

**9-1-1 ASSOCIATION OF CENTRAL  
OKLAHOMA GOVERNMENTS**

**Basic Financial Statements  
for the Year Ended June 30, 2010  
and Independent Auditors' Reports**

**9-1-1 Association of Central Oklahoma Governments**  
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**For the Year Ended June 30, 2010**

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**INDEPENDENT AUDITORS' 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***

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
9-1-1 Association of Central Oklahoma Governments

We have audited the accompanying financial statements of the governmental activities and major fund of the 9-1-1 Association of Central Oklahoma Governments ("9-1-1 ACOG"), as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of 9-1-1 ACOG, as listed in the table of contents. These financial statements are the responsibility of 9-1-1 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 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 and major fund of 9-1-1 ACOG, as of June 30, 2010, 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 5, 2010, on our consideration of 9-1-1 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 and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial

statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 9-1-1 ACOG's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards 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 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.

*Arledge & Associates, P.C.*

Edmond, Oklahoma  
October 3, 2010



9-1-1 association of central oklahoma governments

Chair Ken Bartlett  
Del City Councilmember

Vice-Chair Rachel Butler  
Norman Councilmember

Secretary / Treasurer David Dirkschneider  
Warr Acres Councilmember

Executive Director  
John G. Johnson

## Management's Discussion and Analysis (Unaudited)

As management of the 9-1-1 Association of Central Oklahoma Governments (9-1-1 ACOG), we offer readers of 9-1-1 ACOG's financial statements this narrative overview and analysis of the financial activities of 9-1-1 ACOG for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at 9-1-1 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 9-1-1 ACOG's financial performance.

### Financial Highlights

- The assets of 9-1-1 ACOG exceeded its liabilities at the close of the most recent fiscal year by \$7,099,830 (*net assets*). Of this amount, \$4,656,386 (*unrestricted net assets*) may be used to meet 9-1-1 ACOG's ongoing obligations to the member local governments and creditors.
- 9-1-1 ACOG's total net assets increased by \$1,766,942. This is primarily due to the remittances by wireless telephone companies of the monthly 50 cent 9-1-1 wireless service fee collected per wireless telephone subscriber, the delay in the replacement of the 9-1-1 answering system and a new federal grant.
- At the close of the current fiscal year, 9-1-1 ACOG's governmental fund reported an ending fund balance of \$7,991,568, an increase of \$3,030,794 in comparison with the prior year. Approximately 73.2 percent of this amount, \$5,847,289, is *available for spending* at 9-1-1 ACOG's discretion (*unreserved fund balance*) although the 9-1-1 ACOG Board of Directors has *designated* \$1,227,063 for specific purposes.
- At the end of the fiscal year, the unreserved fund balance for the special revenue fund (9-1-1 ACOG's only fund) was \$5,847,289 or 173 percent of total special revenue fund expenditures while the unreserved and undesignated fund balance was \$4,620,226 or 137 percent of total special revenue fund expenditures.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to 9-1-1 ACOG's basic financial statements. 9-1-1 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 9-1-1 ACOG's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of 9-1-1 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 9-1-1 ACOG is improving or deteriorating.

The *statement of activities* presents information showing how 9-1-1 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 9-1-1 ACOG that are principally supported by grants and telephone company service charges (*governmental activities*). 9-1-1 ACOG has no functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*) and has no component units.

The government-wide financial statements can be found on pages 14 - 15 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. 9-1-1 ACOG, like other similar governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 9-1-1 ACOG only has a special revenue fund, which belongs to the category of governmental funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental

fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

9-1-1 ACOG only maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance.

The basic governmental fund financial statements can be found on pages 16 - 18 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 19 - 27 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. 9-1-1 ACOG adopts an annual budget for its fund. A budgetary comparison schedule has been provided to demonstrate compliance with this budget and is presented on page 28 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 9-1-1 ACOG, assets exceeded liabilities by \$7,099,830 at June 30, 2010, as compared with assets exceeding liabilities by \$5,332,888 at June 30, 2009. Six percent of 9-1-1 ACOG's net assets reflect its investment in capital assets (equipment and intangible map database), less any related debt used to acquire those assets that is still outstanding. 9-1-1 ACOG uses these capital assets to operate and to provide services; consequently, these assets are *not* available for future spending.

Although 9-1-1 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.

