

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

**Basic Financial Statements
for the Year Ended June 30, 2013
and Independent Auditors' Reports**

9-1-1 Association of Central Oklahoma Governments
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For the Year Ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise 9-1-1 ACOG's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of 9-1-1 ACOG, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2013, 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 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 9-1-1 ACOG's internal control over financial reporting and compliance.

Arlidge & Associates, P.C.

Edmond, Oklahoma
October 21, 2013



9-1-1 association of central oklahoma governments

Chair Jack Fry
Midwest City Mayor

Vice-Chair Ken Bartlett
Del City Councilmember

Secretary/Treasurer Jay Adams
Mustang Mayor

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, 2013. 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 \$10,800,803 (*net position*). Of this amount, \$9,856,556 (*unrestricted net position*) 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 position increased by \$1,394,640. 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 \$9,856,556, an increase of \$1,587,525 in comparison with the prior year. Approximately 98.8 percent of this amount, \$9,741,502 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* \$1,347,948 for future operations and \$1,500,000 for future system improvements while the remaining \$6,893,554 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 \$9,856,556 or 313 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 position* presents information on all of 9-1-1 ACOG's assets, liabilities and deferred inflows/outflows of resources (if any), with the difference reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 - 25 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 26 of this report.

Government-wide Financial Analysis

As noted earlier, net position 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 \$10,800,803 at June 30, 2013, as compared with assets exceeding liabilities by \$9,406,163 at June 30, 2012. A portion (8.7 percent) of 9-1-1 ACOG's net position reflects 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 Position compared to the prior year.

9-1-1 Association of Central Oklahoma Governments' Net Position

	Governmental Activities		Total Percentage Change
	2013	2012	
Current and other assets	\$ 10,196,456	\$ 8,495,247	20.0%
Capital assets	944,247	1,773,413	-46.8%
Total assets	11,140,703	10,268,660	8.5%
Long-term debt outstanding	-	636,281	-100.0%
Other liabilities	339,900	226,216	50.3%
Total liabilities	339,900	862,497	-60.6%
Net position			
Net investment in capital assets	944,247	1,137,132	-17.0%
Restricted	-	588,988	-100.0%
Unrestricted	9,856,556	7,680,043	28.3%
Total net position	\$ 10,800,803	\$ 9,406,163	14.8%

None of 9-1-1 ACOG's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$9,856,556) 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 position. The same situation held true for the prior fiscal year.

Governmental Activities

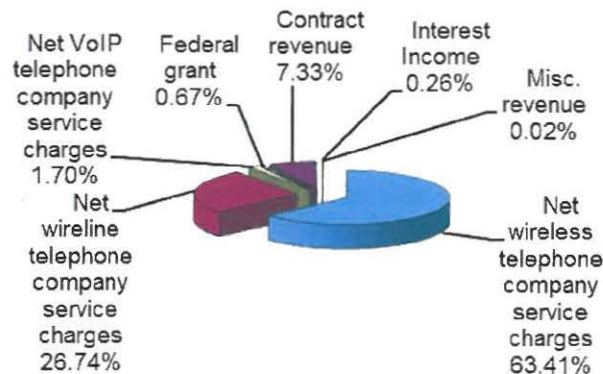
The following table reflects the condensed changes in net position from the prior year.

9-1-1 Association of Central Oklahoma Governments Changes in Net Position

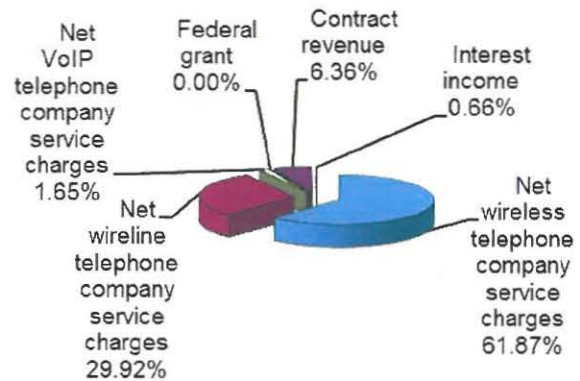
	Governmental Activities		Total Percentage Change
	2013	2012	
Revenues			
Program revenues			
Net wireless telephone company service charges	\$ 3,004,277	\$ 2,699,884	11.3%
Net wireline telephone company service charges	1,266,864	1,305,877	-3.0%
Net VoIP telephone company service charges	80,447	71,949	11.8%
Federal grant	31,860	-	N/A
Contract revenue	347,267	277,624	25.1%
Interest income	7,236	8,171	-11.4%
Miscellaneous revenue	5	451	-98.9%
Total revenues	4,737,956	4,363,956	8.6%
Expenses			
E9-1-1 emergency telephone number system	3,343,316	3,301,661	1.3%
Total expenses	3,343,316	3,301,661	1.3%
Increase (decrease) in net position	\$ 1,394,640	\$ 1,062,295	31.3%

