

Basic Financial Statements,
Supplemental Information and Independent
Auditors' Reports for the Year Ended
June 30, 2011, Independent Auditors' Reports
Issued Under OMB Circular A-133, and
Supplemental Schedule of Expenditures of
Federal Awards for the Year Ended June 30, 2011

**ASSOCIATION OF CENTRAL
OKLAHOMA GOVERNMENTS**

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OKLAHOMA GOVERNMENTS**

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Supplemental Schedule of Expenditures of
Federal Awards for the Year Ended June 30, 2011**

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

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, 2011, which collectively comprise the ACOG's basic financial statements as listed in the table of contents. These financial statements are the responsibility of ACOG's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of ACOG as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2011, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management

Walter J. ...
Edmond, Oklahoma
October 14, 2011

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 of ACOG. 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 financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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.



association of central oklahoma governments

Chair Willa Johnson
Oklahoma County Commissioner
Vice-Chair Kathy McMillan
Moore Councilmember
Secretary/Treasurer Elizabeth Waner
Edmond Councilmember
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, 2011. 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.

ACOG implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

Financial Highlights

Government-wide:

- The assets of ACOG exceeded its liabilities at the close of the most recent fiscal year by \$1,367,456 (*net assets*). Of this amount, \$1,010,436 (*unrestricted net assets*) may be used to meet ACOG's ongoing obligations to the member local governments and creditors.
- ACOG's total net assets increased by \$137,646. This increase is primarily due to controlling expenses during a difficult budget year.

Fund Level:

GASB Statement No. 54 provides new fund balance classifications for governmental funds. The previous reserved and unreserved classifications, as well as the designated and undesignated sub classifications, have been replaced with nonspendable, restricted, assigned and unassigned balances. Additional information on ACOG's fund balances can be found in the notes to the financial statements on pages 21 - 32 of this report.

- At the close of the current fiscal year, ACOG's governmental funds reported combined ending fund balances of \$1,356,004, an increase of \$100,513 in comparison with the prior year. Approximately 80.9 percent of this amount, \$1,096,723 is available for spending at ACOG's discretion (*combined assigned and unassigned fund balances*) although the ACOG Board of Directors has assigned

- At the end of the fiscal year, the unrestricted fund balance, including the assigned and unassigned balances, of the general fund was \$1,072,267 or 16.6 percent of total governmental fund expenditures while the unassigned fund balance was \$981,450, or 15.2 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) 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 assets* presents information on all of ACOG's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of ACOG is improving or deteriorating.

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

Both of the government-wide financial statements include functions of 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 12 - 13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. 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, government 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 government fund balance sheet and the government 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 14 - 18 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 19 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 21 - 32 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 34 – 39 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of ACOG, assets exceeded liabilities by \$1,367,456 at June 30, 2011, as compared with assets exceeding liabilities by \$1,229,810 at June 30, 2010. A portion (7.1 percent) of ACOG's net assets reflect 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 Assets compared to the prior year as restated.

Association of Central Oklahoma Governments' Net Assets

	Governmental Activities		
	As Restated	2011	2010
	2010		Change
			Percentage
			Total
Current and other assets	\$ 2,401,413	\$ 2,507,520	-20.5%
Capital assets	106,107	80,941	31.1%
Total assets	2,507,520	3,102,002	-19.2%
Long-term debt outstanding	8,368	14,024	-40.3%
Other liabilities	1,131,696	1,858,168	-39.1%
Total liabilities	1,140,064	1,872,192	-39.1%
Net assets			
Invested in capital assets,			
net of related debt	97,739	66,917	46.1%
Restricted	259,281	272,364	-4.8%
Unrestricted	1,010,436	890,529	13.5%
Total net assets	\$ 1,367,456	\$ 1,229,810	11.2%

2010 net assets have been restated to comply with the effect of the adoption of GASB Statement No. 54.

