

**ACCOUNTANT'S AUDIT REPORT**  
**CITY OF CACHE**

**JUNE 30, 2010**

BY



**City of Cache**  
**Cache, Oklahoma**  
**Year Ended June 30, 2010**

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Kimberly A. Furrh, CPA

Adam H. Perry, CPA

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
City of Cache  
Cache, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cache, Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

As discussed in Note 3, the City of Cache, Oklahoma prepares its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

Management was not able to provide enough evidence in order for us to obtain reasonable assurance as to the completeness of the amounts recorded as revenue and expenses. In addition, management has not recorded capital assets purchased prior to 1999 and the corresponding depreciation of those assets. The amount by which these departures would affect the assets, liabilities, net assets, revenues, and expenses of the business type activities is not reasonably determinable.

In our opinion, except for the effects as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, each

major fund, and the aggregate remaining funds of the City of Cache, Oklahoma, as of June 30, 2010, and the respective changes in financial position – modified cash basis, and where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 3.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2012 on our consideration of the City'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 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 budgetary comparison information and the related notes 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 inquires 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.

The City of Cache has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary supplemental information, although not required to be part of the basis financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cache's basic financial statements. The accompanying combining and individual non-major governmental fund financial statements and the schedule of federal and state awards are presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Cache, Oklahoma. We subjected this information to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting used by the City.



FURRH & ASSOCIATES, PC

Certified Public Accountants

June 22, 2012

**City of Cache**  
**Cache, Oklahoma**  
**Statement of Net Assets**  
**(Modified Cash Basis)**  
**June 30, 2010**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and Cash Equivalents	\$ 220,900	\$ 200,502	\$ 421,402
Capital Assets	810,363	1,625,069	2,435,432
Accumulated Depreciation	(237,615)	(363,263)	(600,878)
 Total Assets	 <u>793,648</u>	 <u>1,462,308</u>	 <u>2,255,956</u>
<b><u>Liabilities</u></b>			
Accounts Payable	282	3,207	3,489
Notes Payable	0	1,292,269	1,292,269
 Total Liabilities	 <u>282</u>	 <u>1,295,476</u>	 <u>1,295,758</u>
<b><u>Net assets</u></b>			
Invested in Capital, Net of Related Debt	572,748	87,653	660,401
Restricted	0	74,303	74,303
Unrestricted	220,618	4,876	225,494
 Total Net Assets	 <u>793,366</u>	 <u>166,832</u>	 <u>960,198</u>
 Total Liabilities & Net Assets	 <u>\$ 793,648</u>	 <u>\$ 1,462,308</u>	 <u>\$ 2,255,956</u>

Please see accompanying notes to the financial statements.

**City of Cache**  
**Cache, Oklahoma**  
**Statement of Activities**  
**(Modified Cash Basis)**  
**Year Ended June 30, 2010**

	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Activities	Total
<b>Functions/Programs</b>						
<b>Primary Government</b>						
Governmental Activities:						
General Government	\$ 292,066	\$ 4,485	\$ 0	\$ (265,307)	\$ 0	\$ (265,307)
Public Safety						
Police	97,720	0	0	(76,563)	0	(76,563)
Fire	232,389	0	154,121	(19,826)	0	(19,826)
Streets	36,229	0	0	(36,229)	0	(36,229)
Total Governmental Activities	658,404	4,485	154,121	(397,925)	0	(397,925)
Business-Type Activities:						
Water	509,086	0	0	0	(18,116)	(18,116)
Garbage	259,075	0	0	0	(9,219)	(9,219)
Sewer	74,070	0	0	0	(2,636)	(2,636)
Miscellaneous	-	0	0	0	0	0
Total Business-Type Activities	842,231	0	0	0	(29,971)	(29,971)
<b>Total Primary Government</b>	<b>\$ 1,500,635</b>	<b>\$ 4,485</b>	<b>\$ 154,121</b>	<b>(397,925)</b>	<b>(29,971)</b>	<b>(427,896)</b>
<b>General Revenue</b>						
Taxes:						
Sales & Use Tax				307,484	0	307,484
Franchise Tax				25,917	0	25,917
Alcoholic Beverage Tax				6,063	0	6,063
Vehicle Tax				16,920	0	16,920
Use Tax				18,140	0	18,140
Cigarette Tax				4,264	0	4,264
Miscellaneous				15,742	81,280	97,022
Net Transfers				3,810	(213,827)	(210,017)
Total General Revenue				398,340	(132,547)	265,793
<b>Change in Net Assets</b>				415	(162,518)	(162,103)
<b>Net Assets, June 30, 2009</b>				306,203	329,350	635,553
<b>Net Assets, June 30, 2010</b>				\$ 306,618	\$ 166,832	\$ 473,450

Please see accompanying notes to the financial statements.

