

EAST CENTRAL OKLAHOMA GAS AUTHORITY
AUDITED FINANCIAL STATEMENTS

APRIL 30, 2012 AND 2011



EAST CENTRAL OKLAHOMA GAS AUTHORITY

APRIL 30, 2012 AND 2011

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PRZYBYSZ

& ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Corporation

Independent Auditor's Report

To the Board of Trustees
East Central Oklahoma Gas Authority
Gore, Oklahoma

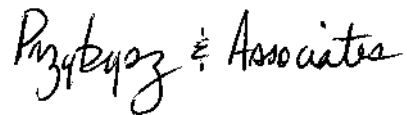
We have audited the accompanying basic financial statements of the East Central Oklahoma Gas Authority (the Authority), as of and for the years ended April 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the East Central Oklahoma Gas Authority, as of April 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2012, on our consideration of the East Central Oklahoma Gas Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
August 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

**EAST CENTRAL OKLAHOMA GAS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2012**

The discussion and analysis of East Central Oklahoma Gas Authority's financial performance provides an overview and analysis of the Authority's financial activities for the fiscal year ended April 30, 2012. It should be read in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The Authority ended the year April 30, 2012 with a net asset balance of \$470,069.
- The change in net assets or net income of the Authority was an increase of \$9,067.
- The statement of cash flows identifies sources and uses of cash activity for the fiscal year. For fiscal year 2012, cash and cash equivalents increased by \$26,734. Cash provided from the day to day operations totaled \$49,519. Furthermore, cash used by capital and related financing activities resulted in a decrease of \$24,069. This was the result of cash used to acquire fixed assets of \$17,417 and cash used to service debt of \$6,652.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of the following parts: Management's Discussion and Analysis and Basic Financial Statements. The financial statements include notes which explain in detail some of the information included in the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the Authority report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The Statement of Net Assets include information on the Authority's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). The Statement of Revenue, Expenses and Changes in Net Assets identify the Authority's revenues and expenses for the calendar year ended April 30, 2012. This statement provides information on the Authority's operations over the past fiscal year and can be used to determine whether the Authority has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statements of Cash Flows. This statement provides information on the Authority's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. The net result of these activities added to the beginning of the year cash balance total to the cash equivalent balance at the end of the current calendar year.

**EAST CENTRAL OKLAHOMA GAS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2012**

CONDENSED FINANCIAL INFORMATION

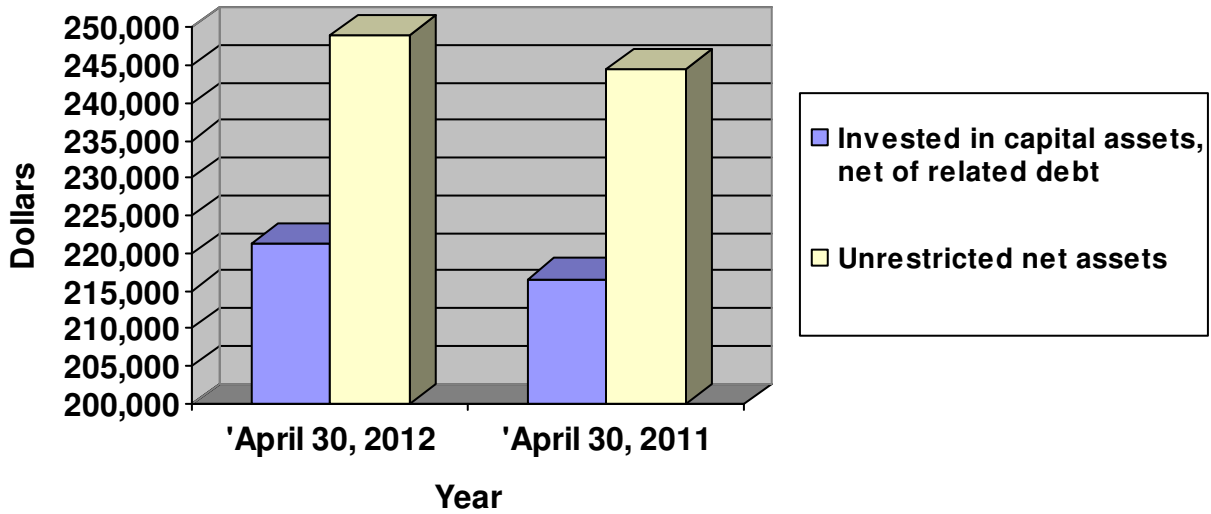
Condensed financial information from the statement of net assets as of April 30, 2012 and 2011, as well as the statement of revenues, expenses and changes in net assets for the years then ended are as follows:

	April 30, 2012	April 30, 2011
Current assets	\$ 309,583	\$ 292,054
Capital assets, net	414,085	216,594
Other Assets	75	75
Total assets	<u>723,743</u>	<u>508,723</u>
Current liabilities	81,734	47,721
Long-term debt	172,940	0
Total liabilities	<u>254,674</u>	<u>47,721</u>
Net assets:		
Invested in capital assets, net of related debt	221,190	216,594
Restricted	0	0
Unrestricted	248,879	244,408
Total net assets	<u>\$ 470,069</u>	<u>\$ 461,002</u>
Operating revenues	<u>\$ 307,582</u>	<u>\$ 372,134</u>
Operating expenses, excluding depreciation	280,141	289,777
Depreciation	19,473	17,113
Total operating expenses, including depreciation	<u>299,614</u>	<u>306,890</u>
Operating income	7,968	65,244
Nonoperating revenues and (expenses)	<u>1,099</u>	<u>898</u>
Change in net assets	9,067	66,142
Beginning of year net assets	<u>461,002</u>	<u>394,860</u>
End of year net assets	<u>\$ 470,069</u>	<u>\$ 461,002</u>

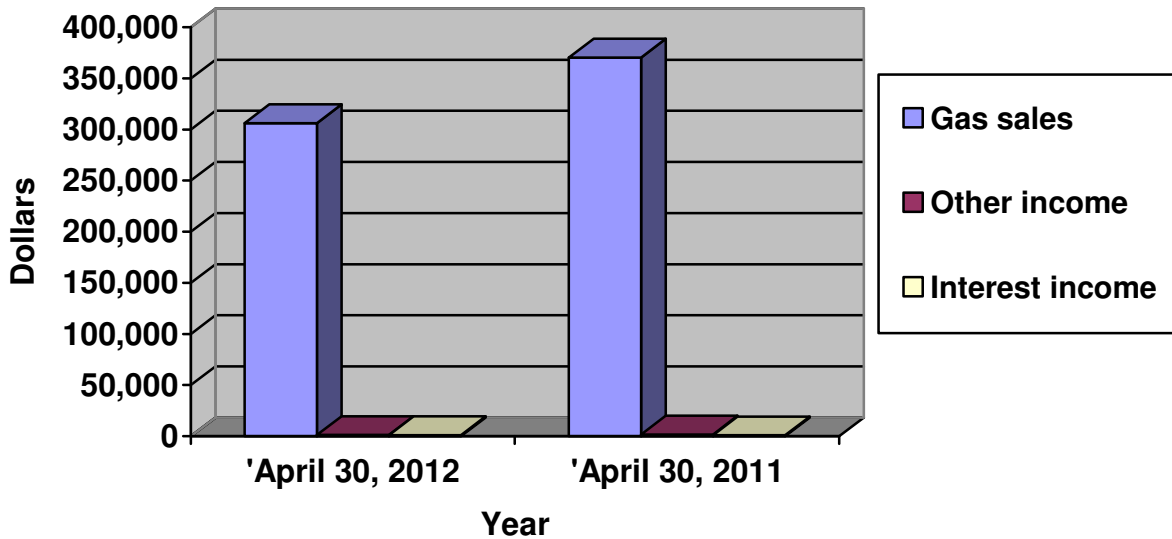
**EAST CENTRAL OKLAHOMA GAS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2012**

CONDENSED FINANCIAL INFORMATION (CONTINUED)

