – COMPENSATED ABSENCES

Upon separation of employment, any accrued annual or vacation leave earned by an employee will be paid out. As of June 30, 2019 and 2018, the amount the Authority recorded as a liability for accrued vacation payable was $16,765 and $19,237, respectively.

The Authority does not record a liability for accrued sick leave because employees do not get paid out for their sick leave balance upon separation of employment. The total amount of accrued sick leave as of June 30, 2019 and 2018 was $62,539 and $43,853, respectively.

6 – LONG TERM RECEIVABLE

As of June 30, 2019 there is $139,969 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 balance due as of June 30, 2018 was $228,979.

The following is a schedule of the long term receivable over the remaining two years:

	City of Muskogee
December 1,	
2020	98,677
2021	41,292
	$ 139,969

7 – 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. 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 of Tulsa. The balance as of June 30, 2019 was $259,012 and in 2018 was $339,855.

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 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 now through Security State Bank of Wewoka formally through Spirit Bank. Balance as of June 30, 2019 was $571,758 and in 2018 was $272,053.

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

	Maturities	Debt Service
2020	261,632	289,165
2021	270,292	289,165
2022	298,846	308,822
2023	0	0
Totals	830,770	887,152
Less: current portion long term debt	261,632	
Total Long term debt	569,138	

8 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Authority participates in the following plans:

Name of Plan/System	Type of Plan
Oklahoma Public Employees Retirement System	Cost Sharing Multiple Employers' Public Employee Retirement System – Defined Benefit Plan
Oklahoma Public Employees Retirement System	Cost Sharing Multiple Employers Health Insurance Subsidy Plan – Defined Benefit OPEB Plan

Reporting Entity

The Oklahoma Public Employees Retirement System (OPERS)(the System) is a defined benefit cost-sharing multiple employer plan consisting of a retirement plan and a cost-sharing multiple employer health insurance subsidy plan (HISP) both held in irrevocable trusts. The System, together with other similar fiduciary pension trust funds of the state of Oklahoma (the State), is a component unit of the State. The System is administered by the Oklahoma Public Employees Retirement System (OPERS). As set forth in Title 74, of the Oklahoma Statutes, at Section 921, administrative expenses are paid with funds provided by operations of the System.

Summary of Significant Accounting Policies

Basis of Accounting

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of the Plan have been determined on the same basis as they are reported by the System.

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade dates. Member and employer contributions are established by statute as a percentage of salaries and are recognized when due, pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the System.

Investments

The System is authorized to invest in eligible investments as approved by the Board of Trustees (the Board) as set forth in its investment policy.

System investments are reported at fair value, which is the price that would be received if the investments were sold in an orderly transaction between a willing buyer and a willing seller. Short-term investments include bills and notes, commercial paper, and international foreign currency contracts. Short-term investments, debt securities, and equity securities are reported at fair value, as determined by the System’s custodial agent, using pricing services or prices quoted by independent brokers based on the latest reported sales prices at current exchange rates for securities traded on national or international exchanges. The fair value of the pro rata share of units owned by the System in equity index and commingled trust funds is determined by the respective fund trustee based on quoted sales prices of the underlying securities. The investment in real estate is valued using an annual third party appraisal.

Cash equivalents include investments in money market funds and investment pools and are reported at amortized cost.

Net investment income (loss) includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, securities lending income and expenses, and investment expenses, which include investment management and custodial fees and all other significant investment related costs. Foreign currency translation gains and losses are reflected in the net appreciation (depreciation) in the fair value of investments.

The System’s international investment managers may enter into forward foreign exchange contracts to protect against fluctuation in exchange rates between the trade date and the settlement date of foreign investment transactions. Any gains and losses on these contracts are included in income in the period in which the exchange rates change.

The System’s investment policy provides for investments in combinations of stocks, bonds, fixed income securities, and other investment securities along with investments in commingled, mutual, and index funds. Investment securities and investment securities underlying commingled or mutual fund investments are exposed to various risks, such as interest rate and credit risks. Due to the risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term, and those changes could materially affect the amounts reported in the statement of fiduciary net position.