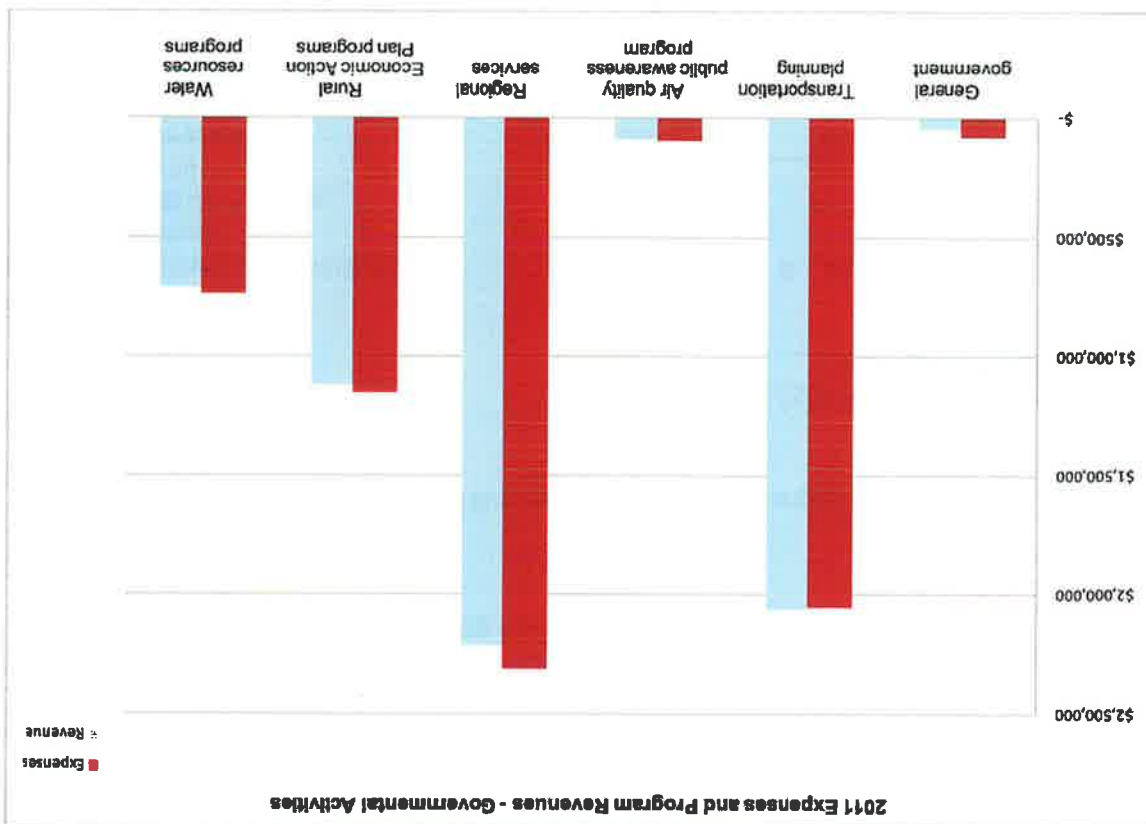
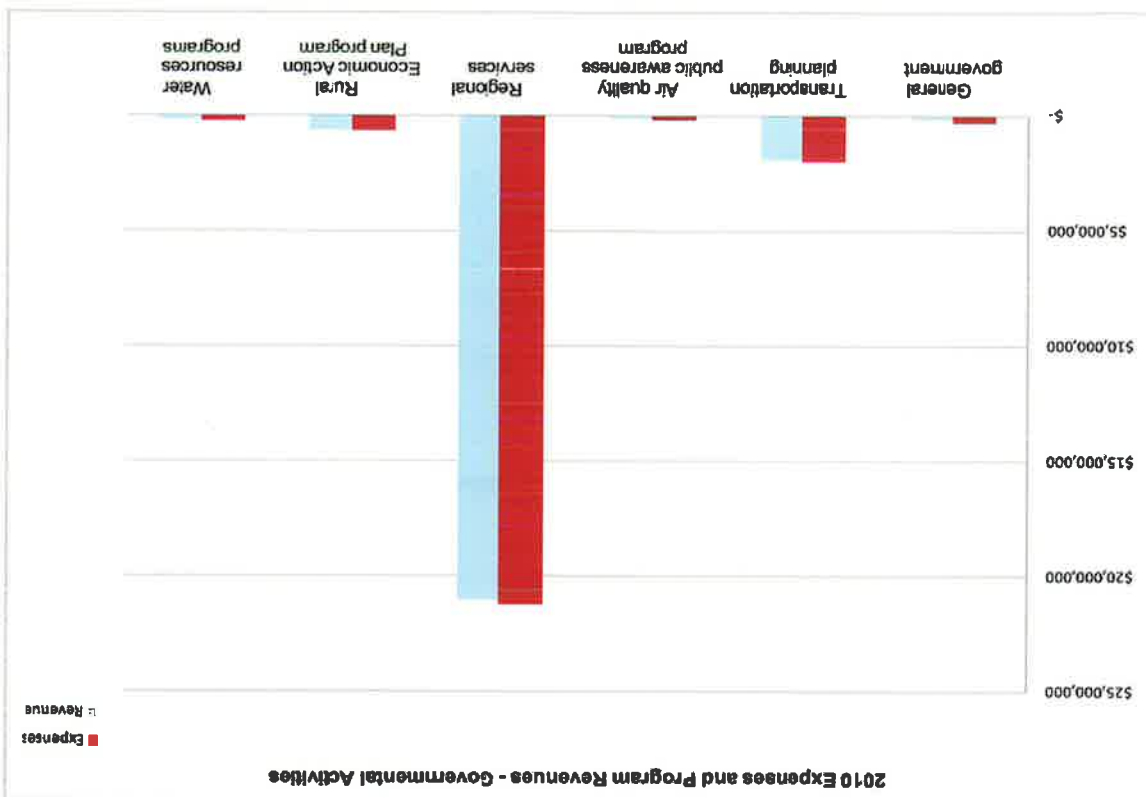
An additional portion of ACOG's net assets (19.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$1,010,436) may be used to meet ACOG's ongoing obligations.

