

**EAST CENTRAL OKLAHOMA
GAS AUTHORITY**

AUDITED FINANCIAL STATEMENTS

APRIL 30, 2022 AND 2021



EAST CENTRAL OKLAHOMA GAS AUTHORITY
APRIL 30, 2022 AND 2021

Contents

	<u>Page</u>
Independent Auditor's Report	1-3
Financial Statements	
Statements of Net Position.....	4-5
Statements of Revenue, Expenses, and Changes in Net Position.....	6
Statements of Cash Flows.....	7-8
Notes to Financial Statements.....	9-23
Required Supplementary Information	
Schedules of Changes in Net Pension Liability and Related Ratios	24-25
Schedules of Employer Contributions	26
Additional Required Report	
Independent Auditor's Report on Internal Control Over Financial Reporting And On Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	27-28



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the East Central Oklahoma Gas Authority, as of and for the years ended April 30, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the 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, 2022 and 2021, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted on the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the East Central Oklahoma Gas Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the East Central Oklahoma Gas Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 East Central Oklahoma Gas Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the East Central Oklahoma Gas Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

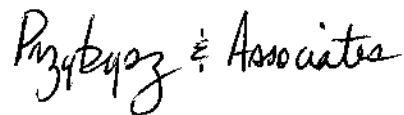
Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 statement in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the supplemental information for employer pension plans on pages 24-26 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2022, on our consideration of the East Central Oklahoma Gas Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the East Central Oklahoma Gas Authority's 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 East Central Oklahoma Gas Authority's internal control over financial reporting and compliance.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
July 8, 2022

FINANCIAL STATEMENTS

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENTS OF NET POSITION

AS OF APRIL 30,	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 584,085	\$ 461,438
Restricted checking account	19,435	18,288
Certificate of deposit	-	109,962
Accounts receivable, net of allowance for doubtful accounts	29,015	23,418
Prepaid insurance	2,847	2,995
Total Current Assets	635,382	616,101
Capital Assets		
Land	5,000	5,000
Buildings	78,739	78,739
Furniture and equipment	74,009	63,279
Utility property	906,366	906,366
Transportation equipment	20,220	20,220
Construction in progress	31,910	29,360
Total	1,116,244	1,102,964
Less: accumulated depreciation	733,128	707,187
Net Capital Assets	383,116	395,777
Noncurrent Assets		
Deposits	75	75
Restricted net pension asset	48,332	-
Total Noncurrent Assets	48,407	75
Total Assets	1,066,905	1,011,953
Deferred Outflows of Resources		
Deferred amounts related to pensions	12,977	16,020
Total Deferred Outflows of Resources	12,977	16,020
Total Assets and Deferred Outflows of Resources	\$ 1,079,882	\$ 1,027,973

See accompanying notes to the financial statements.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENTS OF NET POSITION

AS OF APRIL 30,	2022	2021
Liabilities		
Current Liabilities		
Accounts payable	\$ 32,309	\$ 15,587
Payroll taxes payable	3,127	2,925
Sales tax payable	2,564	1,862
Accrued compensated absences	3,156	2,403
Utility deposits	19,100	18,000
Current maturity of capital lease obligation	7,589	7,283
Current maturity of long-term debt	-	13,304
Total Current Liabilities	67,845	61,364
Noncurrent Liabilities		
Capital lease obligation	6,121	16,364
Net pension liability	-	3,100
Total Noncurrent Liabilities	6,121	19,464
Total Liabilities	73,966	80,828
Deferred Inflows of Resources		
Deferred amounts related to pensions	43,220	3,292
Total Deferred Inflows of Resources	43,220	3,292
Net Position		
Net investment in capital assets	369,406	358,826
Restricted	48,332	-
Unrestricted	544,958	585,027
Total Net Position	962,696	943,853
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 1,079,882	\$ 1,027,973

