

Independent Auditor's Report

Minco Gas Authority

Minco, Oklahoma

Year Ending June 30, 2012

MINCO GAS AUTHORITY
MINCO, OKLAHOMA
June 30, 2012

Table of Contents

	Page
Independent Auditor's Report	A – 1

Basic Financial Statements

Statement of Net Assets	B – 1
Statement of Revenues, Expenses, and Changes in Net Assets	B – 2
Statement of Cash Flows	B – 3
Notes to Financial Statements	C – 1

Supplemental Information

Combining Financial Statements

Combining Statement of Net Assets – Enterprise Funds	D – 1
Combining Statement of Revenues, Expenses, and Changes in Net Assets - Enterprise Funds	D – 2
Combining Statement of Cash Flows – Enterprise Funds	D – 3

Internal Control and Compliance Reports

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 <i>Government Auditing Standards</i>	E – 1
Schedule of Findings and Responses	F – 1
State of Prior Year Audit Findings	G – 1

Other Supplemental Information

Comparative Financial Statements

Comparative Statement of Net Assets – Enterprise Funds	H – 1
Comparative Statement of Revenues, Expenses, and Changes in Net Assets - Enterprise Funds	H – 2

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Trustees
Minco Gas Authority
Minco, Oklahoma

Board Members:

We have audited the accompanying financial statements of the business-type activities of the **Minco Gas Authority**, Minco, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

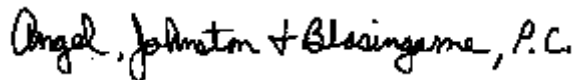
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of June 30, 2012, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 27, 2012 on our consideration of the Authority's internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Minco Gas Authority has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The accompanying combining statement of net assets, combining statement of revenues, expenses, and changes in net assets and combining state of cash flows (pages D-1, D-2 and D-3) and the accompanying comparative statement of net assets and comparative statement of revenues, expenses, and changes in net assets (pages H-1 and H-2) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statement of net assets, combining statement of revenues, expenses, and changes in net assets and combining state of cash flows and the comparative statement of net assets and comparative statement of revenues, expenses, and changes in net assets are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, and based on our audit, the information is fairly stated in all material respects in relation to the basic financial statements.



Angel, Johnston & Blasingame, P.C.
Certified Public Accountants

Chickasha, Oklahoma
August 27, 2012

MINCO GAS AUTHORITY
Statement of Net Assets
For the Year Ended June 30, 2012

<u>ASSETS</u>	<u>Business-Type Activities</u>
Current Assets	
Cash and cash equivalents	\$ 106,866
Restricted cash and cash equivalents	2,971
Investments	125,000
Restricted investments	40,000
Accounts receivable, net of allowance for uncollectible accounts	6,550
Interest receivable	158
Prepaid insurance	4,800
Inventory	3,201
<i>Total Current Assets</i>	<u>289,546</u>
Non Current Assets	
Land and other non-depreciable assets	2,011
Other capital assets, net of depreciation	390,740
<i>Total Non Current Assets</i>	<u>392,751</u>
<i>Total Assets</i>	<u>682,297</u>
 <u>LIABILITIES</u>	
Current Liabilities	
Accounts payable	7,515
Compensated Absences	263
Current Portion LT Debt	1,808
<i>Total Current Liabilities</i>	<u>9,586</u>
Non Current Liabilities	
Refundable deposits	42,971
Long Term Debt	26,669
<i>Total Non Current Liabilities</i>	<u>69,640</u>
<i>Total Liabilities</i>	<u>79,226</u>
 <u>NET ASSETS</u>	
Invested in capital assets, net of related debt	364,274
Unrestricted	238,797
<i>Total Net Assets</i>	<u><u>\$ 603,071</u></u>

The accompanying notes are an integral part of the financial statements.

