

Independent Auditor's Report

McClain County 911 Trust Authority

McClain County Oklahoma

Year Ending June 30, 2014

McCLAIN COUNTY 911 TRUST AUTHORITY
McClain County, Oklahoma
June 30, 2014

TABLE OF CONTENTS

BASIC FINANCIAL STATEMENTS

Independent Auditor's Report	A - 1
Statement of Net Assets – Modified Cash Basis	B - 1
Statement of Revenue, Expenses and Changes in Net Assets – Modified Cash Basis	C - 1
Statement of Cash Flows – Modified Cash Basis	D - 1
Notes to Financial Statements	E - 1

REPORT ON INTERNAL CONTROL AND COMPLIANCE

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 <i>Government Auditing Standards</i>	F - 1
Schedule of Findings and Responses	G - 1



INDEPENDENT AUDITOR'S REPORT

To the Trustees of
McClain County 911 Trust Authority
Purcell, Oklahoma 73080

Trustees:

We have audited the accompanying modified cash basis financial statements of the McClain County 911 Trust Authority, McClain County, Oklahoma, a component unit of McClain County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority'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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for 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 an opinion 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 the 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 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 Authority'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 Authority'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

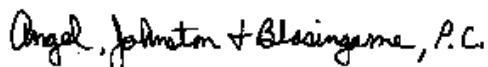
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the McClain County 911 Trust Authority as of June 30, 2014, and the respective changes in financial position-modified cash basis and cash flows-modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated, October 8, 2014, on our consideration of the Authority'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 the Authority's internal control over financial reporting and compliance.



Angel, Johnston & Blasingame, P.C.
Chickasha, Oklahoma
October 8, 2014

McCLAIN COUNTY 911 TRUST AUTHORITY
STATEMENT OF NET POSITION
MODIFIED-CASH BASIS
For the Year Ended June 30, 2014

ASSETS

Current Assets

Cash and cash equivalents	\$ <u>282,926</u>
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<i>Total Current Assets</i>	\$ <u>282,926</u>
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Noncurrent Assets

Capital Assets (net of accumulated depreciation)	<u>104,603</u>
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<i>Total Noncurrent Assets</i>	\$ <u>104,603</u>
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<i>Total Assets</i>	\$ <u><u>387,529</u></u>
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LIABILITIES

Current Liabilities	<u>0</u>
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<i>Total Current Liabilities</i>	\$ <u>0</u>
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Noncurrent Liabilities	<u>0</u>
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<i>Total Noncurrent Liabilities</i>	\$ <u>0</u>
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<i>Total Liabilities</i>	\$ <u><u>0</u></u>
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NET POSITION

Net Investment in Capital Assets	104,603
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Restricted	0
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Unrestricted	<u>282,926</u>
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<i>Total Net Position</i>	\$ <u><u>387,529</u></u>
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The accompanying notes are an integral part of the financial statements.

McCLAIN COUNTY 911 TRUST AUTHORITY
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
For the Year Ended June 30, 2014

Operating Revenues:

Wireline 911 service fees	\$ 43,000
Wireless 911 service fees	190,247
Wireless 911 Pre-Paid	25,264
Agency Usage fees	25,653
VOIP User fees	275
Map/Audio tape reimbursements	101
Other Miscellaneous	273
Total Operating Revenue	<u>284,812</u>

Operating Expenses:

Salaries	154,869
911 Network Database	45,893
Equipment Maintenance	54,113
Professional Fees	13,883
Agency Dispatch Fees	25,653
Utilities	2,849
Insurance	8,459
Dues/Memberships	137
Office Supplies	888
Street Signs	460
Training Costs	0
Vehicle Fuel/Maintenance	4,082
Bank Fees	28
Travel	39
Promotion/Education	90
Miscellaneous	815
Depreciation	<u>42,403</u>

Total Operating Expenses	\$ <u>354,659</u>
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Net Operating Income (Loss)	\$ (69,847)
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Non-Operating Revenues (Expenses)

Interest Income	<u>480</u>
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Total Non-Operating Revenue (Expense)	\$ <u>480</u>
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Change in Net Position	\$ (69,367)
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Net Position-Beginning of Year	\$ <u>456,895</u>
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Net Position-End of Year	<u><u>\$ 387,529</u></u>
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The accompanying notes are an integral part of the financial statements.