**City of Cache  
Cache, Oklahoma  
Governmental Funds  
Balance Sheet  
(Modified Cash Basis)  
June 30, 2010**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>Assets</u></b>			
Cash and Cash Equivalents	\$ 134,900	\$ 86,000	\$ 220,900
Total Assets	\$ 134,900	\$ 86,000	\$ 220,900
<b><u>Liabilities and Fund Balances</u></b>			
Accounts Payable	\$ 282	\$ 0	\$ 282
Total Liabilities	282	0	282
Fund Balances			
Unrestricted	134,618	86,000	220,618
Total Liabilities and Fund Balances	\$ 134,900	\$ 86,000	

**Reconciliation to Statement of Net Assets**

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital Assets used in governmental activities of \$810,363, Net of Accumulated Depreciation of \$237,615, are not financial resources and, therefore, are not reported in the funds.

	572,748
<b><u>Net Assets of Governmental Activities</u></b>	<b>\$ 793,366</b>

Please see accompanying notes to the financial statements.

**City of Cache**  
**Cache, Oklahoma**  
**Governmental Funds**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**(Modified Cash Basis)**  
**Year Ended June 30, 2010**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Revenue</u></b>			
Taxes	\$ 343,728	\$ 35,060	\$ 378,788
Miscellaneous	15,410	332	15,742
Fire Service	58,442	0	58,442
Police Revenue	18,022	0	18,022
Grants	154,121	0	154,121
Pound Revenue	3,105	0	3,105
Building Permits	19,169	0	19,169
Donations	4,475	10	4,485
Penalty Revenue	0	3,135	3,135
Total Revenue	<u>616,472</u>	<u>38,537</u>	<u>655,009</u>
<b><u>Expenditures</u></b>			
General Government:			
General Government	287,577	4,489	292,066
Public Safety:			
Police	97,720	0	97,720
Fire	232,389	0	232,389
Street and Public Works:			
Streets	0	36,229	36,229
Culture and Recreation:			
Parks	0	0	0
Total Expenditures	<u>617,686</u>	<u>40,718</u>	<u>658,404</u>
Revenue Over (Under) Expenditures	(1,214)	(2,181)	(3,395)
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers In/(Out)	(6,149)	9,959	3,810
Total Other Financing Sources (Uses)	<u>(6,149)</u>	<u>9,959</u>	<u>3,810</u>
Net Changes in Fund Balance	(7,363)	7,778	415
Fund Balance, June 30, 2009	<u>227,981</u>	<u>78,222</u>	<u>306,203</u>
Fund Balance, June 30, 2010	<u>\$ 220,618</u>	<u>\$ 86,000</u>	<u>\$ 306,618</u>

Please see accompanying notes to financial statements.

**City of Cache**  
**Cache, Oklahoma**  
**Cache Public Works Authority**  
**Enterprise Fund**  
**Statement of Net Assets**  
**(Modified Cash Basis)**  
**Year Ended June 30, 2010**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 200,502	
Total Current Assets		\$ 200,502

Noncurrent Assets:

Capital Assets	1,616,010	
Land	9,059	
Accumulated Depreciation	363,263	
Total Noncurrent Assets		1,261,806

Total Assets		\$ 1,462,308

**LIABILITIES**

Current Liabilities

Accounts Payable	3,207	
Notes Payable- Current Portion	33,780	
Total Current Liabilities		36,987

Noncurrent Liabilities

Notes Payable- Long-Term Portion	1,258,489	1,258,489

Total Liabilities		1,295,476
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**Net Assets**

Invested in Capital Assets, Net of Related Debt	87,653	
Restricted	74,303	
Unrestricted	4,876	

Total Net Assets		166,832

Total Net Assets and Liabilities		\$ 1,462,308

Please see accompanying notes to the financial statements.

**City of Cache**  
**Cache, Oklahoma**  
**Cache Public Works Authority**  
**Enterprise Fund**  
**Statement of Revenue, Expense, and Changes in Fund Net Assets**  
**(Modified Cash Basis)**  
**Year Ended June 30, 2010**

**Operating Revenue**

Water Revenue	\$ 490,970	
Garbage Revenue	249,856	
Sewer Revenue	71,434	
Miscellaneous Income	53,228	
Late Charges and Misc Penalties	28,052	
Total Operating Revenue	<u>280,540</u>	\$ 893,540

**Operating Expense**

Repairs & Maintenance	134,445	
Payroll Expense	237,592	
Garbage Service Expense	232,177	
Insurance	9,832	
Utilities	44,505	
Depreciation	58,306	
Operating Supplies	46,649	
Automobile Expense	27,384	
Legal & Auditing	6,411	
Office Supplies and Expense	15,439	
Interest Expense	29,491	
Total Operating Expense	<u>842,231</u>	

Net Operating Income (Loss) 51,309

**Nonoperating Revenue (Expense)**

Transfers In	13,568	
Increase/(Decrease) in Meter Deposits	9,252	
Transfers Out	(236,647)	
Net Nonoperating Revenue (Expense)	<u>(213,827)</u>	

Net Revenue (Loss) (162,518)

Total Net Assets, June 30, 2009 329,350

Total Net Assets, June 30, 2010 \$ 166,832

Please see accompanying notes to the financial statements.

