

**THE TOWN OF CASHION,
OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010

TOWN OF CASHION, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2010

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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Cashion, the Cashion Public Works Authority and the Oklahoma Public Works Finance Authority (referred to as the primary government), and the Cashion Economic Development Authority (referred to as the component unit), as of and for the year ended June 30, 2010, 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 and Authorities' 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 the *Government Auditing Standards*, issued by the Comptroller General of United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and 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.

As described more fully in Note B, the Town prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As discussed in Note D to the financial statements, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note B, the modified cash basis financial position of the governmental activities and business-type activities of the Town as of June 30, 2010 and the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above do present fairly, in all material respects, the respective financial position-modified cash basis of the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town and the respective changes in financial position-modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note B.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2012 on our consideration of the Town reporting entity's internal control over financial reporting and 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 the 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.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cashion's basic financial statements. The financial information presented as supplementary information, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentations within these sections of the report. However, we did not audit the information and express no opinion on it.

Storm & Hauser P.C.

Kingfisher, OK
June 25, 2012

**TOWN OF CASHION, OKLAHOMA
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The management of the Town of Cashion is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the Town's financial condition and activities as of and for the year ended June 30, 2010. Management of the Town is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The Town reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the Town's total net assets decreased by \$87,657, and the assets of the Town exceed its liabilities at June 30, 2010, by \$794,369 (net assets). Of this amount, \$13,228 is restricted and \$781,141 (unrestricted net assets) is available to meet the government's ongoing needs.
- At June 30, 2010, the Town's governmental funds reported combined ending fund balances on a modified cash basis of \$13,312.
- At the end of fiscal year 2010, unreserved fund balance on a modified cash basis for the General Fund was \$7,624 or 5% of General Fund revenues.

ABOUT THE TOWN

The Town of Cashion is a statutory town form of government with a population of approximately 635 located in Kingfisher County in central Oklahoma. The Town is governed by a three-member Board and operates under state law and Town ordinances through the three branches of democratic government:

- Legislative – the Town Board is a three-member governing body elected by the citizens at large
- Executive – the Town Mayor is the Chief Executive Officer and is appointed by the Town Board
- Judicial – the Municipal Judge is a practicing attorney appointed by the Town Board

The Town provides typical municipal services such as public safety, street and alley maintenance, parks and recreation, and through its Public Works Authority, certain utility services including gas, water, wastewater, and sanitation.

The Town's Financial Reporting Entity

This annual report includes all activities for which the Town Board is financially accountable. These activities, defined as the Town's financial reporting entity, are operated within separate legal entities.

The Town's financial reporting entity includes the following separate legal entities.

- **The Town of Cashion** – an incorporated Town that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the Town – *reported as part of the primary government*

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- **The Cashion Public Works Authority (CPWA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, gas and sanitation services of the Town, with the Town Board members serving as the trustees – *considered part of the primary government presentation for reporting purposes*

- **The Oklahoma Public Finance Authority (OPFA)** - public trust created pursuant to 60 O.S. § 176 to provide aid or aid in providing facilities and or services necessary for the functioning of any governmental entity within the State of Oklahoma – *considered part of the primary government presentation for reporting purposes*

- **The Cashion Economic Development Authority (CEDA)** – public trust created pursuant to 60 O.S. § 176 to provide economic development opportunities, in or near the Town, with the trustees appointed by the Town Board – *reported as a discretely presented component unit*

In addition, as required by state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the Town Board. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the Town’s financial reporting entity. The public trusts do not issue separate annual financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the Town of Cashion (the “Town”), the Cashion Public Works Authority (the “Public Works Authority”), the Oklahoma Public Finance Authority (the “Finance Authority”) and a discretely-presented component unit the Cashion Economic Development Authority (the “EDA”). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type and that of the discretely-presented component unit.

The government-wide financial statements present the complete financial picture of the Town from the economic resources measurement focus using the modified cash basis of accounting. They present governmental activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town’s operations in more detail than the government-wide statements by providing information about the Town’s most significant funds. These statements include all assets of the Town (including infrastructure) as well as all liabilities (including long-term debt).

Reporting the Town as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions to ask about the Town’s finances is, “Has the Town’s overall financial condition improved, declined or remained steady as a result of the year’s activities?” The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the Town’s sales tax base, the condition of the Town’s roads, and quality of service to assess the overall health of the Town. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those Town assets and liabilities resulting from cash transactions.

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In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities: *Governmental activities* - Most of the Town's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* - Activities where the Town charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The Town's gas, water, sewer, and sanitation utilities are reported as business-type activities.

Reporting the Town's Most Significant Funds - Fund Financial Statements

Fund Financial Statements

The fund financial statements provide detailed information about the Town's most significant (major) funds -- not the Town as a whole. Some funds are required to be established by State law and by debt covenants. However, the Town Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds - *governmental and proprietary* - use different accounting approaches.

Governmental funds - All of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting and current financial resources measurement focus that is different from other funds. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - When the Town, through the Public Works Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The Town's main proprietary fund is the Cashion Public Works Authority that accounts for the operation of the gas, water, sewer, and sanitation activities.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 21-36 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General and Emergency Funds and a state award schedule.

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THE TOWN AS A WHOLE

For the year ended June 30, 2010, net assets on a modified cash basis for the governmental and business-type activities decreased \$87,657.