### 9-1-1 Association of Central Oklahoma Governments' Net Assets

	Governmental Activities		Total
	2010	2009	Percentage Change
Current and other assets	\$8,135,033	\$5,340,133	52.3%
Capital assets	1,143,054	542,404	110.7%
<b>Total assets</b>	<b>9,278,087</b>	<b>5,882,537</b>	<b>57.7%</b>
Long-term debt outstanding	2,034,792	170,290	1094.9%
Other liabilities	143,465	379,359	-62.2%
<b>Total liabilities</b>	<b>2,178,257</b>	<b>549,649</b>	<b>296.3%</b>
Net assets			
Invested in capital assets, net of related debt	423,293	372,114	13.8%
Restricted	2,020,151	-	N/A
Unrestricted	4,656,386	4,960,774	-6.1%
<b>Total net assets</b>	<b>\$7,099,830</b>	<b>\$5,332,888</b>	<b>33.1%</b>

The remaining balance of *unrestricted net assets* (\$4,656,386) may be used to meet 9-1-1 ACOG's ongoing obligations.

At the end of the current fiscal year, 9-1-1 ACOG is able to report a positive balance in all categories of net assets.

### Governmental Activities

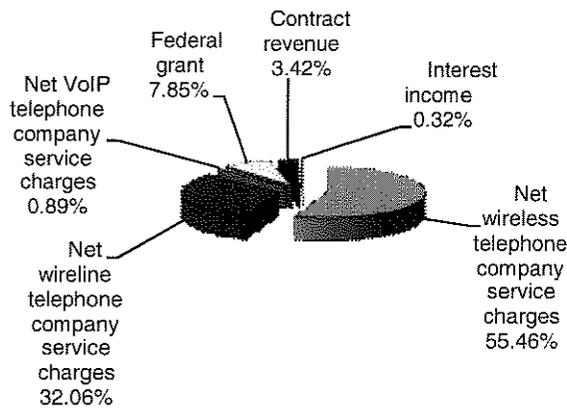
The following table reflects the condensed changes in net assets from the prior year.

**9-1-1 Association of Central Oklahoma Governments Changes in Net Assets**

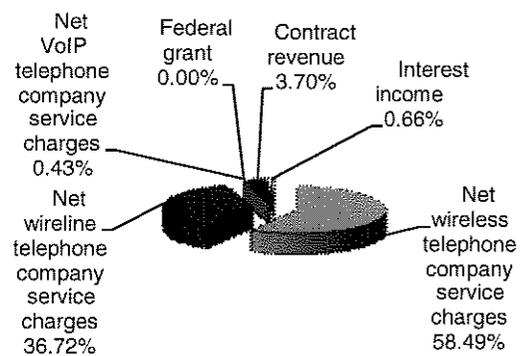
	Governmental Activities		Total
	2010	2009	Percentage Change
<b>Revenues</b>			
Program revenues			
Net wireless telephone company service charges	\$2,447,691	\$2,387,277	2.5%
Net wireline telephone company service charges	1,414,728	1,498,852	-5.6%
Net VoIP telephone company service charges	39,228	17,450	124.8%
Federal grant	346,287	-	N/A
Contract revenue	150,969	150,879	0.1%
Interest income	14,173	27,228	-47.9%
<b>Total revenues</b>	<b>4,413,076</b>	<b>4,081,686</b>	<b>8.1%</b>
<b>Expenses</b>			
E9-1-1 emergency telephone number system	2,646,134	2,768,954	-4.4%
<b>Total expenses</b>	<b>2,646,134</b>	<b>2,768,954</b>	<b>-4.4%</b>
<b>Increase (decrease) in net assets</b>	<b>\$1,766,942</b>	<b>\$1,312,732</b>	<b>34.6%</b>

9-1-1 ACOG's total net assets, all from governmental activities, increased by \$1,766,942 during the current fiscal year. This is due to the remittances by wireless telephone companies of the monthly 50 cent 9-1-1 wireless service fee collected per wireless telephone subscriber, delay in the replacement of the 9-1-1 answering system and a new federal grant.

**9-1-1 ACOG 2010 Revenues by Source**



**9-1-1 ACOG 2009 Revenues by Source**



## Financial Analysis of the Government's Funds

As noted earlier, 9-1-1 ACOG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of 9-1-1 ACOG's special revenue *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing 9-1-1 ACOG's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, 9-1-1 ACOG's special revenue fund reported ending fund balances of \$7,991,568, a net increase of \$3,030,794 in comparison with the prior year. Approximately 57.8 percent of this total amount (\$4,620,226) constitutes *undesignated fund balance*, which is available for spending at the government's discretion. Approximately 14.3 percent (\$1,143,979) has been *designated* for operations and approximately 1 percent (\$83,084) has been *designated* for future system improvements. *Designations* reflect the 9-1-1 ACOG Board of Directors' self-imposed limitations on the use of otherwise available current financial resources and are subject to change. The remainder of fund balance is not available for new spending because approximately 1.6 percent (\$124,128) is *reserved* to liquidate prior period purchase orders, approximately 16.5 percent (\$1,315,031) is *reserved* for the remainder of the capital outlay financed by the note payable and approximately 8.8 percent (\$705,120) is *reserved* for debt service per the note payable escrow agreement.