Risk and Uncertainties

Contributions to the System and the actuarial information included in Net Pension Liability, Net HISP Liability and Actuarial Information and the RSI are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

Plan Description

The System is a multiple-employer, cost-sharing public employee retirement plan, which is a defined benefit pension plan covering substantially all state employees except employees covered by seven other plans sponsored by the State. It also covers employees of participating county and local agencies. Nearly all new state employees first employed by a System participating employer on or after November 1, 2015, will participate in the State's new defined contribution plan. Therefore, the System is closed to nearly all new State employees, but remains open to new employees of participating counties and local agencies. Agencies and/or participants not included in the System are as follows: teachers, municipal police, municipal firefighters, judicial, wildlife, state law enforcement and nearly all State employees first employed on or after November 1, 2015.

The System also administers the Health Insurance Subsidy Plan, a cost-sharing multiple-employer defined benefit OPEB plan that provides OPEB covering the same categories of employees covered by the pension plan.

The supervisory authority for the management and operation of the System and HISP is the Board, which acts as a fiduciary for investment of the funds and the application of System interpretations.

At June 30, the System's membership consisted of:

MEMBERSHIP AS OF JUNE 30	2019	2018	2017	2016	2015
Inactive members or their beneficiaries currently receiving benefits	35,869	35,260	34,579	33,749	32,754
Inactive members entitled to but not yet receiving benefits	6,106	6,024	5,951	5,946	5,863
Active members	34,536	36,329	38,873	41,806	43,843
Total	76,511	77,613	79,403	81,501	82,460
Inactive members and beneficiaries currently receiving benefits that are retirees and beneficiaries in the HISP	14,563	13,998	14,262	-	-
Non-vested terminated members entitled to a refund of their contributions	54,667	53,406	52,126	50,922	48,671

State law requires that, after July 1 and before December 1 of each year, the Oklahoma Public Employees Retirement System (the System) publish an annual report that covers the operation of the System during the past fiscal year, including income, disbursements and the financial condition at the end of the fiscal year. Copies of reports may be obtained from Oklahoma Public Employees Retirement System at Post Office Box 53007, Oklahoma City, Oklahoma 73152-3007 or http://www.opers.ok.gov/publications.

Benefits Provided

Pensions

Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90).

Normal retirement date is further qualified to require that all members employed on or after January 1, 1983 must have six or more years of full-time equivalent employment with a participating employer before being eligible to receive benefits. Credited service is the sum of participating and prior service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employer and active wartime military service.

A member with a minimum of ten years of participating service may elect early retirement with reduced benefits beginning at age 55 if the participant became a member prior to November 1, 2011, or age 60 if the participant became a member on or after November 1, 2011.

Disability retirement benefits are available for members having eight years of credited service whose disability status has been certified as being within one year of the last day on the job by the Social Security Administration. Disability retirement benefits are determined in the same manner as retirement benefits, but payable immediately without an actuarial reduction.

Health Insurance Subsidy Plan

HISP provides a health insurance premium subsidy for retirees of the System who elect to maintain health insurance with the Oklahoma Employees Group Insurance Division (EGID) or other qualified insurance plan provided by the employer. This subsidy continues until the retiree terminates health insurance coverage with

EGID or other qualified plan, or until death. The subsidy is only for the retiree, not joint annuitants or beneficiaries.

Various benefit attributes for State, County, and Local Agency Employees

Benefits are determined at 2% of the average annual salary received during the highest thirty-six months of the last ten years of participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Members who join OPERS on or after July 1, 2013, will have their salary averaged over the highest 60 months of the last ten years. Normal retirement age under the System is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.

Members who elect to pay the additional contribution rate, which became available in January 2004, will receive benefits using a 2.5% computation factor for each full year the additional contributions are made. In 2004, legislation was enacted to provide an increased benefit to retiring members who were not yet eligible for Medicare. The Medicare Gap benefit option became available to members under age 65 who retired on or after May 1, 2006. Members may elect to receive a temporary increased benefit to cover the cost of health insurance premiums until the member is eligible to receive Medicare. After the member becomes eligible for Medicare, the retirement benefit will be permanently reduced by an actuarially determined amount. The option is irrevocable, must be chosen prior to retirement, and is structured to have a neutral actuarial cost to the System.

Upon the death of an active member, the accumulated contributions of the member are paid to the member's named beneficiary(ies) in a single lump sum payment. If a retired member elected a joint annuitant survivor option or an active member was eligible to retire with either reduced or unreduced benefits or eligible to vest the retirement benefit at the time of death, benefits can be paid in monthly payments over the life of the spouse if the spouse so elects.