**The Town of Cashion's Net Assets (Modified Cash Basis)
June 30, 2010 (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2010	2009		2010	2009		2010	2009	
				<u>Restated</u>			<u>Restated</u>		
Assets									
Current assets	\$ 13	\$ 14	-7%	\$ 832	\$ 927	-10%	\$ 845	\$ 941	-10%
Total assets	<u>13</u>	<u>14</u>	-7%	<u>832</u>	<u>927</u>	-10%	<u>845</u>	<u>941</u>	-10%
Liabilities									
Current liabilities	-	-	100%	-	12	100%	-	12	100%
Non-current liabilities	-	-	0%	51	47	9%	51	47	9%
Total liabilities	<u>-</u>	<u>-</u>	100%	<u>51</u>	<u>59</u>	-14%	<u>51</u>	<u>59</u>	-14%
Net assets									
Restricted	4	9	-56%	712	877	0%	716	886	-19%
Unrestricted	9	5	80%	69	(9)	867%	78	(4)	2050%
Total net assets	<u>\$ 13</u>	<u>\$ 14</u>	-7%	<u>\$ 781</u>	<u>\$ 868</u>	-10%	<u>\$ 794</u>	<u>\$ 882</u>	-10%

**The Town of Cashion's Revenues, Expenses and Changes in Net Assets (Modified Cash Basis)
Year Ended June 30, 2010 (In Thousands)**

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	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2010	2009		2010	2009		2010	2009	
Revenues									
Charges for service	\$ 104	\$ 134	-22%	\$ 648	\$ 539	20%	\$ 752	\$ 673	12%
Operating grants and contributions	40	94	-57%	-	-	-	40	94	-57%
Taxes	116	131	-11%	-	-	-	116	131	-11%
Intergovernmental revenue	8	8	0%	-	-	-	8	8	0%
Investment income	1	2	-50%	1	8	-88%	2	10	100%
Miscellaneous	51	56	-9%	-	-	-	51	56	-9%
Total revenues	320	425	-25%	649	547	19%	969	972	0%
Expenses									
General government	212	66	221%	-	-	-	212	66	221%
Public safety	279	408	-32%	-	-	-	279	408	-32%
Highways and streets	15	22	-32%	-	-	-	15	22	-32%
Culture and recreation	2	1	100%	-	-	-	2	1	100%
Gas	-	-	-	188	200	-6%	188	200	-6%
Water	-	-	-	145	144	1%	145	144	1%
Sewer	-	-	-	104	143	-27%	104	143	-27%
Sanitation	-	-	-	104	97	7%	104	97	7%
Interest on long-term debt	8	12	-33%	-	-	-	8	12	-33%
Total expenses	516	509	1%	541	584	-7%	1,057	1,093	-3%
Excess (deficiency) before transfers	(196)	(84)	133%	108	(37)	-392%	(88)	(121)	-27%
Transfers	195	78	150%	(195)	(78)	150%	-	-	0%
Change in net assets	(1)	(6)	-83%	(87)	(115)	-24%	(88)	(121)	-27%
Beginning net assets	14	20	-30%	868	983	-12%	882	1,003	-12%
Ending net assets	<u>\$ 13</u>	<u>\$ 14</u>	<u>-7%</u>	<u>\$ 781</u>	<u>\$ 868</u>	<u>-10%</u>	<u>\$ 794</u>	<u>\$ 882</u>	<u>-10%</u>

Governmental activities charges for services had a decrease of \$30,239 or 22% due in large part to the decrease in receipt of fine revenues and 522 district revenue. Also, the operating grants and contributions decreased \$53,213 due primarily to a grant received in prior year for the fire department.

The increase of \$145,211 or 221% in general government expenses of governmental activities was due to additional costs incurred and paid through the drawdown of trust monies in the General Fund.

Governmental Activities

The Town's governmental activities had a decrease in net assets of \$216.

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**Net Revenue (Expense) of Governmental Activities
(In Thousands)**

	<u>Total Expense of Services</u>		<u>% Inc. (Dec.)</u>	<u>Net Revenue (Expense) of Services</u>		<u>% Inc. (Dec.)</u>
	<u>2010</u>	<u>2009</u>		<u>2010</u>	<u>2009</u>	
	General government	\$ 212		\$ 66	221%	
Public safety	279	408	-32%	(145)	(187)	-22%
Streets and highways	15	22	-32%	(9)	(18)	-50%
Culture and recreation	2	1	100%	(2)	(1)	100%
Interest on long-term debt	8	12	-33%	(8)	(12)	-33%
Total	\$ 516	\$ 509	1%	(\$372)	(\$282)	32%

Business-type Activities

The business-type activities had a decrease in net assets of \$87,441.

**Net Revenue (Expense) of Business-Type Activities
(In Thousands)**

	<u>Total Expense of Services</u>		<u>% Inc. Dec.</u>	<u>Net Revenue (Expense) of Services</u>		<u>% Inc. Dec.</u>
	<u>2010</u>	<u>2009</u>		<u>2010</u>	<u>2009</u>	
	Gas	\$ 188		\$ 200	-6%	
Water	145	144	1%	28	(8)	-450%
Sewer	104	143	-27%	(22)	(79)	-72%
Sanitation	104	97	7%	31	22	41%
Total	\$ 541	\$ 584	-7%	\$ 107	\$ (44)	-343%

A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As the Town completed its 2010 fiscal year, the governmental funds reported a combined fund balance of \$13,312.

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Other fund highlights include:

- For the year ended June 30, 2010, the General Fund's total fund balance decreased by \$5,317.

Budgetary Highlights

For the year ended June 30, 2010, the General Fund reported actual budgetary basis revenues over final estimates by \$182,505 or a 108.61% positive variance. General Fund actual expenditures were over final appropriations by \$180,840 or a 107.6% negative variance. The Emergency Fund reported actual budgetary basis revenues under final estimates by \$48,100 or a 19.9% negative variance. Emergency Fund actual expenditures were under final appropriations by \$40,751 or 20.2% positive variance.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

The following information outlines significant known factors that will affect subsequent year finances:

- The FY 2011 budget is consistent to prior years.

Contacting the Town's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk's office at P.O. Box 27, Cashion, Oklahoma 73016 or telephone at 405-433-2243.