MINCO GAS AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2012

	Business-Type Activities
Operating Revenue	
Gas charges	\$ 330,336
Tap Fees	800
Miscellaneous	1,127
<i>Total Operating Revenue</i>	<u>332,263</u>
Operating Expenses	
Cost of gas sold	157,617
Audit and legal fees	3,875
Bank Charge - Meter	-
Customer Reimbursement	88
Drug and alcohol testing	430
Equipment	230
Fees and dues	2,890
Insurance-employee health	13,462
Insurance-general	9,000
Maintenance	27,042
Other expense - Meter	328
Postage/Office supplies	5,490
Retirement	4,747
Returned checks	731
Salaries and payroll taxes	55,434
Sales tax	11,581
Truck expense	3,723
Trustee expense	480
Utilities	5,536
Depreciation	20,317
<i>Total Operating Expenses</i>	<u>323,001</u>
<i>Operating Income (Loss)</i>	<u>9,262</u>
Non Operating Revenues (Expense)	
Investment income	2,507
Building rent	1,500
<i>Total Non Operating Revenues (Expenses)</i>	<u>4,007</u>
<i>Income (Loss) Before Transfers</i>	13,269
Transfers In (Out)	<u>-</u>
<i>Net Income (Loss)</i>	13,269
<i>Net Assets - Beginning of Year</i>	<u>589,802</u>
<i>Net Assets - End of Year</i>	<u><u>\$ 603,071</u></u>

The accompanying notes are an integral part of the financial statements.

MINCO GAS AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2012

	<u>June 30, 2012</u>
Cash flows from operating activities	
Receipts from customers	\$ 332,264
Payments to employees	(55,434)
Payments to suppliers	(247,251)
Other receipts (payments)	5,774
<i>Net cash provided by (used for) operating activities</i>	<u>35,353</u>
Cash flows from noncapital financing activities	
Transfers to other funds	-
Transfers from other funds	-
<i>Net cash provided by (used for) noncapital financing activities</i>	<u>-</u>
Cash flows from capital and related financing activities	
Proceeds from Gore Note Payable	3,688
Note payments	(1,489)
Purchase of capital assets	(17,461)
<i>Net cash provided by (used for) capital and related financing activities</i>	<u>(15,262)</u>
Cash flows from investing activities	
Interest received	2,507
Investments sold (purchased), net	(108,000)
Building rent	1,500
<i>Net cash provided by (used for) investing activities</i>	<u>(103,993)</u>
 <i>Net increase (decrease) in cash and cash equivalents</i>	 (83,902)
<i>Cash and cash equivalents at beginning of year</i>	193,739
<i>Cash and cash equivalents at end of year</i>	<u><u>\$ 109,837</u></u>
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	9,262
Adjustment to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	20,317
Change in accounts receivable, net	2,139
Change in interest receivable	(117)
Change in prepaid insurance	(366)
Change in inventory	7,530
Change in accounts payable	(1,941)
Change in compensated absences	(1,326)
Change in refundable deposits	(145)
<i>Net cash provided by (used for) operating activities</i>	<u><u>\$ 35,353</u></u>

The accompanying notes are an integral part of the financial statements.

Minco Gas Authority
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies

The Minco Gas Authority, Minco, Oklahoma complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent that they are applicable, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

1.A. Financial Reporting Entity

The Minco Gas Authority is a public trust created for the use and benefit of the Town of Minco, Oklahoma and for public purposes pursuant to the provisions of Title 60, Oklahoma Statutes 1951, Section 176 to 180 inclusive as amended by Title 60, Chapter 4, Oklahoma Session Laws 1953. The Oklahoma Trust Act and other applicable statutes of the State of Oklahoma also apply. The governing body consists of five trustees with one acting as the Chairman. Also, one of these trustees must also serve on the Town Council. The Authority has no taxing power, and therefore, was created to finance the Town gas services through issuance of revenue refunding bonds. The Authority retains title to all assets, which are acquired or constructed with Authority debt or other Authority generated resources. The Town, as beneficiary of the public trust, receives title to any residual assets when the public trust is dissolved.

Related Organizations

Town of Minco, Oklahoma - The Town of Minco, Oklahoma is a municipality that is the beneficiary to the public trust. The Town does not appoint trustees to the Board, and the Authority is not fiscally dependent upon the Town. However, the Town Council must approve all indebtedness or obligations of the Authority by a two-thirds (2/3) vote.