**City of Cache**  
**Cache, Oklahoma**  
**Cache Public Works Authority**  
**Enterprise Fund**  
**Statement of Cash Flows**  
**(Modified Cash Basis)**  
**Year Ended June 30, 2010**

**Cash Flows from Operating Activities**

Receipts from Customers	\$ 840,312
Miscellaneous Revenue	53,228
Payments to Suppliers	(560,134)
Payments to Employees	(237,592)
	<hr/>

Net Cash Provided by Operating Activities 95,814

**Cash Flows from Noncapital Financing Activities**

Net Transfers	(223,079)
	<hr/>

Net Cash Provided (Used) by Noncapital Financing Activities (223,079)

**Cash Flows from Capital and Related Financing Activities**

Capital Assets Purchased	(1,275,319)
Increase in Notes Payable	1,154,219
	<hr/>

Net Cash Provided (Used) by Capital and Related Financing Activities (121,100)

**Cash Flows from Investing Activities**

Increase in Meter Deposits	9,252
	<hr/>

Net Cash Provided by Investing Activities 9,252

Net Increase (Decrease) in Cash and Cash Equivalents (239,113)

Cash and Cash Equivalents - June 30, 2009 439,615

Cash and Cash Equivalents - June 30, 2010 \$ 200,502

**Reconciliation of Operating Income to Net Cash Provided by Operating Activities**

Operating Income	\$ 51,309
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities	
Depreciation Expense	44,505
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Net Cash Provided by Operating Activities \$ 95,814

Please see accompanying notes to the financial statements.

**City of Cache, Oklahoma**  
**Notes to Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

**Note 1 - Summary of Significant Accounting Policies**

The accounting and reporting policies of the City of Cache, Oklahoma relating to the funds included in the financial statements conforms to generally accepted accounting principles of state and local governments, except as noted below. The following represents the more significant accounting and reporting policies and practices of the City:

The City of Cache, for financial reporting purposes, includes funds and account groups over which the governing board exercises oversight authority.

The Cache Public Works Authority is a public trust created under authority of and pursuant to the provisions of 60 O.S. Sections 177-180.3, for the use and benefit of the City of Cache, Oklahoma. The Authority leases the existing water and sewer lines, wells and storage facilities of the City and receives the revenues from their use. The Authority is charged with the responsibility of maintaining the property as needed, although title to the property is retained by the City. The lease is for a period of fifty years.

The Cache Economic Development Authority and the Cache Educational Facility Authority are public trusts that will issue separate financial statements for the year ended June 30, 2010.

**Note 2 - Fund Accounting**

The accounts of the City are organized on the basis of funds and a group of accounts, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance, revenues and expenditures. The various funds are grouped by type in the financial statements in this report, as follows:

1. Governmental Fund Types

(a) General Fund

The General Fund is the principal fund of the City which accounts for all financial transactions not properly accounted for in other funds.

(b) Special Revenue Funds

Special Revenue Funds are used to account for the revenues derived from specific taxes and other designated revenue sources.

The City's current Special Revenue Funds include:

Street & Alley Fund  
K-9  
Penalty  
Park & Recreation

**City of Cache, Oklahoma**  
**Notes to Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

Crime Prevention  
Community Center  
Court Bond Fund

2. Proprietary Fund Types

(a) Enterprise Fund

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

(b) Fiduciary Funds

Fiduciary funds are trust or agency funds used to account for assets held by the City in a trustee capacity or as an agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

**Note 3 - Basis of Accounting**

The modified cash basis of accounting is followed. Revenues are recorded when received rather than when earned. Expenditures are recorded when paid, however, outstanding encumbrances, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation.

This method accounting is a comprehensive basis of accounting which differs from the method required under generally accepted accounting principles. Generally accepted accounting principles for cities and towns require that the modified accrual basis of accounting be followed.

**Note 4 - Budget**

The City's budget represents appropriations originally authorized and any subsequent revisions that were officially adopted during the fiscal year. The City's budget is also prepared under the modified cash basis of accounting. In accordance with Oklahoma law, all remaining unexpended appropriations lapse at year end.

**Note 5 - Deposits, Investments, and Collateral**

The City is statutorily limited to investing public funds in insured checking accounts, certificates of deposit, insured savings accounts, savings certificates and U.S. or Oklahoma government obligations. The City is also required to secure collateral for invested funds in excess of amounts insured by the Federal Deposit Insurance Corporation or Federal Savings & Loan Insurance Corporation. Acceptable collateral is primarily limited to federal, state and local government obligations.

**City of Cache, Oklahoma**  
**Notes to Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

**Note 6 - Fixed Assets**

The City did not maintain a detailed fixed asset ledger prior to July 1999; therefore, only assets purchased after this date are included in the financial statements. Assets acquired since July 1999 are recorded at cost.