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BASIC FINANCIAL STATEMENTS – STATEMENT OF NET ASSETS AND ACTIVITIES

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Statement of Net Assets (Modified Cash Basis)– June 30, 2010

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Economic Development Authority</u>
ASSETS				
Cash and cash equivalents	\$ 13,762	\$ 119,662	\$ 133,424	\$ 16,267
Internal balances	(450)	450	-	-
Restricted investments	-	712,238	712,238	-
Total Assets	<u>13,312</u>	<u>832,350</u>	<u>845,662</u>	<u>16,267</u>
LIABILITIES				
Meter deposit liability	-	51,293	51,293	-
Total Liabilities	<u>-</u>	<u>51,293</u>	<u>51,293</u>	<u>-</u>
NET ASSETS				
Restricted for:				
State statutes	4,452	-	4,452	-
Other contracts	-	712,238	712,238	-
Unrestricted	<u>8,860</u>	<u>68,819</u>	<u>77,679</u>	<u>16,267</u>
Total Net Assets	<u>\$ 13,312</u>	<u>\$ 781,057</u>	<u>\$ 794,369</u>	<u>\$ 16,267</u>

See accompanying notes to these financial statements.

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Statement of Activities (Modified Cash Basis)– Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit Economic Development Authority
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental activities:								
General Government	\$ 211,951	\$ 3,780	\$ -	\$ -	\$ (208,171)	\$ -	\$ (208,171)	\$ -
Public Safety	279,282	100,363	34,193	-	(144,706)	-	(144,706)	-
Streets and Highways	15,354	-	6,089	-	(9,265)	-	(9,265)	-
Culture and Recreation	1,622	-	-	-	(1,622)	-	(1,622)	-
Interest on long-term debt	7,846	-	-	-	(7,846)	-	(7,846)	-
Total governmental activities	516,055	104,163	40,282	-	(371,610)	-	(371,610)	-
Business-type activities:								
Gas	188,308	258,463	-	-	-	70,155	70,155	-
Water	144,757	172,455	-	-	-	27,698	27,698	-
Sewer	103,516	61,479	-	-	-	(22,037)	(22,037)	-
Sanitation	104,192	135,493	-	-	-	31,301	31,301	-
Total business-type activities	540,773	647,890	-	-	-	107,117	107,117	-
Total primary government	\$ 1,056,828	\$ 752,053	\$ 40,282	\$ -	(371,610)	107,117	(264,493)	-
Component Unit:								
Economic development	\$ -	\$ -	\$ -	\$ -	-	-	-	-
General revenues								
Taxes								
Sales and use tax					99,077	-	99,077	-
Franchise and public service taxes					17,188	-	17,188	-
Intergovernmental revenue not restricted to specific programs					7,722	-	7,722	-
Investment income					777	750	1,527	148
Miscellaneous					51,322	-	51,322	-
Transfers - Internal activity					195,308	(195,308)	-	-
Total general revenues and transfers					371,394	(194,558)	176,836	148
Change in net assets								
					(216)	(87,441)	(87,657)	148
Net assets - beginning					13,528	868,498	882,026	16,119
Net assets - ending					\$ 13,312	\$ 781,057	\$ 794,369	\$ 16,267

See accompanying notes to these financial statements.

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BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

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Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2010

	General Fund	Emergency Fund	Other Governmental Fund	Total Governmental Funds
ASSETS				
Assets:				
Cash and cash equivalents	\$ 8,074	\$ 1,236	\$ 4,452	\$ 13,762
Total Assets	\$ 8,074	\$ 1,236	\$ 4,452	\$ 13,762
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 450	\$ -	\$ -	\$ 450
Fund Balances:				
Unreserved	7,624	-	-	7,624
Unreserved, reported in nonmajor Special revenue funds	-	1,236	4,452	5,688
Total Fund Balances	7,624	1,236	4,452	13,312
Total Liabilities and Fund Balances	\$ 8,074	\$ 1,236	\$ 4,452	\$ 13,762

See accompanying notes to these financial statements.

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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
(Modified Cash Basis) – Year Ended June 30, 2010**

	<u>General Fund</u>	<u>Emergency Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 86,979	\$ -	\$ 29,286	\$ 116,265
Intergovernmental	7,722	5,100	6,088	18,910
Charges for services	-	95,933	-	95,933
Fines and forfeitures	4,450	-	-	4,450
Licenses and permits	3,780	-	-	3,780
Investment income	614	164	-	778
Miscellaneous	51,673	28,742	-	80,415
Total Revenues	<u>155,218</u>	<u>129,939</u>	<u>35,374</u>	<u>320,531</u>
Expenditures:				
Current:				
General government	211,951	-	-	211,951
Public safety	79,530	181,413	-	260,943
Highways and streets	-	-	15,354	15,354
Culture and recreation	1,622	-	-	1,622
Capital outlay	-	3,110	-	3,110
Debt service:				
Principal retirement	4,190	11,039	-	15,229
Interest expense	2,159	5,687	-	7,846
Total Expenditures	<u>299,452</u>	<u>201,249</u>	<u>15,354</u>	<u>516,055</u>
Excess (deficiency) of revenues over expenditures	(144,234)	(71,310)	20,020	(195,524)
Other Financing Sources (Uses):				
Transfers in	195,287	63,961	500	259,748
Transfers out	(49,388)	-	(15,052)	(64,440)
Total Other Financing Sources (Uses)	<u>145,899</u>	<u>63,961</u>	<u>(14,552)</u>	<u>195,308</u>
Net change in fund balances	1,665	(7,349)	5,468	(216)
Fund balances - beginning	5,959	8,585	(1,016)	13,528
Fund balances - ending	<u>\$ 7,624</u>	<u>\$ 1,236</u>	<u>\$ 4,452</u>	<u>\$ 13,312</u>

See accompanying notes to these financial statements.

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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

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Proprietary Fund Statement of Net Assets (Modified Cash Basis) – June 30, 2010

	Cashion Public Works Authority	Oklahoma Public Finance Authority	Totals
ASSETS			
Cash and cash equivalents	\$ 64,542	\$ 3,500	\$ 68,042
Restricted cash and cash equivalents	51,620	-	51,620
Restricted investments	712,238	-	712,238
Due from other funds	450	-	450
Total Assets	<u>828,850</u>	<u>3,500</u>	<u>832,350</u>
LIABILITIES			
Meter deposit liability	51,293	-	51,293
Total Liabilities	<u>51,293</u>	<u>-</u>	<u>51,293</u>
NET ASSETS			
Restricted for trust fund purposes	712,238	-	712,238
Unrestricted	65,319	3,500	68,819
Total net assets	<u>\$ 777,557</u>	<u>\$ 3,500</u>	<u>\$ 781,057</u>

See accompanying notes to these financial statements.

