

MINCO GAS AUTHORITY
MINCO, OKLAHOMA
June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
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, 2014, 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 modified cash basis financial position of the Minco Gas Authority as of June 30, 2014, and the respective changes in modified cash basis financial position and cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The combining financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

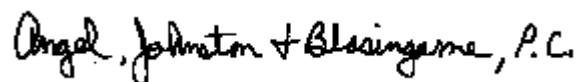
The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which 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 October 16, 2014, 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.
October 16, 2014

MINCO GAS AUTHORITY
Statement of Net Position
Modified Cash Basis
For the Year Ended June 30, 2014

ASSETS

Current Assets

Cash and cash equivalents	\$ 225,675
Restricted cash and cash equivalents	3,090
Investments	150,000
Restricted investments	40,000
<i>Total Current Assets</i>	<u>418,765</u>

Non Current Assets

Land and other non-depreciable assets	2,011
Other capital assets, net of depreciation	361,504
<i>Total Non Current Assets</i>	<u>363,515</u>

<i>Total Assets</i>	<u>782,280</u>
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LIABILITIES

Current Liabilities

Current portion long term debt	1,975
<i>Total Current Liabilities</i>	<u>1,975</u>

Non Current Liabilities

Refundable deposits	43,090
Long term debt	23,611
<i>Total Non Current Liabilities</i>	<u>66,701</u>

<i>Total Liabilities</i>	<u>68,676</u>
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NET POSITION

Net investment in capital assets	337,929
Restricted	-
Unrestricted	375,675
<i>Total Net Position</i>	<u><u>\$ 713,604</u></u>

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, 2014

Operating Revenue	
Gas charges	\$ 410,565
Tap fees	200
Miscellaneous	97
<i>Total Operating Revenue</i>	<u>410,862</u>
Operating Expenses	
Cost of gas sold	198,735
Audit and legal fees	3,595
Bank charges	166
Drug and alcohol testing	595
Fees and dues	2,524
Insurance-employee health	7,160
Insurance-general	10,304
Maintenance	13,814
Postage/office supplies	4,156
Retirement	3,195
Returned checks	899
Salaries and payroll taxes	64,968
Sales tax	15,438
Truck expense	3,047
Trustee expense	520
Utilities	4,165
Depreciation	20,446
<i>Total Operating Expenses</i>	<u>353,727</u>
<i>Operating Income (Loss)</i>	<u>57,135</u>
Non Operating Revenues (Expense)	
Investment income	1,808
Building rent	1,800
<i>Total Non Operating Revenues (Expenses)</i>	<u>3,608</u>
<i>Income (Loss) Before Transfers</i>	60,743
Transfers in (out)	<u>-</u>
<i>Change in Net Position</i>	60,743
<i>Net Position - Beginning of Year, restated</i>	<u>652,861</u>
<i>Net Position - End of Year</i>	<u><u>\$ 713,604</u></u>

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, 2014

Cash flows from operating activities

Receipts from customers	\$ 410,862
Payments to employees	(64,968)
Payments to suppliers	(268,313)
Other receipts (payments)	285
<i>Net cash provided by (used for) operating activities</i>	<u>77,866</u>

Cash flows from noncapital financing activities

Transfers to other funds	-
Transfers from other funds	-
<i>Net cash provided by (used for) noncapital financing activities</i>	<u>-</u>

Cash flows from capital and related financing activities

Note payments	(1,652)
Purchase of capital assets	-
<i>Net cash provided by (used for) capital and related financing activities</i>	<u>(1,652)</u>

Cash flows from investing activities

Interest received	1,808
Building rent	1,800
Investments purchased	(25,000)
<i>Net cash provided by (used for) investing activities</i>	<u>(21,392)</u>

Net increase (decrease) in cash and cash equivalents

54,822

Cash and cash equivalents at beginning of year

173,943

Cash and cash equivalents at end of year

\$ 228,765

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

Operating income (loss)	57,135
Adjustment to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	20,446
Change in refundable deposits	285
<i>Net cash provided by (used for) operating activities</i>	<u><u>\$ 77,866</u></u>

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

MINCO GAS AUTHORITY
Notes To Basic Financial Statements
For the Year Ended June 30, 2014

Note 1 - Summary of Significant Accounting Policies

As discussed further in Note 1.C., these financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

1.A. Financial Reporting Entity

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

Related Organizations

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

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.

