

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

FOR THE YEAR ENDED
JUNE 30, 2015

OBER & LITTLEFIELD
CERTIFIED PUBLIC ACCOUNTANTS, PLLC
124 SOUTH MAIN, MIAMI, OK 74354

TOWN OF NORTH MIAMI
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OBER & LITTLEFIELD
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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of North Miami, Oklahoma

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying modified cash-basis 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, State of Oklahoma ("the Town"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town'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, which is described in Note 1C. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 entity'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 opinions.

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2015, and the respective changes in modified cash-basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1C.

Town Council
Town of North Miami, Oklahoma
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EMPHASIS OF MATTER

We draw attention to Note 1C of the financial statements that describes the basis of accounting. The financial statements are prepared on a 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 this matter.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with Government Auditing Standards, we have also issued our report dated January 29, 2016 on our consideration of the Town'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 Town's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in cursive script that reads "Ober & Littlefield, PLLC".

OBER & LITTLEFIELD, CPAS, PLLC
MIAMI, OKLAHOMA

January 29, 2016

TOWN OF NORTH MIAMI
STATEMENT OF NET POSITION - MODIFIED CASH BASIS- GOVERNMENT-WIDE
YEAR ENDED JUNE 30, 2015

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 80,382	\$ 6,601	\$ 86,983
Accounts receivable	-	13,475	13,475
Due from other governmental agencies	13,075	-	13,075
OMAG escrow fund	-	6,740	6,740
Prepaid expense	1,373	846	2,219
Total Current Assets	<u>94,830</u>	<u>27,662</u>	<u>122,492</u>
Current Restricted Assets:			
Cash and cash equivalents	-	26,830	26,830
Total Current Restricted Assets	<u>-</u>	<u>26,830</u>	<u>26,830</u>
Non-Current Assets:			
OMAG interest fund	-	226	226
OMAG RSR & loss funds	-	3,340	3,340
Capital assets, net of accumulated depreciation	235,865	87,430	323,295
Total Non-Current Assets	<u>235,865</u>	<u>90,995</u>	<u>326,860</u>
Total Assets	<u>330,695</u>	<u>145,487</u>	<u>476,182</u>
LIABILITIES			
Current Liabilities			
Accounts payable	2,423	14,137	16,559
Accrued interest	-	566	566
Current portion of long-term debt	-	7,380	7,380
Total Current Liabilities	<u>2,423</u>	<u>22,083</u>	<u>24,505</u>
Long-term liabilities			
Utility deposits	-	13,575	13,575
Notes payable	-	91,510	91,510
Total Long-Term Liabilities	<u>-</u>	<u>105,085</u>	<u>105,085</u>
Total Liabilities	<u>2,423</u>	<u>127,168</u>	<u>129,590</u>
Net Position			
Invested in capital assets, net of related debt	235,865	(11,460)	224,405
Restricted for:			
OMAG	-	3,566	3,566
Unrestricted	92,407	26,214	118,621
Total Net Position	<u>\$ 328,272</u>	<u>\$ 18,319</u>	<u>\$ 346,592</u>

The accompanying notes are an integral part of these financial statements

TOWN OF NORTH MIAMI
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS - GOVERNMENT-WIDE
YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Capital Grants	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General Government	\$ 23,232	\$ -	\$ -	\$ (23,232)	\$ -	\$ (23,232)
Public Safety	50,143	5,033	18,000	(27,110)	-	(27,110)
Streets	39,430	-	-	(39,430)	-	(39,430)
Total governmental activities	<u>112,805</u>	<u>5,033</u>	<u>18,000</u>	<u>(89,772)</u>	<u>-</u>	<u>(89,772)</u>
Business-type activities:						
Water Utilities	<u>167,195</u>	<u>141,606</u>	<u>-</u>		<u>(25,589)</u>	<u>(25,589)</u>
Total business-type activities	<u>167,195</u>	<u>141,606</u>	<u>-</u>		<u>(25,589)</u>	<u>(25,589)</u>
General Revenues:						
Taxes:						
Sales and use tax				49,833	-	49,833
Franchise taxes				12,807	-	12,807
Other public service taxes				5,803	-	5,803
Unrestricted investment earnings				139	52	191
Miscellaneous				2,352	(1,837)	514
Transfers				(13,177)	13,177	-
Total general revenues and transfers				<u>57,756</u>	<u>11,392</u>	<u>69,149</u>
Change in net position				(32,016)	(14,197)	(46,213)
Net position - beginning, adjusted				<u>360,288</u>	<u>32,517</u>	<u>392,805</u>
Net position - ending				<u>\$ 328,272</u>	<u>\$ 18,320</u>	<u>\$ 346,592</u>