The increase in fund balance is attributable to the increase in revenue due to the remittances by wireless telephone companies of the monthly 50 cent 9-1-1 wireless service fee collected per wireless telephone subscriber and to the delay in the replacement of the 9-1-1 answering system.

The special revenue fund is the only fund used by 9-1-1 ACOG since its only function or program is the acquisition, implementation and administration of the E9-1-1 emergency telephone number system. All of 9-1-1 ACOG's *unreserved fund balance* resides in the special revenue fund.

## Budgetary Highlights

There are no differences between the original budget and the final budget because the budget was not amended for fiscal year 2010.

The differences between the final budget and the actual amounts are primarily due to 9-1-1 ACOG being conservative and the delay in the replacement of the 9-1-1 answering system. The differences can be summarized as follows:

- Net wireline telephone company service charge revenue was \$208,019 greater than budgeted. This is due to 9-1-1 ACOG being extremely conservative and budgeting for a 15% annual loss in the declining wireline revenue while the actual annual loss was only 5.6%.
- Net wireless telephone company service charge revenue was \$90,617 greater than budgeted. This is due to 9-1-1 ACOG remaining conservative since there was still not much history to aid in budget estimations and the fiscal year 2010 budget number was based on fiscal year 2009 collections. Evidently wireless customers continued to increase during fiscal year 2010 so service providers remitted more fees than anticipated.
- Net VoIP telephone company service charge revenue was \$16,190 greater than budgeted. This revenue category was still new and was budgeted based on fiscal year 2009 collections but there was obviously growth in either number of customers or reporting by VoIP providers.
- Federal contract revenue was \$346,287 greater than budgeted. No revenue had been budgeted in this category since the grant was not awarded until after the budget was prepared and approved.
- Contract revenue was \$76,568 less than budgeted due to using inaccurate estimates of the costs to be included in the actual new EMSA and Tinker Air Force Base contracts.
- Due to being fiscally conservative and budgeting all known possible expenditures as well as implementation timing differences such as delay in the replacement of the 9-1-1 answering system and the decision to finance less of the cost, actual expenditures for ACOG administration were \$274,120 less than budgeted; maintenance and operation fees - telephone companies were \$653,852 less than budgeted; consultants were \$32,900 less than budgeted; legal services were \$33,300 less than budgeted; debt service-principal was \$483,447 less than budgeted; debt service-interest was \$124,938 less than budgeted and capital outlay was \$3,132,858 less than budgeted.
- Repairs, maintenance and warranty expenditures were \$57,079 more than budgeted due to the delay in the replacement of the 9-1-1 answering system that necessitated maintenance contracts on the existing system to be extended longer than budgeted.
- The note proceeds other financing source was \$1,800,929 less than budgeted due to the decision to reduce the total amount financed in order to obtain a better interest rate and for 9-1-1 ACOG be approved for the loan.

## Capital Asset and Long-Term Debt Administration

**Capital assets.** 9-1-1 ACOG's investment in capital assets for its governmental type activities as of June 30, 2010, amounts to \$1,143,054 (net of accumulated depreciation and amortization). This investment in capital assets includes leased equipment, equipment, an intangible map database and an asset in progress, the new 9-1-1 answering system. The total increase in 9-1-1 ACOG's investment in capital assets for the current fiscal year was \$600,650 or approximately 111 percent, over last year. The major capital asset event during the current fiscal year was the start of the acquisition of the new NextGen 9-1-1 answering system. Per terms of the contract with the vendor, 9-1-1 ACOG paid the first 25%, \$684,969, due upon the contract signing. Because the equipment was not yet received, installed and functioning, it was an asset in progress at June 30, 2010.

