

**EAST CENTRAL OKLAHOMA  
GAS AUTHORITY**

**AUDITED FINANCIAL STATEMENTS**

**APRIL 30, 2019 AND 2018**



# EAST CENTRAL OKLAHOMA GAS AUTHORITY

APRIL 30, 2019 AND 2018

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## **Independent Auditors' Report**

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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, 2019 and 2018, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2019 and 2018, 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***

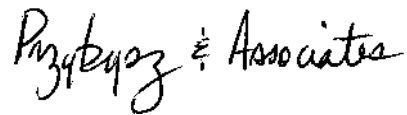
#### ***Required Supplementary Information***

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 21 and 22 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 August 6, 2019, 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 to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing and not to provide an opinion on 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**  
**August 6, 2019**

## ***FINANCIAL STATEMENTS***

# EAST CENTRAL OKLAHOMA GAS AUTHORITY

## STATEMENTS OF NET POSITION

AS OF APRIL 30,	2019	2018
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 343,060	\$ 262,800
Restricted checking account	17,008	14,128
Certificate of deposit	106,854	105,757
Accounts receivable, net of allowance for doubtful accounts	23,438	31,276
Prepaid insurance	1,697	4,114
<b>Total Current Assets</b>	<b>492,057</b>	<b>418,075</b>
<b>Capital Assets</b>		
Land	5,000	5,000
Buildings	78,739	50,586
Furniture and equipment	34,934	33,535
Utility property	906,366	906,366
Transportation equipment	20,220	11,000
Total	1,045,259	1,006,487
Less: accumulated depreciation	687,813	678,865
<b>Net Capital Assets</b>	<b>357,446</b>	<b>327,622</b>
<b>Noncurrent Assets</b>		
Deposits	75	75
Restricted net pension asset	19,417	15,562
<b>Total Noncurrent Assets</b>	<b>19,492</b>	<b>15,637</b>
<b>Total Assets</b>	<b>868,995</b>	<b>761,334</b>
<b>Deferred Outflows</b>		
Deferred amounts related to pensions	11,101	12,730
<b>Total Deferred Outflows</b>	<b>11,101</b>	<b>12,730</b>

See accompanying notes.

# EAST CENTRAL OKLAHOMA GAS AUTHORITY

## STATEMENTS OF NET POSITION

AS OF APRIL 30,	2019	2018
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	15,842	13,276
Payroll taxes payable	2,234	2,514
Sales tax payable	2,388	1,552
Utility deposits	16,800	14,000
Current maturity of long-term debt	19,955	19,955
<b>Total Current Liabilities</b>	<b>57,219</b>	<b>51,297</b>
<b>Long-term debt</b>	<b>33,258</b>	<b>53,213</b>
<b>Total liabilities</b>	<b>90,477</b>	<b>104,510</b>
<b>Deferred Inflows</b>		
Deferred amounts related to pensions	5,666	7,761
<b>Total Deferred Inflows</b>	<b>5,666</b>	<b>7,761</b>
<b>Net Position</b>		
Net investment in capital assets	304,233	254,454
Restricted	19,417	15,562
Unrestricted	460,303	391,777
<b>Total Net Position</b>	<b>\$ 783,953</b>	<b>\$ 661,793</b>

See accompanying notes.



