

Town of

# Cashion, Oklahoma



ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**THE TOWN OF CASHION,  
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**TOWN OF CASHION, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

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## Independent Auditor's Report

The Honorable Mayor and Members of the Town Board  
Town of Cashion, Oklahoma

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, Oklahoma, (the "Town") as of and for the year ended June 30, 2011, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 discussed in Note 1, 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.

In our opinion, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town on June 30, 2011, and the respective changes in financial position – modified cash basis, and statement of cash flows – modified cash basis, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2013, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal and state awards are presented for purposes of additional analysis and is not a required part of the financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Arlidge & Associates, P.C.*

Edmond, Oklahoma  
January 21, 2013

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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, 2011. 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 increased by \$6,504, and the assets of the Town exceed its liabilities at June 30, 2011, by \$800,873 (net assets). Of this amount, \$729,344 is restricted and \$71,529 (unrestricted net assets) is available to meet the government's ongoing needs.
- At June 30, 2011, the Town's governmental funds reported combined ending fund balances on a modified cash basis of \$72,371.
- At the end of fiscal year 2011, unassigned fund balance on a modified cash basis for the General Fund was \$17,985 or 12% of General Fund revenues.
- The Town implemented GASB Statement 54 – Fund Balance Reporting and Governmental Fund Type Definitions which resulted in the reclassification of some fund types and presentation of fund balance in the new categories of nonspendable, restricted, committed, assigned and unassigned.

### **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 five-member Board and operates under state law and Town ordinances through the three branches of democratic government:

- Legislative – the Town Board is a five-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.

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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*
- **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.

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-

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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 22-37 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.

**THE TOWN AS A WHOLE**

For the year ended June 30, 2011, net assets on a modified cash basis for the governmental and business-type activities increased \$6,504.

**The Town of Cashion's Net Assets (Modified Cash Basis)**  
**June 30, 2011 (In Thousands)**

	Governmental Activities		% Inc.	Business-Type Activities		% Inc.	Total		% Inc.
	2011	2010	(Dec.)	2011	2010	(Dec.)	2011	2010	(Dec.)
<b>Assets:</b>									
Current assets	\$ 72	\$ 13	454%	\$ 785	\$ 832	-6%	\$ 857	\$ 845	1%
<b>Total assets</b>	<u>72</u>	<u>13</u>	454%	<u>785</u>	<u>832</u>	-6%	<u>857</u>	<u>845</u>	1%
<b>Liabilities:</b>									
Current liabilities	-	-	0%	-	-	0%	-	-	0%
Non-current liabilities	-	-	0%	56	51	10%	56	51	10%
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	0%	<u>56</u>	<u>51</u>	10%	<u>56</u>	<u>51</u>	10%
<b>Net assets:</b>									
Restricted	29	4	625%	700	712	-2%	729	716	2%
Unrestricted	43	9	378%	29	69	-58%	72	78	-8%
<b>Total net assets</b>	<u>\$ 72</u>	<u>\$ 13</u>	454%	<u>\$ 729</u>	<u>\$ 781</u>	-7%	<u>\$ 801</u>	<u>\$ 794</u>	1%

