

CITY OF MINCO, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

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

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

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**CITY OF MINCO, OKLAHOMA
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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, 2016, 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 error or fraud.

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 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 opinion.

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, 2016, 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 opinion is not modified with respect to that matter.

Other Matters

Supplemental 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 financial statements.

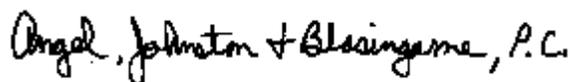
The combining non-major governmental fund statements, the combining schedules of general fund accounts, the federal and state awards information and debt service coverage information are the responsibility of management, derived from and related directly to the underlying accounting and other records 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, the federal and state awards information and debt service coverage information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Disclaimer of Opinion on Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Minco, Oklahoma's basic financial statements. The management's discussion and analysis on pages 7-13 and budgetary comparison information on page 38, 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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2016, 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 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
September 28, 2016

CITY OF MINCO, OKLAHOMA
Other Information - Management's Discussion and Analysis
As of and for the Year Ended June 30, 2016

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, 2016. 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 decreased by \$145,600. The assets of the City exceed its liabilities at June 30, 2016, by \$1,276,720 (net position). Of this amount, \$824,052 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2016, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$377,690.
- At the end of fiscal year 2016, unassigned fund balance on a modified cash basis for the General Fund was \$86,911 or 13.5% 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 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.

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.

CITY OF MINCO, OKLAHOMA
Other Information - Management's Discussion and Analysis
As of and for the Year Ended June 30, 2016

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.

CITY OF MINCO, OKLAHOMA
Other Information - Management's Discussion and Analysis
As of and for the Year Ended June 30, 2016

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. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2016	2015		2016	2015		2016	2015	
Current assets	\$ 379	\$ 404	-6%	\$ 943	\$ 1,058	-11%	\$ 1,322	\$ 1,462	-10%
Total assets	<u>379</u>	<u>404</u>	-6%	<u>943</u>	<u>1,058</u>	-11%	<u>1,322</u>	<u>1,462</u>	-10%
Current liabilities	1	1	100%	44	39	13%	45	40	13%
Total liabilities	<u>1</u>	<u>1</u>	100%	<u>44</u>	<u>39</u>	13%	<u>45</u>	<u>40</u>	13%
Net position									
Restricted	228	224	2%	225	224	0%	453	448	1%
Unrestricted	150	179	-16%	674	795	-15%	824	974	-15%
Total net position	<u>\$ 378</u>	<u>\$ 403</u>	-6%	<u>\$ 899</u>	<u>\$ 1,019</u>	-12%	<u>\$ 1,277</u>	<u>\$ 1,422</u>	-10%

Explanations for significant changes listed below:

Business Type Activities:

Business type activities total assets decreased by \$115,278, or 11% due to the use of cash for the Water Tower-School Project. Also, due to decreased sales tax in FY16, the sales tax transfer decreased \$20,637, or 8%.

Water Tower-School Project Expenditures

	FY15	FY16	Total
Phoenix Fabricators	\$ 343,463	\$ 105,867	\$ 449,330
M&T Septic & Backhoe Service	95,224	65,399	160,623
Miller, Inc. (DBA J&B Construction)	200,702	31,504	232,206
Fox Engineering	57,384	17,068	74,452
	<u>\$ 696,773</u>	<u>\$ 219,838</u>	<u>\$ 916,611</u>
Minco Public Schools payment			601,313
REAP Grant			45,000
City of Minco portion			<u>\$ 270,298</u>

Final payment was made December 8, 2015.

CITY OF MINCO, OKLAHOMA
Other Information - Management's Discussion and Analysis
As of and for the Year Ended June 30, 2016

