TOWN OF NORTH MIAMI

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT

May 11, 2012

To the Town Council
Town of North Miami, State of Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of North Miami, State of Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of North Miami, State of Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Miami, State of Oklahoma, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2012, on our consideration of the Town of North Miami, State of Oklahoma'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing

standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Wingard, Ragsdale Langley, CPAs, PLLC

WINGARD, RAGSDALE & LANGLEY
CERTIFIED PUBLIC ACCOUNTANTS, PLLC

TOWN OF NORTH MIAMI
STATEMENT OF NET ASSETS – GOVERNMENT WIDE
JUNE 30,

	2011		
	Governmental Activities	**Business-type Activities**	**Total**
ASSETS			
Current Assets			
Cash, including time deposits	$ 170,093	$ 47,772	$ 217,865
Taxes receivable	8,403	-	8,403
Prepaid Expenses	1,373	846	2,219
Accounts receivable, net	-	27,163	27,163
Total current assets	179,869	75,781	255,650
Noncurrent Assets			
Restricted assets			
Cash	-	26,991	26,991
Capital Assets, net	359,479	130,677	490,156
Total noncurrent assets	359,479	157,668	517,147
Total Assets	539,348	233,449	772,797
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	6,163	7,975	14,138
Current portion of long term debt	-	5,772	5,772
Total current liabilities	6,163	13,747	19,910
Noncurrent Liabilities			
Customer deposits payable	-	12,510	12,510
Notes payable, less current portion	-	118,570	118,570
Total noncurrent liabilities	-	131,080	131,080
Total Liablilities	6,163	144,827	150,990
NET ASSETS			
Invested in capital assets, net of related debt	359,479	6,335	365,814
Restricted for grant administration	88,959	-	88,959
Restricted for utility deposits	-	12,510	12,510
Restricted for debt service	-	13,248	13,248
Unrestricted	84,747	56,529	141,276
Total Net Assets	$ 533,185	$ 88,622	$ 621,807

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

TOWN OF NORTH MIAMI
STATEMENT OF ACTIVITIES – GOVERNMENT WIDE
JUNE 30,

	2011					
		Program Revenues		Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Capital Grants	Governmental Activities	Business-Type Activities	Total
Governmental activities						
General government	$ 33,807	$ 3,691	$ 7,270	$ (22,846)	$ -	$ (22,846)
Police	45,302	17,442	-	(27,860)	-	(27,860)
Streets	30,386	-	19,492	(10,894)	-	(10,894)
Total governmental activities	109,495	21,133	26,762	(61,600)	-	(61,600)
Business-type activities						
Water utilitiies	135,943	120,553			(15,390)	(15,390)

	Governmental Activities	Business-type Activities	Total
General Revenues			
Taxes			
Franchise taxes	12,738	-	12,738
Sales taxes	38,266	-	38,266
Other taxes	6,122	-	6,122
Investment income	816	626	1,442
Transfers	(11,808)	11,808	-
	46,134	12,434	58,568
Change in net assets	(15,466)	(2,956)	(18,422)
Net assets beginning	548,651	91,578	640,229
Net assets ending	$ 533,185	$ 88,622	$ 621,807

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

TOWN OF NORTH MIAMI

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES

JUNE 30,

	2011
Net change in fund balances - total governmental funds	$ 10,520
Amounts reported for Governmental Activities in the Statement of Activities are different because	
Governmental funds report outlays for capital assets as expenditures because such outlays use current fmancial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets estimated useful lives as depreciation expense for the period. This is the amount that depreciation in the current period exceeds the current capital outlays.	(25,986)
Change in net assets of governmental activities	$ (15,466)

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

TOWN OF NORTH MIAMI
BALANCE SHEET – GOVERNMENTAL FUNDS
Year Ended June 30,

	2011		
	General Fund	EPA Fund	Total
ASSETS			
Cash, including time deposits	$ 81,134	$ 88,959	$ 170,093
Taxes receivable	8,403	-	8,403
Prepaid expense	1,373	-	1,373
Total Assets	90,910	88,959	179,869
LIABILITIES & FUND BALANCES			
Current Liabilities			
Accounts payable	6,163	-	6,163
Total Liablilities	6,163	-	6,163
Fund Balances			
Unassigned	84,747		84,747
Restricted		88,959	88,959
Total Fund Balance	84,747	88,959	173,706
Total Liabilities and Fund Balances	$ 90,910	$ 88,959	$ 179,869

