

**EAST CENTRAL OKLAHOMA
GAS AUTHORITY**

AUDITED FINANCIAL STATEMENTS

APRIL 30, 2021 AND 2020



EAST CENTRAL OKLAHOMA GAS AUTHORITY

APRIL 30, 2021 AND 2020

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the East Central Oklahoma Gas Authority, (the Authority), as of and for the years ended April 30, 2021 and 2020, and the related notes to the 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 these financial statements 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 an opinion 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 Authority'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 Authority'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 account estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the East Central Oklahoma Gas Authority as of April 30, 2021 and 2020, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

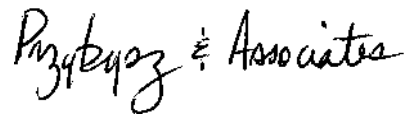
Required Supplementary Information

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 cost-sharing employer pension plans on pages 25 through 27 be presented to supplement the financial statements. Such information, 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 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2021, on our consideration of the 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 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 Authority's internal control over financial reporting and compliance.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
July 13, 2021

FINANCIAL STATEMENTS

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENTS OF NET POSITION

AS OF APRIL 30,	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 461,438	\$ 399,696
Restricted checking account	18,288	17,253
Certificate of deposit	109,962	108,724
Accounts receivable, net of allowance for doubtful accounts	23,418	25,816
Prepaid insurance	2,995	2,348
Total Current Assets	616,101	553,837
Noncurrent Assets		
Deposits	75	75
Capital Assets		
Land	5,000	5,000
Buildings	78,739	78,739
Furniture and equipment	63,279	40,184
Utility property	906,366	906,366
Transportation equipment	20,220	20,220
Construction in progress	29,360	-
Total	1,102,964	1,050,509
Less: accumulated depreciation	707,187	709,378
Net Capital Assets	395,777	341,131
Total Noncurrent Assets	395,852	341,206
Total Assets	1,011,953	895,043
Deferred Outflows of Resources		
Deferred amounts related to pensions	16,020	15,330
Total Deferred Outflows of Resources	16,020	15,330
Total Assets and Deferred Outflows of Resources	\$ 1,027,973	\$ 910,373

See accompanying notes.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENTS OF NET POSITION

AS OF APRIL 30,	2021	2020
Liabilities		
Current Liabilities		
Accounts payable	\$ 15,587	\$ 10,736
Payroll taxes payable	2,925	2,887
Sales tax payable	1,862	1,493
Accrued compensated absences	2,403	2,693
Utility deposits	18,000	17,000
Current maturity of capital lease obligation	7,283	-
Current maturity of long-term debt	13,304	19,955
Total Current Liabilities	61,364	54,764
Noncurrent Liabilities		
Capital lease obligation	16,364	5,000
Long-term debt	-	13,303
Net pension liability	3,100	1,487
Total Noncurrent Liabilities	19,464	14,790
Total Liabilities	80,828	69,554
Deferred Inflows of Resources		
Deferred amounts related to pensions	3,292	3,921
Total Deferred Inflows of Resources	3,292	3,921
Net Position		
Net investment in capital assets	358,826	307,873
Unrestricted	585,027	529,025
Total Net Position	943,853	836,898
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 1,027,973	\$ 910,373

See accompanying notes.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED APRIL 30,	2021	2020
Operating Revenue		
Gas sales, net of bad debts	\$ 390,757	\$ 362,910
Other Income	3,168	397
Total Operating Revenue	393,925	363,307
Operating Expenses		
Advertising	506	793
Auto expense	3,989	3,457
Depreciation	22,809	21,565
Donations	1,393	100
Employee benefits	9,573	21,576
Fees and dues	3,821	4,103
Gas purchases	97,157	62,012
Gas transportation expense	8,040	8,039
Insurance	8,226	7,918
Miscellaneous expense	160	534
Office expense	4,430	10,115
Outside services	2,010	3,799
Payroll taxes	7,228	7,971
Phone and utilities	14,141	15,831
Professionals fees	11,899	10,654
Repairs & maintenance	20,231	32,639
Travel	1,860	2,674
Uniforms	132	1,386
Wages	87,649	97,111
Total Operating Expenses	305,254	312,277
Net Operating Income	88,671	51,030
Nonoperating Revenue (Expense)		
Gain on disposition of asset	17,500	-
Interest income	1,273	1,915
Interest expense	(489)	-
Total Nonoperating Revenue	18,284	1,915
Change In Net Position	106,955	52,945
Net Position, Beginning of Year	836,898	783,953
Net Position, End of Year	\$ 943,853	\$ 836,898