### 9-1-1 Association of Central Oklahoma Governments' Capital Assets (net of depreciation)

	Governmental Activities		Total
	2010	2009	Percentage Change
Intangible map database	\$ 375,948	\$ 375,948	0.0%
Asset in progress	684,969	-	N/A
Leased equipment	70,314	144,268	-51.3%
Equipment	11,823	22,188	-46.7%
<b>Total</b>	<b>\$ 1,143,054</b>	<b>\$ 542,404</b>	<b>110.7%</b>

Additional information on 9-1-1 ACOG's capital assets can be found in note II.C. on pages 23 – 24 of this report.

**Long-term debt.** At the end of the current fiscal year, 9-1-1 ACOG had total long-term debt outstanding of \$2,034,792. Of this amount, \$84,830 is the balance due on the capital lease that financed the acquisition of the computer workstation equipment and the mapping display software during the fiscal year ended June 30, 2007. The remaining \$1,949,962 is the balance due on the note payable to finance the acquisition of the new NextGen 9-1-1 answering system. During 2010, 9-1-1 ACOG borrowed \$2,000,000 for 36 months at an interest rate of 3.67% from the Bank of Oklahoma to partially finance the new system. The balance of 9-1-1 ACOG's total long-term debt increased 1,094.9 percent during the current fiscal year.

### 9-1-1 Association of Central Oklahoma Governments' Outstanding Debt

	Governmental Activities		Total
	2010	2009	Percentage Change
Capital leases	\$ 84,830	\$ 170,290	-50.2%
Notes payable	1,949,962	-	N/A
<b>Total</b>	<b>\$2,034,792</b>	<b>\$ 170,290</b>	<b>1094.9%</b>

Additional information on 9-1-1 ACOG's capital leases can be found in note II.D. on pages 24 - 25 of this report .

### Economic Factors and Next Year's Budget

The fiscal year 2011 9-1-1 ACOG budget provides for the completion of the acquisition and installation of the new next generation 9-1-1 answering system, including equipment and networks for voice/data. Included in the fiscal year 2011 budget, through its administration agreement with ACOG, are the continued administration of the finances of the system, contract management with the 50 plus wireline telephone service providers, coordination with 7 wireless telephone service carriers, establishment and maintenance of the E9-1-1 system database, associated geographical information system (GIS), training of instructors and call-takers (telecommunicators), comprehensive public education program efforts to promote the proper utilization of the system (including TDD, wireless, VOIP and Language Line), and ongoing efforts for maintenance of E9-1-1 system equipment, software and management information systems as well as continued maintenance and enhancement efforts associated with implementation Wireless E9-1-1 Phase II service for the region.

The approved budget for fiscal year 2011 is conservative and does not project any increase in net VOIP telephone company service charges, while it does project a 10% decrease in net wireline telephone company service charges, based upon historical declines and the continued migration from landline to wireless or VoIP technology. It also projects a 10% decline in net wireless telephone company service charges for an 8 month period. This decrease was projected due to legislation approved in 2010 that will take effect January 1, 2011. Prepaid wireless 9-1-1 fees will be collected by the seller and remitted to the Oklahoma Tax Commission (OTC). The sellers may retain 3% of the fees collected to cover administration. The OTC will then remit the prepaid wireless 9-1-1 fees to the certified eligible governing bodies after retaining 2% of the fees remitted to cover administration. In 2011, the OTC will also keep the first \$300,000 of prepaid wireless 9-1-1 fees remitted to cover programming and one-time system

implementation costs. Factored into the budgeted 10% decline is the assumption that telephone service providers who currently remit prepaid wireless 9-1-1 fees to 9-1-1 ACOG will cease doing so even prior to the effective date of the new legislation.

Due to all of the above factors, 9-1-1 ACOG approved using \$1,729,455 of fund balance for spending in the 2011 fiscal year budget.

### **Requests for Information**

This financial report is designed to provide a general overview of 9-1-1 ACOG's finances for all those with an interest in 9-1-1 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, 9-1-1 Association of Central Oklahoma Governments, 21 E. Main Street, Suite 100, Oklahoma City, OK 73104-2400.

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**9-1-1 Association of Central Oklahoma Governments**  
**Statement of Net Assets**  
**June 30, 2010**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 6,298,563
Investments	99,860
Receivables	907,362
Prepaid items	124,128
Restricted cash and cash equivalents	705,120
Capital assets, net of accumulated depreciation	1,143,054
Total assets	9,278,087
 <b>LIABILITIES</b>	
Accounts payable	143,465
Long-term capital leases	
Due within one year	67,304
Due in more than one year	17,526
Long-term notes payable	
Due within one year	643,991
Due in more than one year	1,305,971
Total liabilities	2,178,257
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	423,293
Restricted for capital outlay	1,315,031
Restricted for debt service	705,120
Unrestricted	4,656,386
Total net assets	\$ 7,099,830

