

ASSOCIATION OF CENTRAL OKLAHOMA GOVERNMENTS

**Basic Financial Statements,
Supplemental Information and Independent
Auditors' Reports for the Year Ended
June 30, 2013, Independent Auditors' Reports
Issued Under OMB Circular A-133, and
Supplemental Schedule of Expenditures of
Federal Awards for the Year Ended June 30, 2013**

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
Association of Central Oklahoma Governments

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Association of Central Oklahoma Governments ("ACOG") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise 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, each major fund, and the aggregate remaining fund information of 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 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 ACOG's internal control over financial reporting and compliance.

Arlidge & Associates, P.C.

Edmond, Oklahoma
October 21, 2013



association of central oklahoma governments

Chair Elizabeth Waner
Edmond Councilmember

Vice-Chair Pete White
Oklahoma City Councilmember

Secretary/Treasurer Willa Johnson
Oklahoma County Commissioner

Executive Director
John G. Johnson

Management's Discussion and Analysis (Unaudited)

As management of the Association of Central Oklahoma Governments (ACOG), we offer readers of ACOG's financial statements this narrative overview and analysis of the financial activities of ACOG for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at 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 ACOG's financial performance.

Financial Highlights

Government-wide:

- The assets of ACOG exceeded its liabilities at the close of the most recent fiscal year by \$1,785,234 (*net position*). Of this amount, \$1,447,308 (*unrestricted net position*) may be used to meet ACOG's ongoing obligations to the member local governments and creditors.
- ACOG's total net position increased by \$172,103. This increase is primarily due to the fact that ACOG continued to maintain a fiscally conservative budget.

Fund Level:

- At the close of the current fiscal year, ACOG's governmental funds reported combined ending fund balances of \$1,803,153, an increase of \$161,225 in comparison with the prior year. Approximately 85.6 percent of this amount, \$1,543,620 is *available for spending* at ACOG's discretion (*combined assigned and unassigned fund balances*) although the ACOG Board of Directors has *assigned* \$90,817 for future office expenditures, \$115,732 for transportation program expenditures, \$10,354 for CIP program expenditures, \$2,483 for CDBG/REAP program expenditures and \$36,145 for water resources program expenditures.
- At the end of the fiscal year, the unrestricted fund balance, including the assigned and unassigned balances, of the general fund was \$1,378,906 or 30.9 percent of total governmental fund expenditures while the unassigned fund balance was \$1,288,089, or 28.9 percent of total governmental fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to ACOG's basic financial statements. ACOG's basic financial statements comprise three components: 1)

government-wide financial statements, 2) fund financial statements, and 3) the 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 ACOG's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of 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 ACOG is improving or deteriorating.

The *statement of activities* presents information showing how 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 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 ACOG that are principally supported by grants and membership dues (*governmental activities*). 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 14 - 15 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. ACOG, like other similar governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of ACOG's funds can be divided into two categories: governmental funds and fiduciary 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*.

ACOG maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for each fund, all of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 16 - 20 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside ACOG. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support ACOG's own programs. ACOG has one fiduciary fund that is an agency fund established to account for Wireless 9-1-1 fees collected and remitted as required by State law. The basic fiduciary fund financial statement can be found on page 21 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 22 - 35 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, ACOG does adopt an annual budget for its funds. Budgetary comparison schedules have been provided for each fund to demonstrate compliance with this budget and are presented on pages 36 – 41 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 ACOG, assets exceeded liabilities by \$1,785,234 at June 30, 2013, as compared with assets exceeding liabilities by \$1,613,131 at June 30, 2012. A portion (4.4 percent) of ACOG's net position reflects its investment in capital assets (equipment, computers and software), less any related debt used to acquire those assets that is still outstanding. ACOG uses these capital assets to operate and to provide services; consequently, these assets are *not* available for future spending. Although 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.

Association of Central Oklahoma Governments' Net Position

	Governmental Activities		Total Percentage Change
	2013	2012	
Current and other assets	\$ 3,036,258	\$ 2,766,463	9.8%
Capital assets	84,362	76,586	10.2%
Total assets	3,120,620	2,843,049	9.8%
Long-term debt outstanding	5,969	11,384	-47.6%
Other liabilities	1,329,417	1,218,534	9.1%
Total liabilities	1,335,386	1,229,918	8.6%
Net position			
Net investment in capital assets	78,393	65,202	20.2%
Restricted	259,533	280,984	-7.6%
Unrestricted	1,447,308	1,266,945	14.2%
Total net position	\$ 1,785,234	\$ 1,613,131	10.7%

An additional portion of ACOG's net position (14.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$1,447,308) may be used to meet ACOG's ongoing obligations.

