

**TOWN OF NORTH MIAMI**  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED  
JUNE 30, 2013

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# WINGARD, RAGSDALE & LANGLEY

CERTIFIED PUBLIC ACCOUNTANTS, PLLC

18 NORTH VANN STREET, PRYOR, OK 74361

918-825-6441 OFFICE 918-825-6443 FAX

mail@wandrcpas.net

## INDEPENDENT AUDITOR'S REPORT

To the Town Council,  
Town of North Miami  
Ottawa County, OK

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 the Town of North Miami, as of and for the year ended June 30, 2013, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of North Miami'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, as of June 30, 2013, 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 August 19, 2013 on our consideration of the Town of North Miami'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 the budgetary comparison information on page 20 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of North Miami's financial statements as a whole. The combining and individual nonmajor fund financial statements is presented for purposes of additional and is not a required part of the financial statements. These statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



**WINGARD, RAGSDALE & LANGLEY**

*CERTIFIED PUBLIC ACCOUNTANTS, PLLC*

**AUGUST 19, 2013**

TOWN OF NORTH MIAMI  
**STATEMENT OF NET ASSETS - GOVERNMENT-WIDE**  
 JUNE 30, 2013

	<b>2013</b>		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash, including time deposits	\$ 128,083	\$ 21,152	\$ 149,235
Taxes receivable	5,293	-	5,293
Prepaid expenses	1,373	846	2,219
OMAG escrow fund	-	12,436	12,436
Accounts receivable, net	-	10,103	10,103
Total current assets	<u>134,749</u>	<u>44,537</u>	<u>179,286</u>
Noncurrent assets:			
Restricted assets			
Cash	-	25,758	25,758
Capital assets, net	278,366	105,925	384,291
Total noncurrent assets	<u>278,366</u>	<u>131,683</u>	<u>410,049</u>
<b>Total Assets</b>	<u>413,115</u>	<u>176,220</u>	<u>589,335</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	718	7,614	8,332
Current portion of long term debt	-	6,545	6,545
Accrued interest payable	-	52	52
Total current liabilities	<u>718</u>	<u>14,211</u>	<u>14,929</u>
Noncurrent liabilities:			
Customer deposits payable	-	12,510	12,510
Notes payable, less current portion	-	105,847	105,847
Total noncurrent liabilities	<u>-</u>	<u>118,357</u>	<u>118,357</u>
<b>Total Liabilities</b>	<u>718</u>	<u>132,568</u>	<u>133,286</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	278,366	6,781	285,147
Unrestricted	134,031	36,871	170,902
Total net assets	<u>\$ 412,397</u>	<u>\$ 43,652</u>	<u>\$ 456,049</u>

TOWN OF NORTH MIAMI  
**STATEMENT OF ACTIVITIES - GOVERNMENT-WIDE**  
 JUNE 30, 2013

<b>2013</b>						
	Program Revenues					Total
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:						
General government	\$ 36,284	\$ 2,190	\$ -	\$ (34,094)	\$ -	\$ (34,094)
Police	41,032	5,259	-	(35,773)	-	(35,773)
Streets	32,242	2,439	-	(29,803)	-	(29,803)
Total governmental activities	<u>109,558</u>	<u>9,888</u>	<u>-</u>	<u>(99,670)</u>		<u>(99,670)</u>
Business-type activities:						
Water Utilities	162,077	123,644				
Total business-type activities	<u>162,077</u>	<u>123,644</u>			<u>(38,433)</u>	<u>(38,433)</u>
Total government	<u>271,635</u>	<u>133,532</u>	<u>-</u>	<u>(99,670)</u>	<u>(38,433)</u>	<u>(138,103)</u>
General revenues:						
Taxes:						
Sales and use				32,215	-	32,215
Franchise				12,237	-	12,237
Other				2,880	-	2,880
Interest income				276	90	366
Transfers				(11,274)	11,447	173
Total general revenues and transfers				<u>36,334</u>	<u>11,537</u>	<u>47,871</u>
Change in net assets				(63,336)	(26,896)	(90,232)
Net assets, beginning				475,733	70,548	546,281
Net assets, ending				<u>412,397</u>	<u>43,652</u>	<u>456,049</u>

TOWN OF NORTH MIAMI  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
 JUNE 30, 2013