Benefits are payable to the surviving spouse of an elected official only if the elected official had at least six years of participating elected service and was married at least three years immediately preceding death. Survivor benefits are terminated upon death of the named survivor and, for elected officials, remarriage of the surviving spouse. Upon the death of a retired member, with no survivor benefits payable, the member’s beneficiary(ies) are paid the excess, if any, of the member’s accumulated contributions over the sum of all retirement benefit payments made.

Upon the death of a retired member, the System will pay a $5,000 death benefit to the member’s beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary. Death benefits paid for the years ended June 30, 2018 and 2017 totaled approximately $5,570,000 and $5,576,000, respectively.

Legislation was enacted in 1999 which provided a limited additional benefit for certain terminated members eligible to vest as of July 1, 1998. This limited benefit is payable as an additional $200 monthly benefit upon the member’s retirement up to the total amount of certain excess contributions paid by the participant to the System. In April 2001, limited benefit payments began for qualified retired members. The estimated liability for future payments of the limited benefit of approximately $0.4 million has been included in the calculation of the total pension liability of the System at June 30, 2019 and 2018.

Benefits are established and may be amended by the State Legislature from time to time.

Contributions

The contribution rates for each member category of the System are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. An actuarially determined portion of the total contributions to the System are set aside to finance the cost of the benefits of the HISP in accordance with provisions of the Internal Revenue Code.

Each member participates based on their qualifying gross salary earned, excluding overtime. There is no cap on the qualifying gross salary earned, subject to Internal Revenue Service (IRS) limitations on compensation. Only employers contribute to the HISP.

For 2019 and 2018, state agency employers contributed 16.5% on all salary, and state employees contributed 3.5% on all salary.

For 2019 and 2018, contributions of participating county and local agencies totaled 20.0% of salary composed of a minimum employee contribution rate of 3.5% up to a maximum of 8.5% and a minimum employer contribution rate of 11.5% up to a maximum of 16.5%.

Members have the option to elect to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service. Those who make the election pay the standard contribution rate plus an additional contribution rate, 2.91% which is actuarially determined. The election is available for all state, county, and local government employees, except for elected officials and hazardous duty members.

Termination

Members become eligible to vest fully upon termination of employment after attaining eight years of credited service, or the members’ contributions may be withdrawn upon termination of employment.

Pension Liabilities and Expense

At June 30, 2019, the Authority’s proportionate share of the net pension liability was $56,507. The net pension liability for the plan in total was measured as of June 30, 2019 and determined by an actuarial valuation as of that date. The Authority's proportionate share of the total net pension liability was based on the ratio of actual contributions of $111,662 paid to OPERS for the year ended June 30, 2019 relative to the actual contributions of $263,191,629 from all participating employers. At June 30, 2019, the Authority's proportionate share was 0.04242612%.

For the year ended June 30, 2018, the Authority recognized a pension expense of $62,655, our proportionate share of the total pension expense.

OPEB Liabilities and Expense

At June 30, 2019, the Authority’s proportionate share of the net OPEB liability was $16,493. The net OPEB liability for the plan in total was measured as of June 30, 2019 and determined by an actuarial valuation as of that date. The Authority's proportionate share of the total net OPEB liability was based on the ratio of actual contributions of $7,952 paid to OPERS for the year ended June 30, 2019 relative to the actual contributions of $18,744,000 from all participating employers. At June 30, 2019, the Authority's proportionate share was 0.04242424%

For the year ended June 30, 2018, the Authority recognized an OPEB expense of ($850), our proportionate share of the total pension expense.