See accompanying notes to the financial statements.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED APRIL 30,	2022	2021
Operating Revenue		
Gas sales, net of bad debts	\$ 410,795	\$ 390,757
Other Income	950	3,168
Total Operating Revenue	411,745	393,925
Operating Expenses		
Advertising	379	506
Auto expense	4,332	3,989
Depreciation	25,941	22,809
Donations	600	1,393
Employee benefits	1,450	9,573
Fees and dues	4,721	3,821
Gas purchases	168,664	97,157
Gas transportation expense	14,208	8,040
Insurance	10,541	8,226
Miscellaneous expense	140	160
Office expense	6,607	4,430
Outside services	2,360	2,010
Payroll taxes	7,755	7,228
Phone and utilities	14,212	14,141
Professionals fees	17,018	11,899
Repairs and maintenance	17,303	20,231
Travel	1,898	1,860
Uniforms	502	132
Wages	94,185	87,649
Total Operating Expenses	392,816	305,254
Net Operating Income	18,929	88,671
Nonoperating Revenue (Expense)		
Gain on disposition of asset	-	17,500
Interest income	532	1,273
Interest expense	(618)	(489)
Total Nonoperating Revenue	(86)	18,284
Change In Net Position	18,843	106,955
Net Position, Beginning of Year	943,853	836,898
Net Position, End of Year	\$ 962,696	\$ 943,853

See accompanying notes to the financial statements.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED APRIL 30,	2022	2021
Cash Flows from Operations		
Cash receipts from customers and other sources	\$ 407,950	\$ 397,692
Cash payments to suppliers for goods and services	(264,079)	(190,260)
Cash payments to employees for services	(93,432)	(87,939)
Net Cash Provided by Operating Activities	50,439	119,493
Cash Flows from Capital and Related Financing Activities		
Fixed asset additions	(13,280)	(30,200)
Capital lease payments	(9,937)	(6,108)
Principal paid on debt	(13,304)	(19,954)
Interest paid on debt	(618)	(489)
Net Cash Used By Capital and Related Financing Activities	(37,139)	(56,751)
Cash Flows from Investing Activities		
Interest income	532	1,273
Maturity of certificate of deposit	110,447	-
Reinvestment of certificate of deposit earnings	(485)	(1,238)
Net Cash Provided By Investing Activities	110,494	35
Net Increase In Cash, Cash Equivalents and Restricted Cash	123,794	62,777
Cash, Cash Equivalents, and Restricted Cash At Beginning of Year	479,726	416,949
Cash, Cash Equivalents, and Restricted Cash At End of Year	\$ 603,520	\$ 479,726
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	\$ 584,085	\$ 461,438
Restricted checking account	19,435	18,288
Total Cash, Cash Equivalents and Restricted Cash	\$ 603,520	\$ 479,726

See accompanying notes to the financial statements.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED APRIL 30,	2022	2021
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Operating income	\$ 18,929	\$ 88,671
Adjustments to reconcile net income to net cash from		
Operating activities:		
Depreciation	25,941	22,809
(Increase) decrease in:		
Accounts receivable	(5,597)	2,398
Prepaid insurance	148	(647)
Restricted net pension asset	(48,332)	-
Deferred outflows relating to pension	3,043	(690)
Increase (decrease) in:		
Accounts payable	16,722	4,851
Payroll taxes payable	202	38
Accrued compensated absences	753	(290)
Sales tax payable	702	369
Customer deposits	1,100	1,000
Net pension liability	(3,100)	1,613
Deferred inflows relating to pension	39,928	(629)
Net Cash Provided by Operating Activities	\$ 50,439	\$ 119,493
Supplemental Schedule of Noncash Capital and Related Financing Activities		
Total cost of fixed assets acquired	\$ 13,280	\$ 77,455
Less: Capital assets acquired with direct financing	-	(29,755)
Trade-in allowance	-	(17,500)
Net cash used to acquire capital assets	\$ 13,280	\$ 30,200

See accompanying notes to the financial statements.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022 AND 2021

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. Four of the five trustees are residents of either the Town of Gore or the Town of Webbers Falls. The fifth trustee shall not be a resident of either town, but rather a resident of the general area being serviced by the Authority.

