

# **ASSOCIATION OF CENTRAL OKLAHOMA GOVERNMENTS**

**Basic Financial Statements,  
Supplemental Information and Independent  
Auditors' Reports for the Year Ended  
June 30, 2014, Independent Auditors' Reports  
Issued Under OMB Circular A-133, and  
Supplemental Schedule of Expenditures of  
Federal Awards for the Year Ended June 30, 2014**

**Association of Central Oklahoma Governments**  
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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, 2014, 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, 2014, 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 7, 2014, 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.

*Aledge & Associates, P.C.*

Edmond, Oklahoma  
October 7, 2014





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, 2014. 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 \$2,008,622 (*net position*). Of this amount, \$1,648,715 (*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 \$223,388. This increase is primarily due to the fact that ACOG continued to maintain a fiscally conservative budget but was higher than anticipated due to the unexpected seven month vacancy in the TPS Division Director staff position.

#### Fund Level:

- At the close of the current fiscal year, ACOG's governmental funds reported combined ending fund balances of \$2,062,077, an increase of \$258,924 in comparison with the prior year. Approximately 85.7 percent of this amount, \$1,766,350 is *available for spending* at ACOG's discretion (*combined assigned and unassigned fund balances*) although the ACOG Board of Directors has *assigned* \$125,817 for future office expenditures, \$141,559 for transportation program expenditures, \$24,686 for CIP program expenditures, \$1,506 for CDBG/REAP program expenditures and \$61,658 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 \$1,536,941 or 29.6 percent of total governmental fund expenditures while the unassigned fund balance was \$1,411,124, or 27.2 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 15 - 16 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 17 - 21 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 22 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 23 - 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 \$2,008,622 at June 30, 2014, as compared with assets exceeding liabilities by \$1,785,234 at June 30, 2013. A portion (3.2 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
	2014	2013	
Current and other assets	\$ 2,899,605	\$ 3,036,258	-4.5%
Capital assets	66,131	84,362	-21.6%
<b>Total assets</b>	<b>2,965,736</b>	<b>3,120,620</b>	<b>-5.0%</b>
Long-term debt outstanding	1,951	5,969	-67.3%
Other liabilities	955,163	1,329,417	-28.2%
<b>Total liabilities</b>	<b>957,114</b>	<b>1,335,386</b>	<b>-28.3%</b>
Net position			
Net investment in capital assets	64,180	78,393	-18.1%
Restricted	295,727	259,533	13.9%
Unrestricted	1,648,715	1,447,308	13.9%
<b>Total net position</b>	<b>\$ 2,008,622</b>	<b>\$ 1,785,234</b>	<b>12.5%</b>

An additional portion of ACOG's net position (14.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$1,648,715) may be used to meet ACOG's ongoing obligations.

