THE CITY OF MINCO, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

THE CITY OF MINCO, OKLAHOMA ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF MINCO, OKLAHOMA ANNUAL FINANCIAL REPORT As of and for the Year Ended June 30, 2020

TABLE OF CONTENTS	
Independent Auditor's Report on Financial Statements	5-6
Other Information - Management's Discussion and Analysis	'-1 3
The Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position (Modified Cash Basis)	15
Statement of Activities (Modified Cash Basis)	16
Governmental Funds Financial Statements:	
Balance Sheet (Modified Cash Basis)	18
Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash	
	19
Proprietary Fund Financial Statements:	
Statement of Net Position (Modified Cash Basis)	21
Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis)	
Statement of Cash Flows (Modified Cash Basis)	
Footnotes to the Basic Financial Statements	-36
Supplementary and Other Information:	
Budgetary Comparison Information	
Budgetary Comparison Schedule (Modified Cash Basis) – General Fund	38
	39
Combining Schedules of General Fund Accounts	
Combining Balance Sheet – General Fund Accounts (Modified Cash Basis)	40
	41

CITY OF MINCO, OKLAHOMA ANNUAL FINANCIAL REPORT As of and for the Year Ended June 30, 2020

TABLE OF CONTENTS

Combining Non-Major Governmental Fund Statements	
Combining Balance Sheet (Modified Cash Basis)	
Federal and State Awards Information	
Schedule of Expenditures of Federal and State Awards (Modified Cash Basis)	44
Debt Service Coverage Information	
Schedule of Debt Service Coverage Compliance.	45
Internal Control and Compliance over Financial Reporting	
Independent Auditor's Report on Internal Control and Compliance	7-48
Schedule of Findings and Recommendations.	49
Schedule of Findings – Management Responses.	50
Prior Year Schedule of Findings	51



P.O. BOX 706 • 2700 SOUTH FOURTH CHICKASHA, OKLAHOMA 73023 PHONE (405) 224-6363 • FAX (405) 224-6364 ajb-cpas.com

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the City Council City of Minco, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the government activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Minco, Oklahoma as of and for the year ended June 30, 2020, and the related notes to the financial, which collectively comprise the City's basic 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 the modified cash basis of accounting described in Note 1.B; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 of 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Minco, Oklahoma, as of June 30, 2020, and the respective changes in modified cash basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.B.

Basis of Accounting

We draw your attention to Note 1.B. of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Minco, Oklahoma basic financial statements. The budgetary comparison information, combining non-major governmental fund statements, the combining general fund accounts schedule, the federal and state awards information and debt service coverage information, are presented for additional analysis and are not a required part of the basic financial statements. The budgetary comparison information, combining non-major governmental fund statements, the combining general fund accounts schedule, the federal and state awards information and debt service coverage information are not a required part of the basic financial statements.

The combining non-major governmental fund statements, the combining schedules of general fund accounts, and the federal and state awards information are the responsibility of management, and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the combining non-major governmental fund statements, the combining schedules of general fund accounts, and the federal and state awards information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The management's discussion and analysis on pages 7-13, budgetary comparison information on pages 38 and 39, and schedule of debt service coverage compliance on page 45 which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Governmental Auditing Standards

angal, Johnston & Blosingene, P.C.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2020, on our consideration of the City'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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Minco's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Chickasha, Oklahoma August 27, 2020

6

The management of the City of Minco is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2020. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net position increased by \$401,770. The assets of the City exceed its liabilities at June 30, 2020, by \$2,822,834 (net position). Of this amount, \$2,527,579 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2020, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$1,676,787.
- At the end of fiscal year 2020, unassigned fund balance on a modified cash basis for the General Fund was \$1,085,559 or 90.5% of annual General Fund revenues.

ABOUT THE CITY

The City of Minco is an incorporated municipality with a population of approximately 1,632 located in Grady County in central Oklahoma. The City is an aldermanic form of government that provides for three branches of government:

- Legislative the City Council is an eight-member governing body elected by the citizens at large
- Executive the Mayor is the Chief Executive Officer and is elected by the citizens
- Judicial the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, cemetery, street and alley maintenance, parks and recreation, and utility services including water, wastewater, and sanitation.

The City's Financial Reporting Entity

This annual report includes all activities for which the City of Minco City Council is financially accountable. These activities, defined as the City's financial reporting entity, are operated within two separate legal entities that make up the primary government.

The City's financial reporting entity includes the following separate legal entities.

- **The City of Minco** an incorporated City that operates the public safety, streets, cemetery, culture and recreation, and administrative activities of the City *reported as the primary government*
- The Minco Municipal Authority public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the City, with the City Council members serving as the trustees considered part of the primary government for reporting purposes

In addition, as required by state law, all debt obligations incurred by the trust must be approved by twothirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City's financial reporting entity. The public trust does not issue separate annual financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Minco (the "City") and the Minco Municipal Authority (the "Authority"). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present the financial picture of the City using the modified cash basis of accounting. They present governmental and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions to ask about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities: *Governmental activities* - Most of the City's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* - Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's water, sewer, and sanitation utilities are reported as business-type activities.

Reporting the City's Most Significant Funds - Fund Financial Statements

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City uses two kinds of funds – *governmental and proprietary*.

Governmental funds - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - When the City, through the Minco Municipal Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are also reported on the modified cash basis of accounting.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 24-36 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund, combining and individual fund financial statements and schedules, a federal and state grant awards schedule, and a debt service coverage schedule.

THE CITY AS A WHOLE

Following is a summary of Net Position reported on a modified cash basis for the City of Minco for the past two fiscal years.

TABLE 1
NET POSITION (In Thousands)

	Governmental Activities		% Inc. Business-T (Dec.) Activitie			• •		Total			
	<u>2020</u>	<u>2019</u>		2020	2019		2020	<u>2019</u>			
Current assets	\$ 1,683	\$ 1,204	40%	\$1,202	\$1,274	-6%	\$ 2,885	\$ 2,478	16%		
Total assets	1,683	1,204	40%	1,202	1,274	-6%	2,885	2,478	16%		
Current liabilities	6	2	200%	56	55	2%	62	57	9%		
Total liabilities	6	2	200%	56	55	2%	62	57	9%		
Net position											
Restricted	246	235	5%	51	218	-77%	297	453	-34%		
Unrestricted	1,431	967	48%	1,095	1,001	9%	2,526	1,968	28%		
Total net position	\$ 1,677	\$ 1,202	40%	\$1,146	\$1,219	-6%	\$ 2,823	\$ 2,421	17%		

Explanations for significant changes listed below:

Governmental Activities:

Governmental activities total assets increased approximately \$475,000 or 40% due to increased cash from revenues collected in excess of expenditures.

