

**9-1-1 ASSOCIATION OF CENTRAL  
OKLAHOMA GOVERNMENTS**

**Basic Financial Statements  
for the Year Ended June 30, 2012  
and Independent Auditors' Reports**

**9-1-1 Association of Central Oklahoma Governments  
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For the Year Ended June 30, 2012**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
9-1-1 Association of Central Oklahoma Governments

We have audited the accompanying financial statements of the governmental activities and major fund of the 9-1-1 Association of Central Oklahoma Governments ("9-1-1 ACOG"), as of and for the year ended June 30, 2012, which collectively comprise 9-1-1 ACOG's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of 9-1-1 ACOG's 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of 9-1-1 ACOG, as of June 30, 2012, and the respective changes in financial position 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 October 9, 2012, on our consideration of 9-1-1 ACOG'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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 9-1-1 ACOG's basic financial statements. The other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements of 9-1-1 ACOG. The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Arledge & Associates, P.C.*  
Edmond, Oklahoma  
October 9, 2012



9-1-1 association of central oklahoma governments

Chair David Dirkschneider  
Warr Acres Councilmember

Vice-Chair Linda Molsbee  
Newcastle Vice-Mayor

Secretary/Treasurer Tom Kovach  
Norman Councilmember

Executive Director  
John G. Johnson

## Management's Discussion and Analysis (Unaudited)

As management of the 9-1-1 Association of Central Oklahoma Governments (9-1-1 ACOG), we offer readers of 9-1-1 ACOG's financial statements this narrative overview and analysis of the financial activities of 9-1-1 ACOG for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at 9-1-1 ACOG's financial performance as a whole; readers are encouraged to consider information presented here as well as the financial statements and notes to enhance their understanding of 9-1-1 ACOG's financial performance.

### Financial Highlights

#### Government-wide:

- The assets of 9-1-1 ACOG exceeded its liabilities at the close of the most recent fiscal year by \$9,406,163 (*net assets*). Of this amount, \$7,680,043 (*unrestricted net assets*) may be used to meet 9-1-1 ACOG's ongoing obligations to the member local governments and creditors.
- 9-1-1 ACOG's total net assets increased by \$1,062,295. This increase is primarily due to controlling expenses in anticipation of the high cost of future systems.

#### Fund Level:

- At the close of the current fiscal year, 9-1-1 ACOG's governmental fund reported an ending fund balance of \$8,269,031, an increase of \$1,274,030 in comparison with the prior year. Approximately 91.5 percent of this amount, \$7,569,419, is *available for spending* at 9-1-1 ACOG's discretion (*assigned fund balances*) although the 9-1-1 ACOG Board of Directors has *assigned* \$1,328,780 for future operations and \$465,801 for future system improvements while the remaining \$5,774,838 is *assigned* to the E9-1-1 emergency telephone number system.
- At the end of the fiscal year, the unrestricted fund balance, including all assigned balances, of the special revenue fund (9-1-1 ACOG's only fund) was \$7,569,419 or 245 percent of total special revenue fund expenditures.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to 9-1-1 ACOG's basic financial statements. 9-1-1 ACOG's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of 9-1-1 ACOG's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of 9-1-1 ACOG's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of 9-1-1 ACOG is improving or deteriorating.

The *statement of activities* presents information showing how 9-1-1 ACOG's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements include functions of 9-1-1 ACOG that are principally supported by grants and telephone company service charges (*governmental activities*). 9-1-1 ACOG has no functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*) and has no component units.

The government-wide financial statements can be found on pages 12 - 13 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. 9-1-1 ACOG, like other similar governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 9-1-1 ACOG only has a special revenue fund, which belongs to the category of governmental funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-

wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

9-1-1 ACOG only maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance.

The basic governmental fund financial statements can be found on pages 14 - 16 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 - 24 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *other supplementary information*. Although not legally required to do so, 9-1-1 ACOG does adopt an annual budget for its fund. A budgetary comparison schedule has been provided to demonstrate compliance with this budget and is presented on page 25 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of 9-1-1 ACOG, assets exceeded liabilities by \$9,406,163 at June 30, 2012, as compared with assets exceeding liabilities by \$8,343,868 at June 30, 2011. A portion (12.1 percent) of 9-1-1 ACOG's net assets reflect its investment in capital assets (equipment and intangible map database), less any related debt used to acquire those assets that is still outstanding. 9-1-1 ACOG uses these capital assets to operate and to provide services; consequently, these assets are *not* available for future spending. Although 9-1-1 ACOG's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table reflects the condensed Statement of Net Assets compared to the prior year.