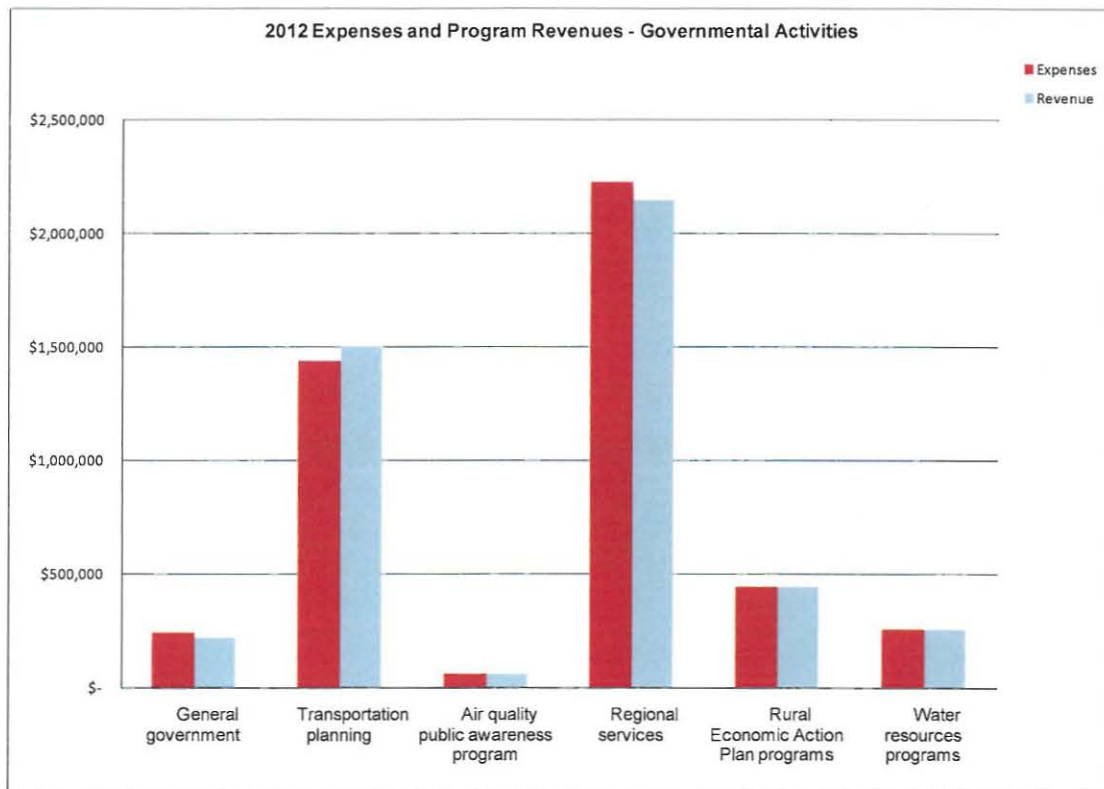
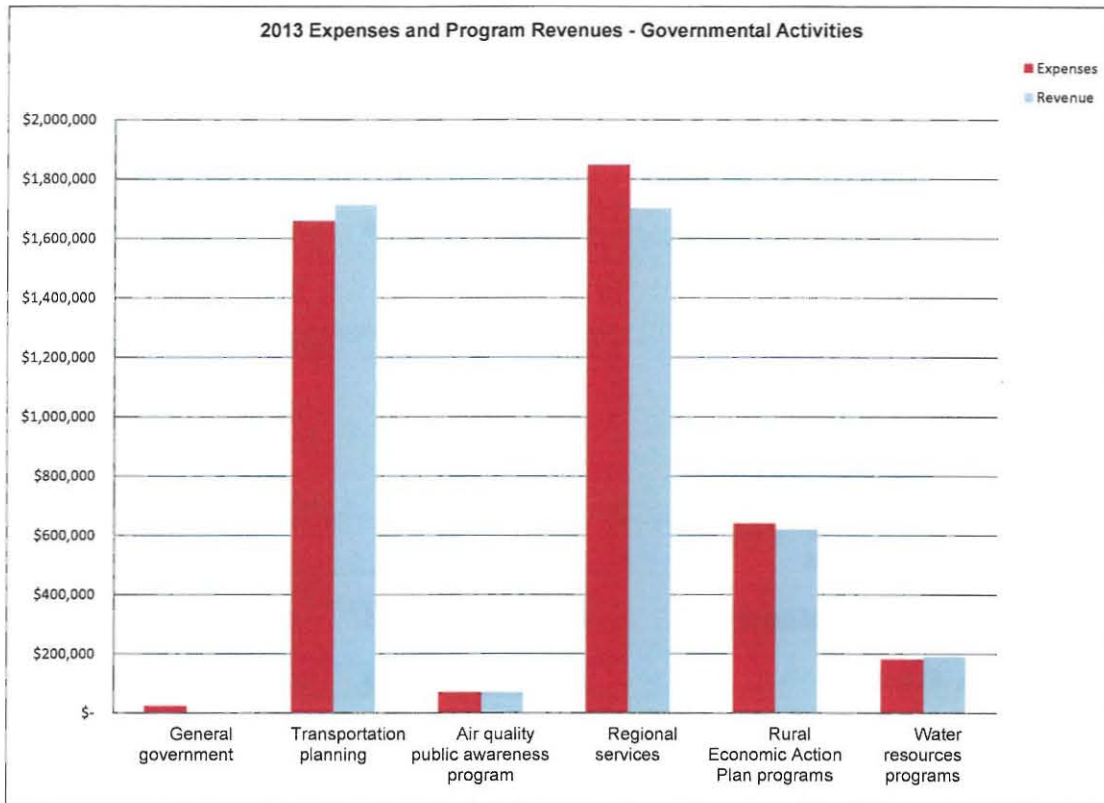
At the end of the current fiscal year, ACOG is able to report a positive balance in all categories of net position. The same situation held true for the prior fiscal year.

ACOG's total net position, all from governmental activities, increased by \$172,103 during the current fiscal year. The following table reflects the condensed changes in net assets from the prior year.

Association of Central Oklahoma Governments Changes in Net Position

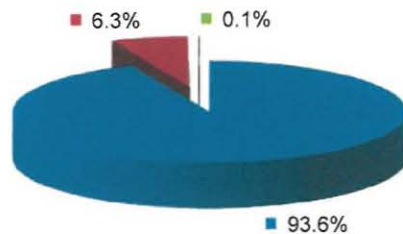
	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Revenues			
Program revenues			
Operating grants and contributions	\$ 4,301,167	\$ 4,640,945	-7.3%
General revenues			
Membership dues - basic	289,136	274,096	5.5%
Other income	7,487	8,302	-9.8%
Total revenues	4,597,790	4,923,343	-6.6%
Expenses			
General government	25,091	243,570	-89.7%
Transportation planning	1,659,446	1,438,414	15.4%
Air quality public awareness program	71,172	63,409	12.2%
Regional services	1,847,271	2,228,847	-17.1%
Rural Economic Action Plan programs	640,549	444,806	44.0%
Water resources programs	182,158	258,622	-29.6%
Total expenses	4,425,687	4,677,668	-5.4%
Increase (decrease) in net position	\$ 172,103	\$ 245,675	-29.9%
Net Position, July 1	1,613,131	1,367,456	18.0%
Net Position, June 30	\$ 1,785,234	\$ 1,613,131	10.7%

The \$172,103 increase in net position is primarily due to ACOG continuing to maintain a fiscally conservative budget.



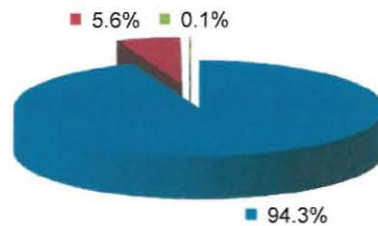
2013 Revenues by Source - Governmental Activities

- Operating grants and contributions
- Membership dues - basic
- Other income



2012 Revenues by Source - Governmental Activities

- Operating grants and contributions
- Membership dues - basic
- Other income



ACOG operates primarily from grant revenues. For the most part, increases in expenses closely parallel inflation and increases in grant funding for services.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of ACOG's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing 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, ACOG's governmental funds reported combined ending fund balances of \$1,803,153, a net increase of \$161,225 in comparison with the prior year. Approximately 71.4 percent of this total amount (\$1,288,089) constitutes *unassigned fund balance*, which is available for spending at ACOG's discretion. Approximately 14.2 percent (\$255,531) has been *assigned*. *Assignments* reflect the ACOG Board of Directors' self-imposed limitations on the use of otherwise available current financial resources and are subject to change. \$90,817 has been *assigned* for future office expenditures, \$115,732 for Transportation program expenditures, \$12,837 for Intergovernmental services programs expenditures and \$36,145 for Water resources program expenditures. The remainder of fund balance is not available for new spending because approximately 8.9 percent (\$159,475) is *restricted* per grant and contractual agreements while approximately 5.5 percent (\$100,058) is *unspendable* because it consists of prepaid items.

The fund balance of ACOG's general fund increased by \$111,601 during the current fiscal year. This increase is primarily because ACOG continued to maintain a fiscally conservative budget.

The general fund is the chief operating fund of ACOG. All of ACOG's positive *unassigned fund balance* resides in the general fund.

General Fund Budgetary Highlights

Due to time constraints and the fact that 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 due to timing differences with the Central Oklahoma Alliance of Government Agencies project – Oklahoma City only (COAGA-OKC) and to ACOG maintaining a fiscally conservative budget. The major differences can be summarized as follows:

- Membership dues – basic were \$27,798 less than budgeted due to needing more than anticipated to cover some program costs not covered by grants and other contributions.
- Contract revenue was \$76,655 less than budgeted and other expenditures were \$76,798 less than budgeted primarily due to the COAGA-OKC project progressing slower than anticipated.
- Contractual expenditures were \$7,500 less than budgeted due to ACOG not using a consultant on local projects.
- Other financing source contributions to indirect cost was \$7,778 more than budgeted due to ACOG maintaining a fiscally conservative budget while benefiting from reduced costs.