Pension and OPEB Deferred Outflows and Deferred Inflows of Resources

At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources related to OPERS benefits:

	PENSION		OPEB	
	Outflows	Inflows	Outflows	Inflows
Balance of Deferred Outflows and Inflows due to:				
Differences between expected and actual experience	0	(13,297)	0	(13,402)
Changes of assumptions	0	0	0	0
Net difference between projected and actual earnings on pension plan investments	0	(17,050)	2,479	(1,782)
Total	0	(30,347)	2,479	(15,184)

Other amounts reported as collective deferred outflows/(inflows) of resources to be recognized in expense:

Year Ending June 30:	PENSION	OPEB
2020	1,471	3,632
2021	(38,579)	3,632
2022	(1,749)	2,321
2023	8,510	1,784
2024	0	1,337
Thereafter	0	0
	(30,347)	12,705

Actuarial Assumptions

The total pension liability and total HISP liability, both as of June 30, 2019 and 2018, were determined based on actuarial valuations prepared as of July 1, 2019, using the following actuarial assumptions:

- Investment return – 7.00% compounded annually net of investment expense and including inflation
- Salary increases – 3.5% to 9.5% per year including inflation
- Mortality rates – active participants and nondisabled pensioners – RP-2014 Mortality Table projected to 2025 by Scale MP-2016 (disabled pensioners set forward 12 years)
- No annual post-retirement benefit increases
- Assumed inflation rate – 2.75%
- Payroll growth – 3.5%
- Actuarial cost method – Entry age
- Select period for the termination of employment assumptions – 10 years

The actuarial assumptions used in the July 1, 2019, valuation are based on the results of the most recent actuarial experience study, which covered the three-year period ending June 30, 2016. The experience study report is dated April 13, 2017.

Expected Rate of Return

The long-term expected rate of return on pension plan investments and HISP plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The HISP represents a subsidy that is capped at $105 per month per retiree.

The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2019 and 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	38.00%	3.80%
U.S. Small Cap Equity	6.00%	4.90%
Non-U.S. Equity	24.00%	9.20%
U.S. Fixed	32.00%	1.40%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability and the total HISP liability was 7.00%, net of investment expenses, for 2019 and 2018. The projection of cash flows used to determine the discount rate assumed that contributions from System members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan’s fiduciary net position and the HISP’s fiduciary net position were projected through 2114 to be available to make all projected future benefit payments of current System members. Therefore, the long-term expected rate of return on pension plan and HISP plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total HISP liability. The discount rate determined does not use a municipal bond rate.

Sensitivity of the Net Pension Liability and net HISP Liability to Changes in the Discount Rate:

The following presents the net pension liability of the employer calculated using the discount rate of 7.00% for 2019, as well as what the System's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

At June 30, 2019	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Employers' net pension liability (asset)	1,204,228,260	133,188,077	(774,849,359)
Authority's proportionate liability (asset)	510,907	56,507	(328,739)

The following presents the net HISP liability of the employer calculated using the discount rate of 7.00% for 2019, as well as what the System's net HISP liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

At June 30, 2019	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Employers' net HISP liability (asset)	(6,140,488)	(38,874,741)	(67,031,422)
Authority's proportionate liability (asset)	(2,605)	(16,493)	(28,439)

Due to the structure of the HISP, healthcare cost trend rate sensitivity analysis is not meaningful.

Plan Amendments

The State Legislature enacted the following System provisions during the session ended in May 2018:

One-time Stipend Payment

HB 1340 provides a one-time stipend for members of OPERS who have been retired for five years as of October 1, 2018. The stipend is based on the funding level of the system. OPERS members will receive the lesser of 2% of their gross annual retirement amount or $1,200. The bill also provides a minimum payment of $350 for members with 20 years of service. This stipend was paid in October 2018.

Clarification of Certain System Provisions

OPERS requested HB 2516 to clarify certain System provisions related to billing employers for sick leave and early retirement for elected officials.

Billing Employers for Sick Leave – Prior language only allowed OPERS to bill employers when sick leave rounded an employee up to an additional year of service. Revised language allows OPERS to bill employers for actual months of sick leave after rounding was eliminated for members who joined the System on or after November 1, 2012.

Elected Officials – Prior language regarding early retirement for elected officials conflicted with the eligibility for normal retirement.

Defined Benefit Plan Eligibility for Elected Officials

SB 527 states that a statewide elected official or legislator who is first elected or appointed on or after November 1, 2018, and who has participating service in the OPERS defined benefit plan prior to November 1, 2015, shall be a member of the defined benefit plan.

The System's actuary does not believe any of these amendments will have any significant financial impact to the System.

9 – PRIOR PERIOD ADJUSTMENT

Beginning net assets as of June 30, 2018 were restated for prior period adjustments. The adjustments relate to the recording of net pension and OPEB liabilities along with the deferred outflows and inflows and the recording of E-911 Fees Receivable. The Authority's E-911 Fees Receivable balance as of June 20, 2018 has been restated from $45,989 to $60,733. Net assets of the Authority as of June 30, 2018 have been restated from $497,021 to $405,945.