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

**9-1-1 Association of Central Oklahoma Governments**  
**Statement of Activities**  
**For the Year Ended June 30, 2010**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>  <u>Governmental Activities</u>
E9-1-1 emergency telephone number system	\$ 2,646,134	\$ 4,413,076	\$ 1,766,942
			-
			1,766,942
			5,332,888
			\$ 7,099,830

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

**9-1-1 Association of Central Oklahoma Governments**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	<u>Special Revenue Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 6,298,563
Investments	99,860
Receivables	907,362
Prepaid items	124,128
Restricted cash and cash equivalents	705,120
Total assets	<u>\$ 8,135,033</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 143,465
Total liabilities	<u>143,465</u>
<b>FUND BALANCES</b>	
Reserved for:	
Prepaid items	124,128
Capital outlay	1,315,031
Debt service	705,120
Unreserved	
Designated for future operations	1,143,979
Designated for future system improvements	83,084
Undesignated	4,620,226
Total fund balances	<u>7,991,568</u>
Total liabilities and fund balances	<u>\$ 8,135,033</u>
Total fund balances	\$ 7,991,568
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,143,054
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.	(84,830)
Long-term note payable is not due and payable in the current period and therefore is not reported as a liability in the funds.	<u>(1,949,962)</u>
Net assets of governmental activities	<u>\$ 7,099,830</u>

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

**9-1-1 Association of Central Oklahoma Governments**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2010**

	<u>Special Revenue Fund</u>
<b>REVENUES</b>	
Wireless telephone company service charges, net of collection fees	\$ 2,447,691
Wireline telephone company service charges, net of collection fees	1,414,728
VoIP telephone company service charges, net of collection fees	39,228
Federal grant	346,287
Contract revenue	150,969
Interest income	14,173
Total revenues	<u>4,413,076</u>
<b>EXPENDITURES</b>	
Current:	
E 9-1-1 emergency telephone number system	
ACOG administration	1,246,137
Maintenance and operation fees - telephone companies	622,472
Repairs, maintenance and warranty	398,926
Insurance	8,450
Consultants	2,100
Legal	1,700
Training	7,605
Other	60
Debt service:	
Principal	135,498
Interest	16,852
Capital outlay	684,969
Total expenditures	<u>3,124,769</u>
Excess of revenues over expenditures before payments to 9-1-1 ACOG member entities	1,288,307
Payments to 9-1-1 ACOG member entities	<u>257,513</u>
Excess of revenues over expenditures	1,030,794
<b>OTHER FINANCING SOURCES</b>	
Note proceeds	<u>2,000,000</u>
Net change in fund balance	3,030,794
Fund balance-beginning	<u>4,960,774</u>
Fund balance-ending	<u><u>\$ 7,991,568</u></u>

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

**9-1-1 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, 2010**

**Net change in fund balance - governmental funds** \$ 3,030,794

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. This is the amount by which depreciation (\$84,319) was exceeded by capital outlays (\$684,969) in the current period. 600,650

Capital additions were financed through a commercial note. In governmental funds, note proceeds are considered a source of financing, but in the statement of net assets, the note obligation is reported as a liability. (2,000,000)

Repayment of capital lease and notes payable 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. 135,498

**Change in net assets of governmental activities** \$ 1,766,942

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

## 9-1-1 Association of Central Oklahoma Governments

Notes to the Financial Statements

June 30, 2010

### I. Summary of significant accounting policies

#### A. Reporting entity

The 9-1-1 Association of Central Oklahoma Governments (9-1-1 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. 9-1-1 ACOG was established in 1988 after voters approved the establishment of an enhanced 9-1-1 (E9-1-1) emergency telephone number system and was given the responsibility for the acquisition, implementation, and administration of the E9-1-1 emergency telephone number system.

The current membership of 9-1-1 ACOG is comprised of 38 Central Oklahoma cities, towns and counties. 9-1-1 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 gross number of exchange access telephone line arrangements. The accompanying financial statements present 9-1-1 ACOG's operations. 9-1-1 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 activities of 9-1-1 ACOG.

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. Other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements are provided for 9-1-1 ACOG's one governmental fund, the special revenue fund.

## 9-1-1 Association of Central Oklahoma Governments

Notes to the Financial Statements

June 30, 2010

### 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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Telephone company service charges 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 are recorded only when payment is due.

Telephone company service charges, federal 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 9-1-1 ACOG.