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2016	2015		2016	2015		2016	2015	
Revenues									
Charges for service	\$ 213	\$ 197	8%	\$ 594	\$ 519	14%	\$ 807	\$ 716	13%
Operating grants and contributions	27	20	35%	-	-	-	27	20	35%
Capital grants, debt proceeds and contributions	31	29	7%	67	2,446	-97%	98	2,475	-96%
Taxes	378	406	-7%	-	-	-	378	406	-7%
Intergovernmental revenue	15	15	0%	-	-	-	15	15	0%
Investment income	1	1	0%	1	1	0%	2	2	0%
Miscellaneous	27	29	-7%	11	12	-8%	38	41	-7%
Total revenues	692	697	-1%	673	2,978	-77%	1,365	3,675	-63%
Expenses									
General government	201	202	0%	-	-	-	201	202	0%
Public safety	300	277	8%	-	-	-	300	277	8%
Highways and streets	12	8	50%	-	-	-	12	8	50%
Culture and recreation	1	1	0%	-	-	-	1	1	0%
Cemetery	5	3	67%	-	-	-	5	3	67%
Water	-	-	-	814	3,141	-74%	814	3,141	-74%
Sewer	-	-	-	30	38	-21%	30	38	-21%
Sanitation	-	-	-	147	128	15%	147	128	15%
Total expenses	519	491	6%	991	3,307	-70%	1,510	3,798	-60%
Excess (deficiency) before transfers	173	206	-16%	(318)	(329)	-3%	(145)	(123)	18%
Transfers	(198)	(209)	-5%	198	209	-5%	-	-	
Change in net position	(25)	(3)	733%	(120)	(120)	0%	(145)	(123)	18%
Beginning net position	403	406	-1%	1,019	1,139	-11%	1,422	1,545	-8%
Ending net position	\$ 378	\$ 403	-6%	\$ 899	\$ 1,019	-12%	\$ 1,277	\$ 1,422	-10%

Governmental Activities:

Charges for services increased \$15,682 or 8% over the prior year. This is due primarily to an increase in fine and forfeiture revenue. Sales taxes decreased \$27,516 or 8% from the prior year. Total expenses increased \$28,580 or approximately 6% primarily due to the purchase of a police car.

Business-type Activities:

Capital grants, debt proceeds, and contributions decreased \$2,378,575 or approximately 97% due to Minco Public Schools contributing \$601,313 to the City of Minco for the Water Tower-School Project and \$1,680,000 of proceeds from refinanced debt in FY15. Water expenses decreased \$2,327,769 or 74% due to the corresponding costs of the Water Tower-School Project (see page 10 Water Tower-School Project Expenditures) and \$1,680,000 principal payment of refinanced debt in FY15.

CITY OF MINCO, OKLAHOMA
Other Information - Management's Discussion and Analysis
As of and for the Year Ended June 30, 2016

Governmental Activities

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

	Total Expense		% Inc.	Net Revenue		% Inc.
	of Services			(Expense)		
	<u>2016</u>	<u>2015</u>	(Dec.)	<u>2016</u>	<u>2015</u>	(Dec.)
General government	\$ 201	\$ 202	0%	\$ (200)	\$ (201)	0%
Public safety	300	277	8%	(58)	(58)	0%
Highways and streets	12	8	50%	3	8	-63%
Culture and recreation	1	1	0%	(1)	(1)	0%
Cemetery	5	3	67%	7	7	0%
Total	<u>\$ 519</u>	<u>\$ 491</u>	6%	<u>\$ (249)</u>	<u>\$ (245)</u>	2%

See explanations on previous page.

Business-type Activities

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

	Total Expense		% Inc.	Net Revenue		% Inc.
	of Services			(Expense)		
	<u>2016</u>	<u>2015</u>	Dec.	<u>2016</u>	<u>2015</u>	Dec.
Water	814	875	-7%	(467)	(412)	13%
Sewer	30	14	114%	103	73	41%
Sanitation	147	130	13%	34	45	-24%
Total	<u>\$ 991</u>	<u>\$ 1,019</u>	-3%	<u>\$ (330)</u>	<u>\$ (294)</u>	12%

See explanations on previous page.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2016 fiscal year, the governmental funds reported a combined total fund balance of \$377,690. For the year ended June 30, 2016, the General Fund's total fund balance decreased by \$29,826.

For proprietary funds, the City reported a decrease in net position for the Minco Municipal Authority of \$120,162.

Budgetary Highlights

For the year ended June 30, 2016, the General Fund reported actual budgetary basis revenues under final estimates by \$84,555 or an 11.1% negative variance. General Fund actual expenditures were under final appropriations by \$66,988 or an 8.6% positive variance.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The FY 2016 budget is relatively consistent with prior years.

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.

**CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
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BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Statement of Net Position (Modified Cash Basis) – June 30, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 201,371	\$ 594,381	\$ 795,752
Restricted cash and cash equivalents	-	268,231	268,231
Investments	175,890	81,356	257,246
Internal Balances	1,266	(1,266)	-
Total Assets	<u>378,527</u>	<u>942,702</u>	<u>1,321,229</u>
LIABILITIES			
Deposits subject to refund	-	43,672	43,672
Payable to other governments	837	-	837
Total liabilities	<u>837</u>	<u>43,672</u>	<u>44,509</u>
NET POSITION			
Restricted for:			
Street & alley	69,319	-	69,319
Cemetery	158,792	-	158,792
Debt service	-	224,557	224,557
Unrestricted	149,579	674,473	824,052
Total net position	<u>\$ 377,690</u>	<u>\$ 899,030</u>	<u>\$ 1,276,720</u>

See accompanying notes to the basic financial statements.

