

**Financial Statements and Reports of  
Independent Certified Public Accountant  
Craig County E-911 Authority  
December 31, 2011**

**TURNER & ASSOCIATES, PLC**  
Certified Public Accountants  
P.O. Box 378  
Vinita, OK 74301  
(918) 256-6788

**Craig County E-911 Authority  
Board of Trustees  
December 31, 2011**

Barry Armstrong	Chairman
Morris Bluejacket	Vice Chairman
Tammy Malone	Treasurer
Marilynn Spence	Secretary
Julie Sellmeyer	Vice-Secretary
Jim Butcher	Manager
Clara Butcher	Assistant Manager

**Craig County E-911 Authority**  
**Table of Contents**

Independent Auditor's Report	1-2
Report Required by <i>Government Auditing Standards</i> : Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Financial Statements:	
Statement of Net Assets	5
Statement of Activities	6
Balance Sheet – Special Revenue Fund	7
Statement of Revenues, Expenditures and Changes in Fund Balance – Special Revenue Fund	8
Reconciliation of the Special Revenue Fund Statement of Revenues, Expenditures And Changes in Fund Balance to the Statement of Activities	9
Notes to the Financial Statements	10-17
Schedule of Findings and Responses	18-20



## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Craig County E-911 Authority  
Vinita, Oklahoma

We have audited the accompanying financial statements of the Craig County E-911 Authority, a special revenue fund and component unit of the County of Craig, Oklahoma, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the Craig County E-911 Authority management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the financial statements present only the Craig County E-911 Authority and do not purport to, and do not present fairly the financial position of the County of Craig, Oklahoma, as of December 31, 2011, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each fund of the Craig County E-911 Governing Authority, as of December 31, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2012, on our consideration of the Craig County E-911 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 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* and should be considered in assessing the results of our audit.

The Craig County E-911 Authority has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Craig County E-911 Authority's basic financial statements.

TURNER & Associates, PLLC

Vinita, Oklahoma  
February 13, 2012



**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  
Craig County E-911 Authority  
Vinita, Oklahoma

We have audited the financial statements of the Craig County E-911 Governing Authority, a special revenue fund and component unit of the County of Craig, Oklahoma, as of and for the year ended December 31, 2011, as listed in the table of contents and have issued our report thereon dated February 13, 2012. The Craig County E-911 did not present the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Craig County E-911 Governing Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 Craig County E-911 Governing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Craig County E-911 Governing Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting, describe in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses in internal control over financial reporting.

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. We consider the deficiencies, 2011-1 and 2011-2 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Craig County E-911 Governing 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*.

The Craig County E-911 Governing Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Craig County E-911 Governing Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use management, Board of Trustees, and the Oklahoma State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*TURNER & Associates, PLLC*

Vinita, Oklahoma  
February 13, 2012

**Craig County E-911 Authority**  
**Statement of Net Assets**  
**December 31, 2011**

**ASSETS**

## Current Assets

Cash and Cash Equivalents	\$ 59,137.35
Certificates of Deposit & Other Investments	306,720.82
Accounts Receivable	12,983.67
Prepaid Expenses	1,511.63
Total Current Assets	<u>380,353.47</u>

## Noncurrent Assets

Capital Assets, net of Accumulated Depreciation	<u>187,868.32</u>
---	-------------------

**TOTAL ASSETS**

568,221.79

**LIABILITIES**

## Current Liabilities

Accounts Payable and Accrued Expenses	<u>9,873.65</u>
---------------------------------------	-----------------

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	187,868.32
Unrestricted Net Assets	<u>370,479.82</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 558,348.14</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.



**Craig County E-911 Authority  
Statement of Activities  
For the Year Ended December 31, 2011**

		Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs	Expenses				
<b>Governmental Activities:</b>					
Public Safety	\$ 213,645.84	\$ -	\$ -	\$ -	\$ (213,645.84)
<b>General Revenues and Transfers:</b>					
Tariff Fees					157,976.14
Investment Earnings					5,612.06
Other Income					4,877.00
<b>Total General Revenues and Transfers</b>					<u>168,465.20</u>
<b>Change in Net Assets</b>					(45,180.64)
<b>Net Assets, Beginning</b>					<u>603,528.78</u>
<b>Net Assets, Ending</b>					<u>\$ 558,348.14</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Craig County E-911 Authority  
Balance Sheet – Special Revenue Fund  
December 31, 2011**

**ASSETS**

Cash and Cash Equivalents	\$ 59,137.35
Investments	306,720.82
Accounts Receivable - Tariff Fees	12,983.67
Prepaid Expenses	1,511.63
<b>Total Assets</b>	<b><u>\$ 380,353.47</u></b>

