

**Association of South Central
Oklahoma Governments**

**Financial Statements
with Independent Auditors' Report**

June 30, 2019



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Association of South Central Oklahoma Governments
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June 30, 2019

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**HINKLE &
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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, 2019, 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.

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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, 2019, 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.

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 December 12, 2019 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
December 12, 2019



**Association of South Central Oklahoma Governments
Management's Discussion and Analysis
June 30, 2019**

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, 2019. Please read it in conjunction with ASCOG's financial statements.

Financial Highlights

- ASCOG experienced a government-wide loss of \$205,091 during Fiscal Year 2019. Revenues totaled \$5,625,822 and expenses were \$5,830,913.
- Interest income during Fiscal Year 2019 was \$11,192 of which \$10,343 was earned on deposits of REAP program cash. Interest earned on REAP program cash is accumulated and used to fund additional REAP projects for member governments.
- Other general income totaled \$303,031 and came primarily from AAA in-kind revenue (\$205,523), change in pension liability (\$63,496), earnings on EDA contracts (\$17,321), rental income (\$6,069), and other sources (\$10,622).

Discontinued Activities

- The award for the Senior Community Service Employment Program (SCSEP) was awarded to another contractor at end of Fiscal Year 2019. SCSEP generated \$92,213 of revenue during Fiscal Year 2019 that was retained by the Association.
- Title III E, National Family Caregiver Support was contracted directly to the Association during Fiscal Year 2019 when the previous subcontractor for it ceased operations. That program was once again subcontracted at the end of Fiscal Year 2019 when the subcontractor resumed operation. The program resulted in retained revenues of \$16,762 during Fiscal Year 2019.
- Joint Land Use Study Phase I (JLUS) concluded midway through Fiscal Year 2019. The Association is negotiating for award of a Phase II contract. Revenue from JLUS totaled \$119,736 during Fiscal Year 2019.
- Completed contracts with member governments were generally offset in value by new contracts.

A significant effect of the loss or completion of awards and contracts is that the direct expense base available to absorb indirect expenses (overhead) is decreased. This causes the indirect cost allocations rate to rise. That rate is capped by contracts at 30% of direct expenses and may not allow full allocation of indirect expenses. Indirect expenses include things such as utilities, audit expense, IT network support, insurance, and general management wages and benefits.

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 are 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 help 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 considered 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, 2019, the Association's fund balance decreased 42% to \$286,484.

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 \$253,837. The net investment in capital assets of \$32,647 makes the total fund balance equal \$286,484.

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 Activities shows the Association's fund balance decreased \$205,091 since last year due to an excess 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 2019 totaled 86.8% of the Association's total revenues. Federal funding was 60.1% of total revenue and state funding was 26.8% of total revenue. Reductions in state funding eased during Fiscal Year 2019 because of state tax increases. 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 (\$46,611), investment income (\$837), and contract services provided to member governments (e.g., codebook updates, professional services provision, and environmental services such as asbestos mitigation and sewage lagoon work) (\$142,855).

Rates used to calculate membership dues remained unchanged for decades. A standing committee was formed of three board members in Fiscal Year 2017 to annually 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 Fiscal Year 2019 dues assessments that were recorded in Fiscal Year 2018. Dues remained static for Fiscal Year 2020. 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, 2019

	2019
Assets	
Cash	\$ 828,586
Investments	714,704
Accounts receivable	765,427
Prepaid expenses	13,181
Note receivable	513,709
Capital assets, net	32,647
Net OPEB asset	7,720
Total Assets	2,875,974
Deferred Outflows of Resources	
Deferred outflows from pensions	204,177
Deferred outflows from OPEB	15,907
Total Deferred Outflows of Resources	220,084
Liabilities	
Accounts payable and accrued expense	474,564
Accrued compensated absences	74,170
Capital lease payable	8,823
Note payable	513,709
Net pension liability	116,353
Unearned revenue	1,518,097
Total Liabilities	2,705,716
Deferred Inflows of Resources	
Deferred inflows from pensions	84,561
Deferred inflows from OPEB	19,297
Total Deferred Inflows of Resources	103,858
Net Position	
Net Investment in capital assets	32,647
Unrestricted	253,837
Total Net Position	\$ 286,484