The reporting entity includes the following enterprise funds:

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

Meter - Accounts for refundable gas meter deposits.

1.C. Measurement Focus and Basis of Accounting

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

MINCO GAS AUTHORITY
Notes To Basic Financial Statements
For the Year Ended June 30, 2014

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

1.C. Measurement Focus and Basis of Accounting, (continued)

- 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.

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

MINCO GAS AUTHORITY
Notes To Basic Financial Statements
For the Year Ended June 30, 2014

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

1.D. Assets, Liabilities and Net Position, (continued)

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.

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.

Interfund Activity – Transfers are the flow of assets from one fund to another where repayment is not expected and is reported as transfers in and out.

1.F. Use of Estimates

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.

MINCO GAS AUTHORITY
Notes To Basic Financial Statements
For the Year Ended June 30, 2014

Note 2 - Detailed Notes on Transaction Classes/Accounts

2.A. Deposits, Investments, and Collateral

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

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a written deposit policy, but follows state statutes regarding custodial credit risk which requires collateral for all deposits in excess of Federal Deposit Insurance. As of June 30, 2014, the bank balance was \$421,263. This amount was fully insured.

2.B. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	<u>Balance 6/30/13</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/14</u>
Non-depreciable assets:				
Construction in progress	\$ -	-	-	\$ -
Land	<u>2,011</u>	<u>-</u>	<u>-</u>	<u>2,011</u>
Total non-depreciable assets	<u>2,011</u>	<u>-</u>	<u>-</u>	<u>2,011</u>
Depreciable assets:				
Buildings and Improvements	52,703	-	-	52,703
Gas System and Improvements	713,189	-	-	713,189
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>-</u>	<u>-</u>	<u>879,905</u>
Less accumulated depreciation:				
Buildings and Improvements	7,538	1,317	-	8,855
Gas System and Improvements	393,559	11,917	-	405,476
Gas Line Upgrade	61,565	642	-	62,207
Furniture and Fixtures	2,488	-	-	2,488
Vehicles and equipment	<u>32,805</u>	<u>6,570</u>	<u>-</u>	<u>39,375</u>
Total accumulated depreciation	<u>497,955</u>	<u>20,446</u>	<u>-</u>	<u>518,401</u>
Net depreciable assets	<u>381,950</u>	<u>(20,446)</u>	<u>-</u>	<u>361,504</u>
Net capital assets	<u>\$ 383,961</u>	<u>\$ (20,446)</u>	<u>\$ -</u>	<u>\$ 363,515</u>

MINCO GAS AUTHORITY
Notes To Basic Financial Statements
For the Year Ended June 30, 2014

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

2.C. Restricted Assets

Restricted assets as of June 30, 2014 are as follows:

	Restricted Cash	Restricted Investments
Meter deposits	<u>\$ 3,090</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, 2014 was \$43,090.

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, 2014, the balance was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Balance Due in 1 year
N/P – Minco Schools	<u>\$ 23,608</u>	<u>\$ -</u>	<u>\$ 1,326</u>	<u>\$ 22,282</u>	<u>\$ 1,600</u>

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, 2014, the balance was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Balance Due in 1 year
N/P – Matt Gore	<u>\$ 3,630</u>	<u>\$ -</u>	<u>\$ 326</u>	<u>\$ 3,304</u>	<u>\$ 375</u>

MINCO GAS AUTHORITY
Notes To Basic Financial Statements
For the Year Ended June 30, 2014

Note 3 - Other Notes

3.A. Prior Period Adjustment

Certain adjustments were needed to restate the beginning net position of the various funds. This restatement is the result of an error that included inventory as a modification to the modified cash basis financial statements. The schedule below outlines the adjustments:

	<u>Gas Revenue</u>	<u>Meter</u>	<u>Total</u>
Beginning Net Position (as previously reported)	\$ 663,463	\$ 2,555	\$ 666,018
Prior period adjustment for correction of error:			
Inventory	(13,157)	-	(13,157)
Beginning Net Position, restated	<u>\$ 650,306</u>	<u>\$ 2,555</u>	<u>\$ 652,861</u>

3.B. 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.

