

**TOWN OF CHEYENNE**  
**FINANCIAL STATEMENTS AND**  
**ADDITIONAL INFORMATION**  
**JUNE 30, 2012**

**TOWN OF CHEYENNE, OKLAHOMA**

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**JUNE 30, 2012**

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**Independent Auditor's Report**

Honorable Mayor and Town Commissioners  
Town of Cheyenne, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Cheyenne, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Cheyenne, Oklahoma'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 assurances 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 reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Cheyenne, Oklahoma, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2013, on our consideration of the Town of Cheyenne, Oklahoma'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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The budgetary comparisons information on pages 26 through 27 is not a required part of the basic financial statements but is 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 supplementary information. However, we did not audit the information and express no opinion on it.

The Town of Cheyenne, Oklahoma has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of the basic financial statements.

*Britton, Kuykendall & Miller*

Weatherford, Oklahoma  
January 4, 2013

Town of Cheyenne, Oklahoma  
Statement of Net Assets  
For the Year Ended June 30, 2012

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Cash and Cash Equivalents	\$ 1,603,368.10	\$ 265,226.90	\$ 1,868,595.00	\$ 62,336.88
Certificates of Deposit	600,112.58	223,495.86	823,608.44	111,988.64
Accounts Receivable, Net	65,517.96	41,484.45	107,002.41	0.00
Due from Other Governments	67,614.97	0.00	67,614.97	6,000.00
Prepaid Expenses	0.00	0.00	0.00	0.00
Restricted Cash and Cash Equivalents	0.00	149,105.30	149,105.30	0.00
Inventories	0.00	24,175.95	24,175.95	0.00
Capital Assets:				
Land and Construction in Progress	106,648.50	0.00	106,648.50	128,969.84
Other Capital Assets, Net of Depreciation	1,651,720.78	1,505,643.60	3,157,364.38	767,147.50
<b>Total Assets</b>	<b>\$ 4,094,982.89</b>	<b>\$ 2,209,132.06</b>	<b>\$ 6,304,114.95</b>	<b>\$ 1,076,442.86</b>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 16,884.07	\$ 46,340.78	\$ 63,224.85	\$ 0.00
Current Portion of Long-Term Debt	0.00	25,433.00	25,433.00	0.00
Long-Term Portion of Debt	0.00	230,983.65	230,983.65	0.00
<b>Total Liabilities</b>	<b>16,884.07</b>	<b>302,757.43</b>	<b>319,641.50</b>	<b>0.00</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	1,758,369.28	1,249,226.95	3,007,596.23	896,117.34
Restricted for:				
Capital Improvement Fund	1,103,484.47	0.00	1,103,484.47	0.00
Debt Services	0.00	149,105.30	149,105.30	0.00
Unrestricted	1,216,245.07	508,042.38	1,724,287.45	180,325.52
<b>Total Net Assets</b>	<b>4,078,098.82</b>	<b>1,906,374.63</b>	<b>5,984,473.45</b>	<b>1,076,442.86</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,094,982.89</b>	<b>\$ 2,209,132.06</b>	<b>\$ 6,304,114.95</b>	<b>\$ 1,076,442.86</b>

The accompanying notes to financial statements are an integral part of this statement.

Town of Cheyenne, Oklahoma  
Statement of Activities  
For the Year Ended June 30, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities			Total
					Governmental Activities	Business-Type Activities		
Governmental Activities:								
General Government	\$ 318,694.52	\$ 1,551.12	\$ 0.00	\$ (317,143.40)	\$ 0.00	\$ (317,143.40)	\$ 0.00	
Public Safety	91,225.42	2,144.50	100,000.00	10,919.08	0.00	10,919.08	0.00	
Culture and Recreation	44,744.91	1,174.00	0.00	(43,570.91)	0.00	(43,570.91)	0.00	
Sanitation and Utilities	117,603.84	103,738.00	0.00	(13,865.84)	0.00	(13,865.84)	0.00	
Total Governmental Activities	572,268.69	108,607.62	100,000.00	(363,661.07)	0.00	(363,661.07)	0.00	
Business-Type Activities:								
Water Utilities	353,308.14	331,231.46	0.00	0.00	(22,076.68)	(22,076.68)	0.00	
Component Unit Airport	58,386.40	17,480.00	0.00	0.00	0.00	0.00	(40,906.40)	
General Revenues:								
Taxes:								
Sales Tax				741,091.97	-	741,091.97	0.00	
Use Tax				114,766.06	-	114,766.06	0.00	
Franchise Tax				27,564.27	-	27,564.27	0.00	
Other Taxes				67,407.19	-	67,407.19	0.00	
Interest income				10,151.98	3,584.55	13,736.53	1,420.93	
Gain on sale of assets				17,542.19	0.00	17,542.19	0.00	
Miscellaneous				24,338.71	0.00	24,338.71	0.00	
Transfers In (Out)				(60,573.00)	60,000.00	(573.00)	0.00	
Total General Revenues and Transfers				942,289.37	63,584.55	1,005,873.92	1,420.93	
Change in Net Assets				578,628.30	41,507.87	620,136.17	(39,485.47)	
Net Assets - Beginning of Year				3,499,470.52	1,864,866.76	5,364,337.28	1,115,928.33	
Net Assets - End of Year				\$ 4,078,098.82	\$ 1,906,374.63	\$ 5,984,473.45	\$ 1,076,442.86	