Total fund balance, governmental funds	$ 173,706
Amounts reported for government activlies in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental activities of the Statement orNet Assets.	359,479
Net Assets of Governmental Activities in the Statement of Net Assets	$ 533,185

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

TOWN OF NORTH MIAMI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS

Year Ended June 30,

	2011		
	General Fund	EPA Fund	Total
REVENUES			
Sales tax	$ 38,266	$ -	$ 38,266
Franchise fees	12,738	-	12,738
Commercial vehicle tax	3,098	-	3,098
Alcohol and cigarette tax	2,249	-	2,249
Gasoline tax	778	-	778
Fines and fees	18,092	-	18,092
Interest	551	265	816
Grants	7,270	19,492	26,762
Miscellaneous	3,041	-	3,041
Total revenues	86,083	19,757	105,840
EXPENDITURES			
Maintenance and operations	41,758	790	42,548
Personal services	34,595	-	34,595
Capital outlay	6,369	-	6,369
Total expenditures	82,722	790	83,512
Excess (deficiency) of revenues over (under) expenditures	3,361	18,967	22,328
OTHER FINANCING SOURCES AND (USES):			
Transfers in	-	-	-
Transfers out	(11,808)	-	(11,808)
Total other financing sources and (uses)	(11,808)	-	(11,808)
Net change in fund balance	(8,447)	18,967	10,520
Fund balances, beginning	93,194	69,992	163,186
Fund balances, ending	$ 84,747	$ 88,959	$ 173,706

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

TOWN OF NORTH MIAMI
STATEMENT OF NET ASSETS – PROPRIETARY FUND
Year Ended June 30,

	Public Works Authority 2011
Assets	
Current assets	
Cash and cash equivalents	$ 47,772
Prepaid Expenses	846
Accounts receivable - customers	11,367
OMAG escrow fund	13,251
OMAG interest and loss funds	2,545
Total current assets	75,781
Noncurrent assets	
Restricted assets - cash including time deposits	26,991
Capital assets, net of accumulated depreciation	130,677
Total noncurrent assets	157,668
Total assets	233,449
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	7,975
Current portion of long-term obligations	5,772
Total current liabilities	13,747
Noncurrent liabilities	
Customer deposits	12,510
Long-term debt, less current portion	118,570
Total liabilities	144,827
Net assets	
Invested in capital assets, net of related debt	6,335
Restricted	
Utility deposits	12,510
Debt service	13,248
Unrestricted	56,529
Total net assets	$ 88,622

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

TOWN OF NORTH MIAMI

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS – PROPRIETARY FUND

Year Ended June 30,

	2011
Operating revenues	
Charges for services:	
Water and sewer	$ 92,786
Trash revenue	22,072
Water assessment and taps	4,705
Total operating revenues	119,563
Operating expenses	
Maintenance and operations	
Water and sewer	66,445
General	15,636
Trash	20,899
Depreciation	4,040
Total maintenance and operations	107,020
Personal services	
Water and sewer	3,664
General	16,361
Legal	1,100
Total personal services	21,125
Total operating expenses	128,145
Net operating income (loss)	(8,582)
Nonoperating revenues (expenses)	
Miscellaneous revenues	990
Interest income	627
Interest expense	(7,799)
Total nonoperating revenues (expenses)	(6,182)
Other Financing Sources (Uses)	
Transfers in	11,808
Transfers (out)	-
Total other financing sources (uses)	11,808
Change in Net Assets	(2,956)
Net assets, beginning	91,578
Net assets, ending	$ 88,622

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

TOWN OF NORTH MIAMI
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
Year Ended June 30,

	2011
Cash Flows from Operating Activities:	
Receipts from customers	$ 119,563
Payments to suppliers and employees	(124,556)
Net cash provided by operating activities	(4,993)
Cash Flows from Noncapital Financing Activities:	
Interfund Transfers in	9,432
Net cash provided by noncapital financing activities	9,432
Cash Flows from Capital and Related Financing Activities:	
Principal paid on capital debt	(5,449)
Interest paid on capital debt	(7,799)
Net cash provided (used) by capital and related financing activities	(13,248)
Cash Flows from Investing Activities:	
OMAG reserves (increase) decrease	(1,196)
Interest and dividends	627
Net cash provided by investing activities	(569)
Cash and cash equivalents, beginning of year	84,141
Cash and cash equivalents, end of year	74,763
Restricted cash and cash equivalents	26,991
Unrestricted cash and cash equivalents	47,772
	74,763
Reconcilations of Operating Income to Net	
Cash Provided by Operating Activities	
Operating Income	(8,582)
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation expense	4,040
Change in assets and liabilities	
(Increase) decrease in receivables, net	(250)
Increase (decrease) in accounts payable	(201)
Net cash provided by operating activities	$ (4,993)

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

Note 1- Summary of Significant Accounting Policies

Reporting Entity

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public
service. Application of this criterion involves considering whether the activity benefits the Town and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Town and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion and exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. The Town of North Miami and component units consist of all fund accounts of the oversight unit, the Town o/North Miami, referred to as "the Town" and the North Miami Public Works Authority, referred to as "the Authority", a component unit.

