

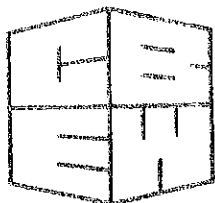
**POTTAWATOMIE COUNTY ENHANCED 911
SYSTEM TRUST AUTHORITY
Shawnee, Oklahoma**

**BASIC FINANCIAL STATEMENTS
June 30, 2015**

POTTAWATOMIE COUNTY ENHANCED 911 SYSTEM TRUST AUTHORITY
Shawnee, Oklahoma

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INDEPENDENT AUDITOR'S REPORT

December 13, 2016

To the Board of Trustees
Pottawatomie County Enhanced 911
System Trust Authority
Shawnee, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Pottawatomie County Enhanced 911 System Trust Authority (the Authority) as of and for the year ended June 30, 2015, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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 Pottawatomie County Enhanced 911 System Trust Authority as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Pottawatomie County Enhanced 911 System Trust Authority
December 13, 2016

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Pottawatomie County Enhanced 911 System Trust Authority, a component unit of Pottawatomie County, Oklahoma, and do not purport to, and do not, present fairly the financial position of Pottawatomie County, Oklahoma, as of June 30, 2015, and the changes in its financial position and cash flows in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The Authority 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 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 December 13, 2016, on our consideration of the Pottawatomie County Enhanced 911 System Trust 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 results of that testing, and not to provide an opinion on the 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 Pottawatomie County Enhanced 911 System Trust Authority's internal control over financial reporting and compliance.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants
Cushing, Oklahoma

POTTAWATOMIE COUNTY ENHANCED 911 SYSTEM TRUST AUTHORITY
Shawnee, Oklahoma

STATEMENT OF NET POSITION
As of June 30, 2015

	<u>June 30,</u> <u>2015</u>
Current assets	
Cash and cash equivalents (Note 1)	\$ 161,233
Accounts receivable	63,996
County appropriations	35,705
Prepaid expenses	2,206
Total current assets	<u>263,140</u>
Capital assets:	
Buildings, improvements and equipment	336,504
Less accumulated depreciation	<u>(148,372)</u>
Total capital assets	<u>188,132</u>
Total assets	<u>451,272</u>
Deferred outflows of resources:	
Total deferred outflows	<u>-</u>
Current liabilities:	
Accounts payable	12,699
Accrued payroll expenses	3,184
Accrued compensated absences	3,332
Total current liabilities	<u>19,215</u>
Long-term liabilities:	
Litigation settlement payable	75,000
Total long-term liabilities	<u>75,000</u>
Total liabilities	<u>94,215</u>
Deferred inflows of resources:	
Total deferred inflows	<u>-</u>
Net position:	
Net investment in capital assets	188,132
Unrestricted	<u>168,925</u>
Total net position	<u>\$ 357,057</u>

The accompanying notes are an integral part of the basic financial statements.

POTTAWATOMIE COUNTY ENHANCED 911 SYSTEM TRUST AUTHORITY
Shawnee, Oklahoma

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	<u>June 30,</u> <u>2015</u>
Revenues:	
County sales tax	\$ 95,832
Dispatch fees	171,520
Miscellaneous income	3,406
Wireless fees	198,696
Wireline fees	211,447
Total revenues	<u>680,901</u>
Expenses:	
Advertising	8,110
Depreciation	96,738
Dues and subscriptions	6,897
Insurance	17,851
Legal and professional	21,379
Office supplies	12,771
Repairs and maintenance	108,808
Salaries and payroll expenses	459,784
Telephone	13,950
Training	4,124
Travel	2,984
Utilities	10,234
Total expenses	<u>763,630</u>
Operating income (loss)	<u>(82,729)</u>
Other income and expense:	
Interest income	159
Loss on disposal of assets	(54,692)
Settlement of litigation expense	(75,000)
Total other income and expense	<u>(129,533)</u>
Net income (loss)	(212,262)
Net position - beginning of year	<u>569,319</u>
Net position - end of year	<u>\$ 357,057</u>

The accompanying notes are an integral part of the basic financial statements.

POTTAWATOMIE COUNTY ENHANCED 911 SYSTEM TRUST AUTHORITY
Shawnee, Oklahoma

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

	<u>June 30, 2015</u>
Cash flows from operating activities:	
Cash received from customers	\$ 611,742
Cash payments to suppliers for goods and contractors and other services	(198,787)
Cash payments to employees	(455,396)
Other operating revenues	3,406
Net cash provided by operating activities	<u>(39,035)</u>
Cash flows from investing activities	
Interest income	159
Net cash provided (used) by investing activities	<u>159</u>
Cash flows from financing activities:	
(Acquisition) disposition of capital assets	-
Net cash provided (used) for capital and related financing activities	<u>-</u>
Net increase (decrease) in cash	(38,876)
Cash and cash equivalents at beginning of year	<u>200,109</u>
Cash and cash equivalents at end of year	<u>\$ 161,233</u>
Reconciliation of operation income to net cash provided by operating activities:	
Operating income (loss)	\$ <u>(82,729)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	96,738
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(50,932)
(Increase) decrease in county appropriations	(14,821)
(Increase) decrease in prepaid expense	13,019
Increase (decrease) in accounts payable	(4,698)
Increase (decrease) in accrued payroll expenses	1,056
Increase (decrease) in accrued compensated absences	3,332
Total adjustments	<u>43,694</u>
Net cash provided by operating activities	<u>\$ (39,035)</u>

The accompanying notes are an integral part of the basic financial statements.