**LIABILITIES AND FUND EQUITY****Liabilities:**

Accounts Payable and Accrued Expenses	\$ 9,873.65
---------------------------------------	-------------

**Fund Equity:**

Fund Equity, Restrictd	370,479.82
<b>Total Liabilities and Fund Equity</b>	<b><u>\$ 380,353.47</u></b>

**Reconciliation of Balance Sheet to Statement of Net Assets:**

Special Revenue Fund Equity	\$ 370,479.82
-----------------------------	---------------

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$534,533.67 and the accumulated depreciation is \$346,665.35 for a net book value of \$187,868.32

187,868.32

<b>Net Assets of Governmental Activities</b>	<b><u>\$ 558,348.14</u></b>
--	-----------------------------

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Craig County E-911 Authority**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance – Special Revenue Fund**  
**For the Year Ended December 31, 2011**

Revenues:

Tariff Fees	\$ 157,976.14
Investment Earnings	5,612.06
Other Income	4,877.00
Total Revenues	<u>168,465.20</u>

Expenditures:

Audit and Accounting	2,625.00
Bank Charges	54.43
Dispatching Fees	24,000.00
Computer Programs/Data Services	107.50
Insurance	4,232.64
Repairs & Maintenance	26,002.46
Miscellaneous	933.28
Postage	569.84
Payroll Taxes	4,207.66
Salaries	55,424.96
Supplies	943.66
Fuel	1,038.91
Utilities	20,497.59
Uniforms	299.00
Vehicles	1,028.07
Capital Outlay	6,538.36
Total Expenditures	<u>148,503.36</u>

Net Change in Fund Balance	19,961.84
----------------------------	-----------

Fund Balance, Beginning of Year	350,517.98
Fund Balance, End of Year	<u><u>\$ 370,479.82</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Craig County E-911 Authority**  
**Reconciliation of the Special Revenue Fund Statement of Revenues, Expenditures**  
**and Changes in Fund Balance to the Statement of Activities**  
**For the Year Ended December 31, 2011**

Net Change in Fund Balance - Special Revenue Fund	\$	19,961.84
---	----	-----------

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlay	6,538.36	
Depreciation expense	<u>(71,680.84)</u>	<u>(65,142.48)</u>

Change in Net Assets	\$	<u><u>(45,180.64)</u></u>
----------------------	----	---------------------------

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Craig County E-911 Authority  
Notes to the Financial Statements  
For the Year Ended December 31, 2011**

**I. Summary of Significant Accounting Policies**

The following notes to the financial statements are an integral part of the Authority's financial statements.

The Authority is a special revenue fund and a component unit of the County of Craig, Oklahoma and will be included in the County of Craig's basic financial statements. Therefore, these financial statements present only the activities of the special revenue fund and are not intended to present the financial status of the County as a whole.

The Authority complies with Generally Accepted Accounting Principles (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the Statement of Net Assets and Statement of Activities, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this Note.

**A. Reporting Entity**

The Authority's financial reporting entity is comprised of the following:

Primary Government:        Craig County E-911 Authority

In determining the financial reporting entity, the Authority complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and includes all component units of which the Authority appointed a voting majority of the units' board and the Authority is either able to impose its will on the unit or a financial benefit or burden relationship exists.

*Blended Component Units*

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Board of Trustees or the component unit provides services entirely to the Authority. The component unit's fund is blended into those of the Authority's by appropriate activity type to comprise the primary government presentation. Currently, the Authority has no blended component units.

*Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the Authority has no discretely presented component units.

**Craig County E-911 Authority  
Notes to the Financial Statements  
For the Year Ended December 31, 2011**

**I. Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation**

*Statement of Net Assets and Statement of Activities*

The statement of net assets and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

*Fund Financial Statements*

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Authority or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditure/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues or expenditure/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The fund of the financial reporting entity is described below:

**Governmental Fund**

*Special Revenue Fund*

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally or administratively restricted to expenditures for specified purposes. The operating fund of the Authority is a special revenue fund. It is used to account for all activities of the Craig County E-911 Authority.

**Major and Non-Major Funds**

*Major:*                      Special Revenue Fund:      Craig County E-911 Authority

*Non-Major:*      None

**Craig County E-911 Authority  
Notes to the Financial Statements  
For the Year Ended December 31, 2011**

**I. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

In the Statement of Net Assets, governmental activities are presented using the “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net assets.

In the fund financial statements, governmental funds utilize a “current financial resources” measurement focus.

Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available expendable financial resources during a given period. These funds use fund balance as their measure of available expendable financial resources at the end of the period.

**Basis of Accounting**

In the Statement of Net Assets, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting.

Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

**D. Assets, Liabilities and Equity**

**Cash and Cash Equivalents**

For the purpose of the Statement of Net Assets, “cash and cash equivalents” includes all demand, savings accounts and certificates of deposit of the Authority that have a maturity of three months or less.

**Craig County E-911 Authority  
Notes to the Financial Statements  
For the Year Ended December 31, 2011**

**I. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities and Equity (continued)**

**Receivables**

In the Statement of Net Assets, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include tariff fee revenues and interest earned but not received as of the end of the year.

In the fund financial statements, material receivables in governmental funds include tariff fee revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

**Fixed Assets**

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are reported in the Statement of Net Assets or fund financial statements.

*Statement of Net Assets*

In the Statement of Net Assets, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The Authority estimates useful lives of 5-20 years on equipment.

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.



**Craig County E-911 Authority  
Notes to the Financial Statements  
For the Year Ended December 31, 2011**

**I. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities and Equity (continued)**

**Equity Classifications**

*Statement of Net Assets*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

**E. Revenues, Expenditures and Expenses**

**Tariff Fees**

Revenues from tariff fees include amounts due to the Authority from taxes collected by the local telephone companies.

**Investment Earnings**

Investment earnings include interest on certificates of deposit.

**Expenditures/Expenses**

In the Statement of Activities, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified by character. In the fund financial statements, governmental funds report expenditures of financial resources.

**Craig County E-911 Authority  
Notes to the Financial Statements  
For the Year Ended December 31, 2011**

**I. Summary of Significant Accounting Policies (continued)**

**F. Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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.

**II. Stewardship, Compliance and Accountability**

By its nature as a component unit of a local government unit, the Authority is subject to various federal, state and local laws and contractual regulations. An analysis of the Authority's compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows.

**A. Fund Accounting Requirements**

The Authority complies with all state and local laws and regulations requiring the use of separate funds. The Authority uses a special revenue fund as legally required by the terms of its trust indenture.

**B. Deposit and Investments Laws and Regulations**

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Authority must have a written collateral agreement approved by the board of directors or loan committee. As reflected in note III A., deposits were collateralized.

Investments of any Town or County (excluding Public Trusts) whose population exceeds 3,000 according to the latest census information are restricted by state law. Public trusts created under O.S. Title 60 are not subject to these investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended December 31, 2011, the Authority complied, in all material respects, with these investment restrictions.

**C. Revenue Restrictions**

The Authority's revenues are restricted solely for Craig County E-911 purposes. For the year ended December 31, 2011, the Authority complied, in all material respects, with this revenue restriction.

**D. Fund Equity Restrictions**

**Deficit Prohibition**

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The Authority complied with this statute in all material respects for the year ended December 31, 2011.

**Craig County E-911 Authority  
Notes to the Financial Statements  
For the Year Ended December 31, 2011**

**III. Detailed Notes on Transaction Classes/Accounts**

**A. Deposits and Investments**

State statutes govern the Authority's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost.

*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 to it. The Authority's cash deposits are maintained in financial institutions. As of December 31, 2011, none of the Authority's deposits were exposed to custodial credit risk.

*Interest rate risk:* This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Trust does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**B. Capital Assets**

Capital asset activity for the year was as follows:

	Balance December 31, 2010	Additions	Disposals	Balance December 31, 2011
Buildings	\$ 6,067.63	\$ -	\$ -	\$ 6,067.63
Equipment	519,438.95	6,538.36	-	525,977.31
Furniture	2,488.73	-	-	2,488.73
Total Depreciable Assets	527,995.31	6,538.36	-	534,533.67
Accumulated Depreciation	(274,984.51)	(71,680.84)	-	(346,665.35)
Net Capital Assets	<u>\$ 253,010.80</u>	<u>\$ (65,142.48)</u>	<u>\$ -</u>	<u>\$ 187,868.32</u>

**IV. Other Information**

**A. Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The Authority purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**B. Subsequent Events**

Management has evaluated subsequent events through February 13, 2012, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

**Craig County E-911 Authority  
Notes to the Financial Statements  
For the Year Ended December 31, 2011**

**IV. Other Information (continued)**

**C. Contingent Liabilities**

The governing board of the Authority is not aware of any pending or threatened legal actions against it. However, any such actions would probably be covered by insurance.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

**Craig County E-911 Authority  
Schedule of Findings and Responses  
For the Year Ended December 31, 2011**

**FINDINGS - FINANCIAL STATEMENT AUDIT**

**2011-1      Material Weakness in Internal Control over Financial Reporting – Preparation of Financial Statements in Accordance with GAAP**

*Criteria:*

The Authority's management is responsible for internal controls over financial reporting. This includes controls over the fair and complete presentation of the Authority's annual financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e. maintaining internal books and records, and (2) reporting government-wide and fund financial statements, including related footnotes (i.e. external financial reporting). Professional audit standards clearly indicate that the external financial statement auditor cannot perform any part of management's control activities or be a component of the internal controls over financial reporting.

