

MINCO GAS AUTHORITY
MINCO, OKLAHOMA
June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Minco Gas Authority
Minco, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the Minco Gas Authority, Minco, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority'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; 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 the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

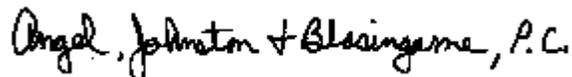
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the Minco Gas Authority as of June 30, 2015, and the respective changes in financial position-modified cash basis and cash flows-modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The 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 opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated, August 28, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Angel, Johnston & Blasingame, P.C.
Chickasha, Oklahoma
August 28, 2015

Basic Financial Statements

MINCO GAS AUTHORITY
Statement of Net Position
Modified Cash Basis
June 30, 2015

ASSETS

Current Assets

Cash and cash equivalents	\$ 204,895
Restricted cash and cash equivalents	5,190
Investments	150,000
Restricted investments	40,000
<i>Total Current Assets</i>	<u>400,085</u>

Non Current Assets

Land and other non-depreciable assets	7,423
Other capital assets, net of depreciation	398,376
<i>Total Non Current Assets</i>	<u>405,799</u>

<i>Total Assets</i>	<u>805,884</u>
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LIABILITIES

Current Liabilities

Current portion long term debt	1,752
<i>Total Current Liabilities</i>	<u>1,752</u>

Long-term Liabilities

Refundable deposits	45,190
Long term debt	21,935
<i>Total Long-term Liabilities</i>	<u>67,125</u>

<i>Total Liabilities</i>	<u>68,877</u>
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NET POSITION

Net investment in capital assets	382,112
Restricted	-
Unrestricted	354,895
	<u>354,895</u>

<i>Total Net Position</i>	<u>\$ 737,007</u>
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The accompanying notes are an integral part of the financial statements.

MINCO GAS AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Position
Modified Cash Basis
For the Year Ended June 30, 2015

Operating Revenues	
Gas charges	\$ 376,813
Tap fees	1,000
Miscellaneous	365
<i>Total Operating Revenues</i>	378,178
 Operating Expenses	
Cost of gas sold	197,159
Audit and legal fees	3,800
Customer reimbursement	37
Drug and alcohol testing	595
Fees and dues	3,356
Insurance-employee health	5,876
Insurance-general	10,067
Maintenance	22,449
Postage/office supplies	4,550
Retirement	3,282
Returned checks	433
Salaries and payroll taxes	67,356
Sales tax	14,061
Truck expense	1,410
Trustee expense	500
Utilities	4,478
Depreciation	18,810
<i>Total Operating Expenses</i>	358,219
<i>Operating Income (Loss)</i>	19,959
 Non Operating Revenues (Expenses)	
Investment income	1,644
Building rent	1,800
<i>Total Non Operating Revenues (Expenses)</i>	3,444
<i>Change in Net Position</i>	23,403
<i>Net Position - Beginning of Year</i>	713,604
<i>Net Position - End of Year</i>	\$ 737,007

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

MINCO GAS AUTHORITY
Statement of Cash Flows
Modified Cash Basis
For the Year Ended June 30, 2015

Cash flows from operating activities	
Receipts from customers	\$ 378,178
Payments to employees	(67,356)
Payments to suppliers	(272,053)
Other receipts (payments)	2,100
<i>Net cash provided by (used for) operating activities</i>	<u>40,869</u>
Cash flows from noncapital financing activities	
Nonoperating miscellaneous revenue	-
<i>Net cash provided by (used for) noncapital financing activities</i>	<u>-</u>
Cash flows from capital and related financing activities	
Note payments	(1,899)
Purchase of capital assets	(61,094)
<i>Net cash provided by (used for) capital and related financing activities</i>	<u>(62,993)</u>
Cash flows from investing activities	
Interest received	1,644
Building rent	1,800
<i>Net cash provided by (used for) investing activities</i>	<u>3,444</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	(18,680)
<i>Cash and cash equivalents at beginning of year</i>	228,765
<i>Cash and cash equivalents at end of year</i>	<u>\$ 210,085</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 204,895
Restricted cash and cash equivalents	<u>5,190</u>
Total cash and cash equivalents	<u>\$ 210,085</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 19,959
Adjustment to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	18,810
Change in refundable deposits	2,100
<i>Net cash provided by (used for) operating activities</i>	<u>\$ 40,869</u>

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

MINCO GAS AUTHORITY
Notes To Basic Financial Statements
For the Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies

1.A. Financial Reporting Entity

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

Related Organizations

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

1.B. Basis of Presentation

The Authority's fund is an enterprise fund. Enterprise funds are proprietary 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.