The accompanying notes to financial statements are an integral part of this statement.

Town of Cheyenne, Oklahoma  
 Combined Balance Sheet  
 Governmental Funds  
 June 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 340,529.05	\$ 1,262,839.05	\$ 1,603,368.10
Certificates of Deposit	595,112.58	5,000.00	600,112.58
Accounts Receivable	65,517.96	0.00	65,517.96
Prepaid Expenses	0.00	0.00	0.00
Due from other Governments	<u>(4,584.85)</u>	<u>72,199.82</u>	<u>67,614.97</u>
 Total Assets	 <u>\$ 996,574.74</u>	 <u>1,340,038.87</u>	 <u>\$ 2,336,613.61</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 16,884.07	0.00	\$ 16,884.07
 Total Liabilities	 <u>16,884.07</u>	 <u>0.00</u>	 <u>16,884.07</u>
<u>FUND BALANCES</u>			
Assigned:			
Street Expenses	0.00	37,917.55	37,917.55
Juvenile Fund	0.00	4,381.81	4,381.81
Fire Dept Fund	0.00	113,542.62	113,542.62
Cemetery	0.00	80,267.42	80,267.42
Clerk	0.00	445.00	445.00
Capital Improvement Fund	0.00	1,103,484.47	1,103,484.47
Unassigned:			
Unassigned	<u>979,690.67</u>	<u>0.00</u>	<u>979,690.67</u>
 Total Fund Equity	 <u>979,690.67</u>	 <u>1,340,038.87</u>	 <u>2,319,729.54</u>
 Total Liabilities and Fund Equity	 <u>\$ 996,574.74</u>	 <u>\$ 1,340,038.87</u>	 <u>\$ 2,336,613.61</u>

The accompanying notes to financial statements are an integral part of this statement.

Town of Cheyenne, Oklahoma  
Reconciliation of the Balance Sheet of  
Governmental Funds to the Statement of Net Assets  
June 30, 2012

Total fund balance - total governmental funds \$ 2,319,729.54

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

Capital assets of \$2,935,868.13, net of accumulated depreciation  
of \$(1,177,498.85), are not financial resources and therefore  
are not reported in the funds.

1,758,369.28

Net assets of governmental activities

\$ 4,078,098.82

The accompanying notes to financial statements are an integral part of this statement.

Town of Cheyenne, Oklahoma  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Sales Tax	\$ 741,091.97	\$ 0.00	741,091.97
Franchise Tax	27,564.27	0.00	27,564.27
Alcoholic Beverage Tax	48,879.81	0.00	48,879.81
Use Tax	114,766.06	0.00	114,766.06
Cigar Tax	10,374.23	0.00	10,374.23
Fuel Tax	0.00	1,514.25	1,514.25
Grant Revenue	100,000.00	0.00	100,000.00
Donations	0.00	7,350.00	7,350.00
License, Fees & Permits	382.00	0.00	382.00
Housing Tax	1,222.22	0.00	1,222.22
Cemetery Revenue	0.00	1,174.00	1,174.00
Garbage	103,738.00	0.00	103,738.00
Police Fines & Court Fees	1,230.00	0.00	1,230.00
Sales of Assets	17,542.19	0.00	17,542.19
Refunds and Reimbursements	260.01	0.00	260.01
Rentals	1,291.11	0.00	1,291.11
Interest Income	7,732.98	2,419.00	10,151.98
Motor Vehicle Tax	0.00	5,416.68	5,416.68
Animal Control Fees	532.50	0.00	532.50
Miscellaneous Sales and Service	14,842.71	2,146.00	16,988.71
	<u>1,191,450.06</u>	<u>20,019.93</u>	<u>1,211,469.99</u>
<u>Expenditures:</u>			
Personal Service:			
City Administration	83,314.16	0.00	83,314.16
Police	0.00	3,664.02	3,664.02
Fire	0.00	0.00	0.00
Garbage Disposal	36,983.34	0.00	36,983.34
Animal Control	0.00	0.00	0.00
Development Coordinator	0.00	0.00	0.00
Street	0.00	0.00	0.00
Park	782.28	0.00	782.28
Library	0.00	0.00	0.00
General Government	74,327.66	0.00	74,327.66
	<u>195,407.44</u>	<u>3,664.02</u>	<u>199,071.46</u>