9-1-1 ACOG's total net assets, all from governmental activities, increased by \$1,394,640 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 2013 Revenues by Source



9-1-1 ACOG 2012 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 \$9,856,556, a net increase of \$1,587,525 in comparison with the prior year. Approximately 13.7 percent (\$1,347,948) has been *assigned* for operations; approximately 15.2 percent (\$1,500,000) 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 1.2 percent (\$115,054) is *unspendable* because it consists of prepaid items.

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, 2013. 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 \$291,411 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 2013 budget number was based on fiscal year 2012 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 so there was even less history for this portion.
- Net wireline telephone company service charge revenue was \$82,848 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 3.0%.
- Contract revenue was \$105,467 greater than budgeted due to 9-1-1 ACOG entering into a new contract with the Board of Regents of the University of Oklahoma during late October 2013. This new contract was not included in the budget for fiscal year 2013 since it was only a possibility at budget time.
- Federal grant revenue was \$31,860 more than budgeted. 9-1-1 ACOG was pleasantly surprised to receive additional reimbursement of eligible expenditures it had made under a federal grant in fiscal year 2011.
- 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 and implementation of the Feasibility Study and Migration Plan for future 9-1-1 System Maintenance, actual expenditures for ACOG administration were \$257,417 less than budgeted; maintenance and operation fees - telephone companies were \$262,435 less than budgeted; consultants were \$95,000 less than budgeted; and legal services were \$35,000 less than budgeted.

- Capital outlay expenditures were \$30,093 more than budgeted due to the procurement of new equipment necessary under the new contract with the Board of Regents of the University of Oklahoma. This also caused repairs, maintenance and warranty expenditures to be \$19,196 more than budgeted.

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, 2013, amounts to \$944,247 (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 \$829,166 or approximately 46.8 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 equipment and software for the new University of Oklahoma call-center and additional software for the El Reno call-center at a cost of \$105,093.

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

	Governmental Activities		Total Percentage Change
	2013	2012	
Intangible map database	\$ 375,948	\$ 375,948	0.0%
Asset in progress	-	-	N/A
Leased/financed equipment	456,644	1,369,938	-66.7%
Equipment	111,655	27,527	305.6%
Total	\$ 944,247	\$ 1,773,413	-46.8%

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 no long-term debt outstanding. During fiscal year 2013 the balance due on the note payable to finance the acquisition of the new NextGen 9-1-1 answering system was paid off. The balance of 9-1-1 ACOG's total long-term debt decreased 100 percent during the current fiscal year.

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

	Governmental Activities		Total
	2013	2012	Percentage Change
Capital leases	\$ -	\$ -	N/A
Notes payable	-	636,281	-100.0%
Total	\$ -	\$ 636,281	-100.0%

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

Economic Factors and Next Year's Budget

The fiscal year 2014 9-1-1 ACOG budget continues the implementation of the Migration Plan for Future Maintenance and Network Administration that was adopted by the 9-1-1 ACOG 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 additional personnel resources to provide enhanced customer services and help desk support to 9-1-1 ACOG member communities. The FY 2014 budget also incorporates transitioning maintenance and support of the regional 9-1-1 system from the local 9-1-1 service provider to 9-1-1 ACOG resources. Enhancements to the regional 9-1-1 system include updating software and hardware components, implementing a geographically diverse dual-host environment and a fully-meshed layer two enterprise network.

The approved budget for fiscal year 2014 is conservative and does not project any increase in either net wireless or VOIP telephone company service charges, while it does project a 6% 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 include using \$64,281 of the \$1,500,000 fund balance assigned to future system improvements for spending in fiscal year 2014.