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Proprietary Fund Statement of Revenues, Expenses and Changes in Net Assets (Modified Cash Basis) – Year Ended June 30, 2010

	Cashion Public Works Authority	Oklahoma Public Finance Authority	Totals
Operating Revenues:			
Charges for services:			
Gas	\$ 249,274	\$ -	\$ 249,274
Water	166,324	-	166,324
Sewer	78,582	-	78,582
Sanitation	130,676	-	130,676
Utility fees	21,475	-	21,475
Other	1,559	-	1,559
Total Operating Revenues	647,890	-	647,890
Operating Expenses:			
Gas	95,402	-	95,402
Water	86,274	-	86,274
Sewer	6,282	-	6,282
Sanitation	15,976	-	15,976
General government	213,470	-	213,470
Total Operating Expenses	417,404	-	417,404
Operating Income	230,486	-	230,486
Non-Operating Revenues (Expenses):			
Investment income	750	-	750
Capital outlay	(44,030)	-	(44,030)
Debt service:			
Principal retirement	(40,503)	-	(40,503)
Interest expense and fees	(38,836)	-	(38,836)
Total Non-Operating Revenues (Expenses)	(122,619)	-	(122,619)
Net Income (Loss) Before Transfers	107,867	-	107,867
Transfers in	121	-	121
Transfers out	(195,429)	-	(195,429)
Change in net assets	(87,441)	-	(87,441)
Total net assets - beginning	864,998	3,500	868,498
Total net assets - ending	\$ 777,557	\$ 3,500	\$ 781,057

See accompanying notes to these financial statements.

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Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2010

	<u>Cashion Public Works Authority</u>	<u>Oklahoma Public Finance Authority</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 647,890	\$ -	\$ 647,890
Payments to suppliers	(239,030)	-	(239,030)
Payments to employees	(178,824)	-	(178,824)
Receipts of customer utility deposits	5,300	-	5,300
Refunds of customer utility deposits	(865)	-	(865)
Net Cash Provided by Operating Activities	<u>234,471</u>	<u>-</u>	<u>234,471</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	121	-	121
Transfers to other funds	(195,429)	-	(195,429)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(195,308)</u>	<u>-</u>	<u>(195,308)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(44,030)	-	(44,030)
Principal paid on capital debt	(40,503)	-	(40,503)
Interest paid on capital debt	(38,836)	-	(38,836)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(123,369)</u>	<u>-</u>	<u>(123,369)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	750	-	750
Sale of investments	165,068	-	165,068
Net Cash Provided by Investing Activities	<u>165,818</u>	<u>-</u>	<u>165,818</u>
Net Increase (Decrease) in Cash and Cash Equivalents	81,612	-	81,612
Balance - beginning of the year	34,550	3,500	38,050
Balance - end of the year	<u>\$ 116,162</u>	<u>\$ 3,500</u>	<u>\$ 119,662</u>
Reconciliation to Statement of Net Assets:			
Cash and cash equivalents	64,542	\$ 3,500	\$ 68,042
Restricted cash and cash equivalents	51,620	-	51,620
Total cash and cash equivalents	<u>\$ 116,162</u>	<u>\$ 3,500</u>	<u>\$ 119,662</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income	\$ 230,486	\$ -	\$ 230,486
Change in assets and liabilities:			
Due from other funds	(450)	-	(450)
Meter deposit liability	4,435	-	4,435
Net cash provided by operating activities	<u>\$ 234,471</u>	<u>\$ -</u>	<u>\$ 234,471</u>

See accompanying notes to these financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Statement of Net Assets and Activities:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*" that requires the primary government and all component units of which the primary government is financially accountable be included in the financial report. The Town's financial reporting entity includes four separate legal entities reported as the primary government and component units.

- **The Town of Cashion** – an incorporated Town that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the Town – *reported as part of the primary government*
- **The Cashion Public Works Authority (CPWA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, gas and sanitation services of the Town, with the Town Board members serving as the trustees – *considered part of the primary government presentation for reporting purposes*
- **The Oklahoma Public Finance Authority (OPFA)** - public trust created pursuant to 60 O.S. § 176 to provide aid or aid in providing facilities and or services necessary for the functioning of any governmental entity within the State of Oklahoma – *considered part of the primary government presentation for reporting purposes*
- **The Cashion Economic Development Authority (CEDA)** – public trust created pursuant to 60 O.S. § 176 to provide economic development opportunities, in or near the Town, with the trustees appointed by the Town Board – *reported as a discretely presented component unit*

For each of the above public trusts, the Town of Cashion is the beneficiary of the trust and the Town Board either serves as the governing body of the trust or appoints the trustees. In addition, as required by state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the Town Board. This is considered sufficient imposition of will to include the trusts within the Town's financial reporting entity. The public trusts do not issue separate annual financial statements.

B. Basis of Accounting and Presentation

Government-Wide Financial Statements:

The statement of net assets and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles.

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These modifications include adjustments for the following balances arising from cash transactions:

- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Program revenues within the statement of activities are derived directly from each activity or from parties outside the Town's taxpayers. The Town has the following program revenues in each activity:

- General government: License and permits
- Public safety: Fine revenue and operating grants
- Streets and highways: Gas excise and commercial vehicle taxes

For business-type activities, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as they apply to the modified cash basis, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Governmental Funds:

The Town's governmental funds are comprised of the following:

Major Funds:

- General Fund - accounts for all activities not accounted for in other special-purpose funds
- Emergency Fund – accounts for all ambulance and fire revenues restricted for operations

Non-Major Funds (Reported as Other Governmental Fund):

- Street and Alley Fund – accounts for commercial vehicle tax, gasoline excise tax and sales tax legally restricted for street and alley repairs and maintenance

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

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Proprietary Funds:

The Town's proprietary funds are comprised of the following:

- Cashion Public Works Authority (CPWA) – accounts for the operation of the gas, water, wastewater, and sanitation activities
- Oklahoma Public Finance Authority – accounts for the debt service activity of the Authority

The proprietary funds are reported on a modified cash basis, as defined above, and economic resources measurement focus. Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

For purposes of the statement of revenues, expenses and changes in fund net assets, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market accounts.