Capital Asset and Long-Term Debt Administration

Capital assets. ACOG's investment in capital assets for its governmental type activities as of June 30, 2013, amounts to \$84,362 (net of accumulated depreciation). This investment in capital assets includes computers and software, leased equipment, equipment and leasehold improvements. The total increase in ACOG's investment in capital assets for the current fiscal year was \$7,776 or 10.2 percent.

The major capital asset events during the current fiscal year included the following:

- Disposition of fully depreciated speakerphones.
- Purchase of a new Network Appliance Storage System for \$15,358.
- Leasehold improvements made during basement office remodel costing \$26,338.

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

	Governmental Activities		Total Percentage Change
	2013	2012	
Computers and software	\$ 10,875	\$ 9,652	12.7%
Leased equipment	11,749	17,410	-32.5%
Leasehold improvements	26,338	-	N/A
Equipment	35,400	49,524	-28.5%
Total	\$ 84,362	\$ 76,586	10.2%

Additional information on ACOG's capital assets can be found in Note II.C. on pages 29 - 30 of this report.

Long-term debt. ACOG's only debt is the \$5,969 balance due on a capital lease that financed the acquisition of a copier. ACOG's long-term capital lease balance decreased 47.6% percent during the current fiscal. The reason for this decrease is that when one capital lease was paid off, it was replaced with an operating lease.

Association of Central Oklahoma Governments' Outstanding Debt

	Governmental Activities		Total Percentage Change
	2013	2012	
Capital lease	\$ 5,969	\$ 11,384	-47.6%

Economic Factors and Next Year's Budget

The ACOG approved fiscal year 2014 budget reflects both increased costs and revenue for its administrative contract with the 9-1-1 Association of Central Oklahoma Governments (9-1-1 ACOG). On April 26, 2012, the 9-1-1 ACOG Board of Directors adopted the recommendations of a consultant concerning future system maintenance and network administration of the 9-1-1 answering system. The implementation of these recommendations began in fiscal year 2013 and continues in fiscal year 2014. ACOG again prepared a fiscally conservative budget. In order to match grants, cover costs, and maintain an adequate fund balance, it was necessary to increase total member dues by 1.1% for fiscal year 2014. Adjustments were made to each dues category, where necessary, to more closely match the related expenditures. Transportation dues and water dues both increased.

Requests for Information

This financial report is designed to provide a general overview of ACOG's finances for all those with an interest in 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, Association of Central Oklahoma Governments, 21 E. Main Street, Suite 100, Oklahoma City, OK 73104-2405.

Association of Central Oklahoma Governments
Statement of Net Position
June 30, 2013

	<u>Total Primary Government Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,705,465
Receivables	1,230,735
Prepaid items	100,058
Capital assets:	
Equipment, furnishings & fixtures	323,564
Accumulated depreciation & amortization	(239,202)
Total capital assets	<u>84,362</u>
Total assets	<u>3,120,620</u>
LIABILITIES	
Accounts payable and other current liabilities	225,972
Unearned revenue	994,060
Compensated absences due within one year	109,385
Long- term capital lease	
Due within one year	4,018
Due in more than one year	1,951
Total liabilities	<u>1,335,386</u>
NET POSITION	
Net investment in capital assets	78,393
Restricted for:	
General government	72,343
Transportation planning	15,188
Regional services	104,064
Rural Economic Action Plan programs	67,455
Water resources programs	483
Unrestricted	1,447,308
Total net position	<u><u>\$ 1,785,234</u></u>

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

Association of Central Oklahoma Governments
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenue Operating Grants and Contributions	Net (Expense)
			Revenue and Changes in Net Position
Primary government			Total Primary Government Governmental Activities
Governmental activities:			
General government	\$ 25,091	\$ -	\$ (25,091)
Transportation planning	1,659,446	1,714,101	54,655
Air quality public awareness program	71,172	71,172	-
Regional services	1,847,271	1,703,083	(144,188)
Rural Economic Action Plan programs	640,549	621,714	(18,835)
Water resources programs	182,158	191,097	8,939
Total primary government	<u>\$ 4,425,687</u>	<u>\$ 4,301,167</u>	<u>(124,520)</u>
General revenues:			
Membership dues - basic			289,136
Other income			7,487
Total general revenues			<u>296,623</u>
Change in net position			172,103
Net position - beginning			<u>1,613,131</u>
Net position - ending			<u>\$ 1,785,234</u>

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

Association of Central Oklahoma Governments
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General</u>	<u>Transportation</u>	<u>Intergovernmental Services</u>
ASSETS			
Cash and cash equivalents	\$ 458,035	\$ 151,243	\$ 1,027,629
Receivables	25,921	844,539	40,059
Due from other funds	948,740	-	-
Prepaid items	72,343	15,188	2,587
Total assets	<u>\$ 1,505,039</u>	<u>\$ 1,010,970</u>	<u>\$ 1,070,275</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 53,790	\$ 62,794	\$ 97,731
Due to other funds	-	593,859	24,725
Unearned revenues	-	223,397	770,663
Total liabilities	<u>53,790</u>	<u>880,050</u>	<u>893,119</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable contract revenue	<u>-</u>	<u>-</u>	<u>13,073</u>
FUND BALANCES			
Nonspendable	72,343	15,188	2,587
Restricted	-	-	148,659
Assigned	90,817	115,732	12,837
Unassigned	1,288,089	-	-
Total fund balances	<u>1,451,249</u>	<u>130,920</u>	<u>164,083</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,505,039</u>	<u>\$ 1,010,970</u>	<u>\$ 1,070,275</u>

-

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

E9-1-1 & Public Safety	Water Resources	Total Governmental Funds
\$ 31,524	\$ 37,034	\$ 1,705,465
315,487	4,729	1,230,735
-	-	948,740
9,457	483	100,058
<u>\$ 356,468</u>	<u>\$ 42,246</u>	<u>\$ 3,984,998</u>
\$ 11,250	\$ 407	\$ 225,972
324,945	5,211	948,740
-	-	994,060
<u>336,195</u>	<u>5,618</u>	<u>2,168,772</u>
-	-	13,073
9,457	483	100,058
10,816	-	159,475
-	36,145	255,531
-	-	1,288,089
<u>20,273</u>	<u>36,628</u>	<u>1,803,153</u>
<u>\$ 356,468</u>	<u>\$ 42,246</u>	

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.	84,362
Compensated absences of governmental activities are not financial resources and therefore are not reported in the funds	(109,385)
Contract revenue reported as a deferred inflow of resources in the funds because it is unavailable is not a deferred inflow of resources in the statement of net position.	13,073
Long-term capital lease payable is not due and payable in the current period and therefore is not reported as a liability in the funds.	(5,969)
Net position of governmental activities	<u>\$ 1,785,234</u>

