EAST CENTRAL OKLAHOMA
GAS AUTHORITY

AUDITED FINANCIAL STATEMENTS

APRIL 30, 2017 AND 2016

PRZYBYSZ
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

EAST CENTRAL OKLAHOMA GAS AUTHORITY
APRIL 30, 2017 AND 2016

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, 2017 and 2016, 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.

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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, 2017 and 2016, 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 required supplemental information for cost-sharing employer pension plans on pages 17 and 18 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 28, 2017 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 28, 2017

FINANCIAL STATEMENTS

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENT OF NET POSITION

AS OF APRIL 30,	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	$ 217,263	$ 219,520
Restricted checking account	12,907	10,400
Certificate of deposit	105,072	104,496
Accounts receivable, net of allowance for doubtful accounts	18,395	21,856
Prepaid insurance	4,130	3,287
Total Current Assets	357,767	359,559
Capital Assets		
Buildings	50,586	50,586
Furniture and Equipment	33,535	31,335
Utility property	906,366	906,366
Transportation equipment	11,000	11,000
Total	1,001,487	999,287
Less: accumulated depreciation	663,268	637,830
Net Capital Assets	338,219	361,457
Noncurrent Assets		
Deposits	75	75
Restricted net pension asset	6,851	11,583
Total Noncurrent Assets	6,926	11,658
Total Assets	702,912	732,674
Deferred Outflows		
Deferred amounts related to pensions	12,862	8,369
Total Deferred Outflows	12,862	8,369
Liabilities		
Current Liabilities		
Accounts payable	12,528	14,380
Payroll taxes payable	2,171	1,984
Sales tax payable	1,761	1,528
Utility deposits	12,800	10,300
Current maturity of long-term debt	19,955	19,955
Total Current Liabilities	49,215	48,147
Long-term debt	73,167	93,122
Total liabilities	122,382	141,269
Deferred Inflows		
Deferred amounts relating to pensions	1,753	2,623
Total Deferred Inflows	1,753	2,623
Net Position		
Net investment in capital assets	245,097	248,380
Restricted	6,851	11,583
Unrestricted	339,691	337,188
Total Net Position	$ 591,639	$ 597,151

See accompanying notes.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED APRIL 30,	2017	2016
Operating Revenue		
Gas sales, net of bad debts	$ 308,727	$ 322,177
Other Income	1,340	1,325
Total Operating Revenue	310,067	323,502
Operating Expenses		
Advertising	1,124	1,714
Auto expense	4,859	5,018
Bank charges	2,395	2,454
Depreciation	25,438	25,784
Donations	100	1,150
Employee benefits	9,427	8,704
Fees and dues	1,919	2,223
Gas purchases	80,607	76,922
Insurance	5,241	6,847
Miscellaneous expense	365	254
Office expense	5,076	4,846
Outside services	3,045	2,306
Payroll taxes	6,592	7,553
Phone and utilities	10,162	10,876
Professionals fees	11,078	10,290
Repairs & maintenance	10,187	25,413
Town compensation	48,000	-
Transportation expense	8,039	8,039
Travel	2,456	2,527
Uniforms	249	78
Wages	79,802	84,272
Total Operating Expenses	316,161	287,270
Net Operating Income (Loss)	(6,094)	36,232
Nonoperating Revenue		
Interest income	582	579
Total Nonoperating Revenue	582	579
Change In Net Position	(5,512)	36,811
Net Position, Beginning of Year, as previously stated	597,151	546,606
GASB 68 implementation adjustment	-	13,734
Net Position, Beginning of Year, restated	597,151	560,340
Net Position, End of Year	$ 591,639	$ 597,151

See accompanying notes.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED APRIL 30,	2017	2016
Cash Flows from Operations		
Cash receipts from customers and other sources	$ 316,261	$ 323,824
Cash payments to suppliers for goods and services	(214,060)	(188,013)
Cash payments to employees for services	(79,802)	(84,272)
Net Cash Provided by Operating Activities	22,399	51,539
Cash Flows from Capital and Related Financing Activities		
Fixed asset additions	(2,200)	(2,258)
Principal paid on debt	(19,955)	(19,955)
Net Cash Used By Capital and Related Financing Activities	(22,155)	(22,213)
Cash Flows from Investing Activities		
Interest income	582	579
Net restricted cash activity	(2,507)	(1,411)
Reinvestment of certificate of deposit earnings	(576)	(574)
Net Cash Used By Investing Activities	(2,501)	(1,406)
Increase / (Decrease) In Cash and Cash Equivalents	(2,257)	27,920
Cash and Cash Equivalents - beginning of year	219,520	191,600
Cash and Cash Equivalents - end of year	$ 217,263	$ 219,520
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Operating income (loss)	$ (6,094)	$ 36,232
Adjustments to reconcile net income to net cash from		
Operating activities:		
Depreciation	25,438	25,784
Equipment return credit	-	3,511
(Increase) decrease in:		
Accounts receivable	3,461	36
Prepaid insurance	(843)	(249)
Restricted net pension asset	4,732	2,151
Deferred outflows relating to pesnion	(4,493)	(8,369)
Increase (decrease) in:		
Accounts payable	(1,852)	(10,440)
Payroll taxes payable	187	(26)
Sales tax payable	233	(314)
Customer deposits	2,500	600
Deferred inflows relating to pesnion	(870)	2,623
Net Cash Provided by Operating Activities	$ 22,399	$ 51,539

See accompanying notes.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017 AND 2016

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. 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 Authority 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 Authority 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. 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.

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, 2017 AND 2016

1. Summary of Significant Accounting Policies (continued)

d. 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.

e. 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 $2,449 and $3,705 at April 30, 2017 and 2016, respectively.

f. 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.

g. 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.

h. 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.