The accompanying notes are an integral part of these financial statements

TOWN OF NORTH MIAMI
BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUND
 YEAR ENDED JUNE 30, 2015

	General Fund	EPA Fund	Total
<u>ASSETS</u>			
Cash	\$ 44,975	\$ 35,407	\$ 80,382
Due from other governments	13,075	-	13,075
Prepaid expense	1,373	-	1,373
 Total assets	\$ 59,423	\$ 35,407	\$ 94,830
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 1,318	\$ 1,105	\$ 2,423
 Total liabilities	1,318	1,105	2,423
 Fund balances:			
Assigned	-	34,302	34,302
Unassigned	58,105	-	58,105
 Total fund balances	58,105	34,302	92,407
 Total liabilities and fund balances	\$ 59,423	\$ 35,407	\$ 94,830
 Total fund balance, governmental funds			\$ 92,407
 Amounts reported for government activities in the Statement of Net Position are different because:			
Capital assets, net of depreciation, used in governmental activities are not current financial resources and therefore, are not reported in the governmental activities of the Statement of Net Position.			235,865
Net Position of Governmental Activities in the Statement of Net Position			\$ 328,272

The accompanying notes are an integral part of these financial statements

TOWN OF NORTH MIAMI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General Fund	Fire Dept. Fund	Total Governmental Funds
REVENUES:			
Sales tax	\$ 49,833	\$ -	\$ 49,833
Franchise fees	12,807	-	12,807
Alcohol and cigarette tax	2,225	-	2,225
Gasoline tax	3,578	-	3,578
Fines and fees	5,033	-	5,033
Interest	87	52	139
Grant income	18,000		
Miscellaneous	2,352	-	2,352
Total revenues	<u>93,915</u>	<u>52</u>	<u>93,967</u>
EXPENDITURES:			
Maintenance and operations	59,839	22,083	81,922
Personal services	23,236	-	23,236
Total expenditures	<u>83,074</u>	<u>22,083</u>	<u>105,157</u>
Excess (deficiency) of revenues over (under) expenditures	10,841	(22,032)	(11,191)
OTHER FINANCING SOURCES AND (USES):			
Transfers in (out)	<u>(3,177)</u>	<u>(10,000)</u>	<u>(13,177)</u>
Total other financing sources and (uses)	<u>(3,177)</u>	<u>(10,000)</u>	<u>(13,177)</u>
Net change in fund balance	7,664	(32,032)	(24,368)
Fund balances, beginning	<u>50,441</u>	<u>66,334</u>	<u>116,775</u>
Fund balances, ending	<u>\$ 58,105</u>	<u>\$ 34,302</u>	<u>\$ 92,407</u>

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 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES -
MODIFIED CASH BASIS**
YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds \$ (24,368)

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 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

(7,648)

Net Position of Governmental Activities in the Statement of Net Position

\$ (32,016)

The accompanying notes are an integral part of these financial statements

TOWN OF NORTH MIAMI
STATEMENT OF NET POSITION - MODIFIED CASH BASIS - PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2015