### 9-1-1 Association of Central Oklahoma Governments' Net Assets

	Governmental Activities		Total
	2012	2011	Percentage Change
Current and other assets	\$ 8,495,247	\$ 7,960,456	6.7%
Capital assets	1,773,413	2,671,976	-33.6%
<b>Total assets</b>	<b>10,268,660</b>	<b>10,632,432</b>	<b>-3.4%</b>
Long-term debt outstanding	636,281	1,323,109	-51.9%
Other liabilities	226,216	965,455	-76.6%
<b>Total liabilities</b>	<b>862,497</b>	<b>2,288,564</b>	<b>-62.3%</b>
Net assets			
Invested in capital assets, net of related debt	1,137,131	1,348,867	-15.7%
Restricted	588,988	705,757	-16.5%
Unrestricted	7,680,043	6,289,244	22.1%
<b>Total net assets</b>	<b>\$ 9,406,163</b>	<b>\$ 8,343,868</b>	<b>12.7%</b>

An additional portion of 9-1-1 ACOG's net assets (6.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$7,680,043) may be used to meet 9-1-1 ACOG's ongoing obligations.

At the end of the current fiscal year, 9-1-1 ACOG is able to report a positive balance in all categories of net assets. The same situation held true for the prior fiscal year.

#### Governmental Activities

The following table reflects the condensed changes in net assets from the prior year.

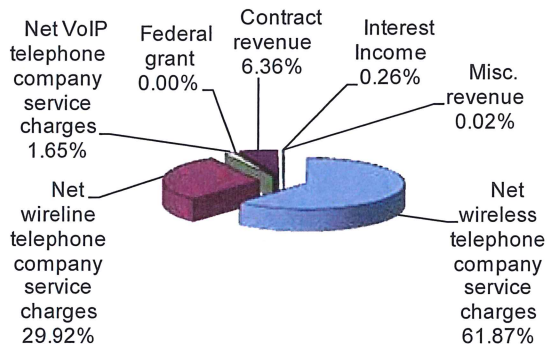


### 9-1-1 Association of Central Oklahoma Governments Changes in Net Assets

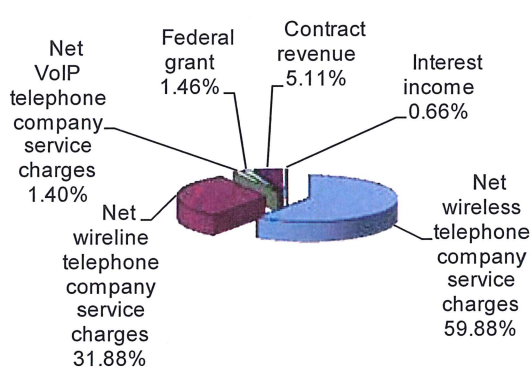
	Governmental Activities		Total Percentage Change
	2012	2011	
<b>Revenues</b>			
Program revenues			
Net wireless telephone company service charge:	\$ 2,699,884	\$ 2,520,281	7.1%
Net wireline telephone company service charges	1,305,877	1,341,557	-2.7%
Net VoIP telephone company service charges	71,949	58,985	22.0%
Federal grant	-	61,310	-100.0%
Contract revenue	277,624	214,858	29.2%
Interest income	8,171	10,860	-24.8%
Miscellaneous revenue	451	789	-42.8%
<b>Total revenues</b>	<b>4,363,956</b>	<b>4,208,640</b>	<b>3.7%</b>
<b>Expenses</b>			
E9-1-1 emergency telephone number system	3,301,661	2,964,602	11.4%
<b>Total expenses</b>	<b>3,301,661</b>	<b>2,964,602</b>	<b>11.4%</b>
<b>Increase (decrease) in net assets</b>	<b>\$ 1,062,295</b>	<b>\$ 1,244,038</b>	<b>-14.6%</b>

9-1-1 ACOG's total net assets, all from governmental activities, increased by \$1,062,295 during the current fiscal year. This increase is primarily due to controlling expenses in anticipation of the high cost of future systems.