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**The Town of Cashion's Revenues, Expenses and Changes in Net Assets (Modified Cash Basis)  
Year Ended June 30, 2011 (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2011	2010		2011	2010		2011	2010	
<b>Revenues</b>									
Charges for service	\$ 33	\$ 34	-3%	\$ 644	\$ 648	-1%	\$ 677	\$ 682	-1%
Operating grants and contributions	159	110	45%	-	-	-	159	110	45%
Taxes	145	116	25%	-	-	-	145	116	25%
Intergovernmental revenue	8	8	0%	-	-	-	8	8	0%
Investment income	-	1	-100%	1	1	0%	1	2	100%
Miscellaneous	27	51	-47%	-	-	-	27	51	-47%
<b>Total revenues</b>	<b>372</b>	<b>320</b>	<b>16%</b>	<b>645</b>	<b>649</b>	<b>-1%</b>	<b>1,017</b>	<b>969</b>	<b>5%</b>
<b>Expenses</b>									
General government	106	212	-50%	-	-	-	106	212	-50%
Public safety	304	279	9%	-	-	-	304	279	9%
Highways and streets	16	15	7%	-	-	-	16	15	7%
Culture and recreation	-	2	-100%	-	-	-	-	2	-100%
Gas	-	-	-	199	188	6%	199	188	6%
Water	-	-	-	181	145	25%	181	145	25%
Sewer	-	-	-	107	104	3%	107	104	3%
Sanitation	-	-	-	89	104	-14%	89	104	-14%
Interest on long-term debt	8	8	0%	-	-	-	8	8	0%
<b>Total expenses</b>	<b>434</b>	<b>516</b>	<b>-16%</b>	<b>576</b>	<b>541</b>	<b>6%</b>	<b>1,010</b>	<b>1,057</b>	<b>-4%</b>
Excess (deficiency) before transfers	(62)	(196)	-68%	69	108	-36%	7	(88)	-108%
Transfers	121	195	-38%	(121)	(195)	-38%	-	-	0%
Change in net assets	59	(1)	-6000%	(52)	(87)	-40%	7	(88)	-108%
Beginning net assets	13	14	-7%	781	868	-10%	794	882	-10%
Ending net assets	<b>\$ 72</b>	<b>\$ 13</b>	<b>454%</b>	<b>\$ 729</b>	<b>\$ 781</b>	<b>-7%</b>	<b>\$ 801</b>	<b>\$ 794</b>	<b>1%</b>

Governmental activities operating grants and contributions had an increase due largely to the 522 district revenues for the ambulance service increasing by approximately \$63,500 or 91%. Also, the taxes increased due primarily to additional one cent sales tax that began during the fiscal year for capital outlay and/or improvements.

The decrease of \$105,712 or 50% 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 in the prior year of approximately \$91,000.

Transfers decreased approximately \$74,000 due to the increase ambulance revenue received from the 522 district and; therefore, wasn't as reliant on PWA.

Water expenses increased approximately \$31,800 due to filling a full-time position and increased personnel benefits.

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**Governmental Activities**

The Town's governmental activities had an increase in net assets of \$59,059. See previous page for explanation.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2011	2010		2011	2010	
	General government	\$ 106	\$ 212	-50%	(\$103)	(\$208)
Public safety	304	279	9%	(121)	(145)	-17%
Streets and highways	16	15	7%	(10)	(9)	11%
Culture and recreation	-	2	-100%	-	(2)	-100%
Interest on long-term debt	8	8	0%	(8)	(8)	0%
<b>Total</b>	<b>#REF!</b>	<b>\$ 516</b>	<b>#REF!</b>	<b>(\$242)</b>	<b>(\$372)</b>	<b>-35%</b>

**Business-type Activities**

The business-type activities had a decrease in net assets of \$52,555.

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2011	2010		2011	2010	
	Gas	\$ 199	\$ 188	6%	\$ 51	\$ 70
Water	181	145	25%	3	28	-89%
Sewer	107	104	3%	(28)	(22)	27%
Sanitation	89	104	-14%	42	31	35%
<b>Total</b>	<b>\$ 576</b>	<b>\$ 541</b>	<b>6%</b>	<b>\$ 68</b>	<b>\$ 107</b>	<b>-36%</b>

**A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As the Town completed its 2011 fiscal year, the governmental funds reported a combined fund balance of \$72,371.

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**Other fund highlights include:**

- For the year ended June 30, 2011, the General Fund's total fund balance increased by \$10,361.

