EAST CENTRAL OKLAHOMA
GAS AUTHORITY

AUDITED FINANCIAL STATEMENTS

APRIL 30, 2016 AND 2015

PRZYBYSZ & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

EAST CENTRAL OKLAHOMA GAS AUTHORITY
APRIL 30, 2016 AND 2015

Contents

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the East Central Oklahoma Gas Authority, (the Authority), as of and for the years ended April 30, 2016 and 2015, and the related notes to the financial statements.

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.

Auditor's 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

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

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 opinion.

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, 2016 and 2015, 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.

Emphasis of Matter

Change in Accounting Principal

As discussed in Note 6 to the financial statements, in 2016 the Authority adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the required supplemental information for cost-sharing employer pension plans on pages 22 and 23 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 9, 2016 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

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
August 9, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

EAST CENTRAL OKLAHOMA GAS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2016

The discussion and analysis of East Central Oklahoma Gas Authority's financial performance provides an overview and analysis of the Authority's financial activities for the fiscal year ended April 30, 2016. It should be read in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The Authority ended the year April 30, 2016 with a net position balance of $597,151.
- The change in net position or net income of the Authority was an increase of $36,811.
- The statement of cash flows identifies sources and uses of cash activity for the fiscal year. For fiscal year 2016, cash and cash equivalents increased by $27,920. Cash provided from the day to day operations totaled $51,539. Furthermore, cash used by capital and related financing activities resulted in a decrease of $22,213. This was the result of cash used to acquire fixed assets of $2,258 and cash used to service debt of $19,955.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the Authority report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The Statement of Net Position includes information on the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). The Statement of Revenue, Expenses and Changes in Net Position identifies the Authority's revenues and expenses for the calendar year ended April 30, 2016. This statement provides information on the Authority's operations over the past fiscal year and can be used to determine whether the Authority has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statements of Cash Flows. This statement provides information on the Authority's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. The net result of these activities added to the beginning of the year cash balance total to the cash equivalent balance at the end of the current calendar year.

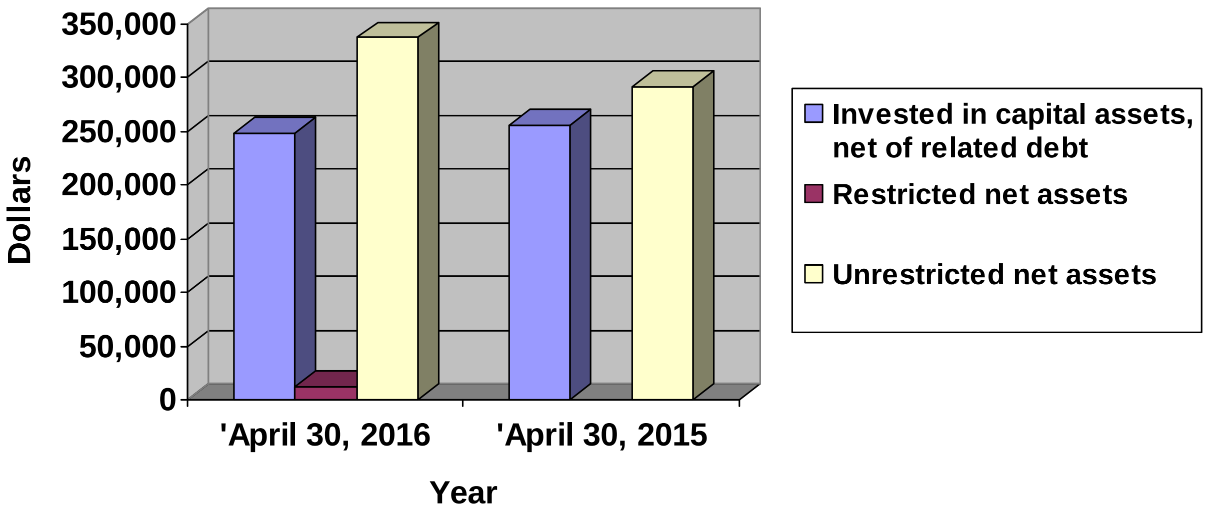
CONDENSED FINANCIAL INFORMATION

Condensed financial information from the statement of net assets as of April 30, 2016 and 2015, as well as the statement of revenues, expenses and changes in net assets for the years then ended are as follows:

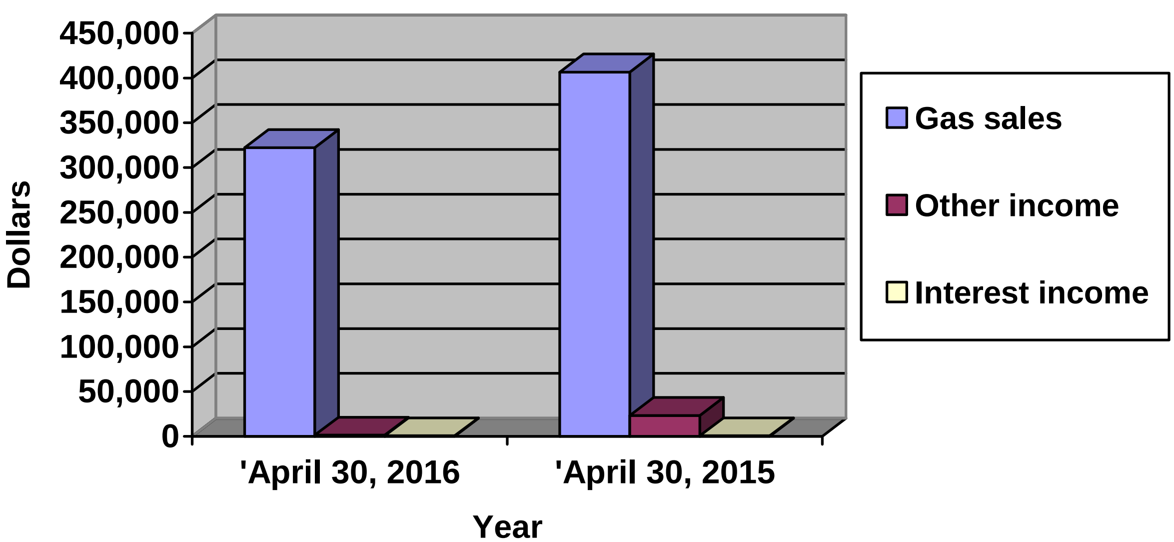
	April 30, 2016	April 30, 2015
Current assets	$ 359,558	$ 329,440
Capital assets, net	361,457	388,494
Noncurrent assets	11,658	75
Total assets	732,673	718,009
Deferred outflows	8,369	-
Total deferred outflows	8,369	-
Current liabilities	48,147	58,327
Long-term debt	93,121	113,076
Total liabilities	141,268	171,403
Deferred inflows	2,623	-
Total deferred inflows	2,623	-
Net assets:		
Invested in capital assets, net of related debt	248,381	255,463
Restricted	11,583	-
Unrestricted	337,187	291,143
Total net assets	$ 597,151	$ 546,606
Operating revenues	$ 323,502	$ 429,535
Operating expenses, excluding depreciation	261,486	395,623
Depreciation	25,784	25,727
Total operating expenses, including depreciation	287,270	421,350
Operating income (loss)	36,232	8,185
Nonoperating revenues and (expenses)	579	574
Change in net assets	36,811	8,759
Beginning of year net assets	546,606	537,847
GASB 68 implementation adjustment	13,734	-
Beginning of year net assets, restated	560,340	537,847
End of year net assets	$ 597,151	$ 546,606

CONDENSED FINANCIAL INFORMATION (CONTINUED)