1.C. Measurement Focus and Basis of Accounting

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

The Authority's financial statements use the economic resources measurement focus and are presented on the modified cash basis of accounting. Revenues are recognized when they are received and expenses are recorded when paid with the following modifications:

- Capital assets are recorded when purchased and related depreciation is recorded.
- Donated capital assets are recorded at estimated fair market value at date of donation.
- Long-term debt is recorded when incurred.

This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

If the Authority utilized the basis of accounting recognized as generally accepted, the financial statements would use the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred.

MINCO GAS AUTHORITY
Notes To Basic Financial Statements
For the Year Ended June 30, 2015

1.D. Assets, Liabilities and Net Position

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

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

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

Capital Assets - Capital assets acquired are capitalized and stated at historical cost or estimated historical cost, if actual historical cost is not available.

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

Donated capital assets are recorded at their fair market values as of the date received. Interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed. A capitalization threshold of \$400 is used to report capital assets.

Depreciation of exhaustible capital assets is recorded as an expense over the estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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

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

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

MINCO GAS AUTHORITY
Notes To Basic Financial Statements
For the Year Ended June 30, 2015

Net Position - Net position is divided into three components:

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

It is the Authority’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 are available.

1.E. Revenues and Expenses

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

Expenses –The Authority reports expenses relating to the use of economic resources.

1.F. Use of Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management’s best judgments and may vary from actual results.

Note 2 - Detailed Notes on Transaction Classes/Accounts

2.A. Deposits, Investments, and Collateral

Deposits and Investments - The Authority does not have a written investment policy that limits its investment choices. Currently investments consist of certificates of deposit.

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority does not have a written policy for custodial risk, but follows state law which requires collateral for all deposits not covered by Federal Deposit Insurance Corporation insurance. At June 30, 2015, the Authority was not exposed to custodial credit risk.

MINCO GAS AUTHORITY
Notes To Basic Financial Statements
For the Year Ended June 30, 2015

2.B. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	<u>Balance 6/30/14</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/15</u>
Non-depreciable assets:				
Construction in progress	\$ -	5,412	-	\$ 5,412
Land	<u>2,011</u>	<u>-</u>	<u>-</u>	<u>2,011</u>
Total non-depreciable assets	<u>2,011</u>	<u>5,412</u>	<u>-</u>	<u>7,423</u>
Depreciable assets:				
Buildings and Improvements	52,703	-	-	52,703
Gas System and Improvements	713,189	55,682	-	768,871
Gas Line Upgrade	67,185	-	-	67,185
Furniture and Fixtures	2,488	-	-	2,488
Vehicles and equipment	<u>44,340</u>	<u>-</u>	<u>-</u>	<u>44,340</u>
Total depreciable assets	<u>879,905</u>	<u>55,682</u>	<u>-</u>	<u>935,587</u>
Less accumulated depreciation:				
Buildings and Improvements	8,855	1,317	-	10,172
Gas System and Improvements	405,476	13,144	-	418,620
Gas Line Upgrade	62,207	634	-	62,841
Furniture and Fixtures	2,488	-	-	2,488
Vehicles and equipment	<u>39,375</u>	<u>3,715</u>	<u>-</u>	<u>43,090</u>
Total accumulated depreciation	<u>518,401</u>	<u>18,810</u>	<u>-</u>	<u>537,211</u>
Net depreciable assets	<u>361,504</u>	<u>36,872</u>	<u>-</u>	<u>398,376</u>
Net capital assets	<u>\$ 363,515</u>	<u>\$ 42,284</u>	<u>\$ -</u>	<u>\$ 405,799</u>

2.C. Restricted Assets

Restricted assets as of June 30, 2015 are as follows:

	<u>Restricted Cash</u>	<u>Restricted Investments</u>
Meter deposits	<u>\$ 5,190</u>	<u>\$ 40,000</u>

2.D. Liabilities

Meter Deposits – The Authority collects deposits from customers that are to be refunded or credited to the customer upon termination of the utility service and payment of all charges due and connected with the service. Also, deposits are refunded to homeowners with good payment history for one year. Meter deposit liability at June 30, 2015 was \$45,190.