Other Information - Management's Discussion and Analysis As of and for the Year Ended June 30, 2020

TABLE 2
CHANGES IN NET POSITION (In Thousands)

		Governmental % Inc. Activities (Dec.)		Business-Type Activities		% Inc. (Dec.)	Total			% Inc. (Dec.)				
	200	20	20	019		2	020	2019		2020		2019		
Revenues														
Charges for service	\$	242	\$	274	-12%	\$	727	\$ 816	-11%	\$	969	\$ 1,090	-11%	
Operating grants and contributions		30		21	43%		23	-	100%		53	21	152%	
Capital grants and contributions		-		10	-100%		-	240	-100%		-	250	-100%	
Taxes		816		723	13%		-	-	-		816	723	13%	
Intergovernmental revenue		24		20	20%		-	-	-		24	20	20%	
Investment income		5		4	25%		4	4	-		9	8	13%	
Miscellaneous		121		291	-58%		2	2	-		123	293	-58%	
Total revenues		1,238		1,343	-8%		756	1,062	-29%	1	,994	2,405	-17%	
Expenses														
General government		223		219	2%			-	-		223	219	2%	
Public safety		314		329	-5%			-	-		314	329	-5%	
Highways and streets		19		15	27%			-	-		19	15	27%	
Culture and recreation		2		8	-75%			-	-		2	8	-75%	
Cemetery		3		2	50%			-	-		3	2	50%	
Water				-	-		748	890	-16%		748	890	-16%	
Sewer				-	-		130	37	251%		130	37	251%	
Sanitation					-		153	163	-6%		153	163	-6%	
Total expenses		561		573	-2%		1,031	1,090	-5%	1	,592	1,663	-4%	
Excess (deficiency) before														
transfers		677		770	-12%		(275)	(28)	882%		402	742	-46%	
Transfers		(202)		(199)	2%	_	202	199	2%				-	
Change in net position		475		571	-17%		(73)	171	-143%		402	742	-46%	
Beginning net position		1,202		631	90%		1,219	1,048	16%	2	,421	1,679	44%	
Ending net position	\$	1,677	\$	1,202	40%	\$	1,146	\$1,219	-6%	\$ 2	,823	\$ 2,421	17%	

Governmental Activities:

Taxes increased approximately \$93,000 or 13% over the prior year. This is due to increased sales and use tax collections attributable to an increase in oil and gas activity in the area. Miscellaneous income decreased approximately \$170,000 or 58% due primarily to the City allowing a company to lease acreage for oil and gas exploration in FY19.

Business-type Activities:

Capital grants revenue decreased approximately \$240,000 due to a CDBG-REAP Water System Improvements Project in FY19.

Sewer expenses increased approximately \$93,000 or 251% due to sewer line capital outlay.

Other Information - Management's Discussion and Analysis As of and for the Year Ended June 30, 2020

Governmental Activities

TABLE 3 Net Revenue (Expense) of Governmental Activities (In Thousands)

		Total F	% Inc. (Dec.)	Net Revenue (Expense) of Services					
	2	020	2	019		<u>2020</u>		2	2019
General government	\$	223	\$	219	2%	\$	(221)	\$	(216)
Public safety		314		329	-5%		(81)		(55)
Highways and streets		19		15	27%		(4)		-
Culture and recreation		2		8	-75%		(2)		(8)
Cemetery		3		2	50%		19		12
Total	\$	561	\$	573	-2%	\$	(289)	\$	(267)

See explanations on previous page.

Business-type Activities

TABLE 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)

			Expense % Incrvices Dec			Net Revenue (Expense) of Services				
Water Sewer Sanitation	<u>2</u>	2020	2	2019		2	2020	<u>2019</u>		
Water	\$	748	\$	890	-16%	\$	(341)	\$ (215)		
Sewer		130		37	251%		(7)	133		
Sanitation		153		163	-6%		67	47		
Total	\$	1,031	\$	1,090	-5%	\$	(281)	\$ (35)		

See explanations on previous page.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2020 fiscal year, the governmental funds reported a combined total fund balance of \$1,676,787. For the year ended June 30, 2020, the governmental fund's total fund balance increased by \$475,094.

For proprietary funds, the City reported a decrease in net position for the Minco Municipal Authority of \$73,324.

Budgetary Highlights

For the year ended June 30, 2020, the General Fund reported actual budgetary basis revenues under final estimates by \$139,316 or a 9% negative variance. General Fund actual expenditures were under final appropriations by \$98,875 or a 9% positive variance.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

The following information outlines significant known factors that will affect subsequent year finances:

- The FY 2021 budget is relatively consistent with prior year's operational expenses.
- The current economic slowdown that began in early March 2020 related to the effects of the Coronavirus will certainly have some kind of financial impact on the City's financial position and activities. However, the City plans to respond with appropriate actions once the depth and length of the slowdown and its impact on the City have been determined.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at 202 Main, Minco, Oklahoma 73059 or telephone at 405-352-4274.

