EAST CENTRAL OKLAHOMA GAS AUTHORITY

AUDITED FINANCIAL STATEMENTS

APRIL 30, 2023 AND 2022

PRZYBYSZ & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

EAST CENTRAL OKLAHOMA GAS AUTHORITY
APRIL 30, 2023 AND 2022

Contents

PRZYBYSZ & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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, 2023 and 2022, 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, 2023 and 2022, 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.

4200 Jenny Lind Road, Ste. B
Fort Smith, Arkansas 72901
Ph: 479.649.0888 email: marcl@selectlanding.com
www.selectcpa.com

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 financial statement in an appropriate operational, economic, or historical context. Our opinion on the 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 23-25 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 11, 2023, 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

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
July 11, 2023

FINANCIAL STATEMENTS

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENTS OF NET POSITION

AS OF APRIL 30,		2023		2022
Assets				
Current Assets				
Cash and cash equivalents	$	360,368	$	584,085
Restricted checking account		20,486		19,435
Accounts receivable, net of allowance for doubtful accounts		26,568		29,015
Prepaid insurance		3,491		2,847
Total Current Assets		410,913		635,382
Noncurrent Assets				
Deposits		75		75
Restricted net pension asset		-		48,332
Total Noncurrent Assets		75		48,407
Capital Assets, Net		1,066,074		383,116
Total Assets		1,477,062		1,066,905
Deferred Outflows of Resources				
Deferred amounts related to pensions		58,596		12,977
Total Deferred Outflows of Resources		58,596		12,977
Total Assets and Deferred Outflows of Resources	$	1,535,658	$	1,079,882
Liabilities				
Current Liabilities				
Accounts payable	$	15,532	$	32,309
Payroll taxes and related withholdings payable		3,483		3,127
Sales tax payable		2,523		2,564
Accrued compensated absences		7,751		3,156
Utility deposits		20,000		19,100
Current maturity of debt		90,434		7,589
Total Current Liabilities		139,723		67,845
Noncurrent Liabilities				
Long-term debt		323,286		6,121
Net pension liability		9,198		-
Total Noncurrent Liabilities		332,484		6,121
Total Liabilities		472,207		73,966
Deferred Inflows of Resources				
Deferred amounts related to pensions		31,845		43,220
Total Deferred Inflows of Resources		31,845		43,220
Net Position				
Net investment in capital assets		652,354		369,406
Restricted		-		48,332
Unrestricted		379,252		544,958
Total Net Position		1,031,606		962,696
Total Liabilities, Deferred Inflows of Resources, and Net Position	$	1,535,658	$	1,079,882

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,	2023	2022
Operating Revenue		
Gas sales, net of bad debts	$ 515,707	$ 410,795
Gas line extensions	100,937	-
Other Income	379	950
Total Operating Revenue	617,023	411,745
Operating Expenses		
Advertising	585	379
Auto expense	4,653	4,332
Depreciation	29,109	25,941
Donations	-	600
Employee benefits	8,852	1,450
Fees and dues	5,129	4,721
Gas purchases	255,001	168,664
Gas transportation expense	23,901	14,208
Insurance	12,203	10,541
Miscellaneous expense	803	140
Office expense	5,904	6,607
Outside services	1,710	2,360
Payroll taxes	9,419	7,755
Phone and utilities	14,579	14,212
Professionals fees	23,441	17,018
Repairs and maintenance	28,869	17,303
Travel	1,965	1,898
Uniforms	-	502
Wages	119,148	94,185
Total Operating Expenses	545,271	392,816
Net Operating Income	71,752	18,929
Nonoperating Revenue (Expense)		
Interest income	50	532
Interest expense	(2,892)	(618)
Total Nonoperating Revenue (Expense)	(2,842)	(86)
Change In Net Position	68,910	18,843
Net Position, Beginning of Year	962,696	943,853
Net Position, End of Year	$ 1,031,606	$ 962,696

See accompanying notes to the financial statements.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED APRIL 30,		2023		2022
Cash Flows from Operations				
Cash receipts from customers and other sources	$	620,329	$	407,950
Cash payments to suppliers for goods and services		(413,543)		(264,079)
Cash payments to employees for services		(114,553)		(93,432)
Net Cash Provided by Operating Activities		92,233		50,439
Cash Flows from Capital and Related Financing Activities				
Capital asset additions		(256,938)		(13,280)
Principal paid on debt		(55,119)		(23,241)
Interest paid on debt		(2,892)		(618)
Net Cash Used By Capital and Related Financing Activities		(314,949)		(37,139)
Cash Flows from Investing Activities				
Interest income		50		532
Maturity of certificate of deposit		-		110,447
Reinvestment of certificate of deposit earnings		-		(485)
Net Cash Provided By Investing Activities		50		110,494
Net Increase (Decrease) In Cash, Cash Equivalents and Restricted Cash		(222,666)		123,794
Cash, Cash Equivalents, and Restricted Cash At Beginning of Year		603,520		479,726
Cash, Cash Equivalents, and Restricted Cash At End of Year	$	380,854	$	603,520
Reconciliation to the Statement of Net Position				
Cash and cash equivalents	$	360,368	$	584,085
Restricted checking account		20,486		19,435
Total Cash, Cash Equivalents and Restricted Cash	$	380,854	$	603,520