McCLAIN COUNTY 911 TRUST AUTHORITY
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
For the Year Ended June 30, 2014

Cash flows from operating activities:

Operating receipts	\$ 284,812
Cash paid for operating expenses	(157,387)
Cash paid for employee services	(154,869)
Net Cash provided (used) by operating activities	<u>(27,444)</u>

Cash flows from capital and related financing activities:

Interest Expense	0
Acquisition/disposal of capital assets	(1,271)
Net Cash provided (used) by capital & related financing activities	<u>(1,271)</u>

Cash flows from investing activities:

Interest income	<u>480</u>
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Net Increase (Decrease) in cash and cash equivalents (28,235)

Cash & Cash equivalents at beginning of year	<u>311,161</u>
Cash & Cash equivalents at end of year	<u><u>\$ 282,926</u></u>

Reconciliation of Operating Income to Net Cash Provided
(used) by Operating Activities:

Operating Income	\$ (69,847)
Adjustment to Reconcile Operating Income to Net Cash Provided	
Depreciation Expense	42,403
Net Cash Provided (used) by Operating Activities	<u><u>\$ (27,444)</u></u>

The accompanying notes are an integral part of the financial statements.

McCLAIN COUNTY 911 TRUST AUTHORITY
PURCELL, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 – Summary of Significant Accounting Policies

As discussed further in Note 1.C., these financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

1.A. Financial Reporting Entity

McClain County 911 Trust Authority, McClain County, Oklahoma was established September 18, 2000, pursuant to Title 60 of O.S. 1991, Section 176 to 180.3, inclusive. The purpose of this trust is to provide to the residents of McClain County the highest quality emergency services possible with the shortest response time possible

McClain County is the trust beneficiary and will receive all resident trust assets upon termination of the trust. The accompanying financial statements include all functions and activities over which the Authority exercises financial accountability. There are no other entities for which the Authority is considered to be financially accountable, and as such, no other entities are presented. The Authority is considered to be a component unit of McClain County.

1.B. Basis of Presentation

The Authority's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

1.C. Measurement Focus and Basis of Accounting

Measurement focus refers to how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

The Authority's financial statements use the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when they are received and expenses are recorded when paid with the following modifications:

- Capital assets are recorded when purchased and related depreciation is recorded.

McCLAIN COUNTY 911 TRUST AUTHORITY
PURCELL, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

1.C. Measurement Focus and Basis of Accounting (continued)

If the Authority utilized the basis of accounting recognized as generally accepted, the financial statements would use the accrual basis of accounting. In other words, revenue would be recognized when earned and expenses would be recorded when the liability is incurred or economic asset used.

1.D. Assets, Liabilities and Net Position

Cash & Cash Equivalents

For the purposes of the statement of cash flows, the Authority considers all cash on hand, demand deposit accounts, interest bearing checking accounts and time deposit accounts including certificates of deposit with maturities of three months or less to be cash and cash equivalents.

Note Receivable

The Authority has not issued any loans. As a result of the modified cash basis of accounting, accounts receivable and other revenue related receivables are not reported on the financial statements.

Notes Payable

Notes Payable are to be repaid from the authority resources are reported as liabilities in the balance sheet. The Authority had no notes payable during the year.

Net Position – Net Position is divided into three components:

- a. *Net Investment in Capital Assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

It is the Authority’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

McCLAIN COUNTY 911 TRUST AUTHORITY
PURCELL, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

1.E. Revenues and Expenses

Operating and Non-Operating Revenue

Operating revenues are considered those whose cash flows are related to operating activities, while revenues related to financing, capital and investing activities are reported as non-operating.

Expenses

The Authority reports expenses relating to the use of economic resources including depreciation.