9-1-1 ACOG reports the following major governmental fund:

The *special revenue fund* is used to account for 9-1-1 ACOG operations. Financing is provided by a service charge, collected by the telephone companies serving the 9-1-1 ACOG member entities and remitted to 9-1-1 ACOG, contract revenues, interest income and other miscellaneous sources.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, and 4) investment earnings. There are no general revenues since all revenues are attributable to 9-1-1 ACOG's single program.

**9-1-1 Association of Central Oklahoma Governments**

Notes to the Financial Statements

June 30, 2010

When both restricted and unrestricted resources are available for use, it is 9-1-1 ACOG's policy to use restricted resources first, and then unrestricted resources as they are needed.

**D. Assets, liabilities, and net assets or equity**

*1. Deposits and investments*

9-1-1 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.

9-1-1 ACOG's investments consist of one certificate of deposit at a commercial bank that is entirely insured by federal depository insurance. All investments are reported at fair value.

9-1-1 ACOG's restricted cash and cash equivalents consists of an escrow account that was required to be established at the financial institution that loaned 9-1-1 ACOG \$2,000,000 for equipment procurement. 9-1-1 ACOG was required to deposit the amount of one year's debt service, \$705,058. These funds, as well as the interest earned on them, must remain in this escrow account during the 36 month life of the note. The funds will be disbursed to service the final 12 months of debt service and any remaining balance will then become available to 9-1-1 ACOG.

*2. 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.

*3. Capital assets*

Capital assets, which include computer equipment, software, an intangible map database and an asset in progress, are reported in the statement of net assets. Capital assets are defined by 9-1-1 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.

## 9-1-1 Association of Central Oklahoma Governments

### Notes to the Financial Statements

June 30, 2010

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 are depreciated using the straight-line method over estimated useful lives of 3 – 7 years. The intangible map database asset has an indefinite life and is not being amortized.

#### 4. Long-term obligations

In the statement of net assets, long-term capital leases and notes payable are reported as liabilities in the governmental activities statement of net assets.

In the fund financial statements, the special revenue governmental fund reports proceeds of capital leases and notes payable as other financing sources.

#### 5. Fund equity

In the fund financial statements, the special revenue fund reports reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## II. Detailed notes on all funds

### A. Deposits and investments

At year-end, 9-1-1 ACOG's carrying amount of deposits was \$7,003,683 and the bank balance was \$7,132,216. \$705,120 of both amounts was restricted cash. Of the bank balance, \$500,000 was fully covered by federal depository insurance. \$6,177,096 was fully collateralized by US Treasury Notes valued at their current market price of \$8,172,355, held at the Federal Reserve Bank of New York. \$455,120, all restricted cash, was fully collateralized by US Agency securities pledged to the Bank of Oklahoma (both lender and escrow agent) valued at their current market price of \$464,222 held at the Federal Home Loan Bank Topeka.

9-1-1 ACOG's investments of \$99,860 consist of one certificate of deposit at a commercial bank that is entirely insured by federal depository insurance.

**9-1-1 Association of Central Oklahoma Governments**

Notes to the Financial Statements

June 30, 2010

**B. Receivables**

Receivables as of year-end for 9-1-1 ACOG are as follows:

Wireless service charges, net and interest	\$ 421,503
Wireline telephone company service charges, net	117,517
VoIP telephone company service charges, net	4,736
Federal grant	346,287
Contracts	16,454
Interest	100
Other	<u>765</u>
Total	<u>\$ 907,362</u>

The special revenue governmental fund reports *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The special revenue governmental fund also defers revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, there was no *deferred revenue* that was unavailable and there was no *unearned revenue* reported in the special revenue fund.

**C. Capital assets**

Capital asset activity for the year ended June 30, 2010 was as follows:

**9-1-1 Association of Central Oklahoma Governments**

Notes to the Financial Statements

June 30, 2010

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Intangible map database	\$ 375,948	\$ -	\$ -	\$ 375,948
Asset in progress	-	684,969	-	684,969
Total capital assets not being depreciated	<u>375,948</u>	<u>684,969</u>	<u>-</u>	<u>1,060,917</u>
Other capital assets:				
Leased equipment	1,356,285	-	-	1,356,285
Equipment	69,729	-	-	69,729
Total other capital assets	<u>1,426,014</u>	<u>-</u>	<u>-</u>	<u>1,426,014</u>
Less accumulated depreciation for:				
Leased equipment	(1,212,017)	(73,954)	-	(1,285,971)
Equipment	(47,541)	(10,365)	-	(57,906)
Total accumulated depreciation	<u>(1,259,558)</u>	<u>(84,319)</u>	<u>-</u>	<u>(1,343,877)</u>
Other capital assets, net	<u>166,456</u>	<u>(84,319)</u>	<u>-</u>	<u>82,137</u>
Governmental activities capital assets, net	<u>\$ 542,404</u>	<u>\$ 600,650</u>	<u>\$ -</u>	<u>\$1,143,054</u>