The Authority was created June 10, 1986, for the primary purpose of supplying water to the residents and businesses of North Miami.

Government Wide Financial Statements
The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business type activities are financed in whole or n part by fees charged to external parties for goods or services.

Fund Financial Statements
Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary.

Required Reconciliation
Because different measurement focuses and bases of accounting are used, reconciliation between fund financial statements and government-wide financial statements is required.

Measurement Focus and Basis of Accounting
Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Note 1 - Summary of Significant Accounting Policies - Continued

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spend-able financial resources during a given period. These funds use fund balance as their measure of available spend-able financial resources at the end of the period.
b) The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities both governmental and business-like activities are presented using 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 or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest 'which are reported when due.

All proprietary funds and trust funds utilize 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 or economic asset used.

Fund Accounting

The Town uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain town functions or activities.

Note 1 - Summary of Significant Accounting Policies - Continued

Fund Accounting - Continued

A fund is a separate accounting entity with a self balancing set of accounts, An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate "fund types",

Governmental Funds - The General Fund accounts for receipts and expenditures for activities that are not otherwise accounted for in the Street & Alley Fund and the EPA Special Revenue Fund. The Street & Alley Fund accounts for the receipt of sales tax designated for Street & Alley operations and expenditures related to the maintenance of streets and alleys. The EP A Special Revenue Fund accounts for receipt of EPA Superfund designated for expenditures relating to the repairs of damaged Town roads.

Proprietary Fund - North Miami Public Works Authority accounts for the receipts and expenditures of the utility services.

Fixed Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. All current year infrastructure additions have been recorded at actual cost. The Town is not required to account for infrastructure assets acquired prior to July 1,2003. Governmental fund infrastructure assets have not been recorded for the period prior to July 1, 2003.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	15.-50 years
Other Improvements	5-100 years
Machinery and Equipment	10-40 years
Office Machinery and Equipment	2-15 years
Vehicles	5-15 years
Infrastructure	25-50 years

Note 1 - Summary of Significant Accounting Policies – Continued

Fixed Assets (continued)
Fund Financial Statements
In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Assets, Liabilities and Net Assets or Equity
Cash and Investments - For the purposes of these financial statements, "cash and cash equivalents" includes all demands and savings accounts, and certificates of deposits or short-term investments with an original maturity of three months. Investments consist of certificates of deposit with maturities greater than three months when purchased. All investments are recorded at cost, which approximates market value. The Town Treasurer has the responsibility for daily cash management activities and determines the amount of funds to be invested and length of time. The Board of Trustees, by investment resolution, grants formal approval for investment of all Town funds. Additional cash and investment disclosures are presented in Note 2.

Inventories and Prepaids - The value of consumable inventories at June 30, 2011 is not material to the financial statements. Acquisitions are considered expenditures at the time of purchase and are not recorded as assets for financial statement purposes. Prepaids use the consumption method of reporting.

Receivables - In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales tax, alcoholic beverage tax, auto tax, and gasoline tax.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, and other similar intergovernmental revenues since they are both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the proprietary fund receivables.

Restricted Assets - Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to promissory note reserve accounts and utility meter deposits.

Compensated Absences - The Town is not able to reasonably estimate the accrual for compensated absences. Therefore, the balance has not been recorded.

Long-term Debt - The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Note 1 - Summary of Significant Accounting Policies - Continued

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

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

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Inter-fund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursement to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Cash and Investments

The Town's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Cash and certificates of deposit held by the town are fully covered.

Custodial Credit Risk - All of the Town's deposits at financial institutions were covered by either FDIC insurance or collateralized.

Note 2 - Cash and Investments – Continued

Cash and Investments - Continued

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment policy limits the Town's investment portfolio to maturities of not more than two years.