9-1-1 ACOG 2012 Revenues by Source



9-1-1 ACOG 2011 Revenues by Source



### Financial Analysis of the Government's Funds

As noted earlier, 9-1-1 ACOG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of 9-1-1 ACOG's special revenue *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing 9-1-1 ACOG's financing

requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, 9-1-1 ACOG's special revenue fund reported ending fund balances of \$8,269,031, a net increase of \$1,274,030 in comparison with the prior year. Approximately 16.1 percent (\$1,328,780) has been *assigned* for operations; approximately 5.6 percent (\$465,801) has been *assigned* for future system improvements, and approximately 69.9 percent has been assigned for E9-1-1 emergency telephone number system expenditures. *Assignments* reflect the 9-1-1 ACOG Board of Directors' self-imposed limitations on the use of otherwise available current financial resources and are subject to change. The remainder of fund balance is not available for new spending because approximately 1.3 percent (\$110,624) is *unspendable* because it consists of prepaid items and approximately 7.1 percent (\$588,988) is *restricted* for debt service per the note payable escrow agreement.

The increase in fund balance is primarily due to controlling expenses in anticipation of the high cost of future systems.

The special revenue fund is the only fund used by 9-1-1 ACOG since its only function or program is the acquisition, implementation and administration of the E9-1-1 emergency telephone number system. This is the reason why 9-1-1 ACOG has no *unassigned* fund balance.

### **Budgetary Highlights**

Due to time constraints and the fact that 9-1-1 ACOG is not legally required to adopt a budget for its funds, there was no budget amendment for the fiscal year ended June 30, 2012. The differences between the budget and the actual amounts are primarily due to 9-1-1 ACOG maintaining a fiscally conservative budget. The differences can be summarized as follows:

- Net wireless telephone company service charge revenue was \$104,424 greater than budgeted. This is due to 9-1-1 ACOG remaining conservative since there was still not much history to aid in budget estimations and the fiscal year 2012 budget number was based on fiscal year 2011 collections. In addition, fiscal year 2012 was the first full year of remittances by the Oklahoma Tax Commission of service charge fees from prepaid wireless service retailers.
- Net wireline telephone company service charge revenue was \$83,030 greater than budgeted. This is due to 9-1-1 ACOG being extremely conservative and budgeting for a 9% annual loss in the declining wireline revenue while the actual annual loss was only 2.7%.
- Contract revenue was \$35,824 greater than budgeted due to an inaccurate estimate of the effective termination date of 9-1-1 ACOG's contract with Tinker Air Force Base (TAFB). The fiscal year 2012 budget only included contract revenue for one quarter instead of all four quarters, as actually occurred. The final quarter of TAFB contract revenue is the first quarter of 9-1-1 ACOG's fiscal year 2013.
- Due to being fiscally conservative and budgeting all known possible expenditures as well as implementation timing differences in the costs associated with the replacement of the 9-1-1 answering system, actual expenditures for ACOG administration were \$153,600 less than budgeted; maintenance and operation fees -

telephone companies were \$302,458 less than budgeted; repairs, maintenance and warranty were \$98,976 less than budgeted, legal services were \$35,000 less than budgeted; and consultants were \$11,555 less than budgeted.

- Capital outlay expenditures were \$30,615 more than budgeted due to the procurement of new map servers for the 9-1-1 call-centers to replace equipment that was over three years old and to minimize maintenance issues associated with the older servers.

### Capital Asset and Long-Term Debt Administration

**Capital assets.** 9-1-1 ACOG's investment in capital assets for its governmental type activities as of June 30, 2012, amounts to \$1,773,413 (net of accumulated depreciation and amortization). This investment in capital assets includes leased/financed equipment, equipment, and an intangible map database. The total decrease in 9-1-1 ACOG's investment in capital assets for the current fiscal year was \$898,563 or approximately 33.6 percent, over last year as a result of normal depreciation. The major capital asset event during the current fiscal year was the procurement of new map servers for the call-centers at a cost of \$38,115.