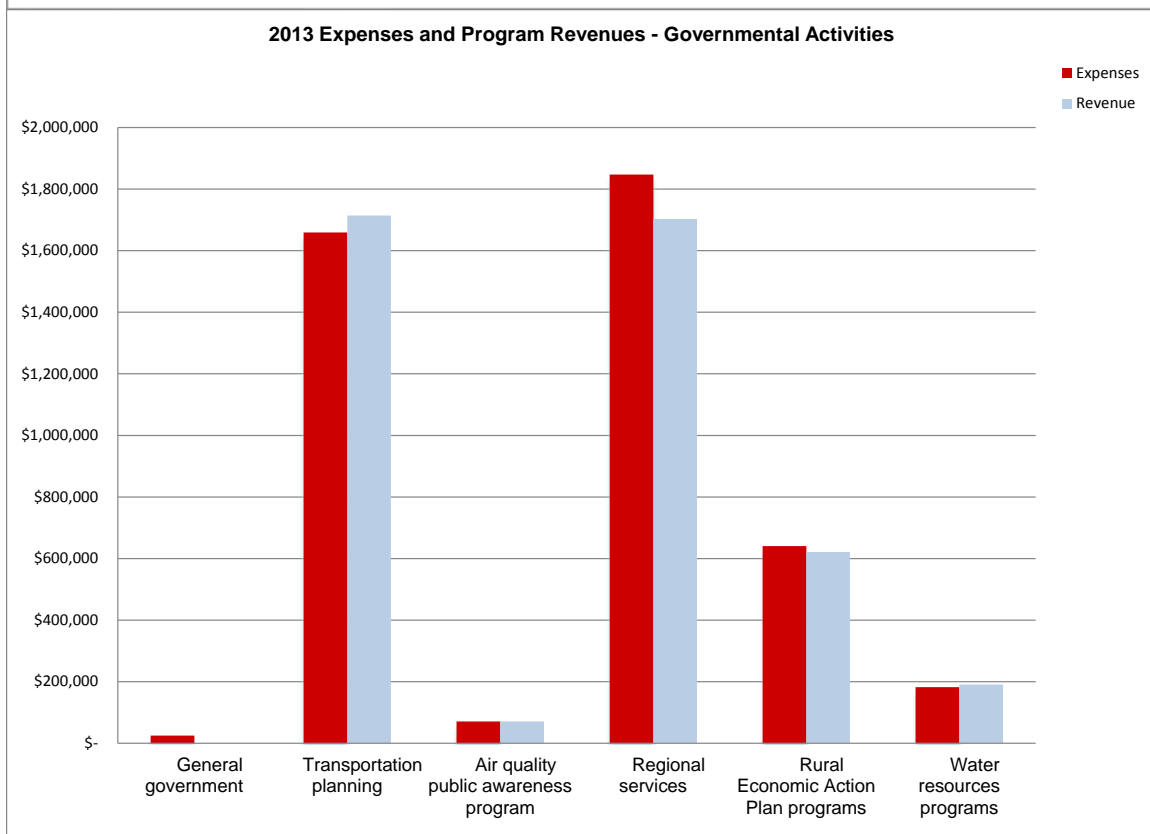
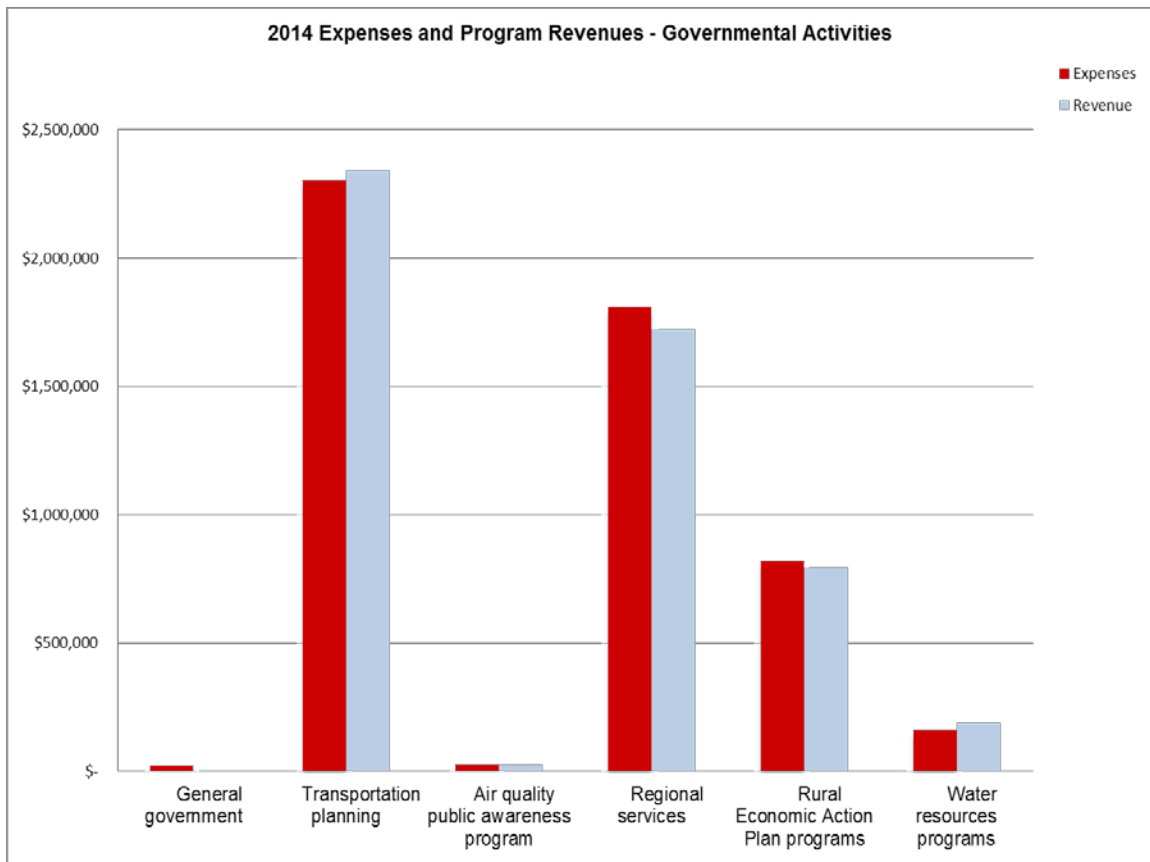
At the end of the current fiscal year, ACOG is able to report a positive balance in all categories of net position. The same situation held true for the prior fiscal year.

ACOG's total net position, all from governmental activities, increased by \$223,388 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

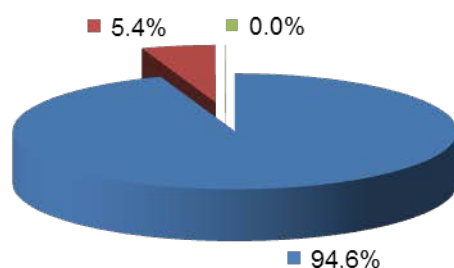
	Governmental Activities		Total Percentage Change
	2013	2013	
<b>Revenues</b>			
Program revenues			
Operating grants and contributions	\$ 5,075,627	\$ 4,301,167	18.0%
General revenues			
Membership dues - basic	289,149	289,136	0.0%
Other income	2,205	7,487	-70.5%
<b>Total revenues</b>	<b>5,366,981</b>	<b>4,597,790</b>	<b>16.7%</b>
<b>Expenses</b>			
General government	23,323	25,091	-7.0%
Transportation planning	2,302,188	1,659,446	38.7%
Air quality public awareness program	24,175	71,172	-66.0%
Regional services	1,813,170	1,847,271	-1.8%
Rural Economic Action Plan programs	819,775	640,549	28.0%
Water resources programs	160,962	182,158	-11.6%
<b>Total expenses</b>	<b>5,143,593</b>	<b>4,425,687</b>	<b>16.2%</b>
<b>Increase (decrease) in net position</b>	<b>\$ 223,388</b>	<b>\$ 172,103</b>	<b>29.8%</b>
Net Position, July 1	1,785,234	1,613,131	10.7%
<b>Net Position, June 30</b>	<b>\$ 2,008,622</b>	<b>\$ 1,785,234</b>	<b>12.5%</b>

The \$223,388 increase in net position is primarily due to ACOG continuing to maintain a fiscally conservative budget and higher than anticipated due to a seven month vacancy in the TPS Division Director staff position.



