

**Association of South Central  
Oklahoma Governments**

**Financial Statements  
with Independent Auditors' Report**

**June 30, 2018**



**HINKLE &  
COMPANY**  
*Strategic* <sup>PC</sup>  
*Business Advisors*

**Association of South Central Oklahoma Governments**  
**Table of Contents**  
**June 30, 2018**

<b>Independent Auditors' Report</b> .....	1
<b>Management's Discussion and Analysis</b> .....	i
<b>Basic Financial Statements</b>	
<b><i>Government-Wide Financial Statements</i></b>	
Statement of Net Position .....	4
Statement of Activities .....	5
<b><i>Fund Financial Statements</i></b>	
Balance Sheet .....	6
Statement of Revenues, Expenditures and Changes in Fund Balance .....	7
Reconciliation of Governmental Funds and Government-wide Financial Statements .....	8
<b><i>Fiduciary Funds</i></b>	
Statement of Net Position .....	9
Notes to Financial Statements .....	10
<b>Other Supplementary Information</b>	
<b><i>Nonmajor Governmental Funds</i></b>	
Balance Sheets.....	33
Statement of Revenues, Expenditures and Changes in Fund Balance .....	35
<b>Required Supplementary Information</b>	
Schedule of Proportionate Share of the Net Pension Liability – last 10 fiscal years .....	37
Schedule of Pension Contributions – last 10 fiscal years .....	38
Schedule of Proportionate Share of the Net OPEB Liability (Asset) – last 10 fiscal years ....	39
Schedule of OPEB Contributions – last 10 fiscal years .....	40
<b>Reports Required by Government Auditing Standards</b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	41
<b>Reports Required by the Uniform Guidance</b>	
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required the Uniform Guidance .....	43
Schedule of Expenditures of Federal Awards.....	45
Schedule of Expenditures of State Awards .....	46
Notes to Schedule of Expenditures of Federal Awards .....	47
Schedule of Findings and Questioned Costs .....	48
Summary Schedule of Prior Audit Findings .....	50



**HINKLE &  
COMPANY**  
Strategic <sup>PC</sup>  
Business Advisors

## Independent Auditors' Report

Board of Trustees  
Association of South Central Oklahoma Governments  
Duncan, Oklahoma

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Association of South Central Oklahoma Governments as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Association of South Central Oklahoma Governments' 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 this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Association of South Central Oklahoma Governments as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through iv and pension information will 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 supplemental 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 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.t

### **Other Information**

Our audit was performed for the purpose of forming an opinion on the financial statements of the Association of South Central Oklahoma Governments taken as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements taken as a whole.



**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2018 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 result 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* in considering the Authority's internal control over financial reporting and compliance.

Hill & Company, PC

Tulsa, Oklahoma  
November 27, 2018



**Association of South Central Oklahoma Governments  
Management's Discussion and Analysis  
June 30, 2018**

The following discussion and analysis of the Association of South Central Oklahoma Governments' (hereafter referred to as the Association or ASCOG) financial performance provides an overview of ASCOG's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with ASCOG's financial statements.

**Financial Highlights**

\* General Fund investment income during Fiscal Year 2018 was \$1,627, and income from other sources was \$320,015 (primarily from changes in pension obligations).

\* A customer receivable of \$187,818 which had been outstanding for several years was collected in FY 2018. Revenue for this was recorded in prior years but the collection improved cash flow.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Association's basic financial statements comprised of three components: 1) Association-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.

This discussion and analysis of the Association's annual audited financial statements is required by the Governmental Accounting Standards Board (GASB), Statement No. 34. The intent of this discussion is to give management's view and analysis of significant financial activities affecting the Association during the fiscal year, along with comparative analysis of the Association's financial activities from prior years.

**Government-wide financial statements**

The Association-wide financial statements are designed to provide readers with a broad view of the Association's finances in a manner similar to a private sector business.

**The Statement of Net Assets**

The statement of net assets presents information on all of the Association's assets and liabilities, with the difference between the two reported as net assets. The Association's net assets as one way to measure the Association's financial health or financial position. Over time, increases or decreases in the Association's net assets are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors, however, such as changes in Federal or State funding formulas, changes in law and the health of local, state and federal economies to assess the overall health of the Association.

## **The Statement of Activities**

The statement of activities presents information showing how the Association's net assets changed during the most recent fiscal year. All the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accounts receivable and earned but unused vacation leave).

In the *Statement of Net Assets* and the *Statement of Activities*, the financial activities reported include employment and training programs, Area Agency on Aging, Rural Economic Action Plan, EDA planning and various local community development contracts. Contracts with members and other governmental entities, as well as state and federal grants finance most of these activities.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Association, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with funding restrictions and other legal requirements. All the funds of the Association are accounted for in the governmental funds (either the general fund or special revenue funds).

The Association maintains numerous individual governmental funds; however, data from the various governmental funds are combined into a single, aggregated presentation. Information is presented for the combined funds in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance.

## **The Organization as a Whole**

Fund balance (assets and deferred outflows of resources less liabilities and deferred inflows of resources) may serve as a useful summary indicator of the Association's financial position. For the year ended June 30, 2018, the Association's fund balance increased 2.3% to \$491,575.

Unrestricted fund balance is the portion of fund balance that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal restrictions and is \$518,922. The unrestricted fund balance of \$518,922 plus \$49,033 of net investment in capital assets less \$76,380 restricted for contractual agreements sums to the fund balance of \$491,575. The amount restricted for contractual agreements represents the Association's matching obligations on awards.

## **General Fund Activities**

The Association's general fund is used to account for the non-grant funded activities of the organization. Funding is received either through contracts with non-federal or non-state sources including member governments or other organizations who receive services from the Association. Services include but are not limited to planning and technical assistance services, capital improvement planning and local grant administration services.

## **Special Revenue Fund Activities**

The Association utilizes several special revenue funds to account for the federal and state grant programs that are administered. Each grant award is maintained separately including expenditures and advances or reimbursement of funds by the grantor agency. Administration of the federal or state grant awards cannot result in generation of surpluses for the organization since funds are reimbursed for actual expenditures made. A portion of each federal or state award is allowed to be spent on administration of that award.

## **Fund Balance**

The Statement of Revenues, Expenses and Changes in Fund Balance in the audit report shows the Association's governmental fund balance increased \$10,895 since last year due to a surplus of revenues over expenses.

## **Budgetary Highlights**

As directed by Title 60, Oklahoma Statutes, Section 176 et seq. the Association (a public trust) is required to report, at least annually, the budget and financial condition of the trust to its beneficiaries. The Association's budget is prepared on a fiscal year basis and approved by the board of trustees annually. The budget serves as a guide for management of the trust to follow during day-to-day operations.

The Association's budgetary process includes various stages. Budgets for most federal and state grants or contracts must be approved by the governmental agency providing funding. Grant and contract budgets follow award periods that are not necessarily the same as the Association's fiscal year. Management develops budgets (and amendments) by department by grouping related grants and contracts for approval by the board of trustees. Staff reports financial activity with budgetary comparisons monthly to the board of trustees.

Compilation of the Association's budget is based on management design of the organization (by division and program). Management provided individual grant and contract budget comparisons as required by funding agencies.

