

City of

MINCO | OK

**ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2024**

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

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2024

**CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2024**

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INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Minco, Oklahoma

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Minco, Oklahoma (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

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 as of June 30, 2024, and the respective changes in the modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Basis of Accounting

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

Responsibilities of Management 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; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental combining schedules – modified cash basis, state awards information – modified cash basis, and schedule of debt service coverage, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedules, state awards information, and schedule of debt service coverage are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis and budgetary comparison information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2025, on our consideration of the City'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

HSPG & Associates, P.C.

March 24, 2025

CITY OF MINCO, OKLAHOMA
Other Information - Management's Discussion and Analysis
As of and for the Year Ended June 30, 2024

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, 2024. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net position increased by \$7,212,702. The assets of the City exceed its liabilities at June 30, 2024, by \$11,094,301 (net position). Of this amount, \$3,512,905 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2024, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$2,552,612.
- At the end of fiscal year 2024, unassigned fund balance on a modified cash basis for the General Fund was \$1,924,984 or 147% of annual General Fund revenues.

ABOUT THE CITY

The City of Minco is an incorporated municipality with a population of approximately 1,500 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 a four-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. Statements for governmental activities describe how services were financed in the short term, as well as what remains for future spending. Fund financial statements 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. However, one will need to consider other non-financial factors, including but not limited to changes in the City's sales tax base, the condition of the City's roads, and the quality of service to assess the overall health of the City. One 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.

The Statement of Net Position and the Statement of Activities 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 that covers all or most of the cost the service 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 the flows of money 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 one determine (through a review of changes to fund balance) the amount of financial resources that can be spent in the near future to finance the City's programs. The difference of results between the governmental fund financial statements and the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds – Services provided to customers for a charge, through the Minco Municipal Authority, 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 26-37 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, 2024

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.)
	<u>2024</u>	<u>2023</u>		<u>2024</u>	<u>2023</u>		<u>2024</u>	<u>2023</u>	
Current assets	\$ 2,556	\$ 2,511	2%	\$ 8,603	\$ 1,431	501%	\$ 11,159	\$ 3,942	183%
Total assets	<u>2,556</u>	<u>2,511</u>	2%	<u>8,603</u>	<u>1,431</u>	501%	<u>11,159</u>	<u>3,942</u>	183%
Current liabilities	3	5	-40%	61	56	9%	64	61	5%
Total liabilities	<u>3</u>	<u>5</u>	-40%	<u>61</u>	<u>56</u>	9%	<u>64</u>	<u>61</u>	5%
Net position									
Restricted	271	273	-1%	7,311	287	2,447%	7,582	560	1,254%
Unrestricted	2,282	2,233	2%	1,231	1,088	13%	3,513	3,321	6%
Total net position	<u>\$ 2,553</u>	<u>\$ 2,506</u>	2%	<u>\$ 8,542</u>	<u>\$ 1,375</u>	521%	<u>\$ 11,095</u>	<u>\$ 3,881</u>	186%

Explanations for significant changes listed below:

Business-type Activities:

Business-type activities current assets increased approximately \$7,000,000 or 501% primarily due to debt proceeds from OWRB FAP-24-007-L to be used to construct and make necessary improvements to the water and sewer systems of the city.

CITY OF MINCO, OKLAHOMA
Other Information - Management's Discussion and Analysis
As of and for the Year Ended June 30, 2024

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2024	2023		2024	2023		2024	2023	
Revenues									
Charges for services	\$ 252	\$ 244	3%	\$ 1,039	\$ 872	19%	\$ 1,291	\$ 1,116	16%
Operating grants and contributions	33	46	-28%	-	-	-	33	46	-28%
Capital grants, debt proceeds and contributions	-	39	-100%	8,115	-	100%	8,115	39	20,708%
Taxes	857	933	-8%	-	-	-	857	933	-8%
Intergovernmental revenue	26	23	13%	-	145	-100%	26	168	-85%
Investment income	28	11	155%	112	5	2,140%	140	16	775%
Miscellaneous	126	140	-10%	6	12	-50%	132	152	-13%
Total revenues	1,322	1,436	-8%	9,272	1,034	797%	10,594	2,470	329%
Expenses									
General government	353	281	26%	-	-	-	353	281	26%
Public safety	560	474	18%	-	-	-	560	474	18%
Highways and streets	21	115	-82%	-	-	-	21	115	-82%
Culture and recreation	17	21	-19%	-	-	-	17	21	-19%
Cemetery	25	21	19%	-	-	-	25	21	19%
Water	-	-	-	1,067	743	44%	1,067	743	44%
Sewer	-	-	-	1,107	156	610%	1,107	156	610%
Sanitation	-	-	-	230	185	24%	230	185	24%
Total expenses	976	912	7%	2,404	1,084	122%	3,380	1,996	69%
Excess (deficiency) before transfers	346	524	-34%	6,868	(50)	13,836%	7,214	474	1,422%
Transfers	(299)	(216)	38%	299	216	38%	-	-	-
Change in net position	47	308	-85%	7,167	166	4,217%	7,214	474	1,422%
Beginning net position	2,506	2,198	14%	1,375	1,209	14%	3,881	3,407	14%
Ending net position	\$ 2,553	\$ 2,506	2%	\$ 8,542	\$ 1,375	521%	\$ 11,095	\$ 3,881	186%