	ANNUAL FINANCIAL REPORT As of and for the Year Ended June 30, 2020
DAGEGERAL OF A STATE O	
BASIC FINANCIAL STATEMENTS -	- STATEMENTS OF NET POSITION AND ACTIVITIES

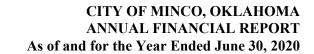
CITY OF MINCO, OKLAHOMA

Statement of Net Position (Modified Cash Basis) – June 30, 2020

ASSETS	Governmental Activities			siness-type Activities		<u>Total</u>
Cash and cash equivalents	\$	1,508,120	\$	1,010,744	\$	2,518,864
Restricted cash and cash equivalents	•	-	*	106,251	*	106,251
Investments		175,512		83,834		259.346
Internal Balances		(845)		845		, -
Total Assets	\$	1,682,787	\$	1,201,674	\$	2,884,461
LIABILITIES						
Deposits subject to refund	\$	6,000	\$	55,627	\$	61,627
Total liabilities		6,000		55,627		61,627
NET POSITION						
Restricted for:						
Public safety		31,655		-		31,655
Street & alley		49,668		-		49,668
Cemetery		163,308		-		163,308
Debt service		-		50,624		50,624
Unrestricted		1,432,156		1,095,423		2,527,579
Total net position	\$	1,676,787	\$	1,146,047	\$	2,822,834

Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2020

			Program Reven	ue	Net (Expense) Revenue and Changes in Net Position					
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities		Total		
Primary government										
Governmental Activities										
General Government	\$ 222,586	\$ 1,318	\$ -	\$ -	\$ (221,268)	\$ -	\$	(221,268)		
Public Safety	313,944	218,364	15,145	-	(80,435)	-		(80,435)		
Highways and streets	19,510	-	15,274	-	(4,236)	-		(4,236)		
Culture and Recreation	1,747	-	-	-	(1,747)	-		(1,747)		
Cemetery	3,404	22,300	-	-	18,896	-		18,896		
Total governmental activities	561,191	241,982	30,419		(288,790)	-		(288,790)		
Business-type activities:										
Water	747,751	383,954	22,816	-	-	(340,981)		(340,981)		
Sewer	130,409	123,396		-	_	(7,013)		(7,013)		
Sanitation	152,566	219,463	_	-	_	66,897		66,897		
Total business-type activities	1,030,726	726,813	22,816	_		(281,097)		(281,097)		
Total primary government	1,591,917	968,795	53,235	_	(288,790)	(281,097)	_	(569,887)		
	General revenues	:								
	Taxes:									
	Sales and use				\$ 787,879	\$ -	\$	787,879		
		s and public serv			28,509	-		28,509		
			ricted to specific p	rograms	24,149	-		24,149		
	Unrestricted inves				4,543	3,664		8,207		
	Miscellaneous re	venue			120,498	2,415		122,913		
	Transfers				(201,694)	201,694		-		
		revenues and tra	insfers		763,884	207,773		971,657		
	Change in	net position			475,094	(73,324)		401,770		
	Net position - begin	ning			1,201,693	1,219,371		2,421,064		
	Net position - endin	g			\$ 1,676,787	\$ 1,146,047	\$	2,822,834		



BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2020

	General Fund	Street & Alley Fund			emetery petual Care Fund	Gove	Other ernmental Fund	Total Governmental Funds		
ASSETS Cash and cash equivalents	\$ 1,373,400	\$	96,166	\$	28.041	\$	10,513	\$	1,508,120	
Investments	50,000	Ф	90, 100	Ф	125,512	Φ	10,513	φ	175,512	
Due from other funds	50,000		_		123,312		62		62	
Total assets	\$ 1,423,400	\$	96,166	\$	153,553	\$	10,575	\$	1,683,694	
, otal about	ψ 1,120,100	<u> </u>			.00,000		. 0,0.0		.,000,00	
LIABILITIES AND FUND BALANCES Liabilities:										
Due to other funds	\$ 907	\$	-	\$	-	\$	-	\$	907	
Deposits subject to refund	6,000		-		-		-		6,000	
Total liabilities	6,907				-				6,907	
FUND BALANCES										
Fund balances:										
Restricted for:										
Public safety	31,655				-		-		31,655	
Street & alley	-		49,668		-		-		49,668	
Cemetery	-		-		152,763		10,545		163,308	
Assigned for:										
Capital projects	153,520		-		-		-		153,520	
Public safety	32,571		-		-		-		32,571	
Cemetery	113,188		-		790		30		114,008	
Street & alley	-		46,498		-		-		46,498	
Unassigned	1,085,559		-		-		-		1,085,559	
Total fund balances	1,416,493		96,166	-	153,553	-	10,575	-	1,676,787	
Total liabilities and fund balances	\$ 1,423,400	\$	96,166	\$	153,553	\$	10,575	\$	1,683,694	

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) – Year Ended June 30, 2020

	General Fund			et & Alley Perp		emetery erpetual are Fund	Other Governmental Fund		Gov	Total rernmental Funds
REVENUES										
Taxes	\$	816,388	\$	-	\$	-	\$	-	\$	816,388
Intergovernmental		32,541		15,274		-		-		47,815
Charges for services		16,131		-		-		1,618		17,749
Fines and forfeitures		202,809		-		-		-		202,809
Licenses and permits		1,318		-		-		-		1,318
Investment income		4,388		155		-		-		4,543
Miscellaneous		126,357		21,000		-		-		147,357
Total revenues		1,199,932		36,429		-		1,618		1,237,979
EXPENDITURES										
Current:										
General government		221,102		-		-		-		221,102
Public safety		297,197		-		-		-		297,197
Highway and streets		-		18,580		-		-		18,580
Culture and recreation		1,747		-		-		-		1,747
Cemetery		3,404		-		-		-		3,404
Capital Outlay		18,231		930		-		-		19,161
Total Expenditures		541,681		19,510		_		_		561,191
Excess of revenues over expenditures		658,251		16,919		-		1,618		676,788
OTHER FINANCING SOURCES (USES)										
Transfers in		288,661		-		-		-		288,661
Transfers out		(490,355)		-		-		-		(490, 355)
Total other financing sources and uses		(201,694)		-		_				(201,694)
N		450 557		10.010				4 040		475.004
Net change in fund balances		456,557		16,919		-		1,618		475,094
Fund balances - beginning	_	959,936	_	79,247	_	153,553	_	8,957	_	1,201,693
Fund balances - ending	\$	1,416,493	\$	96,166	\$	153,553	\$	10,575	\$	1,676,787



BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND

Proprietary Fund Statement of Net Position (Modified Cash Basis) – June 30, 2020

	Minco Municipal Authority Enterprise Fund
ASSETS	
Cash and cash equivalents	\$ 1,010,744
Investments	83,834
Due from other funds	845
Restricted:	
Cash and cash equivalents	90,751
Investments	15,500
Total assets	\$ 1,201,674
LIABILITIES	
Meter deposit liability	55,627
Total liabilities	55,627
NET POSITION	
Restricted for debt service	50,624
Unrestricted	1,095,423
Total net position	\$ 1,146,047

<u>Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2020</u>

	Minco Municipal Authority Enterprise Fund	
OPERATING REVENUES		<u> </u>
Charges for services:		
Water	\$	383,954
Sewer		123,396
Sanitation		219,463
Miscellaneous income		2,415
Total operating revenues		729,228
OPERATING EXPENSES		
Administration		57,166
Water		392,562
Sewer		122,996
Sanitation		133,024
Total operating expenses		705,748
Operating income		23,480
NON-OPERATING REVENUES (EXPENSES)		
Investment income		3,664
Grant revenue		22,816
Capital outlay		(123,055)
Principal retirement		(182,999)
Interest expense and fees		(18,924)
Total non-operating revenues (expenses)		(298,498)
Income (loss) before transfers		(275,018)
Transfers in		490,355
Transfers out		(288,661)
Change in net position		(73,324)
Total net position - beginning		1,219,371
Total net position - ending	\$	1,146,047

Proprietary Fund Statement of Cash Flows (Modified Cash Basis) - Year Ended June 30, 2020

	ļ	o Municipal Authority rprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$	729,228
Payments to suppliers		(496, 339)
Payments to employees		(209,409)
Receipts of customer utility deposits		10,350
Refunds of customer utility deposits		(10,048)
Interfund receipts/payments		139,171
Net cash provided by operating activities		162,953
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds		490,355
Transfers to other funds		(288,661)
Net cash provided by noncapital financing activities		201,694
CASH FLOWS FROM CAPITAL AND RELATED		
FINANCING ACTIVITIES		(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Purchases of capital assets		(123,055)
Grant revenue		22,816
Principal paid on debt		(182,999)
Interest and fiscal agent fees paid on debt		(18,924)
Net cash provided by (used in) capital and related financing activities		(302,162)
CASH FLOWS FROM INVESTING ACTIVITIES		2.664
Interest and dividends		3,664
Sale (purchase) of investments		(752)
Net cash provided by investing activities		2,912
Net increase in cash and cash equivalents		65,397
Balances - beginning of year		1,036,098
Balances - end of year	\$	1,101,495
Reconciliation to Statement of Net Position:	•	4.046.7.1
Cash and cash equivalents	\$	1,010,744
Restricted cash and cash equivalents		90,751
Total cash and cash equivalents	\$	1,101,495
Reconciliation of operating income to net cash provided by		
operating activities:		
Operating income	\$	23,480
Change in assets and liabilities:		
Interfund receipts/payments		139,171
Meter deposit liability		302
Net cash provided by operating activities	\$	162,953



FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City's financial reporting entity includes two separate legal entities reported as the primary government as follows:

- The City of Minco operates the public safety, streets and public works, cemetery, culture and recreation, and administrative activities of the City.
- The Minco Municipal Authority (the Authority) that operates the water, wastewater, and sanitation services of the City. The City of Minco is the beneficiary of the Authority and the City Council serves as the governing body of the Authority.
- The Minco Gas Authority a related organization that operates the gas service operation of the City. The City of Minco is the beneficiary of the Gas Authority and must approve any indebtedness or obligations of the Gas Authority by a two-thirds (2/3) vote. The Gas Authority governing body consists of five (5) trustees, one of which is also a member of the City Council. The Gas Authority is not fiscally dependent on the City and the daily operations are performed by personnel separate from the City. The Gas Authority is not considered a component unit of the City.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity", as amended by Statement 61, and includes all component units for which the City is financially accountable.

The component unit is a Public Trust established pursuant to Title 60 of Oklahoma State law. A Public Trust (Trust) has no taxing power. A Trust is generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Trust. The Trust generally retains title to assets which are acquired or constructed with the Trusts debt or other Trust generated resources. In addition, the City has leased certain existing assets at the creation for the Trust to the Trustees on a long-term basis. The City, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

The component unit has the City Council as their governing body (trustees) and the City is able to impose its will on the Trust through required approval of all debt obligations issued by these entities.

As required by state law, all debt obligations incurred by the above trust must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City's financial reporting entity. The public trust does not issue separate annual financial statements.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Program revenues within the statement of activities are derived directly from each activity or from parties outside the City's taxpayers. The City has the following program revenues in each activity:

- General government: License, permits and penalties
- Public safety: Fine revenue, fire runs and operating and capital grants
- Streets and highways: Gas excise and commercial vehicle taxes and capital grants
- Culture and recreation: Recreation fees and operating grants
- Cemetery: Lot sales and interments

Governmental Funds:

General Fund – The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

Special Revenue Funds – used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

Capital Project Funds – used to account for and report financial resources that are restricted, committed, or assigned to expend for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Proprietary Funds:

Enterprise Funds – used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

The City's funds are comprised of the following:

Major Funds:

• General Fund – accounts for all activities not accounted for in other special-purpose funds

The following internal accounts have been combined into the General Fund for the purposes of this report.

- Cemetery Operating Account accounts for the maintenance and operations of the cemetery
- Surplus Auction Account accounts for the proceeds of sales of surplus assets
- Civil Defense Account accounts for civil defense operations
- OWRB Emergency Grant Account accounts for the residual balance of an ASCOG grant received for the purpose of renovating City Hall
- *Armory Account accounts for rental income received for the armory.*
- Cemetery Perpetual Care Fund –accounts for donations made for special care to specific lots, monuments or mausoleums. Only the interest from the investment of principal may be used, unless otherwise specified by the donor.
- Street and Alley Fund accounts for state shared gasoline excise and commercial vehicle taxes legally restricted for street and alley purposes

Non-Major Funds (Reported as Other Governmental Funds):

Special Revenue Fund:

Capital Project Fund:

• Cemetery Care Fund – accounts for 12 ½ percent of cemetery revenues from lot sales and interments where the principal is restricted to purchasing cemetery land or making cemetery capital improvements.

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities resulting from cash transactions are included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period. A reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is not provided.