Note 3 - Property and Equipment

Capital Asset Activity - Governmental Type

Capital asset activity for governmental type activities for the year ended June 30, 2011 was as follows:

	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
Land	$ 1	$ -	$ -	$ 1
Infrastructure	390,029	-	-	390,029
Buildings	142,349	4,000	-	146,349
Equipment and furniture	129,326	2,369	-	131,695
Total	661,705	6,369	-	668,074
Accumulated Depreciation	(276,240)	(32,355)	-	(308,595)
Net book value	$ 385,465	$ (25,986)	$ -	$ 359,479

Capital Asset Activity - Business Type

Capital asset activity for business type activities for the year ended June 30, 2011 was as follows:

	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
Water system	$ 223,453	$ -	$ -	$ 223,453
Lift Station	45,009	-	-	45,009
Equipment and furniture	21,697	-	-	21,697
Total	290,159	-	-	290,159
Accumulated Depreciation	(155,442)	(4,040)	-	(159,482)
Net book value	$ 134,717	$ (4,040)	$ -	$ 130,677

The Authority's fixed assets are stated at cost. Depreciation is computed using the straight line method over the estimated useful life, which is; forty years for the water system, between seven and forty years for the lift station, and between five and seven years for office furniture and equipment. Expenditures for major renewals and betterments which extend the useful life of the fixed assets are capitalized Expenditures for maintenance and repairs are expensed as incurred.

Depreciation Charges
Depreciation expense by functional category for the governmental type funds was as follows:

Functional Category	Amount
General Government	$ 3,019
Police	3,335
Streets	26,001
Total	$ 32,355

Note 4 – Restricted Assets

Debt Service
Under the terms of the Rural Development loan agreement (Note 6), the Authority was required to deposit $105 each month to a restricted account until $13,248 was reached. The Authority has and must maintain this balance until the loan is paid off or is reduced below this balance.

Utility Deposit
The Public Works Authority is holding customers' meter deposits in the amount of $12,510 and has assets reserved to refund these deposits, as required by statute.

OMAG Funds
The Oklahoma Municipal Assurance Group (OMAG) provides workers' compensation coverage to the Town through participation with CompSource Oklahoma (formerly the State Insurance Fund). The Town has a right to the return of any funds set aside for claims which have not been paid out as benefits after three years. At June 30, 2011, the Town has $13,251 on deposit with OMAG and has elected to invest these funds in an escrow account with OMAG, which is unrestricted.

Note 6 – Long-term Debt

The Authority's long-term debt at June 30, 2011 consists of a Rural Development note 'with an interest rate of 6.125% per annum, monthly installments of $1,104, including interest, secured by the water system, having a book value of $144,536.

	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
Rural Development	$ 129,791	$ -	$ (5,449)	$ 124,342

Note 6 – Long-term Debt - Continued

The Authority's maturities of long-term debt are as follows:

Year Ended June 30	Principal Reductions	Interest	Debt Service Requirements
2012	$ 5,772	$ 7,476	$ 13,248
2013	6,157	7,091	13,248
2014	6,545	6,703	13,248
2015	6,957	6,291	13,248
2016	7,396	5,852	13,248
2017	7,862	5,386	13,248
Thereafer	84,038	23,377	107,415
Total	$ 124,727	$ 62,176	$ 186,903

Note 7 - Loan Covenant

The Public Works Authority maintains a loan with Rural Development with requires the Authority to impose and collect such rates and charges that will provide an amount sufficient for the payment of the operation and maintenance of the system, the annual installment payments on the note, and maintenance of the various funds. In addition, the City is required to transfer one-third of its annual sales tax collections to the Authority. Computation of compliance with this covenants as follows:

Net income (loss) from operations	$ (8,582)
Debt service requirements	(13,248)
Net income below loann covenant requirements	(21,830)
Sales tax transfer	11,808
Total income below loan covenant requirements	$ (10,022)

Note 8- Subsequent Events

Management has evaluated and disclosed subsequent events up to and including May 11, 2012 which is the date the financial statements were available for issuance.