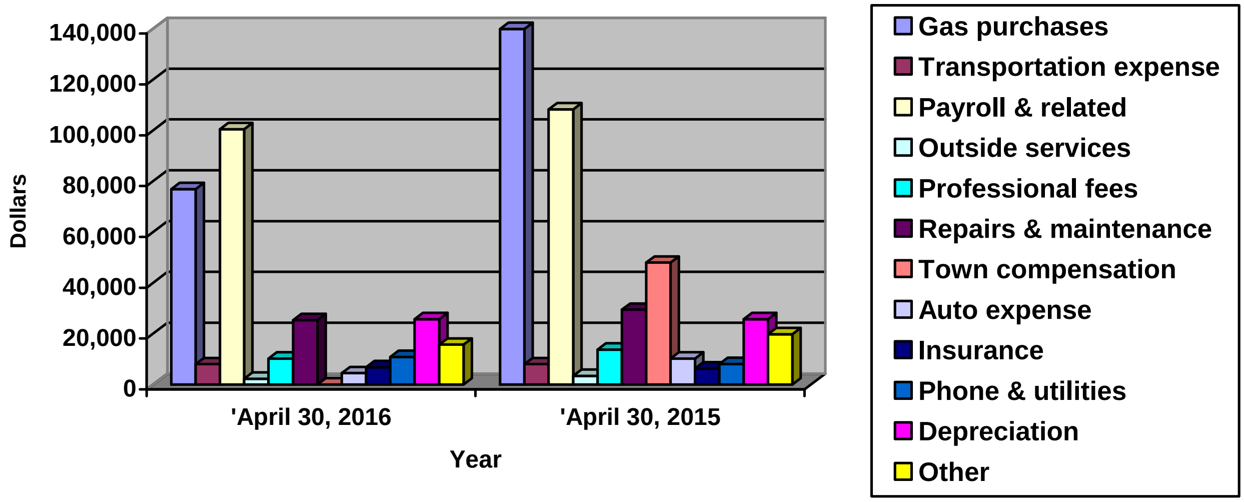
Classifications of net assets presented in graph format



Revenues of the Authority presented in a graph format



Expenses of the Authority presented in graph format



CAPITAL ASSETS

The Authority's capital assets as of April 30, 2016 totaled $361,457 (net of accumulated depreciation). This investment in capital assets includes buildings, utility property, transportation equipment, and furniture & fixtures. Major additions to the Authority's fixed assets consisted of $1,500 for office improvements and $758 for furniture and fixtures.

PENSION PLAN

The Authority implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions during the fiscal year. This statement requires employer's who participate in an agent multiple employer defined benefit plan to record the difference between the total pension liability and the plan fiduciary net position as an asset or liability, whichever applicable. The statement also requires recording of deferred inflows and outflows of resources due to differences between projected and actual investment earnings, differences between expected and actual experience and changes in plan assumptions. In previous years, the Authority only expensed all contributions in the Statement of Revenues, Expenses and Changes in Net Position. The Authority participates in the Town of Gore and Gore PWA plan and the amounts recorded in the accompanying financial statements have been allocated using those reports. The overall result of implementing this statement was to add a restricted net pension asset of $11,583, a deferred outflow of resources of $8,369, a deferred inflow of resources of $2,623 and increase restricted net position of $13,734.

LONG-TERM DEBT

As of April 30, 2016, the Authority had $113,076 in outstanding debt compared to $113,031 as of April 30, 2015. The net decrease was the result of scheduled principal payments on the loan with the State of Oklahoma.

ADDITIONAL FINANCIAL INFORMATION

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

FINANCIAL STATEMENTS

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENTS OF NET POSITION

AS OF APRIL 30,	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	$ 219,520	$ 191,600
Restricted checking account	10,400	8,989
Certificate of deposit	104,496	103,922
Accounts receivable, net of allowance for doubtful accounts	21,856	21,892
Prepaid insurance	3,286	3,037
Total Current Assets	359,558	329,440
Capital Assets		
Buildings	50,586	49,086
Furniture and Equipment	31,335	34,310
Utility property	906,366	906,366
Transportation equipment	11,000	11,000
Total	999,287	1,000,762
Less: accumulated depreciation	637,830	612,268
Net Capital Assets	361,457	388,494
Noncurrent Assets		
Deposits	75	75
Restricted net pension asset	11,583	-
Total Noncurrent Assets	11,658	75
Total Assets	732,673	718,009
Deferred Outflows		
Deferred amounts related to pensions	8,369	-
Total Deferred Outflows	8,369	-
Liabilities		
Current Liabilities		
Accounts payable	14,380	24,820
Payroll taxes payable	1,984	2,010
Sales tax payable	1,528	1,842
Utility deposits	10,300	9,700
Current maturity of long-term debt	19,955	19,955
Total Current Liabilities	48,147	58,327
Long-term debt	93,121	113,076
Total liabilities	141,268	171,403
Deferred Inflows		
Deferred amounts relating to pensions	2,623	-
Total Deferred Inflows	2,623	-
Net Position		
Net investment in capital assets	248,381	255,463
Restricted	11,583	-
Unrestricted	337,187	291,143
Total Net Position	$ 597,151	$ 546,606