*Condition:*

As is the case with many smaller and medium-sized entities, the Authority has historically relied extensively on its independent external auditors to provide the necessary expertise to assist in the preparation of the financial statements and footnotes as part of its controls over the external financial reporting process. Accordingly, the Authority's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the authority's internal controls. This finding was also noted in 2010.

*Cause:*

Authority personnel do not possess formal knowledge, expertise, and education relative to preparing GAAP financial statements and related note disclosures without assistance from the external auditor or another outside source. Professional standards do not require that the management possess the expertise to prepare the financial statements and related note disclosures but to have the skills to understand them. As a result management was able to review the financial statements and related note disclosures and sufficiently understand them to take full responsibility for them as required by professional standards.

*Effect or Potential Effect:*

As a result of this condition, without assistance from its external auditors or another outside source, the Authority may lack the necessary internal controls over the preparation of financial statements in accordance with GAAP. This condition also places the auditor in a questionable position regarding auditor independence as a result of potentially performing part of management's functions.

*Recommendation:*

The Authority should consider designing and implementing sufficient internal controls over financial reporting by obtaining the necessary knowledge, expertise, and continuing education to prepare financial statements in accordance with generally accepted account principles without reliance on the external financial statement auditor. This could be achieved through employment of qualified accounting staff or the outsourcing of these control activities to a qualified accounting firm other than the external auditor.

*Client Response:*

None provided.

**Craig County E-911 Authority  
Schedule of Findings and Responses  
For the Year Ended December 31, 2011**

**FINDINGS - FINANCIAL STATEMENT AUDIT (continued)**

**2011-2 Material Adjusting Journal Entries**

*Criteria:*

The Authority's management is responsible for internal controls over accounting and financial reporting. This responsibility includes the design and implantation of controls over the fair and complete presentation of the government's annual financial statements in accordance with generally accepted accounting principles (GAAP) from trial balances derived from the government's accounting records. For trial balances to be both complete and accurate, the government must have effective internal controls over recording, processing, summarizing, and adjusting accounting data. As evidence of effective internal controls over accounting and financial reporting, there should generally be few, if any, material adjustments to the trial balances required that are detected and corrected solely as a result of the financial statement audit. In other words, government management should not rely on the external auditor to detect and correct material misstatements in the books and records as part of its internal control, but rather should have its own procedures designed and in place that are independent of the external auditor to provide reasonable, although not absolute, assurance that material misstatements will be detected and corrected in its trial balances prior to audit.

*Condition:*

The Authority's trial balances for the year ended December 31, 2011, required a number of material adjusting journal entries in order for the financial statements to be prepared in accordance with GAAP. These necessary adjusting entries, identified solely as a result of the financial statement audit, included such adjustments as the following: adjusting accounts receivable/accounts payable, reclassify income/expense accounts, reclassifying petty cash activity, adjusting outstanding checks, adjusting payroll taxes and employee deductions, and recording activity for a certificate of deposit. This finding was also noted in 2010.

*Cause:*

The Authority's accounting and financial reporting staff lacks the necessary knowledge, expertise and education, relative to the complex nature of applying GAAP applicable to state and local governments, sufficient to provide reasonable assurance that the trial balances used for preparing the GAAP financial statements are complete and accurate prior to audit. As a result, management has had to rely on the external auditors to identify and correct a number of material misstatements in the trial balances.

*Effect:*

As a result of this condition, without reliance on its external auditors, the Authority lacks the necessary internal controls over the completeness and accuracy of the trial balances that are used in the preparation of its financial statements in accordance with GAAP. This condition can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit. In addition, if management's intentions are to continue to rely on the external auditor to detect and correct material misstatements, this condition could place the auditor in a questionable position regarding auditor independence as a result of the auditor performing part of management's functions regarding to the trial balances.

**Craig County E-911 Authority  
Schedule of Findings and Responses  
For the Year Ended December 31, 2011**

**FINDINGS - FINANCIAL STATEMENT AUDIT (continued)**

**2011-2 Material Adjusting Journal Entries (continued)**

*Recommendation:*

The Authority should consider designing and implementing sufficient internal controls over the completeness and accuracy of trial balances by obtaining the necessary knowledge, expertise, and continuing education to apply GAAP in the development of working trial balances that will be used to prepare the government's annual financial statements. This could be achieved through employment of qualified accounting staff or the outsourcing of these control activities to a qualified accounting firm other than the external auditor.

*Client Response:*

None provided.