#### 9-1-1 Association of Central Oklahoma Governments' Capital Assets (net of depreciation)

	Governmental Activities		Total
	2012	2011	Percentage Change
Intangible map database	\$ 375,948	\$ 375,948	0.0%
Asset in progress	-	-	N/A
Leased/financed equipment	1,369,938	2,293,273	-40.3%
Equipment	27,527	2,755	899.2%
<b>Total</b>	<b>\$ 1,773,413</b>	<b>\$ 2,671,976</b>	<b>-33.6%</b>

Additional information on 9-1-1 ACOG's capital assets can be found in Note II.C. on pages 21 - 22 of this report.

**Long-term debt.** At the end of the current fiscal year, 9-1-1 ACOG had total long-term debt outstanding of \$636,281. This amount is the balance due on the note payable to finance the acquisition of the new NextGen 9-1-1 answering system. During 2010, 9-1-1 ACOG borrowed \$2,000,000 for 36 months at an interest rate of 3.67% from the Bank of Oklahoma to partially finance the new system. The balance of 9-1-1 ACOG's total long-term debt decreased approximately 51.9 percent during the current fiscal year.

## 9-1-1 Association of Central Oklahoma Governments' Outstanding Debt

	Governmental Activities		Total
	2012	2011	Percentage Change
Capital leases	\$ -	\$ 17,526	-100.0%
Notes payable	636,281	1,305,583	-51.3%
<b>Total</b>	<b>\$ 636,281</b>	<b>\$ 1,323,109</b>	<b>-51.9%</b>

Additional information on 9-1-1 ACOG's capital leases can be found in Note II.D. on pages 22 - 23 of this report .

### Economic Factors and Next Year's Budget

The fiscal year 2013 9-1-1 ACOG budget provides for the implementation of consultant recommendations included in the Feasibility Study and Migration Plan for Future 9-1-1 System Maintenance accepted by the Board of Directors on April 26, 2012. Also included, through its administration agreement with ACOG, are the continued administration of the finances of the system, contract management with the 60 plus wireline telephone service providers, coordination with 10 wireless telephone service carriers, establishment and maintenance of the E9-1-1 system database, associated geographical information system (GIS), training of instructors and call-takers (telecommunicators), comprehensive public education program efforts to promote the proper utilization of the system (including TDD, wireless, VOIP and Language Line), and ongoing efforts for maintenance of E9-1-1 system equipment, software and management information systems as well as continued maintenance and enhancement efforts associated with implementation Wireless E9-1-1 Phase II service for the region. The budget also reflects the completed installation and maintenance of new E9-1-1 system equipment and networks for voice/data

The approved budget for fiscal year 2013 is conservative and does not project any increase in either net wireless or VOIP telephone company service charges, while it does project a 10% decrease in net wireline telephone company service charges, based upon historical declines and the continued migration from landline to wireless or VoIP technology. The budget does not include using any fund balance for spending in fiscal year 2013.

### Requests for Information

This financial report is designed to provide a general overview of 9-1-1 ACOG's finances for all those with an interest in 9-1-1 ACOG's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Director of Finance, 9-1-1 Association of Central Oklahoma Governments, 21 E. Main Street, Suite 100, Oklahoma City, OK 73104-2400.

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**9-1-1 Association of Central Oklahoma Governments**  
**Statement of Net Assets**  
**June 30, 2012**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,127,672
Investments	99,860
Receivables	568,103
Prepaid items	110,624
Restricted cash and cash equivalents	588,988
Capital assets, net of accumulated depreciation	1,773,413
Total assets	10,268,660
 <b>LIABILITIES</b>	
Accounts payable	226,216
Long-term notes payable	
Due within one year	636,281
Total liabilities	862,497
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,137,132
Restricted for debt service	588,988
Unrestricted	7,680,043
Total net assets	\$ 9,406,163

The notes to the financial statements are an integral part of this statement.

**9-1-1 Association of Central Oklahoma Governments**  
**Statement of Activities**  
**For the Year Ended June 30, 2012**

<u>Functions/Programs</u>	<u>Program Revenue</u>		<u>Net (Expense)</u>
	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
			<u>Governmental Activities</u>
E9-1-1 emergency telephone number system	\$ 3,301,661	\$ 4,363,956	\$ 1,062,295
General revenues			-
Change in net assets			1,062,295
Net assets-beginning			8,343,868
Net assets-ending			\$ 9,406,163

The notes to the financial statements are an integral part of this statement.