**Budgetary Highlights**

For the year ended June 30, 2011, the General Fund reported actual budgetary basis revenues over final estimates by \$70,186 or a 40% positive variance. General Fund actual expenditures were over final appropriations by \$59,825 or a 34% negative variance. The Emergency Fund reported actual budgetary basis revenues over final estimates by \$7,523 or a 3.1% positive variance. Emergency Fund actual expenditures were under final appropriations by \$16,139 or 6.6% positive variance.

**ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES**

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

- The FY 2012 budget varies minimally from the 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, 2011**

	<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>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 72,821	\$ 84,385	\$ 157,206	\$ 16,348
Internal balances	(450)	450	-	-
Restricted investments	-	699,856	699,856	-
<b>Total Assets</b>	<u>72,371</u>	<u>784,691</u>	<u>857,062</u>	<u>16,348</u>
<b>LIABILITIES</b>				
Refundable deposits	-	56,189	56,189	-
<b>Total Liabilities</b>	<u>-</u>	<u>56,189</u>	<u>56,189</u>	<u>-</u>
<b>NET ASSETS</b>				
Restricted for:				
Enabling legislation	10,331	-	10,331	-
State statutes	19,157	-	19,157	-
Other contracts	-	699,856	699,856	-
Unrestricted	<u>42,883</u>	<u>28,646</u>	<u>71,529</u>	<u>16,348</u>
<b>Total Net Assets</b>	<u>\$ 72,371</u>	<u>\$ 728,502</u>	<u>\$ 800,873</u>	<u>\$ 16,348</u>

See accompanying notes to these financial statements.

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**Statement of Activities (Modified Cash Basis)– Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Economic Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Primary Government:</b>								
<b>Governmental activities:</b>								
General Government	\$ 106,239	\$ 2,780	\$ -	\$ -	\$ (103,459)	\$ -	\$ (103,459)	\$ -
Public Safety	304,175	30,397	153,013	-	(120,765)	-	(120,765)	-
Streets and Highways	15,953	-	6,179	-	(9,774)	-	(9,774)	-
Culture and Recreation	25	-	-	-	(25)	-	(25)	-
Interest on long-term debt	7,875	-	-	-	(7,875)	-	(7,875)	-
<b>Total governmental activities</b>	<b>434,267</b>	<b>33,177</b>	<b>159,192</b>	<b>-</b>	<b>(241,898)</b>	<b>-</b>	<b>(241,898)</b>	<b>-</b>
<b>Business-type activities:</b>								
Gas	199,317	250,555	-	-	-	51,238	51,238	-
Water	180,374	183,146	-	-	-	2,772	2,772	-
Sewer	106,690	79,137	-	-	-	(27,553)	(27,553)	-
Sanitation	89,274	130,835	-	-	-	41,561	41,561	-
<b>Total business-type activities</b>	<b>575,655</b>	<b>643,673</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68,018</b>	<b>68,018</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 1,009,922</b>	<b>\$ 676,850</b>	<b>\$ 159,192</b>	<b>\$ -</b>	<b>(241,898)</b>	<b>68,018</b>	<b>(173,880)</b>	<b>-</b>
<b>Component Unit:</b>								
Economic development	\$ -	\$ -	\$ -	\$ -	-	-	-	-
<b>General revenues:</b>								
<b>Taxes:</b>								
Sales and use tax					127,089	-	127,089	-
Franchise and public service taxes					17,565	-	17,565	-
Intergovernmental revenue not restricted to specific programs					8,306	-	8,306	-
Investment income					452	427	879	81
Miscellaneous					26,545	-	26,545	-
Transfers - Internal activity					121,000	(121,000)	-	-
<b>Total general revenues and transfers</b>					<b>300,957</b>	<b>(120,573)</b>	<b>180,384</b>	<b>81</b>
<b>Change in net assets</b>					<b>59,059</b>	<b>(52,555)</b>	<b>6,504</b>	<b>81</b>
<b>Net assets - beginning</b>					<b>13,312</b>	<b>781,057</b>	<b>794,369</b>	<b>16,267</b>
<b>Net assets - ending</b>					<b>\$ 72,371</b>	<b>\$ 728,502</b>	<b>\$ 800,873</b>	<b>\$ 16,348</b>