Association of South Central Oklahoma Governments
Governmental Funds Balance Sheet
June 30, 2019

	<u>General Fund</u>	<u>Employment & Training</u>	<u>Aging Services</u>	<u>Rural Economic Action Plan</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Cash	\$ 38,884	\$ -	\$ -	\$ 768,926	\$ 20,776	\$ 828,586
Investments	-	-	-	714,704	-	714,704
Accounts receivable	102,869	111,330	318,258	85,834	147,136	765,427
Due from other Fund	218,133	-	-	-	51,415	269,548
Prepaid expenses	13,181	-	-	-	-	13,181
Total Assets	<u>373,067</u>	<u>111,330</u>	<u>318,258</u>	<u>1,569,464</u>	<u>219,327</u>	<u>2,591,446</u>
Liabilities						
Accounts payable and accrued expense	129,477	937	301,756	20,798	21,596	474,564
Due to other fund	-	110,393	16,502	41,204	101,449	269,548
Unearned revenue	-	-	-	1,489,973	28,124	1,518,097
Total Liabilities	<u>129,477</u>	<u>111,330</u>	<u>318,258</u>	<u>1,551,975</u>	<u>151,169</u>	<u>2,262,209</u>
Fund Balance						
Restricted	-	-	-	17,489	-	17,489
Assigned	-	-	-	-	-	-
Unassigned	243,590	-	-	-	68,158	311,748
Total Fund Balance	<u>243,590</u>	<u>-</u>	<u>-</u>	<u>17,489</u>	<u>68,158</u>	<u>329,237</u>
Total Liabilities and Fund Balance	<u>\$ 373,067</u>	<u>\$ 111,330</u>	<u>\$ 318,258</u>	<u>\$ 1,569,464</u>	<u>\$ 219,327</u>	<u>\$ 2,591,446</u>

Association of South Central Oklahoma Governments
Governmental Funds Statement of Revenues, Expenditures
And Changes in Fund Balance
Year Ended June 30, 2019

	<u>General Fund</u>	<u>Employment & Training</u>	<u>Aging Services</u>	<u>Rural Economic Action Plan</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Federal grants	\$ -	\$ 480,123	\$ 2,052,732	\$ -	\$ 215,753	\$ 2,748,608
State grants and appropriations	-	-	-	1,034,875	453,953	1,488,828
Advantage program income	-	-	-	-	592,546	592,546
Local charges and services	-	172,666	-	-	119,484	292,150
Members due and assessments	46,611	-	-	-	142,855	189,466
Investment income	837	-	-	10,343	13	11,193
Other income	12,669	-	205,523	-	21,343	239,535
Match revenue	(300,558)	260	(23,770)	36,515	287,553	-
Total Revenues	<u>(240,441)</u>	<u>653,049</u>	<u>2,234,485</u>	<u>1,081,733</u>	<u>1,833,500</u>	<u>5,562,326</u>
Expenses						
Salaries	215,569	424,807	113,820	31,774	646,576	1,432,546
Fringe benefits	80,799	29,564	49,850	10,467	271,903	442,583
Indirect costs	(203,062)	20,326	166,856	15,663	558,742	558,525
Travel	535	5,388	12,570	843	47,419	66,755
Other expenses	4,379	102	344	49	18,367	23,241
Program costs	-	172,862	-	1,012,594	-	1,185,456
Pass-through grants	-	-	1,891,045	-	222,335	2,113,380
Debt Service	5,997	-	-	-	-	5,997
Capital outlays	1,704	-	-	-	-	1,704
Total Expenses	<u>105,921</u>	<u>653,049</u>	<u>2,234,485</u>	<u>1,071,390</u>	<u>1,765,342</u>	<u>5,830,187</u>
Net Change in Fund Balances	(346,362)	-	-	10,343	68,158	(267,861)
Fund Balance, Beginning of Year	<u>589,952</u>	<u>-</u>	<u>-</u>	<u>7,146</u>	<u>-</u>	<u>597,098</u>
Fund Balances, End of Year	<u>\$ 243,590</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,489</u>	<u>\$ 68,158</u>	<u>\$ 329,237</u>

Association of South Central Oklahoma Governments
Reconciliation of Governmental Funds and
Government-wide Financial Statements
Year Ended June 30, 2019