See accompanying notes.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED APRIL 30,	2021	2020
Cash Flows from Operations		
Cash receipts from customers and other sources	\$ 397,692	\$ 360,234
Cash payments to suppliers for goods and services	(190,260)	(183,775)
Cash payments to employees for services	(87,939)	(94,418)
Net Cash Provided by Operating Activities	119,493	82,041
Cash Flows from Capital and Related Financing Activities		
Fixed asset additions	(30,200)	(5,250)
Capital lease payments	(6,108)	-
Principal paid on debt	(19,954)	(19,955)
Interest paid on debt	(489)	-
Net Cash Used By Capital and Related Financing Activities	(56,751)	(25,205)
Cash Flows from Investing Activities		
Interest income	1,273	1,915
Reinvestment of certificate of deposit earnings	(1,238)	(1,870)
Net Cash Provided By Investing Activities	35	45
Net Increase In Cash, Cash Equivalents and Restricted Cash	62,777	56,881
Cash, Cash Equivalents, and Restricted Cash At Beginning of Year	416,949	360,068
Cash, Cash Equivalents, and Restricted Cash At End of Year	\$ 479,726	\$ 416,949
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	\$ 461,438	\$ 399,696
Restricted checking account	18,288	17,253
Total Cash, Cash Equivalents and Restricted Cash	\$ 479,726	\$ 416,949

See accompanying notes.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED APRIL 30,	2021	2020
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Operating income	\$ 88,671	\$ 51,030
Adjustments to reconcile net income to net cash from Operating activities:		
Depreciation	22,809	21,565
(Increase) decrease in:		
Accounts receivable	2,398	(2,378)
Prepaid insurance	(647)	(651)
Restricted net pension asset	-	19,417
Deferred outflows relating to pension	(690)	(4,229)
Increase (decrease) in:		
Accounts payable	4,851	(5,106)
Payroll taxes payable	38	653
Accrued compensated absences	(290)	2,693
Sales tax payable	369	(895)
Customer deposits	1,000	200
Net pension liability	1,613	1,487
Deferred inflows relating to pension	(629)	(1,745)
Net Cash Provided by Operating Activities	\$ 119,493	\$ 82,041
Supplemental Schedule of Noncash Capital and Related Financing Activities		
Total cost of fixed assets acquired	\$ 77,455	\$ 5,250
Less: Capital assets acquired with direct financing	(29,755)	-
Trade-in allowance	(17,500)	-
Net cash used to acquire capital assets	\$ 30,200	\$ 5,250

See accompanying notes.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2021 AND 2020

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. 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. 83, *Certain Asset Retirement Obligations*. The purpose of this statement is to address accounting and financial reporting for certain retirement obligations (ARO's). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government has a legal obligation to perform future asset retirement activities related to its tangible capital assets and should recognize a liability based on the guidance on the statement. Implementation of this standard did not have an impact on the financial statements.

GASB Statement No. 84, *Fiduciary Activities*. The purpose of this statement was to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. Implementation of this statement did not have an impact on the financial statements.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2021 AND 2020

1. Summary of Significant Accounting Policies (continued)

b. New Accounting Pronouncements (continued)

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The purpose of this statement is to improve the information that is disclosed in notes to the 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. The Authority adopted this statement during the year and added the appropriate disclosures in the footnotes.

GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*. The purpose of this statement is 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. Implementation of this statement did not have an impact on the financial statements.

c. 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.

d. Financial Instruments

The Authority's financial instruments include cash and cash equivalents, certificates of deposit, accounts receivable and accounts payable. The Authority's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximate fair value because of the short maturity of these instruments.

e. Income Taxes

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

f. 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.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2021 AND 2020

1. Summary of Significant Accounting Policies (continued)

g. Accounts Receivable

Accounts receivable consists of gas fees and surcharges billed to residential and commercial/ industrial customers based on consumption. 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 \$2,938 and \$4,188 at April 30, 2021 and 2020, respectively.

h. 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.

i. 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	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.

j. 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.

k. 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 \$2,403 and \$2,693 accrued for compensated absences at April 30, 2021 and 2020, respectively.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2021 AND 2020

1. Summary of Significant Accounting Policies (continued)

I. 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.

m. 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".