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, 2011**

	<u>General Fund</u>	<u>Emergency Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Assets:				
Cash and cash equivalents	\$ 18,435	\$ 24,898	\$ 29,488	\$ 72,821
<b>Total Assets</b>	<u>\$ 18,435</u>	<u>\$ 24,898</u>	<u>\$ 29,488</u>	<u>\$ 72,821</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ 450	\$ -	\$ -	\$ 450
Fund Balances:				
Restricted for:				
Streets	-	-	19,157	19,157
Capital outlay	-	-	10,331	10,331
Assigned for:				
Emergency services	-	24,898	-	24,898
Unassigned	17,985	-	-	17,985
<b>Total Fund Balances</b>	<u>17,985</u>	<u>24,898</u>	<u>29,488</u>	<u>72,371</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 18,435</u>	<u>\$ 24,898</u>	<u>\$ 29,488</u>	<u>\$ 72,821</u>

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, 2011**

	<u>General Fund</u>	<u>Emergency Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes	\$ 101,607	\$ -	\$ 43,047	\$ 144,654
Intergovernmental	8,306	11,703	6,179	26,188
Charges for services	-	150,870	-	150,870
Fines and forfeitures	13,119	-	-	13,119
Licenses and permits	2,780	-	-	2,780
Investment income	452	-	-	452
Miscellaneous	26,635	7,628	-	34,263
<b>Total Revenues</b>	<u>152,899</u>	<u>170,201</u>	<u>49,226</u>	<u>372,326</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	105,555	-	-	105,555
Public safety	85,446	186,191	-	271,637
Highways and streets	-	-	15,560	15,560
Culture and recreation	25	-	-	25
Capital outlay	1,484	2,500	393	4,377
<b>Debt service:</b>				
Principal retirement	-	29,238	-	29,238
Interest expense	-	7,875	-	7,875
<b>Total Expenditures</b>	<u>192,510</u>	<u>225,804</u>	<u>15,953</u>	<u>434,267</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(39,611)	(55,603)	33,273	(61,941)
<b>Other Financing Sources (Uses):</b>				
Transfers in	93,287	81,265	-	174,552
Transfers out	(43,315)	(2,000)	(8,237)	(53,552)
<b>Total Other Financing Sources (Uses)</b>	<u>49,972</u>	<u>79,265</u>	<u>(8,237)</u>	<u>121,000</u>
<b>Net change in fund balances</b>	10,361	23,662	25,036	59,059
<b>Fund balances - beginning</b>	7,624	1,236	4,452	13,312
<b>Fund balances - ending</b>	<u>\$ 17,985</u>	<u>\$ 24,898</u>	<u>\$ 29,488</u>	<u>\$ 72,371</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, 2011**

	<u>Cashion Public Works Authority</u>	<u>Oklahoma Public Finance Authority</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 24,696	\$ 3,500	\$ 28,196
Restricted cash and cash equivalents	56,189	-	56,189
Restricted investments	699,856	-	699,856
Due from other funds	450	-	450
Total Assets	<u>781,191</u>	<u>3,500</u>	<u>784,691</u>
<b>LIABILITIES</b>			
Meter deposit liability	56,189	-	56,189
Total Liabilities	<u>56,189</u>	<u>-</u>	<u>56,189</u>
<b>NET ASSETS</b>			
Restricted for trust fund purposes	699,856	-	699,856
Unrestricted	25,146	3,500	28,646
Total net assets	<u>\$ 725,002</u>	<u>\$ 3,500</u>	<u>\$ 728,502</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, 2011**