## **Economic Factor and Funding Dependence**

The Association is highly dependent on state and federal funding. State and federal funding during Fiscal Year 2018 totaled 75.5% of the Association's total revenues. Federal funding was 52.7% of total revenue and state funding was 22.8% of total revenue. Reductions in state funding continued in Fiscal Year 2018 due to shortfalls in state revenues. Federal funding usually requires substantial matches (up to 30%) by the Association. Those matches make demands on the Association's fund balance. Since most awards are on a reimbursement basis, they cannot be used to build unrestricted fund balances used for matching and non-award expenses. The primary sources of unrestricted funds available to the Association are membership dues, investment income, and contract services provided to member governments



(e.g., codebook updates and environmental services such as asbestos mitigation and sewage lagoon work). Rates used to calculate membership dues remained unchanged for decades. An ad hoc committee was formed of board members in FY 2017 to evaluate dues. The committee found that dues charged by the Association were well below average dues charged by Oklahoma councils of government. The committee recommended an increase in dues, and that recommendation was approved by the Association's governing board beginning with FY 2019 dues assessments that were recorded in FY 2018. The committee will continue to evaluate dues and make recommendations to the board in future fiscal years.

### **Contacting the Association's Financial Management**

This financial report is designed to provide our members, district residents, government agencies and customers with a general overview of the Association's finances and to show ASCOG's accountability for the money it receives. If you have any questions about this report, contact the Association office at 802 Main Street, PO Box 1647, Duncan, Oklahoma 73534 or telephone us at 580.736.7967 or toll free at 800.658.1466.

Robert Denard  
Director of Resource Management

**Association of South Central Oklahoma Governments**  
**Statement of Net Position**  
**June 30, 2018**

	<b>2018</b>
<b>Assets</b>	
Cash	\$ 1,137,701
Investments	733,399
Accounts receivable	556,075
Prepaid expenses	14,617
Note receivable	513,709
Capital assets, net	49,033
Total Assets	3,004,534
<b>Deferred Outflows of Resources</b>	
Deferred outflows from pensions	308,267
Deferred outflows from OPEB	16,280
Total Deferred Outflows of Resources	324,547
<b>Liabilities</b>	
Accounts payable and accrued expense	288,927
Accrued compensated absences	73,852
Capital lease payable	14,821
Note payable	513,709
Net pension liability	312,598
Net OPEB liability	6,622
Unearned revenue	1,555,767
Total Liabilities	2,766,296
<b>Deferred Inflows of Resources</b>	
Deferred inflows from pensions	55,901
Deferred inflows from OPEB	15,309
Total Deferred Inflows of Resources	71,210
<b>Net Position</b>	
Net Investment in capital assets	49,033
Restricted for:	
Contractual Agreements	(76,380)
Unrestricted	518,922
Total Net Position	\$ 491,575

**Association of South Central Oklahoma Governments**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

<u>Function/Programs</u>	<u>Program Expenses</u>			<u>Program Revenues</u>			<u>Net Revenue</u> <u>(Expense) &amp;</u> <u>Change in Net</u> <u>Position</u>
	<u>Direct</u>	<u>Indirect</u>	<u>Total</u>	<u>Charges for</u>	<u>Operating</u>	<u>Capital Grants</u>	<u>Governmental</u> <u>Activities</u>
	<u>Expenses</u>	<u>Expense</u> <u>Allocation</u>	<u>Expenses</u>	<u>Services</u>	<u>Grants &amp;</u> <u>Contributions</u>	<u>&amp;</u> <u>Contributions</u>	
<b>Primary Government</b>							
General government	\$ 167,769	\$ (125,532)	\$ 42,237	\$ 47,061	\$ -	\$ -	\$ 4,824
Employment & Training	675,155	29,200	704,355	166,759	474,426	-	(63,170)
Aging Services	2,184,185	137,964	2,322,149	-	2,359,443	-	37,294
Rural Economic Action Plan	722,243	7,810	730,053	750	894,867	-	165,564
Economic development	124,924	32,454	157,378	-	70,023	-	(87,355)
Public safety	60,317	17,734	78,051	-	63,341	-	(14,710)
Community development	1,002,126	485,141	1,487,267	77,255	1,056,818	-	(353,194)
Total Government Activities	<u>4,936,719</u>	<u>584,771</u>	<u>5,521,490</u>	<u>291,825</u>	<u>4,918,918</u>	<u>-</u>	<u>(310,747)</u>
			<b>General Revenues</b>				
			Investment income				1,627
			Other Income				320,015
			<b>Change in Net Position</b>				10,895
			<b>Net Position - Beginning of year</b>				480,680
			<b>Net Position - ending of year</b>				<u>\$ 491,575</u>

**Association of South Central Oklahoma Governments**  
**Governmental Funds Balance Sheet**  
**June 30, 2018**

	<u>General Fund</u>	<u>Employment &amp; Training</u>	<u>Aging Services</u>	<u>Rural Economic Action Plan</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Cash	\$ 312,798	\$ -	\$ -	\$ 806,580	\$ 18,323	\$ 1,137,701
Investments	26,539	-	-	706,860	-	733,399
Accounts receivable	657	107,979	192,883	76,565	177,991	556,075
Due from other Fund	283,399	65	-	-	17,452	300,916
Prepaid expenses	14,617	-	-	-	-	14,617
Total Assets	<u>638,010</u>	<u>108,044</u>	<u>192,883</u>	<u>1,590,005</u>	<u>213,766</u>	<u>2,742,708</u>
<b>Liabilities</b>						
Accounts payable and accrued expense	48,058	1,346	164,947	45,000	29,576	288,927
Due to other fund	-	106,698	27,936	25,692	140,590	300,916
Unearned revenue	-	-	-	1,512,167	43,600	1,555,767
Total Liabilities	<u>48,058</u>	<u>108,044</u>	<u>192,883</u>	<u>1,582,859</u>	<u>213,766</u>	<u>2,145,610</u>
<b>Fund Balance</b>						
Restricted	-	-	-	7,146	-	7,146
Assigned	-	-	-	-	-	-
Unassigned	589,952	-	-	-	-	589,952
Total Fund Balance	<u>589,952</u>	<u>-</u>	<u>-</u>	<u>7,146</u>	<u>-</u>	<u>597,098</u>
Total Liabilities and Fund Balance	<u>\$ 638,010</u>	<u>\$ 108,044</u>	<u>\$ 192,883</u>	<u>\$ 1,590,005</u>	<u>\$ 213,766</u>	<u>\$ 2,742,708</u>

**Association of South Central Oklahoma Governments**  
**Governmental Funds Statement of Revenues, Expenditures**  
**And Changes in Fund Balance**  
**Year Ended June 30, 2018**