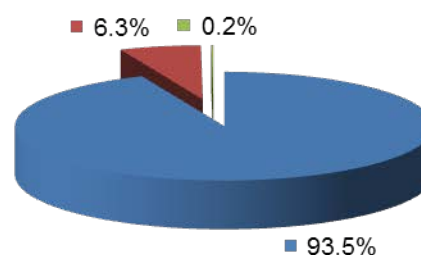
### 2014 Revenues by Source - Governmental Activities

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



### 2013 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 \$2,062,077, a net increase of \$258,924 in comparison with the prior year. Approximately 68.4 percent of this total amount (\$1,411,124) constitutes *unassigned fund balance*, which is available for spending at ACOG's discretion. Approximately 17.2 percent (\$355,226) 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. \$125,817 has been *assigned* for future office expenditures, \$141,559 for Transportation program expenditures, \$26,192 for Intergovernmental services programs expenditures and \$61,658 for Water resources program expenditures. The remainder of fund balance is not available for new spending because approximately 8.2 percent (\$168,698) is *restricted* per grant and contractual

agreements while approximately 6.2 percent (\$127,029) is *unspendable* because it consists of prepaid items.

The fund balance of ACOG's general fund increased by \$158,334 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, 2014. The differences between the budget and the actual amounts are due to the Central Oklahoma Alliance of Government Agencies project – Oklahoma City only (COAGA-OKC) being terminated, the Oklahoma Association of Regional Councils (OARC) ceasing sub-leasing office space and to ACOG maintaining a fiscally conservative budget. The major differences can be summarized as follows:

- Contract revenue was \$76,655 less than budgeted and other expenditures were \$86,321 less than budgeted primarily due to the termination of the COAGA-OKC project.
- Contractual expenditures were \$7,500 less than budgeted due to ACOG not using a consultant on local projects.
- Capital outlay expenditures were \$28,626 less than budgeted due to ACOG choosing alternatives less expensive than those budgeted.
- Other financing source contributions to indirect cost was \$28,704 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, 2014, amounts to \$66,131 (net of accumulated depreciation). This investment in capital assets includes computers and software, leased equipment, equipment and leasehold improvements. The total decrease in ACOG's investment in capital assets for the current fiscal year was \$18,231 or 21.6 percent.

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

- Disposition of fully depreciated computer servers and tape bar code reader.
- Purchase of new expansion storage for server for \$21,374.



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

	Governmental Activities		Total Percentage Change
	2014	2013	
Computers and software	\$ 22,278	\$ 10,875	104.9%
Leased equipment	6,088	11,749	-48.2%
Leasehold improvements	13,696	26,338	N/A
Equipment	24,069	35,400	-32.0%
<b>Total</b>	<b>\$ 66,131</b>	<b>\$ 84,362</b>	<b>-21.6%</b>

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

**Long-term debt.** ACOG's only debt is the \$1,951 balance due on a capital lease that financed the acquisition of a copier. ACOG's long-term capital lease balance decreased 67.3% percent during the current fiscal.

**Association of Central Oklahoma Governments' Outstanding Debt**

	Governmental Activities		Total Percentage Change
	2014	2013	
Capital lease	\$ 1,951	\$ 5,969	-67.3%

**Economic Factors and Next Year's Budget**

The ACOG approved fiscal year 2015 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 the fiscal year 2015 budget includes the final steps toward the full implementation of the Migration Plan for Future System Maintenance and Network Administration. 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 3.6% for fiscal year 2015. Adjustments were made to each dues category, where necessary, to more closely match the related expenditures. Basic, transportation and water dues all 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. This report will also be available on the ACOG website, [www.acogok.org](http://www.acogok.org).

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**Association of Central Oklahoma Governments**  
**Statement of Net Position**  
**June 30, 2014**

	<u><b>Total Primary Government Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,975,921
Receivables	796,655
Prepaid items	127,029
Capital assets:	
Equipment, furnishings & fixtures	325,080
Accumulated depreciation & amortization	(258,949)
Total capital assets	<u>66,131</u>
Total assets	<u>2,965,736</u>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	164,979
Unearned revenue	666,815
Compensated absences due within one year	123,369
Long- term capital lease	
Due within one year	1,951
Due in more than one year	-
Total liabilities	<u>957,114</u>
<b>NET POSITION</b>	
Net investment in capital assets	64,180
Restricted for:	
General government	72,642
Transportation planning	28,655
Regional services	130,993
Rural Economic Action Plan programs	60,885
Water resources programs	2,552
Unrestricted	1,648,715
Total net position	<u><u>\$ 2,008,622</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, 2014**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenue Operating Grants and Contributions</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>
			<b>Total Primary Government Governmental Activities</b>
<b>Primary government</b>			
Governmental activities:			
General government	\$ 23,323	\$ -	\$ (23,323)
Transportation planning	2,302,188	2,341,485	39,297
Air quality public awareness program	24,175	24,175	-
Regional services	1,813,170	1,724,596	(88,574)
Rural Economic Action Plan programs	819,775	796,827	(22,948)
Water resources programs	160,962	188,544	27,582
Total primary government	<u>\$ 5,143,593</u>	<u>\$ 5,075,627</u>	<u>(67,966)</u>
General revenues:			
Membership dues - basic			289,149
Other income			2,205
Total general revenues			<u>291,354</u>
Change in net position			223,388
Net position - beginning			<u>1,785,234</u>
Net position - ending			<u>\$ 2,008,622</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, 2014**