Governmental Activities:

Highways and streets expense decreased by approximately 94,000 or 82% due primarily to the purchase of a skid steer in FY23 & Grady County repairing the streets instead of the city.

Business-type Activities:

Capital grants, debt proceeds and contributions increased by approximately \$8,115,000 or 100% primarily due to OWRB loan proceeds to be used to construct and make necessary improvements to the water and sewer systems of the city.

Sewer expenses increased by approximately \$951,000 or 610% from prior year due to sewer system improvements made in FY24.

CITY OF MINCO, OKLAHOMA
Other Information - Management's Discussion and Analysis
As of and for the Year Ended June 30, 2024

Governmental Activities

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services	
	<u>2024</u>	<u>2023</u>		<u>2024</u>	<u>2023</u>
General government	\$ 353	\$ 281	26%	\$ (343)	\$ (272)
Public safety	560	474	18%	(312)	(212)
Highways and streets	21	115	-82%	(8)	(67)
Culture and recreation	17	21	-19%	(17)	(21)
Cemetery	25	21	19%	(11)	(10)
Total	<u>\$ 976</u>	<u>\$ 912</u>	7%	<u>\$ (691)</u>	<u>\$ (582)</u>

See explanations on previous page.

Business-type Activities

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services	
	<u>2024</u>	<u>2023</u>		<u>2024</u>	<u>2023</u>
Water	\$ 1,067	\$ 743	44%	\$ 2,573	\$ (223)
Sewer	1,107	156	610%	4,101	(52)
Sanitation	<u>230</u>	<u>185</u>	24%	<u>77</u>	<u>63</u>
Total	<u>\$ 2,404</u>	<u>\$ 1,084</u>	122%	<u>\$ 6,751</u>	<u>\$ (212)</u>

See explanations on previous page.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2024 fiscal year, the governmental funds reported a combined total fund balance of \$2,552,612. For the year ended June 30, 2024, the governmental fund's total fund balance increased by \$46,216.

For proprietary funds, the City reported an increase in net position for the Minco Municipal Authority of \$7,166,486, due in large part to the loan proceeds received.

Budgetary Highlights

For the year ended June 30, 2024, the General Fund reported actual budgetary basis revenues under final estimates by \$105,289 or a 7% negative variance. General Fund actual expenditures were under final appropriations by \$308,267 or a 18.6% positive variance.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The City will continue to use grant funds and matching city funds to upgrade the sewer and water systems and comply with the DEQ consent order.

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, 2024

Statement of Net Position (Modified Cash Basis) – June 30, 2024

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,547,988	\$ 951,043	\$ 3,499,031
Investments	202,205	86,168	288,373
Restricted cash and cash equivalents	-	7,356,399	7,356,399
Restricted investments	-	15,500	15,500
Internal Balances	(193,928)	193,928	-
Total Assets	<u>2,556,265</u>	<u>8,603,038</u>	<u>11,159,303</u>
LIABILITIES			
Deposits subject to refund	2,000	61,349	63,349
Payable to other governments	1,653	-	1,653
Total liabilities	<u>3,653</u>	<u>61,349</u>	<u>65,002</u>
NET POSITION			
Restricted for:			
Public safety	44,960	-	44,960
Street & alley	3,985	-	3,985
Cemetery	221,901	-	221,901
Debt service	-	123,651	123,651
Capital Projects	-	7,002,626	7,002,626
Specific government services	-	184,273	184,273
Unrestricted	<u>2,281,766</u>	<u>1,231,139</u>	<u>3,512,905</u>
Total net position	<u>\$ 2,552,612</u>	<u>\$ 8,541,689</u>	<u>\$ 11,094,301</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, 2024

Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		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	\$ 353,189	\$ 642	\$ 9,492	\$ -	\$ (343,055)		\$ (343,055)
Public Safety	560,646	238,276	9,994	-	(312,376)		(312,376)
Highways and streets	21,416	-	13,790	-	(7,626)		(7,626)
Culture and Recreation	17,135	-	-	-	(17,135)		(17,135)
Cemetery	24,604	13,574	-	-	(11,030)		(11,030)
Total governmental activities	976,990	252,492	33,276	-	(691,222)		(691,222)
Business-type activities:							
Water	1,066,833	619,440	-	3,020,721	-	\$ 2,573,328	2,573,328
Sewer	1,106,642	113,091	-	5,094,160	-	4,100,609	4,100,609
Sanitation	229,935	306,578	-	-	-	76,643	76,643
Total business-type activities	2,403,410	1,039,109	-	8,114,881	-	6,750,580	6,750,580
Total primary government	\$ 3,380,400	\$ 1,291,601	\$ 33,276	\$ 8,114,881	(691,222)	6,750,580	6,059,358
General revenues:							
Taxes:							
Sales and use taxes					822,146	-	822,146
Franchise taxes and public service taxes					34,134	-	34,134
Intergovernmental revenue not restricted to specific programs					25,766	-	25,766
Unrestricted investment earnings					27,908	111,656	139,564
Miscellaneous revenue					126,319	5,415	131,734
Transfers					(298,835)	298,835	-
Total general revenues and transfers					737,438	415,906	1,153,344
Change in net position					46,216	7,166,486	7,212,702
Net position - beginning					2,506,396	1,375,203	3,881,599
Net position - ending					\$ 2,552,612	\$ 8,541,689	\$ 11,094,301

See accompanying notes to the basic financial statements.

CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
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BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2024

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2024

		Non-Major			
	General Fund	Street & Alley Fund	Cemetery Perpetual Care Fund	Cemetery Care Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,426,611	\$ 50,861	\$ 1,348	\$ 69,168	\$ 2,547,988
Investments	50,000	-	152,205	-	202,205
Total assets	<u>\$ 2,476,611</u>	<u>\$ 50,861</u>	<u>\$ 153,553</u>	<u>\$ 69,168</u>	<u>\$ 2,750,193</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ 193,928	\$ -	\$ -	\$ -	\$ 193,928
Deposits subject to refund	2,000	-	-	-	2,000
Payable to other governments	1,653	-	-	-	1,653
Total liabilities	<u>197,581</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>197,581</u>
FUND BALANCES					
Fund balances:					
Restricted for:					
Public safety	44,960	-	-	-	44,960
Street & alley	-	3,985	-	-	3,985
Cemetery	-	-	152,763	69,138	221,901
Assigned for:					
Capital projects	135,674	-	-	-	135,674
Public safety	11,240	-	-	-	11,240
Cemetery	162,172	-	790	30	162,992
Street & alley	-	46,876	-	-	46,876
Unassigned	<u>1,924,984</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,924,984</u>
Total fund balances	<u>2,279,030</u>	<u>50,861</u>	<u>153,553</u>	<u>69,168</u>	<u>2,552,612</u>
Total liabilities and fund balances	<u>\$ 2,476,611</u>	<u>\$ 50,861</u>	<u>\$ 153,553</u>	<u>\$ 69,168</u>	<u>\$ 2,750,193</u>

See accompanying notes to the basic financial statements.

CITY OF MINCO, OKLAHOMA
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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
(Modified Cash Basis) – Year Ended June 30, 2024

			Non-Major		
	General Fund	Street & Alley Fund	Cemetery Perpetual Care Fund	Cemetery Care Fund	Total Governmental Funds
REVENUES					
Taxes	\$ 856,280	\$ -	\$ -	\$ -	\$ 856,280
Intergovernmental	45,252	13,790	-	-	59,042
Charges for services	11,763	-	-	737	12,500
Fines and forfeitures	231,477	-	-	-	231,477
Licenses and permits	642	-	-	-	642
Investment income	27,700	208	-	-	27,908
Miscellaneous	134,192	-	-	-	134,192
Total revenues	<u>1,307,306</u>	<u>13,998</u>	<u>-</u>	<u>737</u>	<u>1,322,041</u>
EXPENDITURES					
Current:					
General government	326,989	-	-	-	326,989
Public safety	453,836	-	-	-	453,836
Highway and streets	-	21,416	-	-	21,416
Culture and recreation	4,866	-	-	675	5,541
Cemetery	7,129	-	-	-	7,129
Capital Outlay	162,079	-	-	-	162,079
Total Expenditures	<u>954,899</u>	<u>21,416</u>	<u>-</u>	<u>675</u>	<u>976,990</u>
Revenues over (under) expenditures	<u>352,407</u>	<u>(7,418)</u>	<u>-</u>	<u>62</u>	<u>345,051</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	136,225	-	-	-	136,225
Transfers out	(435,060)	-	-	-	(435,060)
Total other financing sources and uses	<u>(298,835)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(298,835)</u>
Net change in fund balances	53,572	(7,418)	-	62	46,216
Fund balances - beginning	2,225,458	58,279	153,553	69,106	2,506,396
Fund balances - ending	<u>\$ 2,279,030</u>	<u>\$ 50,861</u>	<u>\$ 153,553</u>	<u>\$ 69,168</u>	<u>\$ 2,552,612</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, 2024