Reconciliation of the Government Funds Balance

Sheet to the Statement of Net Assets

Total fund balances - governmental funds \$ 329,237

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
Net OPEB asset 7,720

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

32,647

Pension related deferred outflows 204,177
OPEB related deferred outflows 15,907

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 (8,823)
Compensated absences (74,170)
Net pension liability (116,353)
Pension related deferred inflows (84,561)
OPEB related deferred inflows (19,297)

Net assets of governmental activities \$ 286,484

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 \$ (267,861)

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 1,704
Depreciation expense (18,091)

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 5,997
Compensated absences, net change (318)
Pension related benefit, net change 63,496
OPEB related expenses, net change 9,982

Change in Net Assets - governmental activities \$ (205,091)

Association of South Central Oklahoma Governments
Statement of Net Position
Fiduciary Funds
June 30, 2019

	2019
Assets	
Cash	\$ -
Total Assets	-
 Liabilities	
Accounts payable	-
Funds held for others	-
Total Liabilities	-
 Net Position	\$ -

Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The Association of South Central Oklahoma Governments, a Trust Authority, (ASCOG) 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, 2019

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, 2019

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, 2019

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, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balances and Net Position (Continued)

The constraints placed on fund balance as of June 30, 2019, are as follows:

	General Fund	REAP	Nonmajor Government Funds	Total
Restricted for				
Community development	\$ -	\$ 17,489	\$ -	\$ 17,489
Unassigned	243,590	-	68,158	311,748
	<u>\$ 243,590</u>	<u>\$ 17,489</u>	<u>\$ 68,158</u>	<u>\$ 329,237</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, 2019

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 2019

Association of South Central Oklahoma Governments adopted the following new accounting pronouncement during the year ended June 30, 2019:

- *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.

- *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.

Subsequent Events

Management has evaluated subsequent events through December 12, 2019 the date which the financial statements were available to be issued.

Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2019

Note 2: Deposits and Investments

Deposits

ASCOG's carrying amount of deposits was \$828,586 as of June 30, 2019 and the bank balances totaled \$850,506. Deposits are carried at cost.

Investments

As of June 30, 2019, ASCOG had the following investments:

Investment	Maturities	Fair Value
Certificates of Deposits	< 1 Year	\$ 714,704
Total		\$ 714,704

Custodial Credit Risk – Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, ASCOG's deposits and investments may not be returned to it. ASCOG does not have a deposit policy for custodial credit risk. As of June 30, 2019, all of ASCOG's bank balances and investments of \$1,564,910, were FDIC insured or collateralized by pledges from the banks.

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.

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, 2019, ASCOG's investments in certificates of deposit were all federally insured or collateralized.

Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2019

Note 3: Accounts Receivable

Receivables as of June 30, 2019, for the Association of South Central Oklahoma Government's 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	\$ 102,869	\$ 111,330	\$ 318,258	\$ 85,834	\$ 147,136	\$ 765,427
Due from other governments	218,133	-	-	-	51,415	269,548
Less: allowance for uncollectibles	-	-	-	-	-	-
Net total receivables	<u>\$ 321,002</u>	<u>\$ 111,330</u>	<u>\$ 318,258</u>	<u>\$ 85,834</u>	<u>\$ 198,551</u>	<u>\$ 1,034,975</u>

Note 4: Other Receivables

Interfund receivable, payables and transfers

The composition of interfund balances as of June 30, 2019, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Governmental Funds	<u>\$ 269,548</u>

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, 2019, long term receivable for this program amounted to \$513,709.

Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2019

Note 6: Capital Assets

Capital asset balances and activities for the year ended June 30, 2019, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, being depreciated:				
Leasehold Improvements	\$ 152,220	\$ -	\$ -	\$ 152,220
Property, Plant, and Equipment	443,679	1,704	-	445,383
Total capital assets, being depreciated	<u>595,899</u>	<u>1,704</u>	<u>-</u>	<u>597,603</u>
Less accumulated depreciation for:				
Leasehold Improvements	(143,030)	(2,880)	-	(145,910)
Property, Plant, and Equipment	(403,835)	(15,211)	-	(419,046)
Total accumulated depreciation	<u>(546,865)</u>	<u>(18,091)</u>	<u>-</u>	<u>(564,956)</u>
Governmental activities capital assets, net	<u>\$ 49,034</u>	<u>\$ (16,387)</u>	<u>\$ -</u>	<u>\$ 32,647</u>

Depreciation expense for the years ended June 30, 2019 was charged to functions/programs of the primary government as follows:

	2019
Governmental activities	
General government	\$ 18,091
Total depreciation expense - governmental activities	<u>\$ 18,091</u>

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 \$8,823 for the year ended June 30, 2019.