Investments consist of long-term certificates of deposits, reported at cost, and shares of a government obligation mutual fund reported at the current fund share price, which also represents its fair value.

D. Capital Assets and Depreciation

Capital assets are reported when they result from cash transactions and are net of accumulated depreciation where applicable. The Town does not maintain complete detail capital asset records.

E. Long-Term Debt

Long-term debt is reported when the debt arises from a cash transaction. Due to the lack of detail capital asset records, the Town's long-term debt is disclosed in the commitment section of these notes.

F. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated

absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 9.

G. Fund Balances and Net Assets

Fund Balances:

Fund balances generally reported in the governmental funds financial statements are displayed in two components:

a. Reserved – Consists of fund balances that are either legally restricted as to use (such as voter-restricted sales taxes), or fund balances that are not available for expenditure in the subsequent year (such as encumbrances).

b. Unreserved – All other fund balances not classified as “reserved”.

At June 30, 2010, there were no governmental fund balance reserves.

Net assets are displayed in two components:

a. 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 and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

b. Unrestricted net assets - All other net assets that do not meet the definition of “restricted.”

It is the Town’s policy to first use restricted net assets prior to the use of unrestricted net assets when expenditures are incurred for purposes for which both restricted and unrestricted net assets are available.

H. Internal and Interfund Balances and Transfers

The Town’s policy is to eliminate interfund transfers and balances in the statement of activities and net assets to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

I. Use of Estimates

Certain estimates are made in the preparation of the financial statements. Estimates are based on management’s best judgments and may vary from actual results.

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2. Deposits and Investments

For the year ended June 30, 2010, the Town recognized \$1,527 of investment income. At June 30, 2010, the primary government held the following deposits and investments:

<u>Deposits</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Cash on hand		\$ 52
Demand Deposits		120,138
Time Deposits		13,234
		<u>\$ 133,424</u>
 <u>Investments</u>		
CPWA - Federated Treasury Obligations Fund	AAAm	712,238
 Total Deposits and Investments		 <u><u>\$ 845,662</u></u>
 Reconciliation to the Statement of Net Assets:		
Cash and cash equivalents		\$ 133,424
Investments		712,238
		<u><u>\$ 845,662</u></u>

Custodial Credit Risk

Exposure to custodial credit related to deposits exists when the Town holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Town holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Town's name.

The Town's policy as it relates to custodial credit risk is to comply with state law and secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. Acceptable collateral is defined in state statutes and includes U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 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. At June 30, 2010, the Town was not exposed to custodial credit as defined above.

Investment Credit Risk

The Town limits its investments to those allowed in state law applicable to municipalities. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations—rating agencies—as of the year end. Unless there is information to the contrary,

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obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. As noted in the schedule of deposits and investments above, at June 30, 2010, the only investment held by the Town subject to credit rating (the Federated Treasury Obligations Mutual Fund) maintained a rating of AAAM by Standard and Poor's Investor Service.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town has no investment policy that limits based on maturity. The Town discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. As noted in the schedule of deposits and investments above, at June 30, 2010, the investments were limited to a time deposit and shares of a government obligations mutual fund not exposed to interest rate risk.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the Town (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The Town has no investment policy regarding concentration of credit risk. At June 30, 2010, the Town had no concentration of credit risk as defined above. However, all of its mutual fund investments were in a single mutual fund.

Restricted cash and Investments – The amounts reported as restricted assets on the statement of net assets are comprised of amounts restricted for meter deposits and emergency services. The restricted assets as of June 30, 2010 are as follows:

<u>Type of Restricted Assets</u>	<u>Current Cash and Cash Equivalents</u>	<u>Current Investments</u>
Utility Deposits	\$ 51,293	\$ -
Trust Fund Commitment	<u>327</u>	<u>712,238</u>
 Total Restricted Assets	 <u>\$ 51,620</u>	 <u>\$ 712,238</u>

3. Net Assets and Fund Balances

Net Assets:

Net assets as reported in the government-wide and proprietary fund financial statements are displayed in two components:

- a. *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 and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

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	State Statutes	Other Contracts	Total
Governmental Activities:			
Street & Alley purposes	\$ 4,452	\$ -	\$ 4,452
Total Governmental Activities	<u>4,452</u>	<u>-</u>	<u>4,452</u>
Business-type Activities:			
Trust Fund purposes	-	712,238	712,238
Total Business-type Activities	<u>-</u>	<u>712,238</u>	<u>712,238</u>
Total Restricted Net Assets	<u>\$ 4,452</u>	<u>\$ 712,238</u>	<u>\$ 716,690</u>

b. *Unrestricted net assets* - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the City’s policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balances:

Fund balances as reported in the governmental funds financial statements are displayed in two components:

- a. *Reserved* – Consists of fund balances that are either legally restricted as to use (such as voter restricted sales taxes), or fund balances that are not available for expenditure in the subsequent year (such as long-term receivables, inventory, etc.)
- b. *Unreserved* - All other fund balances not classified as “reserved”.

4. Sales Tax Revenue

Sales tax revenue represents a 3 cent local tax on each dollar of taxable sales within the Town, of which 2 cents are recorded in the General Fund and 1 cent recorded in the Street & Alley Fund.

5. Property Tax Levy

The Town presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the Town.