The accompanying notes to financial statements are an integral part of this statement.

Town of Cheyenne, Oklahoma  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Statement of Net Assets

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Expenditures:</u>			
Maintenance and Operations:			
City Administration	52,040.92	0.00	52,040.92
Police	185.90	0.00	185.90
Fire	11,128.91	0.00	11,128.91
Garbage Disposal	65,887.80	0.00	65,887.80
Animal Control	2,716.93	0.00	2,716.93
Street	26,974.78	7,083.36	34,058.14
Park	19,303.34	0.00	19,303.34
Library	9,362.10	0.00	9,362.10
Cemetery	0.00	1,605.93	1,605.93
General Government	45,122.95	0.00	45,122.95
	<u>232,723.63</u>	<u>8,689.29</u>	<u>241,412.92</u>
Capital Outlay:			
City Administration	5,000.00	0.00	5,000.00
Street	172,029.79	0.00	172,029.79
Park	130,879.99	0.00	130,879.99
Library	191.99	0.00	191.99
General Government	39,679.23	0.00	39,679.23
	<u>347,781.00</u>	<u>0.00</u>	<u>347,781.00</u>
 Total Expenditures	 <u>775,912.07</u>	 <u>12,353.31</u>	 <u>788,265.38</u>
 Excess of Revenues Over (Under) Expenditures	 <u>415,537.99</u>	 <u>7,666.62</u>	 <u>423,204.61</u>
<u>Other Financing Sources (Uses)</u>			
Operating Transfers In (Out)	(224,241.15)	163,668.15	(60,573.00)
Net Change in Fund Balances	191,296.84	171,334.77	362,631.61
Fund Balance, Beginning of Year	788,393.83	1,168,704.10	1,957,097.93
Fund Balance, End of Year	<u>\$ 979,690.67</u>	<u>\$ 1,340,038.87</u>	<u>\$ 2,319,729.54</u>

The accompanying notes to financial statements are an integral part of this statement.

Town of Cheyenne, Oklahoma  
Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ 362,631.61

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

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities the cost of those assets is allocated over their estimated  
useful lives as depreciation expense. This is the amount by which capital  
outlays (\$347,781) exceeded depreciation (\$131,784.31) in the current period.

215,996.69

Change in net assets of governmental activities \$ 578,628.30

The accompanying notes to financial statements are an integral part of this statement.

Town of Cheyenne, Oklahoma  
Statement of Net Assets  
Proprietary Funds  
June 30, 2012

<u>ASSETS</u>	<u>Utility Authority</u>
Current Assets:	
Cash and Cash Equivalents	\$ 265,226.90
Certificates of Deposit	223,495.86
Accounts Receivable, Net	<u>41,484.45</u>
Total Current Assets	530,207.21
Restricted Cash and	
Cash Equivalents	149,105.30
Inventory	24,175.95
Property, Plant & Equipment - Net of Depreciation	<u>1,505,643.60</u>
Total Non-Current Assets	<u>1,678,924.85</u>
Total Assets	<u>\$ 2,209,132.06</u>
 <u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	19,263.98
Deposits Payable	27,076.80
Current Portion of Long-Term Debt	<u>25,433.00</u>
Total Current Liabilities	<u>71,773.78</u>
Noncurrent Liabilities:	
Long-Term Debt (Net of Current Portion)	<u>230,983.65</u>
Total Noncurrent Liabilities	<u>230,983.65</u>
Total Liabilities	<u>302,757.43</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	1,249,226.95
Restricted for Debt Service	149,105.30
Unrestricted	<u>508,042.38</u>
Total Net Assets	<u>1,906,374.63</u>
Total Liabilities and Net Assets	<u>\$ 2,209,132.06</u>

The accompanying notes to financial statements are an integral part of this statement.