CITY OF MINCO, OKLAHOMA
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Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2016

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants, Debt Proceeds and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 201,076	\$ 1,627	\$ -	\$ -	\$ (199,449)	\$ -	\$ (199,449)
Public Safety	299,766	199,282	11,794	30,542	(58,148)	-	(58,148)
Highways and streets	12,179	-	15,102	-	2,923	-	2,923
Culture and Recreation	1,110	-	-	-	(1,110)	-	(1,110)
Cemetery	5,237	11,950	-	-	6,713	-	6,713
Total governmental activities	<u>519,368</u>	<u>212,859</u>	<u>26,896</u>	<u>30,542</u>	<u>(249,071)</u>	<u>-</u>	<u>(249,071)</u>
Business-type activities:							
Water	813,203	328,077	-	18,702	-	(466,424)	(466,424)
Sewer	30,128	84,963	-	48,226	-	103,061	103,061
Sanitation	147,218	180,762	-	-	-	33,544	33,544
Total business-type activities	<u>990,549</u>	<u>593,802</u>	<u>-</u>	<u>66,928</u>	<u>-</u>	<u>(329,819)</u>	<u>(329,819)</u>
Total primary government	<u>1,509,917</u>	<u>806,661</u>	<u>26,896</u>	<u>97,470</u>	<u>(249,071)</u>	<u>(329,819)</u>	<u>(578,890)</u>
General revenues:							
Taxes:							
Sales and use taxes					\$ 352,682	\$ -	\$ 352,682
Franchise taxes and public service taxes					25,245	-	25,245
Intergovernmental revenue not restricted to specific programs					14,818	-	14,818
Unrestricted investment earnings					1,008	1,123	2,131
Miscellaneous					27,571	10,843	38,414
Transfers					(197,691)	197,691	-
Total general revenues and transfers					<u>223,633</u>	<u>209,657</u>	<u>433,290</u>
Change in net position					(25,438)	(120,162)	(145,600)
Net position - beginning					403,128	1,019,192	1,422,320
Net position - ending					<u>\$ 377,690</u>	<u>\$ 899,030</u>	<u>\$ 1,276,720</u>

See accompanying notes to the basic financial statements.

**CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2016

	<u>General Fund</u>	<u>Street & Alley Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 98,212	\$ 69,503	\$ 27,610	\$ 6,046	\$ 201,371
Investments	50,000	-	125,890	-	175,890
Due from other funds	1,950	-	-	-	1,950
Total assets	<u>150,162</u>	<u>69,503</u>	<u>153,500</u>	<u>6,046</u>	<u>379,211</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	500	184	-	-	684
Payable to other governments	837	-	-	-	837
Total liabilities	<u>1,337</u>	<u>184</u>	<u>-</u>	<u>-</u>	<u>1,521</u>
Fund balances:					
Restricted for:					
Street & alley	-	69,319	-	-	69,319
Cemetery	-	-	152,763	6,029	158,792
Assigned for:					
Capital projects	552	-	-	-	552
Public safety	27,430	-	-	-	27,430
Cemetery	33,932	-	737	17	34,686
Unassigned	86,911	-	-	-	86,911
Total fund balances	<u>148,825</u>	<u>69,319</u>	<u>153,500</u>	<u>6,046</u>	<u>377,690</u>
Total liabilities and fund balances	<u>\$ 150,162</u>	<u>\$ 69,503</u>	<u>\$ 153,500</u>	<u>\$ 6,046</u>	<u>\$ 379,211</u>

See accompanying notes to the basic financial statements.