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.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2021 AND 2020

1. Summary of Significant Accounting Policies (continued)

n. Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of gas sales. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities.

o. 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.

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.

All of the Authority's bank deposits are held at one financial institution and are carried at cost. All time and savings deposits held are insured for up to \$250,000. Separately, demand deposits are added together and insured for up to \$250,000. At April 30, 2021 and 2020, the Authority had no deposits that were uninsured and/or uncollateralized. The bank balances and carrying amount of the Authority's deposits held were as follows:

Description	At April 30, 2021		At April 30, 2020	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured	\$ 359,962	\$ 359,962	\$ 358,724	\$ 358,724
Pledged with letter of credit	230,531	229,726	168,482	166,949
Total	\$ 590,493	\$ 589,688	\$ 527,206	\$ 525,673

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2021 AND 2020

2. Deposits and Investments (continued)

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

As Of April 30,	2021	2020
Cash and cash equivalents	\$ 461,438	\$ 399,696
Restricted checking account	18,288	17,253
Certificate of deposit	109,962	108,724
Total	\$ 589,688	\$ 525,673

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 renews annually with current maturity 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.

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 \$18,000 and \$17,000 at April 30, 2021 and 2020, respectively.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2021 AND 2020

4. Capital Assets

Activity of capital assets consists of the following:

	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

	May 1, 2019	Additions	Retirements	April 30, 2020
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Buildings	78,739	-	-	78,739
Furniture & Equipment	34,934	5,250	-	40,184
Utility property	906,366	-	-	906,366
Transportation equipment	20,220	-	-	20,220
Total Capital Assets	1,045,259	5,250	-	1,050,509
Less: accumulated depreciation	687,813	21,565	-	709,378
Net Capital Assets	\$ 357,446	\$ (16,315)	\$ -	\$ 341,131

Construction in progress of was for the following two projects:

Balance as of April 30,	2021	2020
Line extension for Gore - relocate 4 inch main line on bridge	\$ 20,210	\$ -
Line extension for Webbers Falls - change from 1 to 2 inch line to keep up with growth of Town	9,150	-
	\$ 29,360	\$ -

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

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2021 AND 2020

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 year ended April 30, 2021.

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

As of April 30,	2021	2020
Kubota Excavator	\$ 46,916	\$ -
Less: accumulated amortization	(7,819)	-
Net Book Value	\$ 39,097	\$ -

Minimum future lease payments under capital leases are as follows:

For the Years Ended April 30,	
2022	\$ 7,916
2023	7,916
2024	7,916
2024	1,320
Total capital lease obligation	25,068
Less interest element	1,421
	23,647
Less current portion	7,283
Long-term capital lease obligation	\$ 16,364

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

6. Long-Term Debt

Long-term debt consists of the following:

As Of April 30,	2021	2020
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.	\$ 13,304	\$ 33,258
Total	13,304	33,258
Less current maturities	13,304	19,955
Long-Term Debt	\$ -	\$ 13,303

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2021 AND 2020

7. Changes in Long-Term Liabilities

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

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

As Of	May 1, 2019	Additions	Retirements	April 30, 2020	Due Within One Year
State of Oklahoma	\$ 53,213	\$ -	\$ 19,955	\$ 33,258	\$ 19,955
Net pension liability	-	1,487	-	1,487	-
Total	\$ 53,213	\$ 1,487	\$ 19,955	\$ 34,745	\$ 19,955

8. Letter of Credit

The Authority has an unused irrevocable letter of credit from their local bank allowing for borrowings up to \$440,000 expiring on October 04, 2021.

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, 2021 AND 2020

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, 2021 AND 2020

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, 2020, the Authority membership consisted of:

Retirees and beneficiaries currently receiving benefits	4
Vested inactive members	1
Active members	24
Total	29

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, 2021 and 2020. Contributory members are required to contribute 3.75% of gross wages to OkMRF. Contributions made by the Authority were \$6,006 and \$6,418 for the years ended April 30, 2021 and 2020, respectively.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2021 AND 2020

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, 2020
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, 2021 AND 2020

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, 2020 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, 2021 AND 2020

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	\$ 190,043	\$ 19,574	\$ (112,482)
As allocated to the Authority	30,095	3,100	(17,813)