	<b>2013</b>		Total Governmental Funds
	General Fund	EPA Fund	
<b>Assets</b>			
Cash, including time deposits	\$ 50,876	\$ 77,207	\$ 128,083
Taxes receivable	5,293	-	5,293
Prepaid Expenses	1,373	-	1,373
<b>Total assets</b>	<u>57,542</u>	<u>77,207</u>	<u>134,749</u>
<b>Liabilities and fund balances</b>			
Accounts payable	718	-	718
<b>Total liabilities</b>	<u>718</u>	<u>-</u>	<u>718</u>
<b>Fund balances:</b>			
Assigned	-	77,207	77,207
Unrestricted	56,824	-	56,824
<b>Total fund balances</b>	<u>56,824</u>	<u>77,207</u>	<u>134,031</u>
<b>Total liabilities and fund balances</b>	<u>57,542</u>	<u>77,207</u>	<u>134,749</u>

Total fund balance, governmental funds \$ 134,031

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 278,366

**Net assets of governmental activities in the Statement of Net Assets** 412,397

TOWN OF NORTH MIAMI  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES -- GOVERNMENTAL FUNDS**  
 JUNE 30, 2013

	<b>2013</b>		
	<u>General Fund</u>	<u>EPA Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Sales tax	\$ 32,215	\$ -	\$ 32,215
Franchise fees	12,237	-	12,237
Commercial vehicle tax	2,439	-	2,439
Alcohol and cigarette tax	2,183	-	2,183
Gasoline tax	690	-	690
Fines and fees	7,409	-	7,409
Interest	176	100	276
Miscellaneous	40	-	40
Total revenues	<u>57,389</u>	<u>100</u>	<u>57,489</u>
<b>Expenditures</b>			
Maintenance and operations	37,805	2,033	39,838
Personal services	31,031	-	31,031
Capital outlay	2,445	-	2,445
Total expenditures	<u>71,281</u>	<u>2,033</u>	<u>73,314</u>
Excess of revenues over (under) expenditures	(13,892)	(1,933)	(15,825)
<b>Other financing sources (uses)</b>			
Transfers in	173	-	173
Transfers out	(11,447)	-	(11,447)
Total other financing sources (uses)	<u>(11,274)</u>	<u>-</u>	<u>(11,274)</u>
<b>Net change in fund balances</b>	(25,166)	(1,933)	(27,099)
Fund balances, beginning	<u>81,990</u>	<u>79,140</u>	<u>161,130</u>
Fund balances, ending	<u><u>56,824</u></u>	<u><u>77,207</u></u>	<u><u>134,031</u></u>

TOWN OF NORTH MIAMI  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
JUNE 30, 2013

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	<u>2013</u>
Net change in fund balances – total governmental funds	\$ (27,099)
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 financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as an 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.	 <u>(36,237)</u>
Change in net assets of governmental activities	<u><u>\$ (63,336)</u></u>

TOWN OF NORTH MIAMI  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
 JUNE 30, 2013

	<b>Public Works Authority 2013</b>
<b>Assets</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 21,152
Prepaid expenses	846
Accounts receivable - customers	10,103
OMAG escrow fund	12,436
Total current assets	<u>44,537</u>
<b>Noncurrent assets:</b>	
Restricted assets - cash including time deposits	25,758
Capital assets, net of accumulated depreciation	105,925
Total noncurrent assets	<u>131,683</u>
<b>Total assets</b>	<u>176,220</u>
<b>Liabilities</b>	
<b>Current liabilities:</b>	
Accounts payable and accrued liabilities	7,614
Current portion of long-term obligations	6,545
Accrued interest payable	52
Total current liabilities	<u>14,211</u>
<b>Noncurrent liabilities:</b>	
Customer deposits	12,510
Long-term debt, less current portion	105,847
Total noncurrent liabilities	<u>118,357</u>
<b>Total liabilities</b>	<u>132,568</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	6,781
Unrestricted	36,871
Total net assets	<u>\$ 43,652</u>

TOWN OF NORTH MIAMI  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**FUND NET ASSETS - PROPRIETARY FUNDS**  
 JUNE 30, 2013

	<u>2013</u>
<b>Operating revenues</b>	
Charges for services:	
Water	66,195
Sewer	34,031
Trash	<u>22,121</u>
Total operating revenues	<u>122,347</u>
<b>Operating expenses</b>	
Purchased Utilities	101,994
Maintenance and operations	19,872
Personal services:	
Water and sewer	2,028
General	11,982
Legal	1,200
Sanitation	2,028
Depreciation	<u>15,882</u>
Total operating expenses	<u>154,986</u>
Net operating income (loss)	<u>(32,639)</u>
<b>Nonoperating revenues (expenses)</b>	
Miscellaneous revenues	1,297
Interest income	90
Interest expense	<u>(7,091)</u>
Total nonoperating revenues (expenses)	<u>(5,704)</u>
<b>Other financing sources (uses)</b>	
Sales Tax Revenue	<u>11,447</u>
Total operating transfers	<u>11,447</u>
<b>Change in net assets</b>	<u>(26,896)</u>
Net assets, beginning	<u>70,548</u>
Net assets, ending	<u>43,652</u>