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedules - General Fund

TOWN OF NORTH MIAMI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL (WITH VARIANCES) – GENERAL FUND
June 30, 2011

GENERAL FUND	Original Budget	Final Budget	Actual	Variance
Fund balance - beginning	$ 39,802	$ 39,802	$ 87,761	$ (47,959)
Revenues				
Taxes	39,838	39,838	44,391	4,553
Fines and fees	20,188	20,188	30,830	10,642
Rent	1,321	1,321	2,226	905
Interest	886	886	551	(335)
Transfers In	10,000	10,000	-	(10,000)
Total Revenues	72,233	72,233	77,998	5,765
Expenditures				
General Fund Expenditures	75,000	75,000	60,160	14,840
Transferred Out	9,175	9,175	11,808	(2,633)
Capital Outlay	3,000	3,000	6,369	(3,369)
Total Expenditures	87,175	87,175	78,337	8,838
Revenues over expenditures and beginning fund balance before other financing sources	24,860	24,860	87,422	(51,032)
Other Financing Sources				
Operating Transfers (net)	$ -	$ -	$ -	$ -
Excess of revenues and beginning fund balance over expenditures and other financing sources and uses (Non-GAAP budgetary basis)			87,422	
Adjustments to reconcile to GAAP				
Change in accounts payable			(201)	
Change in accrued revenue			(2,474)	
General fund ending, GAAP			$ 84,747	

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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 Town Council
Town of North Miami
Ottawa County, State of Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of North Miami, State of Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town of North Miami, State of Oklahoma's basic financial statements and have issued our report thereon dated May 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Town of North Miami, State of Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of North Miami, State of Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of North Miami, State of Oklahoma's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. We consider item 2011-1 described in the accompanying schedule of findings and responses to be a material weaknesses.

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 item 2011-2 described in the accompany schedule of findings and responses to be significant deficiencies.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Town of North Miami, State of Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

Town of North Miami, State of Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town of North Miami, State of Oklahoma's response and, accordingly, we express no opinion on it.

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

Wingard, Ragsdale Langley, CPAs, PLLC

WINGARD, RAGSDALE & LANGLEY
CERTIFIED PUBLIC ACCOUNTANTS, PLLC
MAY 11, 2012

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SCHEDULE OF FINDINGS AND RESPONSES

2011-1 Accounting Polices, Financial Reporting, and Independence

Criteria or specific requirement: Governmental Auditing Standards (GAS, aka "The Yellow Book") is specific as to requirements regarding independence of auditors providing attestation services for governmental entities. These requirements require governmental entities to independently report financial information that is materially correct, limiting the auditor's ability to assist with certain year-end closing procedures. It is common that town's without such capabilities engage a separate write-up accountant to perform these duties, or report on a basis with which the Town is capable of reporting financial information materially correct.

Condition: The Town's prior auditor provided services in the current year, as a courtesy, making year-end adjustments as needed to report financial information materially correct, however, the Town has not historically engaged two accounting firms to provide the write-up and audit services. Additionally, the Town's staff does not possess the necessary skills to perform such work.

Context: Current audit procedures determined the Town will need to engage a separate accounting firm to perform write-up services or will need to report on a basis which will allow the Town to provide materially correct financial information.

Effect: Financial information will be materially misstated or the external auditor may not be independent in future engagements.

Cause: The Town does not have the staff to report on a full accrual basis of accounting and does not have established accounting policies and procedures to address such issues.

Recommendation: The Town should consider its reporting requirements and evaluate what basis of reporting is required by any recipient of its audited financial statements. We believe the Town would qualify to report on a "Modified Cash Basis" significantly lowering the necessary skill set needed to report materially correct information. If this basis of reporting is not allowed by a recipient of the audited financial statements, the Town will need to either employ an outside firm to write-up the financial information for audit, or will need to provide training to existing Town staff, and develop policies and procedure regarding accounting and financial reporting functions.

Views of responsible officials and planned corrective actions: We understand these requirements and will evaluate our method of reporting and/or employ an individual capable of performing such functions, whether that results in internal development or the engagement of an external accounting professional.

2011-2 Compliance with Statues for Deposit Activity

Criteria or specific requirement: Governmental Auditing Standards (GAS, aka "The Yellow Book") requires the auditor to determine compliance with legal and contractual requirements which have a direct and material effect on the Town's financial statements. Oklahoma Statues governing the Town's activities require expedite deposit into Town bank accounts upon receipt.

Condition: When inquired, Town staff was unaware of Oklahoma Statues requiring expedite deposit of all funds received by the Town.

Context: Current audit procedures determined the Town makes deposits of funds received at the Town's main office periodically, whereas numerous days may pass between deposits.

Effect: The Town is not in compliance with Oklahoma Statues.

Cause: When inquired, Town staff was unaware of Oklahoma Statues requiring expedite deposit of all funds received by the Town.

Recommendation: The Town should evaluate the requirements of Title 62 O.S. § 511-516 which requires all funds coming into the treasurer's possession to be deposited daily.

Views of responsible officials and planned corrective actions: We understand these requirements and will evaluate our procedures, making changes where necessary, to be in compliance with the above referenced Oklahoma Statue.