Proprietary Fund:

The City's proprietary fund is comprised of the following:

• Minco Municipal Authority Fund – accounts for the operation of the water, wastewater and sanitation activities

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

All of the above noted funds are legally required to adopt annual budgets or appropriations. The public trust (or Trust) is not required to adopt legal annual appropriations. While the trust develops an annual budget, it is for financial management purposes and does not constitute legal appropriations.

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and any short-term investments with an original maturity of three months or less, and open-end government mutual funds. Investments consist of long-term certificates of deposits and are reported at cost.

D. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 8.

E. Fund Balances and Net Position

Fund Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. These classifications are defined as:

- a. Nonspendable includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.

- c. Committed includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance. The City currently reports no committed fund balance.
- d. Assigned includes amounts that are constrained by the city's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

It is the City's policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance is available. The City's policy for the use of the unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position:

Net Position is displayed in three components:

- a. Restricted Net Position Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, 2) law through constitutional provisions or enabling legislation, or 3) City Council motion.
- b. *Unrestricted Net Position* All remaining net position that does not meet the definition of "restricted".

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

F. Internal and Interfund Balances and Transfers

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

2. Deposits and Investments

For the year ended June 30, 2020, the City recognized \$8,207 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are on demand and short-term time deposits with maturity dates of a year or less.

At June 30, 2020, the primary government held the following deposits and investments:

Type	Credit Rating	(Carrying Value
1/1/2	ruung		ruiuc
Deposits:			
Demand deposits		\$	1,326
Time deposits			2,832,596
			2,833,922
Investments:			
Cavanal Hill U.S. Treasury - Admin #0002	AAAm		50,539
			50,539
Total deposits and investments		\$	2,884,461
Reconciliation to Statement of Net Position:			
Cash and cash equivalents		\$	2,625,115
Investments			259,346
		\$	2,884,461

Custody Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2020, the City was not exposed to custodial credit risk as defined above.

Investment Interest Rate Risk - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

Concentration of Investment Credit Risk - the City places no limit on the amount it may invest in any one issuer.

Restricted Cash and Investments – The amounts reported as restricted assets on the Proprietary Fund Statement of Net Position are comprised of amounts restricted for debt service, debt reserve, utility deposits, and unspent ASCOG monies. The restricted assets as of June 30, 2020 are as follows:

	Cash	and cash					
Type of Restricted Assets	pe of Restricted Assets equival				Total		
Utility Deposits	\$	40,127	\$	15,500	\$	55,627	
Trustee accounts		50,539		-		50,539	
ASCOG account		85		-		85	
Total	\$	90,751	\$	15,500	\$	106,251	

3. Sales Tax Revenue

Sales tax revenue represents a four cent tax on each dollar of taxable sales. The four cents are recorded in the General Fund and then three cents are transferred to the Authority for debt service and the unused sales tax is transferred back to the General Fund.

4. Property Tax Levy

The City presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City.

5. Internal and Interfund Balances and Transfers

The City's policy is to eliminate interfund receivables and payables between funds in the Statement of Net Position to avoid the grossing up of balances. Only the residual balances due between governmental and business-type activities are reported as internal balances and then offset in the total column.

Due From	Due To		Aı	mount	Natur	e of Balance
General Fund	MMA			845	Grant revenue	
Cemetery Operating Fund	Cemetery Care Fund	l		62	Cemetery lot sale	
Total			\$	907		
Reconciliation to Fund Finance	eial Statements:					
	Due From		D	ue To	Net Into	ernal Balances
Governmental Funds	\$	62	\$	(907)	\$	(845)
Proprietary Funds		845		-		845
Total	\$	907	\$	(907)	\$	-

Transfers between funds and legal entities are comprised of the following:

Transfer From	Transfer	Transfer To		Amount	Purpos	e of Transfer
General Fund	Minco Municipa	l Authority	\$	490,355	Sales tax trans	fer
Minco Municipal Authority	General Fund			288,661	Partial return o	f sales tax transfer
Total			\$	779,016		
Reconciliation to Fund Financial	Statements:					
	Transfers	In	Trar	nsfers Out	Net	Transfers
Governmental Funds	\$	288,661	\$	(490,355)	\$	(201,694)
Proprietary Funds		490,355		(288,661)		201,694

6. Risk Management

The City and its public trusts are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City purchases commercial insurance for protection against loss other than health, life, and workers compensation. Deductibles on property, vehicle, and general liability policies range from \$0 - \$5,000. Settled claims have not exceeded the commercial coverage during the past three years.

The City is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year.

As a member of the Plan, the City is required to pay fees set by the Plan according to an established payment schedule. The City is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A Loss Fund has been established from the proceeds of fees paid by the City. The City's Loss Fund balance at June 30, 2020 was \$0. The State Insurance Fund provides coverage in excess of the Loss Fund so the City's liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance to honor its obligations could result in losses to the Plan.

7. Employee Retirement Plan Participation

The City of Minco participates in two pension or retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) a statewide costsharing plan
- Simple IRA a defined contribution plan

OFPRS

The City of Minco, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS) as a result of the employment of volunteer firefighters. The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ fulltime or volunteer firefighters. For 2020, 2019, and 2018, the City's annual required contribution was \$1,320, \$1,140, and \$1,140, respectively, for the OFPRS plan and was equal to the City's actual contribution for 2018 and 2019. The City will make the 2020 contribution in August, 2020.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OFPRS 4545 N. Lincoln Blvd., Suite 265 Oklahoma City, OK 73105-3414

Simple IRA Defined Contribution Plan

The City enacted a Simple IRA Plan utilizing the IRS For 5304-SIMPLE for its employees. A Simple IRA is an individual retirement account described in section 408(a) to which the only contributions that can be made are contributions under a Simple Plan and rollovers or transfers from another Simple IRA. The Simple Plan is a defined contribution plan. The City also administers the Simple Plan.

Employee Eligibility Requirements – All employees are eligible.