**D. Leases**

Capital Leases

During the fiscal year ended June 30, 2007, 9-1-1 ACOG entered into a lease agreement as lessee for financing the acquisition of computer workstation equipment and mapping display software for the 21 PSAP's plus 9-1-1 ACOG's training PSAP.

This lease agreement qualifies as a capital lease for accounting purposes (ownership will transfer to lessee at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

**9-1-1 Association of Central Oklahoma Governments**

Notes to the Financial Statements

June 30, 2010

The following is a schedule of the future minimum lease payments under this capital lease and the present value of the net minimum lease payments as of June 30, 2010:

<u>Year Ending June 30</u>	
2011	\$ 70,874
2012	<u>17,719</u>
Total minimum lease payments	88,593
Less: amount representing interest	<u>(3,763)</u>
Present value of minimum lease payments	<u>\$ 84,830</u>

**E. Long-term liabilities**

During 2010, 9-1-1 ACOG borrowed \$2,000,000 for 36 months at an interest rate of 3.67% from the Bank of Oklahoma to partially finance the acquisition of a new NextGen 9-1-1 answering system. Annual debt service requirements to maturity from governmental activities are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 643,991	\$ 61,669
2012	668,278	37,382
2013	<u>637,693</u>	<u>11,999</u>
Total	<u>\$ 1,949,962</u>	<u>\$ 111,050</u>

9-1-1 ACOG's only long-term liabilities were the computer workstation equipment and mapping display software capital lease and the NextGen 9-1-1 answering system note payable. Interest expense was \$8,085 and \$8,767, respectively. Total interest expense for the year was \$16,852, which is included in the direct function expense on the statement of activities.

## 9-1-1 Association of Central Oklahoma Governments

Notes to the Financial Statements

June 30, 2010

Activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	\$ 170,290	\$ -	\$ (85,460)	\$ 84,830	\$ 67,304
Notes payable	\$ -	\$ 2,000,000	\$ (50,038)	\$ 1,949,962	\$ 643,991

### III. Other information

#### A. Risk management

9-1-1 ACOG is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. 9-1-1 ACOG carries commercial insurance coverage to include general liability, property and casualty, and public officials' liability. There have been no significant reductions in insurance coverage. 9-1-1 ACOG does retain the first \$1,000 - \$5,000, 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. Related party transactions

In 1988, 9-1-1 ACOG entered into an agreement with the Association of Central Oklahoma Governments (ACOG) for administration of the E9-1-1 emergency telephone number system. 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.

During the fiscal year ended June 30, 2010, 9-1-1 ACOG again entered into an agreement with the City of Oklahoma City to provide certain program services and develop certain work products of benefit to the City in the support of the City's delivery of 9-1-1 services. These services are provided to the City of Oklahoma City through 9-1-1 ACOG's agreement with ACOG.

9-1-1 ACOG reimburses ACOG for all costs incurred to fulfill all these responsibilities, which include but are not limited to, updating the Master Street Address Guide,

## **9-1-1 Association of Central Oklahoma Governments**

Notes to the Financial Statements

June 30, 2010

coordinating public education campaigns, training 9-1-1 emergency staff for the 9-1-1 ACOG member entities and providing professional services to the City of Oklahoma City. 9-1-1 ACOG recorded expenditures under this agreement for the year ended June 30, 2010, amounting to \$1,246,137 of which \$37,022 was for providing professional services to the City of Oklahoma City. Year-end accounts payable include \$62,530 under this agreement of which \$6,426 is also receivable from the City of Oklahoma City for professional services rendered.

Several individuals serving as officers or directors of 9-1-1 ACOG also hold similar positions with ACOG.

### **C. 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 9-1-1 ACOG. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although 9-1-1 ACOG expects such amounts, if any, to be immaterial.