**9-1-1 Association of Central Oklahoma Governments**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

	<u>Special Revenue Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,127,672
Investments	99,860
Receivables	568,103
Prepaid items	110,624
Restricted cash and cash equivalents	588,988
Total assets	<u>\$ 8,495,247</u>
<b>LIABILITIES</b>	
Accounts payable	<u>\$ 226,216</u>
Total liabilities	<u>226,216</u>
<b>FUND BALANCES</b>	
Nonspendable:	
Prepaid items	110,624
Restricted for:	
Debt service	588,988
Assigned to:	
Future operations	1,328,780
Future system improvements	465,801
E9-1-1 emergency telephone number system	5,774,838
Total fund balances	<u>8,269,031</u>
Total liabilities and fund balances	<u>\$ 8,495,247</u>
Total fund balances	\$ 8,269,031
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 in the funds.	1,773,413
Long-term note payable is not due and payable in the current period and therefore is not reported as a liability in the funds.	<u>(636,281)</u>
Net assets of governmental activities	<u>\$ 9,406,163</u>

The notes to the financial statements are an integral part of this statement.



**9-1-1 Association of Central Oklahoma Governments**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2012**

	<u>Special Revenue Fund</u>
<b>REVENUES</b>	
Wireless telephone company service charges, net of collection fees	\$ 2,699,884
Wireline telephone company service charges, net of collection fees	1,305,877
VoIP telephone company service charges, net of collection fees	71,949
Contract revenue	277,624
Interest income	8,171
Miscellaneous revenue	451
Total revenues	<u>4,363,956</u>
<b>EXPENDITURES</b>	
Current:	
E 9-1-1 emergency telephone number system	
ACOG administration	1,101,708
Maintenance and operation fees - telephone companies	619,716
Repairs, maintenance and warranty	324,464
Consultants	63,445
Insurance	9,082
Training	1,400
Other	31
Debt service:	
Principal	686,828
Interest	36,551
Capital outlay	38,115
Total expenditures	<u>2,881,340</u>
Excess (deficit) of revenues over expenditures before payments to 9-1-1 ACOG member entities	1,482,616
Payments to 9-1-1 ACOG member entities	<u>208,586</u>
Net change in fund balance	<u>1,274,030</u>
Fund balance-beginning	<u>6,995,001</u>
Fund balance-ending	<u>\$ 8,269,031</u>

The notes to the financial statements are an integral part of this statement.

**9-1-1 Association of Central Oklahoma Governments  
Reconciliation of the Statement of Revenues  
Expenditures, and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2012**

**Net change in fund balance - governmental funds** \$ 1,274,030

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation. This is the amount by which depreciation (\$936,678) exceeded capital outlays (\$38,115) in the current period. (898,563)

Repayment of capital lease and notes payable principal uses current financial resources and is reported as an expenditure in the governmental funds and reduces the liabilities in the statement of net assets but does not result in an expense in the statement of activities. 686,828

**Change in net assets of governmental activities** \$ 1,062,295

The notes to the financial statements are an integral part of this statement.

## 9-1-1 Association of Central Oklahoma Governments

### Notes to the Financial Statements

June 30, 2012

#### I. Summary of significant accounting policies

##### A. Reporting entity

The 9-1-1 Association of Central Oklahoma Governments (9-1-1 ACOG) is a public agency formed under the authority of Title 74, Oklahoma Statutes, permitting public agencies to enter into agreements with one another for joint or cooperative action. 9-1-1 ACOG was established in 1988 after voters approved the establishment of an enhanced 9-1-1 (E9-1-1) emergency telephone number system and was given the responsibility for the acquisition, implementation, and administration of the E9-1-1 emergency telephone number system.

The current membership of 9-1-1 ACOG is comprised of 36 Central Oklahoma cities, towns and counties. 9-1-1 ACOG is governed by a Board of Directors that consists of one elected official from each member government. Each entity receives a weighted vote on the Board based on the gross number of exchange access telephone line arrangements. The accompanying financial statements present 9-1-1 ACOG's operations. 9-1-1 ACOG has no blended or discretely presented component units.

##### B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of 9-1-1 ACOG.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements are provided for 9-1-1 ACOG's one governmental fund, the special revenue fund.

##### C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred,

## 9-1-1 Association of Central Oklahoma Governments

### Notes to the Financial Statements

June 30, 2012

regardless of the timing of the related cash flows. Telephone company service charges are recognized as revenues in the year for which they are due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Telephone company service charges, federal grant revenue, contract revenue and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by 9-1-1 ACOG.