	<u>General Fund</u>	<u>Employment &amp; Training</u>	<u>Aging Services</u>	<u>Rural Economic Action Plan</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
Federal grants	\$ -	\$ 474,426	\$ 1,210,035	\$ -	\$ 404,039	\$ 2,088,500
State grants and appropriations	-	-	975,249	894,867	262,959	2,133,075
Advantage program income	-	-	-	-	697,342	697,342
Local charges and services	-	166,759	-	-	62,072	228,831
Members due and assessments	47,061	-	-	750	16,760	64,571
Investment income	2,239	-	-	(612)	-	1,627
Other income	3,028	-	16,022	-	22,817	41,867
Match revenue	(277,481)	63,170	(51,915)	(164,814)	431,040	-
<b>Total Revenues</b>	<u>(225,153)</u>	<u>704,355</u>	<u>2,149,391</u>	<u>730,191</u>	<u>1,897,029</u>	<u>5,255,813</u>
<b>Expenses</b>						
Salaries	81,122	456,333	76,613	17,537	778,351	1,409,956
Fringe benefits	71,937	40,454	25,673	6,317	267,547	411,928
Indirect costs	(148,358)	29,200	136,067	7,810	538,812	563,531
Travel	188	10,802	6,680	348	47,616	65,634
Other expenses	2,814	-	44	-	37,867	40,725
Program costs	-	167,566	-	698,041	-	865,607
Pass-through grants	-	-	1,904,314	-	226,836	2,131,150
Debt Service	5,717	-	-	-	-	5,717
Capital outlays	11,398	-	-	-	-	11,398
<b>Total Expenses</b>	<u>24,818</u>	<u>704,355</u>	<u>2,149,391</u>	<u>730,053</u>	<u>1,897,029</u>	<u>5,505,646</u>
<b>Net Change in Fund Balances</b>	(249,971)	-	-	138	-	(249,833)
<b>Fund Balance, Beginning of Year</b>	<u>839,923</u>	<u>-</u>	<u>-</u>	<u>7,008</u>	<u>-</u>	<u>846,931</u>
<b>Fund Balances, End of Year</b>	<u>\$ 589,952</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,146</u>	<u>\$ -</u>	<u>\$ 597,098</u>

**Association of South Central Oklahoma Governments**  
**Reconciliation of Governmental Funds and**  
**Government-wide Financial Statements**  
**Year Ended June 30, 2018**

**Reconciliation of the Government Funds Balance  
Sheet to the Statement of Net Assets**

Total fund balances - governmental funds \$ 597,098

Amounts reported for governmental activities in the  
Statement of Net Assets are different because:

Long term assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds.

Note receivable 513,709

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds, net of  
accumulated depreciation of \$1,247,344

49,033

Pension related deferred outflows

308,267

OPEB related deferred outflows

16,280

Long-term liabilities are not due and payable in the  
Current period and therefore, are not reported as liabilities in  
the funds. Long-term liabilities consist of:

Note payable, grant award (513,709)

Capital lease payable (14,821)

Compensated absences (73,852)

Net pension liability (312,598)

Net OPEB liability (6,622)

Pension related deferred inflows (55,901)

OPEB related deferred inflows (15,309)

Net assets of governmental activities \$ 491,575

**Reconciliation of the Statement of Revenues,  
Expenditures and Changes in fund Balance of  
Governmental funds to the Statement of Activities**

Net change in fund balance - governmental funds \$ (249,833)

Amounts reported for governmental activities in the  
Statement of Activities are different because:

Governmental funds report capital outlays and issue costs as  
expenditures, while governmental activities report depreciation  
and amortization expense to allocate those expenditures over  
the life of the assets:

Capital asset purchases capitalized 11,398

Loss on disposal of assets (11,980)

Depreciation expense (22,825)

Some expense in the statement of activities do not  
require the use of current financial resources and,  
therefore, are not reported in government funds

Debt service 5,717

Compensated absences, net change 5,922

Pension related benefit, net change 278,148

OPEB related expenses, net change (5,652)

Change in Net Assets - governmental activities \$ 10,895

**Association of South Central Oklahoma Governments**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2018**

	<b>2018</b>
<b>Assets</b>	
Cash	\$ -
Total Assets	-
 <b>Liabilities</b>	
Accounts payable	-
Funds held for others	-
Total Liabilities	-
 <b>Net Position</b>	\$ -

**Association of South Central Oklahoma Governments**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 1: Summary of Significant Accounting Policies**

**Reporting Entity**

The Association of South Central Oklahoma Governments, a Trust Authority, (the Authority) is a public trust organized under Title 60 of the Oklahoma statutes and as a political subdivision of the State of Oklahoma is exempt from federal and state income taxes. The Authority was established to provide a cooperative association of local governments within an eight-county area of South Central Oklahoma, under the inter-local Cooperation Act, Title 74 of Oklahoma statutes, for the purposes of assisting local governments in planning for common needs, coordinating sound regional development and administration of mutually beneficial programs.

**Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Membership dues are recognized as revenues in the year for which they are due.

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. For this purpose, ASCOG considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to compensated absences are recorded only when payment is due.

Grant and contract revenues, membership dues and interest associated with the current fiscal period are all considered to be 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 ASCOG.

ASCOG reports the following major governmental funds:

*General Fund* – The General Fund is ASCOG’s primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund.

*Workforce Investment Act Fund* – The Workforce Investment Act Fund reports the activities related to contracts with the Oklahoma Department of Commerce to provide employment training services for adult, youth and dislocated workers.

*Area Agency on Aging Fund* – The Area Agency on Aging Fund reports the activities related to a grant from the Oklahoma Department of Human Services for the aging services programs. It accounts for revenues from federal and state sources and the expenditures thereof related only to that grant.



**Association of South Central Oklahoma Governments**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Measurement Focus and Basis of Accounting** (Continued)

*Rural Economic Action Plan Fund* – The Rural Economic Action Plan Fund reports the activity related to grants from the Oklahoma Department of Commerce for the REAP program. This fund accounts for revenues and related pass-through expenditures to member communities for specific projects.

The other governmental funds account for revenues received from federal and state grants and contracts and the expenditures, thereof, as governmental funds. Grant and contract revenues and expenditures are segregated in the general ledger accounting system.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all interest.

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

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct and allocated indirect expenses of given functions or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Association of South Central Oklahoma Governments**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Deposits and Investments**

ASCOG'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.

State statutes authorize ASCOG to invest in obligations of the U.S. Treasury; time deposits with financial institutions, if such deposits are fully insured by federal depository insurance or pledged collateral; and debt securities issued by the State of Oklahoma, an Oklahoma county, school district or municipality.

Investments for ASCOG are reported at fair value.

**Accounts Receivable and Other Receivables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources.

All trade receivables are shown net of allowance for uncollectibles, if applicable.

**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.

**Capital Assets**

Capital assets, which include buildings and improvements, vehicles and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by ASCOG as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**Association of South Central Oklahoma Governments**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Capital Assets** (Continued)

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

Assets	Years
Furniture & Fixtures	7 - 10
Machinery & Equipment	5 - 7
Leasehold Improvements	10 - 15

**Fund Balances and Net Position**

*Fund balances* – Governmental fund balances are classified as nonspendable, restricted, committed, assigned and unassigned as follows:

*Nonspendable* – Includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

*Restricted* – Consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.

*Committed* – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the entity's highest level of decision-making authority.

*Assigned* – Includes amounts that are constrained by the entity's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by board of trustees' action or management decision when the board has designated that authority.

*Unassigned* – Represents fund balance that has not been assigned to other funds and has not been restricted, committed or assigned to specific purposes within the general fund.

It is the entity's policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The entity's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amount in any of those unrestricted fund balance classifications could be used.