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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
(Modified Cash Basis) – Year Ended June 30, 2016

	<u>General Fund</u>	<u>Street & Alley Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 377,927	\$ -	\$ -	\$ -	\$ 377,927
Intergovernmental	26,612	15,102	-	-	41,714
Charges for services	10,838	-	-	-	10,838
Fines and foreitures	198,151	-	-	-	198,151
Licenses and permits	1,627	-	-	-	1,627
Investment income	656	-	344	8	1,008
Miscellaneous	28,701	-	-	1,113	29,814
Total revenues	<u>644,512</u>	<u>15,102</u>	<u>344</u>	<u>1,121</u>	<u>661,079</u>
EXPENDITURES					
Current:					
General government	201,076	-	-	-	201,076
Public safety	236,995	-	-	-	236,995
Highway and streets	-	12,179	-	-	12,179
Culture and recreation	1,110	-	-	-	1,110
Cemetery	5,237	-	-	-	5,237
Capital Outlay	53,299	-	-	-	53,299
Debt service:					
Principal	8,393	-	-	-	8,393
Interest	1,079	-	-	-	1,079
Total Expenditures	<u>507,189</u>	<u>12,179</u>	<u>-</u>	<u>-</u>	<u>519,368</u>
Excess of revenues over expenditures	<u>137,323</u>	<u>2,923</u>	<u>344</u>	<u>1,121</u>	<u>141,711</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term debt	30,542	-	-	-	30,542
Transfers in	45,975	-	-	-	45,975
Transfers out	(243,666)	-	-	-	(243,666)
Total other financing sources and uses	<u>(167,149)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(167,149)</u>
Net change in fund balances	(29,826)	2,923	344	1,121	(25,438)
Fund balances - beginning	178,651	66,396	153,156	4,925	403,128
Fund balances - ending	<u>\$ 148,825</u>	<u>\$ 69,319</u>	<u>\$ 153,500</u>	<u>\$ 6,046</u>	<u>\$ 377,690</u>

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND

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Proprietary Fund Statement of Net Position (Modified Cash Basis) – June 30, 2016

	Minco Municipal Authority Enterprise Fund
ASSETS	
Cash and cash equivalents	\$ 594,381
Investments	81,356
Due from other funds	2
Restricted:	
Cash and cash equivalents	252,731
Investments	15,500
Total assets	\$ 943,970
LIABILITIES	
Due to other funds	\$ 1,268
Meter deposit liability	43,672
Total liabilities	44,940
NET POSITION	
Restricted for debt service	224,557
Unrestricted	674,473
Total net position	\$ 899,030

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2016

	Minco Municipal Authority Enterprise Fund
OPERATING REVENUES	
Charges for services:	
Water	\$ 328,077
Sewer	84,963
Sanitation	180,762
Miscellaneous income	10,843
Total operating revenues	604,645
OPERATING EXPENSES	
Administration	54,219
Water	279,087
Sewer	22,074
Sanitation	130,083
Total operating expenses	485,463
Operating income	119,182
NON-OPERATING REVENUES (EXPENSES)	
Investment income	1,123
Grant revenue	66,928
Capital outlay	(307,464)
Debt Service:	
Principal retirement	(163,000)
Interest expense and fees	(34,622)
Total non-operating revenues (expenses)	(437,035)
Income (loss) before transfers	(317,853)
Transfers in	243,666
Transfers out	(45,975)
Change in net position	(120,162)
Total net position - beginning	1,019,192
Total net position - ending	\$ 899,030

See accompanying notes to the basic financial statements.

CITY OF MINCO, OKLAHOMA
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Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2016

	Minco Municipal Authority Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 604,645
Payments to suppliers	(332,234)
Payments to employees	(153,229)
Receipts of customer utility deposits	14,600
Refunds of customer utility deposits	(9,716)
Received from other funds	48
Paid to other funds	(2,038)
Net cash provided by operating activities	122,076
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	243,666
Transfers to other funds	(45,975)
Net cash provided by noncapital financing activities	197,691
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(307,464)
Grant revenue	66,928
Principal paid on debt	(163,000)
Interest and fiscal agent fees paid on debt	(34,622)
Net cash provided by (used in) capital and related financing activities	(438,158)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	1,123
Purchase of investment	(450)
Net cash provided by investing activities	673
Net increase (decrease) in cash and cash equivalents	(117,718)
Balances - beginning of year	964,830
Balances - end of year	\$ 847,112
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 594,381
Restricted cash and cash equivalents	252,731
Total cash and cash equivalents	\$ 847,112
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 119,182
Change in assets and liabilities:	
Paid from other funds	48
Paid to other funds	(2,038)
Meter deposit liability	4,884
Net cash provided by operating activities	\$ 122,076

See accompanying notes to the basic financial statements.

**CITY OF MINCO, OKLAHOMA
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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.

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:

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- 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 sales of surplus assets*
 - *Civil Defense Account – accounts for civil defense operations*
 - *City Hall Renovation 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.