# EAST CENTRAL OKLAHOMA GAS AUTHORITY

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED APRIL 30,	2019	2018
<b>Operating Revenue</b>		
Gas sales, net of bad debts	\$ 438,376	\$ 382,190
Other Income	1,016	1,328
<b>Total Operating Revenue</b>	<b>439,392</b>	<b>383,518</b>
<b>Operating Expenses</b>		
Advertising	1,283	1,895
Auto expense	6,245	4,372
Bank charges	-	446
Depreciation	19,948	15,597
Donations	1,672	2,805
Employee benefits	8,749	9,660
Fees and dues	4,425	3,949
Gas purchases	86,913	87,074
Insurance	7,566	5,788
Miscellaneous expense	531	2,190
Office expense	7,245	7,279
Outside services	2,810	8,341
Payroll taxes	6,977	6,922
Phone and utilities	13,548	13,818
Professionals fees	10,287	10,754
Repairs & maintenance	14,065	38,150
Town compensation	38,000	-
Transportation expense	8,710	8,039
Travel	2,420	2,906
Uniforms	-	150
Wages	84,781	83,935
<b>Total Operating Expenses</b>	<b>326,175</b>	<b>314,070</b>
<b>Net Operating Income (Loss)</b>	<b>113,217</b>	<b>69,448</b>
<b>Nonoperating Revenue</b>		
Gain on disposition of asset	7,794	-
Interest income	1,149	706
<b>Total Nonoperating Revenue</b>	<b>8,943</b>	<b>706</b>
<b>Change In Net Position</b>	<b>122,160</b>	<b>70,154</b>
Net Position, Beginning of Year	661,793	591,639
<b>Net Position, End of Year</b>	<b>\$ 783,953</b>	<b>\$ 661,793</b>

See accompanying notes.

# EAST CENTRAL OKLAHOMA GAS AUTHORITY

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED APRIL 30,	2019	2018
<b>Cash Flows from Operations</b>		
Cash receipts from customers and other sources	\$ 450,866	\$ 371,628
Cash payments to suppliers for goods and services	(221,064)	(216,002)
Cash payments to employees for services	(84,781)	(83,935)
<b>Net Cash Provided by Operating Activities</b>	<b>145,021</b>	<b>71,691</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Fixed asset additions	(49,772)	(5,000)
Principal paid on debt	(19,955)	(19,954)
<b>Net Cash Used By Capital and Related Financing Activities</b>	<b>(69,727)</b>	<b>(24,954)</b>
<b>Cash Flows from Investing Activities</b>		
Interest income	1,149	706
Proceeds from disposition of assets	7,794	-
Reinvestment of certificate of deposit earnings	(1,097)	(685)
<b>Net Cash Provided By Investing Activities</b>	<b>7,846</b>	<b>21</b>
<b>Net Increase In Cash, Cash Equivalents and Restricted Cash</b>	<b>83,140</b>	<b>46,758</b>
Cash, Cash Equivalents and Restricted Cash At Beginning of Year	276,928	230,170
<b>Cash, Cash Equivalents, and Restricted Cash At End of year</b>	<b>\$ 360,068</b>	<b>\$ 276,928</b>
<b>Reconciliation to the Statement of Net Position</b>		
Cash and cash equivalents	\$ 343,060	\$ 262,800
Restricted checking account	17,008	14,128
<b>Total Cash, Cash Equivalents and Restricted Cash</b>	<b>\$ 360,068</b>	<b>\$ 276,928</b>
<b>Reconciliation Of Operating Income To Net Cash Provided By Operating Activities</b>		
Operating income	\$ 113,217	\$ 69,448
Adjustments to reconcile net income to net cash from Operating activities:		
Depreciation	19,948	15,597
(Increase) decrease in:		
Accounts receivable	7,838	3,461
Prepaid insurance	2,417	(843)
Restricted net pension asset	(3,855)	4,732
Deferred outflows relating to pension	1,629	(4,493)
Increase (decrease) in:		
Accounts payable	2,566	(1,852)
Payroll taxes payable	(280)	187
Sales tax payable	836	233
Customer deposits	2,800	2,500
Deferred inflows relating to pension	(2,095)	(870)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 145,021</b>	<b>\$ 88,100</b>

See accompanying notes.

# **EAST CENTRAL OKLAHOMA GAS AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

**APRIL 30, 2019 AND 2018**

### **Nature of Business**

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

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

### **1. Summary of Significant Accounting Policies**

#### **a. Basis of Presentation**

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

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

#### **b. Financial Reporting**

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the Authority. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

#### **c. Fair Value of 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.

# EAST CENTRAL OKLAHOMA GAS AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2019 AND 2018

### 1. Summary of Significant Accounting Policies (continued)

#### d. Income Taxes

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

#### e. 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.

#### f. 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 \$3,097 and \$3,902 at April 30, 2019 and 2018, respectively.