	<b>Cashion Public Works Authority</b>	<b>Oklahoma Public Finance Authority</b>	<b>Totals</b>
<b>Operating Revenues:</b>			
Charges for services:			
Gas	\$ 237,883	\$ -	\$ 237,883
Water	173,883	-	173,883
Sewer	75,134	-	75,134
Sanitation	124,218	-	124,218
Utility fees	22,815	-	22,815
Other	9,740	-	9,740
<b>Total Operating Revenues</b>	<b>643,673</b>	<b>-</b>	<b>643,673</b>
<b>Operating Expenses:</b>			
Gas	108,603	-	108,603
Water	113,400	-	113,400
Sewer	5,994	-	5,994
Sanitation	35,278	-	35,278
General government	221,286	-	221,286
<b>Total Operating Expenses</b>	<b>484,561</b>	<b>-</b>	<b>484,561</b>
<b>Operating Income</b>	<b>159,112</b>	<b>-</b>	<b>159,112</b>
<b>Non-Operating Revenues (Expenses):</b>			
Investment income	427	-	427
Capital outlay	(666)	-	(666)
Debt service:			
Principal retirement	(50,239)	-	(50,239)
Interest expense and fees	(40,189)	-	(40,189)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(90,667)</b>	<b>-</b>	<b>(90,667)</b>
<b>Net Income (Loss) Before Transfers</b>	<b>68,445</b>	<b>-</b>	<b>68,445</b>
Transfers in	2,000	-	2,000
Transfers out	(123,000)	-	(123,000)
<b>Change in net assets</b>	<b>(52,555)</b>	<b>-</b>	<b>(52,555)</b>
<b>Total net assets - beginning</b>	<b>777,557</b>	<b>3,500</b>	<b>781,057</b>
<b>Total net assets - ending</b>	<b>\$ 725,002</b>	<b>\$ 3,500</b>	<b>\$ 728,502</b>

See accompanying notes to these financial statements.

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**Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2011**

	Cashion Public Works Authority	Oklahoma Public Finance Authority	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 643,673	\$ -	\$ 643,673
Payments to suppliers	(307,070)	-	(307,070)
Payments to employees	(177,491)	-	(177,491)
Receipts of customer utility deposits	6,335	-	6,335
Refunds of customer utility deposits	(1,439)	-	(1,439)
Net Cash Provided by Operating Activities	<u>164,008</u>	<u>-</u>	<u>164,008</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	2,000	-	2,000
Transfers to other funds	(123,000)	-	(123,000)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(121,000)</u>	<u>-</u>	<u>(121,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(666)	-	(666)
Principal paid on capital debt	(50,239)	-	(50,239)
Interest paid on capital debt	(40,189)	-	(40,189)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(91,094)</u>	<u>-</u>	<u>(91,094)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	427	-	427
Sale of investments	12,382	-	12,382
Net Cash Provided by Investing Activities	<u>12,809</u>	<u>-</u>	<u>12,809</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(35,277)	-	(35,277)
Balance - beginning of the year	<u>116,162</u>	<u>3,500</u>	<u>119,662</u>
Balance - end of the year	<u>\$ 80,885</u>	<u>\$ 3,500</u>	<u>\$ 84,385</u>
<b>Reconciliation to Statement of Net Assets:</b>			
Cash and cash equivalents	24,696	\$ 3,500	\$ 28,196
Restricted cash and cash equivalents	56,189	-	56,189
Total cash and cash equivalents	<u>\$ 80,885</u>	<u>\$ 3,500</u>	<u>\$ 84,385</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income	\$ 159,112	\$ -	\$ 159,112
Change in assets and liabilities:			
Due from other funds	-	-	-
Meter deposit liability	4,896	-	4,896
Net cash provided by operating activities	<u>\$ 164,008</u>	<u>\$ -</u>	<u>\$ 164,008</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
- Restricted Sales Tax Fund – accounts for a one cent sales tax restricted for capital improvements or capital outlay