Classifications of net assets presented in graph format

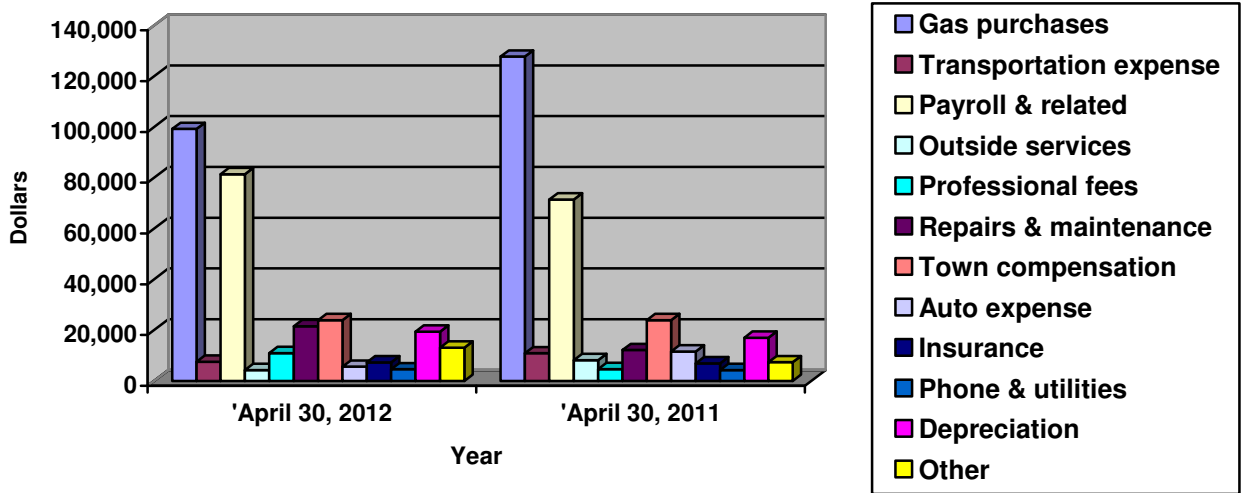


Revenues of the Authority presented in a graph format



**EAST CENTRAL OKLAHOMA GAS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2012**

Expenses of the Authority presented in graph format



CAPITAL ASSETS

The Authority's capital assets as of April 30, 2012 totaled \$414,085 (net of accumulated depreciation). This investment in capital assets includes buildings, utility property and transportation equipment. Major additions to the Authority's fixed assets were \$215,471 for the cost of the line relocation as well as \$1,493 for office equipment.

LONG-TERM DEBT

During the fiscal year, the Authority entered into an agreement with the State of Oklahoma whereby the State would provide the funding for line relocation along State Highway 100. The amount billed to the Authority totaled \$199,546.45. This amount is to be repaid monthly, without interest, in the amount of \$1,662.88 through December 2021. The outstanding balance of the loan is \$192,894.93 as of April 30, 2012.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the Authority's customers, investors and other interested parties with an overview of the Authority's financial operations and financial condition. Should the reader have questions regarding the information included in this report or need additional financial information, please contact the Authority's administrator at P.O. Box 776, Gore, Oklahoma 74435.

FINANCIAL STATEMENTS

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENT OF NET ASSETS

AS OF APRIL 30,	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	\$ 179,065	\$ 152,331
Restricted checking account	6,451	7,728
Certificate of deposit	100,987	100,896
Accounts receivable, net of allowance for doubtful accounts	21,071	30,077
Prepaid insurance	2,009	1,022
Total Current Assets	309,583	292,054
Noncurrent Assets		
Buildings	43,890	43,890
Furniture and Equipment	1,493	-
Utility property	894,572	679,101
Transportation equipment	11,000	11,000
Total	950,955	733,991
Less: accumulated depreciation	536,870	517,397
Net Capital Assets	414,085	216,594
Other Assets		
Deposits	75	75
Total Other Assets	75	75
Total Assets	723,743	508,723
Liabilities		
Current Liabilities		
Accounts payable	30,420	16,076
Payroll taxes payable	2,626	1,533
Sales tax payable	1,091	1,185
Utility deposits	27,642	28,927
Current maturity of long-term debt	19,955	-
Total Current Liabilities	81,734	47,721
Long-term debt	172,940	-
Total liabilities	254,674	47,721
Net Assets		
Invested in capital assets, net of related debt	221,190	216,594
Restricted	-	-
Unrestricted	248,879	244,408
Total Net Assets	\$ 470,069	\$ 461,002

See accompanying notes.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED APRIL 30,	2012	2011
Operating Revenue		
Gas sales, net of bad debts	\$ 306,291	\$ 370,463
Other Income	1,291	1,671
Total Operating Revenue	307,582	372,134
Operating Expenses		
Gas purchases	99,311	127,802
Transportation expense	7,598	10,951
Wages	69,711	61,625
Outside services	4,354	8,273
Professionals fees	11,002	4,756
Auto expense	5,660	11,632
Advertising	988	271
Repairs & maintenance	21,640	12,204
Insurance	7,344	7,024
Employee benefits	5,867	4,798
Phone and utilities	4,652	4,307
Office expense	5,734	2,387
Miscellaneous expense	320	1,432
Fees and dues	1,935	1,481
Travel	1,973	198
Operating supplies	219	627
Bank charges	1,169	937
Payroll taxes	5,870	5,072
Town compensation	24,000	24,000
Donations	794	-
Depreciation	19,473	17,113
Total Operating Expenses	299,614	306,890
Net Operating Income	7,968	65,244
Nonoperating Revenue		
Interest income	1,099	898
Total Nonoperating Revenue	1,099	898
Change in Net Assets	9,067	66,142
Beginng of Year Net Assets	461,002	394,860
End of Year Net Assets	\$ 470,069	\$ 461,002