At the end of the current fiscal year, ACOG is able to report a positive balance in all categories of net assets. The same situation held true for the prior fiscal year. ACOG's total net assets, all from governmental activities, increased by \$137,646 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 Assets

	Governmental Activities		Total
	2011	2010	Percentage Change
Revenues			
Program revenues			
Operating grants and contributions	\$ 6,252,342	\$ 24,054,738	-74.0%
General revenues			
Membership dues - basic	289,612	288,630	0.3%
Other income	4,685	1,849	153.4%
Total revenues	6,546,639	24,345,217	-73.1%
Expenses			
General government			
Transportation planning	2,052,516	1,918,120	7.0%
Air quality public awareness program	90,293	109,362	-17.4%
Regional services	2,310,813	21,199,352	-89.1%
Rural Economic Action Plan programs	1,148,820	625,024	83.8%
Water resources programs	731,866	175,588	316.8%
Total expenses	6,408,993	24,245,151	-73.6%
Increase (decrease) in net assets	\$ 137,646	\$ 100,066	37.6%
Prior Period Adjustment	-	-	N/A
Net Assets, July 1	1,229,810	1,129,744	8.9%
Net Assets, June 30	\$ 1,367,456	\$ 1,229,810	11.2%

The \$137,646 increase in net assets is primarily due to controlling expenses during a difficult budget year.



The fund balance of ACOG's general fund increased by \$107,038 during the current fiscal year. This increase is primarily due to controlling expenses during a difficult budget year.

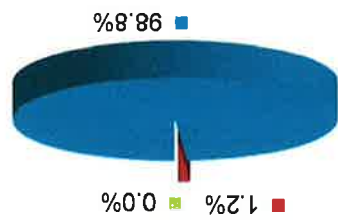
As of the end of the current fiscal year, ACOG's governmental funds reported combined ending fund balances of \$1,356,004, a net increase of \$100,513 in comparison with the prior year. Approximately 72.3 percent of this total amount (\$980,521) constitutes *unassigned fund balance*, which is available for spending at ACOG's discretion. Approximately 8.6 percent (\$116,202) has been *assigned*. *Assignments* reflect the ACOG Board of Directors' self-imposed limitations on the use of otherwise available current financial resources and are subject to change. \$90,817 has been *assigned* for future office expenditures, \$10,063 for intergovernmental services programs expenditures and \$15,322 for Water resources program expenditures. The remainder of fund balance is not available for new spending because approximately 12.9 percent (\$175,100) is *restricted* per grant and contractual agreements while approximately 6.2 percent (\$84,181) is *unspendable* because it consists of prepaid items.

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

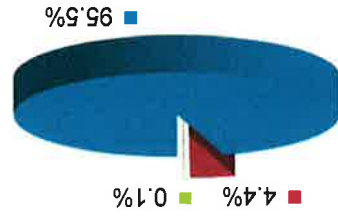
Financial Analysis of the Government's Funds

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



2010 Revenues by Source - Governmental Activities

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



2011 Revenues by Source - Governmental Activities

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

- ACOG scrapped its fully depreciated phone system and purchased a new phone system for \$31,999.
- ACOG purchased a GPS system for \$33,800 with CIP grant funds.

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

Capital assets. ACOG's investment in capital assets for its governmental type activities as of June 30, 2011, amounts to \$106,107 (net of accumulated depreciation). This investment in capital assets includes computers and software, leased equipment, and equipment. The total increase in ACOG's investment in capital assets for the current fiscal year was \$25,166 or 31.1 percent.

Capital Asset and Long-Term Debt Administration

- Membership dues – basic were \$48,239 more than budgeted. This positive variance was due to more of ACOG's reduced costs actually being covered by grants and other contributions.
- Contract revenue was \$174,813 less than budgeted and other expenditures were \$180,066 less than budgeted primarily due to the COAGA project progressing slower than anticipated.
- Other revenues were \$3,023 more than budgeted due to ACOG subleasing some of its office space to the Oklahoma Association of Regional Councils (OARC) but there were also \$164 of unbudgeted personnel costs for IT assistance provided to OARC.
- Travel expenditures were \$6,008 less than budgeted due to ACOG's success in controlling expenditures during the year.
- Contractual expenditures were \$11,917 less than budgeted due to having fewer public relations and Board of Directors' issues than projected.
- Capital outlay expenditures were \$8,001 less than budgeted due to the procurement of a new telephone system coming in under budget and the deferral of the procurement of an electronic messaging board.

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, 2011. The differences between the budget and the actual amounts are due to timing differences with the Central Oklahoma Alliance of Government Agencies (COAGA) project and to ACOG maintaining a fiscally conservative budget while benefiting from reduced costs. The major differences can be summarized as follows:

General Fund Budgetary Highlights

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

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

	Governmental Activities		
	2011	2010	Percentage Change
Computers and software	\$ 27,158	\$ 49,847	-45.5%
Leased equipment	11,391	14,895	-23.5%
Equipment	67,558	16,199	317.1%
Total	\$ 106,107	\$ 80,941	31.1%

Additional information on ACOG's capital assets can be found in Note II.C. on pages 27 - 28 of this report.

Long-term debt. ACOG's only debt is the \$8,368 balance due on a capital lease that financed the acquisition of a copier. ACOG's long-term capital lease balance decreased 40.3% percent during the current fiscal.