Association of Central Oklahoma Governments
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	<u>General</u>	<u>Transportation</u>	<u>Intergovernmental Services</u>
REVENUES			
Federal grants	\$ -	\$ 1,666,732	\$ 63,746
State appropriations	-	-	644,658
Contract revenue	-	-	-
Membership dues - transportation	-	128,482	-
Membership dues - water resources	-	-	-
Membership dues - basic	147,619	-	141,517
In-kind matching contributions	-	276,033	-
Other	7,487	48,600	78,637
Total revenues	<u>155,106</u>	<u>2,119,847</u>	<u>928,558</u>
EXPENDITURES			
Current:			
General government	25,091	-	-
Transportation planning	-	1,659,446	-
Air quality public awareness program	-	71,172	-
Regional services	-	334,574	296,017
Rural Economic Action Plan programs	-	-	640,549
Water resources programs	-	-	-
Capital outlay	42,000	-	-
Debt service	5,416	-	-
Total expenditures	<u>72,507</u>	<u>2,065,192</u>	<u>936,566</u>
Excess (deficiency) of revenues over expenditures	<u>82,599</u>	<u>54,655</u>	<u>(8,008)</u>
OTHER FINANCING SOURCES (USES)			
Capital lease proceeds	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Contributions to indirect cost	29,002	-	-
Total other financing sources & uses	<u>29,002</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>111,601</u>	<u>54,655</u>	<u>(8,008)</u>
Fund balances-beginning	1,339,648	76,265	172,091
Fund balances-ending	<u>\$ 1,451,249</u>	<u>\$ 130,920</u>	<u>\$ 164,083</u>

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

E9-1-1 & Public Safety	Water Resources	Total Governmental Funds
\$ -	\$ 9,360	\$ 1,739,838
-	-	644,658
1,201,165	27,794	1,228,959
-	-	128,482
-	153,943	153,943
-	-	289,136
-	-	276,033
-	-	134,724
<u>1,201,165</u>	<u>191,097</u>	<u>4,595,773</u>
-	-	25,091
-	-	1,659,446
-	-	71,172
1,209,920	-	1,840,511
-	-	640,549
-	179,365	179,365
-	-	42,000
-	-	5,416
<u>1,209,920</u>	<u>179,365</u>	<u>4,463,550</u>
<u>(8,755)</u>	<u>11,732</u>	<u>132,223</u>
-	-	-
-	-	-
-	-	-
-	-	29,002
-	-	29,002
<u>(8,755)</u>	<u>11,732</u>	<u>161,225</u>
29,028	24,896	1,641,928
<u>\$ 20,273</u>	<u>\$ 36,628</u>	<u>\$ 1,803,153</u>

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

**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 balances - total governmental funds	\$ 161,225
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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 and amortization expense. This is the amount by which capital outlays (\$42,000) exceeded depreciation (\$34,224) in the current period.	7,776
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Because some grant and contract revenues will not be collected until after certain milestones are met several months after ACOG's fiscal year ends, they are not considered "available" revenues and are deferred inflows of resources in the governmental funds. Unavailable contract revenues increased by this amount this year.	2,019
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Repayment of capital lease principal uses current financial resources and is reported as an expenditure in the governmental funds and reduces the liabilities in the statement of net position but does not result in an expense in the statement of activities.	5,415
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The increase in compensated absences does not require the use of current financial resources and therefore is not reported in governmental funds	(4,332)
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Change in net position of governmental activities	<u>\$ 172,103</u>
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The notes to the financial statements are an integral part of this statement.

Association of Central Oklahoma Governments
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 373,317
Receivables	492,189
Total assets	<u>\$ 865,506</u>
LIABILITIES	
Due to other government entities	\$ 865,506
Total liabilities	<u>\$ 865,506</u>

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

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

I. Summary of significant accounting policies

A. Reporting entity

The Association of Central Oklahoma Governments (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. ACOG was established in 1966 to assist local governments in planning for common needs, cooperating for mutual benefit, and coordinating for sound regional development and is one of 11 Councils of Governments in the State of Oklahoma. All local governments within the ACOG region of Canadian, Cleveland, Logan and Oklahoma counties are eligible for membership and ACOG currently has 35 member governments. In addition, Tinker Air Force Base maintains an associate membership. 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 most recent population estimates. The accompanying financial statements present ACOG's operations. 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 non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally supported by intergovernmental revenues, grants and membership dues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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. Basic membership dues and other items not properly included among programs revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Membership dues 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Membership dues, 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 ACOG.

ACOG reports the following major governmental funds:

The *general fund* is ACOG's primary operating fund. It accounts for all financial resources of ACOG, except those required to be accounted for in another fund.

The *transportation fund* is used to account for the operations within the Transportation and Planning Services Division's work program. The major revenue source is grants from the Federal Highway Administration and the Federal Transit Administration, passed-through the Oklahoma Department of Transportation. Other revenue sources, primarily to cover matching requirements include membership dues, in-kind contributions from members and other agencies as well as other miscellaneous revenue sources.

The *intergovernmental services fund* is used to account for the operations within the Intergovernmental Services Division's work program. The major revenue source is grants and contracts with the U.S. Department of Energy, the U.S. Department of Commerce, the Oklahoma Department of Commerce, and local governmental entities. Other revenue sources include membership dues and other miscellaneous sources.

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

The *E9-1-1 & public safety fund* is used to account for the operations of the E9-1-1 & Public Safety Programs Division's work program. The major revenue source is a contract with the 9-1-1 Association of Central Oklahoma Governments. Other revenue sources include a contract with the City of Oklahoma City and other miscellaneous sources.

The *water resources fund* is used to account for the operations of the Water Resources Division's work program. The major revenue source is contracts with the U.S. Environmental Protection Agency, passed through the Oklahoma Office of the Secretary of Environment, and with local governmental entities. Other revenue sources include membership dues and other miscellaneous sources.

Additionally, ACOG also reports an *agency fund* that is used to account for fiduciary assets held by ACOG in a custodial capacity as an agent on behalf of others. ACOG's agency fund is used to account for wireless 9-1-1 service fees.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, including membership dues specifically for transportation and water programs. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all basic membership dues, general interest and other miscellaneous receipts.

D. Assets, liabilities, deferred inflows of resources, and net position/fund balance

1. Cash and cash equivalents

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.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans).

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

3. 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.

4. Capital assets

Capital assets, which include equipment, furnishings, fixtures, and leasehold improvements, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by 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.

Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease life. The other capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Computer equipment	3
Office equipment	3 – 7
Vehicles	5
Furniture	7

5. Compensated absences

ACOG's policy allows employees to earn vacation leave as follows:

<u>Years of service</u>	<u>Days earned per year</u>	<u>Maximum accumulation</u>
0.1 - 5.0	12	20
5.1 - 10.0	13	25
10.1 - 15.0	15	25
15.1 - 20.0	18	30
20.1 +	20	30

ACOG's sick leave policy allows employees to earn 15 sick days per year up to a maximum accumulation of 45 days. There is no liability for unpaid accumulated sick leave since ACOG does not have a policy to pay any amounts for accumulated sick leave when employees separate from service with ACOG. All vacation pay is

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

accrued when incurred in the government-wide financial statements. At June 30, 2013, ACOG had recorded a liability for accrued vacation of \$109,385.

6. *Long-term obligations*

In the government-wide financial statements, long-term capital leases are reported as a liability in the governmental activities statement of net position.

In the fund financial statements, governmental funds report the proceeds of capital leases as other financing sources.

7. *Deferred inflows of resources*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. ACOG has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The sources of unavailable revenue are grants and contracts. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

8. *Net position flow assumptions*

Sometimes ACOG will fund outlays for a particular purpose from both restricted (e.g. grant proceeds) and unrestricted resources. In order to calculate the amounts to report 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, ACOG would normally consider restricted – net position to have been depleted before unrestricted – net position is applied but reserves the right to selectively use unrestricted resources first to defer the use of restricted resources.