See accompanying notes to the financial statements.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED APRIL 30,	2023	2022
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Operating income	$ 71,752	$ 18,929
Adjustments to reconcile net income to net cash from		
Operating activities:		
Depreciation	29,109	25,941
(Increase) decrease in:		
Accounts receivable	2,447	(5,597)
Prepaid insurance	(644)	148
Restricted net pension asset	48,332	(48,332)
Deferred outflows relating to pension	(45,619)	3,043
Increase (decrease) in:		
Accounts payable	(16,777)	16,722
Payroll taxes and related withholdoings payable	356	202
Accrued compensated absences	4,595	753
Sales tax payable	(41)	702
Customer deposits	900	1,100
Net pension liability	9,198	(3,100)
Deferred inflows relating to pension	(11,375)	39,928
Net Cash Provided by Operating Activities	$ 92,233	$ 50,439
Supplemental Schedule of Noncash Capital and Related Financing Activities		
Total cost of fixed assets acquired	$ 712,067	$ 13,280
Less: Capital assets acquired with direct financing	(455,129)	-
Net cash used to acquire capital assets	$ 256,938	$ 13,280

See accompanying notes to the financial statements.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023 AND 2022

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

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.

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.

Income Taxes

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

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, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

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 $3,227 and $3,631 at April 30, 2023 and 2022, respectively.

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.

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:

	Life
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.

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.

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 $7,751 and $3,156 accrued for compensated absences at April 30, 2023 and 2022, respectively.

1. Summary of Significant Accounting Policies (continued)

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.

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 investment 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.

1. Summary of Significant Accounting Policies (continued)

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.

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.

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. 87, *Leases*. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of a right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice.

GASB Statement No. 92, *Omnibus 2020*. The purpose of this statement is to enhance comparability in accounting and financial reporting to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain pension and other post employment retirement plans as fiduciary component units in fiduciary fund financial statements ; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans.

GASB Statement No. 98, *the Annual Comprehensive Financial Report.* The purpose of this statement is to establish the term annual comprehensive financial report and its acronym ACFR to replace the term comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Other than GASB Statement No. 87, these standards did not have any impact on the financial statements. The Authority had a capital lease to finance the purchase of some equipment. Under the new lease standard, this does not qualify as a lease, but is considered a financed purchase. The 2022 financial statements have been "restated" to reflect this financing agreement with its other debt (see Note 5).

2. Deposits with Financial Institutions

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.

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.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023 AND 2022

2. Deposits with Financial Institutions (continued)

Custodial Credit Risk (continued)

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:

	At April 30, 2023		At April 30, 2022	
Description	**Bank Balance**	**Carrying Amount**	**Bank Balance**	**Carrying Amount**
Insured	$ 250,000	$ 250,000	$ 250,000	$ 250,000
Pledged with letter of credit	146,461	130,854	355,932	353,520
Total	$ 396,461	$ 380,854	$ 605,932	$ 603,520

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

As Of April 30,	2023	2022
Cash and cash equivalents	$ 360,368	$ 584,085
Restricted checking account	20,486	19,435
Total	$ 380,854	$ 603,520

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 $20,000 and $19,100 at April 30, 2023 and 2022, respectively.

4. Capital Assets

Activity of capital assets consists of the following:

	May 1, 2022	Additions/ Transfers	Retirements/ Transfers	April 30, 2023
Land	$ 5,000	$ -	$ -	$ 5,000
Buildings	78,739	-	-	78,739
Furniture & Equipment	74,009	6,150	-	80,159
Utility property	906,366	663,240	-	1,569,606
Transportation equipment	20,220	65,437	-	85,657
Construction in progress	31,910	640,480	663,240	9,150
Total Capital Assets	1,116,244	1,375,307	663,240	1,828,311
Less: accumulated depreciation	733,128	29,109	-	762,237
Net Capital Assets	$ 383,116	$ 1,346,198	$ 663,240	$ 1,066,074

4. Capital Assets (continued)

	May 1, 2021	Additions/ Transfers	Retirements/ Transfers	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

Construction in progress of was for the following projects:

Balance as of April 30,	2023	2022
Upgrading from 1" poly line to a 2" poly line in a specific area near Interstate 40 to allow for future growth	$ 9,150	$ 9,150
Souter Limestone and Minerals - 3 mile line extension	-	22,760
	$ 9,150	$ 31,910

The Souter Limestone and Minerals project was completed in March 2023 at a total cost of $663,240. The line upgrade project has been put on hold while the Authority is working on other projects.