1. Summary of Significant Accounting Policies

a. Basis of Presentation

The Authority's financial statements are prepared in conformity with principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

The Authority accounts for its operations as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

b. 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 Authority. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

c. Income Taxes

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

d. 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 including restricted cash.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022 AND 2021

1. Summary of Significant Accounting Policies (continued)

e. Accounts Receivable

Accounts receivable consists of gas fees and surcharges billed to residential and commercial/ industrial customers based on consumption. The Authority does not charge interest on past due accounts but does charge a late fee for late payments. Accounts receivable are recorded net of estimated uncollectible amounts. 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 \$3,631 and \$2,938 at April 30, 2022 and 2021, respectively.

f. Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

g. Capital Assets and Depreciation

Capital assets 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	10-40 years
Furniture and equipment	5-10 years
Utility property	5-50 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.

h. Utility Deposit Policy

Customers are required to make a meter deposit before being connected to the gas authority. These deposits are refundable to customers when the Authority no longer services the customer. The Authority uses the customer deposits to pay the customers' final bill and refunds directly to the customer the balance remaining, if any, of the deposit.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022 AND 2021

1. Summary of Significant Accounting Policies (continued)

i. Compensated Absences

Employees earn vacation pay in varying amounts based upon length of service with the Authority. Employees cannot carryforward unused vacation days from year to year without written approval from the Authority. The Authority had \$3,156 and \$2,403 accrued for compensated absences at April 30, 2022 and 2021, respectively.

j. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position has a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The Authority recognizes deferred outflows of resources related to pensions.

In addition to liabilities, the statement of net position has a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority recognizes deferred inflows of resources related to pensions.

k. Net Position

Net position of the Authority are classified in three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net invested in capital assets".

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022 AND 2021

1. Summary of Significant Accounting Policies (continued)

k. Net Position (continued)

The Authority does not have a policy addressing whether it considers restricted or unrestricted to have been spent when expenditures are incurred for purposes when both are available. Authority personnel decide which resources to use at the time the expenditures are incurred. For classification of net position amounts, restricted amounts would be reduced first, followed by unrestricted.

l. Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the District consist of gas sales. Operating expenses include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

m. 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.

n. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following new accounting standards that became effective during the Authority's fiscal year:

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. 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 using the economic resources measurement focus. Implementation of this standard did not have any effect on the Authority.

2. Deposits and Investments

Custodial Credit Risk

Exposure to custodial credit related to deposits exists when the Authority holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Authority's name; or collateralized without a written or approved collateral agreement.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022 AND 2021

2. Deposits and Investments (continued)

Custodial Credit Risk (continued)

The Authority's policy as it relates to custodial credit risk is to comply with state law and secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. Acceptable collateral is defined in state statutes and includes U.S. Treasury securities and direct obligations of municipalities, counties, and school districts in the state of Oklahoma, surety bonds and letters of credit.

All of the Authority's bank deposits are held at one financial institution and are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

Description	At April 30, 2022		At April 30, 2021	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured	\$ 250,000	\$ 250,000	\$ 359,962	\$ 359,962
Pledged with letter of credit	355,932	353,520	230,531	229,726
Total	\$ 605,932	\$ 603,520	\$ 590,493	\$ 589,688

Deposits as reported in the following statement of net position captions:

As Of April 30,	2022	2021
Cash and cash equivalents	\$ 584,085	\$ 461,438
Restricted checking account	19,435	18,288
Certificate of deposit	-	109,962
Total	\$ 603,520	\$ 589,688

Interest Rate Risk

Interest rate risk is the risk the changes in interest of debt investments will adversely affect the fair value of an investment. The Authority minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations. The Authority's certificate of deposit matured in August 2021.

Investment Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority follows the provisions of state law limiting investment choices to: Obligations of the U.S. Government, its agencies and instrumentalities; Collateralized or insured certificates of deposit at banks, savings banks, savings and loan associations and credit unions located in the State, or fully insured certificates of deposits at banks, savings banks, savings and loan associations and credit unions located out of state; With certain limitations - negotiable certificates of deposit, prime bankers acceptances, commercial paper and repurchase agreements; Money market funds regulated by the Securities Exchange Commission and which investments consist of those listed above.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022 AND 2021

3. Restricted Funds

Certain resources of the Authority are classified as restricted assets on the statement of net position. These funds are for customer utility deposits that have a balance of \$19,100 and \$18,000 at April 30, 2022 and 2021, respectively.