	Public Works
	Authority
ASSETS	
Current Unrestricted Assets:	
Cash and cash equivalents	\$ 6,601
Accounts receivable (net of allowance)	13,475
OMAG escrow fund	6,740
Prepaid expense	846
Current Restricted Assets:	
Cash and cash equivalents	26,830
Total Current Assets	<u>54,492</u>
Noncurrent assets:	
OMAG interest fund	226
OMAG loss and RSR fund	3,340
Capital assets, net of accumulated depreciation	87,430
Total Noncurrent Assets	<u>90,996</u>
Total ASSETS	<u>145,488</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	14,137
Accrued interest	566
Current portion long-term debt	7,380
Total Current Liabilities	<u>22,083</u>
Noncurrent Liabilities:	
Utility deposits	13,575
Long-term debt, less current portion	91,510
Total Long-term Liabilities	<u>105,085</u>
Total Liabilities	<u>127,168</u>
NET POSITION	
Invested in capital assets, net of related debt	(11,460)
OMAG	3,566
Unrestricted net position	26,214
Total Net Position	<u>\$ 18,320</u>

The accompanying notes are an integral part of these financial statements

TOWN OF NORTH MIAMI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
MODIFIED CASH BASIS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Public Works Authority
OPERATING REVENUES:	
Water and sewer revenue	\$ 114,922
Trash revenue	22,511
Water assessment and taps	4,173
Total operating revenue	<u>141,606</u>
OPERATING EXPENSES:	
Maintenance and operations:	
Water and sewer	99,409
General	13,251
Trash revenue	21,227
Depreciation	9,248
Other expense	1,998
Total maintenance and operations	<u>145,133</u>
Personal services:	
Water	223
General	15,515
Total personal services	<u>15,738</u>
Total operating expenses	<u>160,871</u>
Operating income (loss)	(19,266)
OTHER FINANCING SOURCES (USES):	
Miscellaneous income	(1,838)
Interest earned	52
Interest expense	(6,324)
Transfers in/(out)	13,177
Total other financing sources (uses)	<u>5,068</u>
Change in net position	(14,197)
Total net position - beginning	32,517
Total net position - ending	<u>\$ 18,320</u>

The accompanying notes are an integral part of these financial statements

TOWN OF NORTH MIAMI
STATEMENT OF CASH FLOWS MODIFIED - CASH BASIS – PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Public Works Authority
Cash Flows from Operating Activities	
Receipts from customers	\$ 139,954
Payments to suppliers and employees	(144,696)
Net cash provided by operating activities	<u>(4,742)</u>
Cash Flows from Noncapital Financing Activities	
Other income	(1,838)
Interfund transfers in/(out)	13,177
Net cash used by noncapital financing activities	<u>11,340</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on capital debt	(6,957)
Interest paid on capital debt	(6,324)
Net cash (used) by capital and related financing activities	<u>(13,281)</u>
Cash Flows from Investing Activities	
Sale of OMAG reserves	1,838
Interest and dividends	52
Net cash (used) by investing activities	<u>1,890</u>
Net decrease in cash and cash equivalents	(4,793)
Cash and cash equivalents, beginning of year	<u>38,224</u>
Cash and cash equivalents, end of year	<u>\$ 33,431</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income/(loss)	\$ (19,266)
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	9,248
Change in assets and liabilities:	
(Increase) decrease receivables, net	(1,651)
Increase (decrease) accounts payable	6,894
Increase (decrease) in accrued liabilities	33
Net cash provided by operating activities	<u>\$ (4,742)</u>

The accompanying notes are an integral part of these financial statements

TOWN OF NORTH MIAMI
NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015

Note 1- Summary of Significant Accounting Policies

The following notes to the financial statements are an integral part of the Town of North Miami, Oklahoma’s (“Town” financial statements. As discussed further in Note 1C, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurements and recognition criteria of the modified cash basis of accounting.

1A. Financial Reporting Entity

The Town’s financial reporting entity is comprised of the following:

Primary Government:	Town of North Miami, Oklahoma
Blended Component Unit:	North Miami Public Works Authority

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, “The Financial Reporting Entity” and includes all component units of which the Town appointed a voting majority of the units’ board and the Town is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. The component unit’s fund is blended into those of the Town’s by appropriate activity type to comprise the primary government presentation.