	Minco Municipal Authority Enterprise Fund
ASSETS	
Cash and cash equivalents	\$ 951,043
Investments	86,168
Due from other funds	193,928
Restricted:	
Cash and cash equivalents	7,356,399
Investments	15,500
Total assets	<u>8,603,038</u>
LIABILITIES	
Meter deposit liability	<u>61,349</u>
Total liabilities	<u>61,349</u>
NET POSITION	
Restricted for debt service	123,651
Restricted for specific government services	184,273
Unrestricted	1,231,139
Total net position	<u><u>\$ 1,539,063</u></u>

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, 2024

	Minco Municipal Authority Enterprise Fund
OPERATING REVENUES	
Charges for services:	
Water	\$ 619,440
Sewer	113,091
Sanitation	306,578
Miscellaneous income	3,463
Total operating revenues	<u>1,042,572</u>
OPERATING EXPENSES	
Administration	77,078
Water	626,170
Sewer	44,875
Sanitation	204,118
Total operating expenses	<u>952,241</u>
Operating income	<u>90,331</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	111,656
Grant revenue	916,244
Capital outlay	(1,273,170)
Miscellaneous income	1,952
Premium on debt issuance	287,027
Debt proceeds	7,198,637
Debt issuance costs	(344,669)
Debt Service:	
Principal retirement	(116,612)
Interest expense and fees	(3,745)
Total non-operating revenues (expenses)	<u>6,777,320</u>
Income before transfers	6,867,651
Transfers in	435,060
Transfers out	<u>(136,225)</u>
Change in net position	7,166,486
Total net position - beginning	<u>(5,627,423)</u>
Total net position - ending	<u><u>\$ 1,539,063</u></u>

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2024

	Minco Municipal Authority Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,042,572
Payments to suppliers	(649,646)
Payments to employees	(302,595)
Receipts of customer utility deposits	11,350
Refunds of customer utility deposits	(5,940)
Interfund receipts/payments	(48,648)
Net cash provided by operating activities	<u>47,093</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	435,060
Transfers to other funds	(136,225)
Miscellaneous non-operating revenue	1,952
Net cash provided by noncapital financing activities	<u>300,787</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(1,273,170)
Grant revenue	916,244
Note issuance costs paid	(344,669)
Proceeds from debt	7,485,664
Principal paid on debt	(116,612)
Interest and fiscal agent fees paid on debt	(3,745)
Net cash provided by capital and related financing activities	<u>6,663,712</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	111,656
Sale (purchase) of investments	(773)
Net cash provided by investing activities	<u>110,883</u>
Net increase in cash and cash equivalents	7,122,475
Balances - beginning of year	<u>1,184,967</u>
Balances - end of year	<u><u>\$ 8,307,442</u></u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 951,043
Restricted cash and cash equivalents	7,356,399
Total cash and cash equivalents	<u><u>\$ 8,307,442</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 90,331
Change in assets and liabilities:	
Paid from other funds	-
Interfund receipts/payments	(48,648)
Meter deposit liability	5,410
Net cash provided by operating activities	<u><u>\$ 47,093</u></u>

See accompanying notes to the basic financial statements.

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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.

The Minco Gas Authority – a related organization that operates the gas service operation of the City. The City of Minco is the beneficiary of the Gas Authority and must approve any indebtedness or obligations of the Gas Authority by a two-thirds (2/3) vote. The Gas Authority governing body consists of five (5) trustees, one (1) of the trustees is also a member of the City Council and four (4) are appointed by current or former trustees of the Gas Authority. The Gas Authority is not fiscally dependent on the City and the daily operations are performed by personnel separate from the City. The Gas Authority is not considered a component unit of the City.

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

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

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

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

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

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

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

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

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

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

Governmental Funds:

General Fund – The General Fund is the primary operating fund of the City and is 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. The City accounts for its Street and Alley Fund and Cemetery Care Fund as special revenue funds.

Permanent Funds– used to account for resources that are legally restricted to the extent that only earnings and not principal, may be used for purposes that support the City's programs. The City accounts for its Cemetery Perpetual Care fund as a permanent fund.

