EAST CENTRAL OKLAHOMA
GAS AUTHORITY

AUDITED FINANCIAL STATEMENTS

APRIL 30, 2018 AND 2017

PRZYBYSZ
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

EAST CENTRAL OKLAHOMA GAS AUTHORITY
APRIL 30, 2018 AND 2017

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PRZYBYSZ & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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, 2018 and 2017, 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.

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

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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, 2018 and 2017, 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 20 and 21 be presented to supplement the financial statements. Such information, although not a part of the financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2018, 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
July 25, 2018

FINANCIAL STATEMENTS

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENT OF NET POSITION

AS OF APRIL 30,	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 262,800	$ 217,263
Restricted checking account	14,128	12,907
Certificate of deposit	105,757	105,072
Accounts receivable, net of allowance for doubtful accounts	31,276	18,395
Prepaid insurance	4,114	4,130
Total Current Assets	418,075	357,767
Capital Assets		
Land	5,000	-
Buildings	50,586	50,586
Furniture and Equipment	33,535	33,535
Utility property	906,366	906,366
Transportation equipment	11,000	11,000
Total	1,006,487	1,001,487
Less: accumulated depreciation	678,865	663,268
Net Capital Assets	327,622	338,219
Noncurrent Assets		
Deposits	75	75
Restricted net pension asset	15,562	6,851
Total Noncurrent Assets	15,637	6,926
Total Assets	761,334	702,912
Deferred Outflows		
Deferred amounts related to pensions	12,730	12,862
Total Deferred Outflows	12,730	12,862

See accompanying notes.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENT OF NET POSITION

AS OF APRIL 30,	2018	2017
Liabilities		
Current Liabilities		
Accounts payable	13,276	12,528
Payroll taxes payable	2,514	2,171
Sales tax payable	1,552	1,761
Utility deposits	14,000	12,800
Current maturity of long-term debt	19,955	19,955
Total Current Liabilities	51,297	49,215
Long-term debt	53,213	73,167
Total liabilities	104,510	122,382
Deferred Inflows		
Deferred amounts related to pensions	7,761	1,753
Total Deferred Inflows	7,761	1,753
Net Position		
Net investment in capital assets	254,454	245,097
Restricted	15,562	6,851
Unrestricted	391,777	339,691
Total Net Position	$ 661,793	$ 591,639

See accompanying notes.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED APRIL 30,	2018	2017
Operating Revenue		
Gas sales, net of bad debts	$ 382,190	$ 308,727
Other Income	1,328	1,340
Total Operating Revenue	383,518	310,067
Operating Expenses		
Advertising	1,895	1,124
Auto expense	4,372	4,859
Bank charges	446	2,395
Depreciation	15,597	25,438
Donations	2,805	100
Employee benefits	9,660	9,427
Fees and dues	3,949	1,919
Gas purchases	87,074	80,607
Insurance	5,788	5,241
Miscellaneous expense	2,190	365
Office expense	7,279	5,076
Outside services	8,341	3,045
Payroll taxes	6,922	6,592
Phone and utilities	13,818	10,162
Professionals fees	10,754	11,078
Repairs & maintenance	38,150	10,187
Town compensation	-	48,000
Transportation expense	8,039	8,039
Travel	2,906	2,456
Uniforms	150	249
Wages	83,935	79,802
Total Operating Expenses	314,070	316,161
Net Operating Income (Loss)	69,448	(6,094)
Nonoperating Revenue		
Interest income	706	582
Total Nonoperating Revenue	706	582
Change In Net Position	70,154	(5,512)
Net Position, Beginning of Year	591,639	597,151
Net Position, End of Year	$ 661,793	$ 591,639

See accompanying notes.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED APRIL 30,	2018	2017
Cash Flows from Operations		
Cash receipts from customers and other sources	$ 371,628	$ 316,261
Cash payments to suppliers for goods and services	(216,002)	(214,060)
Cash payments to employees for services	(83,935)	(79,802)
Net Cash Provided by Operating Activities	71,691	22,399
Cash Flows from Capital and Related Financing Activities		
Fixed asset additions	(5,000)	(2,200)
Principal paid on debt	(19,954)	(19,955)
Net Cash Used By Capital and Related Financing Activities	(24,954)	(22,155)
Cash Flows from Investing Activities		
Interest income	706	582
Reinvestment of certificate of deposit earnings	(685)	(576)
Net Cash Provided By Investing Activities	21	6
Net Increase In Cash, Cash Equivalents and Restricted Cash	46,758	250
Cash, Cash Equivalents and Restricted Cash At Beginning of Year	230,170	229,920
Cash, Cash Equivalents, and Restricted Cash At End of year	$ 276,928	$ 230,170
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	$ 262,800	$ 217,263
Restricted checking account	14,128	12,907
Total Cash, Cash Equivalents and Restricted Cash	$ 276,928	$ 230,170
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Operating income (loss)	$ 69,448	$ (6,094)
Adjustments to reconcile net income to net cash from		
Operating activities:		
Depreciation	15,597	25,438
(Increase) decrease in:		
Accounts receivable	(12,881)	3,461
Prepaid insurance	16	(843)
Restricted net pension asset	(8,711)	4,732
Deferred outflows relating to pension	132	(4,493)
Increase (decrease) in:		
Accounts payable	748	(1,852)
Payroll taxes payable	343	187
Sales tax payable	(209)	233
Customer deposits	1,200	2,500
Deferred inflows relating to pension	6,008	(870)
Net Cash Provided by Operating Activities	$ 71,691	$ 22,399

See accompanying notes.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018 AND 2017

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 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.

d. Income Taxes

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

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 investments.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018 AND 2017

1. Summary of Significant Accounting Policies (continued)

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 $3,902 and $2,449 at April 30, 2018 and 2017, 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:

	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.