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

2020	6,181
2021	2,642
	<u>\$ 8,823</u>

Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2019

Note 7: Long-Term Liabilities (Continued)

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, 2019, 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, 2019 totaled \$1,518,097 and included the following:

	2019
REAP funds	\$ 1,489,973
CED	3,586
Masonic funds	17,538
EDA grants	7,000
Total	\$ 1,518,097

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.

Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2019

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

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.
- 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.

Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2019

Note 10: Pension Plan (Continued)

- Employees (Continued)
 - 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 \$158,953.

Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2019

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, 2019, the Association of South Central Oklahoma Governments reported a liability of \$116,353, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2018. Based upon this information, the Authority's proportion was 0.05965501 percent.

For the year ended June 30, 2019, the Authority recognized pension expense of \$154,139. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 65,528
Changes of assumptions	50,038	-
Net difference between projected and actual earnings on pension plan investments	-	19,033
Authority's contributions subsequent to the measurement date	154,139	-
Total	\$ 204,177	\$ 84,561

Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2019

Note 10: Pension Plan (Continued)

As of June 30, 2019, \$154,139, 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, 2020. 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	\$ 55,254
2020	(9,421)
2021	(65,931)
2022	(14,425)
	<u>\$ (34,523)</u>

Actuarial Assumptions - The total pension liability as of June 30, 2018 was determined based on an actuarial valuation prepared as of July 1, 2018, 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, 2019

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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
U.S. Large Cap Equity	38.0%	3.8%
U.S. Small Cap Equity	6.0%	4.9%
Non-US Equity	24.0%	9.2%
US Fixed	32.0%	1.5%
Total	<u>100.0%</u>	

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	\$ 746,546	\$ 116,353	\$ (417,701)

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.

Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2019

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

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 \$11,382.

OPEB Liabilities(Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2019, ASCOG reported an asset of \$7,720 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2018, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2018. 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, 2018. Based upon this information, ASCOG's proportion was 0.05965501 percent.

Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2019

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

For the year ended June 30, 2019, ASCOG recognized OPEB expense of \$11,382. At June 30, 2019, ASCOG reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 12,138
Changes of assumptions	4,525	-
Net difference between projected and actual earnings on OPEB plan investments	-	7,159
Authority's contributions subsequent to the measurement date	11,382	-
Total	\$ 15,907	\$ 19,297

The \$11,382 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, 2020. 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	\$ (3,818)
2020	(3,818)
2021	(3,818)
2022	(1,974)
2023	(1,220)
Thereafter	(124)
	\$ (14,772)

Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2019

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

Actuarial Assumptions- The total OPEB liability (asset) as of June 30, 2018, was determined based on an actuarial valuation prepared as of June 30, 2018 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, 2018 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 OPEB 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 OPEB 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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
U.S. Large Cap Equity	38.0%	3.8%
U.S. Small Cap Equity	6.0%	4.9%
Non-US Equity	24.0%	9.2%
US Fixed	32.0%	1.4%
Total	<u>100.0%</u>	

Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2019

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

Discount Rate- A single discount rate of 7.0% was used to measure the total OPEB liability (asset) as of June 30, 2018. 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	\$ 12,291	\$ (7,720)	\$ (24,932)

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 .

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, 2019

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 lessor 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, 2019 is:

	2019
Governmental activities	\$ 74,170
Total compensated absences	\$ 74,170

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, 2019

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. 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, 2019

Note 16: New Accounting Standards Issued not yet Adopted (Continued)

- *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.