	<b>General</b>	<b>Transportation</b>	<b>Intergovernmental Services</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 856,005	\$ 194,840	\$ 818,357
Receivables	18,695	504,281	39,356
Due from other funds	720,987	-	-
Prepaid items	72,642	28,655	2,522
Total assets	<u>\$ 1,668,329</u>	<u>\$ 727,776</u>	<u>\$ 860,235</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 58,746	\$ 60,872	\$ 34,343
Due to other funds	-	427,706	35,748
Unearned revenues	-	68,984	597,813
Total liabilities	<u>58,746</u>	<u>557,562</u>	<u>667,904</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable contract revenue	<u>-</u>	<u>-</u>	<u>5,734</u>
<b>FUND BALANCES</b>			
Nonspendable	72,642	28,655	2,522
Restricted	-	-	157,883
Assigned	125,817	141,559	26,192
Unassigned	1,411,124	-	-
Total fund balances	<u>1,609,583</u>	<u>170,214</u>	<u>186,597</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,668,329</u>	<u>\$ 727,776</u>	<u>\$ 860,235</u>

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



<b>E9-1-1 &amp; Public Safety</b>	<b>Water Resources</b>	<b>Total Governmental Funds</b>
\$ 42,236	\$ 64,483	\$ 1,975,921
222,220	12,103	796,655
-	-	720,987
20,658	2,552	127,029
<u>\$ 285,114</u>	<u>\$ 79,138</u>	<u>\$ 3,620,592</u>
\$ 10,763	\$ 255	\$ 164,979
242,878	14,655	720,987
-	18	666,815
<u>253,641</u>	<u>14,928</u>	<u>1,552,781</u>
-	-	5,734
20,658	2,552	127,029
10,815	-	168,698
-	61,658	355,226
-	-	1,411,124
<u>31,473</u>	<u>64,210</u>	<u>2,062,077</u>
<u>\$ 285,114</u>	<u>\$ 79,138</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.	66,131
Compensated absences of governmental activities are not financial resources and therefore are not reported in the funds.	(123,369)
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.	5,734
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.	(1,951)
Net position of governmental activities	<u>\$ 2,008,622</u>

**Association of Central Oklahoma Governments**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

	<u>General</u>	<u>Transportation</u>	<u>Intergovernmental Services</u>
<b>REVENUES</b>			
Federal grants	\$ -	\$ 1,969,337	\$ 75,089
State appropriations	-	-	815,836
Contract revenue	-	-	
Membership dues - transportation	-	130,990	-
Membership dues - water resources	-	-	-
Membership dues - basic	158,015	-	131,134
In-kind matching contributions	-	244,047	-
Other	2,205	188,813	108,104
Total revenues	<u>160,220</u>	<u>2,533,187</u>	<u>1,130,163</u>
<b>EXPENDITURES</b>			
Current:			
General government	23,323	-	-
Transportation planning	-	2,302,188	-
Air quality public awareness program	-	24,175	-
Regional services	-	167,530	287,874
Rural Economic Action Plan programs	-	-	819,775
Water resources programs	-	-	-
Capital outlay	21,374	-	-
Debt service	4,018	-	-
Total expenditures	<u>48,715</u>	<u>2,493,893</u>	<u>1,107,649</u>
Excess (deficiency) of revenues over expenditures	<u>111,505</u>	<u>39,294</u>	<u>22,514</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Capital lease proceeds	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Contributions to indirect cost	46,829	-	-
Total other financing sources & uses	<u>46,829</u>	<u>-</u>	<u>-</u>
Net change in fund balances	158,334	39,294	22,514
Fund balances-beginning	1,451,249	130,920	164,083
Fund balances-ending	<u>\$ 1,609,583</u>	<u>\$ 170,214</u>	<u>\$ 186,597</u>

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

<b>E9-1-1 &amp; Public Safety</b>	<b>Water Resources</b>	<b>Total Governmental Funds</b>
\$ -	\$ 25,565	\$ 2,069,991
-	-	815,836
1,362,097	6,756	1,368,853
-	-	130,990
-	156,223	156,223
-	-	289,149
-	-	244,047
109	-	299,231
<u>1,362,206</u>	<u>188,544</u>	<u>5,374,320</u>
-	-	23,323
-	-	2,302,188
-	-	24,175
1,351,006	-	1,806,410
-	-	819,775
-	160,962	160,962
-	-	21,374
-	-	4,018
<u>1,351,006</u>	<u>160,962</u>	<u>5,162,225</u>
<u>11,200</u>	<u>27,582</u>	<u>212,095</u>
-	-	-
-	-	-
-	-	-
-	-	46,829
<u>-</u>	<u>-</u>	<u>46,829</u>
<u>11,200</u>	<u>27,582</u>	<u>258,924</u>
<u>20,273</u>	<u>36,628</u>	<u>1,803,153</u>
<u>\$ 31,473</u>	<u>\$ 64,210</u>	<u>\$ 2,062,077</u>

**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, 2014**

<b>Net change in fund balances - total governmental funds</b>	<b>\$</b>	<b>258,924</b>
---------------------------------------------------------------	-----------	----------------

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 (\$21,374) were exceeded by depreciation (\$39,605) in the current period.		(18,231)
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	----------

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 decreased by this amount this year.		(7,339)
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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.		4,018
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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		<u>(13,984)</u>
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<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>223,388</u></b>
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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, 2014**

	<b>Agency Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 368,821
Receivables	481,151
Total assets	<u>\$ 849,972</u>
<b>LIABILITIES</b>	
Due to other government entities	<u>\$ 849,972</u>
Total liabilities	<u>\$ 849,972</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, 2014

#### **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 over 30 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, 2014

#### **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, 2014

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, 2014

#### 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, 2014**

accrued when incurred in the government-wide financial statements. At June 30, 2014, ACOG had recorded a liability for accrued vacation of \$123,369.