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:*

Governmental fund equity is classified as fund balance. Since the Town has implemented GASB Statement 54, fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. Beginning fund balances have been restated to reflect the below stated classifications in compliance with GASB Statement 54. More information is provided in Note 11. These classifications are defined as:

- a. **Nonspendable** – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. **Restricted** – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. **Committed** – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority. The Town’s highest level of decision-making authority is made by ordinance.
- d. **Assigned** – includes amounts that are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by the Town Board action or management decision when the Town Board has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. **Unassigned** – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It’s the Town’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available. The City’s policy for the use of unrestricted fund balance amounts require that the committed amounts would be reduced first, followed by the assigned amounts and then the unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

*Net Assets:*

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.”

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It is the Town's policy to first use restricted net assets prior to the use of unrestricted net assets when expenses 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.

**2. Deposits and Investments**

For the year ended June 30, 2011, the Town recognized \$879 of investment income. At June 30, 2011, 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		160,268
Time Deposits		13,234
		<u>\$ 173,554</u>
 <u>Investments</u>		
CPWA - Federated Treasury Obligations Fund	AAAm	699,856
<b>Total Deposits and Investments</b>		<u><u>\$ 873,410</u></u>
 <b>Reconciliation to the Statement of Net Assets:</b>		
Cash and cash equivalents		\$ 173,554
Investments		699,856
		<u><u>\$ 873,410</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,

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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, 2011, 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, 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, 2011, 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, 2011, 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, 2011, 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 trust fund commitment. The restricted assets as of June 30, 2011 are as follows:

<u>Type of Restricted Assets</u>	<u>Current Cash and Cash Equivalents</u>	<u>Current Investments</u>
Utility Deposits	\$ 56,189	\$ -
Trust Fund Commitment	-	699,856
<b>Total Restricted Assets</b>	<b>\$ 56,189</b>	<b>\$ 699,856</b>

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**3. Fund Balances and Net Assets**

The following tables show the fund balance classifications as shown on the Governmental Funds Balance Sheet in accordance with GASB Statement 54 and Proprietary Fund Statement of Net Assets:

	General Fund	Major Fund Emergency Services	Other Governmental Funds	Total
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Capital improvements/outlay	\$ -	\$ -	\$ 10,331	\$ 10,331
Streets	-	-	19,157	19,157
Subtotal Restricted	-	-	29,488	29,488
<b>Assigned for:</b>				
Emergency services	-	24,898	-	24,898
Subtotal Assigned	-	24,898	-	24,898
Unassigned	17,985	-	-	17,985
<b>Total Fund Balances</b>	<b>\$ 17,985</b>	<b>\$ 24,898</b>	<b>\$ 29,488</b>	<b>\$ 72,371</b>

**Enterprise Fund:**

**Restricted for:**

Trust fund purposes

\$ 699,856
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**4. Sales Tax Revenue**

Sales tax revenue began the year with 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. However, during the year, the Town increased the local tax to 4 cents via a vote of the citizens. This increase of an additional 1 cent is restricted for capital improvements and/or capital outlay and is recorded in the Restricted Sales Tax 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, 2011, were as follows:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>	<u>Nature of Internal Balances</u>
CPWA	General Fund	\$450	Expenditures paid on behalf of
		<u>\$450</u>	

Transfers between legal entities netted to \$121,000 and are comprised of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Nature of Transfer</u>
General Fund	Emergency Services Fund	\$43,315	Operating subsidy
Emergency Services Fund	CPWA	\$2,000	Operating subsidy
Street & Alley Fund	General Fund	8,237	Operating subsidy
CPWA	Emergency Services Fund	37,950	Debt payments
CPWA	General Fund	85,050	Operating subsidy
		<u>\$176,552</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$174,552	(\$53,552)	\$121,000
Proprietary Funds	2,000	(123,000)	(\$121,000)
Total	<u>\$176,552</u>	<u>(\$176,552)</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>
2009	\$1,140	\$1,140
2010	\$1,140	\$1,140
2011	\$5,160	\$5,160

During the fiscal year, it was ruled by the OFPRS that the fire chief was considered a full-time employee; therefore, the Town contributed 13% of the covered payroll and 8% was contributed by the fire chief.