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6. Internal and Interfund Balances and Transfers

Internal balances between funds and activities for the year ended June 30, 2010, were as follows:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>	<u>Nature of Internal Balances</u>
Street & Alley Fund	General Fund	\$6,982	Deposits received on behalf of
CPWA	General Fund	450	Expenditures paid on behalf of
Street & Alley Fund	Emergency Services Fund	1,794	Expenditures paid on behalf of
		<u>\$9,226</u>	

Transfers between legal entities netted to \$195,308 and are comprised of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Nature of Transfer</u>
General Fund	CPWA	\$121	Operating subsidy
General Fund	Emergency Services Fund	49,267	Operating subsidy
Street & Alley Fund	General Fund	13,258	Operating subsidy
Street & Alley Fund	Emergency Services Fund	1,794	Operating subsidy
CPWA	Street & Alley Fund	500	Operating subsidy
CPWA	Emergency Services Fund	12,900	Debt payments
CPWA	General Fund	182,029	Operating subsidy
		<u>\$259,869</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$259,748	(\$64,440)	\$195,308
Proprietary Funds	121	(195,429)	(\$195,308)
Total	<u>\$259,869</u>	<u>(\$259,869)</u>	<u>\$ -</u>

7. Risk Management

The Town and its public trusts are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. These risks are managed by securing commercial insurance for all risks. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

8. Employee Retirement Plan Participation

The Town of Cashion participates in two pension or retirement plans:

1. Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Municipal Retirement Fund Defined Contribution Plan (OMRF-DCP) – an agent multiple-employer defined contribution plan

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Firefighter Pension System:

Plan Summary Information. The Town of Cashion, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter’s Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the Town must participate in the plan if they employ full-time or volunteer firefighters.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

Funding Policy. OFPRS plan members that are volunteer firefighters are not required to contribute to the plan. The Town is required by state law to contribute \$60 per year for each volunteer firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OFPRS contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2008	\$1,260	\$1,260
2009	\$1,140	\$1,140
2010	\$1,140	\$1,140

Oklahoma Municipal Retirement Fund

The Town of Cashion maintains a defined contribution retirement /savings plan (the Plan) which covers substantially all employees not covered by other retirement plans. The Plan is an elective plan with participants in the Plan vesting in the Town’s contributions as follows:

<u>Years of Service</u>	<u>Vested Percentage</u>
Less than 1 year	0%
1 year but less than 2 years	20%
2 years but less than 3 years	40%
3 years but less than 4 years	60%
4 years but less than 5 years	80%
5 years or more	100%

Plan members are required to contribute a minimum of 3.0%, but no more than 25% of compensation, while the Town contributes 5.0% of annual covered payroll. The contribution requirements of the Town are established and may be amended by the Town Board.

During the year ended June 30, 2010, the Town and CPWA contributed a total of \$5,873 to the Plan, while employees contributed an aggregate of \$5,620 on covered compensation.

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9. Commitments and Contingencies

Long-term Debt Commitments:

At June 30, 2010, in addition to vendor and employee obligations due and payable, the statement of net assets reported the following as compensation obligations as defined in Note 1.

Capital Lease Agreements:

\$125,000 capital debt with Community State Bank for 2002 Ford Ambulance, payable in monthly installments of \$1,802, final payment due January 4, 2015.	86,727
\$133,309 capital debt with Community State Bank for 2 Pumper trucks, payable in monthly installments of \$1,291, final payment due January 4, 2015.	116,667
\$88,860 capital debt with Community State Bank for a Trash Truck, payable in monthly installments of \$552, final payment due January 4, 2015	49,898
\$96,702 capital debt with Community State Bank for a fire equipment, payable in monthly installments of \$3,278, final payment due April 15, 2012	87,685
\$31,365 capital debt with Community State Bank for communication equipment, payable in monthly installments of \$1,847, final payment due April 2, 2012	<u>24,255</u>
	<u>\$365,232</u>

Cashion Public Works Authority:

Long-term obligations payable from revenues generated by or pledged to CPWA includes the following:

Revenue Bonds Payable:

\$785,000 utility system refunding revenue bonds for improvements, payable in various annual installments, including principal and interest from 4.10-5.20% final payment due April 1, 2022.

Balance Outstanding at June 30, 2010 \$615,000

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Debt Service Requirements to Maturity

Year Ended June 30,	CPWA <u>Revenue Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 40,000	\$ 30,545
2012	40,000	28,685
2013	45,000	26,825
2014	45,000	24,733
2015	45,000	22,640
2016-2020	270,000	76,432
2021-2022	<u>130,000</u>	<u>10,140</u>
Total	<u>\$ 615,000</u>	<u>\$ 220,000</u>

Conduit Debt Obligations of OPFA

This debt is considered non-commitment (conduit) debt to the Town and Authority since the debt payments are made solely from direct financing lease payments. Payments are made directly by the Schools Districts to trustee banks that pay the bondholders. In the event of default by the Schools, the Town or Authority has no obligation, legally and in substance, to make any payments on the debt since the lease receivable, financing agreements and mortgages on the property with the Schools are the security for the debt.

Oklahoma Public Finance Authority:

The Oklahoma Public Finance Authority has issued revenue bonds for various economic development projects. The following bonds were outstanding at June 30, 2010:

\$400,000 of revenue bonds issued for the benefit of the Anadarko Public Schools, secured solely by lease payments, payable in various annual installments, including principal and interest at 2.26%, final payment due January 29, 2014.

Balance Outstanding at June 30, 2010 \$400,000

\$150,000 of revenue bonds issued for the benefit of the Asher Public Schools, secured solely by lease payments, payable in various annual installments, including principal and interest at 2.26%, final payment due January 29, 2014.

Balance Outstanding at June 30, 2010 \$150,000

\$2,000,000 of revenue bonds issued for the benefit of the Bethany Public Schools, secured solely by lease payments, payable in various annual installments, including principal and interest at 4.69%, final payment due September 1, 2010.

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Balance Outstanding at June 30, 2010 \$705,000

\$175,000 of revenue bonds issued for the benefit of the Bethel Public Schools, secured solely by lease payments, payable in various annual installments, including principal and interest at 2.26%, final payment due January 29, 2014.