Association of Central Oklahoma Governments' Outstanding Debt

	Governmental Activities		
	2011	2010	Percentage Change
Capital lease	\$ 8,368	\$ 14,024	-40.3%
Total			

Economic Factors and Next Year's Budget

The ACOG approved fiscal year 2012 budget does reflect the effects of the national economic recession on both the State of Oklahoma and ACOG's member entities. State funding was reduced even more than it had been for fiscal year 2011. ACOG prepared a fiscally conservative budget and made adjustments to cut costs as much as possible. Member dues were not increased for fiscal year 2011 but in order to match grants, cover costs and maintain an adequate fund balance, it was necessary to increase total member dues by 3.2% for fiscal year 2012. Adjustments were made to each dues category to more closely match the related expenditures so basic member dues actually decreased while both water and transportation dues increased.

Requests for Information

This financial report is designed to provide a general overview of ACOG's finances for all those with an interest in ACOG's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Director of Finance, Association of Central Oklahoma Governments, 21 E. Main Street, Suite 100, Oklahoma City, OK 73104-2405.

Association of Central Oklahoma Governments
Statement of Net Assets
June 30, 2011

Total Primary Government	
Governmental	
Activities	
\$ 1,142,274	ASSETS
	Cash and cash equivalents
	Receivables
	Investments
	Prepaid items
	Capital assets:
	Equipment, furnishings & fixtures
	Accumulated depreciation & amortization
	Total capital assets
	Total assets
(178,312)	LIABILITIES
	Accounts payable and other current liabilities
	Deferred revenue
	Compensated absences due within one year
	Long-term capital lease
	Due within one year
	Due in more than one year
	Total liabilities
1,010,436	NET ASSETS
	Invested in capital assets, net of related debt
	Restricted for:
	General government
	Transportation planning
	Regional services
	Rural Economic Action Plan programs
	Water resources programs
	Unrestricted
\$ 1,367,456	Total net assets

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, 2011**

<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Operating Program Revenue</u>	<u>Expenses</u>	<u>Functions/Programs</u>
<u>Total Primary Governmental Governmental Activities</u>	<u>Contributions</u>	<u>Expenses</u>	<u>Primary government Governmental activities: General government</u>
(27,573)	47,112	74,685	Transportation planning
10,914	2,063,430	2,052,516	Air quality public awareness program
(0)	90,293	90,293	Regional services
(97,996)	2,212,817	2,310,813	Rural Economic Action Plan programs
(25,065)	1,123,755	1,148,820	Water resources programs
(16,931)	714,935	731,866	Total primary government
<u>(156,651)</u>	<u>6,252,342</u>	<u>6,408,993</u>	
289,612			General revenues:
4,685			Membership dues - basic
294,297			Other income
137,646			Total general revenues
1,229,810			Change in net assets
-			Net assets - beginning
1,229,810			Prior period adjustment
\$ 1,367,456			Net assets - beginning as adjusted
			Net assets - ending

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

**Association of Central Oklahoma Governments
 Balance Sheet
 Governmental Funds
 June 30, 2011**

Intergovernmental Services			
General		Transportation	
ASSETS			
Cash and cash equivalents	\$ 252,136	\$ 54,965	\$ 796,034
Investments	0	-	99,949
Receivables	25,312	808,507	27,507
Due from other funds	859,913	-	-
Prepaid items	58,631	13,717	2,200
Total assets	<u>\$ 1,195,992</u>	<u>\$ 877,189</u>	<u>\$ 925,690</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 65,094	\$ 205,560	\$ 47,602
Due to other funds	-	618,151	26,243
Deferred revenue	-	40,690	675,298
Total liabilities	<u>65,094</u>	<u>864,401</u>	<u>749,143</u>
Fund Balances:			
Nonspendable	58,631	13,717	2,200
Restricted	-	-	164,284
Assigned	90,817	-	10,063
Unassigned	981,450	(929)	-
Total fund balances	<u>1,130,898</u>	<u>12,788</u>	<u>176,547</u>
Total liabilities and fund balances	<u>\$ 1,195,992</u>	<u>\$ 877,189</u>	<u>\$ 925,690</u>

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

E9-1-1 & Public Safety		Water Resources		Total Governmental Funds	
\$ 23,397	\$ 15,742	\$ 1,142,274	\$ 99,949	\$ 1,142,274	\$ 1,142,274
192,158	21,525	1,075,009	859,913	1,075,009	1,075,009
-	-	84,181	84,181	84,181	84,181
9,242	391	329,421	329,421	329,421	329,421
\$ 5,679	\$ 5,486	\$ 329,421	\$ 329,421	\$ 329,421	\$ 329,421
199,060	16,459	859,913	859,913	859,913	859,913
-	-	715,988	715,988	715,988	715,988
204,739	21,945	1,905,322	1,905,322	1,905,322	1,905,322
9,242	391	84,181	84,181	84,181	84,181
10,816	-	175,100	175,100	175,100	175,100
-	15,322	116,202	116,202	116,202	116,202
20,058	15,713	980,521	980,521	980,521	980,521
\$ 224,797	\$ 37,658	1,356,004	1,356,004	1,356,004	1,356,004
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>					
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>					
<p>Compensated absences of governmental activities are not financial resources and therefore are not reported in the funds.</p>					
<p>Deferred revenue reported as a liability in the funds because it is unavailable is not a liability in the statement of net assets.</p>					
<p>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.</p>					
<p>Net assets of governmental activities</p>					
(8,368)					\$ 1,367,456