9-1-1 ACOG reports the following major governmental fund:

The *special revenue fund* is used to account for 9-1-1 ACOG operations. The major revenue source is a service charge, collected by the telephone companies and prepaid wireless retailers serving the 9-1-1 ACOG member entities. The Oklahoma Tax Commission now collects all service charges for prepaid wireless service and remits them to the applicable entities, including 9-1-1 ACOG, while the telephone companies remit the service charges for other types of service directly to 9-1-1 ACOG. Other revenue sources include contract revenues, interest income and other miscellaneous sources.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, and 4) investment earnings. There are no general revenues since all revenues are attributable to 9-1-1 ACOG's single program.

Although it has no formal policy, when both restricted and unrestricted resources are available for use, it is 9-1-1 ACOG's normal practice to use restricted resources first, and then unrestricted resources as they are needed.

#### **D. Assets, liabilities, and net assets or equity**

## 9-1-1 Association of Central Oklahoma Governments

### Notes to the Financial Statements

June 30, 2012

#### 1. *Deposits and investments*

9-1-1 ACOG's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

9-1-1 ACOG's investments consist of one certificate of deposit at a commercial bank that is entirely insured by federal depository insurance. All investments are reported at fair value.

9-1-1 ACOG's restricted cash and cash equivalents consists of an escrow account that was required to be established at the financial institution that loaned 9-1-1 ACOG \$2,000,000 for equipment procurement. 9-1-1 ACOG was required to deposit the amount of one year's debt service, \$705,058. These funds, as well as the interest earned on them, must remain in this escrow account during the 36 month life of the note. The funds will be disbursed to service the final 12 months of debt service and any remaining balance will then become available to 9-1-1 ACOG.

#### 2. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### 3. *Capital assets*

Capital assets, which include computer equipment, software, and an intangible map database, are reported in the statement of net assets. Capital assets are defined by 9-1-1 ACOG as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over estimated useful lives of 3 – 7 years. The intangible map database asset has an indefinite life and is not being amortized.

#### 4. *Long-term obligations*

In the statement of net assets, long-term capital leases and notes payable are reported as liabilities in the governmental activities statement of net assets.

## 9-1-1 Association of Central Oklahoma Governments

### Notes to the Financial Statements

June 30, 2012

In the fund financial statements, the special revenue governmental fund reports proceeds of capital leases and notes payable as other financing sources.

#### 5. Fund balance

Beginning with the fiscal year ended June 30, 2011, 9-1-1 ACOG implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The classifications used in the special revenue fund financial statements are as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form, such as prepaid items, or because the resources must be maintained intact pursuant to legal or contractual requirements.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws and regulations of other governments.
- Assigned – includes fund balance amounts that are intended to be used by 9-1-1 ACOG for specific purposes that do not meet the criteria to be classified as restricted.

9-1-1 ACOG does not have a formal minimum fund balance policy. The Board of Directors did establish two fund balance goals. The first goal is to have an amount equal to 33 percent of total expenditures plus the amount of payments to 9-1-1 ACOG member entities be assigned for future operations. The second goal is to have an amount equal to 25% of the estimated system equipment replacement cost times the percentage through the current financing (lease or note) be assigned for future system improvements. This second goal was modified to an amount equal to 100% of the estimated system equipment replacement cost during the fiscal year 2013 budget process since 9-1-1 ACOG was not planning to finance future equipment acquisition.

9-1-1 ACOG would normally use Restricted fund balances first and then Assigned resources, as appropriate opportunities arise.

## II. Detailed notes on all funds

### A. Deposits and investments

At year-end, 9-1-1 ACOG's carrying amount of deposits was \$7,716,660 and the bank balance was \$7,784,552. \$588,988 of both amounts was restricted cash. Of the bank balance, \$3,153,841 was fully covered by federal depository insurance. \$4,291,723 was fully collateralized by US Treasury Notes valued at their current

**9-1-1 Association of Central Oklahoma Governments**

Notes to the Financial Statements

June 30, 2012

market price of \$5,136,180, held at the Federal Reserve Bank of New York pledged to 9-1-1 ACOG. \$338,988, all restricted cash, was fully collateralized by US Treasury and Agency securities pledged to the Bank of Oklahoma (both lender and escrow agent) valued at their current market price of \$345,768 held at the Federal Home Loan Bank Topeka.