Town of Cheyenne, Oklahoma  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2012

	Utility Authority
Operating Revenues:	
Water Service	\$ 250,317.02
Sewer Service	45,647.23
Surcharges	18,762.00
Penalties	9,829.19
Other Income	6,676.02
Total Operating Revenues	331,231.46
Operating Expenses:	
Personal Services	163,186.49
Supplies and Repairs	92,437.54
Insurance Expense	9,583.43
Amortization	1,828.00
Depreciation	77,874.32
Total Operating Expenses	344,909.78
Operating Income (Loss)	(13,678.32)
Non-Operating Revenues (Expenses):	
Interest Income	3,584.55
Adjustments	(1,999.12)
Bad Debt Expense	(2,354.64)
Interest Expense	(4,044.60)
Total Non-Operating Revenues (Expenses)	(4,813.81)
Income (Loss) before Operating Transfers	(18,492.13)
Operating Transfers In (Out)	60,000.00
Change in Net Assets	41,507.87
Net Assets - Beginning of Year	1,864,866.76
Net Assets - End of Year	\$ 1,906,374.63

The accompanying notes to financial statements are an integral part of this statement.

Town of Cheyenne, Oklahoma  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2012

	<u>Utility Authority</u>
<u>Cash Flows From Operating Activities:</u>	
Cash Received From Customers	\$ 338,144.05
Cash Paid For Operations	(117,708.10)
Cash Paid to Employees	<u>(163,186.49)</u>
Net Cash Provided From Operations	<u>57,249.46</u>
<u>Cash Flows From Non-Capital Investing Activities:</u>	
Grant Revenue	0.00
Operating Transfer In (Out)	<u>60,000.00</u>
Net Cash Flows-Investing Activities	<u>60,000.00</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Principal paid on long-term debt	(56,800.35)
Payments of interest on long-term debt	(4,044.60)
Payments for capital assets	<u>(44,250.00)</u>
Net Cash Flows-Financing Activities	<u>(105,094.95)</u>
<u>Cash Flows from Investing Activities</u>	
Purchase of Certificates of Deposit	6,969.14
Interest Income	<u>3,584.55</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>10,553.69</u>
Net Increase (Decrease) in Cash	22,708.20
Cash at Beginning of Year	<u>391,624.00</u>
Cash at End of Year	\$ <u><u>414,332.20</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Town of Cheyenne, Oklahoma  
 Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended June 30, 2012

	<u>Utility Authority</u>
Reconciliation of Net Income to Net Cash Provided from Operations:	
Operating Income	\$ (13,678.32)
Adjustments:	
Depreciation	79,702.32
(Increase) Decrease in:	
Accounts Receivable	10,749.55
Increase (Decrease) in:	
Accounts Payable	(20,040.89)
Deposits	<u>516.80</u>
Net Cash Provided From Operations	<u>\$ 57,249.46</u>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF CHEYENNE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Introduction**

The incorporated Town of Cheyenne, Oklahoma operates under the Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, utility (water, sanitation and sewer), planning and zoning, library, airport, recreation and general administration.

The Town of Cheyenne (Town) complies with Generally Accepted Accounting Principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**1 (A): FINANCIAL REPORTING ENTITY**

**Component Units**

The Town's general-purpose financial statements include the accounts of all Town operations. The criteria for including organizations within the Town's reporting entity, as set forth in GASB 14: "The Financial Reporting Entity" is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

*Blended Component Units*

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Town of Cheyenne governing board or the component unit provides services entirely to the Town. These component units' funds are blended into those of the Town's by appropriate activity type to compose the primary government presentation.

Cheyenne Utility Authority – The Utility Authority operates the Town's water and sewer services to the citizens of Cheyenne. The Town of Cheyenne governing board serves to the citizens of Cheyenne. The board serves as trustees and the Town Manager is general manager.

*Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending.

*Discretely Presented Component Units (Continued)*

Airport Authority – The Airport Authority operates the local airport including hangar rentals. The Airport Authority has its own board and is accountable to the Town of Cheyenne and therefore is reported as a discretely presented component unit.