10 – 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.

Required Supplementary Information

Muskogee City County Enhanced 911
Budgetary Comparison
June 30, 2019

	Original	Final	Actual	Variance
Revenue:				
E-911 Fees	861,000	861,000	840,794	20,206
Radio Lease Income	89,010	89,010	0	89,010
Dispatch Services	921,903	921,903	911,511	10,392
CAD-RMS Mobile	0	0	95,835	(95,835)
Interest	0	0	1,945	(1,945)
Miscellaneous	173,452	173,452	119,431	54,021
Loan Proceeds	0	0	0	0
Total Revenue	2,045,365	2,045,365	1,969,516	75,849
Personnel:				
Salaries	1,000,000	1,000,000	1,012,390	(12,390)
Payroll Taxes/Paychex	90,000	90,000	78,224	11,776
Employee benfits	220,000	220,000	160,929	59,071
Other Payroll Expenses	7,000	7,000	7,228	(228)
Total Personnel	1,317,000	1,317,000	1,258,771	58,229
Operating:				
Utilities/Telephone	158,000	158,000	169,479	(11,479)
Insurance	35,881	35,881	36,367	(486)
Office Supplies/Printing	15,000	15,000	8,320	6,680
Travel/Training	8,000	8,000	5,715	2,285
Memberships/Dues/Sub	500	500	334	166
Equipment/Software Contract	199,000	199,000	164,130	34,870
Auto Expense	800	800	453	347
Postage/Freight	500	500	783	(283)
Contractual Services	6,000	6,000	6,618	(618)
Equipment/Maintenance	15,000	15,000	20,641	(5,641)
Interest expense	0	0	48,222	(48,222)
Miscellaneous	500	500	383	117
Debt/Lease Payments	289,184	289,184	236,138	53,046
Total Operating	728,365	728,365	697,583	30,782
Total Expenses	2,045,365	2,045,365	1,956,354	89,011
Less: Debt/lease payments			(236,138)	
Less: Capital outlay			0	
Add: Depreciation expense			198,502	
			1,918,718	

Muskogee City/County Enhanced 911 Trust Authority
Required Supplementary Information
Schedule of Changes in Net Pension Liability (Asset)
Cost Sharing Pension Plan
June 30, 2019

	Increase (Decrease)		
	Oklahoma Public Employees Retirement Plan		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Beg Balance at July 1, 2018	4,334,654	4,246,182	88,473
Changes for the year:			
Service Cost	68,803	0	68,803
Interest	274,501	0	274,501
Benefit changes	0	0	0
Difference between expected and actual experience	(876)	0	(876)
Changes of assumptions	0	0	0
Benefit payments	(263,640)	(263,640)	0
Refunds of contributions	(6,521)	(6,521)	0
Contributions - employer	0	111,890	(111,890)
Contributions - member	0	28,242	(28,242)
Net investment income	0	230,899	(230,899)
Administrative Expense	0	(2,361)	2,361
Change in allocation percentage	(280,418)	(274,695)	(5,723)
Net Changes	(208,151)	(176,185)	(31,966)
Ending Balance at June 30, 2019	$4,126,503	$4,069,996	$56,507

Muskogee City/County Enhanced 911 Trust Authority
Required Supplementary Information
Schedule of Proportionate Share of Net Pension & Contributions
Cost Sharing Pension Plan
June 30, 2019

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)

	OPERS		
	FY2019	FY2018	FY2017
Authority's proportion of the net pension liability (asset)	0.042%	0.045%	0.045%
Authority's proportionate share of the net pension liability (asset)	$ 56,507	$ 88,473	$ 242,841
Authority's total employee payroll	$ 1,012,390	$ 1,047,378	$ 994,122
Authority's proportionate share of the net pension liability (asset) as a percentage of its total employee payroll	5.582%	8.447%	24.428%

SCHEDULE OF CONTRIBUTIONS

	OPERS		
	FY2019	FY2018	FY2017
Contractually required contributions	$ 111,662	$ 117,205	$ 120,821
Contributions in relation to the contractually required contribution	111,662	117,205	120,821
Contribution deficiency (excess)	0	0	0
Authority's total employee payroll	$ 1,012,390	$ 1,047,378	$ 994,122
Contribution as a percentage of covered employee payroll	11.030%	11.190%	12.154%

Note: These schedules are intended to show information for ten years. Additional years will be presented as they become available.
Current year amounts are based on estimates due to OPERS reports not being available.