TOWN OF NORTH MIAMI  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
 JUNE 30, 2013

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	<u>2013</u>
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 124,768
Payments to suppliers and employees	(101,278)
Payments to employees	<u>(36,287)</u>
Net cash provided (used) by operating activities	<u>(12,797)</u>
<b>Cash flows from noncapital financing activities:</b>	
Interfund transfers in	11,447
Miscellaneous revenues	<u>1,297</u>
Net cash provided by noncapital financing activities	<u>12,744</u>
<b>Cash flows from capital and related financing activities</b>	
Principal paid on capital debt	(6,157)
Interest paid on capital debt	<u>(7,090)</u>
Net cash provided (used) by capital and related financing activities	<u>(13,247)</u>
<b>Cash flows from investing activities</b>	
Interest and dividends	<u>90</u>
Net cash provided (used) by investing activities	<u>90</u>
Net increase (decrease) in cash and cash equivalents	(13,210)
<b>Cash and cash equivalents, beginning</b>	<u>60,120</u>
<b>Cash and cash equivalents, ending</b>	<u>\$ 46,910</u>
<b>Reconciliation of operating income to net</b>	
Cash provided by operating activities	
Operating income	(32,639)
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation expense	15,882
Change in assets and liabilities	
(Increase) decrease in receivables, net	2,421
(Increase) decrease in prepaids	1,869
Increase (decrease) in accounts payable	(330)
Increase (decrease) in customer deposits	
Total adjustments	<u>19,842</u>
Net cash provided (used) by operating activities	<u>(12,797)</u>

TOWN OF NORTH MIAMI  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2013

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*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 of 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 in 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.

TOWN OF NORTH MIAMI  
**NOTES TO FINANCIAL STATEMENT**  
JUNE 30, 2013

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*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.

TOWN OF NORTH MIAMI  
**NOTES TO FINANCIAL STATEMENT**  
JUNE 30, 2013

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*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 EPA 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, 2013 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.

TOWN OF NORTH MIAMI  
**NOTES TO FINANCIAL STATEMENT**  
 JUNE 30, 2013

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***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, 2013 was as follows:

	<b>6/30/2012</b>	<b>Additions</b>	<b>Dispositions</b>	<b>6/30/2013</b>
Land	\$ 1	\$ -	\$ -	\$ 1
Infrastructure	390,029	-	-	390,029
Buildings	147,389	-	-	147,389
Equipment and furniture	131,695	2,445	-	134,140
Total Property, Plant, and Equipment	<u>669,114</u>	<u>2,445</u>	<u>-</u>	<u>671,559</u>
Accumulated Depreciation	(354,511)	(38,682)	-	(393,193)
Net book value	<u>\$ 314,603</u>	<u>\$ (36,237)</u>	<u>\$ -</u>	<u>\$ 278,366</u>

Capital Asset Activity - Business Type

Capital asset activity for business type activities for the year ended June 30, 2013 was as follows:

	<b>6/30/2012</b>	<b>Additions</b>	<b>Dispositions</b>	<b>6/30/2013</b>
Water system	\$ 290,159	\$ -	\$ -	\$ 290,159
Accumulated depreciation	(168,352)	(15,882)	-	(184,234)
Net book value	<u>\$ 121,807</u>	<u>\$ (15,882)</u>	<u>\$ -</u>	<u>\$ 105,925</u>

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.

TOWN OF NORTH MIAMI  
**NOTES TO FINANCIAL STATEMENT**  
 JUNE 30, 2013

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***Note 3 - Property and Equipment - Continued***

Depreciation Charges

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

<u>Functional Category</u>	<u>Amount</u>
General Government	\$ 7,295
Police	5,385
Streets	<u>26,002</u>
Total	<u>\$ 38,682</u>

***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, 2013, the Town has \$12,436 on deposit with OMAG and has elected to invest these funds in an escrow account with OMAG, which is unrestricted.

***Note 5 - Long-term Debt***

The Authority's long-term debt at June 30, 2013 consists of a Rural Development note with an interest rate of 6.125% per annum, monthly installments of \$1,104, including interest, and is secured by the water system.

Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
\$ 118,550	\$ -	\$ (6,157)	\$ 112,392

TOWN OF NORTH MIAMI  
**NOTES TO FINANCIAL STATEMENT**  
 JUNE 30, 2013

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**Note 5 – Long-term Debt - Continued**

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

<b>Year Ended June 30</b>	<b>Principal Reductions</b>	<b>Interest Requirements</b>	<b>Total</b>
6/30/2014	6,545	6,703	13,248
6/30/2015	6,957	6,291	13,248
6/30/2016	7,396	5,852	13,248
6/30/2017	7,862	5,386	13,248
6/30/2018	8,357	4,891	13,248
Thereafter	75,275	17,485	92,760
Total	<u>\$ 112,392</u>	<u>\$ 46,608</u>	<u>\$ 159,000</u>

**Note 6 - 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 Town is required to transfer one-third of its annual sales tax collections to the Authority. Computation of compliance with this covenants as follows:

Long-term debt	\$ 112,392
Less current portion	6,545
Total long-term debt, less current portion	<u>\$ 105,847</u>

**Note 7- Subsequent Events**

Management has evaluated and disclosed subsequent events up to the date of the audit report.

TOWN OF NORTH MIAMI  
**REQUIRED SUPPLEMENTARY INFORMATION**  
JUNE 30, 2013

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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, 2013

	2013			
	Original Budget	Final Budget	Actual	Variance
<b>General Fund</b>				
Fund balance - beginning	\$ 34,894	\$ 34,894	\$ 81,990	\$ 47,096
Revenues				
Taxes	51,198	51,198	49,764	(1,434)
Fines and fees	4,041	4,041	7,409	3,368
Rent	1,134	1,134	-	(1,134)
Grants	-	-	-	-
Interest	239	239	176	(63)
Transfers in	20,000	20,000	173	(19,827)
Streets and alleys	2,315	2,315		
Total revenues	<u>78,927</u>	<u>78,927</u>	<u>57,522</u>	<u>(19,090)</u>
Expenditures				
General fund expenditures	82,000	82,000	68,837	(13,163)
Transferred out	13,000	13,000	11,447	(1,553)
Capital outlay	6,409	6,409	2,445	(3,964)
Streets and alleys	5,000	5,000		
Total expenditures	<u>106,409</u>	<u>106,409</u>	<u>82,729</u>	<u>(23,680)</u>
Revenues over expenditures and beginning fund balance before other financing sources	<u>7,412</u>	<u>7,412</u>	<u>56,783</u>	<u>51,686</u>
Excess of revenues and beginning fund balance over expenditures and other financing sources and uses (Non-GAAP budgetary basis)			<u>56,783</u>	
Adjustments to reconcile to GAAP				
Change in accounts payable			-	
Change in taxes receivable			<u>41</u>	
General fund ending, GAAP			<u>\$ 56,824</u>	

# WINGARD, RAGSDALE & LANGLEY

CERTIFIED PUBLIC ACCOUNTANTS, PLLC

18 NORTH VANN STREET, PRYOR, OK 74361

918-825-6441 OFFICE 918-825-6443 FAX

mail@wandrcpas.net

## 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, and each major fund of Town of North Miami, State of Oklahoma, as of and for the year ended June 30, 2013, which collectively comprise the Town of North Miami, State of Oklahoma's basic financial statements and have issued our report thereon dated August 19, 2013. 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Included is the Schedule of Previously Reported Findings which contains previously reported findings and status updates. Items 2011-1 and 2011-2 were both resolved by the client and were not considered repeat findings in the current year.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Town of North Miami, State of Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**WINGARD, RAGSDALE & LANGLEY**

*CERTIFIED PUBLIC ACCOUNTANTS, PLLC*

**AUGUST 19, 2013**

# WINGARD, RAGSDALE & LANGLEY

CERTIFIED PUBLIC ACCOUNTANTS, PLLC

18 NORTH VANN STREET, PRYOR, OK 74361

918-825-6441 OFFICE 918-825-6443 FAX

mail@wandrcpas.net

## SCHEDULE OF FINDINGS AND RESPONSES

### UPDATE: RESOLVED MATTERS

#### **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.

*Updated Status:* It was noted during current year audit procedures, the client has resolved this finding.

**SCHEDULE OF FINDINGS AND RESPONSES**  
**UPDATE: RESOLVED MATTERS -CONTINUED**

**2011-2 Compliance with Statutes 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 Statutes governing the Town’s activities require expedite deposit into Town bank accounts upon receipt.

*Condition:* When inquired, Town staff was unaware of Oklahoma Statutes 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 Statutes.

*Cause:* When inquired, Town staff was unaware of Oklahoma Statutes 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.

*Updated Status:* It was noted during current year audit procedures, the client has resolved this finding.