**Association of South Central Oklahoma Governments**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Fund Balances and Net Position** (Continued)

The constraints placed on fund balance as of June 30, 2018, are as follows:

	General Fund	REAP	Nonmajor Government Funds	Total
Restricted for				
Community development	\$ -	\$ 7,146	\$ -	\$ 7,146
Committed to	-	-	-	-
Unassigned	589,952	-	-	589,952
	<u>\$ 589,952</u>	<u>\$ 7,146</u>	<u>\$ -</u>	<u>\$ 597,098</u>

*Net Position* – Net position are displayed in three components as follows:

*Net Investment in Capital Assets* – Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any debt or other borrowings that are attributable to the acquisition, construction, or improvement of the assets.

*Restricted* – Consists of net position 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.

*Unrestricted* – All other net position that does not meet the definitions of “net investment in capital assets” or “restricted”.

It is ASCOG’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.

**Allocation of Employee Benefits and Indirect Costs**

ASCOG’s employee benefits and indirect costs are allocated based upon actual expenditures to all grants in accordance with *Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, (2) C.F.R. Part 200. ASCOG’s employee benefits are allocated to grants and other projects as a percentage of direct labor costs. Indirect costs necessary to sustain overall operations are allocated as a percentage of direct costs charged to grants and other projects.

**Association of South Central Oklahoma Governments**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

**Accounting Pronouncements Adopted in Fiscal Year 2018**

Association of South Central Oklahoma Governments adopted the following new accounting pronouncement during the year ended June 30, 2018:

- *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

GASB No. 75 was issued in June 2015 and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. For a defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for fiscal years beginning after June 15, 2017.

- *GASB Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*

GASB No 82 was issued in March 2016 and the objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

**Association of South Central Oklahoma Governments**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 1: Summary of Significant Accounting Policies** (Continued)

**Accounting Pronouncements Adopted in Fiscal Year 2018** (Continued)

- *GASB Statement No. 85, Omnibus 2017*

GASB No 85 was issued in March 2017 and the objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

**Subsequent Events**

Management has evaluated subsequent events through November 27, 2018 the date which the financial statements were available to be issued.

**Note 2: Deposits and Investments**

*Deposits*

ASCOG's carrying amount of deposits was \$1,844,261 as of June 30, 2018 and the bank balances totaled \$1,895,531. Deposits are carried at cost.

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, ASCOG's deposits may not be returned to it. ASCOG does not have a deposit policy for custodial credit risk. As of June 30, 2018 and, all of ASCOG's bank balances of \$1,895,531, were FDIC insured or collateralized by pledges from the banks.

*Investments*

As of June 30, 2018, ASCOG had the following investments.

Investment	Maturities	Fair Value
Certificates of Deposits	< 1 Year	\$ 733,399
Total		\$ 733,399

*Interest Rate Risk*

ASCOG does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Association of South Central Oklahoma Governments**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 2: Deposits and Investments (Continued)**

*Credit Risk*

State statutes limit investments to the following: a) direct obligations of the U.S. Government, its agencies or instrumentalities; b) collateralized or insured certificates of deposit within the state and insured certificates only if out of state; c) savings accounts or savings certificates; d) fully collateralized prime banker acceptances, prime commercial paper, repurchase agreements, or SEC regulated money market funds; e) obligations to the payment of which the full faith and credit of the state is pledged; f) county, municipal or school district and valorem tax funded debt; g) bonds, notes or money judgments of a county, municipality or school district; h) revenue anticipation notes of a public trust of which the municipality is beneficiary; or i) any bond, note or other debt of any public trust of which the municipality is sole beneficiary or other entities whose governing boards were appointed by the municipality. ASCOG has no investment policy that would further limit its investment choices. As of June 30, 2018, ASCOG's investments in certificates of deposit were all federally insured.

**Note 3: Accounts Receivable**

Receivables as of June 30, 2018, for the Association of South Central Oklahoma Governments individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Workforce Investment Act	AAA	Rural Economic Action Plan	Nonmajor Government Funds	Total
Accounts Receivables	\$ 657	\$ 107,979	\$ 192,883	\$ 76,565	\$ 177,991	\$ 556,075
Due from other governments	283,399	65	-	-	17,452	300,916
Less: allowance for uncollectibles	-	-	-	-	-	-
Net total receivables	<u>\$ 284,056</u>	<u>\$ 108,044</u>	<u>\$ 192,883</u>	<u>\$ 76,565</u>	<u>\$ 195,443</u>	<u>\$ 856,991</u>

**Note 4: Other Receivables**

**Interfund receivable, payables and transfers**

The composition of interfund balances as of June 30, 2018, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Governmental Funds	<u>\$ 300,916</u>

**Association of South Central Oklahoma Governments**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 5: Long-Term Note Receivable**

Under a program of the Environmental Protection Agency, ASCOG loans grant funds for projects which will remediate environmental hazards. Under the terms of the program, the funds are to be paid back to ASCOG after twenty years. At June 30, 2018, long term receivable for this program amounted to \$513,709.

**Note 6: Capital Assets**

Capital asset balances and activities for the year ended June 30, 2018, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets, being depreciated:				
Leasehold Improvements	\$ 152,220	\$ -	\$ -	\$ 152,220
Furniture & Equipment	1,164,555	11,398	(735,284)	440,669
Total capital assets, being depreciated	<u>1,316,775</u>	<u>11,398</u>	<u>(735,284)</u>	<u>592,889</u>
Less accumulated depreciation for:				
Leasehold Improvements	(143,030)	-	-	(143,030)
Furniture & Equipment	(1,101,304)	(22,825)	723,303	(400,826)
Total accumulated depreciation	<u>(1,244,334)</u>	<u>(22,825)</u>	<u>723,303</u>	<u>(543,856)</u>
Governmental activities capital assets, net	<u>\$ 72,441</u>	<u>\$ (11,427)</u>	<u>\$ (11,981)</u>	<u>\$ 49,033</u>

Depreciation expense for the years ended June 30, 2018 was charged to functions/programs of the primary government as follows:

	2018
Governmental activities	
General government	<u>\$ 22,825</u>
Total depreciation expense - governmental activities	<u>\$ 22,825</u>



**Association of South Central Oklahoma Governments**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 7: Long-Term Liabilities**

**Leases**

*Capital Leases*

In October of 2015, ASCOG entered into a capital lease agreement for a new telephone system. The term of the lease is for 60 months with fixed monthly payments at \$533 per month for principal and interest. The balance on the lease was \$26,086 for the year ended June 30, 2018.

The scheduled principal payments related to the lease are as follows:

2019	5,963
2020	6,181
2021	2,677
	<u>\$ 14,821</u>

**Notes Payable**

Under a program of the Environmental Protection Agency, ASCOG receives grant funds for projects that will remediate environmental hazards. Under the terms of the program, the grant funds in effect become a revolving loan fund (RLF) and the funds can be re-distributed pursuant to the original terms of the grant. If the funds are not going to be loaned out, then the full grant balance amount will become due to the EPA. At June 30, 2018, the long term note payable balance for this program is \$513,709.

**Note 8: Unearned Revenue**

Unearned revenues represent advances on grants or contracts which have not been expended.

Unearned revenues for the year ended June 30, 2018 totaled \$1,555,766 and included the following:

	<u>2018</u>
REAP funds	\$ 1,512,167
CED	33,194
Masonic Funds	10,406
Total	<u>\$ 1,555,767</u>

**Association of South Central Oklahoma Governments**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 9: Cafeteria Plan**

Full-time employees of the Authority are eligible to participate in an employee benefit cafeteria plan. The plan was created in accordance with Section 125 of the Internal Revenue Code and permits employees to obtain certain benefits with pre-tax medical and dental expense reimbursement, dependent care assistance and group term life insurance.