**9-1-1 Association of Central Oklahoma Governments**  
**Budgetary Comparison Schedule (Unaudited)**  
**Governmental Funds - Special Revenue Fund**  
**For the Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Wireless telephone company service charges, net of collection fees	\$ 2,357,074	\$ 2,357,074	\$ 2,447,691	\$ 90,617
Wireline telephone company service charges, net of collection fees	1,206,709	1,206,709	1,414,728	208,019
VoIP telephone company service charges, net of collection fees	23,038	23,038	39,228	16,190
Federal grant	-	-	346,287	346,287
Contract revenue	227,537	227,537	150,969	(76,568)
Interest income	12,000	12,000	14,173	2,173
Total revenues	<u>3,826,358</u>	<u>3,826,358</u>	<u>4,413,076</u>	<u>586,718</u>
<b>EXPENDITURES</b>				
Current:				
E 9-1-1 emergency telephone number system				
ACOG administration	1,520,257	1,520,257	1,246,137	274,120
Maintenance and operation fees-telephone companies	1,276,324	1,276,324	622,472	653,852
Repairs, maintenance and warranty	341,847	341,847	398,926	(57,079)
Legal services	35,000	35,000	1,700	33,300
Consultants	35,000	35,000	2,100	32,900
Insurance	13,064	13,064	8,450	4,614
Training	13,314	13,314	7,605	5,709
Other	2,000	2,000	60	1,940
Debt service:				
Principal	618,945	618,945	135,498	483,447
Interest	141,790	141,790	16,852	124,938
Capital outlay	3,817,827	3,817,827	684,969	3,132,858
Total expenditures	<u>7,815,368</u>	<u>7,815,368</u>	<u>3,124,769</u>	<u>4,690,599</u>
Excess of revenues over expenditures before payments to 9-1-1 ACOG member entities	(3,989,010)	(3,989,010)	1,288,307	5,277,317
Payments to 9-1-1 ACOG member entities	257,513	257,513	257,513	-
Excess of revenues over expenditures	<u>(4,246,523)</u>	<u>(4,246,523)</u>	<u>1,030,794</u>	<u>5,277,317</u>
<b>OTHER FINANCING SOURCES</b>				
Note proceeds	3,800,929	3,800,929	2,000,000	(1,800,929)
Net change in fund balance	(445,594)	(445,594)	3,030,794	5,277,317
Fund balance-beginning	4,960,774	4,960,774	4,960,774	-
Fund balance-ending	<u>\$ 4,515,180</u>	<u>\$ 4,515,180</u>	<u>\$ 7,991,568</u>	<u>\$ 5,277,317</u>

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

## **9-1-1 Association of Central Oklahoma Governments**

### Notes to Required Supplementary Information

June 30, 2010

#### **1. Budgetary Information**

Budgets for the special revenue fund 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 9-1-1 ACOG Executive Director to the Budget Committee during June of each year. The budget must be balanced. The 9-1-1 ACOG Board of Directors votes to adopt the budget approved by the 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 9-1-1 Board of Directors in advance. In May of each year, the 9-1-1 ACOG Board of Directors adopts the amendment to its current year budget, if one is needed. There was no amendment to the fiscal year 2010 budget.

#### **2. Excess of Expenditures over Appropriations**

Expenditures for repairs, maintenance and warranty were \$57,079 in excess of budgeted appropriations during the year ended June 30, 2010.

**9-1-1 Association of Central Oklahoma Governments**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2010**

Federal Grantor/Pass-Through Agency Grant Program Title	CFDA Number	Pass-Through Grantor's Reference	Expenditures	Amount Provided to Subrecipients
<b>U.S. Department of Transportation</b> National Highway Traffic Safety Administration Passed-through Oklahoma Department of Public Safety E-911 Grant Program	20.615	NHTSA20080142	346,287	-
<b>Total Expenditures of Federal Awards</b>			\$ 346,287	\$ -

*See notes to schedule of expenditures of federal awards.*

**9-1-1 Association of Central Oklahoma Governments**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2010

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 9-1-1 Association of Central Oklahoma Governments ("9-1-1 ACOG"). 9-1-1 ACOG's reporting entity is described in Note 1 to 9-1-1 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 9-1-1 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.

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**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  
9-1-1 Association of Central Oklahoma Governments

We have audited the financial statements of the governmental activities and major fund of the 9-1-1 Association of Central Oklahoma Governments ("9-1-1 ACOG"), as of and for the year ended June 30, 2010, which collectively comprise the 9-1-1 ACOG's basic financial statements and have issued our report thereon dated October 5, 2010. 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 9-1-1 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 9-1-1 ACOG's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of 9-1-1 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 9-1-1 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 9-1-1 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*.

This report is intended solely for the information and 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.

*Arledge & Associates, P.C.*

Edmond, Oklahoma  
October 5, 2010