Salary Reduction Agreement – For a calendar year, an eligible employee may make or modify a salary reduction election during the 60-day period immediately preceding January 1 of that year. However, for the year in which the employee becomes eligible to make salary reduction contributions, the period during which the employee may make or modify the election is a 60-day period that includes either the date the employee becomes eligible or the day before. In addition to the election periods described above, eligible employees may make salary reduction elections or modify prior elections monthly.

Contributions – For each calendar year, the City will contribute a matching contribution to each eligible employee's SIMPLE IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year. Contributions are made on a monthly basis. Contributions made during the fiscal year are as follows: City - \$4,965; Employees - \$6,510.

Vesting Requirements – All contributions made under this Simple Plan are fully vested and non-forfeitable.

No Withdrawal Restrictions – The City may not require the employee to retain any portion of the contribution in his or her Simple IRA or otherwise impose any withdrawal restrictions.

Selection of IRA Trustee – The City must permit each eligible employee to select the financial institution that will serve as the trustee, custodian, or issuer of the Simple IRA to which the City will make all contributions on behalf of the employee. The custodian of the Simple Plan is Metropolitan Life Insurance.

Amendments – The Simple Plan may not be amended except to modify the entries inserted in the blanks or boxes provided in Articles I, II, III, VI, and VIII.

8. Commitments and Contingencies

Compensated Absences:

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2020 for the City and Municipal Authority is \$7,197 and \$2,321, respectively.

Long-Term Debt:

For the year ended June 30, 2020, the reporting entity's long-term debt changed as follows:

Type of Debt		Balance y 01, 2019	Ad	<u>ditions</u>	<u>De</u>	ductions	Balance ne 30, 2020	 ne Within ne Year
Business-Type Activities: Notes payable-direct borrowings/placements Total Business-Type Activities	\$ \$	875,000 875,000	\$ \$	<u>-</u> -	\$	183,000 183,000	\$ 692,000 692,000	\$ 187,000 187,000
Total Long-Term Debt	\$	875,000	\$	_	\$	183,000	\$ 692,000	\$ 187,000

692,000

Business-Type Activities:

Long-term commitments payable from net revenues generated by the utility resources or other resources pledged to the City's business-type activities at June 30, 2020, includes the following:

Notes Payable-direct borrowings/placements:

Utility System and Sales Tax Revenue Note, Series 2014, original issue amount of \$1,680,000 secured by sales tax and utilities revenues, payable in semi-annual installments, interest rate of 2.28%, final maturity April 1, 2024. The collateral for this note is a pledge of certain water and sanitary sewer system revenues and certain sales tax. In the event of default, the lender has all rights and remedies as allowed by law including: 1) suit for specific performance of any or all of the covenants of the borrower contained in the note indenture or in the bonds; 2) appointment of temporary trustees to take over, operate and maintain the System on a profitable basis; 3) acceleration of the payment of principal and of interest accrued on all bonds and any additional parity bonds; 4) suit at law or equity to enforce or enjoin the action or inaction of parties under the provisions of the note indenture or the Sales Tax Agreement.

Total Notes Payable	\$ 692,000
Current portion	\$ 187,000
Non-current portion	505,000
Total Notes Payable	\$ 692,000

Payment Requirements to Maturity:

	Business Type Activities						
Year Ending June 30,	Notes Payable-direct borrowings/placeme						
	<u> </u>	Principal		<u>Interest</u>			
2021		187,000		14,718			
2022		191,000		10,442			
2023		196,000		6,042			
2024		118,000		1,573			
Totals	\$	692,000	\$	32,775			

<u>Sales Tax and Utility Net Revenues Pledge</u> – The City has three cents (or 75%) of pledged sales tax revenues for debt service coverage purposes (if needed) and net utility revenues to repay the \$1,680,000 Series 2014 Utility System and Sales Tax Revenue Note. Proceeds from the bonds provided financing for capital assets. The bonds are payable from pledged sales tax revenues and net utility revenues and are payable through 2024. The total principal and interest for the remainder of the life of the bond is \$724,775. Pledged sales taxes received in the current year were \$490,355 and net utility revenues were negative \$65,374. Debt service payments of \$201,923 for the current fiscal year were 47.5% of pledged sales taxes and net utility revenues.

Litigation:

The City and its public trusts are parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a Sinking Fund for the payment of any court assessed judgment rendered against the City. (This provision is not available to public trusts.) While the outcome of the above noted proceedings or threatened litigation cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Federal and State Award Programs:

The City of Minco participates in various federal or state grant/loan programs from year to year. In 2020, the City's involvement in federal and state award programs was not significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.



SUPPLEMENTAL AND OTHER INFORMATION

39,766

1,416,493

<u>Budgetary Comparison Schedule (Modified Cash Basis) – General Fund – Year Ended</u> <u>June 30, 2020 (Unaudited)</u>

						al Amounts.	Fina	iance with al Budget -
	Budgeted Amounts Original Final			Budg	getary Basis	Positi	ve (Negative)	
Dii	\$	<u>Jriginai</u> 841,893	\$	Final	\$	841,893	\$	
Beginning Budgetary Fund Balance	Ф	041,093	Ф	841,893	Ф	041,093	Ф	-
Resources (Inflows)								
Taxes		556,000		857,000		816,388		(40,612)
Intergovernmental		20,000		37,803		32,541		(5,262)
Fines and forfeitures		238,800		238,800		202,809		(35,991)
Licenses and permits		1,200		1,200		1,318		118
Investment income		2,000		2,000		2,770		770
Miscellaneous		33,000		130,000		104,750		(25,250)
Transfers in		123,000		321,750		288,661		(33,089)
Total Resources		974,000		1,588,553		1,449,237		(139,316)
Amounts Available for Appropriation		1,815,893		2,430,446		2,291,130		(139,316)
Charges to Appropriations (Outflows)								
General government		190,243		190,243		169,233		21,010
Police		304,681		314,984		295,973		19,011
Fire		14,732		14,732		16,871		(2,139)
Municipal court		16,560		16,560		15,241		1,319
Parks		4,400		4,400		1,747		2,653
Code enforcement		41,638		41,638		38,112		3,526
First responders		1,200		1,200		1,100		100
Planning commission		2,000		2,000		-		2,000
Transfers out		343,000		541,750		490,355		51,395
Total Charges to Appropriations		918,454		1,127,507		1,028,632		98,875
Fund balances - ending	\$	897,439	\$	1,302,939	\$	1,262,498	\$	(40,441)
Reconciliation to General Fund Revenues, Expend	litures and	Changes in Fur	nd Balan	ce:				
•								
Cemetery Operating Account						113,188		
Civil Defense Account						689		
OWRB Emergency Grant Account						52		
Surplus Auction Account						300		