9. *Fund balance flow assumptions*

Sometimes ACOG will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, assigned and unassigned 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. ACOG would normally consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance, with unassigned fund balance being applied last but reserves the right to selectively use unrestricted resources first to defer the use of restricted resources.

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

10. 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 governmental 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 ACOG for specific purposes that do not meet the criteria to be classified as restricted. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted. In the general fund, assigned amounts represent intended uses established by the Board of Directors or its Budget Committee.
- Unassigned – includes amounts that are available for any purpose. Positive amounts are reported only in the General fund.

ACOG does not have a formal minimum fund balance policy.

11. Net position

In the governmental financial statements, net position represents assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Adjustments would be made for premiums, discounts, deferred amounts on refundings and related deferred inflows/outflows of resources if there were any. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by grantors, creditors, or laws or regulations of other governments.

II. Detailed notes on all funds

A. Cash deposits with financial institutions

At year-end, ACOG's carrying amount of deposits, excluding the agency fund, was \$1,705,465 and the bank balance was \$1,949,874. Of the bank balance, \$502,059 was covered by federal depository insurance and \$1,447,815 was more than fully collateralized by Government National Mortgage Association (GNMA) securities with

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

a current market value of \$1,586,395. Bank of America pledged this amount to ACOG and the collateral securities are held in ACOG's name at the Bank of New York Mellon. Custodial credit risk for deposits is the risk that in the event of a bank failure, ACOG's deposits may not be returned to it. At June 30, 2013, none of ACOG's bank balance was exposed to custodial credit risk since all was insured or collateralized.

Both the carrying amount of deposits and the bank balance for ACOG's agency fund were \$373,317. Of the balance, \$250,000 was covered by federal depository insurance and \$107,516 was collateralized by U.S. Treasury Notes with that current market value. JPMorgan Chase Bank, NA, pledged this amount to ACOG and the collateral securities are held at the Federal Reserve Bank of New York. At June 30, 2013, \$15,801 of ACOG's agency fund bank balance was exposed to custodial credit risk because it was uninsured and not collateralized. On September 16, 2013 JP Morgan Chase Bank, NA, increased the collateral pledged to ACOG's agency fund bank account to \$427,682 based on the highest need in the last twelve months and collateral will not be released without ACOG's approval.

B. Receivables and unearned revenue

Receivables as of year-end for ACOG's individual major funds and the agency fund are as follows:

Receivables:	Wireless 9-1-1 Fees	Grants and Contracts	Employees	Other	Total
General fund	\$ -	\$ -	\$ 7,644	\$ 18,277	\$ 25,921
Transportation	-	844,539	-	-	844,539
Intergovernmental services	-	40,059	-	-	40,059
E9-1-1 & public safety	-	315,487	-	-	315,487
Water resources	-	4,729	-	-	4,729
Agency fund	492,189	-	-	-	492,189
Total	<u>\$ 492,189</u>	<u>\$ 1,204,814</u>	<u>\$ 7,644</u>	<u>\$ 18,277</u>	<u>\$ 1,722,924</u>

Employee receivables consist of one-time, payroll conversion-related employee advances.

Governmental funds delay revenue recognition in connection with resources that have been received prior to incurring eligible expenditures. At the end of the current fiscal year, the various components of *unearned revenue* reported in the governmental funds were as follows:

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

	Unearned
Rural Economic Action Plan (REAP)	\$ 770,619
Air quality project	7,143
Rideshare project	55
Commuter Corridor Alternatives Analysis	215,633
Federal Transit Administration overpayment	566
Change a Light project	44
Total	<u>\$ 994,060</u>

C. Capital assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, being depreciated or amortized:				
Computers and software	\$ 120,104	\$ 15,662	\$ -	\$ 135,766
Leasehold improvements	-	26,338	-	26,338
Leased equipment	28,304	-	-	28,304
Equipment	138,293	-	(5,137)	133,156
Total capital assets being depreciated/amortized:	286,701	42,000	(5,137)	323,564
Less accumulated depreciation or amortization for:				
Computers and software	(110,452)	(14,439)	-	(124,891)
Leasehold improvements	-	-	-	-
Leased equipment	(10,894)	(5,661)	-	(16,555)
Equipment	(88,769)	(14,124)	5,137	(97,756)
Total accumulated depreciation or amortization	(210,115)	(34,224)	5,137	(239,202)
Total capital assets, net of depreciation/amortization	76,586	7,776	-	84,362
Governmental activities capital assets, net	<u>\$ 76,586</u>	<u>\$ 7,776</u>	<u>\$ -</u>	<u>\$ 84,362</u>

Depreciation/amortization expense was charged to functions/programs of ACOG as follows:

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

Governmental activities:	
General government	\$ -
Transportation planning	10,378
Air quality public awareness program	155
Regional services	18,929
Rural Economic Action Plan program	659
Water resources programs	<u>4,103</u>
Total depreciation/amortization expense	<u>\$ 34,224</u>

D. Interfund receivables, payables and transfers

The composition of interfund balances as of June 30, 2013, is as follows:

Due to/from other funds:

	Interfund Receivables	Interfund Payables
General fund		
Due from special revenue funds	\$ 948,740	\$ -
Special revenue funds		
Due to general fund from:		
Transportation	-	593,859
Intergovernmental services	-	24,725
E9-1-1 & public safety	-	324,945
Water resources	-	<u>5,211</u>
Total	<u>\$ 948,740</u>	<u>\$ 948,740</u>

Interfund transfers are used to move unrestricted general fund revenues to special revenue funds to finance under-funded projects and to redistribute membership dues between programs. No interfund transfers were made during the year ended June 30, 2013.

E. Leases

Office Space Operating Lease

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

ACOG leases office space under a lease that expires July 31, 2015. This lease gave ACOG the option for early termination as of July 31, 2013. If ACOG had elected to exercise this option, an additional payment of \$25,401 would have been due for the unamortized portion of the cost of building improvements.

The total cost for this lease was \$160,200 for the year ended June 30, 2013. The future minimum lease payments for this lease are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2014	\$ 160,200
2015	160,200
2016	13,350
Total	<u>\$ 333,750</u>

Copier Leases

ACOG had leased two copiers, at different times, under capital lease arrangements. Neither lease transferred ownership or contained a bargain purchase price. They qualified as capital leases because the present value of the lease payments exceeded 90% of the fair value of the leased asset. Both copiers were capitalized and are being amortized over 5 year estimated useful lives. During the year ended June 30, 2013, one of these 36 month capital leases was paid off. ACOG was still happy with the service being proved by this copier and entered into a new 24 month lease on this copier. This supports the 5 year estimated useful life assigned to the copier. This new lease is being treated as an operating lease since the asset has already been capitalized and continues to be amortized. These copiers have a historical cost and accumulated amortization of \$28,304 and \$16,556, respectively.

Total interest expense for the year from the copier capital leases was \$1,756 and is included in printing in the overall indirect costs, which in turn are allocated to each program/function based on direct labor plus allocated employee benefits. See Note III B.