4. Capital Assets

Activity of capital assets consists of the following:

	May 1, 2021	Additions	Retirements	April 30, 2022
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Buildings	78,739	-	-	78,739
Furniture & Equipment	63,279	10,730	-	74,009
Utility property	906,366	-	-	906,366
Transportation equipment	20,220	-	-	20,220
Construction in progress	29,360	2,550	-	31,910
Total Capital Assets	1,102,964	13,280	-	1,116,244
Less: accumulated depreciation	707,187	25,941	-	733,128
Net Capital Assets	\$ 395,777	\$ (12,661)	\$ -	\$ 383,116

	May 1, 2020	Additions	Retirements	April 30, 2021
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Buildings	78,739	-	-	78,739
Furniture & Equipment	40,184	48,095	25,000	63,279
Utility property	906,366	-	-	906,366
Transportation equipment	20,220	-	-	20,220
Construction in progress	-	29,360	-	29,360
Total Capital Assets	1,050,509	77,455	25,000	1,102,964
Less: accumulated depreciation	709,378	22,809	25,000	707,187
Net Capital Assets	\$ 341,131	\$ 54,646	\$ -	\$ 395,777

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022 AND 2021

4. Capital Assets (continued)

Construction in progress of was for the following two projects:

Balance as of April 30,	2022	2021
Line extension for Gore - relocate 4 inch main line on bridge	\$ 22,760	\$ 20,210
Line extension for Webbers Falls - change from 1 to 2 inch line to keep up with growth of Town	9,150	9,150
	\$ 31,910	\$ 29,360

Both of the projects are still in the early stages and as of the report date, have no estimated cost or timeframe for completion.

5. Capital Lease Obligation

The Authority entered into a capital lease dated September 4, 2020, for a 2020 Kubota Excavator. The asset and liability under the capital lease is recorded at the lower of the present value of the minimum lease payment or the fair value of the asset. The asset is amortized over the lesser of the lease term or its estimated productive life. Amortization of the asset is included in depreciation expense for the years ended April 30, 2022 and 2021.

The following is a summary of equipment held under capital leases:

As of April 30,	2022	2021
Kubota Excavator	\$ 46,916	\$ 46,916
Less: accumulated amortization	(17,202)	(7,819)
Net Book Value	\$ 29,714	\$ 39,097

Minimum future lease payments under capital leases are as follows:

For the Years Ended April 30,	
2023	\$ 7,916
2024	6,587
Total capital lease obligation	14,503
Less interest element	793
	13,710
Less current portion	7,589
Long-term capital lease obligation	\$ 6,121

The interest rate charged on the capital lease is 3.04%.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022 AND 2021

6. Long-Term Debt

The Authority had an unsecured ten year note payable to the State of Oklahoma for the relocation of certain natural gas lines. The note was payable in monthly installments of \$1,663 with interest at 0%. The Authority paid the remaining principal balance during the year ended April 31, 2022. The balance outstanding at April 30, 2021 was \$13,404.

7. Changes in Long-Term Liabilities

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

As Of	May 1, 2021	Additions	Retirements	April 30, 2022	Due Within One Year
Capital lease	\$ 23,647	\$ -	\$ 9,937	\$ 13,710	\$ 7,589
State of Oklahoma	13,304	-	13,304	-	-
Net pension liability	3,100	-	3,100	-	-
Total	\$ 40,051	\$ -	\$ 26,341	\$ 13,710	\$ 7,589

As Of	May 1, 2020	Additions	Retirements	April 30, 2021	Due Within One Year
Capital lease	\$ -	\$ 29,755	\$ 6,108	\$ 23,647	\$ 7,283
State of Oklahoma	33,258	-	19,954	13,304	13,304
Net pension liability	1,487	1,613	-	3,100	-
Total	\$ 34,745	\$ 31,368	\$ 26,062	\$ 40,051	\$ 20,587

8. Letter of Credit

The Authority has an unused irrevocable letter of credit from their local bank allowing for borrowings up to \$330,000 expiring on August 29, 2022.

9. Pension Plan

Oklahoma Municipal Retirement Fund - Defined Benefit

The Authority contributes to the OkMRF for all eligible employees. The plan is an agent multiple employer-defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from the OkMRF or their website: www.okmrf.org/reports.html. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

The Authority participates in the Town of Gore and Gore PWA pension plan. The amounts reported in the accompanying financial statements have been allocated based on contributions using the Town of Gore and Gore PWA pension reports.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022 AND 2021

9. Pension Plan (continued)

Summary of Significant Accounting Policies

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's plan and additions to/deductions from the Authority's fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on market prices. Detailed information about the OkMRF plan's fiduciary net position is available in the separately issued OkMRF financial report.