1.F. Capital Assets

All capital assets are capitalized at cost and updated for additions and retirements during the year. The Authority capitalizes assets with an initial cost of \$500 or greater and a life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

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

<u>Asset</u>	<u>Years</u>
Equipment and Vehicles	5
Hardware and Software	5
Furniture	7
Buildings	25

1. G. Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Detailed Notes on Transaction Classes/Accounts

2.A. Cash and Investments

Deposits and Investments - The Authority has a written investment policy that limits its investment choices. Investments are restricted to United States Treasury Bills, Notes, Bonds and obligations fully insured or unconditionally guaranteed by the United States Government or any of its agencies and instrumentalities with a maximum maturity of ten years and a rating of BBB or better. The purchase of financial products may not exceed fifty percent (50%) of total cash available for investments and no more than ten percent (10%) of investments shall

McCLAIN COUNTY 911 TRUST AUTHORITY
PURCELL, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

2.A. Cash and Investments (continued)

be invested in any one issuer. With the exception of banks insured by the FDIC and obligations fully insured or unconditionally guaranteed by the United States Government. Investments are in compliance with Oklahoma statutes.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does have a written policy for custodial risk. Collateral is required for demand deposits, certificates of deposit, and savings accounts for amounts not covered by FDIC insurance. At year-end the carrying amount and the bank balance of the Authority's deposits was \$346,699.44; \$250,000 was insured by FDIC. The Authority's bank has pledged securities with a market value of \$291,263.99, removing custodial credit risk for the uninsured balance at year-end.

2.B. Restricted Assets

The Authority does not have any restricted assets.

2.C. Capital Assets

The following is a summary by category of changes in capital assets:

	June 30, 2013	Current Deletions	Current Additions	June 30, 2013
Mapping and Addressing	\$ 178,493	\$ 0	\$ 0	\$ 178,493
Vehicles	47,356	0	0	47,356
Equipment & Furniture	306,406	8,623	1,272	299,055
Total	532,255	8,623	1,272	524,904
Less: Depreciation	(386,521)	8,623	(42,403)	(420,301)
Net Capital Assets	\$ 145,734	\$ 0	\$ (41,131)	\$ 104,603

Note 3 - Risk Management

The Authority is exposed to various risks of loss related to torts, errors and omissions. The Authority carries surety bonds and property insurance to mitigate the risk of loss associated with torts, errors and omissions. They have a policy with the Association of County Commissioners of Oklahoma Self-Insurance Group (ACCO-SIG) consisting of the following coverage:

Blanket Bond Coverage -	\$100,000
Casualty (General Liability) -	\$1,000,000
Public Officials Wrongful Act -	\$2,000,000

McCLAIN COUNTY 911 TRUST AUTHORITY
PURCELL, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 3 - Risk Management (continued)

Coverage is subject to a \$10,000 deductible. There have been no significant reductions in coverage from the prior year.

Note 4 - Commitments and Contingencies.

The Authority is not involved with any legal proceedings, which normally occur in the course of governmental operations at this time. While legal proceedings cannot be foreseen, the Authority feels that any settlement or judgment not covered by insurance would not have a material effect on the financial condition of the Authority.

Note 5 – Employee Retirement System

Plan Description – The Authority participates in the Oklahoma Public Employees Retirement System, a cost sharing multiple employer defined benefit public employee retirement system, which is administered by the board of trustees of the Oklahoma Public Employees Retirement System (the “System”). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Title 74 Section 901 et seq., as amended of the Oklahoma statutes established benefit provisions and may be amended only through legislative action. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to OPERS, P.O. Box 53007, Oklahoma City, OK 73152-3007, or by calling (405) 943-8701 or 1-800-733-9008.

At June 30, 2013 (the most recent data available), the Plan’s membership consisted of:

	2013	2012
Retirees and beneficiaries currently receiving benefits	31,135	30,263
Terminated vested participants	5,595	5,497
Active participants	43,273	42,569
Total	<u>80,003</u>	<u>78,329</u>

Benefits- Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the members age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member’s age and years of credited service equals or exceeds 90 (Rule of 90).

Normal retirement date is further qualified to require that all members employed on or after January 1, 1983, must have six or more years of full-time equivalent employment with a participating employer before being eligible to receive benefits. Credited service is the sum

McCLAIN COUNTY 911 TRUST AUTHORITY
PURCELL, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 5 – Employee Retirement System (continued)

of participating and prior service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employer and active wartime military service.

A member with a minimum of ten years of participating service may elect early retirement with reduced benefits beginning at age 55 if the participant became a member prior to November 1, 2011, or age 60 if the participant became a member on or after November 1, 2011.

Disability retirement benefits are available for members having eight years of credited service whose disability status has been certified as being within one year of the last day on the job by the Social Security Administration. Disability retirement benefits are determined in the same manner as retirement benefits, but payable immediately without an actuarial reduction.