The following is a schedule of the future minimum lease payments under the remaining capital lease and the present value of the net minimum lease payments as of June 30, 2013:

<u>Year Ending June 30</u>	
2014	\$ 4,944
2015	<u>2,060</u>
Total minimum lease payments	7,004
Less: amount representing interest	<u>(1,035)</u>
Present value of minimum lease payments	<u>\$ 5,969</u>

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

The total cost for the operating copier lease was \$3,229 for the year ended June 30, 2013. The future minimum lease payments for this lease are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2014	\$ 4,008
2015	1,336
Total	<u>\$ 5,344</u>

F. Long-term liabilities

ACOG's only long-term liability is the copier capital leases. Activity for the year ended June 30, 2013, was as follows:

	Beginning			Ending	Due Within
	Balance	Additions	Reductions	Balance	One Year
Capital lease	\$ 11,384	\$	\$ (5,415)	\$ 5,969	\$ 4,018

G. Fund balances

Fund balance is classified as nonspendable, restricted, assigned or unassigned based primarily on the extent to which ACOG is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance as of June 30, 2013, are as follows:

<u>Fund balances:</u>	<u>General</u>	<u>Transportation</u>	<u>Intergovernmental</u>	<u>E9-1-1 &</u>	<u>Water</u>	<u>Total</u>
	<u>Fund</u>		<u>Services</u>	<u>Public</u>	<u>Resources</u>	
				<u>Safety</u>		
Nonspendable						
Prepays	\$ 72,343	\$ 15,188	\$ 2,587	\$ 9,457	\$ 483	\$ 100,058
Restricted for:						
REAP program	-	-	67,455	-	-	67,455
Clean Cities program	-	-	81,204	-	-	81,204
9-1-1 ACOG contract admin	-	-	-	10,816	-	10,816
Assigned to:						
Future office expenditures	90,817	-	-	-	-	90,817
Transportation programs	-	115,732	-	-	-	115,732
CIP program	-	-	10,354	-	-	10,354
CDBG/REAP program	-	-	2,483	-	-	2,483
Water resources programs	-	-	-	-	36,145	36,145
Unassigned	1,288,089	-	-	-	-	1,288,089
Total	<u>\$ 1,451,249</u>	<u>\$ 130,920</u>	<u>\$ 164,083</u>	<u>\$ 20,273</u>	<u>\$ 36,628</u>	<u>\$ 1,803,153</u>

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

III. Other information

A. Risk management

ACOG is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters. ACOG carries commercial insurance coverage to include general liability, property and casualty, workers' compensation, automobile liability, fidelity, public officials' liability and certain other risks. There have been no significant reductions in insurance coverage. ACOG does retain the first \$500 - \$2,500, 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. Allocation of employee benefits and indirect costs

ACOG employee benefits and indirect costs are allocated to all cost objectives based upon actual expenditures and an allocation of depreciation and amortization use charge in accordance with 2 C.F.R. Part 225 (formerly OMB Circular No. A-87). Annually, ACOG submits its provisional employee benefits and indirect cost allocation rates to its federal oversight agency, the U.S. Department of Transportation, Federal Highway Administration, through its state pass-through agency, the Oklahoma Department of Transportation. The provisional rates are approved for use during the fiscal year with the understanding that the unaudited rates will have a final review. The final, actual rates are determined in June and are used in accounting for all cost objectives. These rates are applied to the applicable base. For employee benefits, the base is ACOG's direct labor costs for the cost objective. For indirect costs, the base is the cost objective's direct labor cost plus the allocated employee benefits. For the fiscal year ended June 30, 2013, ACOG's final employee benefits rate was 36.91% and final indirect cost rate was 53.73%.

C. Related party transactions

In 1988, ACOG entered into an agreement with the 9-1-1 Association of Central Oklahoma Governments (9-1-1 ACOG) for administration of the E9-1-1 emergency telephone number system on behalf of 9-1-1 ACOG. 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. 9-1-1 ACOG reimburses ACOG for all costs incurred to fulfill these responsibilities. ACOG recorded revenues under this agreement for the year ended June 30, 2013, amounting to \$1,151,946 of which \$305,948 is included in year-end receivables of the E9-1-1 & public safety fund. Several individuals serving as officers or directors of 9-1-1 ACOG also hold similar positions with ACOG.

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

D. Contingent liabilities

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

E. Employee pension plan

ACOG maintains a single employer, defined contribution pension plan in which an employee working thirty or more hours per week and completing one year or more of employment may participate. The plan is sponsored by The Principal Financial Group. During the year ended June 30, 2013, fifteen employees participated in the plan. Vesting in employer contributions generally occurs ratably over service years two through six, with an employee being 100% vested in year six. ACOG and the participating employees are required to contribute 5% and 3.5% of the participating employee's salary, respectively. Employees may make additional voluntary contributions. A summary of the required and actual contributions for the year ended June 30, 2013, follows:

	Required <u>Contribution</u>	Actual <u>Contribution</u>
ACOG	\$ 56,632	\$ 56,632
Participating employees	39,642	65,884

F. New accounting standards

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

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

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. 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 to be presented in a format that displays assets plus deferred outflows of resources, equals liabilities plus deferred inflows of resources plus fund balance.

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.

Prior to implementing these statements, ACOG's governmental funds reported receivables for *deferred revenue* in two components, revenues that were *unavailable* to liquidate liabilities of the current period and *unearned* revenues that had no eligible expenditures yet. The total of both components was a liability in the governmental funds Balance Sheet while only the *unearned* component was a liability in the Statement of Net Assets. After implementing these statements, the *unearned* component remains a liability in both the governmental funds Balance Sheet and the new Statement of Net Position but the *unavailable* component is now a *deferred inflow of resources* on the governmental funds Balance Sheet instead of a liability.

Association of Central Oklahoma Governments
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
REVENUES				
Membership dues - basic	\$ 175,417	\$ 175,417	147,619	\$ (27,798)
Contract revenue	76,655	76,655	-	(76,655)
Other	6,943	6,943	7,487	544
Total revenues	<u>259,015</u>	<u>259,015</u>	<u>155,106</u>	<u>(103,909)</u>
EXPENDITURES				
Current:				
Salaries	-	-	-	-
Employee benefits	-	-	-	-
Indirect costs	-	-	-	-
Travel	7,250	7,250	3,899	3,351
Contractual	7,500	7,500	-	7,500
Other	97,990	97,990	21,192	76,798
Debt service	5,416	5,416	5,416	-
Capital outlay	42,000	42,000	42,000	-
Total expenditures	<u>160,156</u>	<u>160,156</u>	<u>72,507</u>	<u>87,649</u>
Excess (deficiency) of revenues over expenditures	<u>98,859</u>	<u>98,859</u>	<u>82,599</u>	<u>(16,260)</u>
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Contributions to indirect cost	21,224	21,224	29,002	7,778
Total other financing sources & uses	<u>21,224</u>	<u>21,224</u>	<u>29,002</u>	<u>7,778</u>
Net change in fund balances	<u>120,083</u>	<u>120,083</u>	<u>111,601</u>	<u>(8,482)</u>
Fund balances-beginning	<u>1,339,648</u>	<u>1,339,648</u>	<u>1,339,648</u>	<u>-</u>
Fund balances-ending	<u>\$ 1,459,731</u>	<u>\$ 1,459,731</u>	<u>\$ 1,451,249</u>	<u>\$ (8,482)</u>