Changes in fixed assets during the year ended June 30, 2010, were as follows:

	<u>Fixed Assets</u>	<u>Accumulated Depreciation</u>
Balance, July 1, 2009	\$ 637,155	\$ 206,520
Additions	<u>0</u>	<u>26,765</u>
Total	637,155	233,285
Disposals	<u>0</u>	<u>0</u>
Balance, June 30, 2010	<u>\$ 637,155</u>	<u>\$ 233,285</u>

The estimated useful lives by type of asset are as follows:

Buildings and Improvements	40 years
Land Improvements	20 years
Machinery and Equipment	20 years
Furniture and Fixtures	10 years

The Authority did not maintain a detailed fixed asset ledger prior to July 1995; therefore, only assets purchased after this date are included in the financial statements. Assets acquired since July 1995 have been recorded at cost.

Changes in fixed assets of the Enterprise Fund during the year ended June 30, 2010, were as follows:

	<u>Fixed Assets</u>	<u>Accumulated Depreciation</u>
Balance, July 1, 2009	\$ 434,087	\$ 307,065
Additions	<u>1,275,319</u>	<u>56,198</u>
Total	1,709,406	363,263
Disposals	<u>0</u>	<u>0</u>
Balance, June 30, 2010	<u>\$ 1,709,406</u>	<u>\$ 363,263</u>

**City of Cache, Oklahoma**  
**Notes to Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

The estimated useful lives by type of asset are as follows:

Buildings and Improvements	40 years
Water and Sewer Improvements	20 years
Machinery and Equipment	5 years

Depreciation for the current year was \$56,198, which was charged to current operations.

**Note 7 - Compensated Absences**

Under personnel policies, employees are granted vacation leave in varying amounts. The City records vacation leave expenditures only at the time such leave is actually paid.

**Note 8 - Pension**

The City established a Defined Contribution Plan to be known as the City of Cache Plan (the Plan) in the form of the Oklahoma Municipal Retirement Fund Master Defined Contribution Plan. The Plan started on May 1, 2009. The Plan requires all participating employees to contribute 3% of their wages and the Town contributes 3% of the employee's wages. For the years ended June 30, 2010 the following contributions were made:

For Year				
Ending June	Employee	Employer	Total	
2010	\$ 17,523	\$ 11,543	\$ 29,066	

All firefighters participate in the Statewide Oklahoma Firefighter's Pension and Retirement System. The City contributes to this plan for each firefighter in accordance with Oklahoma Statutes. During the year ended June 30, 2010, the City contributed \$1,020.

**Note 9 - Commitments and Contingent Liabilities**

The financial statements do not include any provision for loss contingencies resulting from litigation. Under applicable Oklahoma statutes, cities and towns generally establish a sinking fund to satisfy legal judgments rendered against them. Tax revenues are then specifically assessed for payment of these claims which have been reduced to judgment. Such claims are generally paid through these special tax assessments over a three (3) year period.

**City of Cache, Oklahoma**  
**Notes to Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

**Note 10 - Long-Term Debt**

The following is a summary of the long-term debt transactions of the Authority for the year ended June 30, 2010.

Balance as of 06/30/2009	\$	138,050
Principal Payments		(121,100)
New Loans		1,275,319
Balance as of 06/30/2010	\$	1,292,269

A brief description of the outstanding general long-term debt at June 30, 2010, is set forth below:

	Date	Original Amount	Interest Rate	Balance as of 6/30/2010
Oklahoma Water Resource Board	03-01-1992	\$105,000	Variable	\$ 16,950
Oklahoma Water Resource Board	03-15-2010	\$2,000,000	4.00%	\$ 1,275,319
Total				\$ 1,292,269

The annual debt service requirements for retirement of principal are as follows:

For Year Ending June 30th	Note #1	Note #2	Total
2011	\$ 9,200	\$ 24,580	\$ 33,780
2012	7,750	25,448	33,198
2013	0	26,347	26,347
2014	0	27,277	27,277
2015	0	28,240	28,240
2016+	0	1,143,427	1,143,427
	\$ 16,950	\$ 1,275,319	\$ 1,292,269

**Note 11 - Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. Also, all personnel responsible for custody of cash were bonded during the fiscal year.

**City of Cache, Oklahoma**  
**Notes to Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

**Note 12 - Insurance and Bond Coverage of Contingencies**

The City carries the following insurance coverage as protection against possible loss contingencies:

- General Liability
- Public Officials Liability
- Law Enforcement Liability
- Commercial Auto Liability
- Commercial Property
- Commercial Inland Marine
- Commercial Crime & Excess Liability
- Workman's Compensation



Kimberly A. Furrh, CPA

Adam H. Perry, CPA

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
City of Cache  
Cache, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cache, Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 22, 2012. The financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. 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 City'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 the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above which are described in the

accompanying schedule of findings and responses: 10-1, 10-2, 10-3 and 10-7. We also identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting: 10-4, 10-5 and 10-6. 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.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Cache'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses.