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017 AND 2016

1. Summary of Significant Accounting Policies (continued)

i. 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.

j. Advertising

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

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. At April 30, 2017 and 2016, all of the Authority's deposits were fully insured. 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.

4. Capital Assets

Activity of capital assets consists of the following:

	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

	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

EAST CENTRAL OKLAHOMA GAS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017 AND 2016

5. Long-Term Debt

As Of April 30,		2017		2016
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.	$	93,122	$	113,077
Total		93,122		113,077
Less current maturities		19,955		19,955
Long-Term Debt	$	73,167	$	93,122

Debt is scheduled to mature as follows:

April 30,		Principal		Interest		Total
2018	$	19,955	$	-	$	19,955
2019		19,955		-		19,955
2020		19,955		-		19,955
2021		33,257		-		33,257
Total	$	93,122	$	-	$	93,122

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

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

As Of		May 1, 2015		Additions		Retirements		April 30, 2016
State of Oklahoma	$	133,032	$	-	$	19,955	$	113,077
Total	$	133,032	$	-	$	19,955	$	113,077

6. Pension Plan

Implementation of GASB 68

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.

6. Pension Plan (continued)

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 on market prices. Detailed information about the OkMRF plan's fiduciary net position is available in the separately issued OkMRF financial report.

Eligibility Factors and Benefit Provisions

Eligibility - All regular, full-time employees except police, firefighters and other employees who are covered under an approved system.

Probationary period - None.

Employee contributions - 3.75% of pay.

Service
Credited service - The last period of continuous employment with the employer excluding any periods before 11/1/1992.
Vesting - Credited service plus transferred service from other OkMRF employers.

Benefit Eligibility - 7 or more years of vesting service.

Final Average Compensation - The average of the 5 highest consecutive years of salaries out of the last 10 years of service.

Accrued Benefit - Plan CC 1.875% of final average compensation multiplied by the number of years of credited service.

6. Pension Plan (continued)

Eligibility Factors and Benefit Provisions (continued)

Normal Retirement Age - Age 65 with 7 or more years of vesting service.

Normal Retirement
Eligibility - Termination of employment on or after normal retirement age.
Benefit - The accrued benefit payable immediately.

Early Retirement
Eligibility - Termination after age 55 with 7 or more years of vesting service.
Benefit - The accrued benefit payable starting at normal retirement age, or the accrued benefit reduced 5% per year for commencement prior to normal retirement age.

Disability Retirement
Eligibility - Total and permanent disability after 7 or more years of service.
Benefit - The accrued benefit is payable upon disablement without reduction for early payment.

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

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

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.

6. Pension Plan (continued)

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, 2017. Contributory members are required to contribute 3.75% of gross wages to OkMRF.

Actuarial Assumptions

The total pension liability in the April 30, 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, 2016
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

6. Pension Plan (continued)

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 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 (3.0%). 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, 2016 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%

6. Pension Plan (continued)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension (asset) / liability of the Authority calculated using the discount rate of 7.75%, 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	$ 6,689	$ (6,851)	$ (17,326)

Changes in Net Pension Liability

The total pension liability was determined based on an actuarial valuation performed as of July 1, 2016 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, 2016 and the Authority's report ending date of April 30, 2017, that would have had a significant impact on the net pension liability.

Deferred Outflows/Inflows of Resources and Pension Expense

The Authority reported $4,820 in pension expense for the year ended April 30, 2017. At April 30, 2017, 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	$ 1,938	$ 305
Net difference between projected and actual earnings on pension plan investments	6,378	1,448
Authority contributions subsequent to the measurement date	4,546	-
Total	$ 12,862	$ 1,753

$4,546 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, 2018. 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:

6. Pension Plan (continued)

Year Ended April 30,		Net Increase / (Decrease) In Pension Expense
2018	$	1,318
2019		1,318
2020		2,042
2021		1,208
2022		246
thereafter		431
	$	6,563

The net pension asset of $6,851 at April 30, 2017 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, 2017 through August 28, 2017, 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 THREE FISCAL YEARS

FOR THE YEAR ENDED APRIL 30, 2017

	2016	2015	2014
Total Pension Liability			
Service cost	$ 41,700	$ 34,022	$ 31,183
Interest cost	30,917	27,611	26,953
Difference between expected and actual experience	14,712	(2,826)	-
Benefit payment, including refunds of employee contributions	(7,824)	(24,160)	(12,981)
Net change in total pension liability	79,505	34,647	45,155
Total pension liability - beginning	402,769	368,122	322,967
Total pension liability - ending	$ 482,274	$ 402,769	$ 368,122
Plan Net Fiduciary Position			
Contributions - employer	$ 35,714	$ 33,042	$ 29,773
Contributions - employee	19,608	18,087	16,347
Net investment income	5,511	12,504	58,558
Benefit payments, including refunds of employee contributions	(7,824)	(24,160)	(12,981)
Administrative	(970)	(924)	(871)
Net change in plan net fiduciary position	52,039	38,549	90,826
Plan net fiduciary position - beginning	475,247	436,698	345,872
Plan net fiduciary position - ending	$ 527,286	$ 475,247	$ 436,698
Net pension (asset) / liability - ending	$ (45,012)	$ (72,478)	$ (68,576)
Plan net fiduciary position as percentage of total pension liability	109.33%	117.99%	118.63%
Covered employee payroll	$ 524,235	$ 500,887	$ 431,826
Net pension (asset)/liability positon as percentage of covered employee payroll	-8.59%	-14.47%	-15.88%

Notes to Schedule:

1. Only three 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 THREE FISCAL YEARS

FOR THE YEAR ENDED APRIL 30, 2017

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

Note to Schedule:
Only three 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 28, 2017.

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
August 28, 2017