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.

1. Summary of Significant Accounting Policies (continued)

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, 2018 or 2017, 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 is classified in three components. Net position invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position are noncapital assets that must be used for a particular purpose as specified by creditors, grantors, or donors external to the Authority, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable.

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.

1. Summary of Significant Accounting Policies (continued)

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 2017 amounts have been reclassified in order to conform with the 2018 financial statement presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

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 $14,000 and $12,800 at April 30, 2018 and 2017, respectively.

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. In addition, some deposits are collateralized by the bank with a letter of credit. At April 30, 2017 and 2016, all of the Authority's deposits were insured and/or collateralized. 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.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018 AND 2017

4. Capital Assets

Activity of capital assets consists of the following:

	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
Total	$ 1,001,487	$ 5,000	$ -	$ 1,006,487

	May 1, 2016	Additions	Retirements	April 30, 2017
Buildings	$ 50,586	$ -	$ -	$ 50,586
Furniture & Equipment	31,335	2,200	-	33,535
Utility property	906,366	-	-	906,366
Transportation equipment	11,000	-	-	11,000
Total	$ 999,287	$ 2,200	$ -	$ 1,001,487

5. Long-Term Debt

Long-term debt consists of the following:

As Of April 30,	**2018**	**2017**
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.	$ 73,168	$ 93,122
Total	73,168	93,122
Less current maturities	19,955	19,955
Long-Term Debt	$ 53,213	$ 73,167

Debt is scheduled to mature as follows:

April 30,	Principal	Interest	Total
2018	$ 19,955	$ -	$ 19,955
2019	19,955	-	19,955
2020	33,258	-	33,258
Total	$ 73,168	$ -	$ 73,168

5. Long-Term Debt (continued)

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

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

As Of	May 1, 2016	Additions	Retirements	April 30, 2017
State of Oklahoma	$ 113,077	$ -	$ 19,955	$ 93,122
Total	$ 113,077	$ -	$ 19,955	$ 93,122

6. Pension Plan

<u>Oklahoma Municipal Retirement Fund - Defined Benefit</u>

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.

<u>Summary of Significant Accounting Policies</u>

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 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.

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.

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.

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, 2018. Contributory members are required to contribute 3.75% of gross wages to OkMRF.

Actuarial Assumptions

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Date of last actuarial valuation	July 1, 2017
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)

6. Pension Plan (continued)

Actuarial Assumptions (continued)

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 benefits.

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, 2017 are summarized in the following table:

6. 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	$ (5,154)	$ (104,161)	$ (179,267)
As allocated to the Authority	(770)	(15,562)	(26,782)

Changes in Net Pension Liability

The total pension liability was determined based on an actuarial valuation performed as of July 1, 2017 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, 2017 and the Authority's report ending date of April 30, 2018, that would have had a significant impact on the net pension liability.

6. Pension Plan (continued)

<u>Deferred Outflows / Inflows of Resources and Pension Expense</u>

The Authority reported $3,162 in pension expense for the year ended April 30, 2018. At April 30, 2018, 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	$ 1,606	$ 4,017
Changes in assumptions	1,865	-
Net difference between projected and actual earnings on pension plan investments	4,491	3,744
Authority contributions subsequent to the measurement date	4,768	-
Total	$ 12,730	$ 7,761

$4,768 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, 2019. 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 / (Decrease) In Pension Expense
2019	$ 191
2020	902
2021	83
2022	(861)
2023	(48)
thereafter	(66)
	$ 201

The net pension asset of $15,562 at April 30, 2018 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, 2018 through July 25, 2018, 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 LAST FOUR FISCAL YEARS

FOR THE YEAR ENDED APRIL 30, 2018

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

Notes to Schedule:

1. Only four fiscal years are presented because 10-year data not yet 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.

See independent auditor's report.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

SCHEDULE OF EMPLOYER CONTRIBUTIONS LAST FOUR FISCAL YEARS

FOR THE YEAR ENDED APRIL 30, 2018

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Authority's contractually required contribution	$ 5,511	$ 5,383	$ 5,865	$ 4,722
Contributions in relation to the contractually required contribution	$ (5,511)	$ (5,383)	$ (5,865)	$ (4,722)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 80,695	$ 78,810	$ 85,864	$ 69,138
Contributions as a percentage of covered-employee payroll	6.83%	6.83%	6.83%	6.83%

Note to Schedule:
Only four 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, 2018, and the related notes to the financial statements, which collectively comprise Authority's financial statements, and have issued our report thereon dated July 25, 2018, 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.

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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
July 25, 2018