

Independent Auditor's Report

McClain County 911 Trust Authority

McClain County Oklahoma

Year Ending June 30, 2011

McCLAIN COUNTY 911 TRUST AUTHORITY
McClain County, Oklahoma
June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

November 9, 2011

To The Board of Trustees
McClain County 911 Trust Authority
Purcell, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the McClain County 911 Trust Authority, as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

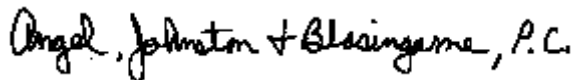
As described in Note 1, the Authority prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the business-type activities of the McClain County 911 Trust Authority, as of June 30, 2011 and the respective changes in financial position – modified cash basis, and cash flows – modified cash basis, thereof for the year ended in conformity with the basis of accounting described in Note 1.

McClain County 911 Trust Authority
November 9, 2011

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 2011, on our consideration of the Authority's internal control over financial reporting and 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.

The McClain County 911 Trust Authority has not presented the Management's Discussion and Analysis which the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of the basic financial statements.

A handwritten signature in black ink that reads "Angel, Johnston & Blasingame, P.C." The signature is written in a cursive, flowing style.

Angel, Johnston & Blasingame, P.C.
Certified Public Accountants
Chickasha, Oklahoma
November 9, 2011

McCLAIN COUNTY 911 TRUST AUTHORITY
STATEMENT OF NET ASSETS
MODIFIED-CASH BASIS
June 30, 2011

ASSETS

Current Assets

Cash and cash equivalents	\$ 505,613
Total Current Assets	<u>505,613</u>

Noncurrent Assets

Capital Assets (net of accumulated depreciation)	58,654
Total Noncurrent Assets	<u>58,654</u>

Total Assets	<u><u>564,267</u></u>
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LIABILITIES

Current Liabilities	<u>0</u>
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Total Current Liabilities	<u>0</u>
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Noncurrent Liabilities	<u>0</u>
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Total Noncurrent Liabilities	<u>0</u>
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NET ASSETS

Invested in Capital Assets net of Related Debt	58,654
Restricted	0
Unrestricted	<u>505,613</u>
Total Net Assets	<u>564,267</u>
Total liabilities and net assets	\$ <u><u>564,267</u></u>

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

McCLAIN COUNTY 911 TRUST AUTHORITY
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
MODIFIED CASH BASIS
For the Year Ended June 30, 2011

Operating Revenues:

Wireline 911 service fees	\$ 115,240
Wireless 911 service fees	131,102
Agency Usage fees	18,301
VOIP User fees	273
Map/Audio tape reimbursements	25
Other Miscellaneous	11
Total Operating Revenue	<u>264,951</u>

Operating Expenses:

Salaries	101,165
911 Network Database	42,421
Equipment Maintenance	19,242
Capital Outlay	19,481
Professional Fees	9,598
Utilities	4,142
Promotion/Education	440
Dues/Memberships	305
Office Supplies	2,481
Street Signs	223
Vehicle Fuel/Maintenance	2,736
Bank Fees	54
Depreciation	<u>21,328</u>

Total Operating Expenses	<u>223,616</u>
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Net Operating Income (Loss)	<u>41,335</u>
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Non-Operating Revenue(Expense)

Interest Income	3,982
Interest Expense	<u>(12)</u>

Total Non-Operating Revenue (Expense)	<u>3,970</u>
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Net Income (Loss)	45,305
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Net Assets-Beginning of Year	<u>518,962</u>
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Net Assets-End of Year	<u>\$ 564,267</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, 2011

Cash flows from operating activities:

Operating receipts	\$ 264,951
Cash paid for operating expenses	(202,288)

Net Cash provided (used) by operating activities	<u>62,663</u>
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Cash flows from capital and related financing activities:

Interest Expense	(12)
Acquisition of capital assets	<u>(29,612)</u>

Net Cash provided (used) by capital & related financing activities	<u>(29,624)</u>
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Cash flows from investing activities:

Interest income	<u>3,983</u>
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Net Increase (Decrease) in cash and cash equivalents	37,021
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Cash & Cash equivalents at beginning of year	<u>468,592</u>
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Cash & Cash equivalents at end of year	<u><u>\$ 505,613</u></u>
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Reconciliation of Operating Income to Net Cash Provided
(used) by Operating Activities:

Operating Income	\$ 41,335
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Adjustment to Reconcile Operating Income to Net Cash Provided

Depreciation Expense	<u>21,328</u>
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Net Cash Provided (used) by Operating Activities	<u><u>\$ 62,663</u></u>
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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, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C., the Authority complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units with a change for the modified cash basis. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent that they are applicable, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. 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. 1961, 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 political subdivision of McClain County.

1.B. Basis of Accounting and Measurement Focus

The Authority's financial statements are presented using a modified cash basis of accounting. Basis of accounting refers to when revenues and expenditures/expenses are recognized and reported in the financial statements. This relates to the timing of the revenues, expenditures/expenses regardless of the measurement focus applied. Measurement focus identifies which transactions and events should be recorded.

The fund financial statements are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues and expenditures when they result from cash transactions with a provision for depreciation. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

MCCLAIN COUNTY 911 TRUST AUTHORITY
PURCELL, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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

If the Authority used the basis of accounting required by generally accepted accounting principles, the financial statements would use the accrual basis of accounting and separate fund statements would be presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues would be recognized when susceptible to accrual (i.e. both measurable and available) and expenditures would be recorded when the current liability is incurred. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred.

1.C. Basis of Presentation

Government Wide Financial Statements

The Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. All the activities of the Authority are business-type activities. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund Financial Statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which are comprised of each fund's assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The only fund of the financial reporting entity is described below:

Enterprise Fund

Enterprise Funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

<u>Enterprise Fund</u>	<u>Brief Description</u>
General Fund Account	The General Fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.

MCCLAIN COUNTY 911 TRUST AUTHORITY
PURCELL, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1.D. Assets, Liabilities and Equity

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.

Equity Classifications

Equity is classified as net assets. Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by legislation or restrictions by creditors, grantors, laws or regulations of other governments.

Notes Payable

Notes Payable are to be repaid from the authority resources are reported as liabilities in the balance sheet. The Notes Payable is comprised of three notes. See Note 3-C.

1.E. Revenues, Expenditures and Expenses

Operating and Nonoperating Revenues

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.

Expenditures/Expenses

Expenditures/expenses are reported by object or activity. 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 assets life are not capitalized.

MCCLAIN COUNTY 911 TRUST AUTHORITY
PURCELL, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1.F. Capital Assets (continued)

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.

1. H. Differences from GAAP

Management Discussion and Analysis

The Authority has not presented the Management's Discussion and Analysis which the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be a part of the basic financial statements. As described in Note 1.C., the Authority reports its financial information on the modified cash basis of accounting rather than the GAAP prescribed accrual basis.

NOTE 2 – CASH AND INVESTMENTS

The Authority's investment policies are governed by state statute. The Authority has not established a separate formal investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, banks and credit unions; and savings accounts or savings and loan associations, banks and credit unions. Collateral is required for demand deposits, certificates of deposit, and savings accounts for all amounts not covered by federal deposit insurance.

At the end of the year the carrying amount and the bank balance of the Authority's deposits was \$505,613, \$250,000 was covered by federal depository insurance. The Authority's bank has pledged securities with a market value of \$301,824, removing custodial credit risk for the uninsured balance at year-end.