1.B. Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements generally distinguish between governmental and business-type activities. However, all the activities of the Authority are business-type activities. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements – Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which, are comprised of each fund's assets, liabilities, net assets, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The funds of the financial reporting entity are described below:

Minco Gas Authority
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies, (Continued)

1.B. Basis of Presentation, (Continued)

Proprietary Funds

1. Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. The reporting entity includes the following enterprise funds:

Gas Revenue - Accounts for activities of the public trust in providing gas services to the public.

Meter - Accounts for refundable gas meter deposits.

1.C. Measurement Focus and Basis of Accounting

Measurement focus refers to how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

The Authority's financial statements are presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred.

1.D. Assets, Liabilities and Equity

Cash and Cash Equivalents - For the purpose of the statement of cash flows, the Authority considers all cash in hand, demand deposit accounts, interest bearing checking accounts and time deposit accounts including certificates of deposit with maturities of three months or less to be cash and cash equivalents.

Investments - Investments consist of certificate of deposits maturing beyond three months. Investments are stated at cost, which approximates market value.

Accounts Receivable - Accounts receivable consists of gas revenues earned at year-end and not yet received. They are reported net of allowance for uncollectible accounts.

Interest Receivable - Interest receivable consists of interest earned on investments at year end and not yet received.

Prepaid Insurance - Prepaid insurance consist of payments for insurance that are paid in advance.

Inventory - Inventory consisting of pipe, valves, fittings, regulators, etc. is stated at cost. The cost of other consumable materials and supplies on hand is not significant to the financial statements, and therefore, the Authority has chosen to record these items as expenses at the time of purchase.

Restricted Assets - Restricted assets include assets that are legally restricted as to their use. The primary restricted assets are related to utility customer deposits.

Minco Gas Authority
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies, (Continued)

1.D. Assets, Liabilities and Equity, (Continued)

Capital Assets – Capital assets acquired are capitalized and stated at cost, except for the following:

A record of fixed assets purchased prior to July 1, 1984 was not maintained by the Authority. Therefore, the original cost of the gas system was estimated to be the amount of the 1963 bond issue. Line extensions, equipment, furniture and fixtures, and vehicles acquired since July 1, 1984 are recorded at cost.

Donated capital assets are recorded at their fair market values as of the date received. Interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed. Depreciation of exhaustible capital assets is recorded as an expense over the estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$400 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings and Improvements	40 Years
Gas System and Improvements	40 Years
Gas Line Upgrades	20 Years
Furniture and Fixtures	10 Years
Vehicles and Equipment	5 Years

Accounts Payable - Accounts payable consists of expenses incurred and payable at year end.

Refundable Deposits – Refundable deposits represent the funds received from customers for their gas utility deposits. These deposits are refunded or credited to the customer upon termination of the utility service and payment of all charges due and connected with the service. Also, deposits are refunded to homeowners with good payment history for one year.

Long-Term Debt - Long-Term debt to be repaid from Authority resources are reported as liabilities in the balance sheet. The long-term debt is presently comprised of two (2) notes. See Note 2.G.

Equity Classifications - In the government-wide and proprietary fund financial statements, equity is classified as net assets and displayed in three components:

- a. *Invested in capital assets, net of related debt* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.
- b. *Restricted net assets* – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the Authority’s policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Minco Gas Authority
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies, (Continued)

1.E. Revenues, Expenditures and Expenses

Operating and Nonoperating Revenues – Operating revenues are considered those whose cash flows are related to operating activities, while revenues related to financing, capital and investing activities are reported as non-operating.

Expenditures/Expenses – Expenditures/expenses are reported by object or activity.

Interfund Activity – Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination in the government-wide financial statements. Services provided are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. Transfers are the flow of assets from one fund to another where repayment is not expected and is reported as transfers in and out.

1.F. Use of 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.

Note 2 - Detailed Notes on Transaction Classes/Accounts

2.A. Deposits, Investments, and Collateral

Deposits and Investments - The Authority's investment policy is governed by the board of trustees and any restrictions in the trust indenture. Collateral is required for all uninsured deposits of funds in financial institutions. Currently investments consist of Certificates of Deposit.

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a written deposit policy for custodial credit risk, but *Oklahoma Statutes* requires collateral for all uninsured deposits of public trust funds in financial institutions. As of June 30, 2012, the Authority's bank balances of \$279,223 were not exposed to custodial credit risk.