Blended Component Units

Component units that are blended into the reporting activity types of the Town’s reports are presented below:

Component Unit	Brief Description/Inclusive Criteria	Reporting
North Miami Public Works Authority	Created to finance, develop and operate the utilities service activities. The current Town Council serves as the governing body (Trustees). Any issues of debt would require a two-thirds approval of the Town Council.	Enterprise Fund

1.B. Basis of Presentation

Government-Wide Financial Statements

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

TOWN OF NORTH MIAMI
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Note 1- Summary of Significant Accounting Policies (continued)

1.B. Basis of Presentation (continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

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 three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria.

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below.

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town, and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Town.

Proprietary Funds

Enterprise Funds

Enterprise funds are 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 focus on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund:

<u>Fund</u>	<u>Brief Description</u>
North Miami Public Works Authority	Accounts for the activities of the public trust in providing utility services to the public.

TOWN OF NORTH MIAMI
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Note 1- Summary of Significant Accounting Policies (continued)

1.C. 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.

Measurement Focus

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as subsequently defined in item (b).

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements presents sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, interfund receivables and payables, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustments to fair value.

If the Town utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

TOWN OF NORTH MIAMI
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Note 1- Summary of Significant Accounting Policies (continued)

1.D. Assets, Liabilities and Equity

Cash and cash equivalents

Oklahoma Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the Town can invest in direct debt securities of the United States.

For financial statement presentation and for purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months from date of issue are considered investments.

Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivables balances for the governmental activities include sales taxes. Business-type activities report water, sewer and gas charges as its major receivable.

Other governmental receivables and payables

Receivables and payables to other funds or governments arising from cash transactions or events are recorded in the financial statements as a modification to the cash basis of accounting.

Capital Assets

The Town's modified cash basis of accounting reports capital assets resulting from cash transactions or events and reports depreciation, when appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions or events are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable.

TOWN OF NORTH MIAMI
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Note 1- Summary of Significant Accounting Policies (continued)

1. D. Assets, Liabilities and Equity (continued)

Capital Assets (continued)

Depreciation of all exhaustible capital assets arising from cash transactions or events is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions or events acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are the same as in the government-wide statements.

The financial statements of North Miami Public Works Authority include property and equipment. Depreciation was not charged until the 2009-2010 year; which included prior period depreciation.

Depreciation is computed using the straight-line method over the following estimated useful lives in years:

Buildings	40
Furniture, fixtures & equipment	5-20
Land improvements	40
Vehicles	5
Infrastructure	15

Long-Term Obligations

All long-term bonds, notes, and other debt arising from cash transactions or events to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

Long-term debt arising from cash transactions or events of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payment of principal and interest is reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in government-wide statements.

TOWN OF NORTH MIAMI
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Note 1- Summary of Significant Accounting Policies (continued)

1.D. Assets, Liabilities and Equity (continued)

Net Position/Fund Balance Classifications

Government-Wide Statements

Net position is classified and displayed in three components:

1. *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 attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. *Restricted* – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.
3. *Unrestricted* – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements

The difference among assets, deferred outflows, liabilities, and deferred inflows of governmental funds is reported as fund balance and classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint. These constraints are defined as follows:

Nonspendable – Amounts that cannot be spent because they either are not in spendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts constrained regarding use from restrictions externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or by restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts constrained regarding use for specific purposes pursuant to requirements imposed by formal action of the Town's highest level of decision-making authority.

Assigned – Amounts constrained by the Town's intent to be used for specific purposes by that are neither restricted nor committed.

Unassigned – The residual classification of the General Fund for spendable amounts that have not been restricted, committed, or assigned to specific purposes.

TOWN OF NORTH MIAMI
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Note 1- Summary of Significant Accounting Policies (continued)

1.D. Assets, Liabilities and Equity (continued)

Net Position/Fund Balance Classifications (continued)

When an expenditure is incurred for purposes for which amounts in any of the fund balance classifications of committed, assigned or unassigned could be used, the Town considers the expenditure spent out of the committed fund balance.