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

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



FURRH & ASSOCIATES, PC

Certified Public Accountants

June 22, 2012

**City of Cache**  
**Cache, Oklahoma**  
**General Fund**

**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**(Modified Cash Basis)**  
**Budget and Actual**  
**Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<b><u>Revenue</u></b>				
Sales Tax	\$ 300,000	\$ 300,000	\$ 307,484	\$ (7,484)
Grants	150,000	150,000	154,121	(4,121)
Franchise Tax	26,000	26,000	25,917	83
Fire Service	55,000	55,000	58,442	(3,442)
Building Permits	20,000	20,000	19,169	831
Police Revenue	18,000	18,000	18,022	(22)
Miscellaneous Revenue	5,000	5,000	15,410	(10,410)
Alcohol Beverage Tax	6,000	6,000	6,063	(63)
Donations	5,000	5,000	4,475	525
Cigarette Tax	4,000	4,000	4,264	(264)
Pound Revenue	3,000	3,000	3,105	(105)
<b>Total Revenue</b>	<b>592,000</b>	<b>592,000</b>	<b>616,472</b>	<b>(24,472)</b>
<b><u>Expenditures</u></b>				
<b><u>General Government</u></b>				
Personal Services	200,000	200,000	174,246	25,754
Maintenance and Operations	149,981	149,981	113,331	36,650
Capital Outlay	50,000	50,000	0	50,000
<b>Total General Government</b>	<b>399,981</b>	<b>399,981</b>	<b>287,577</b>	<b>112,404</b>
<b><u>Police Department</u></b>				
Personal Services	100,000	100,000	95,955	4,045
Maintenance and Operations	20,000	20,000	1,765	18,235
Capital Outlay	30,000	30,000	0	30,000
<b>Total Police Department</b>	<b>150,000</b>	<b>150,000</b>	<b>97,720</b>	<b>52,280</b>
<b><u>Fire Department</u></b>				
Personal Services	20,000	20,000	16,015	3,985
Maintenance and Operations	50,000	50,000	43,166	6,834
Capital Outlay	200,000	200,000	173,208	26,792
<b>Total Fire Department</b>	<b>\$ 270,000</b>	<b>\$ 270,000</b>	<b>\$ 232,389</b>	<b>\$ 37,611</b>
<b>Total Expenditures</b>	<b>819,981</b>	<b>819,981</b>	<b>617,686</b>	<b>202,295</b>
<b><u>Revenue Over (Under) Expenditures</u></b>	<b>(227,981)</b>	<b>(227,981)</b>	<b>(1,214)</b>	<b>(226,767)</b>

Please see accompanying notes to the financial statements.

**City of Cache**  
**Cache, Oklahoma**  
**General Fund**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**(Modified Cash Basis)**  
**Budget and Actual**  
**Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfer In	0	0	15,018	(15,018)
Transfer Out	0	0	(21,167)	21,167
Total Other Financing Sources (Uses)	0	0	(6,149)	6,149
<b><u>Revenue and Other Financing Sources</u></b>				
<u>Over (Under) Expenditures &amp; Other Uses</u>	(227,981)	(227,981)	(7,363)	(220,618)
<u>Fund Balance, June 30, 2009</u>	227,981	227,981	227,981	0
<u>Fund Balance, June 30, 2010</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 220,618</u>	<u>\$ (220,618)</u>

Please see accompanying notes to the financial statements.

**City of Cache**  
**Notes to Required Supplemental Information**  
**Year Ended June 30, 2010**

**Note 1 - Notes to Required Supplemental Information**

The City's annual operating budget represents appropriations as authorized by the Governing Board in accordance with the provisions of the Oklahoma statutes.

The City operates under the guidelines of the "Municipal Budget Act" which allows the Governing Board to prepare its budgets based upon its estimated revenue. In addition, revisions may be made to the budget throughout the year as authorized by the Governing Board. The legal level of control of the budget is the expenditure category. The expenditure categories required by the applicable state statutes are:

1. Personal Services
2. Maintenance and Operations
3. Capital Outlays

It is the City's policy that all appropriations lapse at the end of the fiscal year.

The City prepares an annual operating budget for its General Fund. The operating budgets of the grants cover the period designated in the grant documents. The City prepares its annual operating budget on the modified cash basis of accounting, the same basis used to account for actual revenues and expenditures.

**City of Cache**  
**Cache, Oklahoma**  
**Nonmajor Governmental Funds**  
**Balance Sheet**  
**(Modified Cash Basis)**  
**June 30, 2010**

	<b>Court Bond Fund</b>	<b>Community Center</b>	<b>K-9</b>	<b>Penalty</b>	<b>Park &amp; Recreation</b>	<b>Street &amp; Alley</b>	<b>Crime Prevention</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>								
Cash in Bank	\$ 4,125	\$ 332	\$ 3,054	\$ 2,334	\$ 501	\$ 73,854	\$ 1,800	\$ 86,000
Due from Other Funds	0	0	0	0	0	0	0	0
<b>Total Assets</b>	<b>\$ 4,125</b>	<b>\$ 332</b>	<b>\$ 3,054</b>	<b>\$ 2,334</b>	<b>\$ 501</b>	<b>\$ 73,854</b>	<b>\$ 1,800</b>	<b>\$ 86,000</b>
<b>Liabilities</b>								
	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Fund Equity</b>								
Fund Balance:								
Unrestricted	4,125	332	3,054	2,334	501	73,854	1,800	86,000
<b>Total Liabilities and Fund Equity</b>	<b>\$ 4,125</b>	<b>\$ 332</b>	<b>\$ 3,054</b>	<b>\$ 2,334</b>	<b>\$ 501</b>	<b>\$ 73,854</b>	<b>\$ 1,800</b>	<b>\$ 86,000</b>

Please see accompanying notes to the financial statements.