MCCLAIN COUNTY 911 TRUST AUTHORITY
PURCELL, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 – CAPITAL ASSETS

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

	June 30, 2010	Current Deletions	Current Additions	June 30, 2011
Mapping and Addressing	\$ 155,313	0	0	\$ 155,313
Vehicles	21,035	0	26,321	47,356
Equipment & Furniture	168,650	0	3,291	171,941
Total	344,998	0	29,612	374,610
Less: Depreciation	(294,628)	0	(21,328) #	(315,956)
Net Capital Assets	\$ 50,370	\$ 0	\$ 8,284	\$ 58,654

NOTE 4 – CONCENTRATIONS AND CONTINGENCIES

The Authority is not involved with any legal proceedings, which normally occur in the course of governmental operations. Therefore, the financial statements do not include accruals or provisions for loss contingencies. While legal proceedings cannot be foreseen, the Authority feels that any settlement or judgment 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, 2010 (the most recent data available), the Plan’s membership consisted of:

	2010	2009
Retirees and beneficiaries currently receiving benefits	28,009	26,949
Terminated vested participants	5,560	5,638
Active participants	43,934	45,683
Total	77,503	78,270

MCCLAIN COUNTY 911 TRUST AUTHORITY
PURCELL, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 5- EMPLOYEE RETIREMENT SYSTEM (continued)

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 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.

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.

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.

MCCLAIN COUNTY 911 TRUST AUTHORITY
PURCELL, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 5- EMPLOYEE RETIREMENT SYSTEM (continued)

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.

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 contribution rate will increase to 16.5% for the year ended June 30, 2012 and each year thereafter. The Authority pays contributions as the employer. The Authority is required to contribute up to 15.5% of applicable compensation. Total contributions by the Authority are:

<u>Year</u>	<u>Percent</u>	<u>Amount</u>
2011	15.5	\$12,198.84
2010	15.5	\$ 9,916.28
2009	14.5	\$ 9,431.82

MCCLAIN COUNTY 911 TRUST AUTHORITY
PURCELL, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 5- EMPLOYEE RETIREMENT SYSTEM (continued)

Participating Employers- At June 30, 2010 (the most recent data available), the number of participating employers was as follows:

	<u>2010</u>	<u>2009</u>
State agencies	124	124
County Governments	75	75
Local government towns and cities	28	28
Other local governmental units	52	48
Total	<u><u>77,503</u></u>	<u><u>78,270</u></u>

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.

NOTE 6 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, errors and omissions. The Authority carries property and general liability insurance for major risks.

Supplemental Information

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

We have audited the accompanying modified cash basis financial statements of the business-type activities of the McClain County 911 Trust Authority, as of and for the year ended June 30, 2011, which comprise the Authority's basic financial statements and have issued our report thereon dated November 9, 2011. The Authority did not prepare a Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of the basic financial statements. 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 McClain County 911 Trust Authority'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 effectiveness of the Authority's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weakness. However, as discussed below we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with modified cash basis such that there is more than a remote likelihood that a misstatement McClain County 911 Trust Authority

November 9, 2011

of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as item 11-01 to be significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, the significant deficiency described above, 11-01, we consider to be a material weakness.

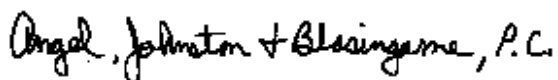
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

We noted certain matters that we reported to management, in a separate letter dated November 9, 2011.

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and response. We did not audit the Authority's response and accordingly, we express no opinion on it.

This report is intended solely for the information of the governing board, management, all applicable state agencies, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Angel, Johnston and Blasingame, P.C.
Chickasha, Oklahoma
November 9, 2011

McCLAIN COUNTY 911 TRUST AUTHORITY
SCHEDULE OF FINDINGS
Year Ended June 30, 2011

Reportable Conditions of Internal Control, Compliance and Other Matters

11-01 Criteria - A good system of internal control provides for a proper segregation of the accounting functions.

Condition - The Authority has a small number of employees that perform the duties that would normally be divided among a large number of personnel.

Cause - Lack of internal control surrounding the accounting functions segregation of duties.

Effect – This could result in more than a low risk that errors or irregularities may occur and not be detected within a timely period.

Recommendation – Trustees should assess the advantages of segregating the accounting function in order to determine whether hiring additional personnel would be cost effective.

Management response – Management agrees.