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

Non-Major Funds:

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

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 include 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, 2) law through constitutional provisions or enabling legislation, or 3) City Council motion.
- b. *Unrestricted Net Position* - All remaining net position that does not meet the definition of "restricted".

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

F. Internal and Interfund Balances and Transfers

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

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2. Deposits and Investments

For the year ended June 30, 2024, the City recognized \$139,564 of investment income. Most of the City's deposits are in demand and short-term time deposits with maturity dates of a year or less.

At June 30, 2024, the primary government held the following deposits and investments:

Type	Credit Rating	Carrying Value
Deposits:		
Demand deposits		\$ 1,326
Time deposits		3,527,912
		<u>3,529,238</u>
Investments:		
Certificates of deposit	N/A	503,873
Cavanal Hill U.S. Treasury - Admin #0002	AAAm	7,126,192
		<u>7,630,065</u>
Total deposits and investments		<u><u>\$ 11,159,303</u></u>
Reconciliation to Statement of Net Position:		
Cash and cash equivalents		\$ 3,499,031
Restricted cash and cash equivalents		7,356,399
Investments		288,373
Restricted investments		15,500
		<u><u>\$ 11,159,303</u></u>

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, 2024, 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

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that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

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

Restricted Cash and Investments – The amounts reported as restricted assets on the Proprietary Fund Statement of Net Position are comprised of amounts restricted for construction, debt service, debt reserve, utility deposits, and unspent ASCOG monies. The restricted assets as of June 30, 2024 are as follows:

<u>Type of Restricted Assets</u>	<u>Cash and cash equivalents</u>	<u>Investments</u>	<u>Total</u>
Utility Deposits	\$ 45,849	\$ 15,500	\$ 61,349
Trustee accounts	7,126,192	-	7,126,192
ARPA grant	184,273		184,273
ASCOG account	85	-	85
Total	<u>\$ 7,356,399</u>	<u>\$ 15,500</u>	<u>\$ 7,371,899</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 subsequently three cents are transferred to the Authority for debt service and the unused sales tax is transferred back to the General Fund.

4. Property Tax Levy

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

5. Internal and Interfund Balances and Transfers

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

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<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	MMA	193,928	ARPA Grant
Total		<u>\$ 193,928</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ -	\$ (193,928)	\$ (193,928)
Proprietary Funds	193,928	-	193,928
Total	<u>\$ 193,928</u>	<u>\$ (193,928)</u>	<u>\$ -</u>

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	\$ 435,060	Sales tax transfer
Minco Municipal Authority	General Fund	136,225	Partial return of sales tax transfer
Total		<u>\$ 571,285</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 136,225	\$ (435,060)	\$ (298,835)
Proprietary Funds	435,060	(136,225)	298,835
	<u>\$ 571,285</u>	<u>\$ (571,285)</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, 2024 was \$178. 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 full-time or volunteer firefighters. For 2024, 2023, and 2022, the City's annual required contribution was \$1,080, \$1,080, and \$1,260, 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 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 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 5% 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 - \$2,731; Employees - \$2,412.

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

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

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

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

8. Commitments and Contingencies

Compensated Absences:

As a result of the City’s use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2024 for the City and Municipal Authority is \$2,160 and \$2,202, respectively.

Commitments Payable:

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, 2024, includes the following:

Notes Payable-direct borrowings/placements:

MMA OWRB Series 2024 Promissory Note used to finance certain improvements to the water and sewer systems, original issue amount of \$7,035,000 secured by sales tax and utilities revenues, payable in annual installments, variable interest rate of 4.325% to 5.2%, beginning September 15, 2024 with a final maturity of October 1, 2053. The collateral for this note is a pledge of certain water and sanitary sewer system revenues and certain sales tax. In the event of default, the lender has all rights and remedies as allowed by law including: 1) suit for specific performance of any or all covenants of the Authority contained in the Note Indentures or the notes; 2) appointment of temporary trustees to take over, operate and maintain the System on a profitable basis; 3) acceleration of the payment of principal and of interest; 4) file suit at law or equity to enforce or enjoin the action or inaction of parties under the provisions of the agreement.

\$ 7,035,000

Total Notes Payable

\$ 7,035,000

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Sales Tax and Utility Net Revenues Pledge – The City issued a Series 2024 Promissory Note (the “2024 Note”) to the Oklahoma Water Resources Board in the amount of \$7,035,000 on December 5, 2023. The 2024 Note is secured by a lien on the revenues derived from the water and sanitary sewer systems and a year-to-year pledge of the proceeds of an aggregate total of three percent (3.0%) sales tax. Proceeds from the 2024 Note will finance certain water and wastewater improvement projects. The maturity date of the note shall be no later than October 1, 2053 and shall bear an interest rate not exceeding 5.2%. The note is payable from pledged sales tax revenues and net utility revenues payable through 2053. Total principal and interest for the remainder of the life of the note is \$13,047,683. Pledged sales taxes received in the current year were \$435,060 and net utility revenues were negative \$15,592. Debt service payments begin September 15, 2024.