The Oklahoma Department of Transportation informed the Authority that the Arkansas bridge between the Town of Webbers Falls and the Town of Gore was going to be torn down and the gas line that hangs from the bridge would need to be relocated. As of the date of the financial statements, the Authority is trying to secure grant funding and/or a zero interest loan for the project, which is estimated to cost approximately $800,000.

In addition, the Authority sold a 2012 Ford F250 truck and some other assets subsequent to year-end for $19,648.

5. Debt

The Authority obtained a new loan in October 2022 for funding on the Souter Limeston and Minerals line extension project (see Note 4).

In Addition, the Authority had a 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 payment of $13,404 during the fiscal year ended April 30, 2022.

5. Debt (continued)

Long-term debt of the Authority consists of:

As Of April 30,	2023	2022
Note payable dated October 19, 2022 in the amount of $450,250. Payments are made monthly in the amount of $8,239 including interest at 3.686%. The loan is secured by substantially all equipment and is scheduled to mature October 2027.	$ 408,284	$ -
Finance agreement dated September 4, 2020 in the amount of $46,916 for the purchase of a 2020 Kubota Excavator. Payments are made monthly in the amount of $660 including interest at 3.04%. The loan is secured by the excavator which had a net book value of $29,044 and $35,746 at April 30, 2023 and 2022, respectively. The note will be paid in full in January 2023.	5,436	13,710
Total	413,720	13,710
Less current maturities	90,434	7,589
Long-Term Debt	$ 323,286	$ 6,121

Debt is scheduled to mature as follows:

April 30,	Principal	Interest	Total
2024	$ 90,434	$ 14,104	$ 104,538
2025	88,265	10,607	98,872
2026	91,620	7,252	98,872
2027	95,103	3,769	98,872
2028	48,298	1,137	49,435
Total	$ 413,720	$ 36,869	$ 450,589

In the event of default, outstanding principal and interest become immediately due and payable unless waived by the lender.

6. Changes in Long-Term Liabilities

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

As Of	May 1, 2022	Additions	Retirements	April 30, 2023	Due Within One Year
Finance agreement	$ 13,710	$ -	$ 8,274	$ 5,436	$ 5,436
Note payable	-	455,129	46,845	408,284	84,998
Net pension liability	-	9,198	3,100	6,098	-
Total	$ 13,710	$ 464,327	$ 58,219	$ 419,818	$ 90,434

6. Changes in Long-Term Liabilities (continued)

As Of		May 1, 2021		Additions		Retirements		April 30, 2022		Due Within One Year
Finance agreement	$	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

7. Letter of Credit

The Authority has an unused irrevocable letter of credit from their local bank allowing for borrowings up to $318,000 expiring on October 30, 2023.

8. 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.

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.

8. Pension Plan (continued)

Eligibility Factors and Benefit Provisions (continued)

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.

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.

8. Pension Plan (continued)

Eligibility Factors and Benefit Provisions (continued)

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, 2023, 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 3.56% and 6.83% for the Plan fiscal years ending June 30, 2023 and 2022, respectively. Contributory members are required to contribute 3.75% of gross wages to OkMRF. Contributions made by the Authority were $4,615 and $6,381 for the years ended April 30, 2023 and 2022, respectively.

Actuarial Assumptions

The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Date of last actuarial valuation	July 1, 2022
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

8. Pension Plan (continued)

Actuarial Assumptions (continued)

Mortality table	After retirement (annuitant rates) 120% PubG-2010 (25%A/75%B) males 120% PubG-2010 (50%A/50%B) females with projected mortality improvement Disabled (disabled retiree rates) 2022 OASDI ultimate rates
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	November 2022 for the fiscal years 2017 thru 2021

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.