**Association of Central Oklahoma Governments
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011**

Intergovernmental		General	Transportation	Services
REVENUES				
Federal grants	-	\$ 1,795,632	\$ 41,128	\$ 1,178,508
State appropriations	-	-	-	-
Contract revenue	47,112	-	-	-
Membership dues - transportation	-	102,423	-	-
Membership dues - water resources	-	-	-	-
Membership dues - basic	168,157	-	-	111,227
In-kind matching contributions	-	269,051	-	-
Other	4,685	254,778	-	131,589
Total revenues	219,954	2,421,884	-	1,462,452
EXPENDITURES				
Current:				
General government	74,685	-	-	-
Transportation planning	-	2,052,516	-	-
Air quality public awareness program	-	90,293	-	-
Regional services	-	268,162	-	294,710
Rural Economic Action Plan programs	-	-	-	1,148,820
Water resources programs	-	-	-	-
Capital outlay	31,999	-	-	33,800
Debt service	5,656	-	-	-
Total expenditures	112,340	2,410,971	-	1,477,329
Excess (deficiency) of revenues over expenditures	107,614	10,913	-	(14,877)
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Contributions to indirect cost	(576)	-	-	-
Total other financing sources & uses	107,038	10,913	-	(14,877)
Net change in fund balances	1,023,860	1,875	-	191,424
Fund balances-beginning	\$ 1,130,898	\$ 12,788	\$ -	\$ 176,547
Fund balances-ending	\$ 1,130,898	\$ 12,788	\$ -	\$ 176,547

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

E9-1-1 & Public Safety	Water Resources	Total Governmental Funds
\$ 634,274	\$ 18,403	\$ 2,489,437
-	-	1,178,508
1,100,993	568,154	1,716,259
-	-	102,423
-	128,378	128,378
-	10,228	289,612
-	-	269,051
1,060	-	392,112
1,736,327	725,163	6,565,780
-	-	74,685
-	-	2,052,516
-	-	90,293
1,738,888	-	2,301,759
-	-	1,148,820
-	725,163	725,163
-	-	65,799
-	-	5,656
1,738,888	725,163	6,464,691
(2,561)	-	101,089
-	-	-
-	-	-
-	-	-
-	-	(576)
(2,561)	-	(576)
22,619	15,713	1,255,491
\$ 20,058	\$ 15,713	\$ 1,356,004

**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, 2011**

Net change in fund balances - total governmental funds \$ 100,513

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 (\$65,799) exceeded depreciation (\$40,633) in the current period. 25,166

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 in the governmental funds. Deferred revenues decreased by this amount this year: (19,141)

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 assets but does not result in an expense in the statement of activities. 5,656

The decrease in compensated absences does not provide current financial resources and therefore is not reported in governmental funds. 25,452

Change in net assets of governmental activities \$ 137,646

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

Association of Central Oklahoma Governments
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

Agency Fund	
\$ 401,442	ASSETS
331,562	Cash and cash equivalents
\$ 733,004	Receivables
	Total assets
	LIABILITIES
	Due to other government entities
	Total liabilities
\$ 733,004	\$ 733,004

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

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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 34 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 assets 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 program 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.

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 Planning and Data 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 Oklahoma Department of Commerce, and local governmental entities. Other revenue sources include membership dues and other miscellaneous sources.

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 grants from the Oklahoma State Department of Homeland Security, 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, and net assets or equity

1. Deposits and investments

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.

ACOG's investments consist of one U.S. Treasury obligation, which is reported at fair value.

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).

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 assets in progress, 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.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</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</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

accrued when incurred in the government-wide financial statements. At June 30, 2011, ACOG had recorded a liability for accrued vacation of \$89,641.

6. Long-term obligations

In the government-wide financial statements, the long-term capital lease is reported as a liability in the governmental activities statement of net assets.

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

7. Fund balance

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

Beginning fund balances for ACOG's governmental funds have been restated to reflect the above classifications.

ACOG does not have a formal minimum fund balance policy.

ACOG would normally use Restricted fund balances first and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

8. *Net assets*

In the governmental financial statements, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by grantors, creditors, or laws or regulations of other governments. Although it has no formal policy, ACOG normally applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

II. Detailed notes on all funds

A. Deposits and investments

At year-end, ACOG's carrying amount of deposits, excluding the agency fund, was \$1,142,274 and the bank balance was \$1,436,463. Of the bank balance, all \$1,436,463 was fully covered by federal depository insurance. 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, 2011, none of ACOG's bank balance was exposed to custodial credit risk since all was insured.

Both the carrying amount of deposits and the bank balance for ACOG's agency fund were \$401,442. Of the balance, \$250,000 was covered by federal depository insurance and \$151,442 was more than fully collateralized by U.S. Treasury Notes with a current market value of \$188,464. JPMorgan Chase Bank, NA, pledged this amount to ACOG and the collateral securities are held at the Federal Reserve Bank of New York.