**Note 10: Pension Plan**

**Plan description** - The Authority as the employer, participates in Oklahoma Public Employees Retirement Plan —a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Title 74 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OPERS. OPERS issues a publicly available financial report that can be obtained at [www.opers.ok.gov](http://www.opers.ok.gov)

**Benefits provided** - OPERS provides retirement, disability, and death benefits to members of the plan.

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 member's 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 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.

- **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. Members who join OPERS on or after July 1, 2013, will have their salary averaged over the highest 60 months of the last ten years. 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.

**Association of South Central Oklahoma Governments**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 10: Pension Plan** (Continued)

- 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.

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.

Upon the death of an active member, the accumulated contributions of the member are paid to the member's named beneficiary(ies) in a single lump sum payment. If a retired member elected a joint annuitant survivor option or an active member was eligible to retire with either reduced or unreduced benefits or eligible to vest the retirement benefit at the time of death, benefits can be paid in monthly payments over the life of the spouse if the spouse so elects.

Upon the death of a retired member, the Plan will pay a \$5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary.

**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. Employees are required to contribute 3.5% percent of their annual pay. Participating entities are required to contribute 16.5% of the employees' annual pay. Contributions to the pension plan from the Association of South Central Oklahoma Governments were \$168,134.

**Association of South Central Oklahoma Governments**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 10: Pension Plan (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At June 30, 2018, the Association of South Central Oklahoma Governments reported a liability of \$726,689, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The Authority's proportion of the net pension liability was based on the Authority's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2017. Based upon this information, the Authority's proportion was .07323789 percent.

For the year ended June 30, 2018, the Authority recognized pension expense of \$155,527. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 130,141	\$ 55,901
Changes of assumptions	22,599	-
Net difference between projected and actual earnings on pension plan investments	-	-
Authority's contributions subsequent to the measurement date	155,527	-
Total	\$ 308,267	\$ 55,901

**Association of South Central Oklahoma Governments**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 10: Pension Plan (Continued)**

As of June 30, 2018, \$155,527, was reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2019	33,803
2020	90,717
2021	22,238
2022	(49,919)
	\$ 96,839

**Actuarial Assumptions** - The total pension liability as of June 30, 2017 was determined based on an actuarial valuation prepared as of July 1, 2017, using the following actuarial assumptions:

- Investment return – 7.0% compounded annually net of investment expense and including inflation
- Salary increases – 3.5% to 9.5% per year including inflation
- Mortality rates – Active participants and nondisabled pensioners – RP-2014 Mortality Table projected to 2025 by Scale MP-2016 (disabled pensioners set forward 12 years)
- No annual post-retirement benefit increases
- Assumed inflation rate – 2.75%
- Payroll growth – 3.50% per year
- Actuarial cost method – Entry age
- Select period for the termination of employment assumptions – 10 years

The actuarial assumptions used in the July 1, 2018, valuation are based on the results of the most recent actuarial experience study, which cover the three-year period ending June 30, 2016. The experience study report is dated April 13, 2017.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**Association of South Central Oklahoma Governments**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 10: Pension Plan (Continued)**

The Target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Rental Rate of Return
U.S. Large Cap Equity	38.0%	5.3%
U.S. Small Cap Equity	6.0%	5.6%
U.S. Fixed Income	25.0%	0.7%
International Stock	18.0%	5.6%
Emerging Market Stock	6.0%	6.4%
TIPS	3.5%	0.7%
Rate Anticipation	3.5%	1.5%
Total	100.0%	

**Discount Rate** - The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected through 2114 to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the employers calculated using the discount rate of 7.0%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase Rate (8.0%)
Employers' net pension liability	\$ 18,756	\$ 21,882	\$ 25,008

**Pension plan fiduciary net position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPERS; which can be located at [www.opers.ok.gov](http://www.opers.ok.gov) .

**Association of South Central Oklahoma Governments**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 11: Other Post-Employment Benefits (OPEB)**

**Plan description** - ASCOG as the employer, participates in the Supplemental Health Insurance Program—a cost-sharing multiple-employer defined benefit OPEB plan administered by the Oklahoma Public Employees Retirement System (OPERS). The authority to establish and amend benefit provisions rests with the State Legislature. OPERS issues a publicly available financial report that can be obtained at [www.ok.gov/OPERS](http://www.ok.gov/OPERS)

**Benefits provided** - OPERS pays a medical insurance supplement to eligible members who elect to maintain health insurance with the Oklahoma Employees Group Insurance Division (EGID) or other qualified insurance plan provided by the employer. This subsidy continues until the retiree terminates health insurance coverage with EGID or other qualified plan, or until death. The subsidy is only for the retiree, not joint annuitants or beneficiaries. The supplement payment is capped at \$105 per month per retiree.

**Contributions** - The contribution rates for each member category of the System 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. An actuarially determined portion of the total contributions to the System are set aside to finance the cost of the benefits of the HISP in accordance with provisions of the Internal Revenue Code. Based on the contribution requirements of the plan employers and employees contribute a single amount based on a single contribution rate as described in Note 10; from this amount OPERS allocates a portion of the contributions to the supplemental health insurance program. Contributions allocated to the OPEB plan from ASCOG were \$10,886.

**OPEB Liabilities(Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** - At June 30, 2018, ASCOG reported a liability of \$15,309 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2017. ASCOG's proportion of the net OPEB asset was based on ASCOG's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2017. Based upon this information, ASCOG's proportion was .0063% percent.

**Association of South Central Oklahoma Governments**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 11: Other Post-Employment Benefits (OPEB) (Continued)**

For the year ended June 30, 2018, ASCOG recognized OPEB expense of \$10,886. At June 30, 2018, ASCOG reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 8,163
Changes of assumptions	5,394	7,146
Net difference between projected and actual earnings on OPEB plan investments	-	-
Authority's contributions subsequent to the measurement date	10,886	-
Total	\$ 16,280	\$ 15,309

The \$1,156 reported as deferred outflows of resources related to OPEB resulting from ASCOG's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2019	\$ 2,304
2020	2,304
2021	2,304
2022	2,304
2023	518
Thereafter	181
	\$ 9,915



**Association of South Central Oklahoma Governments**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 11: Other Post-Employment Benefits (OPEB) (Continued)**

**Actuarial Assumptions**- The total OPEB liability (asset) as of June 30, 2017, was determined based on an actuarial valuation prepared as if June 30, 2017 using the following actuarial assumptions:

- Investment return – 7.00% compounded annually net of investment expense and including inflation
- Salary increases – 3.5% to 9.5% per year including inflation
- Mortality rates – active participants and nondisabled pensioners – RP-2014 Mortality Table projected to 2025 by Scale MP-2016 (disabled pensioners set forward 12 years)
- No annual post-retirement benefit increases
- Assumed inflation rate – 2.75%
- Payroll growth – 3.5%
- Actuarial cost method – Entry age
- Select period for the termination of employment assumptions – 10 years

The actuarial assumptions used in the July 1, 2017, valuation are based on the results of the most recent actuarial experience study, which covered the three-year period ending June 30, 2016. The experience study report is dated April 13, 2017.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The Target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Rental Rate of Return
U.S. Large Cap Equity	38.0%	5.3%
U.S. Small Cap Equity	6.0%	5.6%
U.S. Fixed Income	25.0%	0.7%
International Stock	18.0%	5.6%
Emerging Market Stock	6.0%	6.4%
TIPS	3.5%	0.7%
Rate Anticipation	3.5%	1.5%
Total	<u>100.0%</u>	

**Association of South Central Oklahoma Governments**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 11: Other Post-Employment Benefits (OPEB) (Continued)**

**Discount Rate**- A single discount rate of 7.0% was used to measure the total OPRB liability (asset) as of June 30, 2017. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.0%. Based on the stated assumptions and the projection of cash flows, the OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset).

**Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate**-The following presents the net OPEB liability (asset) of the employer calculated using the discount rate of 7.0%, as well as what the Plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase Rate (8.0%)
Employers' net OPEB liability	\$ 919	\$ 1,072	\$ 1,225

**OPEB plan fiduciary net position** - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report of the OPERS; which can be located at [www.ok.gov/OPERS](http://www.ok.gov/OPERS) .

**Note 12: Compensated Absences**

Under personnel policies, all employees working 20 or more hours per week earn vacation leave at varying amounts based upon length of service. Vacation leave accrues each two-week pay period as follows:

Years of Service	Hours Earned
0-5	3.75
6-10	4.75
11-19	5.75
20 or more	6.50

The maximum amount of vacation leave that can be carried forward is 200 hours. Payment of accrued leave must be approved by management.

**Association of South Central Oklahoma Governments**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 12: Compensated Absences (Continued)**

Full time employees earn sick leave 3.75 hours of paid sick leave for each two weeks of employment, with lesser amounts earned by part-time employees. There is no liability for accumulated unpaid sick leave since ASCOG does not pay accumulated amounts for sick leave when employees separate from service. All vacation accumulated is reported when incurred in the governmental activities in the government-wide financial statements. The liability for earned unpaid compensated absences at June 30, 2018 is:

	2018
Governmental activities	\$ 73,852
Total compensated absences	\$ 73,852

**Note 13: Risk Management**

ASCOG is exposed to various risks of loss related to torts, property damage, errors and omissions and personal injury. ASCOG carries commercial insurance for property, general liability, public official's liability, worker's compensation and unemployment. ASCOG retains the first \$500-\$2,500, depending on the policy, of risk of loss in the form of deductibles.

**Note 14: Commitments and Contingencies**

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 ASCOG. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although ASCOG expects such amounts, if any, to be immaterial.

**Note 15: Economic Dependence**

The Association of South Central Oklahoma Governments is dependent upon the federal and state funding to maintain continuing operations.

**Association of South Central Oklahoma Governments**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 16: New Accounting Standards Issued not yet Adopted**

New Accounting Pronouncements Issued Not Yet Adopted: The GASB has also issued several new accounting pronouncements which will be effective to the Authority in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective and the Authority's consideration of the impact of these pronouncements are described below:

- *GASB Statement No. 83, Certain Asset Retirement Obligations*

GASB No 83 was issued in November 2016, and addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. Authority anticipates no effect regarding implementation of this standard..

- *GASB Statement No. 84, Fiduciary Activities*

GASB No 84 was issued in January 2017 and the objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. Authority has not yet determined the impact that implementation will have on its financials.

- *GASB Statement No. 87, Leases*

GASB No 87 was issued June 2017 and the objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. Authority has not yet determined the impact that implementation will have on its financials.

**Association of South Central Oklahoma Governments**  
**Notes to Financial Statements**  
**June 30, 2018**

- *GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*

GASB No 88 was issued June 2018 and the objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Authority has not yet determined the impact that implementation will have on its financials.

- *GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period*

GASB No 89 was issued June 2018 and the objective to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The Authority has not yet determined the impact that implementation will have on its financials.

**Association of South Central Oklahoma Governments**  
**Notes to Financial Statements**  
**June 30, 2018**

- *GASB Statement No. 90, Major Equity Interest*

GASB No 90 was issued June 2018 and the objective to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The Authority has not yet determined the impact that implementation will have on its financials.

**Association of South Central Oklahoma Governments**  
**Combining Balance Sheets**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	Admin	Managed Care	Medicaid	Ombudsman	Masonic	CENA	EDA	NEW	Rural Fire
<b>Assets</b>									
Cash	\$ -	\$ -	\$ -	\$ -	\$ 18,323	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-
Accounts receivable	-	21,938	4,394	-	-	15,682	25,531	-	6,680
Due from other Fund	-	-	-	1,187	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>-</b>	<b>21,938</b>	<b>4,394</b>	<b>1,187</b>	<b>18,323</b>	<b>15,682</b>	<b>25,531</b>	<b>-</b>	<b>6,680</b>
<b>Liabilities</b>									
Accounts payable and accrued expense	-	2,683	382	1,187	600	14,864	536	-	259
Due to other fund	-	19,255	4,012	-	7,317	818	24,995	-	6,421
Unearned revenue	-	-	-	-	10,406	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>21,938</b>	<b>4,394</b>	<b>1,187</b>	<b>18,323</b>	<b>15,682</b>	<b>25,531</b>	<b>-</b>	<b>6,680</b>
<b>Fund Balance</b>									
Restricted	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
<b>Total Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ -</b>	<b>\$ 21,938</b>	<b>\$ 4,394</b>	<b>\$ 1,187</b>	<b>\$ 18,323</b>	<b>\$ 15,682</b>	<b>\$ 25,531</b>	<b>\$ -</b>	<b>\$ 6,680</b>

**Association of South Central Oklahoma Governments**  
**Combining Balance Sheets**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	<b>CDBG</b>	<b>GIS</b>	<b>CED</b>	<b>BRBRP</b>	<b>Hazard Mitigation</b>	<b>EAI</b>	<b>Total Other Governmental Funds</b>
<b>Assets</b>							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,323
Investments	-	-	-	-	-	-	-
Accounts receivable	20,901	-	24,476	-	56,812	1,577	177,991
Due from other Fund	-	-	15,011	1,254	-	-	17,452
Prepaid expenses	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>20,901</b>	<b>-</b>	<b>39,487</b>	<b>1,254</b>	<b>56,812</b>	<b>1,577</b>	<b>213,766</b>
<b>Liabilities</b>							
Accounts payable and accrued expense	33	-	6,293	1,254	1,485	-	29,576
Due to other fund	20,868	-	-	-	55,327	1,577	140,590
Unearned revenue	-	-	33,194	-	-	-	43,600
<b>Total Liabilities</b>	<b>20,901</b>	<b>-</b>	<b>39,487</b>	<b>1,254</b>	<b>56,812</b>	<b>1,577</b>	<b>213,766</b>
<b>Fund Balance</b>							
Restricted	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
<b>Total Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 20,901</b>	<b>\$ -</b>	<b>\$ 39,487</b>	<b>\$ 1,254</b>	<b>\$ 56,812</b>	<b>\$ 1,577</b>	<b>\$ 213,766</b>



**Association of South Central Oklahoma Governments**  
**Combining Statements of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2018**