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

Special Revenue Fund:

- Street and Alley Fund – accounts for state shared gasoline excise and commercial vehicle taxes legally restricted for street and alley purposes

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 two 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, or 2) law through constitutional provisions or enabling legislation.
- 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, 2016, the City recognized \$2,131 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.

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At June 30, 2016, the primary government held the following deposits and investments:

<u>Type</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:		
Demand deposits		\$ 824,011
Time deposits		272,746
		1,096,757
Investments:		
Cavanal Hill U.S. Treasury - Admin #0002	AAAm	224,472
		224,472
Total deposits and investments		\$ 1,321,229
 Reconciliation to Statement of Net Position:		
Cash and cash equivalents		\$ 1,063,983
Investments		257,246
		\$ 1,321,229

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, 2016, 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.

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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, 2016 are as follows:

<u>Type of Restricted Assets</u>	<u>Cash and cash equivalents</u>	<u>Investments</u>	<u>Total</u>
Utility Deposits	28,174	\$ 15,500	\$ 43,674
Trustee accounts	224,472	-	224,472
ASCOG account	85	-	85
Total	<u>\$ 252,731</u>	<u>\$ 15,500</u>	<u>\$ 268,231</u>

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 remains in the Authority.

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

Internal and Interfund Balances

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.

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
MMA	General Fund	\$ 1,266	Deposit Error
Street and Alley Fund	General Fund	117	Deposit Error
Street and Alley Fund	General Fund	67	Alcoholic Beverage Tax Revenue
General Fund	Armory Fund	500	Armory Rent
Meter Deposit Fund	MMA	2	Cemetery Lot Sale
Total		<u>\$ 1,952</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 1,950	\$ (684)	\$ 1,266
Proprietary Funds	2	(1,268)	(1,266)
Total	<u>\$ 1,952</u>	<u>\$ (1,952)</u>	<u>\$ -</u>

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	Minco Municipal Authority	\$ 243,666	Sales tax transfer
Minco Municipal Authority	General Fund	45,975	Partial return of sales tax transfer
Total		<u>\$ 289,641</u>	
Reconciliation to Fund Financial Statements:			
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 45,975	\$ (243,666)	\$ (197,691)
Proprietary Funds	243,666	(45,975)	197,691
	<u>\$ 289,641</u>	<u>\$ (289,641)</u>	<u>\$ -</u>

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, 2016 was \$8,507. 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 cost-sharing 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 2016, 2015, and 2014, the City's annual required contribution was \$840, \$900, and \$900, respectively, for the OFPRS plan and was equal to the City's actual contribution for each year.

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 - \$3,671; Employees - \$5,258.

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

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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, 2016 for the City and Municipal Authority is \$4,736 and \$2,514, respectively.

Long-Term Debt:

For the year ended June 30, 2016, the reporting entity’s long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 01, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital lease payable	\$ 27,017	\$ 30,542	\$ 8,393	\$ 49,166	15,620
Total Governmental Activities	<u>\$ 27,017</u>	<u>\$ 30,542</u>	<u>\$ 8,393</u>	<u>\$ 49,166</u>	<u>\$ 15,620</u>
Business-Type Activities:					
Notes payable	\$ 1,559,000		\$ 163,000	\$ 1,396,000	\$ 169,000
Total Long-Term Debt	<u>\$ 1,559,000</u>	<u>\$ -</u>	<u>\$ 163,000</u>	<u>\$ 1,396,000</u>	<u>\$ 169,000</u>
Total Long-Term Debt	<u>\$ 1,586,017</u>	<u>\$ 30,542</u>	<u>\$ 171,393</u>	<u>\$ 1,445,166</u>	<u>\$ 184,620</u>

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Governmental Activities:

At June 30, 2016, the governmental long-term debt of the financial reporting entity consisted of the following:

\$30,542 lease obligation for the purchase of a 2016 Ford Utility Police Package with Emergency Equipment, payable in monthly installments of \$874.53 with an annual interest rate of 1.98%, final payment due April 20, 2019.	\$ 28,051
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\$28,787 lease obligation for the purchase of a 2014 Tahoe, payable in monthly installments of \$526.88 with an annual interest rate of 3.75%, final payment due February 25, 2020.	\$ 21,115
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Total Notes Payable	\$ 49,166
Current portion	\$ 15,620
Non-current portion	33,546
Total Notes Payable	\$ 49,166

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, 2016, includes the following:

Utility System and Sales Tax Revenue Note, Series 2014 to Oklahoma Water Resources Board, 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.	\$ 1,396,000
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Total Notes Payable	\$ 1,396,000
Current portion	\$ 169,000
Non-current portion	1,227,000
Total Notes Payable	\$ 1,396,000

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Payment Requirements to Maturity:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	<u>Capital Lease Obligations</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	15,620	1,197	169,000	30,902
2018	16,034	806	175,000	26,984
2019	13,867	357	177,000	22,983
2020	3,645	57	183,000	18,924
2021	-	-	187,000	14,718
2022-2024	-	-	505,000	18,057
Totals	<u>\$ 49,166</u>	<u>\$ 2,417</u>	<u>\$ 1,396,000</u>	<u>\$ 132,568</u>

Sales Tax and Utility Net Revenues Pledge – 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 \$1,528,568. Pledged sales taxes received in the current year were \$243,666 and net utility revenues were \$117,721. Debt service payments of \$197,622 for the current fiscal year were 54.6% 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 2016, 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.

**CITY OF MINCO, OKLAHOMA
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SUPPLEMENTAL AND OTHER INFORMATION

**CITY OF MINCO, OKLAHOMA
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Budgetary Comparison Schedule (Modified Cash Basis) – General Fund – Year Ended June 30, 2016 (Unaudited)

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ 124,135	\$ 124,135	\$ 150,523	\$ 26,388
Resources (Inflows)				
Taxes	419,000	419,000	377,927	(41,073)
Intergovernmental	15,500	27,294	26,612	(682)
Fines and forfeitures	188,600	188,600	198,151	9,551
Licenses and permits	600	600	1,627	1,027
Investment income	400	400	410	10
Miscellaneous	28,500	28,500	27,027	(1,473)
Transfers in	97,890	97,890	45,975	(51,915)
Total Resources	<u>750,490</u>	<u>762,284</u>	<u>677,729</u>	<u>(84,555)</u>
Amounts Available for Appropriation	<u>874,625</u>	<u>886,419</u>	<u>828,252</u>	<u>(58,167)</u>
Charges to Appropriations (Outflows)				
General government	185,874	185,874	168,345	17,529
Police	216,321	242,929	237,950	4,979
Fire	30,300	34,590	29,559	5,031
Municipal court	11,050	11,050	10,463	587
Parks	1,500	1,500	1,110	390
Code enforcement	31,335	31,835	22,092	9,743
First responders	1,860	1,860	1,715	145
Transfers out	272,250	272,250	243,666	28,584
Total Charges to Appropriations	<u>750,490</u>	<u>781,888</u>	<u>714,900</u>	<u>66,988</u>
Fund balances - ending	<u>\$ 124,135</u>	<u>\$ 104,531</u>	<u>\$ 113,352</u>	<u>\$ 8,821</u>

Reconciliation to General Fund Revenues, Expenditures and Changes in Fund Balance:

Cemetery Operating Account	33,932
Civil Defense Account	689
City Hall Renovations Account	52
Surplus Auction Account	300
Armory Account	500
Fund Balance per Statement of Revenues, Expenditures and Changes in Fund Balance	<u>\$ 148,825</u>

**CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

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 require the City Manager's approval and supplemental appropriations require City Council's approval.
3. The budgetary basis differs from the modified cash basis as shown in the schedule below:

	General Fund
Sources/Inflows of resources	
Actual amounts (budgetary basis) "available appropriation" from the budgetary comparison schedule	\$ 828,252
Differences - budget to Modified Cash:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(150,523)
Debt proceeds not budgeted for by City	30,542
Total revenue as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds	\$ 708,271
 Uses/Outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 714,900
Differences - budget to Modified Cash:	
Capital Outlay from debt proceeds not budgeted for by City	30,542
Total expense as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds	\$ 745,442

CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Combining Balance Sheet – General Fund Accounts (Modified Cash Basis) – June 30, 2016