ACOG's investments of \$99,949 consist solely of one Treasury bill in a Legacy Treasury Direct account.

B. Receivables and deferred revenue

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

Association of Central Oklahoma Governments
Notes to the Financial Statements
June 30, 2011

Receivables:	Wireless	Grants and	Contracts	Employees	Other	Total
General fund	\$ -	\$ -	\$ 9,054	\$ 16,258	\$ -	\$ 25,312
Transportation	-	808,507	-	-	-	808,507
Intergovernmental services	-	27,507	-	-	-	27,507
E9-1-1 & public safety	-	192,158	-	-	-	192,158
Water resources	-	21,525	-	-	-	21,525
Agency fund	331,562	-	-	-	-	331,562
Total	\$ 331,562	\$ 1,049,697	\$ 9,054	\$ 16,258	\$ -	\$ 1,406,571

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

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Rural Economic Action Plan (REAP)	\$ -	\$ 661,544
Air quality project	-	34,286
Clean Cities projects	-	6,484
Rideshare project	-	6,404
EDA CEDS project	-	3,872
CIP projects	3,163	-
CDBG\REAP projects	191	-
Change a Light project	-	44
Total	\$ 3,354	\$ 712,634

C. Capital assets

Capital asset activity for the year ended June 30, 2011 was as follows:

Association of Central Oklahoma Governments
Notes to the Financial Statements
June 30, 2011

Ending Balance	Decreases	Increases	Beginning Balance	Governmental activities: Capital assets, being depreciated or amortized:
\$128,603	\$(8,159)	\$ -	\$136,762	Computers and software
17,523	-	-	17,523	Leased equipment
138,293	(23,244)	65,799	95,738	Equipment
284,419	(31,403)	65,799	250,023	Total capital assets being depreciated/amortized:
(101,445)	8,159	(22,689)	(86,915)	Less accumulated depreciation or amortization for:
(6,132)	-	(3,504)	(2,628)	Computers and software
(70,735)	23,244	(14,440)	(79,539)	Leased equipment
(178,312)	31,403	(40,633)	(169,082)	Equipment
106,107	-	25,166	80,941	Total accumulated depreciation or amortization
106,107	-	25,166	80,941	Total capital assets, net of depreciation/amortization
\$106,107	\$ -	\$25,166	\$80,941	Governmental activities capital assets, net

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

\$ 2	General government
11,423	Transportation planning
106	Air quality public awareness program
20,651	Regional services
369	Rural Economic Action Plan program
8,082	Water resources programs
<u>\$40,633</u>	Total depreciation/amortization expense

D. Intertund receivables, payables and transfers

The composition of interfund balances as of June 30, 2011, is as follows:

Due to/from other funds:

	Interfund	Receivables	
Interfund	Payables	\$ 859,913	\$ -
Special revenue funds	Due from special revenue funds		
Due to general fund from:			
Transportation	-	-	618,151
Intergovernmental services	-	-	26,243
E9-1-1 & public safety	-	-	199,060
Water resources	-	-	16,459
Total	\$ 859,913	\$ 859,913	\$ 859,913

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, 2011.

E. Leases

Operating Lease

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

The total cost for this lease was \$161,820 for the year ended June 30, 2011. The future minimum lease payments for this lease are as follows:

	Year Ending June 30
Amount	2012
\$ 160,200	2013
160,200	2014
160,200	2015
160,200	2016
13,350	Total
<u>\$ 654,150</u>	

Capital Leases

ACOG has entered into a lease agreement as lessee for financing the acquisition of a copier. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. Total interest expense for the year was \$1,027 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 capital lease and the present value of the net minimum lease payments as of June 30, 2011:

	<u>Year Ending June 30</u>				
	2012				
	2013				
		Total minimum lease payments		8,909	
		Less: amount representing interest		(541)	
		Present value of minimum lease payments		<u>\$ 8,368</u>	

F. Long-term liabilities

ACOG's only long-term liability is the copier capital lease. Activity for the year ended June 30, 2011, was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Due Within</u>
Capital lease	\$ 14,024	\$ -	\$ (5,656)	\$ 8,368	\$ 6,182
	<u>Balance</u>		<u>One Year</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, 2011, are as follows:

Association of Central Oklahoma Governments
Notes to the Financial Statements
June 30, 2011

Fund balances:	General Fund	Transportation	Intergovernmental Services	Public Safety	Water Resources	Total
Nonspendable						
Repairs	\$ 58,631	\$ 13,717	\$ 2,200	\$ 9,242	\$ 391	\$ 84,181
Restricted for:						
REAP program	-	-	78,474	-	-	78,474
Clean Cities program	-	-	85,810	-	-	85,810
9-1-1 ACOG contract admin	-	-	-	10,816	-	10,816
Assigned to:						
Future office expenditures	90,817	-	-	-	-	90,817
CIP program	-	-	10,063	-	-	10,063
Water resources programs	-	-	-	-	15,322	15,322
Unassigned	981,450	(929)	-	-	-	980,521
Total	\$1,130,898	\$ 12,788	\$ 176,547	\$ 20,058	\$ 15,713	\$1,356,004

III. Other information

A. Risk management

ACOG is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters. ACOG carries commercial insurance coverage to include general liability, property and casualty, workers' compensation, automobile liability, fidelity, public officials' liability and certain other risks. There have been no significant reductions in insurance coverage. ACOG does retain the first \$500 - \$2,500, depending on the policy, of each risk of loss in the form of deductibles. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Allocation of employee benefits and indirect costs

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

allocated employee benefits. For the fiscal year ended June 30, 2011, ACOG's final employee benefits rate was 39.41% and final indirect cost rate was 50.96%.