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, 2022 are summarized in the following table:

8. Pension Plan (continued)

Long-Term Expected Rate of Return (continued)

	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	100%		
Average real return			4.75%
Inflation			2.75%
Long-term expected return			7.50%

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	$ 238,239	$ 64,943	$ (70,124)
As allocated to the Authority	33,744	9,198	(9,932)

Changes in Net Pension Liability

The total pension liability was determined based on an actuarial valuation performed as of July 1, 2022 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, 2022 and the Authority's report ending date of April 30, 2023, 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, 2023, the Authority had a liability of $792 due to the Plan for April employer and employee contributions. The Authority reported pension expense of $4,497 for the year ended April 30, 2023. The Authority reported a pension benefit of $2,080 for the year ended April 30, 2022. At April 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

8. Pension Plan (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 25,383	$ 15,207
Changes in assumptions	1,143	929
Net difference between projected and actual earnings on pension plan investments	28,576	15,709
Authority contributions subsequent to the measurement date	3,494	-
Total	$ 58,596	$ 31,845

$3,494 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, 2024. 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:

Year Ended April 30,	Net Increase In Pension Expense
2024	$ 4,051
2025	3,967
2026	2,329
2027	8,729
2028	4,181
	$ 23,257

9. 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.

10. 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 insurance, and workers compensation for risk of loss.

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

11. Subsequent Events

The Authority has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended April 30, 2023 through July 11, 2023, the date the financial statements were available to be issued. Other than projects and items noted in Note 4, 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, 2023

	June 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	$ 52,263	$ 62,058	$ 50,541	$ 42,356	$ 38,774	$ 43,036	$ 41,700	$ 34,022	$ 31,183
Interest cost	62,024	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	201,393	(158,547)	(4,417)	29,237	3,110	(29,840)	14,712	(2,826)	-
Changes of assumptions	(7,899)	-	-	18,973	-	14,728	-	-	-
Benefit payment, including refunds of employee contributions	(52,237)	(45,457)	(8,110)	(16,139)	(16,160)	(18,150)	(7,824)	(24,160)	(12,981)
Net change in total pension liability	255,544	(74,114)	99,741	233,489	64,784	46,460	79,505	34,647	45,155
Total pension liability - beginning	852,634	926,748	827,007	593,518	528,734	482,274	402,769	368,122	322,967
Total pension liability - ending	$ 1,108,178	$ 852,634	$ 926,748	$ 827,007	$ 593,518	$ 528,734	$ 482,274	$ 402,769	$ 368,122
Plan Net Fiduciary Position									
Contributions - employer	$ 46,066	$ 40,032	$ 42,020	$ 39,424	$ 37,533	$ 37,029	$ 35,714	$ 33,042	$ 29,773
Contributions - employee	24,864	21,967	22,898	21,644	20,630	20,214	19,608	18,087	16,347
Net investment income	(148,689)	253,428	35,382	52,475	47,292	67,689	5,511	12,504	58,558
Benefit payments, including refunds of employee contributions	(52,237)	(45,457)	(8,110)	(16,139)	(16,160)	(18,150)	(7,824)	(24,160)	(12,981)
Administrative	(2,038)	(1,875)	(1,741)	(1,524)	(1,345)	(1,173)	(970)	(924)	(871)
Net change in plan net fiduciary position	(132,034)	268,095	90,449	95,880	87,950	105,609	52,039	38,549	90,826
Plan net fiduciary position - beginning	1,175,269	907,174	816,725	720,845	632,895	527,286	475,247	436,698	345,872
Plan net fiduciary position - ending	$ 1,043,235	$ 1,175,269	$ 907,174	$ 816,725	$ 720,845	$ 632,895	$ 527,286	$ 475,247	$ 436,698
Net pension (asset) / liability - ending	$ 64,943	$ (322,635)	$ 19,574	$ 10,282	$ (127,327)	$ (104,161)	$ (45,012)	$ (72,478)	$ (68,576)
Percent allocated to the Authority	14.16%	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	94.14%	137.84%	97.89%	98.76%	121.45%	119.70%	109.33%	117.99%	118.63%
Covered employee payroll	$ 609,582	$ 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	10.65%	-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, 2023

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 and/or benefit changes 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 October 1, 2018
The plan was amended to upgrade the formula from level CC to level BB

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.

Effective July 1, 2022
Changes were made to turnover rates, retirement rates, pay increase rates, and mortality rates for healthy annuitants and disabled annuitants.

See independent auditor's report.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED APRIL 30, 2023

	June 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	$ 6,486	$ 5,979	$ 6,642	$ 5,641	$ 5,724	$ 5,511	$ 5,383	$ 5,865	$ 4,722
Contributions in relation to the contractually required contribution	$ (6,486)	$ (5,979)	$ (6,642)	$ (5,641)	$ (5,724)	$ (5,511)	$ (5,383)	$ (5,865)	$ (4,722)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 94,957	$ 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%	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 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, 2023, 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 11, 2023.

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.

4200 Jenny Lind Road, Ste. B
Fort Smith, Arkansas 72901
Ph: 479.649.0888 email: marcl@selectlanding.com
www.selectcpa.com

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

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
July 11, 2023