	General Account	Cemetery Operating Account	Civil Defense Account	City Hall Renovations Account	Surplus Auction Account	Armory Account	Totals
ASSETS							
Cash and cash equivalents	\$ 63,239	\$ 33,932	\$ 689	\$ 52	\$ 300	\$ -	\$ 98,212
Investments	50,000	-	-	-	-	-	50,000
Due from other funds	1,450	-	-	-	-	500	1,950
Total assets	<u>114,689</u>	<u>33,932</u>	<u>689</u>	<u>52</u>	<u>300</u>	<u>500</u>	<u>150,162</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Due to other funds	500	-	-	-	-	-	500
Payable to other governments	837	-	-	-	-	-	837
Total liabilities	<u>1,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,337</u>
Fund balances:							
Assigned for:							
Capital projects	-	-	-	52	-	500	552
Public safety	26,741	-	689	-	-	-	27,430
Cemetery	-	33,932	-	-	-	-	33,932
Unassigned	86,611	-	-	-	300	-	86,911
Total fund balances	<u>113,352</u>	<u>33,932</u>	<u>689</u>	<u>52</u>	<u>300</u>	<u>500</u>	<u>148,825</u>
Total liabilities and fund balances	<u>\$ 114,689</u>	<u>\$ 33,932</u>	<u>\$ 689</u>	<u>\$ 52</u>	<u>\$ 300</u>	<u>\$ 500</u>	<u>\$ 150,162</u>

CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts (Modified Cash Basis) – Year Ended June 30, 2016

	<u>General Account</u>	<u>Cemetery Operating Account</u>	<u>Civil Defense Account</u>	<u>City Hall Renovations Account</u>	<u>Surplus Auction Account</u>	<u>Armory Account</u>	<u>Total</u>
REVENUES							
Taxes	\$ 377,927	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 377,927
Intergovernmental	26,612	-	-	-	-	-	26,612
Charges for services	-	10,838	-	-	-	-	10,838
Fines and forfeitures	198,151	-	-	-	-	-	198,151
Licenses and permits	1,627	-	-	-	-	-	1,627
Investment income	410	246	-	-	-	-	656
Miscellaneous	27,027	1,174	-	-	-	500	28,701
Total revenues	<u>631,754</u>	<u>12,258</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>644,512</u>
EXPENDITURES							
Current:							
General government	200,900	-	-	176	-	-	201,076
Public Safety	236,995	-	-	-	-	-	236,995
Culture and recreation	1,110	-	-	-	-	-	1,110
Cemetery	-	5,237	-	-	-	-	5,237
Capital outlay	53,299	-	-	-	-	-	53,299
Debt service:							
Principal	8,393	-	-	-	-	-	8,393
Interest	1,079	-	-	-	-	-	1,079
Total expenditures	<u>501,776</u>	<u>5,237</u>	<u>-</u>	<u>176</u>	<u>-</u>	<u>-</u>	<u>507,189</u>
Excess (deficiency) of revenues over expenditures	<u>129,978</u>	<u>7,021</u>	<u>-</u>	<u>(176)</u>	<u>-</u>	<u>500</u>	<u>137,323</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from long-term debt	30,542	-	-	-	-	-	30,542
Transfers in	45,975	-	-	-	-	-	45,975
Transfers out	(243,666)	-	-	-	-	-	(243,666)
Total other financing sources (uses)	<u>(167,149)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(167,149)</u>
Net change in fund balances	(37,171)	7,021	-	(176)	-	500	(29,826)
Fund balances - beginning	150,523	26,911	689	228	300	-	178,651
Fund balances - ending	<u>\$ 113,352</u>	<u>\$ 33,932</u>	<u>\$ 689</u>	<u>\$ 52</u>	<u>\$ 300</u>	<u>\$ 500</u>	<u>\$ 148,825</u>

CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Combining Balance Sheet – Nonmajor Governmental Funds (Modified Cash Basis) – June 30, 2016

	Capital Project Fund
	Cemetery Care Fund
ASSETS	
Cash and cash equivalents	\$ 6,046
Total assets	6,046
 FUND BALANCES	
Fund balances:	
Restricted for:	
Cemetery	6,029
Assigned for:	
Cemetery	17
Total fund balances	6,046
Total liabilities and fund balances	\$ 6,046

**CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2016

	Capital Project Fund
	Cemetery Care Fund
REVENUES	
Investment income	8
Miscellaneous	1,113
Total revenues	1,121
EXPENDITURES	
Current:	
Cemetery	-
Total expenditures	-
Excess of revenues over expenditures	1,121
Net change in fund balances	1,121
Fund balances - beginning	4,925
Fund balances - ending	\$ 6,046

**CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

Schedule of Expenditures of Federal and State Awards – For year ended June 30, 2016