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, 2011, amounting to \$1,055,234 of which \$162,105 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.

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, 2011, eighteen 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, 2011, follows:

				Participating employees	
				ACOG	
			\$	41,644	
			\$	59,491	
				<u>Contribution</u>	
				Required	
				<u>Contribution</u>	
				Actual	
			\$	59,491	69,689
				<u>Contribution</u>	

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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 was done in May of 2011. 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, 2011**

Indirect salaries	338,352	
Employee benefits	133,359	
Indirect personnel costs	471,711	
Office space	161,820	
Repairs and maintenance	71,561	
Supplies	44,190	
Telephone and internet	29,490	
Accounting services	25,714	
Depreciation	21,373	
Insurance	10,994	
Legal services	10,455	
Equipment and furniture	8,376	
Professional dues	5,523	
Development and recruiting	3,585	
Printing	3,080	
Travel	2,088	
Publications and subscriptions	1,726	
Contractual	1,562	
Postage	735	
Equipment rental	564	
Indirect costs	874,546	
Revenue from Oklahoma Association of Regional Councils	(1,350)	
Net indirect costs (A)	\$ 873,196	
BASIS FOR ALLOCATION OF INDIRECT COSTS:		
Direct salaries	1,229,135	
Direct employee benefits	484,454	
Total direct personnel costs (B)	\$ 1,713,589	
INDIRECT COST RATE (A DIVIDED BY B)	50.96%	

**Association of Central Oklahoma Governments
Schedule of Employee Benefits
For the Year Ended June 30, 2011**

BENEFIT PROGRAMS:

Group health insurance	152,525	\$
FICA taxes	105,581	
Annual leave	93,129	
Sick leave	90,043	
Holidays	67,129	
Retirement fund contribution	58,924	
Medicare taxes	25,210	
Workers' compensation insurance	10,881	
Retirement fund administration	7,000	
Unemployment insurance	5,840	
Section 125 plan administration	1,153	
Jury duty leave	397	
Total benefits (A)	617,812	\$

BASIS FOR ALLOCATION OF BENEFITS:

Gross salaries (B)

\$ 1,567,487

EMPLOYEE BENEFIT RATE (A DIVIDED BY B)

39.41%

Association of Central Oklahoma Governments
Schedule of Direct State of Oklahoma Financial Assistance
For the Year Ended June 30, 2011

State Grantor/ Program Title	Contract Period	Contract Amount	Cash/ Accrued or (Deferred) Revenue at July 1, 2010	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash/ Accrued or (Deferred) Revenue at June 30, 2011
Oklahoma Department of Commerce						
State Appropriated Funds for Substate						
Planning Districts						
14334 SS 11	07/01/10-06/30/11	36,364	-	36,364	36,364	-
State Appropriated Funds/Capital						
Improvements Plan						
13828 CIP 10	07/01/09-12/31/10	29,187	-	29,187	29,187	-
42 REAP Funds and Interest Earned						
REAP Administration						
	Various	Various	46,199	31,025	34,943	42,281
REAP Transportation						
	Various	Various	456,103	380,377	643,514	192,966
REAP Economic Development						
	Various	Various	178,486	253,529	417,490	14,525
REAP Projects						
	Various	Various	-	537,448	-	537,448
Total Direct State of Oklahoma Financial Assistance			\$ 680,788	\$ 1,267,930	\$ 1,161,498	\$ 787,220

**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 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, 2011, which collectively comprise the ACOG's basic financial statements and have issued our report thereon dated October 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ACOG's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ACOG's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the ACOG's internal control over financial reporting. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of ACOG's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

October 14/2011
Edmond, Oklahoma
Walter J. ...

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

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

Compliance

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 each of ACOG's major federal programs for the year ended June 30, 2011. ACOG's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of ACOG's management. Our responsibility is to express an opinion on ACOG's compliance based on our audit.

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. Our audit does not provide a legal determination on ACOG's compliance with those requirements.

In our opinion, ACOG complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of ACOG is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered ACOG's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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

Edmond, Oklahoma
October 14, 2011



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

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, 2011, and have issued our report thereon dated October 14, 2011, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ACOG's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Schedule of Expenditures of Federal Awards

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

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.

effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ACOG's internal control over compliance.