POTTAWATOMIE COUNTY ENHANCED 911 SYSTEM TRUST AUTHORITY
Shawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Management

The Pottawatomie County Enhanced 911 System Trust Authority (the "Authority") is an enterprise fund created on April 22, 2008 by the Board of County Commissioners of Pottawatomie County, Oklahoma. The Authority collects, monitors and safeguards public funds to pay for the installation and maintenance of lines and equipment for enhanced 911 emergency telephone services for Pottawatomie County. The Authority is designed to provide enhanced 911 service to Pottawatomie County in accordance with Oklahoma Emergency Telephone Act, 63 O.S. Section 2811.

The accompanying financial statements of the Authority are intended to present the financial position, changes in financial position, and cash flows, of only that portion of the governmental activities of Pottawatomie County that is attributable to the transactions of the Authority.

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The accounts of the Authority are organized as a proprietary fund that is considered to be a separate accounting entity. The operations of the fund are summarized by providing a separate set of self-balancing accounts that include its assets, liabilities, net position, revenues and expenses. A proprietary fund is used to account for operations that are financed in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing facilities is financed through user charges. Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) are included in the balance sheet.

Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

C. Cash and Cash Equivalents

For financial statement presentation and for purposes of the statement of cash flows, the Authority's cash and cash equivalents are considered to be; cash on hand, demand deposits, and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments.

At June 30, 2015, the Authority held unrestricted deposits of approximately \$161,233, at financial institutions. The Authority's cash deposits are entirely covered by Federal Depository Insurance (FDIC).

D. Property and Equipment

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the individual assets, which is 5 to 10 years for furniture, fixtures, and equipment and 10 to 15 years for leasehold improvements. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. Expenditures for repairs and maintenance not extending the useful life of the asset are charged to operating expenses as incurred. Expenditures for improvements and major renewals are capitalized. The Authority is currently developing a capitalization policy.

POTTAWATOMIE COUNTY ENHANCED 911 SYSTEM TRUST AUTHORITY
Shawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Fair Value Measurement

The Authority's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The Authority's estimate of fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial condition. The carrying amount of these financial instruments approximates fair value of their short maturity.

GASB Statement 72, Fair Value Measurement and Application, established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted observable quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the GASB fair value hierarchy are described below:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

G. Compensated Absences

It is the policy of the Authority to permit employees to accumulate earned by unused vacation and sick leave benefits. Full-time employees are granted vacation benefits in varying amounts to specified maximums depending upon time of service with the Authority. The unused portion of vacation (but not sick leave) is paid upon severance with the Authority and thus is recorded as accrued compensated absences in the financial statements.

H. Revenues

The Authority will be funded with "911" fees that are added to individual and commercial telephone land line invoices, "911" fees that are added to monthly cellular phone invoices, and dispatching fees that are charged to local municipalities, governmental agencies, and tribal governments located in Pottawatomie County, Oklahoma.

POTTAWATOMIE COUNTY ENHANCED 911 SYSTEM TRUST AUTHORITY
Shawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

2. CAPITAL ASSETS

The following is a summary of changes in property and equipment.

	Balance 7/1/14	Additions	Deletions	Balance 6/30/15
Leasehold improvements	\$ 157,227	\$ -	\$ 157,227	\$ -
Transportation equipment	7,000	-	7,000	-
Office furniture & equipment	81,819	-	64,571	17,248
Equipment for 911 system	525,960	-	206,704	319,256
Total	772,006	-	435,502	336,504
Less accumulated depreciation	(432,444)	(96,738)	(380,810)	(148,372)
Net	\$ 339,562	\$ (96,738)	\$ 54,692	\$ 188,132

Depreciation expense for the year is \$96,738.

3. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to general liability and torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pottawatomie County maintains, and the Authority continues, commercial insurance coverage on these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority.

4. LITIGATION SETTLEMENT PAYABLE

Since the inception of the Authority, a dispute exists with the City of Shawnee, Oklahoma, regarding the allocation of E-911 wireless telephone fees income. The Authority and the City of Shawnee, Oklahoma are committed to resolving this dispute and both sides continue to evaluate settlement offers.

The dispute was settled August 2016, concluding the Authority pay the City of Shawnee, Oklahoma, \$75,000, in agreement with the settlement. Therefore, this amount is recorded as a liability on the face of the financial statements.

5. POST-RETIREMENT BENEFITS

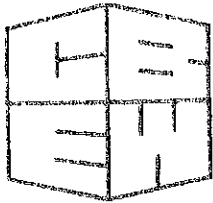
The Authority offers full-time employees a deferred compensation plan (457 plan), which permits them to defer a portion of their salary from federal and state income taxes until future years. The Authority does not match any funds in this retirement account, nor do they make any contributions to the individual employee plans.

6. CONTRACTS

During the year, the Authority entered into a 5-year (automatically renewable) contract with the Citizen Potawatomi Nation (CPN), in which CPN will dispatch emergency calls and non-emergency calls on behalf of the Authority. Dispatch employees that were previously employed by the Authority have been transferred to CPN, along with various equipment. The Authority has agreed to remit all revenue streams collected by the Authority from all 911 subscriber fees, including the following: wireline fees, wireless fees, and voice over internet protocol fees, in exchange for the service provided by CPN.

**POTTAWATOMIE COUNTY ENHANCED 911
SYSTEM TRUST AUTHORITY
Shawnee, Oklahoma**

**REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2015**



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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**

December 13, 2016

To the Board of Trustees
Pottawatomie County Enhanced 911
System Trust Authority
Shawnee, 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 Pottawatomie County Enhanced 911 System Trust Authority (the Authority), a component unit of Pottawatomie County, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 13, 2016. The Authority did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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*.

Serving Our Clients Since 1960

Pottawatomie County Enhanced 911 System Trust Authority
December 13, 2016

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.

CBEW Professional Group, LLP

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Certified Public Accountants
Cushing, Oklahoma