See accompanying notes.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED APRIL 30,	2016	2015
Operating Revenue		
Gas sales, net of bad debts	$ 322,177	$ 406,435
Other Income	1,325	23,100
Total Operating Revenue	323,502	429,535
Operating Expenses		
Gas purchases	76,922	139,939
Transportation expense	8,039	8,040
Wages	84,272	88,665
Outside services	2,306	3,444
Professionals fees	10,290	13,764
Auto expense	4,535	10,259
Advertising	1,714	2,454
Repairs & maintenance	25,413	29,486
Insurance	6,847	6,394
Employee benefits	8,704	11,901
Phone and utilities	10,876	8,156
Office expense	4,846	6,991
Miscellaneous expense	254	891
Fees and dues	2,223	2,174
Uniforms	78	639
Travel	2,527	2,200
Operating supplies	483	1,104
Bank charges	2,454	1,853
Payroll taxes	7,553	7,709
Town compensation	-	48,000
Donations	1,150	1,560
Depreciation	25,784	25,727
Total Operating Expenses	287,270	421,350
Net Operating Income	36,232	8,185
Nonoperating Revenue		
Interest income	579	574
Total Nonoperating Revenue	579	574
Change In Net Position	36,811	8,759
Net Position, Beginning of Year, as previously stated	546,606	537,847
GASB 68 implementation adjustment	13,734	-
Net Position, Beginning of Year, restated	560,340	537,847
Net Position, End of Year	$ 597,151	$ 546,606

See accompanying notes.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED APRIL 30,	2016	2015
Cash Flows from Operations		
Cash receipts from customers and other sources	$ 323,824	$ 420,545
Cash payments to suppliers for goods and services	(188,013)	(311,522)
Cash payments to employees for services	(84,272)	(88,665)
Net Cash Provided by Operating Activities	51,539	20,358
Cash Flows from Capital and Related Financing Activities		
Fixed asset additions	(2,258)	(9,513)
Principal paid on debt	(19,955)	(19,955)
Net Cash Used By Capital and Related Financing Activities	(22,213)	(29,468)
Cash Flows from Investing Activities		
Interest income	579	574
Net restricted cash activity	(1,411)	(3,032)
Reinvestment of certificate of deposit earnings	(574)	(570)
Net Cash Used By Investing Activities	(1,406)	(3,028)
Increase / (Decrease) In Cash and Cash Equivalents	27,920	(12,138)
Cash and Cash Equivalents - beginning of year	191,600	203,738
Cash and Cash Equivalents - end of year	$ 219,520	$ 191,600
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Operating income	$ 36,232	$ 8,185
Adjustments to reconcile net income to net cash from Operating activities:		
Depreciation	25,784	25,727
Pension related adjustments	(3,595)	-
Equipment return credit	3,511	-
(Increase) decrease in:		
Accounts receivable	36	8,393
Prepaid insurance	(249)	(1,793)
Increase (decrease) in:		
Accounts payable	(10,440)	(2,816)
Payroll taxes payable	(26)	(123)
Sales tax payable	(314)	127
Customer deposits	600	(17,342)
Net Cash Provided by Operating Activities	$ 51,539	$ 20,358

See accompanying notes.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016 AND 2015

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 trustess 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. Financial Reporting

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

The financial statements of the City have been prepared in accordance with generally accepted accounting principals (GAAP) in the United States. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The City implemented GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-*November 30, 1989, FASB and AICPA Pronouncements.* This pronouncement incorporates the FASB, APB, and ARB pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. The implementation of this pronouncement had no significant effect on the financial statements.

b. Cash Equivalents

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

c. Income Taxes

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

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016 AND 2015

1. Summary of Significant Accounting Policies (continued)

d. Accounts Receivable

Management establishes an allowance for uncollectible accounts receivable based on historical collection experience and management's evaluation of the collectability of outstanding accounts receivable. The allowance for doubtful accounts was $3,705 at April 30, 2016.

e. Capital Outlays and Depreciation

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

	Life
Buildings	40 years
Utility property	10-50 years
Transportation equipment	5 years
Equipment	7-10 years

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

f. Estimates

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

g. Compensated Absences

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

2. Restricted Funds

Restricted cash consists of the account maintained for customer deposits.