Salary Reduction Agreements – For a calendar year, an eligible employee may make or modify a salary reduction election during the 60-day period immediately proceeding 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 - \$1,597, Employees - \$1,597.

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.

MINCO GAS AUTHORITY
Notes To Basic Financial Statements
For the Year Ended June 30, 2014

Note 3 - Other Notes, (continued)

3.B. Employee Pension Plans, (continued)

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.C. 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.D. 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.

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

3.E. Related Party Transactions

The Authority contracts with trustee, Johnny Verser, for welding services. A total of \$40 was paid to Verser Welding during the year ended June 30, 2014. The welding services contract was competitively bid and the expenses to the trustee were publicly disclosed during the year.

3.F. 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.

Combining Financial Statements

MINCO GAS AUTHORITY
Combining Statement of Net Position
Modified Cash Basis
For the Year Ended June 30, 2014

	Gas Revenue	Meter	Total
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 223,265	\$ 2,410	\$ 225,675
Restricted cash and cash equivalents	-	3,090	3,090
Investments	150,000	-	150,000
Restricted investments	-	40,000	40,000
<i>Total Current Assets</i>	<u>373,265</u>	<u>45,500</u>	<u>418,765</u>
Non Current Assets			
Land and other non-depreciable assets	2,011	-	2,011
Other capital assets, net of depreciation	361,504	-	361,504
<i>Total Non Current Assets</i>	<u>363,515</u>	<u>-</u>	<u>363,515</u>
<i>Total Assets</i>	<u>736,780</u>	<u>45,500</u>	<u>782,280</u>
<u>LIABILITIES</u>			
Current Liabilities			
Current portion long term debt	1,975	-	1,975
<i>Total Current Liabilities</i>	<u>1,975</u>	<u>-</u>	<u>1,975</u>
Non Current Liabilities			
Refundable deposits	-	43,090	43,090
Long term debt	23,611	-	23,611
<i>Total Non Current Liabilities</i>	<u>23,611</u>	<u>43,090</u>	<u>66,701</u>
<i>Total Liabilities</i>	<u>25,586</u>	<u>43,090</u>	<u>68,676</u>
<u>NET POSITION</u>			
Net investment in capital assets	337,929	-	337,929
Restricted	-	-	-
Unrestricted	373,265	2,410	375,675
<i>Total Net Position</i>	<u>\$ 711,194</u>	<u>\$ 2,410</u>	<u>\$ 713,604</u>

MINCO GAS AUTHORITY
Combining Statement of Revenues, Expenses, and Changes in Net Position
Modified Cash Basis
For the Year Ended June 30, 2014