9-1-1 ACOG's investments of \$99,860 consist of one certificate of deposit at a commercial bank that is entirely insured by federal depository insurance.

**B. Receivables**

Receivables as of year-end for 9-1-1 ACOG are as follows:

Wireless service charges, net and interest	\$ 436,162
Wireline telephone company service charges, net	113,335
VoIP telephone company service charges, net	5,835
Contracts	12,044
Interest	15
Other	<u>712</u>
Total	<u>\$ 568,103</u>

The special revenue governmental fund reports *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The special revenue governmental fund also defers revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, there was no *deferred revenue* that was unavailable and there was no *unearned revenue* reported in the special revenue fund.

**C. Capital assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

**9-1-1 Association of Central Oklahoma Governments**

Notes to the Financial Statements

June 30, 2012

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Intangible map database	\$ 375,948	\$ -	\$ -	\$ 375,948
Other capital assets:				
Leased/financed equipment	3,041,227	-	-	3,041,227
Equipment	<u>54,807</u>	<u>38,115</u>	-	<u>92,922</u>
Total other capital assets	<u>3,096,034</u>	<u>38,115</u>	-	<u>3,134,149</u>
Less accumulated depreciation for:				
Leased/financed equipment	(747,954)	(923,337)	-	(1,671,291)
Equipment	<u>(52,052)</u>	<u>(13,341)</u>	-	<u>(65,393)</u>
Total accumulated depreciation	<u>(800,006)</u>	<u>(936,678)</u>	-	<u>(1,736,684)</u>
Other capital assets, net	<u>2,296,028</u>	<u>(898,563)</u>	-	<u>1,397,465</u>
Governmental activities capital assets, net	<u>\$2,671,976</u>	<u>\$ (898,563)</u>	<u>\$ -</u>	<u>\$1,773,413</u>

**D. Long-term liabilities**

During 2010, 9-1-1 ACOG borrowed \$2,000,000 for 36 months at an interest rate of 3.67% from the Bank of Oklahoma to partially finance the acquisition of a new NextGen 9-1-1 answering system. Annual debt service requirements to maturity from governmental activities are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	<u>\$ 636,281</u>	<u>\$ 11,945</u>

9-1-1 ACOG's only long-term liabilities were the computer workstation equipment and mapping display software capital lease paid off during the fiscal year and the NextGen 9-1-1 answering system note payable. Interest expense was \$192 and \$36,359, respectively. Total interest expense for the year was \$36,551, which is included in the direct function expense on the statement of activities.

Activity for the year ended June 30, 2012, was as follows:



**9-1-1 Association of Central Oklahoma Governments**

Notes to the Financial Statements

June 30, 2012

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital leases	<u>\$ 17,526</u>	<u>\$ -</u>	<u>\$ (17,526)</u>	<u>\$ -</u>	<u>\$ -</u>
Notes payable	<u>\$ 1,305,583</u>	<u>\$ -</u>	<u>\$ (669,302)</u>	<u>\$ 636,281</u>	<u>\$ 636,281</u>

**III. Other information**

**A. Risk management**

9-1-1 ACOG is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. 9-1-1 ACOG carries commercial insurance coverage to include general liability, property and casualty, and public officials' liability. There have been no significant reductions in insurance coverage. 9-1-1 ACOG does retain the first \$1,000 - \$5,000, depending on the policy, of each risk of loss in the form of deductibles. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**B. Related party transactions**

In 1988, 9-1-1 ACOG entered into an agreement with the Association of Central Oklahoma Governments (ACOG) for administration of the E9-1-1 emergency telephone number system. In this capacity, ACOG is responsible for the acquisition, implementation, and administration of the 9-1-1 system for the suburban communities, excluding the City of Oklahoma City.

During the fiscal year ended June 30, 2012, 9-1-1 ACOG again entered into an agreement with the City of Oklahoma City to provide certain program services and develop certain work products of benefit to the City in the support of the City's delivery of 9-1-1 services. These services are provided to the City of Oklahoma City through 9-1-1 ACOG's agreement with ACOG.