# City of Cache

## Cache, Oklahoma

### Nonmajor Governmental Funds

#### Schedule of Revenue, Expenditures, and Changes in Fund Balance (Modified Cash Basis)

Year Ended June 30, 2010

	Court Bond Fund	Community Center	K-9	Penalty	Park & Recreation	Street & Alley	Crime Prevention	Total Nonmajor Governmental Funds
<u>Revenue</u>								
Use Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,140	\$ 0	\$ 18,140
Vehicle Tax	0	0	0	0	0	16,920	0	16,920
Interest	10	0	0	0	0	0	0	10
Miscellaneous	0	0	0	8	0	324	0	332
Penalty Revenue	0	0	0	3,135	0	0	0	3,135
Total Revenue	10	0	0	3,143	0	35,384	0	38,537
<u>Expenditures</u>								
Maintenance & Operations	0	60	178	4,251	0	36,229	0	40,718
Other Expenses	0	0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0	0	0
Total Expenditures	0	60	178	4,251	0	36,229	0	40,718
Revenue Over (Under) Expenditures	10	(60)	(178)	(1,108)	0	(845)	0	(2,181)
Transfers to/(from) Other funds	0	0	0	0	0	9,959	0	9,959
<u>Fund Balance, June 30, 2009</u>	4,115	392	3,232	3,442	501	64,740	1,800	78,222
<u>Fund Balance, June 30, 2010</u>	\$ 4,125	\$ 332	\$ 3,054	\$ 2,334	\$ 501	\$ 73,854	\$ 1,800	\$ 86,000

Please see accompanying notes to the financial statements.

**City of Cache**  
**Cache, Oklahoma**  
**Nonmajor Governmental Funds**  
**Schedule of Revenue, Expenditures, and Changes in Fund Balance**  
**(Modified Cash Basis)**  
**Budget and Actual**  
**Year Ended June 30, 2010**

	<b>Court Bond Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>(Over) Under Budget</b>
<b><u>Revenue</u></b>				
Contributions	\$ 0	\$ 0	\$ 0	\$ 0
Interest	0	0	10	(10)
<b>Total Revenue</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>(10)</b>
<b><u>Expenditures</u></b>				
Other Services and Charges	4,115	4,115	0	4,115
<b><u>Revenue Over (Under) Expenditures</u></b>	<b>(4,115)</b>	<b>(4,115)</b>	<b>10</b>	<b>(4,125)</b>
<b><u>Fund Balance, June 30, 2009</u></b>	<b>4,115</b>	<b>4,115</b>	<b>4,115</b>	<b>0</b>
<b><u>Fund Balance, June 30, 2010</u></b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 4,125</b>	<b>\$ (4,125)</b>

Please see accompanying notes to the financial statements.

**City of Cache**  
**Cache, Oklahoma**  
**Nonmajor Governmental Funds**  
**Schedule of Revenue, Expenditures, and Changes in Fund Balance**  
**(Modified Cash Basis)**  
**Budget and Actual**  
**Year Ended June 30, 2010**

	<b>Community Center Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>(Over) Under Budget</b>
<b><u>Revenue</u></b>				
Interest	\$ 0	\$ 0	\$ 0	\$ 0
Miscellaneous	0	0	0	0
Total Revenue	0	0	0	0
<b><u>Expenditures</u></b>				
Maintenance & Operations	392	392	60	332
<u>Revenue Over (Under) Expenditures</u>	(392)	(392)	(60)	(332)
<u>Fund Balance, June 30, 2009</u>	392	392	392	0
<u>Fund Balance, June 30, 2010</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 332</u>	<u>\$ (332)</u>

Please see accompanying notes to the financial statements.

**City of Cache**  
**Cache, Oklahoma**  
**Nonmajor Governmental Funds**  
**Schedule of Revenue, Expenditures, and Changes in Fund Balance**  
**(Modified Cash Basis)**  
**Budget and Actual**  
**Year Ended June 30, 2010**

	<b>K-9 Fund</b>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<b><u>Revenue</u></b>				
Contributions	\$ 0	\$ 0	\$ 0	\$ 0
<b><u>Expenditures</u></b>				
Maintenance & Operations	<u>3,232</u>	<u>3,232</u>	<u>178</u>	<u>3,054</u>
<b><u>Revenue Over (Under) Expenditures</u></b>	(3,232)	(3,232)	(178)	(3,054)
<b><u>Fund Balance, June 30, 2009</u></b>	<u>3,232</u>	<u>3,232</u>	<u>3,232</u>	<u>0</u>
<b><u>Fund Balance, June 30, 2010</u></b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,054</u>	<u>\$ (3,054)</u>

Please see accompanying notes to the financial statements.