Note 1.E. Revenues, Expenditures, and Expenses

Sales tax

The Town presently levies a sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Oklahoma Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax is recorded entirely in the General Fund. Sales taxes collected by the state in June and July (which represent sales for May and June) are received by the Town in July and August have been accrued and are included under the caption "Due from other governments".

Operating Revenue and Expenses

Operating revenues and expenses for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

1.F. Interfund Transfers

Permanent re-allocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

1.G. Use of Estimates

The preparation of the financial statements in accordance with the modified cash basis requires management to make estimates and assumptions that affect 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. Stewardship, Compliance and Accountability

By its nature as a local government unit, the Town and its component units are subject to various federal, state and local laws and contractual regulations. An analysis of the Town's compliance with significant laws, regulation, grants and contracts and demonstration of its stewardship over the Town resources follows:

TOWN OF NORTH MIAMI
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Note 2. Stewardship, Compliance and Accountability (continued)

2.A. Fund Accounting Requirements

The Town complies, in all material respects, with state and local laws and regulations requiring the use of separate funds. The legally required funds used by the Town include the following:

<u>Fund</u>	<u>Required By</u>
Public Works Authority Fund	Trust Indenture

2.B. Deposit and Investment Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of marker or par. Acceptable collateral includes certain U.S. Government or Government agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. As required by 12 U.S.C. A., Section 1823 (e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note 3.A., all deposits were fully insured or collateralized for the fiscal year ended June 30, 2015.

Investments of the Town (excluding Public Trusts) whose population exceeds 3,000 according to the latest census information are limited by state law to the following:

1. Direct obligations of the U.S. Government, its agencies or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or obligations to the payment of which the full faith and credit of this state is pledged;
2. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions;
3. With certain limitation, negotiable certificates of deposit, prime bankers' acceptance, prime commercial paper and repurchase agreements with certain limitations;

TOWN OF NORTH MIAMI
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Note 2. Stewardship, Compliance and Accountability (continued)

2.B. Deposit and Investment Laws and Regulations (continued)

4. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district;
5. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligation of national mortgage associations;
6. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs 1., 2., 3., and 4.

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2015, the Town and its public trusts complied, in all material respects, with these investment restrictions.

2.C. Revenue Restrictions

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restriction of Use</u>
Special Sales Tax	Fire Department Purposes
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes
Utility Revenue	Debt Service and Utility Operations

For the year ended June 30, 2015, the Town complied, in all material respects, with those revenue restrictions.

2. D. Debt Restrictions and Covenants

General Obligation Debt

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2015, the Town had no outstanding general obligation debt.

Other Long-Term Debt

As required by the Oklahoma State Constitution, the Town (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. For the year ended June 30, 2015, the Town incurred no such indebtedness.

Note 2. Stewardship, Compliance and Accountability (continued)

2. E. Fund Equity Restrictions

Deficit Prohibition

Title 11, Section 17-211 of Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The Town complied with this statute in all material respects for the year ended June 30, 2015.

2.F. Budgetary Accounting and Control

The Town operates under the Oklahoma Estimates of Needs (Title 68) budget law. A budget is legally adopted by the Board of Trustees for the General Fund of the Town. The budget is prepared using the cash basis and budget laws of the State of Oklahoma. The financial statements are prepared using the modified cash basis of accounting. The Board of Trustees can legally amend the budget once it has been approved by filing a supplemental appropriation with the state auditor and inspector and town clerk. Budget transfers between funds have to be approved by the Board of Trustees. There were no supplemental appropriations made during the fiscal year. All appropriations lapse at year-end. The level of control at which expenditures may not legally exceed appropriations is the fund level for each legally adopted fiscal operating budget.

Note 3. Detail Notes – Transaction Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues and expenditures/expenses.