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 Position
June 30, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 9,358,960
Investments	99,860
Receivables	622,582
Prepaid items	115,054
Restricted cash and cash equivalents	-
Capital assets, net of accumulated depreciation	944,247
Total assets	11,140,703
 LIABILITIES	
Accounts payable	339,900
Total liabilities	339,900
 NET POSITION	
Net investment in capital assets	944,247
Unrestricted	9,856,556
Total net position	\$ 10,800,803

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, 2013

		Program Revenue		Net (Expense)
		Operating	Grants and	Revenue and
	Expenses	Contributions	Governmental	Changes in Net Assets
			Activities	
<u>Functions/Programs</u>				
E9-1-1 emergency telephone number system	\$ 3,343,316	\$ 4,737,956	\$	1,394,640
	General revenues			-
	Change in net position			1,394,640
	Net position-beginning			9,406,163
	Net position-ending		\$	10,800,803

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, 2013

	Special Revenue Fund
ASSETS	
Cash and cash equivalents	\$ 9,358,960
Investments	99,860
Receivables	622,582
Prepaid items	115,054
Restricted cash and cash equivalents	-
Total assets	<u>\$ 10,196,456</u>
LIABILITIES	
Accounts payable	\$ 339,900
Total liabilities	<u>339,900</u>
FUND BALANCES	
Nonspendable:	
Prepaid items	115,054
Assigned to:	
Future operations	1,347,948
Future system improvements	1,500,000
E9-1-1 emergency telephone number system	6,893,554
Total fund balances	<u>9,856,556</u>
Total liabilities and fund balances	<u>\$ 10,196,456</u>
 Total fund balances	 \$ 9,856,556
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	 944,247
Long-term note payable is not due and payable in the current period and therefore is not reported as a liability in the funds.	 -
Net position of governmental activities	<u>\$ 10,800,803</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, 2013

	Special Revenue Fund
REVENUES	
Wireless telephone company service charges, net of collection fees	\$ 3,004,277
Wireline telephone company service charges, net of collection fees	1,266,864
VoIP telephone company service charges, net of collection fees	80,447
Contract revenue	347,267
Federal grant	31,860
Interest income	7,236
Miscellaneous revenue	5
Total revenues	<u>4,737,956</u>
EXPENDITURES	
Current:	
E 9-1-1 emergency telephone number system	
ACOG administration	1,201,165
Maintenance and operation fees - telephone companies	579,125
Repairs, maintenance and warranty	405,567
Consultants	-
Insurance	9,058
Training	9,310
Supplies	4,258
Other	912
Debt service:	
Principal	636,281
Interest	11,935
Capital outlay	105,093
Total expenditures	<u>2,962,704</u>
Excess (deficit) of revenues over expenditures before	
payments to 9-1-1 ACOG member entities	1,775,252
Payments to 9-1-1 ACOG member entities	<u>187,727</u>
Net change in fund balance	1,587,525
Fund balance-beginning	8,269,031
Fund balance-ending	<u>\$ 9,856,556</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, 2013**

Net change in fund balance - governmental funds	\$ 1,587,525
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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 (\$934,259) exceeded capital outlays (\$105,093) in the current period.	(829,166)
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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.	<u>636,281</u>
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Change in net position of governmental activities	<u><u>\$ 1,394,640</u></u>
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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, 2013

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 position 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, 2013

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. Non-prepaid wireless service charges by law are remitted by the telephone companies to the Association of Central Oklahoma Governments (ACOG) who in turn remits the applicable amounts to 9-1-1 ACOG. 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.

D. Assets, liabilities, and net position/fund balance

1. Deposits and investments

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Notes to the Financial Statements
June 30, 2013

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.

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

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

5. *Net position flow assumptions*

In order to calculate the amounts to reports as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Although it has no formal policy, 9-1-1 ACOG would normally consider restricted – net position to have been depleted before unrestricted – net position is

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applied but reserves the right to selectively use unrestricted resources first to defer the use of restricted resources.

6. Fund balance flow assumptions

In order to calculate the amounts to reports as restricted and assigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. 9-1-1 ACOG would normally consider restricted fund balance to have been depleted before using unassigned fund balance but reserves the right to selectively use unrestricted resources first to defer the use of restricted resources.

7. Fund balance

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. 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.

II. Detailed notes on all funds

A. Deposits and investments

9-1-1 Association of Central Oklahoma Governments

Notes to the Financial Statements

June 30, 2013

At year-end, 9-1-1 ACOG's carrying amount of deposits was \$9,358,960 and the bank balance was \$9,410,950. Of the bank balance, \$250,000 was fully covered by federal depository insurance. The remaining \$9,160,950 was more than fully collateralized by US Treasury Notes valued at their current market price of \$9,847,649, held at the Federal Reserve Bank of New York pledged to 9-1-1 ACOG.