9-1-1 ACOG reimburses ACOG for all costs incurred to fulfill all these responsibilities, which include but are not limited to, updating the Master Street Address Guide, coordinating public education campaigns, training 9-1-1 emergency staff for the 9-1-1 ACOG member entities and providing professional services to the City of Oklahoma City. 9-1-1 ACOG recorded expenditures under this agreement for the year ended June 30, 2012, amounting to \$1,101,708 of which \$58,437 was for providing professional services to the City of Oklahoma City. Year-end accounts payable include \$170,172 under this agreement of which \$7,335 is also receivable from the City of Oklahoma City for professional services rendered.

**9-1-1 Association of Central Oklahoma Governments**  
Notes to the Financial Statements  
June 30, 2012

Several individuals serving as officers or directors of 9-1-1 ACOG also hold similar positions with ACOG.

**9-1-1 Association of Central Oklahoma Governments**  
**Budgetary Comparison Schedule**  
**Governmental Funds - Special Revenue Fund**  
**For the Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Budget Positive (Negative)</u>
<b>REVENUES</b>			
Wireless telephone company service charges, net of collection fees	\$ 2,595,460	\$ 2,699,884	\$ 104,424
Wireline telephone company service charges, net of collection fees	1,222,847	1,305,877	83,030
VoIP telephone company service charges, net of collection fees	69,796	71,949	2,153
Contract revenue	241,800	277,624	35,824
Interest income	8,700	8,171	(529)
Miscellaneous revenue	-	451	451
Total revenues	<u>4,138,603</u>	<u>4,363,956</u>	<u>225,353</u>
<b>EXPENDITURES</b>			
Current:			
E 9-1-1 emergency telephone number system			
ACOG administration	1,255,308	1,101,708	153,600
Maintenance and operation fees-telephone companies	922,174	619,716	302,458
Repairs, maintenance and warranty	423,440	324,464	98,976
Consultants	75,000	63,445	11,555
Legal services	35,000	-	35,000
Insurance	10,886	9,082	1,804
Other	2,000	31	1,969
Training	-	1,400	(1,400)
Debt service:			
Principal	685,804	686,828	(1,024)
Interest	37,574	36,551	1,023
Capital outlay	7,500	38,115	(30,615)
Total expenditures	<u>3,454,686</u>	<u>2,881,340</u>	<u>573,346</u>
Excess (deficit) of revenues over expenditures before payments to 9-1-1 ACOG member entities	683,917	1,482,616	798,699
Payments to 9-1-1 ACOG member entities	<u>208,586</u>	<u>208,586</u>	<u>-</u>
Excess (deficit) of revenues over expenditures	475,331	1,274,030	798,699
Fund balance-beginning	6,995,001	6,995,001	-
Fund balance-ending	<u>\$ 7,470,332</u>	<u>\$ 8,269,031</u>	<u>\$ 798,699</u>

**9-1-1 Association of Central Oklahoma Governments**  
Information on Budgetary Comparison Schedule  
June 30, 2012

**1. Budgetary Information**

Budgets for the special revenue fund are adopted on an available resources basis but are converted to a basis consistent with accounting principles generally accepted in the United States of America. A proposed budget and work program for the ensuing fiscal year is submitted by the 9-1-1 ACOG Executive Director to the Budget Committee during June of each year. The budget must be balanced. The 9-1-1 ACOG Board of Directors votes to adopt the budget approved by the Budget Committee for the ensuing fiscal year, subject to amendment or modification, during its June meeting. Expenditures in excess of approved budget amounts must be approved by the 9-1-1 Board of Directors in advance. In May of each year, the 9-1-1 ACOG Board of Directors adopts the amendment to its current year budget, if one is needed. Due to workload and time constraints, no amendment was done in May of 2012. 9-1-1 ACOG is unable to legally adopt a budget.



**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 Directors of the  
9-1-1 Association of Central Oklahoma Governments

We have audited the financial statements of the governmental activities and major fund of the 9-1-1 Association of Central Oklahoma Governments ("9-1-1 ACOG"), as of and for the year ended June 30, 2012, which collectively comprise the 9-1-1 ACOG's basic financial statements and have issued our report thereon dated October 9, 2012. 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 9-1-1 ACOG'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 9-1-1 ACOG's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of 9-1-1 ACOG's 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 9-1-1 ACOG's financial statements will not be prevented, or detected and corrected on a timely basis.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 9-1-1 ACOG'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*.

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

  
Edmond, Oklahoma  
October 9, 2012