- *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
Notes to Financial Statements
June 30, 2019

Note 16: New Accounting Standards Issued not yet Adopted (Continued)

- GASB Statement No. 91, Conduit Debt Obligations

GASB No. 91 was issued May 2019 and the primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. 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, 2019

	Managed Care	Medicaid	Ombudsman	Masonic	CENA	EDA	Rural Fire
Assets							
Cash	\$ -	\$ -	\$ -	\$ 20,776	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-
Accounts receivable	12,086	3,409	7,539	-	20,320	52,168	3,419
Due from other Fund	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-
Total Assets	<u>12,086</u>	<u>3,409</u>	<u>7,539</u>	<u>20,776</u>	<u>20,320</u>	<u>52,168</u>	<u>3,419</u>
Liabilities							
Accounts payable and accrued expense	2,921	256	1,013	9	15,959	431	627
Due to other fund	9,165	3,153	6,526	3,229	4,361	35,876	2,792
Unearned revenue	-	-	-	17,538	-	7,000	-
Total Liabilities	<u>12,086</u>	<u>3,409</u>	<u>7,539</u>	<u>20,776</u>	<u>20,320</u>	<u>43,307</u>	<u>3,419</u>
Fund Balance							
Restricted	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	8,861	-
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,861</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 12,086</u>	<u>\$ 3,409</u>	<u>\$ 7,539</u>	<u>\$ 20,776</u>	<u>\$ 20,320</u>	<u>\$ 52,168</u>	<u>\$ 3,419</u>

Association of South Central Oklahoma Governments
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2019

	CDBG	GIS	CED	BRBRP	Hazard Mitigation	EAI	Total Other Governmental Funds
Assets							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,776
Investments	-	-	-	-	-	-	-
Accounts receivable	-	8,067	37,125	-	-	3,003	147,136
Due from other Fund	100	18,507	-	-	32,808	-	51,415
Prepaid expenses	-	-	-	-	-	-	-
Total Assets	100	26,574	37,125	-	32,808	3,003	219,327
Liabilities							
Accounts payable and accrued expense	100	85	195	-	-	-	21,596
Due to other fund	-	-	33,344	-	-	3,003	101,449
Unearned revenue	-	-	3,586	-	-	-	28,124
Total Liabilities	100	85	37,125	-	-	3,003	151,169
Fund Balance							
Restricted	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	26,489	-	-	32,808	-	68,158
Total Fund Balance	-	26,489	-	-	32,808	-	68,158
Total Liabilities and Fund Balance	\$ 100	\$ 26,574	\$ 37,125	\$ -	\$ 32,808	\$ 3,003	\$ 219,327

Association of South Central Oklahoma Governments
Combining Statements of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2019

	<u>Managed Care</u>	<u>Medicaid</u>	<u>Ombudsman</u>	<u>Masonic</u>	<u>CENA</u>	<u>EDA</u>	<u>Rural Fire</u>
Revenues							
Federal grants	\$ -	\$ 42,905	\$ -	\$ -	\$ -	\$ 53,112	\$ -
State grants and appropriations	-	-	70,540	-	166,609	-	61,000
Advantage revenue	592,546	-	-	-	-	-	-
Local charges and services	-	-	-	66,459	-	-	-
Members due and assessments	-	-	-	-	-	17,385	-
Investment income	-	-	-	-	-	-	-
Other income	-	22	-	-	-	17,321	-
Match revenue	216,022	273	48,597	-	60	-	20,620
Total Revenues	<u>808,568</u>	<u>43,200</u>	<u>119,137</u>	<u>66,459</u>	<u>166,669</u>	<u>87,818</u>	<u>81,620</u>
Expenses							
Salaries	412,986	16,217	60,144	1,461	4,029	35,614	48,565
Fringe benefits	186,430	7,463	30,936	582	1,628	13,150	10,350
Indirect costs	189,420	13,821	19,305	697	1,765	25,351	18,918
Travel	18,833	5,699	8,696	-	631	4,752	3,787
Other expenses	899	-	56	-	-	90	-
Program costs	-	-	-	-	-	-	-
Pass-through grants	-	-	-	63,719	158,616	-	-
Debt Service	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-
Total Expenses	<u>808,568</u>	<u>43,200</u>	<u>119,137</u>	<u>66,459</u>	<u>166,669</u>	<u>78,957</u>	<u>81,620</u>
Net Change in Fund Balances	-	-	-	-	-	8,861	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,861</u>	<u>\$ -</u>