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. 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, 2024 (Unaudited)

	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u> <u>Budgetary Basis</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ 1,995,881	\$ 1,995,881	\$ 1,995,881	\$ -
Resources (Inflows)				
Taxes	932,000	932,000	856,280	(75,720)
Intergovernmental	34,500	152,500	45,252	(107,248)
Fines and forfeitures	190,700	190,700	231,477	40,777
Licenses and permits	1,400	1,400	642	(758)
Investment income	5,500	5,500	9,736	4,236
Miscellaneous	17,800	88,800	117,999	29,199
Transfers in	132,000	132,000	136,225	4,225
Total Resources	<u>1,313,900</u>	<u>1,502,900</u>	<u>1,397,611</u>	<u>(105,289)</u>
Amounts Available for Appropriation	<u>3,309,781</u>	<u>3,498,781</u>	<u>3,393,492</u>	<u>(105,289)</u>
Charges to Appropriations (Outflows)				
General government	214,323	274,323	253,113	21,210
Police	305,435	561,935	523,992	37,943
Fire	42,400	66,394	35,454	30,940
Municipal court	15,210	15,210	12,859	2,351
Parks	16,000	18,000	17,135	865
Code enforcement	72,127	79,327	72,309	7,018
First responders	1,200	1,200	1,200	-
Planning commission	2,000	2,000	-	2,000
Transfers out	641,000	641,000	435,060	205,940
Total Charges to Appropriations	<u>1,309,695</u>	<u>1,659,389</u>	<u>1,351,122</u>	<u>308,267</u>
Fund balances - ending	<u>\$ 2,000,086</u>	<u>\$ 1,839,392</u>	<u>\$ 2,042,370</u>	<u>\$ 202,978</u>

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

Cemetery Operating Account	162,172
Civil Defense Account	689
OWRB Emergency Grant Account	52
Surplus Auction Account	300
Armory Account	73,447
Fund Balance per Statement of Revenues, Expenditures and Changes in Fund Balance	<u>\$ 2,279,030</u>

Footnotes to Budgetary Comparison Schedules:

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

CITY OF MINCO, OKLAHOMA
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Combining Balance Sheet – General Fund Accounts (Modified Cash Basis) – June 30, 2024

	General Account	Cemetery Operating Account	Civil Defense Account	City Hall Renovations Account	Surplus Auction Account	Armory Account	Totals
ASSETS							
Cash and cash equivalents	\$ 2,189,951	\$ 162,172	\$ 689	\$ 52	\$ 300	\$ 73,447	\$ 2,426,611
Investments	50,000	-	-	-	-	-	50,000
Total assets	<u>\$ 2,239,951</u>	<u>\$ 162,172</u>	<u>\$ 689</u>	<u>\$ 52</u>	<u>\$ 300</u>	<u>\$ 73,447</u>	<u>\$ 2,476,611</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Due to other funds	\$ 193,928	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 193,928
Deposits subject to refund	2,000	-	-	-	-	-	2,000
Payable to other governments	1,653	-	-	-	-	-	1,653
Total liabilities	<u>197,581</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>197,581</u>
FUND BALANCES							
Fund balances:							
Restricted for:							
Public safety	44,960	-	-	-	-	-	44,960
Assigned for:							
Capital projects	62,175	-	-	52	-	73,447	135,674
Public safety	10,551	-	689	-	-	-	11,240
Cemetery	-	162,172	-	-	-	-	162,172
Unassigned	1,924,684	-	-	-	300	-	1,924,984
Total fund balances	<u>2,042,370</u>	<u>162,172</u>	<u>689</u>	<u>52</u>	<u>300</u>	<u>73,447</u>	<u>2,279,030</u>
Total liabilities and fund balances	<u>\$ 2,239,951</u>	<u>\$ 162,172</u>	<u>\$ 689</u>	<u>\$ 52</u>	<u>\$ 300</u>	<u>\$ 73,447</u>	<u>\$ 2,476,611</u>

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts (Modified Cash Basis) – Year Ended June 30, 2024