	Admin	Managed Care	Medicaid	Ombudsman	Masonic	CENA	EDA	Rural Fire
<b>Revenues</b>								
Federal grants	\$ -	\$ -	\$ 45,361	\$ -	\$ -	\$ -	\$ 70,023	\$ -
State grants and appropriations	-	-	-	-	-	174,159	-	63,341
Advantage revenue	-	697,342	-	-	-	-	-	-
Local charges and services	-	-	-	-	60,495	-	-	-
Members due and assessments	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-
Match revenue	61,653	172,691	(535)	72,325	8,864	(1,401)	15,030	14,710
<b>Total Revenues</b>	<b>61,653</b>	<b>870,033</b>	<b>44,826</b>	<b>72,325</b>	<b>69,359</b>	<b>172,758</b>	<b>85,053</b>	<b>78,051</b>
<b>Expenses</b>								
Salaries	47,580	489,320	18,406	44,213	3,996	5,116	37,427	49,493
Fringe benefits	14,068	181,519	5,543	15,645	1,298	1,546	12,288	7,484
Indirect costs	5	181,048	14,771	6,516	1,122	1,897	25,938	17,734
Travel	-	17,858	6,106	5,758	-	306	9,400	3,340
Other expenses	-	288	-	193	-	-	-	-
Program costs	-	-	-	-	-	-	-	-
Pass-through grants	-	-	-	-	62,943	163,893	-	-
Debt Service	-	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>61,653</b>	<b>870,033</b>	<b>44,826</b>	<b>72,325</b>	<b>69,359</b>	<b>172,758</b>	<b>85,053</b>	<b>78,051</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance, Beginning of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances, End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Association of South Central Oklahoma Governments**  
**Combining Statements of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2018**

	<b>CDBG</b>	<b>GIS</b>	<b>CED</b>	<b>BRBRP</b>	<b>Hazard Mitigation</b>	<b>EAI</b>	<b>Total Other Governmental Funds</b>
<b>Revenues</b>							
Federal grants	\$ 18,242	\$ -	\$ 270,413	\$ -	\$ -	\$ -	\$ 404,039
State grants and appropriations	-	-	25,459	-	-	-	262,959
Advantage revenue	-	-	-	-	-	-	697,342
Local charges and services	-	-	-	-	-	1,577	62,072
Members due and assessments	13,560	-	2,850	(6,855)	7,205	-	16,760
Investment income	-	-	-	-	-	-	-
Other income	-	-	22,817	-	-	-	22,817
Match revenue	(3,846)	32,717	14,836	36,043	7,953	-	431,040
<b>Total Revenues</b>	<b>27,956</b>	<b>32,717</b>	<b>336,375</b>	<b>29,188</b>	<b>15,158</b>	<b>1,577</b>	<b>1,897,029</b>
<b>Expenses</b>							
Salaries	20,056	13,385	49,359	-	-	-	778,351
Fringe benefits	7,103	2,800	18,253	-	-	-	267,547
Indirect costs	-	16,532	256,296	561	14,815	1,577	538,812
Travel	797	-	3,321	387	343	-	47,616
Other expenses	-	-	9,146	28,240	-	-	37,867
Program costs	-	-	-	-	-	-	-
Pass-through grants	-	-	-	-	-	-	226,836
Debt Service	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>27,956</b>	<b>32,717</b>	<b>336,375</b>	<b>29,188</b>	<b>15,158</b>	<b>1,577</b>	<b>1,897,029</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance, Beginning of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances, End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Association of South Central Oklahoma Governments**  
**Schedule of Proportionate Share of the Net Pension Liability - Last 10 Fiscal Years\***  
**For the Years Ended June 30, 2018 and 2017**

	2018	2017
<b>OPERS</b>		
Association's proportion of the net pension liability	0.0578%	0.0732%
Association's proportionate share of the net pension liability	\$ 312,598	\$ 726,689
Association's covered-employee payroll	\$ 1,409,956	\$ 1,390,905
Association's proportionate share of the net pension liability as a percentage of its covered-employee payroll	22%	52%
Plan fiduciary net position as a percentage of the total pension liability	94.28%	62.24%

\*Note - Only two fiscal years are presented because 10-year data is not available.

**Association of South Central Oklahoma Governments**  
**Schedule of Pension Contributions - Last 10 Fiscal Years\***  
**For the Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>OPERS</b>		
Contractually required contribution	\$ 155,527	\$ 217,094
Contributions in relation to the contractually required contribution	155,527	217,094
Contribution deficiency (excess)	\$ -	\$ -
Association's covered-employee payroll	\$ 1,409,956	\$ 1,390,905
Contributions as a percentage of covered- employee payroll	11.03%	15.61%

\*Note - Only two fiscal years are presented because 10-year data is not available

**Association of South Central Oklahoma Governments**  
**Schedule of Proportionate Share of the Net OPEB Liability (Asset) - Last 10 Fiscal Years\***  
**For the Years Ended June 30, 2018**

	<b>2018</b>
<b>OPERS</b>	
Association's proportion of the net OPEB liability (asset)	0.057818%
Association's proportionate share of the net OPEB liability (asset)	\$ 6,622
Association's covered-employee payroll	\$ 1,409,956
Association's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	0.47%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	96.50%

\*Note - Only the current fiscal year is presented because 10-year data is not available.

**Association of South Central Oklahoma Governments**  
**Schedule of OPEB Contributions - Last 10 Fiscal Years\***  
**For the Years Ended June 30, 2018**

**OPERS**

Contractually required contribution	\$ 10,886
Contributions in relation to the contractually required contribution	10,886
Contribution deficiency (excess)	\$ -
Association's covered-employee payroll	\$ 1,409,956
Contributions as a percentage of covered- employee payroll	0.77%

\*Note - Only the current fiscal year is presented because 10-year data is not available



**HINKLE &  
COMPANY**

Strategic <sup>PC</sup>  
Business Advisors

**Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of the Financial  
Statements Performed in Accordance with  
Government Auditing Standards**

Board of Trustees  
Association of South Central Oklahoma Governments  
Duncan, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Association of South Central Oklahoma Governments, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise Association of South Central Oklahoma Governments basic financial statements and have issued our report thereon dated November 27, 2018.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Association of South Central Oklahoma Governments 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 Association of South Central Oklahoma Governments internal control. Accordingly, we do not express an opinion on the effectiveness of Association of South Central Oklahoma Governments internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

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

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hill & Company, PC

Tulsa, Oklahoma  
November 27, 2018







**HINKLE &  
COMPANY**  
Strategic PC  
Business Advisors

**Independent Auditors' Report on Compliance for Each Major Federal Program: Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Board of Trustees  
Association of South Central Oklahoma Governments  
Duncan, Oklahoma

***Report on Compliance for Each Major Federal Program***

We have audited the Association of South Central Oklahoma Governments compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the Association of South Central Oklahoma Governments major federal programs for the year ended June 30, 2018. Association of South Central Oklahoma Governments major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations and the terms and conditions applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Association of South Central Oklahoma Governments complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

**Report on Internal Control Over Compliance**

Management of the Association of South Central Oklahoma Governments is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association of South Central Oklahoma Governments internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Association of South Central Oklahoma Governments as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated November 27, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Tulsa, Oklahoma  
November 27, 2018