Armory Account

Fund Balance per Statement of Revenues, Expenditures and Changes in Fund Balance

Footnotes to Budgetary Comparison Schedules:

- 1. The budgetary comparison schedule is reported on the same modified cash basis as governmental funds within the basic financial statement.
- **2.** The legal level of appropriation control is the department level within a fund. Transfer appropriations and supplemental appropriations require City Council's approval. The City exceeded the approved budget in these areas:

Fire \$2,139

Combining Balance Sheet – General Fund Accounts (Modified Cash Basis) – June 30, 2020

	General Account	Cemetery Operating Account	Civil Defense Account	City Hall Renovations Account	Surplus Auction Account	Armory Account	Totals
ASSETS Cash and cash equivalents Investments Total assets	\$ 1,219,343 50,000 1,269,343	\$ 113,250 - 113,250	\$ 689 - 689	\$ 52 - 52	\$ 300 - 300	\$ 39,766	\$ 1,373,400 50,000 1,423,400
LIABILITIES AND FUND BALANCES Liabilities: Due to other funds Deposits subject to refund Total liabilities FUND BALANCES	845 6,000 6,845	62	· ·	-		· ·	907 6,000 6,907
Fund balances: Restricted for: Public safety Assigned for: Capital projects Public safety Cemetery	31,655 113,702 31,882	- - - 113,188	- - 689 -	- 52 - -	- - - -	- 39,766 - -	31,655 153,520 32,571 113,188
Unassigned Total fund balances Total liabilities and fund balances	1,085,259 1,262,498 \$ 1,269,343	113,188 \$ 113,250	689 \$ 689	52 \$ 52	300 300 \$ 300	39,766 \$ 39,766	1,085,559 1,416,493 \$ 1,423,400

<u>Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts (Modified Cash Basis) – Year Ended June 30, 2020</u>

	General Account				OWRB Emergency Grant Account		Surplus Auction Account		Armory Account		Total			
REVENUES														
Taxes	\$	816,388	\$	-	\$	-	\$	-	\$	-	\$	-	\$	816,388
Intergovernmental		32,541		-		-		-		-		-		32,541
Charges for services		-		16,131		-		-		-		-		16,131
Fines and forfeitures		202,809		-		-		-		-		-		202,809
Licenses and permits		1,318		-		-		-		-		-		1,318
Investment income		2,770		1,616		-		-		-		2		4,388
Miscellaneous		104,750		7,107				-		-		14,500		126,357
Total revenues		1,160,576		24,854						-		14,502		1,199,932
EXPENDITURES														
Current:														
General government		221,102		-		-		-		-		-		221,102
Public Safety		297,197		-		-		-		-		-		297,197
Culture and recreation		1,747		-		-		-		-		-		1,747
Cemetery		-		3,404		-		-		-		-		3,404
Capital outlay		18,231		-		-		-		-		-		18,231
Total expenditures		538,277		3,404		-		-		-		-		541,681
Excess (deficiency) of revenues over														
expenditures		622,299		21,450		-						14,502		658,251
OTHER FINANCING SOURCES (USES)														
Transfers in		288,661		-		-		-		-		-		288,661
Transfers out		(490, 355)		-		-		-		-		-		(490,355)
Total other financing sources (uses)		(201,694)		-		-		-		-	_	-	_	(201,694)
Net change in fund balances		420,605		21,450								14,502		456,557
Fund balances - beginning		420,605 841,893		91,738		689		- 52		300		25,264		959,936
Fund balances - beginning Fund balances - ending	ф.		•		•	689	•	52	•	300	•	39,766	Φ.	
i unu parances - enung	\$	1,262,498	\$	113,188	\$	009	\$	52	\$	300	\$	39,700	\$	1,416,493

Combining Balance Sheet - Nonmajor Governmental Fund (Modified Cash Basis) - June 30, 2020

	Capital Proje Fund			
		etery Care Fund		
ASSETS				
Cash and cash equivalents	\$	10,513		
Due from other funds		62		
Total assets		10,575		
FUND BALANCES Due to other funds Total liabilities		<u>-</u>		
Fund balances:				
Restricted for:				
Cemetery		10,545		
Assigned for:				
Cemetery		30		
Total fund balances		10,575		
Total liabilities and fund balances	\$	10,575		

42

<u>Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Fund (Modified Cash Basis) – Year Ended June 30, 2020</u>

	Capital Project		
		tery Care	
REVENUES			
Miscellaneous	\$	1,618	
Total revenues		1,618	
EXPENDITURES Cemetery Total expenditures Excess of revenues over expenditures		- - 1,618	
Net change in fund balances Fund balances - beginning Fund balances - ending	\$	1,618 8,957 10,575	

Schedule of Expenditures of Federal and State Awards - For year ended June 30, 2020

Federal/State Grantor/Pass Thru Agency Grantor/Program Title	Federal CFDA Number	Pass Thru Grant #	Award Amount		Contract Expenditures	
FEDERAL AWARDS:						
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:						
Passed Through Oklahoma Department of Commerce:	14.228	17017 CDBG 17	\$	140,861	\$	845 *
U.S. DEPARTMENT OF JUSTICE:						
Passed Through District Attorneys Council:	16.738	JAG-LLE-2019-MINCO CI-00139		3,750		3,750
Total U.S. Department of Transportation						
Total Federal Awards			\$	144,611	\$	4,595
STATE AWARDS:						
OKLAHOMA DEPARTMENT OF AGRICULTURE: Forestry Services - Rural Fire Grant	N/A	Rural Fire Grant	\$	4,642	\$	4.642
Torong Services - Rutarrae Grant	11//1	rain The Oran		7,072	Ψ	7,072
Total State Awards			<u> </u>	4.642	<u> </u>	4.642

^{*}In FY19, \$7,607 was reported as a State Award expenditure for REAP & should have been reported as a CDBG 17 Federal Award expenditure.