MINCO GAS AUTHORITY
Notes To Basic Financial Statements
For the Year Ended June 30, 2015

2.E. Long-Term Debt

The Authority had the following long-term debts outstanding:

Note payable to Minco Schools, payable in annual installments of a variable amount on December 31st of each year. This note was incurred by entering into a Gas Line Extension Agreement with Minco Public Schools on January 1, 2008. This agreement provides that the customer (Minco Schools) pays for the initial cost of the installation of the gas line. At the end of the year, the Authority will pay the customer back a sum of one-half of the preceding year's customer dollar amount of gas usage until such time as the investment has been returned in full. This note is limited to a ten-year period. In the event the total investment has not been refunded due to lack of gas usage within the said ten-year period, the balance of the investment remaining unpaid will not be reimbursed and shall be deemed a contribution in aid of construction. This is a non-interest-bearing note. As of June 30, 2015, the balance was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Balance Due in 1 year</u>
N/P – Minco Schools	\$ 22,282	\$ -	\$ 1,523	\$ 20,759	\$ 1,400

Note payable to Matt Gore, payable in annual installments of a variable amount on December 31st of each year. This note was incurred by entering into a Gas Line Extension Agreement with Matt Gore on January 24, 2012. This agreement provides that the customer (Matt Gore) pays for the initial cost of the installation of the gas line. At the end of the year, the Authority will pay the customer back a sum of one-half of the preceding year's customer dollar amount of gas usage until such time as the investment has been returned in full. This note is limited to a ten-year period. In the event the total investment has not been refunded due to lack of gas usage within the said ten-year period, the balance of the investment remaining unpaid will not be reimbursed and shall be deemed a contribution in aid of construction. This is a non-interest-bearing note. As of June 30, 2015, the balance was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Balance Due in 1 year</u>
N/P – Matt Gore	\$ 3,304	\$ -	\$ 376	\$ 2,928	\$ 352

Note 3 - Other Notes

3.A. Employee Pension Plans

Savings Incentive Match Plan for Employees - On August 1, 1997, the Authority enacted a Simple IRA Plan utilizing the IRS Form 5304-SIMPLE for its employees. A Simple IRA is an individual retirement account described in section 408(a) to which the only contributions that can be made are contributions under a Simple Plan and rollovers or transfers from another Simple IRA. The Simple Plan is a defined contribution plan. The Authority also administers the Simple Plan.

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

MINCO GAS AUTHORITY
Notes To Basic Financial Statements
For the Year Ended June 30, 2015

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

Contributions – For each calendar year, the Authority will contribute a matching contribution to each eligible employee’s SIMPLE IRA equal to the employee’s salary reduction contributions up to a limit of 3% of the employee’s compensation for the calendar year. Contributions are made on a monthly basis. Contributions made during the fiscal year are as follows: Authority - \$1,641, Employees - \$1,641.

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

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

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

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

3.B. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health; and acts of God. The Authority manages these various risks of loss by securing commercial insurance. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the Authority. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past three years.

3.C. Commitments and Contingencies

Gas Sales Agreement - The Authority has a contractual commitment with Clearwater Enterprises, LLC to purchase gas on a month to month basis effective July 1, 2007, with an amendment effective July 1, 2013 through June 30, 2016. The price of the gas is calculated each month by adding \$.07 per MMBtu to the Inside FERC’s Gas Market Report first of the month index posting for ONEOK Gas Transportation LLC. The Authority has the option to fix a price for a quantity of gas throughout the term of this agreement at a price that is mutually agreeable to the parties.

MINCO GAS AUTHORITY
Notes To Basic Financial Statements
For the Year Ended June 30, 2015

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

Commitments-Construction – At June 30, 2015, the Authority had pending construction project contracts in progress. The commitments related to the remaining contract balances are summarized as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Remaining Balance</u>
Hwy 37 Widening Project	\$ 15,200	\$ 9,787

3.D. Related Party Transactions

The Authority contracts with trustee, Johnny Verser, for welding services. The welding services contract is competitively bid each year and any expenses to the trustee are publicly disclosed during the year. However, for the year ended June 30, 2015, the Authority did not pay Johnny Verser for welding services.

3.E. Economic Dependency

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

3.F. Subsequent Events

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

Internal Control and Compliance Reports

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

To the Board of Trustees
Minco Gas Authority
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 accompanying modified cash basis financial statements of the Minco Gas Authority, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated, August 28, 2015. Our report on the financial statements disclosed, that, as described in Note 1 to the financial statements, the Authority prepares its financial statements on a modified cash basis of accounting, which is 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 of the financial statements, we considered Minco Gas Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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 weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. 15-01.

Compliance and Other Matters

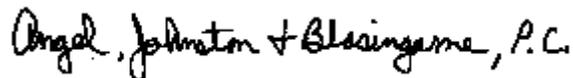
As part of obtaining reasonable assurance about whether Minco Gas Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Minco Gas Authority's Response to Findings

Minco Gas Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Authority's response was not subjected 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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with the *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Angel, Johnston & Blasingame, P.C.
Chickasha, Oklahoma
August 28, 2015

MINCO GAS AUTHORITY
Schedule of Findings and Responses
For the Year Ended June 30, 2015

15-01 Criteria – The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the Authority’s assets and ensure accurate financial reporting.

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

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

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

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

Management response – Management agrees.