#### **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, 2014

#### **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 \$1,975,921 and the bank balance was \$2,182,959. Of the bank balance, \$499,762 was covered by federal depository insurance and \$1,683,197 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, 2014

a current market value of \$1,902,039. 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, 2014, 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 \$368,821. Of the balance, \$250,000 was covered by federal depository insurance and \$118,821 was more than fully collateralized by U.S. Treasury Notes with a current market value of \$430,470. 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, 2014, none of ACOG's agency fund bank balance was exposed to custodial credit risk since it all was insured or collateralized

### 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	\$ -	\$ -	\$ 6,503	\$ 12,192	\$ 18,695
Transportation	-	504,281	-	-	504,281
Intergovernmental services	-	39,356	-	-	39,356
E9-1-1 & public safety	-	222,220	-	-	222,220
Water resources	-	12,103	-	-	12,103
Agency fund	481,151	-	-	-	481,151
Total	<u>\$ 481,151</u>	<u>\$ 777,960</u>	<u>\$ 6,503</u>	<u>\$ 12,192</u>	<u>\$ 1,277,806</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:

	Unearned
Rural Economic Action Plan (REAP)	\$ 567,769
Air quality project	7,307
Commuter Corridor Alternatives Analysis	61,677
Economic Development Administration Planning Grant	30,000
Norman Well Field Groundwater Model	18
Change a Light project	44
Total	<u>\$ 666,815</u>



**Association of Central Oklahoma Governments**

Notes to the Financial Statements

June 30, 2014

**C. Capital assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, being depreciated or amortized:				
Computers and software	\$ 135,766	\$ 21,374	\$ (19,858)	\$ 137,282
Leasehold improvements	26,338	-	-	26,338
Leased equipment	28,304	-	-	28,304
Equipment	<u>133,156</u>	<u>-</u>	<u>-</u>	<u>133,156</u>
Total capital assets being depreciated/amortized:	323,564	21,374	(19,858)	325,080
Less accumulated depreciation or amortization for:				
Computers and software	(124,891)	(9,971)	19,858	(115,004)
Leasehold improvements	-	(12,642)		(12,642)
Leased equipment	(16,555)	(5,661)	-	(22,216)
Equipment	<u>(97,756)</u>	<u>(11,331)</u>	<u>-</u>	<u>(109,087)</u>
Total accumulated depreciation or amortization	<u>(239,202)</u>	<u>(39,605)</u>	<u>19,858</u>	<u>(258,949)</u>
Total capital assets, net of depreciation/amortization	84,362	(18,231)	-	66,131
Governmental activities capital assets, net	<u>\$ 84,362</u>	<u>\$(18,231)</u>	<u>\$ -</u>	<u>\$ 66,131</u>

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

Governmental activities:	
General government	\$ 45
Transportation planning	13,013
Air quality public awareness program	154
Regional services	24,381
Rural Economic Action Plan program	262
Water resources programs	<u>1,750</u>
Total depreciation/amortization expense	<u>\$ 39,605</u>

**Association of Central Oklahoma Governments**

Notes to the Financial Statements

June 30, 2014

**D. Interfund receivables, payables and transfers**

The composition of interfund balances as of June 30, 2014, is as follows:

Due to/from other funds:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund		
Due from special revenue funds	\$ 720,987	\$ -
Special revenue funds		
Due to general fund from:		
Transportation	-	427,706
Intergovernmental services	-	35,748
E9-1-1 & public safety	-	242,878
Water resources	-	14,655
Total	<u>\$ 720,987</u>	<u>\$ 720,987</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, 2014.

**E. Leases**

Office Space Operating Lease

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, 2014. The future minimum lease payments for this lease are as follows:

**Association of Central Oklahoma Governments**

Notes to the Financial Statements

June 30, 2014

<u>Year Ending June 30</u>	<u>Amount</u>
2015	\$ 160,200
2016	13,350
Total	<u>\$ 173,550</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 provided 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 \$22,216, respectively.

Total interest expense for the year from the remaining copier capital lease was \$926 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, 2014:

<u>Year Ending June 30</u>	
2015	\$ 2,060
Total minimum lease payments	2,060
Less: amount representing interest	( 109)
Present value of minimum lease payments	<u>\$ 1,951</u>

The total cost for the operating copier lease was \$4,008 for the year ended June 30, 2014. The future minimum lease payments for this lease are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2015	<u>\$ 1,336</u>

**Association of Central Oklahoma Governments**  
Notes to the Financial Statements  
June 30, 2014

**F. Long-term liabilities**

ACOG's only long-term liability is the copier capital lease. Activity for the year ended June 30, 2014, was as follows:

	Beginning			Ending	Due Within
	Balance	Additions	Reductions	Balance	One Year
Capital lease	<u>\$ 5,969</u>	<u>\$</u>	<u>\$ ( 4,018)</u>	<u>\$ 1,951</u>	<u>\$ 1,951</u>