Association of Central Oklahoma Governments
Transportation
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
REVENUES				
Federal grants	\$ 3,393,959	\$ 3,393,959	\$ 1,666,732	\$ (1,727,227)
Membership dues - transportation	128,551	128,551	128,482	(69)
Membership dues - basic	-	-	-	-
In-kind matching contributions	447,440	447,440	276,033	(171,407)
Other	275,000	275,000	48,600	(226,400)
Total revenues	4,244,950	4,244,950	2,119,847	(2,125,103)
EXPENDITURES				
Current:				
Salaries	574,550	574,550	545,378	29,172
Employee benefits	241,779	241,779	201,275	40,504
Indirect costs	415,573	415,573	401,205	14,368
Travel	16,900	16,900	3,973	12,927
Advertising and public education	132,500	132,500	57,273	75,227
Contractual	1,456,950	1,456,950	319,753	1,137,197
Special projects	1,105,000	1,105,000	278,469	826,531
Other	280,127	280,127	257,866	22,261
Total expenditures	4,223,379	4,223,379	2,065,192	2,158,187
Excess (deficiency) of				
revenues over expenditures	21,571	21,571	54,655	33,084
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Contributions to indirect cost	-	-	-	-
Total other financing sources & uses	-	-	-	-
Net change in fund balances	21,571	21,571	54,655	33,084
Fund balances-beginning	76,265	76,265	76,265	-
Fund balances-ending	\$ 97,836	\$ 97,836	\$ 130,920	\$ 33,084

Association of Central Oklahoma Governments
Intergovernmental Services
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
REVENUES				
Federal grants	\$ 90,750	\$ 90,750	\$ 63,746	\$ (27,004)
State appropriations	1,432,719	1,432,719	644,658	(788,061)
Membership dues - basic	114,636	114,636	141,517	26,881
In-kind matching contributions	45,000	45,000	-	(45,000)
Other	76,533	76,533	78,637	2,104
Total revenues	1,759,638	1,759,638	928,558	(831,080)
EXPENDITURES				
Current:				
Salaries	144,340	144,340	147,523	(3,183)
Employee benefits	60,740	60,740	54,444	6,296
Indirect costs	104,401	104,401	108,524	(4,123)
Travel	6,887	6,887	8,609	(1,722)
Advertising and public education	-	-	-	-
Contractual	56,500	56,500	17,124	39,376
Grants to ACOG area communities	1,362,099	1,362,099	569,021	793,078
Other	75,797	75,797	31,321	44,476
Capital Outlay	-	-	-	-
Total expenditures	1,810,764	1,810,764	936,566	874,198
Excess (deficiency) of revenues over expenditures	(51,126)	(51,126)	(8,008)	43,118
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Contributions to indirect cost	-	-	-	-
Total other financing sources & uses	-	-	-	-
Net change in fund balances	(51,126)	(51,126)	(8,008)	43,118
Fund balances-beginning	172,091	172,091	172,091	-
Fund balances-ending	\$ 120,965	\$ 120,965	\$ 164,083	\$ 43,118

Association of Central Oklahoma Governments
E9-1-1 & Public Safety
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
REVENUES				
Federal grants	\$ -	\$ -	\$ -	\$ -
Contract revenue	1,458,582	1,458,582	1,201,165	(257,417)
Membership dues - basic	-	-	-	-
Other	-	-	-	-
Total revenues	1,458,582	1,458,582	1,201,165	(257,417)
EXPENDITURES				
Current:				
Salaries	530,662	530,662	470,934	59,728
Employee benefits	223,310	223,310	173,801	49,509
Indirect costs	383,830	383,830	346,440	37,390
Travel	39,695	39,695	25,571	14,124
Advertising and public education	23,002	23,002	6,274	16,728
Contractual	113,092	113,092	84,130	28,962
Professional services	15,108	15,108	10,173	4,935
Special projects	26,908	26,908	16,006	10,902
Other	102,975	102,975	76,591	26,384
Capital outlay	-	-	-	-
Total expenditures	1,458,582	1,458,582	1,209,920	248,662
Excess (deficiency) of				
revenues over expenditures	-	-	(8,755)	(8,755)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Contributions to indirect cost	-	-	-	-
Total other financing sources & uses	-	-	-	-
Net change in fund balances	-	-	(8,755)	(8,755)
Fund balances-beginning	29,028	29,028	29,028	-
Fund balances-ending	\$ 29,028	\$ 29,028	\$ 20,273	\$ (8,755)

Association of Central Oklahoma Governments
Water Resources
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
REVENUES				
Federal grants	\$ 13,200	\$ 13,200	\$ 9,360	\$ (3,840)
Membership dues - water	154,258	154,258	153,943	(315)
Membership dues - basic	-	-	-	-
Contract revenue	71,358	71,358	27,794	(43,564)
Other	-	-	-	-
Total revenues	<u>238,816</u>	<u>238,816</u>	<u>191,097</u>	<u>(47,719)</u>
EXPENDITURES				
Current:				
Salaries	69,394	69,394	65,284	4,110
Employee benefits	29,202	29,202	24,093	5,109
Indirect costs	50,193	50,193	48,026	2,167
Travel	5,906	5,906	4,198	1,708
Advertising and public education	-	-	-	-
Contractual	74,858	74,858	26,335	48,523
Other	14,473	14,473	11,429	3,044
Capital outlay	-	-	-	-
Total expenditures	<u>244,026</u>	<u>244,026</u>	<u>179,365</u>	<u>64,661</u>
Excess (deficiency) of revenues over expenditures	<u>(5,210)</u>	<u>(5,210)</u>	<u>11,732</u>	<u>16,942</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Contributions to indirect cost	-	-	-	-
Total other financing sources & uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(5,210)</u>	<u>(5,210)</u>	<u>11,732</u>	<u>16,942</u>
Fund balances-beginning	<u>24,896</u>	<u>24,896</u>	<u>24,896</u>	<u>-</u>
Fund balances-ending	<u>\$ 19,686</u>	<u>\$ 19,686</u>	<u>\$ 36,628</u>	<u>\$ 16,942</u>

Association of Central Oklahoma Governments
Information on Budgetary Comparison Schedules
June 30, 2013

1. Budgetary Information

Budgets for the general and special revenue funds 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 ACOG Executive Director to ACOG's Budget Committee during June of each year. The budget is prepared by cost objectives within each fund and is organized into a general fund budget, a budget for each special revenue fund, a budget for indirect costs and a combined total budget. The budget must be balanced. The ACOG Board of Directors votes to adopt the budget approved by its 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 Board of Directors in advance. In prior years, the ACOG Board of Directors adopted the amendment to its current year budget during May. Due to workload and time constraints, no amendment has been done since May of 2010. ACOG is unable to legally adopt a budget.

The budget is organized on a "fund" basis. A fund is an accounting entity used to account for revenues of like sources. The governmental funds group accounts for funds received from other units of government or otherwise used in financing the routine operations of ACOG. The two types of funds within this category are:

General fund. The general fund is the basic operating fund of ACOG. It is used to account for all financial resources not required to be accounted for in another category.

Special revenue funds. These funds account for proceeds from specific revenue sources including grant funds.