#### g. 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.

#### h. 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.

# EAST CENTRAL OKLAHOMA GAS AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2019 AND 2018

### 1. Summary of Significant Accounting Policies (continued)

#### i. 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.

#### j. Compensated Absences

Employees earn vacation pay in varying amounts based upon length of service with the Authority. Employees can carryforward unused vacation days from year to year. There is no accrual for compensated absences recorded as of April 30, 2019 or 2018, due to the amount being immaterial to the financial statements.

#### k. 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.

#### l. 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.

# EAST CENTRAL OKLAHOMA GAS AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2019 AND 2018

### 1. Summary of Significant Accounting Policies (continued)

#### I. Net Position (continued)

*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".

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

#### m. 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.

#### n. Advertising

It is the policy of the Authority to expense advertising expenditures as they are incurred.

#### 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.

#### p. Reclassifications

Certain 2018 amounts have been reclassified in order to conform with the 2019 financial statement presentation. Net position and changes in net position are unchanged due to these reclassifications.

# EAST CENTRAL OKLAHOMA GAS AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2019 AND 2018

### 2. Cash Deposits

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.

The Authority maintains its operating bank accounts in one local financial institution. 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, 2019 and 2018, the Authority had no deposits that were uninsured. The bank balances and carrying amount of the Authority's deposits held were as follows:

Description	At April 30, 2019		At April 30, 2018	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured	\$ 357,069	\$ 357,069	\$ 355,757	\$ 355,757
Pledged with letter of credit	110,121	109,853	31,653	26,928
Total	\$ 467,190	\$ 466,922	\$ 387,410	\$ 382,685

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

As Of April 30,	2019	2018
Cash and cash equivalents	\$ 343,060	\$ 262,800
Restricted checking account	17,008	14,128
Certificate of deposit	106,854	105,757
Total	\$ 466,922	\$ 382,685

The Authority does not believe that there is any significant risk associated with the concentrations of credit nor has the Authority experienced any losses in such accounts.

### 2. Restricted Funds

Certain resources of the Authority are classified as restricted assets on the statement of net position. These funds are customer utility deposits and have a balance of \$16,800 and \$14,000 at April 30, 2019 and 2018, respectively.

# EAST CENTRAL OKLAHOMA GAS AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2019 AND 2018

### 4. Capital Assets

Activity of capital assets consists of the following:

	May 1, 2018	Additions	Retirements	April 30, 2019
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Buildings	50,586	28,153	-	78,739
Furniture & Equipment	33,535	1,399	-	34,934
Utility property	906,366	-	-	906,366
Transportation equipment	11,000	20,220	11,000	20,220
<b>Total</b>	<b>\$ 1,006,487</b>	<b>\$ 49,772</b>	<b>\$ 11,000</b>	<b>\$ 1,045,259</b>

	May 1, 2017	Additions	Retirements	April 30, 2018
Land	\$ -	\$ 5,000	\$ -	\$ 5,000
Buildings	50,586	-	-	50,586
Furniture & Equipment	33,535	-	-	33,535
Utility property	906,366	-	-	906,366
Transportation equipment	11,000	-	-	11,000
<b>Total</b>	<b>\$ 1,001,487</b>	<b>\$ 5,000</b>	<b>\$ -</b>	<b>\$ 1,006,487</b>

### 5. Long-Term Debt

Long-term debt consists of the following:

As Of April 30,	2019	2018
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.	\$ 53,213	\$ 73,168
<b>Total</b>	<b>53,213</b>	<b>73,168</b>
Less current maturities	19,955	19,955
<b>Long-Term Debt</b>	<b>\$ 33,258</b>	<b>\$ 53,213</b>

Debt is scheduled to mature as follows:

April 30,	Principal	Interest	Total
2019	\$ 19,955	\$ -	\$ 19,955
2020	33,258	-	33,258
<b>Total</b>	<b>\$ 53,213</b>	<b>\$ -</b>	<b>\$ 53,213</b>



# EAST CENTRAL OKLAHOMA GAS AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2019 AND 2018

### 5. Long-Term Debt (continued)

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

As Of	May 1, 2018	Additions	Retirements	April 30, 2019
State of Oklahoma	\$ 73,168	\$ -	\$ 19,955	\$ 53,213
Total	\$ 73,168	\$ -	\$ 19,955	\$ 53,213

As Of	May 1, 2017	Additions	Retirements	April 30, 2018
State of Oklahoma	\$ 93,122	\$ -	\$ 19,954	\$ 73,168
Total	\$ 93,122	\$ -	\$ 19,954	\$ 73,168

### 6. 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](http://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.

# EAST CENTRAL OKLAHOMA GAS AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2019 AND 2018

### 6. Pension Plan (continued)

#### 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 CC 1.875% 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.

# EAST CENTRAL OKLAHOMA GAS AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2019 AND 2018

### 6. Pension Plan (continued)

#### Eligibility Factors and Benefit Provisions (continued)

##### 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, 2019, the Authority membership consisted of:

Retirees and beneficiaries currently receiving benefits	4
Vested inactive members	1
Active members	<u>22</u>
Total	<u>27</u>

#### 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 year ending April 30, 2019. Contributory members are required to contribute 3.75% of gross wages to OkMRF.

Contributions made by the Authority were \$5,843 for the year ended April 30, 2019.

#### Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

# EAST CENTRAL OKLAHOMA GAS AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2019 AND 2018

### 6. Pension Plan (continued)

#### Actuarial Assumptions (continued)

Date of last actuarial valuation	July 1, 2018
Actuarial cost method	Entry age normal
Rate of return on investments and discount rate	7.50%
Projected salary increase	Rates by age
Post retirement cost-of-living increase	None
Inflation rate	2.75%
Mortality table	UP 1994, with projected mortality improvement
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.

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.

# EAST CENTRAL OKLAHOMA GAS AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2019 AND 2018

### 6. Pension Plan (continued)

#### 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, 2018 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>

#### 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	\$ (20,197)	\$ (127,327)	\$ (209,420)
As allocated to the Authority	(3,080)	(19,417)	(31,937)

# EAST CENTRAL OKLAHOMA GAS AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2019 AND 2018

### 6. Pension Plan (continued)

#### Changes in Net Pension Liability

The total pension liability was determined based on an actuarial valuation performed as of July 1, 2018 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, 2018 and the Authority's report ending date of April 30, 2019, 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, 2019, the Authority had a liability of \$670 due to the Plan for April employer and employee contributions. The Authority reported \$1,522 in pension expense for the year ended April 30, 2019. At April 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,736	\$ 3,343
Changes in assumptions	1,561	-
Net difference between projected and actual earnings on pension plan investments	2,982	2,323
Authority contributions subsequent to the measurement date	4,822	-
<b>Total</b>	<b>\$ 11,101</b>	<b>\$ 5,666</b>

\$4,822 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, 2020. 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:

<b>Year Ended April 30,</b>	<b>Net Increase / (Decrease) In Pension Expense</b>
2020	\$ 1,048
2021	213
2022	(751)
2023	78
2024	9
thereafter	16
	<b>\$ 613</b>

The net pension asset of \$19,417 at April 30, 2019 is reported as both a restricted asset and restricted net position in the accompanying statement of net position.

# **EAST CENTRAL OKLAHOMA GAS AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

**APRIL 30, 2019 AND 2018**

### **7. Concentrations of Credit Risk**

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

### **8. Risk Management**

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

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

### **9. Subsequent Events**

The Authority has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended April 30, 2018 through August 6, 2019, the date the financial statements were available to be issued.