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	\$ 465,578
Wireline telephone company service charges, net	107,473
VoIP telephone company service charges, net	6,951
Federal grant	31,860
Contracts	9,539
Interest	11
Other	1,170
Total	<u>\$ 622,582</u>

C. Capital assets

Capital asset activity for the year ended June 30, 2013 was as follows:

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June 30, 2013

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
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	92,922	105,093	-	198,015
Total other capital assets	3,134,149	105,093	-	3,239,242
Less accumulated depreciation for:				
Leased/financed equipment	(1,671,291)	(913,292)	-	(2,584,583)
Equipment	(65,393)	(20,967)	-	(86,360)
Total accumulated depreciation	(1,736,684)	(934,259)	-	(2,670,943)
Other capital assets, net	1,397,465	(829,166)	-	568,299
Governmental activities capital assets, net	\$1,773,413	\$ (829,166)	\$ -	\$ 944,247

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. This note was 9-1-1 ACOG's only long-term liability and it was paid off during the year ended June 30, 2013. Total interest expense for the year was \$11,935, which is included in the direct function expense on the statement of activities.

Activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	\$ 636,281	\$ -	\$ (636,281)	\$ -	\$ -

E. Federal grant

During the fiscal year ended June 30, 2011, 9-1-1 ACOG had eligible expenditures of \$346,287 under a federal grant that exceeded the award amount by \$284,976. This was an E-911 Grant Program grant from the U.S. Department of Transportation, National Highway Traffic Safety Administration that was passed-through the Oklahoma Department of Public Safety. The Catalog of Federal Domestic Assistance (CFDA) number was 20.615 and the pass-through grantor's reference number was NHTSA20080142. The Oklahoma Department of Public Safety's grant

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Notes to the Financial Statements
June 30, 2013

period ended September 30, 2012. Some of the original grant sub-recipients did not or could not spend their share of the grant funds. Rather than return these funds to the U.S Department of Transportation, the Oklahoma Department of Public Safety decided to divide the remaining funds among the original sub-recipients who had old, eligible expenditures that had not been reimbursed. In October of 2012, 9-1-1 ACOG was informed that it would receive an additional \$31,860 from this grant in partial reimbursement of the \$284,976 eligible but not reimbursed expenditures during the fiscal year ended June 30, 2011. The Oklahoma Department of Public Safety did not actually transfer these funds until July of 2013 so it was accrued as a receivable at June 30, 2013. This federal grant revenue accrued in a different fiscal year than the one in which the expenditures were made would have qualified as a special item if the amount had been significant because while federal grant revenues would not be unusual in nature, the timing was definitely infrequent in occurrence. Since the \$31,860 federal grant revenue was only .7 per cent of the total revenue of \$4,737,956, it was not deemed significant.

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, 2013, 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 Association of Central Oklahoma Governments
Notes to the Financial Statements
June 30, 2013

9-1-1 ACOG reimburses ACOG for all costs incurred to fulfill all these responsibilities, which include but are not limited to, continued administration of the finances of the system; contract management and coordination with telephone service providers; establishment and maintenance of the E9-1-1 system database and associated geographical informational system (GIS); training of instructors and call-takers; providing a comprehensive public education program promoting the proper utilization of the system; maintenance of E9-1-1 system equipment, software and management information systems 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, 2013, amounting to \$1,201,165 of which \$49,219 was for providing professional services to the City of Oklahoma City. Year-end accounts payable include \$305,948 under this agreement of which \$9,539 is also receivable from the City of Oklahoma City for professional services rendered.

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

C. New accounting standards

9-1-1 ACOG adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (Statement 63) and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (Statement 65) in 2013. These statements had an impact on the presentation of the notes to the financial statements as well as to the financial statements themselves.

Statement 63 requires governmental entities to present a Statement of Net Position instead of a Statement of Net Assets and this statement should report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position represents the difference between all other elements in a statement of financial position and should be displayed in three components – net investment in capital assets; restricted (distinguished between major categories of restrictions); and unrestricted. The calculation of net investment in capital assets is similar to the prior calculation of investment in capital assets, net of related debt; however the deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. 9-1-1 ACOG had no such deferred outflows or inflows.

Statement 63 also requires the deferred outflows and deferred inflows of resources that are required to be reported in a governmental fund balance sheet, such as that for 9-1-1 ACOG's special revenue fund, to be presented in a format that displays assets plus deferred outflows of resources, equals liabilities plus deferred inflows of resources plus fund balance.

9-1-1 Association of Central Oklahoma Governments
Notes to the Financial Statements
June 30, 2013

Statement 65 requires governments to review items reported as assets and liabilities and determine if they meet the definitions as such contained in GASB Concepts Statement 4. If not, then it must be determined if they meet the definition of a deferred outflow or deferred inflow of resources. 9-1-1 ACOG had no changes and no such deferred outflows or inflows.