	<u>Gas Revenue</u>	<u>Meter</u>	<u>Total</u>
Operating Revenue			
Gas charges	\$ 410,565	\$ -	\$ 410,565
Tap fees	200	-	200
Miscellaneous	85	12	97
<i>Total Operating Revenue</i>	<u>410,850</u>	<u>12</u>	<u>410,862</u>
Operating Expenses			
Cost of gas sold	198,735	-	198,735
Audit and legal fees	3,595	-	3,595
Bank charges	-	166	166
Drug and alcohol testing	595	-	595
Fees and dues	2,524	-	2,524
Insurance-employee health	7,160	-	7,160
Insurance-general	10,304	-	10,304
Maintenance	13,814	-	13,814
Postage/office supplies	4,156	-	4,156
Retirement	3,195	-	3,195
Returned checks	899	-	899
Salaries and payroll taxes	64,968	-	64,968
Sales tax	15,438	-	15,438
Truck expense	3,047	-	3,047
Trustee expense	520	-	520
Utilities	4,165	-	4,165
Depreciation	20,446	-	20,446
<i>Total Operating Expenses</i>	<u>353,561</u>	<u>166</u>	<u>353,727</u>
<i>Operating Income (Loss)</i>	<u>57,289</u>	<u>(154)</u>	<u>57,135</u>
Non Operating Revenues (Expense)			
Investment income	1,799	9	1,808
Building rent	1,800	-	1,800
<i>Total Non Operating Revenues (Expenses)</i>	<u>3,599</u>	<u>9</u>	<u>3,608</u>
<i>Income (Loss) Before Transfers</i>	60,888	(145)	60,743
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
<i>Change in Net Position</i>	60,888	(145)	60,743
<i>Net Position - Beginning of Year, restated</i>	<u>650,306</u>	<u>2,555</u>	<u>652,861</u>
<i>Net Position - End of Year</i>	<u><u>\$ 711,194</u></u>	<u><u>\$ 2,410</u></u>	<u><u>\$ 713,604</u></u>

MINCO GAS AUTHORITY
Combining Statement of Cash Flows
Modified Cash Basis
For the Year Ended June 30, 2014

	Gas Revenue	Meter	Total
Cash flows from operating activities			
Receipts from customers	\$ 410,850	\$ 12	\$ 410,862
Payments to employees	(64,968)	-	(64,968)
Payments to suppliers	(268,147)	(166)	(268,313)
Other receipts (payments)	-	285	285
<i>Net cash provided by (used for) operating activities</i>	<u>77,735</u>	<u>131</u>	<u>77,866</u>
Cash flows from noncapital financing activities			
Transfers to other funds	-	-	-
Transfers from other funds	-	-	-
<i>Net cash provided by (used for) noncapital financing activities</i>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities			
Note payments	(1,652)	-	(1,652)
Purchase of capital assets	-	-	-
<i>Net cash provided by (used for) capital and related financing activities</i>	<u>(1,652)</u>	<u>-</u>	<u>(1,652)</u>
Cash flows from investing activities			
Interest received	1,799	9	1,808
Building rent	1,800	-	1,800
Investments purchased	(25,000)	-	(25,000)
<i>Net cash provided by (used for) investing activities</i>	<u>(21,401)</u>	<u>9</u>	<u>(21,392)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	54,682	140	54,822
<i>Cash and cash equivalents at beginning of year</i>	168,583	5,360	173,943
<i>Cash and cash equivalents at end of year</i>	<u>\$ 223,265</u>	<u>\$ 5,500</u>	<u>\$ 228,765</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	57,289	(154)	57,135
Adjustment to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	20,446	-	20,446
Change in refundable deposits	-	285	285
<i>Net cash provided by (used for) operating activities</i>	<u>\$ 77,735</u>	<u>\$ 131</u>	<u>\$ 77,866</u>

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 of
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 Minco Gas Authority, Minco, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated, October 16, 2014.

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 opinion 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 the internal control was for the limited purpose described in the preceding paragraph 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. 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 deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 14-01.

Compliance and Other Matters

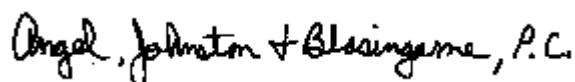
As part of obtaining reasonable assurance about whether Minco Gas Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 findings 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Angel, Johnston & Blasingame, P.C.

October 16, 2014

MINCO GAS AUTHORITY
Schedule of Findings and Responses
For the Year Ended June 30, 2014

14-01 Criteria – The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

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

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

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

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

Management response – Management agrees.

MINCO GAS AUTHORITY
Summary of Prior year Findings
For the Year Ended June 30, 2014

13-01 Finding – A good system of internal control provides for a proper segregation of the accounting functions. The Authority has a small number of employees that perform the duties that would normally be divided among a large number of employees.

Disposition – See current year finding 14-01.