Association of South Central Oklahoma Governments
Combining Statements of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2019

	<u>CDBG</u>	<u>GIS</u>	<u>CED</u>	<u>BRBRP</u>	<u>Hazard Mitigation</u>	<u>EAI</u>	<u>Total Other Governmental Funds</u>
Revenues							
Federal grants	\$ -	\$ -	\$ 119,736	\$ -	\$ -	\$ -	\$ 215,753
State grants and appropriations	-	-	155,804	-	-	-	453,953
Advantage revenue	-	-	-	-	-	-	592,546
Local charges and services	16,426	-	1,200	-	35,399	-	119,484
Members due and assessments	7,607	69,258	35,731	-	12,874	-	142,855
Investment income	-	-	13	-	-	-	13
Other income	-	-	4,000	-	-	-	21,343
Match revenue	1,456	-	525	-	-	-	287,553
Total Revenues	<u>25,489</u>	<u>69,258</u>	<u>317,009</u>	<u>-</u>	<u>48,273</u>	<u>-</u>	<u>1,833,500</u>
Expenses							
Salaries	18,281	17,810	31,469	-	-	-	646,576
Fringe benefits	6,571	3,155	11,638	-	-	-	271,903
Indirect costs	33	21,688	252,279	-	15,465	-	558,742
Travel	604	116	4,301	-	-	-	47,419
Other expenses	-	-	17,322	-	-	-	18,367
Program costs	-	-	-	-	-	-	-
Pass-through grants	-	-	-	-	-	-	222,335
Debt Service	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-
Total Expenses	<u>25,489</u>	<u>42,769</u>	<u>317,009</u>	<u>-</u>	<u>15,465</u>	<u>-</u>	<u>1,765,342</u>
Net Change in Fund Balances	-	26,489	-	-	32,808	-	68,158
Fund Balance, Beginning of Year	-	-	-	-	-	-	-
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ 26,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,808</u>	<u>\$ -</u>	<u>\$ 68,158</u>

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERS		
Association's proportion of the net pension liability	0.0597%	0.0578%
Association's proportionate share of the net pension liability	\$ 116,353	\$ 312,598
Association's covered-employee payroll	\$ 1,432,546	\$ 1,409,956
Association's proportionate share of the net pension liability as a percentage of its covered-employee payroll	8%	22%
Plan fiduciary net position as a percentage of the total pension liability	97.96%	94.28%

*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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERS		
Contractually required contribution	\$ (1,388)	\$ 155,527
Contributions in relation to the contractually required contribution	(1,388)	155,527
Contribution deficiency (excess)	\$ -	\$ -
Association's covered-employee payroll	\$ 1,432,546	\$ 1,409,956
Contributions as a percentage of covered- employee payroll	-0.10%	11.03%

*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 Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>
OPERS		
Association's proportion of the net OPEB liability (asset)	0.0597%	5.7800%
Association's proportionate share of the net OPEB liability (asset)	\$ (7,720)	\$ 6,622
Association's covered-employee payroll	\$ 1,432,546	\$ 1,409,956
Association's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-0.54%	0.47%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	103.94%	96.50%

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

Association of South Central Oklahoma Governments
Schedule of OPEB Contributions - Last 10 Fiscal Years*
For the Year Ended June 30, 2019

	2019	2018
OPERS		
Contractually required contribution	\$ 11,382	\$ 10,886
Contributions in relation to the contractually required contribution	11,382	10,886
Contribution deficiency (excess)	\$ -	\$ -
Association's covered-employee payroll	\$ 1,432,546	\$ 1,409,956
Contributions as a percentage of covered- employee payroll	0.79%	0.77%

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



**HINKLE &
COMPANY**

Strategic ^{PC}
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, 2019 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 December 12, 2019.

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
December 12, 2019





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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, 2019. 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, 2019.

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, 2019 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated December 12, 2019, 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.