State, County and Local Agency Employees- Benefits are determined at 2% of the average annual salary received during the highest thirty-six months of the last ten years of participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.

Members who elect to pay the additional contribution rate, which became available in January 2004, will receive benefits using a 2.5% computation factor for each full year the additional contributions are made. In 2004 legislation was enacted to provide an increased benefit to retiring members who were not yet eligible for Medicare.

The Medicare Gap benefit option became available to members under age 65 who retired on or after May 1, 2006. Members may elect to receive a temporary increased benefit to cover the cost of health insurance premiums until the member is eligible to receive Medicare. After the member becomes eligible for Medicare, the retirement benefit will be permanently reduced by an actuarially determined amount. The option is irrevocable, must be chosen prior to retirement, and is structured to have a neutral actuarial cost to the Plan. Members become eligible to vest fully upon termination of employment after attaining eight years of credited service, or the members' contributions may be withdrawn upon termination of employment.

Contributions- The contribution rates for each member category of the Plan are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates.

Each member participates based on their qualifying gross salary earned excluding overtime. There is no cap on the qualifying gross salary earned subject to Internal Revenue Service (IRS) limitations on compensation.

McCLAIN COUNTY 911 TRUST AUTHORITY
PURCELL, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 5 – Employee Retirement System (continued)

The contribution rates for the Authority and its employees are established by and may be amended by Oklahoma statute. The rates are applied to the employee's earnings plus employer paid fringe benefits. The required contribution for participating members is 3.5%. There is an optional contribution step-up of an additional 2.5% for participating members.

The state agency employer contributed 16.5% for the year ended June 30, 2014. The Authority pays contributions as the employer. The Authority is required to contribute up to 16.5% of applicable compensation.

Total contributions by the Authority are:

<u>Year</u>	<u>Percent</u>	<u>Amount</u>
2014	16.5	\$18,381.14
2013	16.5	\$16,288.26
2012	16.5	\$14,061.48

Participating Employers- At June 30, 2013 (the most recent data available), the number of participating employers was as follows:

	<u>2013</u>	<u>2012</u>
State agencies	121	127
County Governments	75	75
Local government towns and cities	28	28
Other local governmental units	59	57
Total	<u>283</u>	<u>287</u>

Funding Status – At July 1, 2013 (the most recent data available), the actuarial value of total assets in the plan was \$6,978,873,421, with a total actuarial accrued liability of \$8,556,121,906. This represents a funded ratio of 81.6 percent for the plan as a whole.

Optional Plan Description- The Authority employees are also offered participation in a defined contribution plan administered by Nationwide Retirement Solutions. There is no matching provision of contributions.

*Report on Internal Control
and Compliance*

**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 Trustees
McClain County 911 Trust Authority
Purcell, Oklahoma 73080

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 accompanying modified cash basis financial statements of the McClain County 911 Trust Authority, a component unit of McClain County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated, October 8, 2014.

The report was a special report on the Authority's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered McClain County 911 Trust Authority'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority'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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. 14-01.

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. No significant deficiencies were identified.

Compliance and Other Matters

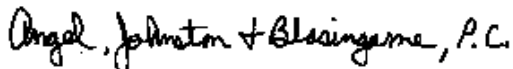
As part of obtaining reasonable assurance about whether McClain County 911 Trust Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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*.

McClain County 911 Trust Authority's Response to Findings

McClain County 911 Trust Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with the *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Angel, Johnston & Blasingame, P.C.
Chickasha, Oklahoma
October 8, 2014

McClain County 911 Trust Authority
Schedule of Findings
For the Year Ended June 30, 2014

14-01 *Criteria* – The segregation of duties and responsibilities between different individuals for custody of assets, record keeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity’s assets and ensure accurate financial reporting.

Condition – Presently the same individual performs all accounting functions; receives cash, makes bank deposits, writes checks, reconciles the monthly bank statements and prepares monthly financial summaries.

Cause – The entity’s limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect – Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the accounting functions, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation – While it may not be cost effective to hire the additional administrative staff that would be necessary in order to adequately segregate the responsibilities, the Board should consider a formal evaluation of their risks associated with this lack of segregation of duties. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties.

Management response – Management agrees.