Association of Central Oklahoma Governments
Schedule of Indirect Costs
For the Year Ended June 30, 2013

Indirect salaries	\$ 374,267
Employee benefits	<u>138,126</u>
Indirect personnel costs	512,393
Office space	160,200
Repairs and maintenance	69,341
Supplies	40,915
Telephone and internet	31,260
Accounting services	20,775
Depreciation	19,010
Equipment and furniture	15,491
Insurance	13,319
Professional dues	8,553
Development and recruiting	8,181
Printing	4,399
Contractual	2,083
Publications and subscriptions	1,659
Postage	557
Equipment rental	519
Travel	503
Legal services	423
Advertising and public education	<u>14</u>
Indirect costs	909,595
Revenue from Oklahoma Association of Regional Councils	<u>(5,400)</u>
Net indirect costs (A)	<u>\$ 904,195</u>
BASIS FOR ALLOCATION OF INDIRECT COSTS:	
Direct salaries	\$ 1,229,119
Direct employee benefits	<u>453,613</u>
Total direct personnel costs (B)	<u>\$ 1,682,732</u>
INDIRECT COST RATE (A DIVIDED BY B)	<u>53.73%</u>

**Association of Central Oklahoma Governments
Schedule of Employee Benefits
For the Year Ended June 30, 2013**

BENEFIT PROGRAMS:

Group health insurance	\$ 115,508
FICA taxes	108,874
Annual leave	99,135
Sick leave	80,991
Holidays	67,421
Retirement fund contribution	56,753
Medicare taxes	25,888
Workers' compensation insurance	14,095
Group long term care insurance	8,103
Unemployment insurance	6,897
Retirement fund administration	6,500
Section 125 plan administration	1,574

Total benefits (A)

\$ 591,739

BASIS FOR ALLOCATION OF BENEFITS:

Gross salaries (B)	<u>\$ 1,603,386</u>
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EMPLOYEE BENEFIT RATE (A DIVIDED BY B)

36.91%

Association of Central Oklahoma Governments
Schedule of Direct State of Oklahoma Financial Assistance
For the Year Ended June 30, 2013

State Grantor/ Program Title	Contract Period	Contract Amount	Cash/ Accrued or (Deferred) Revenue at July 1, 2012	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash/ Accrued or (Deferred) Revenue at June 30, 2013
Oklahoma Department of Commerce						
State Appropriated Funds for Substate						
Planning Districts						
15311 SS 13	07/01/11-06/30/13	36,364	-	36,364	36,364	-
REAP Funds and Interest Earned						
REAP Administration	Various	Various	30,141	28,837	45,834	13,144
REAP Projects	Various	Various	797,840	596,111	476,974	916,977
Total Direct State of Oklahoma Financial Assistance			\$ 827,981	\$ 661,312	\$ 559,172	\$ 930,121

**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
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 Association of Central Oklahoma Governments ("ACOG") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise 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 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 ACOG's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 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 ACOG's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Arledge & Associates, P.C.

Edmond, Oklahoma
October 21, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

To the Board of Directors of the
Association of Central Oklahoma Governments

Report on Compliance for Each Major Federal Program

We have audited the Association of Central Oklahoma Governments' ("ACOG") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on ACOG's major federal program for the year ended June 30, 2013. ACOG's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of ACOG's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ACOG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Association of Central Oklahoma Governments compliance.

Opinion on Each Major Federal Program

In our opinion, the Association of Central Oklahoma Governments complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of ACOG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ACOG's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ACOG's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Association of Central Oklahoma Governments ("ACOG") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise ACOG's basic financial statements. We issued our report thereon dated October 21, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Arlidge & Associates, P.C.

Edmond, Oklahoma
October 21, 2013

ASSOCIATION OF CENTRAL OKLAHOMA GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified

not considered to be material weakness(es)?

_____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified

not considered to be material weakness(es)?

_____ yes X none reported

Type of auditor's report issued on compliance
for major programs:

Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section .510(a)?

_____ yes X no

Identification of major programs:

CFDA Number

Federal Program or Cluster

20.205

Federal Highway Planning and Construction

Dollar threshold used to distinguish
between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

X yes _____ no

ASSOCIATION OF CENTRAL OKLAHOMA GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

Compliance Findings

None.

Internal Control Findings

None.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

None.

Internal Control Findings

None.

**Association of Central Oklahoma Governments
Corrective Action Plan (Unaudited)
For the Year Ended June 30, 2013**

No corrective action plan is required as the current year's audit contained no findings.

**Association of Central Oklahoma Governments
Status of Prior Year Findings (Unaudited)
For the Year Ended June 30, 2013**

The prior year's audit contained no findings.

**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	Other Grantor's Reference	Expenditures	Amount Provided to Subrecipients
U.S. Department of Commerce				
Economic Development Administration				
Economic Development Support for Planning Organizations - Planning Investments and Comprehensive Economic Development Strategies	11.302	08-86-04596	23,747	-
<i>Total U.S. Department of Commerce</i>			23,747	-
U.S. Department of Energy				
Passed-through Oklahoma Department of Commerce				
State Energy Program Clean Cities Program	81.041	14273 SEP 10	40,000	-
<i>Total U.S. Department of Energy</i>			40,000	-
U.S. Environmental Protection Agency				
Office of Water				
Passed-through Oklahoma Office of the Secretary of Environment				
Water Quality Management Planning C6-40000048-4	66.454	09/10 604(b)	6,033	-
Water Quality Management Planning C6-40000049-0	66.454	11 604(b)	57	-
Water Quality Management Planning C6-40000050-0	66.454	12 604(b)	3,270	-
<i>Total U.S. Environmental Protection Agency</i>			9,360	-
U.S. Department of Transportation				
Federal Highway Administration				
Passed-through Oklahoma Department of Transportation				
OCARTS-PL 13 Transportation Study	20.205	J/P 11767(27)	883,740	-
Congestion Mitigation Air Quality Public Awareness Campaign FY 11	20.205	J/P 17904(08)	52,099	-
Congestion Mitigation Air Quality Public Awareness Campaign FY 12	20.205	J/P 17904(09)	4,839	-
Congestion Mitigation Air Quality Public Fleet Conversion FY 11	20.205	J/P 26038(04)	222,775	-

**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	Other Grantor's Reference	Expenditures	Amount Provided to Subrecipients
Congestion Mitigation Air Quality Rideshare Program FY 11	20.205	J/P 26039(04)	18,528	-
Congestion Mitigation Air Quality Rideshare Program FY 12	20.205	J/P 26039(05)	37,577	-
Central Oklahoma Commuter Corridors Study STP-155E (816) AG State	20.205	J/P 28117(04)	137,464	-
Federal Transit Administration				
Passed-through Oklahoma Department of Transportation				
FTA FY 11 - 12 Technical Study	20.505	J/P 15612(20)	84,115	-
FTA FY 11 - 13 Technical Study	20.505	J/P 15612(21)	205,043	-
Passed-through Central Oklahoma Transportation & Parking Authority				
Jobs Access-Reverse Commute	20.516	OK-37-X042	8,272	-
Jobs Access-Reverse Commute	20.516	OK-37-X044	5,324	-
New Freedom Program	20.521	OK-57-X017	3,101	-
New Freedom Program	20.521	OK-57-X021	3,854	-
Total U.S. Department of Transportation			1,666,731	-
Total Expenditures of Federal Awards			\$ 1,739,838	\$ -

See notes to schedule of expenditures of federal awards.

Association of Central Oklahoma Governments
Notes to 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 Association of Central Oklahoma Governments ("ACOG"). ACOG's reporting entity is described in Note 1 to 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 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.