2.B. Restricted Assets

The amounts reported as restricted assets on the Statement of Net Assets are comprised of cash and investments held for customer utility deposits. The restricted assets as of June 30, 2012 were as follows:

<u>Type of Restricted Assets</u>	Current	Current	<u>Total</u>
	Cash and Cash <u>Equivalents</u>	<u>Investments</u>	
Customer Utility Deposits	\$ 2,971	\$ 40,000	\$ 42,971

Minco Gas Authority
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

Note 2 - Detailed Notes on Transaction Classes/Accounts, (Continued)

2.C. Accounts Receivable

Accounts receivable consists of billed and unbilled gas services provided for the fiscal year ended June 30, 2012 and was as follows:

Accounts receivable	\$ 8,878
Allowance for uncollectible accounts	<u>(2,328)</u>
Accounts receivable, net	<u>\$ 6,550</u>

2.D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	Balance 6/30/11	Additions	Disposals	Balance 6/30/12
Business-Type Activities:				
Non-depreciable assets:				
Construction in progress	\$ 7,872	\$ 15,190	\$ 23,062	\$ -
Land	<u>2,011</u>	<u>-</u>	<u>-</u>	<u>2,011</u>
Total non-depreciable assets	<u>9,883</u>	<u>15,190</u>	<u>23,062</u>	<u>2,011</u>
Depreciable assets:				
Buildings and Improvements	50,303	-	-	50,303
Gas System and Improvements	681,826	23,512	-	705,338
Gas Line Upgrade	67,185	-	-	67,185
Furniture and Fixtures	4,288	-	-	4,288
Vehicles and equipment	<u>52,575</u>	<u>1,821</u>	<u>-</u>	<u>54,396</u>
Total depreciable assets	<u>856,177</u>	<u>25,333</u>	<u>-</u>	<u>881,510</u>
Less accumulated depreciation:				
Buildings and Improvements	4,991	1,258	-	6,249
Gas System and Improvements	370,124	11,665	-	381,789
Gas Line Upgrade	60,233	690	-	60,923
Furniture and Fixtures	4,288	-	-	4,288
Vehicles and equipment	<u>30,816</u>	<u>6,704</u>	<u>-</u>	<u>37,520</u>
Total accumulated depreciation	<u>470,452</u>	<u>20,317</u>	<u>-</u>	<u>490,769</u>
Net depreciable assets	<u>385,725</u>	<u>5,016</u>	<u>-</u>	<u>390,741</u>
Net business-type activities capital assets	<u>\$ 395,608</u>	<u>\$ 20,206</u>	<u>\$ (23,062)</u>	<u>\$ 392,752</u>

Minco Gas Authority
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

Note 2 - Detailed Notes on Transaction Classes/Accounts, (Continued)

2.F. Interfund Transactions and Balances

The Authority's policy is to eliminate interfund transfers in the statement of net assets to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and then offset in the total column. There were no internal transfers for the year ended June 30, 2012

2.G. Long-Term Debt

The District had the following long-term debt(s) outstanding:

Note payable to Minco Schools, payable in annual installments of a variable amount on December 31st of each year. This note was incurred by entering into a Gas Line Extension Agreement with Minco Public Schools on January 1, 2008. This agreement provides that the customer (Minco Schools) pays for the initial cost of the installation of the gas line. At the end of the year, the Authority will pay the customer back a sum of one-half of the preceding year's customer dollar amount of gas usage until such time as the investment has been returned in full. This note is limited to a ten-year period. In the event the total investment has not been refunded due to lack of gas usage within the said ten-year period, the balance of the investment remaining unpaid will not be reimbursed and shall be deemed a contribution in aid of construction. This is a non-interest-bearing note. As of June 30, 2012, the balance was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Balance Due in 1 year
N/P – Minco Schools	\$ 26,278	-	\$ 1,489	\$ 24,789	\$ 1,500