*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.

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During the year ended June 30, 2011, the Town and CPWA contributed a total of \$4,682 to the Plan, while employees contributed an aggregate of \$4,279 on covered compensation.

**9. Commitments and Contingencies**

*Long-term Debt Commitments:*

At June 30, 2011, in addition to vendor and employee obligations due and payable, the statement of net assets reported the following as 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.	\$69,211
\$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.	44,946
\$88,860 capital debt with Community State Bank for a Trash Truck, payable in monthly installments of \$552, final payment due January 4, 2015	45,766
\$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	83,606
\$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>22,226</u>
	<u>\$265,755</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, 2011 \$575,000

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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>
<b>Total</b>	<b><u>\$ 615,000</u></b>	<b><u>\$ 220,000</u></b>

**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, 2011:

\$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, 2011 \$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, 2011 \$150,000

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\$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, 2011 \$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, 2011 \$124,000

\$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, 2011 \$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, 2011 \$400,000

\$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, 2011 \$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, 2011 \$6,215,000

\$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.

Balance Outstanding at June 30, 2011 \$515,000

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\$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, 2011 \$62,400

\$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, 2011 \$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, 2011 \$166,000

\$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, 2011 \$41,600

\$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, 2011 \$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.

Balance Outstanding at June 30, 2011 \$206,400

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\$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, 2011 \$137,400

\$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, 2011 \$145,600

\$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, 2011 \$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, 2011 \$369,000

Total Debt Obligations of the OPFA \$11,927,158

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**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 1<sup>st</sup> 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.

*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, 2011, is summarized as follows:

- CPWA – accrued compensated absences \$10,319

*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 2011, 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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**SUPPLEMENTARY INFORMATION**

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**Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2011**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Beginning Budgetary Fund Balance:</b>	\$ -	\$ -	\$ 7,624	\$ 7,624
<b>Resources (Inflows):</b>				
Taxes	83,000	83,000	101,607	18,607
Intergovernmental	7,100	7,100	8,306	1,206
Fines and Forfeitures	7,000	7,000	13,119	6,119
Licenses and Permits	-	-	2,780	2,780
Investment Income	700	700	452	(248)
Miscellaneous	33,000	33,000	26,635	(6,365)
Transfers In	11,700	45,200	93,287	48,087
<b>Total Resources (Inflows)</b>	<u>142,500</u>	<u>176,000</u>	<u>246,186</u>	<u>70,186</u>
<b>Amounts available for appropriation</b>	<u>\$ 142,500</u>	<u>\$ 176,000</u>	<u>\$ 253,810</u>	<u>\$ 77,810</u>
<b>Charges to Appropriations (Outflows):</b>				
General Government	69,000	93,000	106,264	(13,264)
Public Safety	73,500	83,000	86,246	(3,246)
Transfers Out	-	-	43,315	(43,315)
<b>Total Charges to Appropriations</b>	<u>142,500</u>	<u>176,000</u>	<u>235,825</u>	<u>(59,825)</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,985</u>	<u>\$ 17,985</u>
	<b>EMERGENCY FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Beginning Budgetary Fund Balance:</b>	\$ -	\$ -	\$ 1,236	\$ 1,236
<b>Resources (Inflows):</b>				
Intergovernmental	160,000	160,000	145,295	(14,705)
Charges for services	28,000	28,000	17,278	(10,722)
Interest income	-	-	-	-
Miscellaneous	1,000	1,000	7,628	6,628
Transfers In	54,943	54,943	81,265	26,322
<b>Total Resources (Inflows)</b>	<u>243,943</u>	<u>243,943</u>	<u>251,466</u>	<u>7,523</u>
<b>Amounts available for appropriation</b>	<u>\$ 243,943</u>	<u>\$ 243,943</u>	<u>\$ 252,702</u>	<u>\$ 8,759</u>
<b>Charges to Appropriations (Outflows):</b>				
Public Safety	243,943	243,943	225,804	18,139
Transfers Out	-	-	2,000	(2,000)
<b>Total Charges to Appropriations</b>	<u>243,943</u>	<u>243,943</u>	<u>227,804</u>	<u>16,139</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,898</u>	<u>\$ 24,898</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	\$13,264
General Fund – Public Safety	\$ 3,246
General Fund – Transfers Out	\$43,315
Emergency Fund – Transfers Out	\$ 2,000