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, 2020 and the Authority's report ending date of April 30, 2021, 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, 2021, the Authority had a liability of \$776 due to the Plan for April employer and employee contributions. The Authority reported \$6,018 in pension expense for the year ended April 30, 2021. At April 30, 2021, 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	\$ 4,163	\$ 2,488
Changes in assumptions	2,952	-
Net difference between projected and actual earnings on pension plan investments	3,943	804
Authority contributions subsequent to the measurement date	4,962	-
Total	\$ 16,020	\$ 3,292

\$4,962 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, 2022. 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, 2021 AND 2020

9. Pension Plan (continued)

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

Year Ended April 30,	Net Increase In Pension Expense
2022	\$ 1,316
2023	2,177
2024	2,106
2025	2,012
2026	182
thereafter	(27)
	\$ 7,766

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

On March 11, 2020, the World Health Organization categorized Coronavirus Disease 2019 (COVID-19) as a pandemic. The spread of COVID-19 continues to cause global economic uncertainty as of the date of this report. The Authority remained open throughout the pandemic to continue servicing customers, but for safety precautions, the office closed and employees worked remotely during April and May of 2020. The pandemic has not had a significant impact on the Authority financially as revenues remained strong due to colder winter temperatures and customers continued making timely payments. The full extent of the impact on the Authority's operations and financial performance will depend on future developments, including the duration and spread of the outbreak, government imposed restrictions, and other factors, all of which are highly uncertain and cannot be predicted. The Authority will continue 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, 2021 AND 2020

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, 2021 through July 13, 2021, 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, 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	\$ 50,541	\$ 42,356	\$ 38,774	\$ 43,036	\$ 41,700	\$ 34,022	\$ 31,183
Interest cost	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	(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	(8,110)	(16,139)	(16,160)	(18,150)	(7,824)	(24,160)	(12,981)
Net change in total pension liability	99,741	233,489	64,784	46,460	79,505	34,647	45,155
Total pension liability - beginning	827,007	593,518	528,734	482,274	402,769	368,122	322,967
Total pension liability - ending	\$ 926,748	\$ 827,007	\$ 593,518	\$ 528,734	\$ 482,274	\$ 402,769	\$ 368,122
Plan Net Fiduciary Position							
Contributions - employer	\$ 42,020	\$ 39,424	\$ 37,533	\$ 37,029	\$ 35,714	\$ 33,042	\$ 29,773
Contributions - employee	22,898	21,644	20,630	20,214	19,608	18,087	16,347
Net investment income	35,382	52,475	47,292	67,689	5,511	12,504	58,558
Benefit payments, including refunds of employee contributions	(8,110)	(16,139)	(16,160)	(18,150)	(7,824)	(24,160)	(12,981)
Administrative	(1,741)	(1,524)	(1,345)	(1,173)	(970)	(924)	(871)
Net change in plan net fiduciary position	90,449	95,880	87,950	105,609	52,039	38,549	90,826
Plan net fiduciary position - beginning	816,725	720,845	632,895	527,286	475,247	436,698	345,872
Plan net fiduciary position - ending	\$ 907,174	\$ 816,725	\$ 720,845	\$ 632,895	\$ 527,286	\$ 475,247	\$ 436,698
Net pension (asset) / liability - ending	\$ 19,574	\$ 10,282	\$ (127,327)	\$ (104,161)	\$ (45,012)	\$ (72,478)	\$ (68,576)
Percent allocated to the Authority	15.84%	14.46%	15.25%	14.94%	15.22%	17.76%	15.88%
Plan net fiduciary position as percentage of total pension liability	97.89%	98.76%	121.45%	119.70%	109.33%	117.99%	118.63%
Covered employee payroll	\$ 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	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, 2021

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, 2021

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Authority's contractually required contribution	\$ 6,642	\$ 5,641	\$ 5,724	\$ 5,511	\$ 5,383	\$ 5,865	\$ 4,722
Contributions in relation to the contractually required contribution	\$ (6,642)	\$ (5,641)	\$ (5,724)	\$ (5,511)	\$ (5,383)	\$ (5,865)	\$ (4,722)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 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%

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

To the Board of Directors
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 Authority, as of and for the year ended April 30, 2021, and the related notes to the financial statements, which collectively comprise Authority's financial statements, and have issued our report thereon dated July 13, 2021, which was modified to reflect the omission of the management's discussion and analysis.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
July 13, 2021