Federal/State Grantor/Pass Thru Agency Grantor/Program Title	Federal CFDA Number	Pass Thru Grant #	Award Amount	Contract Expenditures
FEDERAL AWARDS:				
<u>US DEPARTMENT OF JUSTICE</u>				
Passed Through District Attorneys Council:				
Justice Assistance Grant Program	16.738	JAG-LLE-2015-CI-00039	\$ 7,504	\$ 7,504
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>				
Passed Through Oklahoma Department of Civil Emergency Management:				
Disaster Grant-Flooding	97.036	FEMA-DR4222	\$ 48,225	\$ 32,080
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>				
Passed Through Oklahoma Department of Emergency Management				
Disaster Grant-Ice Storm	97.036	FEMA --DR4247	<u>\$ 18,703</u>	<u>\$ 18,703</u>
Total Federal Awards			<u>\$ 74,432</u>	<u>\$ 58,287</u>
STATE AWARDS:				
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>				
Forestry Services - Rural Fire Grant	N/A	N/A	\$ 4,290	\$ 4,290
Total State Awards			<u>\$ 4,290</u>	<u>\$ 4,290</u>

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

CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Schedule of Debt Service Coverage Compliance

	Series 2014
	<u>Promissory Note</u>
GROSS REVENUE AVAILABLE:	
Operating revenues	\$ 413,040
Sales tax appropriated and transferred from the City General Fund	<u>243,666</u>
Total Gross Revenue Available	<u>656,706</u>
OPERATING EXPENSES:	
Total Operating Expenses	<u>355,380</u>
Net Revenue Available for Debt Service	<u>\$ 301,326</u>
Maximum Annual Debt Service on all Obligations Payable From Revenues of the System	<u>\$ 202,042</u>
Computed Coverage	<u>149%</u>
Coverage Requirement	<u>125%</u>

INTERNAL CONTROL AND COMPLIANCE



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, 2016, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 28, 2016. 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) to determine the audit procedure 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies: 16-1 and 16-2.

Compliance and Other Matters

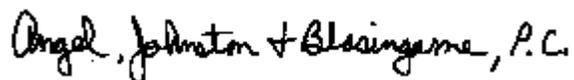
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 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 Responses as items 16-1 and 16-2.

City of Minco's Response to Findings

City of Minco's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. 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.



Chickasha, Oklahoma
September 28, 2016

CITY OF MINCO, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

Deficiencies of Internal Control, Compliance and Other Matters:

- 16-1. Criteria – If the Volunteer Firefighters receive any grants or other related revenue then it is to be accounted for by the City.

Condition and context – The Oklahoma Department of Agriculture issued a \$4,290 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.

Cause – 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.

Recommendation – 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 –Management agrees.

- 16-2. Criteria – Utility rate increases should agree with rates input into the computer system.

Condition and context – The approved water utility rate increase differed from the amount adjusted on the computer. It appeared the utility rate resolution schedule shows incremental increases which become inconsistent with usage over 7,000 gallons. It also appears the actual computer calculated rates were the intended rates. However, the resolution rate schedule, as approved, is not the rates actually charged.

Cause – Improper calculation of the intended rate increase over 7,000 gallons or improper input of the rates into the utility billing system.

Effect – Approved resolution utility rates do not agree with rates being charged customers for over 7,000 gallons of water usage.

Recommendation – The City should rework the resolution utility rate schedule or the utility billing system rates should agree to the resolution rate schedule.

Management response – Management agrees.

**CITY OF MINCO, OKLAHOMA
DISPOSITION OF PRIOR YEAR FINDINGS
Year Ended June 30, 2016**

Deficiencies of Internal Control, Compliance and Other Matters

- 15-1. Criteria – If the Volunteer Firefighters receive any grants or other revenue that is to be accounted for by the City then these records should be audited and included in the City's audited financial statements.

Condition and context – The Oklahoma Department of Agriculture issued a \$4,484 grant to the City for the Volunteer Firefighters. And information was not received from the Volunteer Firefighter to document the proper expenditure of state funds.

Disposition – This continues to be a problem in the 2015-16 year.

- 15-2. Criteria – Oklahoma State Statues require daily deposits of cash received. In addition, the sales report should be printed daily and reconciled with the daily deposit.

Condition and context – In our testing of one month's daily sales reports and deposits, twice deposits were made for up to four days late. Also for three days the City did not have a daily report or they were combined with other days.

Disposition – This was not noted as a problem in the 2015-2016 year.

- 15-3. Criteria – Prior to payment, invoices should be signed indicating receipt of goods or services.

Condition and context – There were thirteen out of twenty-nine invoices not signed indicating receipt of good or service.

Disposition – This was not noted as a problem in the 2015-2016 year.