Balance Outstanding at June 30, 2010 \$175,000

\$310,000 of revenue bonds issued for the benefit of the Boone-Apache Public Schools, secured solely by lease payments, payable in various annual installments, including principal and interest at 1.8%, final payment due February 25, 2015.

Balance Outstanding at June 30, 2010 \$186,000

\$500,000 of revenue bonds issued for the benefit of the Broken Bow Public Schools, secured solely by lease payments, payable in various annual installments, including principal and interest at 2.26%, final payment due January 29, 2014.

Balance Outstanding at June 30, 2010 \$500,000

\$1,000,000 of revenue bonds issued for the benefit of the Byng Public Schools, secured solely by lease payments, payable in various annual installments, including principal and interest at 1.8%, final payment due February 25, 2015.

Balance Outstanding at June 30, 2010 \$600,000

\$600,000 of revenue bonds issued for the benefit of the Cache Public Schools, secured solely by lease payments, payable in various annual installments, including principal and interest at 2.16%, final payment due April 7, 2014.

Balance Outstanding at June 30, 2010 \$600,000

\$9,895,000 of revenue bonds issued for the benefit of the Cleveland Public Schools, secured solely by lease payments, payable in various annual installments, including principal and interest at 5.1%, final payment due September 1, 2015.

Balance Outstanding at June 30, 2010 \$6,875,000

\$515,000 of revenue bonds issued for the benefit of the Coalgate Public Schools, secured solely by lease payments, payable in various annual installments, including principal and interest at 2.26%, final payment due January 29, 2014.

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Balance Outstanding at June 30, 2010 \$515,000

\$250,000 of revenue bonds issued for the benefit of the Colcord Public Schools, secured solely by lease payments, payable in various annual installments, including principal and interest at 5.74%, final payment due December 15, 2010.

Balance Outstanding at June 30, 2010 \$82,505

\$156,000 of revenue bonds issued for the benefit of the Crowder Public Schools, secured solely by lease payments, payable in various annual installments, including principal and interest at 1.8%, final payment due February 25, 2015.

Balance Outstanding at June 30, 2010 \$93,600

\$550,000 of revenue bonds issued for the benefit of the Geary Public Schools, secured solely by lease payments, payable in various annual installments, including principal and interest at 2.26%, final payment due January 29, 2014.

Balance Outstanding at June 30, 2010 \$550,000

\$415,000 of revenue bonds issued for the benefit of the Latta Public Schools, secured solely by lease payments, payable in various annual installments, including principal and interest at 1.8%, final payment due February 25, 2015.

Balance Outstanding at June 30, 2010 \$249,000

\$104,000 of revenue bonds issued for the benefit of the Mason Public Schools, secured solely by lease payments, payable in various annual installments, including principal and interest at 1.8%, final payment due February 25, 2015.

Balance Outstanding at June 30, 2010 \$62,400

\$759,758 of revenue bonds issued for the benefit of the McAlester Public Schools, secured solely by lease payments, payable in various annual installments, including principal and interest at 2.26%, final payment due January 29, 2014.

Balance Outstanding at June 30, 2010 \$759,758

\$516,000 of revenue bonds issued for the benefit of the McLoud Public Schools, secured solely by lease payments, payable in various annual installments, including principal and interest at 1.8%, final payment due February 25, 2015.

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Balance Outstanding at June 30, 2010 \$309,600

\$343,500 of revenue bonds issued for the benefit of the Panola Public Schools, secured solely by lease payments, payable in various annual installments, including principal and interest at 1.8%, final payment due February 25, 2015.

Balance Outstanding at June 30, 2010 \$206,100

\$364,000 of revenue bonds issued for the benefit of the Pocola Public Schools, secured solely by lease payments, payable in various annual installments, including principal and interest at 1.8%, final payment due February 25, 2015.

Balance Outstanding at June 30, 2010 \$218,400

\$410,000 of revenue bonds issued for the benefit of the Waurika Public Schools, secured solely by lease payments, payable in various annual installments, including principal and interest at 2.26%, final payment due January 29, 2014.

Balance Outstanding at June 30, 2010 \$410,000

\$369,000 of revenue bonds issued for the benefit of the Weatherford Public Schools, secured solely by lease payments, payable in various annual installments, including principal and interest at 1.64%, final payment due April 7, 2011.

Balance Outstanding at June 30, 2010 \$369,000

Total Debt Obligations of the OPFA \$13,466,363

Trust Fund Commitments

In November 1990 the Town electric distribution system was sold to Oklahoma Gas and Electric Company for \$1,017,975. A special utility trust fund was established to account for the proceeds of the sale and its earnings. All funds in the trust must be invested in direct obligations of the United States of America, obligations of the United States of America fully guaranteed as to both interest and principal or certificate of deposit of the trustee bank or any selected by the trustee bank and secured as required by law. On July 1st each year the Town is to receive 75% of the earnings and the remaining 25% is to be retained in the trust fund. The principal of the Sale Fund shall be invested and held intact and shall not be expended for any purpose whatsoever unless the question of the expenditure of such principal shall have been submitted to and approved by the electors of the Town, at an election called and held for that purpose.

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Compensated Absences:

As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2010, is summarized as follows:

- CPWA – accrued compensated absences \$20,741

Litigation:

The Town is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a Town "Sinking Fund" for the payment of any court assessed judgment rendered against the Town. These statutory provisions do not apply to the Town's public trust Authorities. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Town and the State statute relating to judgments, the Town feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.