See accompanying notes.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED APRIL 30,	2012	2011
Cash Flows from Operations		
Cash receipts from customers	\$ 315,209	\$ 370,732
Cash payments to suppliers for goods and services	(195,979)	(233,812)
Cash payments to employees for services	(69,711)	(61,625)
Net Cash Provided by Operating Activities	49,519	75,295
Cash Flows from Capital and Related Financing Activities		
Fixed asset additions	(17,417)	-
Principal paid on debt	(6,652)	-
Net Cash Used By Capital and Related Financing Activities	(24,069)	-
Cash Flows from Investing Activities		
Interest income	1,099	898
Net restricted cash activity	1,276	642
Purchase of certificate of deposit	-	(100,000)
Reinvestment of certificate of deposit earnings	(1,091)	(896)
Net Cash Provided (Used) By Investing Activities	1,284	(99,356)
Increase (Decrease) in Cash and Cash Equivalents	26,734	(24,061)
Cash and Cash Equivalents - beginning of year	152,331	176,392
Cash and Cash Equivalents - end of year	\$ 179,065	\$ 152,331
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Operating income	\$ 7,968	\$ 65,244
Adjustments to reconcile net income to net cash from Operating activities:		
Depreciation	19,473	17,113
(Increase) decrease in:		
Accounts receivable	9,006	69
Prepaid insurance	(987)	(597)
Increase (decrease) in:		
Accounts payable	14,344	(5,587)
Payroll taxes payable	1,094	517
Sales tax payable	(94)	(814)
Customer deposits	(1,285)	(650)
Net Cash Provided by Operating Activities	\$ 49,519	\$ 75,295
Supplemental Schedule of Noncash Financing and Investing Activities		
Total fixed asset additions	\$ 216,964	\$ -
Less, amounts financed directly through the State of Oklahoma	(199,547)	-
Total cash spent for fixed asset additions	\$ 17,417	\$ -

See accompanying notes.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2012 AND 2011

Nature of Business

East Central Oklahoma Gas Authority (the Authority) is a public trust created May 25, 1963 under the provision of Title 60, Oklahoma statutes, Section 176 to 180. The beneficiaries of the trust are the Town of Webbers Falls and the Town of Gore. The primary purpose of the trust is to make available natural gas to the users in the Town of Webbers Falls and Gore, Oklahoma.

The Authority is governed by a five member board of trustees consisting of the Mayors of Gore and Webbers Falls plus one member from the Town Board of each town. The fifth trustee is appointed in even numbered years by the Town Board of Gore and in odd numbers years by the Town Board of Webbers Falls.

1. Summary of Significant Accounting Policies

a. Financial Reporting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the the Authority. The Authority accounts for its operations as an enterprise fund.

Under GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting, the entity has adopted the option to apply only those Financial Accounting Standards Board (FASB) statements and interpretations issued before November 30, 1989, that do not conflict with or contradict GASB pronouncements. Only GASB pronouncements issued after this date will be followed.

b. Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents excluding restricted cash.

c. Income Taxes

The Authority is exempt from income taxes as a governmental agency.

d. Accounts Receivable

Management establishes an allowance for uncollectible accounts receivable based on historical collection experience and management's evaluation of the collectability of outstanding accounts receivable. The allowance for doubtful accounts was \$3,342 at April 30, 2012.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2012 AND 2011

1. Summary of Significant Accounting Policies (continued)

e. Capital Outlays and Depreciation

Capital outlays of the Authority are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, repairs and renewals of relatively minor items are charged to expense as incurred. The estimated useful lives of the assets are as follows:

	<u>Life</u>
Buildings	40 years
Utility property	10-50 years
Transportation equipment	5 years

It is the Authority's policy to capitalize assets purchased for \$500 or more and to expense assets purchased for less than \$500.

f. Estimates

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

g. Compensated Absences

The Authority provides its employees with vacation and sick leave which must be used during the year earned. The Authority records sick leave and vacation leave as an expense when the related time off is taken.

h. Advertising

The cost of advertising is charged to expense as incurred.

i. Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 presentation.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2012 AND 2011

2. Restricted Funds

Restricted cash consists of the account maintained for customer deposits. The balance at April 30, 2012 was \$6,451, while the balance of customer deposits was \$27,642 leaving an unfunded balance of \$21,191.