Note payable to Matt Gore, payable in annual installments of a variable amount on December 31st of each year. This note was incurred by entering into a Gas Line Extension Agreement with Matt Gore on January 24, 2012. This agreement provides that the customer (Matt Gore) pays for the initial cost of the installation of the gas line. At the end of the year, the Authority will pay the customer back a sum of one-half of the preceding year's customer dollar amount of gas usage until such time as the investment has been returned in full. This note is limited to a ten-year period. In the event the total investment has not been refunded due to lack of gas usage within the said ten-year period, the balance of the investment remaining unpaid will not be reimbursed and shall be deemed a contribution in aid of construction. This is a non-interest-bearing note. As of June 30, 2012, the balance was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Balance Due in 1 year
N/P – Matt Gore	\$ -	3,688	\$ -	\$ 3,688	\$ 308

Note 3 - Other Notes

3.A. Employee Pension Plans

Savings Incentive Match Plan for Employees - On August 1, 1997, the Authority enacted a Simple IRA Plan utilizing the IRS Form 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 Authority also administers the Simple Plan.

Minco Gas Authority
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

Note 3 - Other Notes, (Continued)

3.A. Employee Pension Plans, (Continued)

Employee Eligibility Requirements – Eligibility is limited to employees who are reasonably expected to receive at least \$5,000 in compensation for the calendar year or employees who have received at least \$5,000 in compensation during any one calendar year(s) preceding the calendar year.

Salary Reduction Agreements – 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 Authority 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: Authority - \$1,474, Employees - \$3,533.

Vesting Requirements - All contributions made under this Simple Plan are fully vested and nonforfeitable.

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

Selection of IRA Trustee – The Authority 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 Authority will make all contributions on behalf of the employee. The custodian of the Simple Plan is New York Life Investment Management LLC.

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, VIII.

3.B. Risk Management

The Authority is exposed to various risks of loss (torts, theft of, damage to, or destruction of assets, business interruptions, errors and omissions, job-related illnesses or injuries to employees, and acts of God) and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past three years.

General Liability and Umbrella Liability - General liability and umbrella liability are insured through commercial insurance. Risk of loss retained is limited to the excess of insurance liability coverage limits set by the commercial insurance provider.

Vehicles - All vehicles are insured through commercial insurance with a deductible of \$500. Risk of loss retained is limited to the excess of insurance liability coverage limits set by the commercial insurance provider.

Minco Gas Authority
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

3.B. Risk Management, (Continued)

Workers' Compensation - Workers' compensation is covered through participation in CompSource Oklahoma. Risk of loss retained is limited to the excess of insurance liability coverage limits set by CompSource Oklahoma.

3.C. Commitments and Contingencies

Gas Sales Agreement - The Authority has a contractual commitment with Clearwater Enterprises, LLC to purchase gas on a month to month basis effective July 1, 2004. The price of the gas is calculated each month by adding \$.07 per MMBtu to the Inside F.E.R.C.'s Gas Market Report first of the month index posting for ONEOK Gas Transportation LLC. The Authority has the option to fix a price for a quantity of gas throughout the term of this agreement at a price that is mutually agreeable to the parties. The Authority did sign an agreement to fix the gas price for the months of October 2006 through March 2007 at the rate of \$7.99 per MMBtu.

On June 28, 2007, the Authority signed a new contract with Clearwater Enterprises, LLC to purchase gas on a month to month basis effective July 1, 2007. The price of the gas is calculated each month by adding \$.07 per MMBtu to the Inside F.E.R.C.'s Gas Market Report first of the month index posting for ONEOK Gas Transportation LLC. The Authority has the option to fix a price for a quantity of gas throughout the term of this agreement at a price that is mutually agreeable to the parties. The Authority did sign an agreement to fix the gas price for the months of October 2011 through March 2012 at the rate of \$4.25 per MMBtu.

Gas Transportation – The transportation of wholesale natural gas is available under the Economic Impact of Tariff 2000. Tariff 2000 applies to gas utility companies or systems which purchase their gas transportation requirements from Oklahoma Natural Gas Company for redelivery and distribution to their customers and whose annual consumption was greater than 30,000 Dth but less than 450,000 Dth during the previous twelve month period from October 1 through the following September. The rate schedule is adjusted every twelve months according to the consumption.