ASSOCIATION OF CENTRAL OKLAHOMA GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes

Significant deficiency(ies) identified? yes

not considered to be material weakness(es)? yes

Noncompliance material to financial statements noted? yes

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes

Significant deficiency(ies) identified? yes

not considered to be material weakness(es)? yes

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

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

Identification of major programs: yes

CFDA Number

Federal Program or Cluster

20.205
20.505

Federal Highway Planning and Construction
Metropolitan Transportation Planning

Dollar threshold used to distinguish between Type A and Type B programs: 300,000

Auditee qualified as low-risk auditee? yes

no

ASSOCIATION OF CENTRAL OKLAHOMA GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

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, 2011**

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, 2011**

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, 2011

Federal Grantor/Pass-Through Agency Grant Program Title	CFDA Number	Other Grantor's Reference	Expenditures	Amount Provided to Subrecipients
U.S. Department of Commerce				
Economic Development Administration				
Economic Development Support for Planning Organizations - Planning				
Investments and Comprehensive Economic Development Strategies				
	11.302	08-86-04596	1,128	-
<i>Total U.S. Department of Commerce</i>				
			1,128	-
U.S. Department of Energy				
Passed-through Oklahoma Department of Commerce				
State Energy Program Clean Cities Program				
	81.041	14273 SEP 10	40,000	-
<i>Total U.S. Department of Energy</i>				
			40,000	-
U.S. Environmental Protection Agency				
Office of Water				
Passed-through Oklahoma Office of the Secretary of Environment				
Water Quality Management Planning C6-40000047-1				
	66.454	07/08 604(b)	8,684	-
Water Quality Management Planning C6-40000048-2				
	66.454	09/10 604(b)	9,719	-
<i>Total U.S. Environmental Protection Agency</i>				
			18,403	-
U.S. Department of Homeland Security				
Passed-through State of Oklahoma Office of Homeland Security				
Oklahoma State Homeland Security Grant Program				
Urban Area Security Initiative (Local Portion)				
	97.067	OK - #90.001	21,885	-
Urban Area Security Initiative (Local Portion)				
	97.067	OK - #114.001	287,387	-
Urban Area Security Initiative (Local Portion)				
	97.067	OK - #131.000	325,002	-

**Association of Central Oklahoma Governments
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011**

Federal Grantor/Pass-Through Agency Grant Program Title	CFDA Number	Other Grantor's Reference	Expenditures	Amount Provided to Subrecipients
<i>Total U.S. Department of Homeland Security</i>				
U.S. Department of Transportation				
Federal Highway Administration				
Passed-through Oklahoma Department of Transportation				
OCARTS-PL 11 Transportation Study	20.205	J/P 11767(25)	1,154,661	-
Congestion Mitigation Air Quality Public Awareness Campaign FY 10	20.205	J/P 17904(08)	72,234	-
Congestion Mitigation Air Quality Public Fleet Conversion FY 09	20.205	J/P 26038(04)	179,793	-
Congestion Mitigation Air Quality Rideshare Program FY 09	20.205	J/P 26039(04)	9,337	-
Congestion Mitigation Air Quality Rideshare Program FY 10	20.205	J/P 26039(04)	34,083	-
25				
Federal Transit Administration				
Passed-through Oklahoma Department of Transportation				
FTA FY 09 - 10 Technical Study	20.505	J/P 15612(17)	65,244	-
FTA FY 10 - 11 Technical Study	20.505	J/P 15612(18)	252,060	-
Passed-through Central Oklahoma Transportation & Parking Authority				
Jobs Access-Reverse Commute	20.516		19,959	-
New Freedom Program	20.521		8,261	-
<i>Total U.S. Department of Transportation</i>				
			1,795,632	-
Total Expenditures of Federal Awards			\$ 2,489,437	\$ -

See notes to schedule of expenditures of federal awards.

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.

**ASSOCIATION OF CENTRAL
OKLAHOMA GOVERNMENTS
AUDIT COMMUNICATION LETTER
For the Year Ended June 30, 2011**

STATE OF OKLAHOMA

OCT 31 2011

FILED

October 14, 2011

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

We have audited the financial statements of the Association of Central Oklahoma Governments ("ACOG") for the year ended June 30, 2011 and have issued our report thereon dated October 14, 2011.

Our professional standards require that we communicate with you concerning certain matters that may be of interest to you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of ACOG is responsible. Our comments to assist the Board of Directors in fulfilling that obligation are presented in Exhibit I.

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

We will be pleased to discuss these comments with you further at your convenience.

Sincerely,

Arledge & Associates, P.C.
Arledge & Associates, P.C.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated May 24, 2011, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered ACOG's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purposes of expressing our opinion on compliance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether ACOG's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about ACOG's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purposes of expressing an opinion on ACOG's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on ACOG's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated May 24, 2011.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management has the responsibility for the selection and use of appropriate accounting policies. The significant accounting policies used by ACOG are described in Note 1 to the financial statements. As described in Note 1, D, 7 to the financial statements, ACOG changed accounting policies related to fund balance category and governmental fund classification by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Governmental Fund Balance Sheet. We noted no transactions entered into by the ACOG during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting ACOG's financial statements was the estimated useful lives of fixed assets.

REQUIRED COMMUNICATIONS (CONT'D)

Significant Accounting Policies (Cont'd)

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was the classification of fund balances.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no known or likely misstatements (adjustments) identified during the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 14, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to ACOG's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the ACOG's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Services Provided

During the 2011 fiscal year, Arledge & Associates, P.C. performed no other services for ACOG.