Muskogee City/County Enhanced 911 Trust Authority
Required Supplementary Information
Schedule of Changes in Net OPEB Liability (Asset)
Cost Sharing OPEB Plan
June 30, 2019

	Increase (Decrease)		
	Oklahoma Public Employees Retirement Plan		
	Total OPEB Liability (Asset)	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Beg Balance at July 1, 2018	148,848	154,718	(5,870)
Changes for the year:			
Service Cost	3,355	0	3,355
Interest	9,474	0	9,474
Benefit changes	0	0	0
Difference between expected and actual experience	(7,968)	0	(7,968)
Changes of assumptions	0	0	0
Benefit payments	(7,872)	(7,872)	0
Refunds of contributions	0	0	0
Contributions - employer	0	7,952	(7,952)
Contributions - member	0	0	0
Net investment income	0	7,993	(7,993)
Administrative Expense	0	(81)	81
Change in allocation percentage	(9,635)	(10,015)	379
Net Changes	(12,646)	(2,023)	(10,623)
Ending Balance at June 30, 2019	$136,202	$152,695	($16,493)

Muskogee City/County Enhanced 911 Trust Authority
Required Supplementary Information
Schedule of Proportionate Share of Net OPEB & Contributions
Cost Sharing OPEB Plan
June 30, 2019

SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY (ASSET)

	OPERS		
	FY2019	FY2018	FY2017
Authority's proportion of the net OPEB liability (asset)	0.042%	0.045%	0.045%
Authority's proportionate share of the net OPEB liability (asset)	$ (16,493)	$ (5,870)	$ 5,145
Authority's total employee payroll	$ 1,012,390	$ 1,047,378	$ 994,122
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its total employee payroll	-1.629%	-0.560%	0.518%

SCHEDULE OF CONTRIBUTIONS

	OPERS		
	FY2019	FY2018	FY2017
Contractually required contributions	$ 7,952	$ 8,655	$ 8,457
Contributions in relation to the contractually required contribution	7,952	8,655	8,457
Contribution deficiency (excess)	0	0	0
Authority's total employee payroll	$ 1,012,390	$ 1,047,378	$ 994,122
Contribution as a percentage of covered employee payroll	0.785%	0.826%	0.851%

Note: These schedules are intended to show information for ten years. Additional years will be presented as they become available.

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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 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 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 governmental activities, the business-type activities, of Muskogee City/County Trust Authority (the "Authority"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 23, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-1 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

The Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Clothier + Company CPA's

Clothier & Company CPA's
November 23, 2020

<u>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</u>
For the Period Ended June 30, 2019 and 2018

<u>Section I – Summary of Auditor's Results</u>

Financial Statements

Type of auditors' report issued. – Unqualified

Internal control over financial reporting:

- Material weaknesses identified? __X__ Yes _____ No
- Control deficiencies identified that are not considered to be material weaknesses? _____ Yes __X__ No

Noncompliance material to financial statements noted? _____ Yes __X__ No

<u>Section II – Financial Statement Findings</u>

2019-1: Bank Reconciliations

Condition – The bank reconciliation for the last month of the fiscal year could not be provided or was not completed. Additional procedures were completed in order to confirm the reported cash balance.

Criteria – Bank reconciliations should be performed monthly and in a timely manner. This is to ensure that cash is being tracked and the balance on the general ledger is accurate.

Effect – Risk of loss due to cash not being reconciled in a timely manner. Over/understatement of cash. Poor financial reporting.

Cause – There was no bank reconciliation provided for the last month of the year.

Recommendation – Cash balances should be reconciled to the bank statements when they are received or in a timely manner thereafter.

<u>Entity's Response</u> –We agree that a bank reconciliation could not be produced for the last month of the fiscal year. The timing of this occurrence was during the transition period to an interim Director and it must have been overlooked. The current Director has been completing the monthly bank reconciliations in a timely manner.

<u>Section III – Prior Year Financial Statement Findings</u>

None.