	General Account	Cemetery Operating Account	Civil Defense Account	OWRB Emergency Grant Account	Surplus Auction Account	Armory Account	Total
REVENUES							
Taxes	\$ 856,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 856,280
Intergovernmental	45,252	-	-	-	-	-	45,252
Charges for services	-	11,763	-	-	-	-	11,763
Fines and forfeitures	231,477	-	-	-	-	-	231,477
Licenses and permits	642	-	-	-	-	-	642
Investment income	9,736	17,654	-	-	-	310	27,700
Miscellaneous	117,999	4,193	-	-	-	12,000	134,192
Total revenues	<u>1,261,386</u>	<u>33,610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,310</u>	<u>1,307,306</u>
EXPENDITURES							
Current:							
General government	312,081	-	-	-	-	14,908	326,989
Public Safety	453,836	-	-	-	-	-	453,836
Culture and recreation	4,866	-	-	-	-	-	4,866
Cemetery	-	7,129	-	-	-	-	7,129
Capital outlay	145,279	16,800	-	-	-	-	162,079
Total expenditures	<u>916,062</u>	<u>23,929</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,908</u>	<u>954,899</u>
Revenues over (under) expenditures	<u>345,324</u>	<u>9,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,598)</u>	<u>352,407</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	136,225	-	-	-	-	-	136,225
Transfers out	(435,060)	-	-	-	-	-	(435,060)
Total other financing sources (uses)	<u>(298,835)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(298,835)</u>
Net change in fund balances	46,489	9,681	-	-	-	(2,598)	53,572
Fund balances - beginning	1,995,881	152,491	689	52	300	76,045	2,225,458
Fund balances - ending	<u>\$ 2,042,370</u>	<u>\$ 162,172</u>	<u>\$ 689</u>	<u>\$ 52</u>	<u>\$ 300</u>	<u>\$ 73,447</u>	<u>\$ 2,279,030</u>

CITY OF MINCO, OKLAHOMA
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Schedule of Expenditures of State Awards – For year ended June 30, 2024

STATE AWARDS:

OKLAHOMA DEPARTMENT OF AGRICULTURE:

Forestry Services - Rural Fire Grant	N/A	Rural Fire Grant	\$ 9,994	\$ 9,994
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FEDERAL EMERGENCY MANAGEMENT AGENCY:

FEMA-Severe Winter Storms	N/A	FEMA-4587-DR	5,675	239
FEMA-Severe Winter Storms	N/A	FEMA-4575-DR	59,877	1,139
FEMA-Severe Winter Storms	N/A	FEMA-4256-DR	42,947	5,368
Total Federal Emergency Management Agency			108,499	6,746

OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY

Rural Infrastructure Grant	N/A	RIG Grant	20,720	20,720
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ASSOCIATION OF SOUTH CENTRAL OKLAHOMA GOVERNMENTS

2024 REAP	N/A	2024 REAP	45,000	45,000
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Total State Awards			\$ 184,213	\$ 82,460
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CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2024

Schedule of Debt Service Coverage Compliance

	<u>Series 2024</u> <u>Promissory Note</u>
GROSS REVENUE AVAILABLE:	
Operating revenues	\$ 732,531
Sales tax appropriated and transferred from the City General Fund	<u>435,060</u>
Total Gross Revenue Available	<u>1,167,591</u>
OPERATING EXPENSES:	
Total Operating Expenses	<u>748,123</u>
Net Revenue Available for Debt Service	<u>\$ 419,468</u>
Annual Debt Service on all Obligations Payable From Revenues of the System	<u>\$ 120,357</u>
Computed Coverage	<u>349%</u>
Coverage Requirement	<u>125%</u>

CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2024

INTERNAL CONTROL AND COMPLIANCE

CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2024

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

To the Honorable Mayor and Members of the City Council
City of Minco, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Minco, Oklahoma (the “City”), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated March 24, 2025. Our report included an emphasis-of-a-matter paragraph related to the City’s use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2024-001 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

HSPG & Associates, P.C.

March 24, 2025



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and Members of the City Council
City of Minco, Oklahoma

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Minco, Oklahoma’s (the “City”) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City’ major federal programs for the year ended June 30, 2024. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-002 and 2024-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 24, 2025, which contained unmodified opinions on those financial statements. Our report included an emphasis-of-a-matter paragraph related to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

HSPG & Associates, P.C.