This schedule is prepared on a basis consistent with the Uniform Guidance (Federal Awards Expended). City reports on modified cash basis of accounting.

Notes to Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2020

Note A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Minco under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of the *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Minco, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Minco.

Note B. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note C. Indirect Cost Rate

The City of Minco has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Schedule of Debt Service Coverage Compliance

	Se	ries 2014
	Prom	issory Note
GROSS REVENUE AVAILABLE:		
Operating revenues	\$	507,350
Sales tax appropriated and transferred from the City General Fund		490,355
Total Gross Revenue Available		997,705
OPERATING EXPENSES:		
Total Operating Expenses		572,724
Net Revenue Available for Debt Service	\$	424,981
Annual Debt Service on all Obligations Payable From		
Revenues of the System	\$	201,923
Computed Coverage		210%
Coverage Requirement		125%



INTERNAL CONTROL AND COMPLIANCE



P.O. BOX 706 • 2700 SOUTH FOURTH CHICKASHA, OKLAHOMA 73023 PHONE (405) 224-6363 • FAX (405) 224-6364 ajb-cpas.com

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE ACCOMPANYING FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the City Council City of Minco, Oklahoma

We have audited, 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, the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Minco, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 27, 2020. The report was a special report on the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that have not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Recommendations that we consider to be significant deficiencies: 20-001, 20-002 and 20-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Recommendations as items 20-001, 20-002 and 20-003.

City of Minco's Response to Findings

angal, Johnston & Blosingene, P.C.

City of Minco's response to the findings identified in our audit is described in the accompanying Management Responses to Findings. City of Minco's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

48

Chickasha, Oklahoma August 27, 2020

CITY OF MINCO, OKLAHOMA SCHEDULE OF FINDINGS AND RECOMMENDATIONS Year Ended June 30, 2020

Deficiencies of Internal Control, Compliance and Other Matters:

20-001. <u>Criteria</u> – If the Volunteer Firefighters receive any grants or other related revenue then it is to be accounted for by the City.

<u>Condition and context</u> – The Oklahoma Department of Agriculture issued a \$4,000 grant to the City for the Volunteer Firefighters. The Volunteer Firefighters received the grant directly and the City is unable to obtain the Volunteer Firefighters records.

<u>Cause</u> – The City has been unable to get the Volunteer Firefighters to provide records for audit.

Effect – The City and the auditors are unable to verify proper handling of the grant funds.

<u>Recommendation</u> – Either obtain the Volunteer Firefighter's accounting records that will allow us to perform required audit procedures or the City should receive, deposit, record the grant and pay for allowable expenditures.

Management response –See Management's response.

20-002. <u>Criteria</u> – Oklahoma Statues Title 11, Section 17:211A states "No expenditure may be authorized or made by any officer or employee which exceeds the appropriation of any fund".

<u>Condition and context</u> – The City's General Fund Fire Department overspent appropriations by \$2,139. Total General Fund appropriations were not overspent.

<u>Cause and Effect</u> – A lack of proper procedures and controls for monitoring the City's expenditures in relations to their approved budget appropriations allowed non-compliance with Oklahoma Statutes.

<u>Recommendation</u> – The City should closely monitor each budget on a monthly basis and not approve any expenditure exceeding appropriation until additional amendments have been made and approved. The categories of each budgeted fund should be tracked in order to determine the remaining budget balance. The City Council can approve all transfers of appropriations between budgeted categories for each fund. Also, supplemental appropriations can be approved by the City Council.

Management response –See Management's response.

20-003. <u>Criteria</u> – Grant awards requirements of the grant should be followed and compliance should be monitored. The City Council should be updated on grant award progress and management.

Condition and context – The REAP grant has claims that are over one year old and have not been reimbursed. Upon investigation they found the claims had stalled with the Town being aware of the delay. Also, last year \$7,607 of the CDBG grant was shown as REAP and this year \$845 was shown as REAP but was actually CDBG.

<u>Cause and Effect</u>— The City failed to handle the grant in a timely manner and there was a lack of monitoring the progress of the grant project. We also did not find any discussion of the grant updates in the board minutes. Due to the lack of oversight the grant reimbursement was almost missed and the grants could have been miss-identified on audit.

<u>Recommendation</u> – Designate responsible staff and establish on-going monitoring procedures for all grants. In addition, the progress of significant grant projects should be reviewed with the City Council.

Management response –See Management's response.

CITY OF MINCO

PO BOX 512 ~ 200 W. MAIN ST. MINCO, OK 73059 Phone: (405) 352-4274 Fax: (405) 352-5962

September 1, 2020

FY20 Audit Schedule of findings Management responses

20-001	Management agrees. This problem has been corrected. The fire dept grant from the state will now be deposited in to the City's bank account, and the funds will be adjusted on the fire department budget.
20-002	Management agrees. This problem has been corrected. With the fire dept grant from the state going in to the city's account, the budget will be able to be adjusted accordingly.
20-003	Management agrees.

Dawn Vieregge

City Clerk

CITY OF MINCO, OKLAHOMA SCHEDULE OF FINDINGS AND RECOMMENDATIONS Year Ended June 30, 2020

Deficiencies of Internal Control, Compliance and Other Matters:

19-001. <u>Criteria</u> – If the Volunteer Firefighters receive any grants or other related revenue then it is to be accounted for by the City.

<u>Condition and context</u> – The Oklahoma Department of Agriculture issued a \$4,000 grant to the City for the Volunteer Firefighters. The Volunteer Firefighters received the grant directly and the City is unable to obtain the Volunteer Firefighters records.

<u>Disposition</u> – This continues to be a finding in the 2019-2020 year.

19-002. <u>Criteria</u> – Oklahoma Statues Title 11, Section 17:211A states "No expenditure may be authorized or made by any officer or employee which exceeds the appropriation of any fund".

<u>Condition and context</u> – The City's General Fund Fire Department and Parks Department overspent appropriations by \$2,143 and \$3,776 respectively. Total General Fund appropriations were not overspent.

<u>Disposition</u> – This continues to be a finding in the 2019-2020 year.