**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, 2014, are as follows:

Fund balances:	General Fund	Transportation	Intergovernmental Services	E9-1-1 & Public Safety	Water Resources	Total
Nonspendable						
Prepays	\$ 72,642	\$ 28,655	\$ 2,522	\$ 20,658	\$ 2,552	\$ 127,029
Restricted for:						
REAP program	-	-	60,885	-	-	60,885
Clean Cities program	-	-	96,998	-	-	96,998
9-1-1 ACOG contract admin	-	-	-	10,815	-	10,815
Assigned to:						
Future office expenditures	125,817	-	-	-	-	125,817
Transportation programs	-	141,559	-	-	-	141,559
CIP program	-	-	22,533	-	-	22,533
CDBG/REAP program	-	-	3,659	-	-	3,659
Water resources programs	-	-	-	-	61,658	61,658
Unassigned	1,411,124	-	-	-	-	1,411,124
Total	<u>\$ 1,609,583</u>	<u>\$ 170,214</u>	<u>\$ 186,597</u>	<u>\$ 31,473</u>	<u>\$ 64,210</u>	<u>\$ 2,062,077</u>

**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 -

## **Association of Central Oklahoma Governments**

### **Notes to the Financial Statements**

June 30, 2014

\$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, 2014, ACOG's final employee benefits rate was 34.16% and final indirect cost rate was 53.19%.

#### **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, 2014, amounting to \$1,300,746 of which \$204,956 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.

#### **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.

**Association of Central Oklahoma Governments**

Notes to the Financial Statements

June 30, 2014

**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, 2014, 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, 2014, follows:

	Required <u>Contribution</u>	Actual <u>Contribution</u>
ACOG	\$ 53,697	\$ 53,697
Participating employees	37,588	63,001

**Association of Central Oklahoma Governments**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES</b>				
Membership dues - basic	\$ 142,675	\$ 142,675	158,015	\$ 15,340
Contract revenue	76,655	76,655	-	(76,655)
Other	6,918	6,918	2,205	(4,713)
Total revenues	<u>226,248</u>	<u>226,248</u>	<u>160,220</u>	<u>(66,028)</u>
<b>EXPENDITURES</b>				
Current:				
Salaries	-	-	1,821	(1,821)
Employee benefits	-	-	622	(622)
Indirect costs	-	-	1,299	(1,299)
Travel	7,539	7,539	1,738	5,801
Contractual	7,500	7,500	-	7,500
Other	104,164	104,164	17,843	86,321
Debt service	4,018	4,018	4,018	-
Capital outlay	50,000	50,000	21,374	28,626
Total expenditures	<u>173,221</u>	<u>173,221</u>	<u>48,715</u>	<u>124,506</u>
Excess (deficiency) of				
revenues over expenditures	<u>53,027</u>	<u>53,027</u>	<u>111,505</u>	<u>58,478</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Contributions to indirect cost	18,125	18,125	46,829	28,704
Total other financing sources & uses	<u>18,125</u>	<u>18,125</u>	<u>46,829</u>	<u>28,704</u>
Net change in fund balances	<u>71,152</u>	<u>71,152</u>	<u>158,334</u>	<u>87,182</u>
Fund balances-beginning	<u>1,451,249</u>	<u>1,451,249</u>	<u>1,451,249</u>	<u>-</u>
Fund balances-ending	<u>\$ 1,522,401</u>	<u>\$ 1,522,401</u>	<u>\$ 1,609,583</u>	<u>\$ 87,182</u>

**Association of Central Oklahoma Governments**  
**Transportation**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES</b>				
Federal grants	\$ 3,592,918	\$ 3,592,918	\$ 1,969,337	\$ (1,623,581)
Membership dues - transportation	131,434	131,434	130,990	(444)
Membership dues - basic	-	-	-	-
In-kind matching contributions	494,940	494,940	244,047	(250,893)
Other	257,749	257,749	188,813	(68,936)
Total revenues	<u>4,477,041</u>	<u>4,477,041</u>	<u>2,533,187</u>	<u>(1,943,854)</u>
<b>EXPENDITURES</b>				
Current:				
Salaries	639,112	639,112	550,863	88,249
Employee benefits	253,983	253,983	188,157	65,826
Indirect costs	431,968	431,968	393,080	38,888
Travel	11,900	11,900	3,950	7,950
Advertising and public education	132,500	132,500	15,164	117,336
Contractual	1,360,694	1,360,694	945,399	415,295
Special projects	1,367,500	1,367,500	124,861	1,242,639
Other	279,384	279,384	272,419	6,965
Total expenditures	<u>4,477,041</u>	<u>4,477,041</u>	<u>2,493,893</u>	<u>1,983,148</u>
Excess (deficiency) of				
revenues over expenditures	<u>-</u>	<u>-</u>	<u>39,294</u>	<u>39,294</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
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>-</u>	<u>-</u>	<u>39,294</u>	<u>39,294</u>
Fund balances-beginning	<u>130,920</u>	<u>130,920</u>	<u>130,920</u>	<u>-</u>
Fund balances-ending	<u>\$ 130,920</u>	<u>\$ 130,920</u>	<u>\$ 170,214</u>	<u>\$ 39,294</u>



**Association of Central Oklahoma Governments**  
**Intergovernmental Services**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES</b>				
Federal grants	\$ 85,000	\$ 85,000	\$ 75,089	\$ (9,911)
State appropriations	1,658,697	1,658,697	815,836	(842,861)
Membership dues - basic	147,378	147,378	131,134	(16,244)
In-kind matching contributions	-	-	-	-
Other	51,784	51,784	108,104	56,320
Total revenues	1,942,859	1,942,859	1,130,163	(812,696)
<b>EXPENDITURES</b>				
Current:				
Salaries	157,849	157,849	157,677	172
Employee benefits	62,729	62,729	53,858	8,871
Indirect costs	106,688	106,688	112,514	(5,826)
Travel	14,029	14,029	5,860	8,169
Advertising and public education	-	-	-	-
Contractual	20,000	20,000	368	19,632
Grants to ACOG area communities	1,647,546	1,647,546	763,791	883,755
Other	33,368	33,368	13,581	19,787
Capital Outlay	-	-	-	-
Total expenditures	2,042,209	2,042,209	1,107,649	934,560
Excess (deficiency) of revenues over expenditures	(99,350)	(99,350)	22,514	121,864
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Contributions to indirect cost	-	-	-	-
Total other financing sources & uses	-	-	-	-
Net change in fund balances	(99,350)	(99,350)	22,514	121,864
Fund balances-beginning	164,083	164,083	164,083	-
Fund balances-ending	\$ 64,733	\$ 64,733	\$ 186,597	\$ 121,864