**City of Cache**  
**Cache, Oklahoma**  
**Nonmajor Governmental Funds**  
**Schedule of Revenue, Expenditures, and Changes in Fund Balance**  
**(Modified Cash Basis)**  
**Budget and Actual**  
**Year Ended June 30, 2010**

	<b>Penalty Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>(Over) Under Budget</b>
<b><u>Revenue</u></b>				
Penalty Revenue	\$ 3,000	\$ 3,000	\$ 3,135	\$ (135)
Miscellaneous	0	0	8	(8)
Total Revenue	3,000	3,000	3,143	(143)
<b><u>Expenditures</u></b>				
Maintenance & Operations	6,442	6,442	4,251	2,191
Total Expenditures	6,442	6,442	4,251	2,191
<b><u>Revenue Over (Under) Expenditures</u></b>	(3,442)	(3,442)	(1,108)	(2,334)
<b><u>Fund Balance, June 30, 2009</u></b>	3,442	3,442	3,442	0
<b><u>Fund Balance, June 30, 2010</u></b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,334</u>	<u>\$ (2,334)</u>

Please see accompanying notes to the financial statements.

**City of Cache**  
**Cache, Oklahoma**  
**Nonmajor Governmental Funds**  
**Schedule of Revenue, Expenditures, and Changes in Fund Balance**  
**(Modified Cash Basis)**  
**Budget and Actual**  
**Year Ended June 30, 2010**

	<b>Park &amp; Recreation Fund</b>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<b><u>Revenue</u></b>				
Contributions	\$ 0	\$ 0	\$ 0	\$ 0
Miscellaneous	0	0	0	0
Total Revenue	0	0	0	0
<b><u>Expenditures</u></b>				
Other Expenses	501	501	0	501
<b><u>Revenue Over (Under) Expenditures</u></b>	(501)	(501)	0	(501)
<b><u>Fund Balance, June 30, 2009</u></b>	501	501	501	0
<b><u>Fund Balance, June 30, 2010</u></b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 501</u>	<u>\$ (501)</u>

Please see accompanying notes to the financial statements.

**City of Cache**  
**Cache, Oklahoma**  
**Nonmajor Governmental Funds**  
**Schedule of Revenue, Expenditures, and Changes in Fund Balance**  
**(Modified Cash Basis)**  
**Budget and Actual**  
**Year Ended June 30, 2010**

	<u>Street &amp; Alley Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<b><u>Revenue</u></b>				
Motor Vehicle Tax	\$ 17,000	\$ 17,000	\$ 16,920	\$ 80
Use Tax	18,000	18,000	18,140	(140)
Miscellaneous Revenue	300	300	324	(24)
<b>Total Revenue</b>	<b>35,300</b>	<b>35,300</b>	<b>35,384</b>	<b>(84)</b>
<b><u>Expenditures</u></b>				
Capital Outlay	70,000	70,000	0	70,000
Maintenance & Operations	30,040	30,040	36,229	(6,189)
<b>Total Expenditures</b>	<b>100,040</b>	<b>100,040</b>	<b>36,229</b>	<b>63,811</b>
			0	
<b><u>Revenue Over (Under) Expenditures</u></b>	<b>(64,740)</b>	<b>(64,740)</b>	<b>(845)</b>	<b>(63,895)</b>
Transfers to/(from) other funds	0	0	9,959	(9,959)
<b><u>Fund Balance, June 30, 2009</u></b>	<b>64,740</b>	<b>64,740</b>	<b>64,740</b>	<b>0</b>
<b><u>Fund Balance, June 30, 2010</u></b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 73,854</b>	<b>\$ (73,854)</b>

Please see accompanying notes to the financial statements.

**City of Cache**  
**Cache, Oklahoma**  
**Nonmajor Governmental Funds**  
**Schedule of Revenue, Expenditures, and Changes in Fund Balance**  
**(Modified Cash Basis)**  
**Budget and Actual**  
**Year Ended June 30, 2010**

	<b>Crime Prevention Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>(Over) Under Budget</b>
<b><u>Revenue</u></b>				
Contributions	\$ 0	\$ 0	\$ 0	\$ 0
<b><u>Expenditures</u></b>				
Maintenance & Operations	1,800	1,800	0	1,800
<b><u>Revenue Over (Under) Expenditures</u></b>	(1,800)	(1,800)	0	(1,800)
<b><u>Fund Balance, June 30, 2009</u></b>	1,800	1,800	1,800	0
<b><u>Fund Balance, June 30, 2010</u></b>	\$ 0	\$ 0	\$ 1,800	\$ (1,800)

Please see accompanying notes to the financial statements.

**City of Cache**  
**Cache, Oklahoma**  
**REAP # 102255 Grant 2010**  
**Revenue and Expenditures Compared with Budget**  
**(Modified Cash Basis)**  
**Year Ended June 30, 2010**

	<u>Budget</u>	<u>Current Year</u>	<u>(Over) Under Budget</u>
<b><u>Revenue</u></b>			
Grant Funds	\$ 45,000	\$ 0	\$ 45,000
Local Funds	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	45,000	0	45,000
<b><u>Expenditures</u></b>			
Engineering	45,000	0	45,000
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>45,000</u>	<u>0</u>	<u>45,000</u>
<b><u>Revenue Over (Under) Expenditures</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>

Please see accompanying notes to the financial statements.