Eligibility Factors and Benefit Provisions

Eligibility - All regular, full-time employees except police, firefighters and other employees who are covered under an approved system.

Probationary period - None.

Employee contributions - 3.75% of pay.

Service

Credited service - The last period of continuous employment with the employer excluding any periods before 11/1/1992.

Vesting - Credited service plus transferred service from other OkMRF employers.

Benefit Eligibility - 7 or more years of vesting service.

Final Average Compensation - The average of the 5 highest consecutive years of salaries out of the last 10 years of service.

Accrued Benefit - Plan BB 2.25% of final average compensation multiplied by the number of years of credited service.

Normal Retirement Age - Age 65 with 7 or more years of vesting service.

Normal Retirement

Eligibility - Termination of employment on or after normal retirement age.

Benefit - The accrued benefit payable immediately.

Early Retirement

Eligibility - Termination after age 55 with 7 or more years of vesting service.

Benefit - The accrued benefit payable starting at normal retirement age, or the accrued benefit reduced 5% per year for commencement prior to normal retirement age.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022 AND 2021

9. Pension Plan (continued)

Eligibility Factors and Benefit Provisions (continued)

Disability Retirement

Eligibility - Total and permanent disability after 7 or more years of service.

Benefit - The accrued benefit is payable upon disablement without reduction for early payment.

Termination Before Retirement Age

Before vesting - Return of employee contributions, if any, with interest.

After vesting - The accrued benefit payable starting at normal retirement age, or a reduced benefit payable at an early retirement age.

In-service Death

Before vesting - Return of employee contributions, if any, with interest.

After vesting (married participants only) - 50% of the accrued benefit is payable to the spouse until death or remarriage.

After vesting (other participants) - 50% of the accrued benefit is payable for 5 years certain.

Payment Options

Normal form - The normal form of payment of the accrued benefit is a monthly lifetime annuity with 5 years certain.

Optional forms - Disability retirement benefits are paid only under the normal form. Other retirement benefits are available under actuarially equivalent optional forms:

Joint and 50% survivor annuity

Joint and 66-2/3rds% last survivor annuity

Joint and 100% survivor annuity

Cost of Living - This plan has not elected the automatic post-retirement cost-of-living adjustments.

As of April 30, 2022, the Authority membership consisted of:

Retirees and beneficiaries currently receiving benefits	5
Vested inactive members	2
Active members	23
Total	30

Contributions

The Authority has the authority to set and amend contributions rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The employer contribution rate was 6.83% for the fiscal years ending April 30, 2022 and 2021. Contributory members are required to contribute 3.75% of gross wages to OkMRF. Contributions made by the Authority were \$6,381 and \$6,006 for the years ended April 30, 2022 and 2021, respectively.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022 AND 2021

9. Pension Plan (continued)

Actuarial Assumptions

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Date of last actuarial valuation	July 1, 2021
Actuarial cost method	Entry age normal
Rate of return on investments and discount rate	7.50%
20 year tax-free bond yield	1.75%
Projected salary increase	Rates by age
Post retirement cost-of-living increase	None
Inflation rate	2.75%
Mortality table	Before retirement (employee rates) PubG-2010 (25%A/75%B) males PubG-2010 (50%A/50%B) females with projected mortality improvement
	After retirement (annuitant rates) PubG-2010 (25%A/75%B) males PubG-2010 (50%A/50%B) females with projected mortality improvement
	Disabled (disabled retiree rates) PubG-2010, males and females
Percent of married employees	100%
Spouse age difference	3 years (female spouses younger)
Turnover	Select and ultimate rates Ultimate rates are age-related Additional rates per thousand are added during the first 5 years: Year 1: 225 Year 2: 140 Year 3: 100 Year 4: 70 Year 5: 40
Date of last experience study	September 2017 for the fiscal years 2012 thru 2016

Discount Rate

The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.50% since the plan's net fiduciary position is projected to be sufficient to make projected benefit payments.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022 AND 2021

9. Pension Plan (continued)

Discount Rate (continued)

The Authority has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 (2.75%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2021 are summarized in the following table:

	Target Allocation	Real Return	Weighted Return
Large cap stocks - S&P 500	25%	5.80%	1.45%
Small/mid cap stocks - Russell 2500	10%	6.40%	0.64%
Long/short equity - MSCI ACWI	10%	5.00%	0.50%
International stocks - MSCI EAFE	20%	6.20%	1.24%
Fixed income bonds - Barclay's Capital Aggregate	30%	2.30%	0.69%
Real estate - NCREIF	5%	4.60%	0.23%
Cash equivalents - 3 month Treasury	0%	0.00%	0.00%
Total	<u>100%</u>		
Average real return			4.75%
Inflation			<u>2.75%</u>
Long-term expected return			<u>7.50%</u>

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022 AND 2021

9. Pension Plan (continued)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension (asset) / liability of the Authority calculated using the discount rate of 7.50%, as well as what the Authority's net pension (asset) / liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
Net Pension (Asset) / Liability	\$ (173,964)	\$ (322,635)	\$ (436,405)
As allocated to the Authority	(26,061)	(48,332)	(65,375)

Changes in Net Pension Liability

The total pension liability was determined based on an actuarial valuation performed as of July 1, 2020 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2021 and the Authority's report ending date of April 30, 2022, that would have had a significant impact on the net pension liability.

Plan Liability, Deferred Outflows / Inflows of Resources and Pension Expense

At April 30, 2022, the Authority had a liability of \$843 due to the Plan for April employer and employee contributions. The Authority reported a pension benefit of \$2,080 for the year ended April 30, 2022. The Authority reported \$6,018 in pension expense for the year ended April 30, 2021. At April 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,864	\$ 21,067
Changes in assumptions	2,000	-
Net difference between projected and actual earnings on pension plan investments	2,749	22,153
Authority contributions subsequent to the measurement date	5,364	-
Total	\$ 12,977	\$ 43,220

\$5,364 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 April 30, 2023. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022 AND 2021

9. Pension Plan (continued)

Plan Liability, Deferred Outflows / Inflows of Resources and Pension Expense (continued)

Year Ended April 30,	Net Decrease In Pension Expense
2023	\$ (7,675)
2024	(7,743)
2025	(7,831)
2026	(9,562)
2027	(2,796)
	\$ (35,607)

10. 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.

11. 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 four fiscal years.

12. COVID-19

The Coronavirus Disease 2019 (COVID), declared by the World Health Organization as a pandemic in March 2020, continues to cause worldwide economic disruption and uncertainty. The related adverse public health developments, including orders to shelter-in-place, travel restrictions, and mandated business closures, have adversely affected workforces, organizations, their customers, economies, and financial markets globally, leading to increased market volatility and disruptions in normal business operations everywhere.

The Authority has remained open throughout the pandemic to continue servicing customers. There have been some supply chain issues due to nationwide material shortages and a significant increase in gas prices, supplies and parts. The Authority continues to monitor its operations, liquidity and capital resources to minimize the impact of this unprecedented situation.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022 AND 2021

13. Subsequent Events

The Authority has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended April 30, 2022 through July 8, 2022, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