**Association of Central Oklahoma Governments**  
**E9-1-1 & Public Safety**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES</b>				
Federal grants	\$ -	\$ -	\$ -	\$ -
Contract revenue	1,520,204	1,520,204	1,362,097	(158,107)
Membership dues - basic	-	-	-	-
Other	-	-	109	109
Total revenues	<u>1,520,204</u>	<u>1,520,204</u>	<u>1,362,206</u>	<u>(157,998)</u>
<b>EXPENDITURES</b>				
Current:				
Salaries	582,159	582,159	556,899	25,260
Employee benefits	231,350	231,350	190,219	41,131
Indirect costs	393,476	393,476	397,387	(3,911)
Travel	43,359	43,359	26,145	17,214
Advertising and public education	20,701	20,701	9,463	11,238
Contractual	99,600	99,600	79,925	19,675
Professional services	20,400	20,400	7,248	13,152
Special projects	29,508	29,508	13,553	15,955
Other	114,164	114,164	70,167	43,997
Capital outlay	-	-	-	-
Total expenditures	<u>1,534,717</u>	<u>1,534,717</u>	<u>1,351,006</u>	<u>183,711</u>
Excess (deficiency) of revenues over expenditures	<u>(14,513)</u>	<u>(14,513)</u>	<u>11,200</u>	<u>25,713</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
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>(14,513)</u>	<u>(14,513)</u>	<u>11,200</u>	<u>25,713</u>
Fund balances-beginning	<u>20,273</u>	<u>20,273</u>	<u>20,273</u>	<u>-</u>
Fund balances-ending	<u>\$ 5,760</u>	<u>\$ 5,760</u>	<u>\$ 31,473</u>	<u>\$ 25,713</u>

**Association of Central Oklahoma Governments**  
**Water Resources**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES</b>				
Federal grants	\$ 23,000	\$ 23,000	\$ 25,565	\$ 2,565
Membership dues - water	156,521	156,521	156,223	(298)
Membership dues - basic	-	-	-	-
Contract revenue	3,536	3,536	6,756	3,220
Other	-	-	-	-
Total revenues	<u>183,057</u>	<u>183,057</u>	<u>188,544</u>	<u>5,487</u>
<b>EXPENDITURES</b>				
Current:				
Salaries	76,294	76,294	71,330	4,964
Employee benefits	30,319	30,319	24,364	5,955
Indirect costs	51,566	51,566	50,899	667
Travel	5,906	5,906	2,544	3,362
Advertising and public education	-	-	-	-
Contractual	3,500	3,500	-	3,500
Other	15,472	15,472	11,825	3,647
Capital outlay	-	-	-	-
Total expenditures	<u>183,057</u>	<u>183,057</u>	<u>160,962</u>	<u>22,095</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>27,582</u>	<u>27,582</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
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>-</u>	<u>-</u>	<u>27,582</u>	<u>27,582</u>
Fund balances-beginning	<u>36,628</u>	<u>36,628</u>	<u>36,628</u>	<u>-</u>
Fund balances-ending	<u>\$ 36,628</u>	<u>\$ 36,628</u>	<u>\$ 64,210</u>	<u>\$ 27,582</u>

**Association of Central Oklahoma Governments**  
Information on Budgetary Comparison Schedules  
June 30, 2014

**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, 2014**

Indirect salaries	\$ 395,369
Employee benefits	<u>135,045</u>
<b>Indirect personnel costs</b>	<b>530,414</b>
Office space	160,200
Repairs and maintenance	79,967
Supplies	40,923
Telephone and internet	38,213
Depreciation	27,184
Accounting services	24,389
Equipment and furniture	15,248
Insurance	12,720
Professional dues	7,968
Development and recruiting	6,288
Contractual	4,998
Printing	2,752
Legal services	2,074
Publications and subscriptions	969
Postage	657
Equipment rental	408
Travel	<u>258</u>
<b>Indirect costs</b>	<b>955,630</b>
<b>Revenue from Oklahoma Association of Regional Councils</b>	<b><u>(450)</u></b>
<b>Net indirect costs (A)</b>	<b><u>\$ 955,180</u></b>
<b>BASIS FOR ALLOCATION OF INDIRECT COSTS:</b>	
Direct salaries	\$ 1,338,590
Direct employee benefits	<u>457,221</u>
<b>Total direct personnel costs (B)</b>	<b><u>\$ 1,795,811</u></b>
<b>INDIRECT COST RATE (A DIVIDED BY B)</b>	<b><u>53.19%</u></b>

**Association of Central Oklahoma Governments**  
**Schedule of Employee Benefits**  
**For the Year Ended June 30, 2014**