***REQUIRED SUPPLEMENTARY INFORMATION***



# EAST CENTRAL OKLAHOMA GAS AUTHORITY

## SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED APRIL 30, 2019

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total Pension Liability</b>					
Service cost	\$ 38,774	\$ 43,036	\$ 41,700	\$ 34,022	\$ 31,183
Interest cost	39,060	36,686	30,917	27,611	26,953
Difference between expected and actual experience	3,110	(29,840)	14,712	(2,826)	-
Changes of assumptions	-	14,728	-	-	-
Benefit payment, including refunds of employee contributions	(16,160)	(18,150)	(7,824)	(24,160)	(12,981)
<b>Net change in total pension liability</b>	<b>64,784</b>	<b>46,460</b>	<b>79,505</b>	<b>34,647</b>	<b>45,155</b>
<b>Total pension liability - beginning</b>	<b>528,734</b>	<b>482,274</b>	<b>402,769</b>	<b>368,122</b>	<b>322,967</b>
<b>Total pension liability - ending</b>	<b>\$ 593,518</b>	<b>\$ 528,734</b>	<b>\$ 482,274</b>	<b>\$ 402,769</b>	<b>\$ 368,122</b>
<b>Plan Net Fiduciary Position</b>					
Contributions - employer	\$ 37,533	\$ 37,029	\$ 35,714	\$ 33,042	\$ 29,773
Contributions - employee	20,630	20,214	19,608	18,087	16,347
Net investment income	47,292	67,689	5,511	12,504	58,558
Benefit payments, including refunds of employee contributions	(16,160)	(18,150)	(7,824)	(24,160)	(12,981)
Administrative	(1,345)	(1,173)	(970)	(924)	(871)
<b>Net change in plan net fiduciary position</b>	<b>87,950</b>	<b>105,609</b>	<b>52,039</b>	<b>38,549</b>	<b>90,826</b>
<b>Plan net fiduciary position - beginning</b>	<b>632,895</b>	<b>527,286</b>	<b>475,247</b>	<b>436,698</b>	<b>345,872</b>
<b>Plan net fiduciary position - ending</b>	<b>\$ 720,845</b>	<b>\$ 632,895</b>	<b>\$ 527,286</b>	<b>\$ 475,247</b>	<b>\$ 436,698</b>
<b>Net pension (asset) / liability - ending</b>	<b>\$ (127,327)</b>	<b>\$ (104,161)</b>	<b>\$ (45,012)</b>	<b>\$ (72,478)</b>	<b>\$ (68,576)</b>
<b>Percent allocated to the Authority</b>	<b>15.25%</b>	<b>14.94%</b>	<b>15.22%</b>	<b>17.76%</b>	<b>15.88%</b>
<b>Plan net fiduciary position as percentage of total pension liability</b>	<b>121.45%</b>	<b>119.70%</b>	<b>109.33%</b>	<b>117.99%</b>	<b>118.63%</b>
<b>Covered employee payroll</b>	<b>\$ 542,313</b>	<b>\$ 500,414</b>	<b>\$ 524,235</b>	<b>\$ 500,887</b>	<b>\$ 431,826</b>
<b>Net pension (asset)/liability position as percentage of covered employee payroll</b>	<b>-23.48%</b>	<b>-20.81%</b>	<b>-8.59%</b>	<b>-14.47%</b>	<b>-15.88%</b>

### Notes to Schedule:

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

See independent auditor's report.

# EAST CENTRAL OKLAHOMA GAS AUTHORITY

## SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED APRIL 30, 2019

	<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	\$ 5,724	\$ 5,511	\$ 5,383	\$ 5,865	\$ 4,722
Contributions in relation to the contractually required contribution	\$ (5,724)	\$ (5,511)	\$ (5,383)	\$ (5,865)	\$ (4,722)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 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%

**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***

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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, 2019, and the related notes to the financial statements, which collectively comprise Authority's financial statements, and have issued our report thereon dated August 6, 2019, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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**  
**August 6, 2019**