3.D. Related Party Transactions

The Authority paid trustee, Johnny Verser, a total of \$120 for welding services during the fiscal year. This amount was included as an accounts payable for the year ended June 30, 2011. The welding services were competitively bid and the expenses to the trustee were publicly disclosed during the year.

3.E. Economic Dependency

Natural Gas Supplier - The Authority purchases all of its natural gas in accordance with their current contract. The current contract is with Clearwater Enterprises, LLC.

Supplemental Information

MINCO GAS AUTHORITY
Combining Statement of Net Assets
Enterprise Funds
For the Year Ended June 30, 2012

<u>ASSETS</u>	<u>Gas Revenue</u>	<u>Meter</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents	\$ 106,090	\$ 776	\$ 106,866
Restricted cash and cash equivalents	-	2,971	2,971
Investments	125,000	-	125,000
Restricted investments	-	40,000	40,000
Accounts receivable, net of allowance for uncollectible accounts	- 6,550	-	6,550
Interest Receivable	158	-	158
Prepaid insurance	4,800	-	4,800
Inventory	3,201	-	3,201
<i>Total Current Assets</i>	<u>245,799</u>	<u>43,747</u>	<u>\$ 289,546</u>
Non Current Assets			
Land and other non-depreciable assets	2,011	-	2,011
Other capital assets, net of depreciation	390,740	-	390,740
<i>Total Non Current Assets</i>	<u>392,751</u>	<u>-</u>	<u>392,751</u>
<i>Total Assets</i>	<u>638,550</u>	<u>43,747</u>	<u>682,297</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	7,515	-	7,515
Compensated Absences	263	-	263
Current Portion LT Debt	1,808	-	1,808
<i>Total Current Liabilities</i>	<u>9,586</u>	<u>-</u>	<u>9,586</u>
Non Current Liabilities			
Refundable deposits	-	42,971	42,971
Long Term Debt	26,669	-	26,669
<i>Total Non Current Liabilities</i>	<u>26,669</u>	<u>42,971</u>	<u>69,640</u>
<i>Total Liabilities</i>	<u>36,255</u>	<u>42,971</u>	<u>79,226</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	364,274	-	364,274
Unrestricted	238,021	776	238,797
<i>Total Net Assets</i>	<u>602,295</u>	<u>776</u>	<u>603,071</u>
<i>Total Liabilities and Net Assets</i>	<u>\$ 638,550</u>	<u>\$ 43,747</u>	<u>\$ 682,297</u>

The accompanying notes are an integral part of the financial statements.

MINCO GAS AUTHORITY
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Enterprise Funds
For the Year Ended June 30, 2012

	Gas Revenue	Meter	Total
Operating Revenues			
Gas charges	\$ 330,336	\$ -	\$ 330,336
Tap Fees	800	-	800
Miscellaneous	-	1,127	1,127
<i>Total Operating Revenues</i>	<u>331,136</u>	<u>1,127</u>	<u>332,263</u>
Operating Expenses			
Cost of gas sold	157,617	-	157,617
Audit and legal fees	3,875	-	3,875
Customer Reimbursement	88	-	88
Drug and alcohol testing	430	-	430
Equipment	230	-	230
Fees and dues	2,890	-	2,890
Insurance-employee health	13,462	-	13,462
Insurance-general	9,000	-	9,000
Maintenance	27,042	-	27,042
Other expense - Meter	-	328	328
Postage/Office supplies	5,490	-	5,490
Retirement	4,747	-	4,747
Returned checks	731	-	731
Salaries and payroll taxes	55,434	-	55,434
Sales tax	11,581	-	11,581
Truck expense	3,723	-	3,723
Trustee expense	480	-	480
Utilities	5,536	-	5,536
Depreciation	20,317	-	20,317
<i>Total Operating Expenses</i>	<u>322,673</u>	<u>328</u>	<u>323,001</u>
<i>Operating Income (Loss)</i>	<u>8,463</u>	<u>799</u>	<u>9,262</u>
Non-Operating Revenues (Expenses)			
Investment income	2,484	23	2,507
Building rent	1,500	-	1,500
<i>Total Non-Operating Revenues (Expenses)</i>	<u>3,984</u>	<u>23</u>	<u>4,007</u>
<i>Income (Loss) Before Transfers</i>	12,447	822	13,269
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Income (Loss)</i>	12,447	822	13,269
<i>Net Assets - Beginning of Year</i>	<u>589,848</u>	<u>(46)</u>	<u>589,802</u>
<i>Net Assets - End of Year</i>	<u><u>602,295</u></u>	<u><u>776</u></u>	<u><u>603,071</u></u>

The accompanying notes are an integral part of the financial statements.