Hill & Company, PC

Tulsa, Oklahoma
December 12, 2019



Association of South Central Oklahoma Governments
Schedule of Expenditures of Federal Awards
June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
FEDERAL PROGRAMS				
<u>U.S. Department of Labor</u>				
Pass-Through Program from:				
Oklahoma Department of Human Services-Title V				
Oklahoma Employment Security Commission				
Senior Community Services Employment Program	17.235	SCSEP 2019	\$ 480,123	\$ 387,910
Total U.S. Department of Labor			<u>480,123</u>	<u>387,910</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	19AA / 193B	367,798	250,511
Part C, Nutrition Services	93.045	19AA / 193C1 / 193C2	1,379,130	1,300,459
Nutrition Services Incentive Program	93.053	19AA / 193U	187,250	187,250
			<u>1,934,178</u>	<u>1,738,220</u>
Other Programs				
Pass-Through Program from:				
Oklahoma Department of Human Services				
Special Programs for the Aging				
Title III				
Part D, Disease Prevention and Health				
Promotion Services	93.043	19AA / 193D	15,199	15,199
Part E, National Family Caregiver Support	93.052	19AA / 193E	98,734	81,971
Title VII				
Abuse, Neglect and Exploitation	93.041	19AA	4,621	-
MIPPA	93.071	MIPPA 2018 / MIPPA 2019	17,174	-
SHIP	93.626	SHIP 18 / SHIP 2020	18,075	-
SMP	93.048	SMP 2019 / SMP 2020	7,656	-
			<u>161,459</u>	<u>97,170</u>
Total U.S. Department of Health and Human Services			<u>2,095,637</u>	<u>1,835,390</u>
<u>U.S. Department of Commerce</u>				
Direct Program -				
Title II, Section 203 Planning Assistance				
Continuation Planning (EDA)	11.302	ED17AUS3020019	53,112	-
Total U.S. Department of Commerce			<u>53,112</u>	<u>-</u>
<u>U.S. Department of Defense, Office of Economic Adjustment</u>				
Direct Program -				
Community Economic Adjustment Assistance for				
Compatible Use and Joint Land Use Studies	12.610	EN1622-16-01 / EN1622-18-02	119,736	-
			<u>119,736</u>	<u>-</u>
Total Expenditure of Federal Awards			<u>\$ 2,748,608</u>	<u>\$ 2,223,300</u>

Association of South Central Oklahoma Governments
Schedule of Expenditures of State Awards
June 30, 2019

<u>State Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>	<u>Subrecipient Expenditures</u>
STATE PROGRAMS			
<u>Oklahoma Highway Department</u>			
Pass-Through Program from:			
Oklahoma Association of Regional Councils			
Southwest Oklahoma Regional Transportation Planning Organization	2034	\$ 20,607	\$ -
Southwest Oklahoma Regional Transportation Planning Organization	2035	101,834	-
<u>Total Oklahoma Highway Department</u>		<u>122,441</u>	<u>-</u>
<u>Oklahoma Department of Agriculture</u>			
Pass-Through Program from:			
Oklahoma Association of Regional Councils			
Rural Fire Defense	97406	61,000	-
<u>Total Oklahoma Department of Agriculture</u>		<u>61,000</u>	<u>-</u>
<u>Oklahoma Department of Human Services</u>			
Direct Program -			
Provider Fee Ombudsman	19PF	70,539	-
<u>Total Oklahoma Department of Human Services</u>		<u>70,539</u>	<u>-</u>
<u>Oklahoma Department of Commerce</u>			
Direct Program -			
Community Expansion of Nutrition Assistance	CENA 2019	166,609	158,616
Substate Planning	SS 2019	17,322	-
REAP 13	559	58,268	94,777
REAP 16	564 / 565	46,009	-
REAP 17	16849	260,221	260,221
REAP 18	568	477,157	477,157
REAP 19	REAP 2019	193,221	142,587
<u>Total Oklahoma Department of Commerce</u>		<u>1,218,807</u>	<u>1,133,358</u>
<u>Oklahoma Strategic Military Planning Commission</u>			
Direct Program -			
Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	EN1622-16-01	6,406	-
Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	EN1622-18-02	9,636	-
<u>Total Oklahoma Strategic Military Planning Commission</u>		<u>16,042</u>	<u>-</u>
Total Expenditures of State Awards		<u>\$ 1,488,829</u>	<u>\$ 1,133,358</u>

Association of South Central Oklahoma Governments
Notes to Schedule of Expenditures of Federal Awards
June 30, 2019

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, 2019. 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, 2019

(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, 2019**

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

No matters are reported.

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

No matters are reported.