EAST CENTRAL OKLAHOMA GAS AUTHORITY

SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED APRIL 30, 2022

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability								
Service cost	\$ 62,058	\$ 50,541	\$ 42,356	\$ 38,774	\$ 43,036	\$ 41,700	\$ 34,022	\$ 31,183
Interest cost	67,832	61,727	43,920	39,060	36,686	30,917	27,611	26,953
Benefit changes due to plan amendments	-	-	115,142	-	-	-	-	-
Difference between expected and actual experience	(158,547)	(4,417)	29,237	3,110	(29,840)	14,712	(2,826)	-
Changes of assumptions	-	-	18,973	-	14,728	-	-	-
Benefit payment, including refunds of employee contributions	(45,457)	(8,110)	(16,139)	(16,160)	(18,150)	(7,824)	(24,160)	(12,981)
Net change in total pension liability	(74,114)	99,741	233,489	64,784	46,460	79,505	34,647	45,155
Total pension liability - beginning	926,748	827,007	593,518	528,734	482,274	402,769	368,122	322,967
Total pension liability - ending	\$ 852,634	\$ 926,748	\$ 827,007	\$ 593,518	\$ 528,734	\$ 482,274	\$ 402,769	\$ 368,122
Plan Net Fiduciary Position								
Contributions - employer	\$ 40,032	\$ 42,020	\$ 39,424	\$ 37,533	\$ 37,029	\$ 35,714	\$ 33,042	\$ 29,773
Contributions - employee	21,967	22,898	21,644	20,630	20,214	19,608	18,087	16,347
Net investment income	253,428	35,382	52,475	47,292	67,689	5,511	12,504	58,558
Benefit payments, including refunds of employee contributions	(45,457)	(8,110)	(16,139)	(16,160)	(18,150)	(7,824)	(24,160)	(12,981)
Administrative	(1,875)	(1,741)	(1,524)	(1,345)	(1,173)	(970)	(924)	(871)
Net change in plan net fiduciary position	268,095	90,449	95,880	87,950	105,609	52,039	38,549	90,826
Plan net fiduciary position - beginning	907,174	816,725	720,845	632,895	527,286	475,247	436,698	345,872
Plan net fiduciary position - ending	\$ 1,175,269	\$ 907,174	\$ 816,725	\$ 720,845	\$ 632,895	\$ 527,286	\$ 475,247	\$ 436,698
Net pension (asset) / liability - ending	\$ (322,635)	\$ 19,574	\$ 10,282	\$ (127,327)	\$ (104,161)	\$ (45,012)	\$ (72,478)	\$ (68,576)
Percent allocated to the Authority	14.98%	15.84%	14.46%	15.25%	14.94%	15.22%	17.76%	15.88%
Plan net fiduciary position as percentage of total pension liability	137.84%	97.89%	98.76%	121.45%	119.70%	109.33%	117.99%	118.63%
Covered employee payroll	\$ 539,127	\$ 671,342	\$ 544,017	\$ 542,313	\$ 500,414	\$ 524,235	\$ 500,887	\$ 431,826
Net pension (asset)/liability position as percentage of covered employee payroll	-59.84%	2.92%	1.89%	-23.48%	-20.81%	-8.59%	-14.47%	-15.88%

See independent auditor's report.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED APRIL 30, 2022

Notes to Schedule:

1. The schedule is intended to show 10 years - additional information will be presented as it becomes available
2. This plan includes the Town of Gore, Gore PWA and East Central Oklahoma Gas Authority. The pension asset and deferred inflows/outflows relating to the pension has been allocated to each entity accordingly.
3. The following are changes in actuarial assumptions that affect the measurement of the total pension liability:

Effective July 1, 2017

Lowered the long-term investment return rate from 7.50% to 7.25%

Lowered the cost of living rate assumption from 3.00% to 2.75%

Effective July 1, 2019

Updated mortality assumptions adopting tables on the first-ever mortality study specific to public plan pension participants that was released by the Society of Actuaries.

See independent auditor's report.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED APRIL 30, 2022

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Authority's contractually required contribution	\$ 5,979	\$ 6,642	\$ 5,641	\$ 5,724	\$ 5,511	\$ 5,383	\$ 5,865	\$ 4,722
Contributions in relation to the contractually required contribution	\$ (5,979)	\$ (6,642)	\$ (5,641)	\$ (5,724)	\$ (5,511)	\$ (5,383)	\$ (5,865)	\$ (4,722)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 87,543	\$ 97,253	\$ 82,598	\$ 83,807	\$ 80,695	\$ 78,810	\$ 85,864	\$ 69,138
Contributions as a percentage of covered-employee payroll	6.83%	6.83%	6.83%	6.83%	6.83%	6.83%	6.83%	6.83%

Note to Schedule:

The schedule is intended to show 10 years - additional information will be presented as it becomes available

See independent auditor's report.

ADDITIONAL REQUIRED REPORT



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

To the Board of Directors
East Central Oklahoma Gas East Central Oklahoma Gas Authority
Gore, 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 East Central Oklahoma Gas East Central Oklahoma Gas Authority, as of and for the year ended April 30, 2022, and the related notes to the financial statements, which collectively comprise East Central Oklahoma Gas Authority's financial statements, and have issued our report thereon dated July 8, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the East Central Oklahoma Gas Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 East Central Oklahoma Gas Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the East Central Oklahoma Gas Authority's 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 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the East Central Oklahoma Gas Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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

This 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 the 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.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
July 8, 2022