3. Cash Deposits

The Authority maintains its operating bank accounts in one local area bank. The Federal Deposit Insurance Corporation ("FDIC") insures accounts at this institution. The Authority's cash balances may, at times, exceed these insured limits. The Authority has not experienced any losses in such accounts.

4. Capital Assets

Activity of capital assets consists of the following:

	May 1, 2015	Additions	Retirements	April 30, 2016
Buildings	$ 49,086	$ 1,500	$ -	$ 50,586
Furniture & Equipment	34,310	758	3,733	31,335
Utility property	906,366	-	-	906,366
Transportation equipment	11,000	-	-	11,000
Total	$ 1,000,762	$ 2,258	$ 3,733	$ 999,287

5. Long-Term Debt

As Of April 30,	**2016**	**2015**
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.	$ 133,031	$ 152,986
Total	133,031	152,986
Less current maturities	19,955	19,955
Long-Term Debt	$ 113,076	$ 133,031

Debt is scheduled to mature as follows:

April 30,	Principal	Interest	Total
2017	$ 19,955	$ -	$ 19,955
2018	19,955	-	19,955
2019	19,955	-	19,955
2020	19,955	-	19,955
2021	33,256	-	33,256
Total	$ 113,076	$ -	$ 113,076

5. Long-Term Debt (continued)

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

As Of	May 1, 2015	Additions	Retirements	April 30, 2016
State of Oklahoma	$ 133,031	$ -	$ 19,955	$ 113,076
Total	$ 133,031	$ -	$ 19,955	$ 113,076

6. Pension Plan

Implementation of GASB 68 - Restatement of Prior Year Ending Net Position

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27,* which became effective with fiscal year ending June 30, 2015. The Statement establishes standards for public pension plan obligations for participating employers. Under the new statement, a cost-sharing employer whose employees receive pensions through a trust will report in the government-wide statements a net pension asset/liability, deferred outflows or inflows of resources related to pensions, and pension expense based on its proportionate share of the collective net pension asset/liability of all employers in the plan. A net pension liability can be volatile due to changes in actuarial estimates and the actual investment return. Accordingly, the effect of the changes was to add $10,890 to net pension asset, add $5,865 to deferred outflows, add $3,021 to deferred inflows and an increase in unrestricted net position of $13,734 as of April 30, 2016.

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 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.

6. Pension Plan (continued)

<u>Eligibility Factors and Benefit Provisions</u>

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.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016 AND 2015

6. Pension Plan (continued)

<u>Eligibility Factors and Benefit Provisions (continued)</u>

Termination Before Retirement Age
Before vesting - Return of employee contributions, if any, with interest.
After vesting - The accrued benefit payable starting at normal retirement age, or a reduced benefit payable at an early retirement age.

In-service Death
Before vesting - Return of employee contributions, if any, with interest.
After vesting (married participants only) - 50% of the accrued benefit is payable to the spouse until death or remarriage.
After vesting (other participants) - 50% of the accrued benefit is payable for 5 years certain.

Payment Options
Normal form - The normal form of payment of the accrued benefit is a monthly lifetime annuity with 5 years certain.
Optional forms - Disability retirement benefits are paid only under the normal form. Other retirement benefits are available under actuarially equivalent optional forms:
Joint and 50% survivor annuity
Joint and 66-2/3rds% last survivor annuity
Joint and 100% survivor annuity

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

<u>Contributions</u>

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, 2016. Contributory members are required to contribute 3.75% of gross wages to OkMRF.

6. Pension Plan (continued)

Actuarial Assumptions

The total pension liability in the April 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Date of last actuarial valuation	July 1, 2015
Actuarial cost method	Entry age normal
Rate of return on investments and discount rate	7.75%
Projected salary increase	Rates by age
Post retirement cost-of-living increase	None
Inflation rate	3%
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: 215 Year 2: 140 Year 3: 95 Year 4: 65 Year 5: 40
Date of last experience study	September 2012 for the fiscal years 2007 thru 2011

Discount Rate

The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.75% since the plan's net fiduciary position is projected to be sufficient to make projected benefits.