9-1-1 Association of Central Oklahoma Governments
Budgetary Comparison Schedule
Governmental Funds - Special Revenue Fund
For the Year Ended June 30, 2013

	Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance with Budget Positive (Negative)
REVENUES			
Wireless telephone company service charges, net of collection fees	\$ 2,712,866	\$ 3,004,277	\$ 291,411
Wireline telephone company service charges, net of collection fees	1,184,016	1,266,864	82,848
VoIP telephone company service charges, net of collection fees	78,451	80,447	1,996
Contract revenue	241,800	347,267	105,467
Federal grant	-	31,860	31,860
Interest income	7,400	7,236	(164)
Miscellaneous revenue	-	5	5
Total revenues	<u>4,224,533</u>	<u>4,737,956</u>	<u>513,423</u>
EXPENDITURES			
Current:			
E 9-1-1 emergency telephone number system			
ACOG administration	1,458,582	1,201,165	257,417
Maintenance and operation fees-telephone companies	841,560	579,125	262,435
Repairs, maintenance and warranty	386,371	405,567	(19,196)
Consultants	95,000	-	95,000
Legal services	35,000	-	35,000
Insurance	12,400	9,058	3,342
Supplies	10,000	4,258	5,742
Training	7,500	9,310	(1,810)
Other	3,000	912	2,088
Debt service:			
Principal	637,694	636,281	1,413
Interest	11,999	11,935	64
Capital outlay	75,000	105,093	(30,093)
Total expenditures	<u>3,574,106</u>	<u>2,962,704</u>	<u>611,402</u>
Excess (deficit) of revenues over expenditures before payments to 9-1-1 ACOG member entities	650,427	1,775,252	1,124,825
Payments to 9-1-1 ACOG member entities	187,727	187,727	-
Excess (deficit) of revenues over expenditures	<u>462,700</u>	<u>1,587,525</u>	<u>1,124,825</u>
Fund balance-beginning	8,269,031	8,269,031	-
Fund balance-ending	<u>\$ 8,731,731</u>	<u>\$ 9,856,556</u>	<u>\$ 1,124,825</u>

9-1-1 Association of Central Oklahoma Governments
Information on Budgetary Comparison Schedule
June 30, 2013

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 2013. 9-1-1 ACOG is unable to legally adopt a budget.

**9-1-1 Association of Central Oklahoma Governments
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013**

Federal Grantor/Pass-Through Agency Grant Program Title	CFDA Number	Pass-Through Grantor's Reference	Expenditures	Amount Provided to Subrecipients
U.S. Department of Transportation				
National Highway Traffic Safety Administration				
Passed-through Oklahoma Department of Public Safety				
E-911 Grant Program	20.615	NHTSA20080142	-	-
Total Expenditures of Federal Awards			\$ -	\$ -

9-1-1 Association of Central Oklahoma Governments
Information on the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

1. Basis of presentation and accounting policies

General - The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards assistance programs of the 9-1-1 Association of Central Oklahoma Governments ("9-1-1 ACOG"). 9-1-1 ACOG's reporting entity is described in Note 1 to 9-1-1 ACOG's basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule. Required local matching contributions are not included on the schedule.

Basis of Accounting - The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to 9-1-1 ACOG's basic financial statements.

2. Federal CFDA number

Federal CFDA numbers listed on the Schedule of Expenditures of Federal Awards were obtained from the grant/contract agreements.

3. Revenue without current expenditures

During the fiscal year ended June 30, 2011, 9-1-1 ACOG had eligible expenditures of \$346,287 under this federal grant that exceeded the award amount by \$284,976. The Oklahoma Department of Public Safety's grant period ended September 30, 2012. Some of the original grant sub-recipients did not or could not spend their share of the grant funds. Rather than return these funds to the U.S Department of Transportation, the Oklahoma Department of Public Safety decided to divide the remaining funds among the original sub-recipients who had old, eligible expenditures that had not been reimbursed. In October of 2012, 9-1-1 ACOG was informed that it would receive an additional \$31,860 from this grant in partial reimbursement of the \$284,976 eligible but not reimbursed expenditures during the fiscal year ended June 30, 2011. The Oklahoma Department of Public Safety did not actually transfer these funds until July of 2013 so it was accrued as a receivable at June 30, 2013.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

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 9-1-1 Association of Central Oklahoma Governments ("9-1-1 ACOG") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise 9-1-1 ACOG's basic financial statements, and have issued our report thereon dated October 21, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 9-1-1 ACOG'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 9-1-1 ACOG's internal control. Accordingly, we do not express an opinion on the effectiveness of 9-1-1 ACOG'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 that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 9-1-1 ACOG's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 9-1-1 ACOG'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 9-1-1 ACOG's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Aledge & Associates, P.C." in a cursive script.

Edmond, Oklahoma
October 21, 2013