**TOWN OF CHEYENNE, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**1 (B): BASIS OF PRESENTATION**

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. Other funds that management considers important to readers of the financial statements.

The funds of the financial reporting entity are described below:

**Governmental Funds**

*General Fund*

The General Fund is the general operating fund of the Town and is always classified as a major fund. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

*Special Revenue Funds*

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects), that are legally restricted to expenditures for special purposes.

*Capital Projects Fund*

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by Proprietary Funds.

**TOWN OF CHEYENNE, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Proprietary Funds***Enterprise Funds*

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Cheyenne Utility Authority as its sole Enterprise Fund.

**Major Funds***Governmental Funds*

The Town reports the following major governmental funds:

General Fund and Capital Projects Fund – A description of these funds can be found at note 1(B).

*Proprietary Funds*

The Town reports one major enterprise funds: Cheyenne Utility Authority which is accounts for activities of the public trust which provides water and sewer services to the public.

**1 (C): FUND BALANCE**

Beginning with fiscal year 2011, the Town implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (Town Council). To be reported as committed, amounts cannot be used for any other purpose unless the Town takes the same highest level action to remove or change the constraint.

Assigned fund balance – amounts the Town intends to use for a specific purpose. Intent can be expressed by the Town or by an official or body to which the Town Council delegates the authority.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

**TOWN OF CHEYENNE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

The Town Council establish (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose.

**General Fund**

The General Fund has an Unassigned Fund Balance of \$979,690.67, at June 30, 2012.

**1 (D): MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources: measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**TOWN OF CHEYENNE, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Basis of Accounting**

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**1 (E): ASSETS, LIABILITIES AND EQUITY****Cash and Investments**

For the purposes of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits of the Town with an original maturity of three months or less. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

**Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Business-type activities report utilities as their major receivable.

**Inventories**

Inventory in the proprietary fund consist of expendable supplies held for consumption or product held for resale. All inventories are recorded at cost.

**Fixed Assets**

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**TOWN OF CHEYENNE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

*Government-wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and Infrastructure	40
Utility System	40
Furniture, Fixtures And Equipment	5-15

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**Long-term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, capital leases obligations, and landfill closure and post-closure obligations.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

**Compensated Absences**

All full-time permanent employees are granted vacation benefits, "comp" time, and sick leave in varying amounts to specified maximums. Upon termination, employees are entitled to their accumulated vacation and "comp" time earnings. Sick leave accumulations are not paid upon termination.

The estimated current portion of the liability for vested vacation benefits and "comp" time accumulations has been recorded as an expenditure and liability in the respective governmental or proprietary funds. The amounts recorded do not expect to exceed one year's accumulations. Sick leave accumulations have not been recorded in the financial statements since they are not paid upon termination.

**TOWN OF CHEYENNE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Equity Classifications***Government-wide Statements*

Equity is classified as net assets and displayed in three components:

- a. "Invested in capital assets, net of related debt" consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. "Restricted net assets" consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. "Unrestricted net assets" all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as a local government unit, the Town and its component units are subject to various federal, state, and local laws and contractual regulations.

**TOWN OF CHEYENNE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**2 (A): BUDGETARY INFORMATION**

The Town is required by the Oklahoma Municipal Budget Act to prepare and submit an annual budget to the County Excise Board. Budgets are adopted by the General Fund and Street and Alley Fund.

The budget of expenditures and encumbrances for these fund cannot exceed the estimated revenues and it is unlawful for the Town to create or authorize creation of a deficit in any budgeted fund. Budgetary control is maintained by the following category of expenditures: personal services, maintenance and operation, capital outlay, and debt services. All budget amendments lapse at the end of the fiscal year. Encumbered funds are carried over to the ensuing fiscal year until utilized or canceled.

Oklahoma Statutes also require the Excise Board each year to make an ad valorem tax levy for the Debt Service Fund which shall, with cash and investments in the fund, be sufficient to pay all the bonded indebtedness, interest and all outstanding judgments coming due in the following fiscal year.

**NOTE 3: DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

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

**3(A): Deposit and Investments**

The Town reporting entity considers all cash in bank checking accounts and certificates of deposit with an original maturity date of three months or less (including restricted assets) to be cash equivalents.