Hill & Company, PC



**Association of South Central Oklahoma Governments**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2018**

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
<b>FEDERAL PROGRAMS</b>				
<u>U.S. Department of Labor</u>				
Oklahoma Department of Human Services- Title V, Senior Community Services Employment Program Oklahoma Employment Security Commission	17.235	18171	474,426	352,322
<b>Total U.S. Department of Labor</b>			<u>474,426</u>	<u>352,322</u>
<u>U.S. Department of Health and Human Services</u>				
Pass-Through Program from:				
Oklahoma Department of Human Services- <i>Aging Cluster</i> Special Programs for the Aging, Title III Part B, Grants for Supportive Services & Senior Centers	93.044	18AA/183B	436,245	299,566
Part C, Nutrition Services	93.045	18AA / 183C1/ 183C2	1,377,421	1,298,101
Part D, Disease Prevention and Health Promotion Services	93.043	18AA / 183D	7,008	7,008
Nutrition Services Incentive Program	93.053	18AA / 183U	191,123	190,322
			<u>2,011,797</u>	<u>1,794,997</u>
Other Programs				
Pass-Through Program from:				
Oklahoma Department of Human Services Special Programs for the Aging Title III Part E, National Family Caregiver Support	93.052	18AA / 183E	167,925	154,975
Title VII Abuse, Neglect and Exploitation	93.041	18AA	5,562	-
MIPPA	93.071	2458 / MIPPA 2018	14,561	-
SHIP	93.626		21,675	-
SMP	93.048		9,126	-
			<u>218,849</u>	<u>154,975</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>2,230,646</u>	<u>1,949,972</u>
<u>U.S. Department of Commerce</u>				
Direct Program -				
Title II, Section 203 Planning Assistance Continuation Planning (EDA)	11.302	ED17AUS3020019	49,408	-
<b>Total U.S. Department of Commerce</b>			<u>49,408</u>	<u>-</u>
<u>U.S. Department of Defense, Office of Economic Adjustment</u>				
Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610	EN1622-16-01	163,578	-
			<u>163,578</u>	<u>-</u>
<b>Total Expenditure of Federal Awards</b>			<u>\$ 2,918,058</u>	<u>\$ 2,302,294</u>

**Association of South Central Oklahoma Governments**  
**Schedule of Expenditures of State Awards**  
**June 30, 2018**

<u>Federal Grantor/Passthrough Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>	<u>Subrecipient Expenditures</u>
<b>STATE PROGRAMS</b>			
<u>Oklahoma Highway Department</u>			
Pass-Through Program from:			
Oklahoma Association of Regional Councils			
Southwest Oklahoma Regional Transportation Planning Organization	2033	\$ -	\$ -
Southwest Oklahoma Regional Transportation Planning Organization	2034	108,486	-
<u>Total Oklahoma Highway Department</u>		<u>108,486</u>	<u>-</u>
<u>Oklahoma Department of Agriculture</u>			
Pass-Through Program from:			
Oklahoma Association of Regional Councils			
Rural Fire Defense	97404	3,290	-
Rural Fire Defense	97405	60,051	-
<u>Total Oklahoma Department of Agriculture</u>		<u>63,341</u>	<u>-</u>
<u>Oklahoma Department of Commerce</u>			
Community Expansion of Nutrition Assistance	1640	1,641	-
Community Expansion of Nutrition Assistance	1840	172,518	163,893
Substate Planning	9953	17,322	-
REAP 11	1573	45,023	-
REAP 12	1574	29	-
REAP 13	559	34,161	11,325
REAP 14	561	530	-
REAP 15	562	62,030	-
REAP 16	565	317,707	286,863
REAP 17	16849	315,150	312,285
REAP 18	568	120,237	87,568
<u>Total Oklahoma Department of Commerce</u>		<u>1,086,348</u>	<u>861,934</u>
Total Expenditures of State Awards		<u>\$ 1,258,175</u>	<u>\$ 861,934</u>

**Association of South Central Oklahoma Governments**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2018**

**Note A: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of Association of South Central Oklahoma Governments for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Association of South Central Oklahoma Governments, it is not intended to and does not present the financial position, changes in net position, or cash flows of Association of South Central Oklahoma Governments.

**Note B: Summary of Significant Accounting Policies**

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
2. ASCOG has elected not to use the 10 percent de minimis cost rate allowed under Section 200.414(f) of the Uniform Guidance.



**Association of South Central Oklahoma Governments**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2018**

(Continued)

**Summary of Auditors' Results** (Continued)

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was \$750,000.
9. Auditee qualified as a low-risk auditee as that term is defined in the Uniform Guidance.  Yes  No

**Section II--Findings Required to be Reported in Accordance with Government Auditing Standards**

No matters are reported.

**Section III--Findings Required to be Reported in Accordance with the Uniform Guidance**

No matters are reported.

**Association of South Central Oklahoma Governments**  
**Summary Schedule of Prior Audit Findings and Questioned Costs**  
**Year Ended June 30, 2018**

**Prior Period - Findings Required to be Reported by Government Auditing Standards**

***Finding 2017-01***

Criteria: In accordance with the Generally Accepted Auditing Standards (GAAS), the organization should have adequate design and implementation of controls over the preparation of the financial statements being audited such that the financial statements are fairly presented in conformity with generally accepted accounting principles.

Condition: The organization failed to properly account for previous year's closing entries and properly cutoff activity for the previous year. Therefore, the organization did not have adequate design of controls over the preparation of the financial statements being audited such that they are in conformity with Generally Accepted Accounting Principles (GAAP).

Effect: The organization was unable to close their books correctly and ensure proper cutoff.

Cause: Due to accounting system issues encountered during previous years the Organization failed to take into account prior year corrections.

Recommendation: We recommend that management reconcile their accounting system with audited financial statements and properly record activity in the appropriate period.

Views of the responsible officials and planned corrective actions: The Director agrees with this finding.

Name of contact person: Mr. Ronnie Ward, Executive Director

Corrective Action: The Association has recorded a set of entries to reconcile Fiscal Year 2017 audited financial statements to its accounting system. Processes are being developed to properly recorded accounting entries in the correct fiscal period through proper dating of those entries.



**Association of South Central Oklahoma Governments**  
**Summary Schedule of Prior Audit Findings and Questioned Costs**  
**Year Ended June 30, 2018**

**Prior Period - Findings Required to be Reported by Government Auditing Standards**

(Continued)

**Finding 2017-02**

Criteria: In accordance with the Generally Accepted Auditing Standards (GAAS), the organization should have adequate design and implementation of controls over the preparation of the financial statements being audited such that the financial statements are fairly presented in conformity with generally accepted accounting principles.

Condition: The Organization failed to properly implement GASB 68 in previous years to account for the Organization Pension Plan.

Effect: The organization's prior period net position was misstated by \$437,937.

Cause: The Organization failed to realize that its participation in the Oklahoma Public Employees Retirement Plan required accounting under GASB standard.

Recommendation: We recommend that management make appropriate steps to ensure they are implementing all new accounting changes.

Views of the responsible officials and planned corrective actions: The Director agrees with this finding.

Name of contact person: Mr. Ronnie Ward, Executive Director

Corrective Action: Nine new accounting pronouncements are issued that will be effective to the Association in subsequent years. The Association will review each of these to determine their applicability and effects on the Association.

**Prior Period - Findings Required to be Reported in Accordance with the Uniform Guidance**

No matters are reported.