MINCO GAS AUTHORITY
Combining Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2012

	Gas Revenue	Meter	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 331,137	\$ 1,127	\$ 332,264
Payments to employees	(55,434)	-	(55,434)
Payments to suppliers	(246,923)	(328)	(247,251)
Other receipts (payments)	6,119	(345)	5,774
<i>Net Cash Provided by (used for) Operating Activities</i>	<u>34,899</u>	<u>454</u>	<u>35,353</u>
Cash Flows from Noncapital Financing Activities:			
Transfers to other funds	-	-	-
Transfers from other funds	-	-	-
<i>Net Cash Provided by (used for) Noncapital Financing Activities</i>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Gore Note Payable	3,688	-	3,688
Note payments to Minco Schools	(1,489)	-	(1,489)
Purchases of capital assets	(17,461)	-	(17,461)
<i>Net Cash Provided by (used for) Capital and Related Financing Activities</i>	<u>(15,262)</u>	<u>-</u>	<u>(15,262)</u>
Cash Flows from Investing Activities:			
Interest received	2,484	23	2,507
Investments sold (purchased), net	(100,000)	(8,000)	(108,000)
Building rent	1,500	-	1,500
<i>Net Cash Provided by (used for) Investing Activities</i>	<u>(96,016)</u>	<u>(7,977)</u>	<u>(103,993)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(76,379)	(7,523)	(83,902)
<i>Cash and Cash Equivalents - Beginning of Year</i>	<u>182,469</u>	<u>11,270</u>	<u>193,739</u>
<i>Cash and Cash Equivalents - End of Year</i>	<u><u>106,090</u></u>	<u><u>3,747</u></u>	<u><u>109,837</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss)	8,463	799	9,262
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	20,317	-	20,317
Change in accounts receivable, net	2,139	-	2,139
Change in interest receivable	(117)	-	(117)
Change in prepaid insurance	(366)	-	(366)
Change in inventory	7,530	-	7,530
Change in accounts payable	(1,741)	(200)	(1,941)
Change in compensated absences	(1,326)	-	(1,326)
Change in refundable deposits	-	(145)	(145)
<i>Net Cash Provided by (used for) Operating Activities</i>	<u>\$ 34,899</u>	<u>\$ 454</u>	<u>\$ 35,353</u>

The accompanying notes are an integral part of the financial statements.

**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**

The Honorable Board of Trustees
Minco Gas Authority
Minco, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the **Minco Gas Authority**, Minco, Oklahoma as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 27, 2012. The Management Discussion and Analysis is not presented as required by the Governmental Accounting Standards Board. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Minco Gas Authority, Minco, Oklahoma, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Minco Gas Authority, Minco, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 12-01.

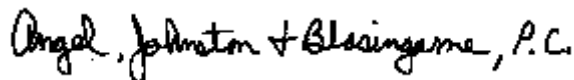
A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: 12-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Minco Gas Authority, Minco, Oklahoma'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 or other matters that are required to be reported under *Government Auditing Standards*.

Minco Gas Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Angel, Johnston & Blasingame, P.C.
Certified Public Accountants

Chickasha, Oklahoma
August 27, 2012

Minco Gas Authority
Minco, Oklahoma
Schedule of Findings and Responses
For the Year Ended June 30, 2012

12-01 Criteria – The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition – Presently the same individual performs all accounting functions; receives utility service related cash payments and is responsible for service billing and adjustment, also balances the daily cash drawer, posts payments to customer accounts, makes bank deposits, writes checks and reconciles the monthly bank statements and prepares monthly financial summaries.

Cause – The entity's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect – Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the accounting functions, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation – It may not be cost effective to hire the additional administrative staff that would be necessary in order to adequately segregate the responsibilities.