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**OTHER SUPPLEMENTARY INFORMATION**

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**Non-Major Governmental Funds Combining Balance Sheet (Modified Cash Basis – June 30, 2011)**

	<b>Street &amp; Alley Fund</b>	<b>Resricted Sales Tax Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents - unrestricted	\$ 19,157	\$ 10,331	\$ 29,488
Total Assets	19,157	10,331	29,488
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities	-	-	-
Total Liabilities	-	-	-
Fund Balances:			
Restricted for:			
Streets	19,157	-	19,157
Capital outlay	-	10,331	10,331
Total Fund Balances	19,157	10,331	29,488
<b>Total Liabilities and Fund Balances</b>	<b>\$ 19,157</b>	<b>\$ 10,331</b>	<b>\$ 29,488</b>

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**Non-Major Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) – Year Ended June 30, 2011**

	<u>Street &amp; Alley Fund</u>	<u>Restricted Sales Tax Fund</u>	<u>Total</u>
<b>Revenues:</b>			
Taxes	\$ 32,716	\$ 10,331	\$ 43,047
Intergovernmental	6,179	-	6,179
<b>Total Revenues</b>	<u>38,895</u>	<u>10,331</u>	<u>49,226</u>
<b>Expenditures:</b>			
General government	-	-	-
Police	-	-	-
Streets	15,560	-	15,560
Library	-	-	-
Capital outlay	393	-	393
<b>Total Expenditures</b>	<u>15,953</u>	<u>-</u>	<u>15,953</u>
Excess (deficiency) of revenues over expenditures	22,942	10,331	33,273
<b>Other financing sources (uses):</b>			
Transfers out	<u>(8,237)</u>	<u>-</u>	<u>(8,237)</u>
<b>Net change in fund balances</b>	14,705	10,331	25,036
<b>Fund balances, beginning</b>	4,452	-	4,452
<b>Fund balances, ending</b>	<u>\$ 19,157</u>	<u>\$ 10,331</u>	<u>\$ 29,488</u>

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**Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2011**

<b>Federal/State Grantor/Pass through agency Grantor/Program Title</b>	<b>Federal CFDA#</b>	<b>Grant #</b>	<b>Awards Expended</b>
<b>STATE AWARDS:</b>			
<b><u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u></b>			
Rural Fire Grant	N/A	Operational Grant	<u>\$ 4,397</u>
<b><u>OKLAHOMA DEPARTMENT OF EMERGENCY MANAGEMENT:</u></b>			
Disaster Relief - Fire	N/A	FM-299 PW8v.2 B1	<u>7,306</u>
<b>Total Expenditures of State Awards:</b>			<u><u>\$ 11,703</u></u>



**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**

The Honorable Mayor and Members of the Town Board  
Town of Cashion, Oklahoma

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, Oklahoma, (the "Town") as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 21, 2013. Our report was a special report on the Town's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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

Management of the Town is responsible for establishing and maintaining effective 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 opinions 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 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 did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Mayor, the Town Board, 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.

*Arledge & Associates, P.C.*

Edmond, Oklahoma  
January 21, 2013