The Authorityhas 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.

6. Pension Plan (continued)

Discount Rate (continued)

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each asset class included in the pension plan's target asset allocation as of July 1, 2015 are summarized in the following table:

	Target Allocation	Real Return	Weighted Return
Large cap stocks - S&P 500	25%	5.40%	1.35%
Small/mid cap stocks - Russell 2500	10%	7.50%	0.75%
Long/short equity - MSCI ACWI	10%	6.10%	0.61%
International stocks - MSCI EAFE	20%	5.10%	1.02%
Fixed income bonds - Barclay's Capital Aggregate	30%	2.60%	0.78%
Real estate - NCREIF	5%	4.80%	0.24%
Cash equivalents - 3 month Treasury	0%	0.00%	0.00%
Total	100%		
Average real return			4.75%
Inflation			3.00%
Long-term expected return			7.75%

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 7.75%, 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Current Rate 7.75%	1% Increase 8.75%
Net Pension (Asset) / Liability	$ 334	$ (11,583)	$ (20,790)

6. Pension Plan (continued)

The Authority reported $1,798 in pension expense for the year ended April 30, 2016. At April 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 357
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	3,890	2,266
Authority contributions subsequent to the measurement date	4,479	-
Total	$ 8,369	$ 2,623

$4,479 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 June 30, 2016. 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,	**Differences in Experience**	**Changes in Assumptions**	**Differences in Earnings**	**Net Increase in Pension Expense**
2017	$ (145)	$ -	$ 218	$ 73
2018	(145)	-	218	73
2019	(67)	-	216	149
2020	-	-	972	972
	$ (357)	$ -	$ 1,624	$ 1,267

The net pension asset of $11,583 at April 30, 2016 is reported as both a restricted asset and restricted net position in the accompanying statement of net position.

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, 2016 through August 9, 2016, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

EAST CENTRAL OKLAHOMA GAS AUTHORITY

SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS LAST TWO FISCAL YEARS

FOR THE YEAR ENDED APRIL 30, 2016

	2015	2014
Total Pension Liability		
Service cost	$ 6,042	$ 4,952
Interest cost	4,904	4,280
Benefit changes due to plan amendments	-	-
Difference between expected and actual experience	(502)	-
Changes of assumptions	-	-
Benefit payment, including refunds of employee contributions	(4,291)	(2,061)
Net change in total pension liability	6,153	7,171
Total pension liability - beginning	58,458	51,287
Total pension liability - ending	$ 64,611	$ 58,458
Plan Net Fiduciary Position		
Contributions - employer	$ 5,865	$ 4,722
Contributions - employee	3,220	2,593
Net investment income	2,216	9,308
Benefit payments, including refunds of employee contributions	(4,291)	(2,061)
Administrative	(164)	(138)
Net change in plan net fiduciary position	6,846	14,424
Plan net fiduciary position - beginning	69,348	54,924
Plan net fiduciary position - ending	$ 76,194	$ 69,348
Net pension (asset) / liability - ending	$ (11,583)	$ (10,890)
Plan net fiduciary position as percentage of total pension liability	117.93%	118.63%
Covered employee payroll	$ 85,864	$ 69,138
Net pension (asset)/liability positon as percentage of covered employee payrol	-13.49%	-15.75%

Note to Schedule:
Only two fiscal years are presented because 10-year data not yet available.

See independent auditor's report.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

SCHEDULE OF EMPLOYER CONTRIBUTIONS LAST TWO FISCAL YEARS

FOR THE YEAR ENDED APRIL 30, 2016

	2015	2014
Contractually required contribution	$ 5,865	$ 4,722
Contributions in relation to the contractually required contribution	$ (5,865)	$ (4,722)
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 85,864	$ 69,138
Contributions as a percentage of covered-employee payroll	6.83%	6.83%

Note to Schedule:
Only two fiscal years are presented because 10-year data not yet available.

See independent auditor's report.

ADDITIONAL REQUIRED REPORT

PRZYBYSZ & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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, 2016, and the related notes to the financial statements, which collectively comprise Authority's financial statements, and have issued our report thereon dated August 9, 2016.

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.

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

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

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
August 9, 2016