**BENEFIT PROGRAMS:**

FICA taxes	\$ 116,078
Group health insurance	109,027
Annual leave	97,544
Sick leave	83,859
Holidays	69,741
Retirement fund contribution	49,038
Medicare taxes	27,658
Workers' compensation insurance	19,229
Group long term care insurance	8,369
Unemployment insurance	7,140
Retirement fund administration	6,500
Section 125 plan administration	(1,917)

**Total benefits (A)**

\$ 592,266

**BASIS FOR ALLOCATION OF BENEFITS:**

Gross salaries (B)	<u><u>\$ 1,733,959</u></u>
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**EMPLOYEE BENEFIT RATE (A DIVIDED BY B)**

34.16%

**Association of Central Oklahoma Governments**  
**Schedule of Direct State of Oklahoma Financial Assistance**  
**For the Year Ended June 30, 2014**

<b>State Grantor/ Program Title</b>	<b>Contract Period</b>	<b>Contract Amount</b>	<b>Cash/ Accrued or (Deferred) Revenue at July 1, 2013</b>	<b>Receipts or Revenue Recognized</b>	<b>Disbursements/ Expenditures</b>	<b>Cash/ Accrued or (Deferred) Revenue at June 30, 2014</b>
<b>Oklahoma Department of Commerce</b>						
State Appropriated Funds for Substate						
Planning Districts						
15711 SS 14	07/01/13-06/30/14	36,364	-	36,364	36,364	-
REAP Funds and Interest Earned						
REAP Administration	Various	Various	13,144	28,835	22,392	19,587
REAP Projects	Various	Various	916,977	547,927	822,101	642,803
<b>Total Direct State of Oklahoma Financial Assistance</b>			<b>\$ 930,121</b>	<b>\$ 613,126</b>	<b>\$ 880,857</b>	<b>\$ 662,390</b>

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

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, 2014, and the related notes to the financial statements, which collectively comprise ACOG's basic financial statements, and have issued our report thereon dated October 7, 2014.

**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.

*Arlidge & Associates, P.C.*

Edmond, Oklahoma  
October 7, 2014

**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, 2014. 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, 2014.

### **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, 2014, and the related notes to the financial statements, which collectively comprise ACOG's basic financial statements. We issued our report thereon dated October 7, 2014, 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.

*Aulidge & Associates, P.C.*

Edmond, Oklahoma  
October 7, 2014

ASSOCIATION OF CENTRAL OKLAHOMA GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

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:

Unmodified

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, 2014**

**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, 2014**

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, 2014**

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, 2014**

<b>Federal Grantor/Pass-Through Agency Grant Program Title</b>	<b>CFDA Number</b>	<b>Other Grantor's Reference</b>	<b>Expenditures</b>	<b>Amount Provided to Subrecipients</b>
<b>U.S. Department of Commerce</b>				
Economic Development Administration				
Economic Development Support for Planning Organizations - Planning Investments and Comprehensive Economic Development Strategies	11.302	08-86-04596	35,089	-
<i>Total U.S. Department of Commerce</i>			35,089	-
<b>U.S. Department of Energy</b>				
Passed-through Oklahoma Department of Commerce				
State Energy Program Clean Cities Program	81.041	15625 SEP 13	40,000	-
<i>Total U.S. Department of Energy</i>			40,000	-
<b>U.S. Environmental Protection Agency</b>				
Office of Water				
Passed-through Oklahoma Office of the Secretary of Environment				
Water Quality Management Planning C6-40000049-0	66.454	11 604(b)	3,891	-
Water Quality Management Planning C6-40000050-0	66.454	12 604(b)	17,525	-
Water Quality Management Planning C6-40000051-0	66.454	13 604(b)	4,149	-
<i>Total U.S. Environmental Protection Agency</i>			25,565	-
<b>U.S. Department of Transportation</b>				
Federal Highway Administration				
Passed-through Oklahoma Department of Transportation				
OCARTS-PL 14 Transportation Study	20.205	J/P 11767(28)	893,661	-
PL Central Oklahoma Commuter Corridors Study EC-1398 Supp #2	20.205	J/P 11767(28)	16,000	-
Congestion Mitigation Air Quality Public Awareness Campaign FY 12	20.205	J/P 17904(09)	19,339	-
Congestion Mitigation Air Quality Public Fleet Conversion FY 11	20.205	J/P 26038(04)	12,595	-

**Association of Central Oklahoma Governments  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014**

<b>Federal Grantor/Pass-Through Agency Grant Program Title</b>	<b>CFDA Number</b>	<b>Other Grantor's Reference</b>	<b>Expenditures</b>	<b>Amount Provided to Subrecipients</b>
Congestion Mitigation Air Quality Public Fleet Conversion FY 12	20.205	J/P 26038(05)	83,741	
Congestion Mitigation Air Quality Rideshare Program FY 12	20.205	J/P 26039(05)	22,423	-
Congestion Mitigation Air Quality Rideshare Program FY 14	20.205	J/P 26039(05)	24,683	-
Central Oklahoma Commuter Corridors Study STP-155E (816) AG State	20.205	J/P 28117(04)	599,828	-
Federal Transit Administration				
Passed-through Oklahoma Department of Transportation				
FTA FY 12 - 13 Technical Study	20.505	J/P 15612(21)	87,423	-
FTA FY 13 - 14 Technical Study	20.505	J/P 15612(22)	200,498	-
Passed-through Central Oklahoma Transportation & Parking Authority				
Jobs Access-Reverse Commute	20.516	OK-37-X044	6,234	-
New Freedom Program	20.521	OK-57-X021	2,911	-
<b>Total U.S. Department of Transportation</b>			<b>1,969,336</b>	<b>-</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 2,069,990</b>	<b>\$ -</b>

*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, 2014

**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.