March 24, 2025

CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2024

Schedule of Expenditures of Federal Awards – For year ended June 30, 2024

Federal/State Grantor/Pass Thru Agency Grantor/Program Title	Federal AL Number	Pass Thru Grant #	Award Amount	Contract Expenditures
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF TREASURY:</u>				
Coronavirus State and Local Fiscal Recovery	21.027	ARPA	\$ 289,196	\$ 72,135
Passed through-Oklahoma Water Resources Board	21.027	ARP-23-0102-G	<u>1,000,000</u>	<u>669,527</u>
Total U.S. Department of Treasury			<u>1,289,196</u>	<u>741,662</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY:</u>				
FEMA-Severe Winter Storms	97.036	FEMA-4575-DR	2,417	2,417
FEMA-Severe Winter Storms	97.036	FEMA-4587-DR	<u>5,675</u>	<u>239</u>
Total Federal Emergency Management Agency			<u>8,092</u>	<u>2,656</u>
<u>ENVIRONMENTAL PROTECTION AGENCY:</u>				
Overflow Stormwater Grant Program	66-447	OSG-23-0002-G	<u>842,713</u>	<u>107,261</u>
 Total Federal Awards			 <u>\$ 2,140,001</u>	 <u>\$ 851,579</u>

CITY OF MINCO, OKLAHOMA
NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
Year Ended June 30, 2024

1. Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Minco, Oklahoma (the “City”) for the year ended June 30, 2024 and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirement of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

2. Indirect Cost Rate

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

3. Subrecipients

The City did not provide federal awards to subrecipients during the year ended June 30, 2024.

CITY OF MINCO, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED June 30, 2024

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? X yes _____ none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? X yes _____ none reported

Type of auditor’s report issued on compliance
for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)? X yes _____ no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish
Between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

CITY OF MINCO, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED June 30, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

None

Internal Control Findings

2024-001

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

2024-002 and 2024-003

Internal Control Findings

2024-002

CITY OF MINCO, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED June 30, 2024

Financial Statement Findings

Finding 2024-001 Segregation of Duties

Criteria: Controls should properly segregate duties so that a single employee does not have access to both the physical asset and the related accounting records or to all phases of a transaction.

Condition: Controls were not always adequately segregated to prevent employees from having incompatible duties.

Cause: Due to the City's small staff size, certain duties are performed by personnel that would often be segregated in larger organizations.

Effect: Unauthorized transactions may occur and not be detected due to employees performing incompatible duties.

Recommendation: Management should remain aware of the risk of any incompatible duties and attempt to mitigate that risk with increased oversight to the extent feasible.

Views of Responsive Officials of Auditee: Daily reports are verified by two people, with each verifying the cash deposit and looking at the transaction list to verify any voided transactions. These reports are signed to show verifications. Bank reconciliations are performed by a public accounting firm. Our current mayor is generally onsite daily and plays an active roll in the approving transactions.

CITY OF MINCO, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED June 30, 2024

Federal Awards Findings

Finding 2024-002; ARPA Reporting

Criteria: The U.S. Department of Treasury requires the City to submit annual reports, which include, among other items, cumulative amounts expended and obligated.

Condition: Amounts reported to Treasury did not agree to the City's underlying records.

Cause: Procedures had not been fully established to ensure accurate reporting to Treasury.

Effect: Inaccurate reporting to Treasury may be occurring.

Questioned Costs: None

Recommendation: We recommend the City review its procedures to ensure costs incurred are accurately reported to the US Treasury.

Views of Responsive Officials of Auditee: Procedures will be added to ensure proper reporting in future periods.

Finding 2024-003; Written Policies and Procedures

Criteria: The City is required by the Uniform Guidance, 2 CFR Part 200, to maintain written policies and procedures that provide reasonable assurance that it is managing federal awards in compliance with applicable federal statutes and regulations of the award.

Condition: The City has informal non-written policies but does not have written policies.

Cause: The City has historically not had significant federal expenditures.

Effect: The City is not in compliance with Uniformed Guidance written policies and procedures requirement.

Questioned Costs: None

Recommendation: We recommend the City adopt written policies and procedures to ensure compliance with its federal awards.

Views of Responsive Officials of Auditee: The City has identified this as an area of concern and is currently working with counsel to develop written policies and procedures.

CITY OF MINCO, OKLAHOMA
SUMMARY SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED June 30, 2023

Financial Statement Finding

Finding 2023-001 Segregation of Duties

Criteria: Controls should properly segregate duties so that a single employee does not have access to both the physical asset and the related accounting records or to all phases of a transaction.

Condition: Controls were not always adequately segregated to prevent employees from having incompatible duties.

Cause: Due to the City's small staff size, certain duties are performed by personnel that would often be segregated in larger organizations.

Effect: Unauthorized transactions may occur and not be detected due to employees performing incompatible duties.

Recommendation: Management should remain aware of the risk of any incompatible duties and attempt to mitigate that risk with increased oversight to the extent feasible.

Current Year Status: See finding 2024-001.