**City of Cache**  
**Cache, Oklahoma**  
**13685 CENA 10 Grant**  
**Revenue and Expenditures Compared with Budget**  
**(Modified Cash Basis)**  
**Year Ended June 30, 2010**

	<u>Budget</u>	<u>Current Year</u>	<u>(Over) Under Budget</u>
<b><u>Revenue</u></b>			
Local Funds	\$ 6,960	\$ 0	6,960
Total Revenues	6,960	0	6,960
<b><u>Expenditures</u></b>			
Utilities for Senior Center	3,960	1,379	2,581
Pavement of Driveway	3,000	0	3,000
Total Expenditures	6,960	1,379	3,000
<b><u>Revenue Over (Under) Expenditures</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ (1,379)</u></b>	<b><u>\$ 3,960</u></b>

Please see accompanying notes to the financial statements.

**CITY OF CACHE, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2010**

**Reportable Conditions of Internal Control, Compliance and Other Matters**

- 10-1. Criteria – A good system of internal control provides for a proper segregation of the accounting functions.

Condition – The City has a small number of employees that perform the duties that would normally be divided among a large number of employees.

Cause and Effect – A lack of internal control surrounding the accounting functions could result in more than a low risk that errors or irregularities may occur and not be detected within a timely period.

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

Management response – Management agrees.

- 10-2. Criteria – Utility billing reports should be printed monthly and on a timely basis. These reports should be reviewed for any material or unusual variances. The reports and all documentation should be retained.

Condition – The monthly billing reports were not retained. We were able to verify the utility income using hand written reports submitted to OWRB.

Cause and Effect – A lack of proper procedures and controls creates the potential for understatement of revenues.

Recommendation – The City should implement procedures for staff to run monthly utility billing reports, review these reports and investigate any material discrepancies.

Management response – Management agrees.

- 10-3. Criteria – Utility accounts receivable should be reconciled on a monthly basis.

Condition – Our testing noted that utility accounts receivables are not being reconciled on a monthly basis to ensure all billings, collections and adjustments are properly accounted for within the utility billing accounting system.

Cause and Effect – A lack of proper procedures and controls does not allow for a means to ensure all billings, collections and adjustments are properly accounted for within the utility billing accounting system.

**CITY OF CACHE, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2010**

Recommendation – The City should implement procedures for staff to reconcile beginning and ending utility accounts receivable on a monthly basis by using monthly billing reports, daily deposit records, penalties applied and adjustment authorization forms.

Management response – Management agrees.

- 10-4. Criteria – Procedures to track additions and deletions of capital assets should be maintained.

Condition – The City does not have system to track additions and deletions of capital assets.

Cause and Effect – A lack of policy and procedures to identify, track and depreciate capital assets could potentially over/understate the assets and expenses of the City.

Recommendation –The staff needs to implement procedures to identify and track the capital assets according to their capitalization policy.

Management response – Management agrees.

- 10-5. Criteria – The City provides for its employees vacation and compensatory time.

Condition – The City is not maintaining a comprehensive schedule of vacation or comp time available for employees.

Cause and Effect – A lack of procedures and control for tracking employee vacation and compensatory time allows for potential overpayment or underpayment of employees.

Recommendation – The City should implement procedures to track vacation and compensatory time accrued and paid for all employees.

Management response – Management agrees.

- 10-6. Criteria – Employee files should contain required documentation, including properly approved pay rates and pay raises. Appropriate records of employees' time worked and subsequent payments should also be documented. In addition, payroll reports should be appropriately submitted with state and federal agencies and filed for the City's records.

Condition – Few time cards or other evidence of approval for time worked by employees, amounts paid to employees and their rates of pay were available. Payroll reports were incorrectly calculated or missing all together.

**CITY OF CACHE, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2010**

Cause and Effect – A lack of proper procedures and controls for payroll processing allows for a potential overpayment or underpayment of employees. Further, penalties and interest could be charged for late or incomplete payroll reports.

Recommendation – The City should implement procedures that require in each employee's personnel files an appropriately approved authorization of their pay rates and pay raises. There should also be maintained properly approved records of time worked and amounts paid to each employee. Payroll reports should be filed in a timely manner and filed accordingly.

Management response – Management agrees.

- 10-7. Criteria – Pursuant to Title 11 Oklahoma Statute 22-13 municipalities are required to retain court and bond records for a period of five years and cash receipts books and registers for all funds for ten years.

Condition – We found the City's records to be incomplete, preventing testing of multiple categories.

Cause and Effect – A lack of proper procedures and controls for documenting cash collections allows for the potential understatement of revenue. Not retaining records of these transactions for the required time frame is in violation of Oklahoma Statutes.

Recommendation – The City should implement procedures and controls where records are retained for the required periods to stay in compliance with Oklahoma Statutes.

Management response – Management agrees and has currently begun record keeping procedures.