3.A. Cash and Investments

Authorized Investments

State statutes govern the Town's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit or 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. Investments are stated at cost. The Town invests entirely in certificates of deposit.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's cash deposits, including interest-bearing certificates of deposits, are maintained in financial institutions. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2015, none of the Town's investments were exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

TOWN OF NORTH MIAMI
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Note 3. Detail Notes – Transaction Classes/Accounts (continued)

3.A. Cash and Investments (continued)

<u>Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>On Demand</u>	<u>Less Than One</u>	<u>1-5</u>
Demand deposits	N/A	\$ 67,825	67,825	-	-
Time deposits	N/A	45,989	-	45,989	-
		<u>\$ 113,814</u>	<u>67,825</u>	<u>45,989</u>	<u>-</u>

Reconciliation to Statement of Net Position:

Cash and equivalents	\$ 86,984
Restricted cash and equivalents	26,830
	<u>\$ 113,814</u>

3.B. Restricted Assets

Under the terms of the Rural Development loan agreement (Note 3E), the Authority was required to deposit \$105 each month to a restricted account until \$13,248 was reached. The Authority must maintain this balance until the loan is paid off or is reduced to below this balance.

<u>Debt Service Fund:</u>	<u>Amount Available</u>
Cash	\$ 13,248
Loan resolution requirements	13,248
Funds over requirements	<u>\$ -</u>

3. C. Accounts Receivable

Accounts receivable of the governmental activities consists of sales tax. Accounts receivable of the business-type activities consists of utilities and sales tax receivable.

TOWN OF NORTH MIAMI
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Note 3. Detail Notes – Transaction Classes/Accounts (continued)

3.D. Capital Assets

Capital Asset Activity - Governmental Type

Capital asset activity from modified cash basis transaction or events for the year ended June 30, 2015 was as follows:

Governmental

	Balance 06/30/2014	Additions	Disposals	Balance 06/30/2015
Non-depreciable assets:				
Land	\$ 1	\$ 10,000	\$ -	\$ 10,001
Construction in Process	-	18,000	-	18,000
Total Non-depreciable assets	1	28,000	-	28,001
Depreciable assets:				
Infrastructure	390,029	-	-	390,029
Buildings and Improvements	147,389	-	-	147,389
Equipment	134,140	-	-	134,140
Total capital assets being depreciated	671,560	56,000	-	727,560
Accumulated Depreciation	(428,045)	(33,786)	-	(461,831)
Governmental activities capital assets, net	<u>\$243,515</u>	<u>\$ 22,214</u>	<u>\$ -</u>	<u>\$ 265,729</u>

Depreciation expense was charged to general government.

Business Type

	Balance 06/30/2014	Additions	Disposals	Balance 06/30/2015
Water System	\$290,159	\$ -	\$ -	\$ 290,159
Total Property, Plant, and Equipment	290,159	-	-	290,159
Accumulated Depreciation	(193,481)	(9,248)	-	(202,729)
Business-Type activities capital assets, net	<u>\$ 96,678</u>	<u>\$ (9,248)</u>	<u>\$ -</u>	<u>\$ 87,430</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 STATEMENTS
 YEAR ENDED JUNE 30, 2015

Note 3. Detail Notes – Transaction Classes/Accounts (continued)

3. E. Long-Term Debt

The reporting entity's long-term bonds, notes, and other debt arising from cash transactions or events is segregated between amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

The Authority's long-term debt at June 30, 2015 consists 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 \$98,890.

Principal outstanding at 6/30/15	\$ 98,890
Less: current portion	<u>(7,380)</u>
Total non-current long-term debt	<u>\$ 91,510</u>

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

Year Ended June 30	Principal Reductions	Interest	Debt Service Requirements
2016	\$ 7,380	\$ 5,868	\$ 13,248
2017	7,861	5,387	13,248
2018	8,356	4,892	13,248
2019	8,882	4,366	13,248
2020	9,432	3,816	13,248
2021-2025	<u>56,979</u>	<u>9,330</u>	<u>66,309</u>
Total	<u>98,890</u>	<u>\$ 33,659</u>	<u>\$ 132,549</u>

	Balance June 30, 2014	Issued	Retired	Balance June 30, 2015
Rural Development	<u>\$ 105,847</u>	<u>\$ -</u>	<u>\$ (6,957)</u>	<u>\$ 98,890</u>

Note 4. Other Information

4. A. Risk Management

The Town of North Miami participated in the Oklahoma Municipal Assurance Group's Workman's Compensation Insurance Plan.

The Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan) became effective October 1, 1984. The purpose of the Plan is to provide workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year. A plan year normally begins at 12:01 a.m., July, in any year and ends at midnight June 30, of the following calendar year. The Plan, or its designated agent, has a right to audit at all reasonable times such books and records of the participant as necessary to determine the monies are for benefits provided to the municipality or its employees.

A municipality may apply and enter into agreement with the Plan to participate in the coverage and services that the Plan offers as outlined above. Upon acceptance in the Plan, a participant has the responsibility to pay fees set by the Plan and to pay those fees from funds appropriated for that purpose according to the established payment schedule. In addition, a participant in the Plan is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. Participants have a right to the return of any Loss Funds set aside for claims, which have not been paid out as benefits. The following report details the funds being held by the Group for the Town of North Miami.

These funds represent both the current and past plan year participation with the Loss Fund balances in respect to their workers' compensation retention. Comp Source Oklahoma provides coverage in excess of these respective retention levels so each participant's liability for claim losses is limited to these retention levels. Failure of Comp Source Oklahoma to honor its obligation could result in losses to the Plan. However, OMAG's evaluation of the financial condition of Comp Source Oklahoma indicated that Comp Source Oklahoma is presently financially sound and will be able to meet its contractual obligations.

Rate Stabilization Reserve (RSR) - Reserves developed under the Premium Modification Guidelines to be applied against future premium increases.

<u>OMAG Funds</u>	
Interest fund	\$ 226
RSR fund	1,308
Loss fund	<u>2,032</u>
Total restricted OMAG funds	<u>\$ 3,566</u>

TOWN OF NORTH MIAMI
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Note 4. Other Information (continued)

4. A. Risk Management (continued)

Internal Balances

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disaster. The Town maintains insurance for claims and judgments through employee health, property and liability, workers' compensation, and unemployment insurance programs. These insurance programs are accounted for in the General Fund and the Public Works Authority Fund. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Loan Covenant

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

Net loss from operations	\$ (14,197)
Debt service requirement	<u>(13,248)</u>
Net loss below loan covenant requirements	(27,445)
Sales tax transfer	<u>13,177</u>
Total loss below loan covenant requirements	<u><u>\$ (14,268)</u></u>

Economic Dependence

The Authority is dependent upon the City of Miami, Oklahoma, for the Authority's water supply. If the Authority could not purchase its water, the Authority's alternative would be to build its own plant at substantial costs, or find an alternative supply.

Subsequent Events

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

OBER & LITTLEFIELD
CERTIFIED PUBLIC ACCOUNTANTS, PLLC
124 S. MAIN, MIAMI, OK 74354
918-542-4401

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 Town Council
Town of North Miami, Oklahoma

We have audited the accompanying modified cash-basis 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, 2015, which collectively comprise the Town of North Miami, State of Oklahoma's basic financial statements and have issued our report thereon dated January 29, 2016.

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.

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.

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. 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.

A handwritten signature in cursive script that reads "Ober & Littlefield, PLLC".

OBER & LITTLEFIELD, CPAS, PLLC
MIAMI, OKLAHOMA

January 29, 2016

TOWN OF NORTH MIAMI, OKLAHOMA

Schedule of Prior Year's Findings

For the Year ended June 30, 2015

Internal Control Over Financial Reporting

2014-001

Criteria: The Town of North Miami does not have efficient separation of duties.

Condition: During the auditor's field work, it was noted that one person handles the opening of mail, receipt of cash, preparing deposits, and taking deposits to the bank.

Context: This process allows for one employee to control the receipt of funds through the entire process.

Effect: Cash could be misappropriated through a lack of segregation of duties.

Cause: The cause appears to be a lack of segregation of duties concerning the receipt of funds.

Update: As inherent in smaller towns, segregation of duties is not always feasible. Current year audit procedures noted appropriate procedures put in place to mitigate this finding.