Federal and State Award Programs:

The Town of Cashion participates in various federal or state grant/loan programs from year to year. In 2010, the Town's involvement in federal and state award programs was not significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The Town has not been notified of any noncompliance with federal or state award requirements.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2010

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ -	\$ -	\$ 5,959	\$ 5,959
Resources (Inflows):				
Taxes	85,500	85,500	86,979	1,479
Intergovernmental	6,000	6,000	7,722	1,722
Fines and Forfeitures	13,500	13,500	4,450	(9,050)
Licenses and Permits	-	-	3,780	3,780
Investment Income	1,000	1,000	614	(386)
Miscellaneous	30,000	30,000	51,673	21,673
Transfers In	32,000	32,000	195,287	163,287
Total Resources (Inflows)	<u>168,000</u>	<u>168,000</u>	<u>350,505</u>	<u>182,505</u>
Amounts available for appropriation	<u>\$ 168,000</u>	<u>\$ 168,000</u>	<u>\$ 356,464</u>	<u>\$ 188,464</u>
Charges to Appropriations (Outflows):				
General Government	73,000	73,000	213,573	(140,573)
Public Safety	95,000	95,000	85,879	9,121
Transfers Out	-	-	49,388	(49,388)
Total Charges to Appropriations	<u>168,000</u>	<u>168,000</u>	<u>348,840</u>	<u>(180,840)</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,624</u>	<u>\$ 7,624</u>
	EMERGENCY FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ -	\$ -	\$ 8,585	\$ 8,585
Resources (Inflows):				
Intergovernmental	-	-	5,100	5,100
Charges for services	241,000	241,000	95,933	(145,067)
Interest income	-	-	164	164
Miscellaneous	1,000	1,000	28,742	27,742
Transfers In	-	-	63,961	63,961
Total Resources (Inflows)	<u>242,000</u>	<u>242,000</u>	<u>193,900</u>	<u>(48,100)</u>
Amounts available for appropriation	<u>\$ 242,000</u>	<u>\$ 242,000</u>	<u>\$ 202,485</u>	<u>\$ (39,515)</u>
Charges to Appropriations (Outflows):				
Public Safety	242,000	242,000	201,249	40,751
Total Charges to Appropriations	<u>242,000</u>	<u>242,000</u>	<u>201,249</u>	<u>40,751</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,236</u>	<u>\$ 1,236</u>

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Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require Mayor's approval, while supplemental appropriations require Town Council approval.
3. In the General Fund and the Emergency Fund, the Town had negative variances in the following category levels and for the following amount:

General Fund – General Government	\$140,573
General Fund – Transfers Out	\$49,388

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SUPPLEMENTARY INFORMATION

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Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2010

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA#	Grant #	Awards Expended
STATE AWARDS:			
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>			
Rural Fire Grant	N/A	Operational Grant	<u>\$ 5.100</u>
Total Expenditures of State Awards:			<u><u>\$ 5.100</u></u>

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*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Cashion, the Cashion Public Works Authority and the Oklahoma Public Works Finance Authority (referred to as the primary government), and the Cashion Economic Development Authority (referred to as the component unit), as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 25, 2012. The report was adverse with respect to the presentation of financial statements in conformity with accounting principles generally accepted in the United States of America but unqualified with respect to the presentation of financial statements on the modified cash basis of accounting. 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 the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town'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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We consider the deficiencies described in the accompanying schedule of findings and responses to be a material weakness in internal control over financial reporting: Item 10-03.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 test disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*. This finding is listed in the accompanying schedule of findings and responses as items 10-01 through 10-02.

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

This report is intended solely for the information and use of the Town of Cashion, Oklahoma officials and is not intended to be and should not be used by anyone other than these specified parties.

Storm & Hauser, P.C.

Kingfisher, Oklahoma
June 25, 2012

Town of Cashion
Schedule of Findings
For the Year Ended June 30, 2010

COMPLIANCE

10-01 Exceeding Budget Appropriations (Repeat)

Criteria: State law prescribes that no encumbrances or expenditures may be authorized or made by an officer or employee that exceeds the available appropriations for each department of a fund.

Condition: Expenditures exceeded appropriations in the General Fund & Emergency Services Fund, in certain instances at the legal level of control for the year ended June 30, 2010

Cause: The Town's policy and procedures established to ensure appropriations are available were not applied.

Effect: Expenditures exceeded appropriations at June 30, 2010 in the above funds.

Recommendation: We suggest the Town closely monitor the expenditures on a monthly basis and not approve any expenditure until additional amendments have been made and approved.

Management Response: The Town will continue to monitor monthly budget-to-actual reports for any over-expenditures.

Town of Cashion
Schedule of Findings
For the Year Ended June 30, 2010

COMPLIANCE

10-02 Purchase Orders (Repeat)

Criteria: State law requires municipalities to follow the purchase order act as outlined in 62-310.1-310.9 of the Oklahoma Statutes unless otherwise provided by Town Ordinance.

Condition: The Town did not use purchase orders and did not have an alternative procedure in place at the beginning of the fiscal year.

Cause: The Town's policy and procedures established to follow purchasing requirements were not applied.

Effect: The Town is unable to monitor compliance over purchases as required by State Law.

Recommendation: We suggest the Town comply with all state laws.

Management Response: The Town will comply with all state laws and has since implemented a purchase order procedure.

Town of Cashion
Schedule of Findings
For the Year Ended June 30, 2010

REPORTABLE CONDITION OF INTERNAL CONTROL

10-03 Segregation of Duties (Repeat)

Criteria: Segregation of duties over custody, bookkeeping, and reconciliation is important to have adequate control over financial assets.

Condition: Due to its limited population and resources, the Town essentially uses one person to perform certain duties that are incompatible with the objectives of effective internal control.

Cause: The Town's limited population and resources result in the inability to provide sufficient staffing to fully segregate incompatible duties.

Effect: Without proper segregation of duties, the risk that errors and fraud related to the billing and collection activities could occur and not be detected within a timely basis increases.

Recommendation: Efficient segregation of duties in a small town environment is often difficult; however, we feel that the governing body and Town management should be aware of the risk associated with this lack of duty of segregation and attempt to exercise as much oversight control in these areas as possible and feasible. Such control could consist of account receivable reconciliation reviews, payment posting report reviews, and utility adjustment reviews.

Management Response: The Town is currently researching and implementing procedures for the better segregation of duties.