Management response – Management agrees.

Minco Gas Authority
Minco, Oklahoma
State of Prior Year Audit Findings
June 30, 2012

11 - 1 **Finding** – A good system of internal control provides for a proper segregation of the accounting functions. The District has a small number of employees that perform the duties that would normally be divided among a large number of employees.

Recommendation – It may not be cost effective to hire the additional administrative staff that would be necessary in order to adequately segregate the responsibilities.

Disposition – This continues to be a finding.

Other Supplemental Information

MINCO GAS AUTHORITY
Comparative Statement of Net Assets
For the Years Ended June 30, 2012 and 2011

<u>ASSETS</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Current Assets		
Cash and cash equivalents	\$ 106,866.00	\$ 182,623
Restricted cash and cash equivalents	2,971.00	11,116
Investments	125,000	25,000
Restricted Investments	40,000	32,000
Accounts receivable, net of allowance for uncollectible accounts	6,550	8,689
Interest Receivable	158	41
Prepaid Insurance	4,800	4,434
Inventory	3,201	10,731
<i>Total Current Assets</i>	<u>289,546</u>	<u>274,634</u>
Non Current Assets		
Land and other non-depreciable assets	2,011	9,883
Other capital assets, net of depreciation	390,740	385,724
<i>Total Non Current Assets</i>	<u>392,751</u>	<u>395,607</u>
<i>Total Assets</i>	<u>682,297</u>	<u>670,241</u>
 <u>LIABILITIES</u>		
Current Liabilities		
Accounts Payable	7,515	9,456
Compensated Absences	263	1,589
Current Portion LT Debt	1,808	1,200
<i>Total Current Liabilities</i>	<u>9,586</u>	<u>12,245</u>
Non Current Liabilities		
Refundable deposits	42,971	43,116
Long Term Debt	26,669	25,078
<i>Total Liabilities</i>	<u>69,640</u>	<u>68,194</u>
<i>Total Liabilities</i>	<u>79,226</u>	<u>80,439</u>
 <u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	364,274	395,607
Unrestricted	238,797	194,195
<i>Total Net Assets</i>	<u>\$ 603,071</u>	<u>\$ 589,802</u>

The accompanying notes are an integral part of the financial statements.

MINCO GAS AUTHORITY
Comparative Statement of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Operating Revenue		
Gas charges	\$ 330,336	\$ 379,500
Tap fees	800	400
Miscellaneous	1,127	723
<i>Total Operating Revenue</i>	<u>332,263</u>	<u>380,623</u>
 Operating Expenses		
Cost of gas sold	157,617	212,823
Audit and legal fee	3,875	3,975
Bank Charge - meter	-	137
Customer reimbursement	88	122
Drug and alcohol testing	430	430
Equipment	230	224
Fees and dues	2,890	1,793
Insurance - employee health	13,462	14,371
Insurance - general	9,000	10,127
Maintenance	27,042	16,116
Other Expense - Meter	328	-
Postage/Office supplies	5,490	4,555
Retirement	4,747	5,140
Returned Checks	731	1,861
Salaries and payroll taxes	55,434	54,248
Sales tax	11,581	13,204
Truck expense	3,723	3,699
Trustee expense	480	490
Utilities	5,536	4,225
Depreciation	20,317	20,285
<i>Total Operating Expenses</i>	<u>323,001</u>	<u>367,825</u>
 <i>Operating Income (Loss)</i>	<u>9,262</u>	<u>12,798</u>
 Non Operating Revenues (Expense)		
Investment Income	2,507	3,571
Building rent	1,500	1,200
<i>Total Net Operating Revenues (Expenses)</i>	<u>4,007</u>	<u>4,771</u>
 <i>Income (Loss) Before Transfers</i>	13,269	17,569
Transfers In (Out)	<u>-</u>	<u>-</u>
 <i>Net Income (Loss)</i>	13,269	17,569
<i>Net Assets - Beginning of Year</i>	<u>589,802</u>	<u>572,233</u>
 <i>Net Assets - End of Year</i>	<u>\$ 603,071</u>	<u>\$ 589,802</u>

The accompanying notes are an integral part of the financial statements.