3. Cash Deposits

The Authority had deposits in one area bank which are classified as follows:

As Of April 30, 2012	Book Value	Bank Value
FDIC Insured	\$ 250,000	\$ 250,000
Uninsured and uncollateralized	39,611	37,503
Total	\$ 289,611	\$ 287,503

As Of April 30, 2011	Book Value	Bank Value
FDIC Insured	\$ 250,000	\$ 250,000
Uninsured and uncollateralized	10,955	11,801
Total	\$ 260,955	\$ 261,801

4. Capital Assets

Activity of capital assets consists of the following:

	May 1, 2011	Additions	Retirements	April 30, 2012
Buildings	\$ 43,890	\$ -	\$ -	\$ 43,890
Furniture & Equipment	-	1,493	-	1,493
Utility property	679,101	215,471	-	894,572
Transportation equipment	11,000	-	-	11,000
Total	\$ 733,991	\$ 216,964	\$ -	\$ 950,955

5. Long-Term Debt

As Of April 30, 2012	
Payable to the State of Oklahoma. Payments are made monthly in the amount of \$1,662.88 with 0% interest. The loan is unsecured and scheduled to mature December 2021.	\$ 192,895
Total	192,895
Less current maturities	19,955
Long-Term Debt	\$ 172,940

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2012 AND 2011

5. Long-Term Debt (continued)

Debt is scheduled to mature as follows:

April 30,	Principal	Interest	Total
2013	\$ 19,955	\$ -	\$ 19,955
2014	19,955	-	19,955
2015	19,955	-	19,955
2016	19,955	-	19,955
2017	19,955	-	19,955
2018-2022	93,120	-	93,120
Total	\$ 192,895	\$ -	\$ 192,895

Activity of the long-term debt consists of the following:

As Of	May 1, 2011	Additions	Retirements	April 30, 2012
State of Oklahoma	\$ 199,547	\$ -	\$ 6,652	\$ 192,895
Total	\$ 199,547	\$ -	\$ 6,652	\$ 192,895

6. Pension Plan

Employees may participate in the Oklahoma Municipal Retirement Fund (the Fund). The Fund was established July 1, 1966 in order to provide a trust instrument for the administration of retirement allowances and other specified benefits for employees of City or Town governments and municipally owned hospitals in Oklahoma. The Fund is supervised by an eight member Board of Trustees elected by participating municipalities.

The Authority elected to join the Fund in April 2003. The Fund is joint contributory in nature with the Authority paying 6.82% at the beginning of the year, and 6.73% at the end of the year, of salary and the employee contributing 3.75%. An employee can retire with full benefits at age 65. Reduced benefits are available at earlier ages if certain minimum age and service requirements are met. Pension benefits depend on age, contributions by the Authority and employee, and length of service.

The Authority does not directly supervise the Fund. Control is indirect through the election of members of the Board of Trustees. Financial statement information appears in the separately audited financial statements of the Oklahoma Municipal Retirement Fund.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2012 AND 2011

7. Concentrations of Credit Risk

Financial instruments that potentially subject the Authority to credit risk consist primarily of accounts receivable. The receivables are from individuals located within the same geographic region.

8. Risk Management

The Authority is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance, auto, and workers compensation for risk of loss.

There has been no significant reduction in the Authority's insurance coverage from the previous year. In addition, there have been no settlements in excess of the Authority's coverage in any of the prior three fiscal years.

ADDITIONAL REQUIRED REPORT



PRZYBYSZ

& ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Corporation

**Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With *Government Auditing Standards***

To the Board of Trustees
East Central Oklahoma Gas Authority
Gore, Oklahoma

We have audited the financial statements of the East Central Oklahoma Gas Authority as of and for the year ended April 30, 2012, and have issued our report thereon dated August 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

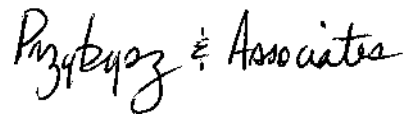
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of trustees, management, and the State of Oklahoma and is not intended to be and should not be used by anyone other than these specified parties.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
August 27, 2012