Investments of the Town (excluding Public Trusts) are limited by Oklahoma Statute, Title 62, and Section 348.1 to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. Negotiable certificates of deposits, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations. Any investments in these instruments mentioned in the previous paragraphs a. and b., where the collateral has been deposited with a trustee in an irrevocable trust or escrow account.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county municipality or school district.

**TOWN OF CHEYENNE, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

Public trusts created under O.S. Title 60, are not subject to the above the noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures.

In accordance with Oklahoma Statute, title 62, Section 516.3, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at no more than market value. Acceptable collateral includes certain U.S. Government Agency Securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds.

The following is a summary of the Town's credit risk on deposits:

Deposit Categories of Credit Risk:

- A) Insured by Federal Deposit Insurance or direct obligation of the U.S. Government.
- B) Collateralized with securities held by the pledging financial institutions trust department or agent in the Town's name.
- C) Uncollateralized.

	Category			Bank Balance
	(A)	(B)	(C)	
Primary Gov't	\$ 250,000.00	\$ 2,591,308.74	\$ 0.00	\$ 2,841,308.74
Component Unit	174,325.52	0.00	0.00	174,325.52
Total	\$ 424,325.52	\$ 2,591,308.74	\$ 0.00	\$ 3,015,634.26

**3 (B): Restricted Cash and Investments**

Restricted Cash and Cash Equivalents include accounts that are restricted for payment of associated debt, loan covenants, and capital projects. The amounts in the accounts as of June 30, 2012 totaled \$149,105.30.

**TOWN OF CHEYENNE, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**3 (C): Property and Equipment**

Capital asset activity for the year ended June 30, 2012, was as follows:

<b>Governmental Activities:</b>	<b>Balance June 30, 2011</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2012</b>
Land	\$ 103,449	\$ 0	\$ 0	\$ 103,449
Buildings	624,390	54,138	0	678,528
Infrastructure	899,582	245,769	0	1,145,351
Equipment and Furniture	960,667	47,874	0	1,008,541
Totals at Historical Cost	2,588,088	347,781	0	2,935,869
Less: Accumulated Depreciation	1,045,715	129,948	0	1,177,499
Net Book Value	\$ 1,542,373	\$ 217,833	\$ 0	\$ 1,758,370

<b>Business-Type Activities:</b>	<b>Balance June 30, 2011</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2012</b>
Land	\$ 49,962	\$ 0	\$ 0	\$ 49,962
Infrastructure	2,939,077	0	0	2,939,077
Equipment and Furniture	106,655	44,250	0	150,905
Totals at Historical Cost	3,095,694	44,250	0	3,139,944
Less: Accumulated Depreciation	1,570,214	77,874	0	1,634,300
Net Book Value	\$ 1,525,480	\$ (33,624)	\$ 0	\$ 1,505,644

*Depreciation Expense*

Depreciation Expense was charged to functions of the primary government as follows:

**Governmental Activities:**

General Government	\$ 54,527
Public Safety	39,477
Culture and Recreation	23,053
Sanitation and Utilities	14,733
Total	\$ 131,784

**Business-Type Activities:**

Water Utilities	\$ 77,874
Airport	52,785
Total	\$ 130,659

**TOWN OF CHEYENNE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**3 (D): ACCOUNTS PAYABLE**

Accounts payable are composed of payables to vendors and accrued salaries and benefits.

**3 (E): LONG-TERM DEBT**

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

**Business-Type Activities:**

As of June 30, 2012, the long-term debt payable from proprietary fund resources consisted of the following:

*Notes Payable***Utility Authority****Department of Commerce**

The Cheyenne Utility Authority entered into a loan with the Oklahoma Water Resources Board. The funds were obtained water treatment and distribution improvements. The loan has a variable interest rate and final maturity date of December 15, 2022. Principal payments of \$8,250 are due quarterly. \$ 256,417

**Changes in Long-Term Debt**

	Balance <u>7/01/2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>6/30/2012</u>	Balance Due Within <u>One Year</u>
<b>Business Type Activities:</b>					
Water Resources Board	\$ 313,217	-	56,800	256,417	25,433

**TOWN OF CHEYENNE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Annual Debt Service**

The annual debt service requirements to maturity, including principal and interest, for long-term debt, excluding non-commitment debt, as of June 30, 2012, are as follows:

*Business-Type Activities Notes Payable*

Year Ended June 30	Principal	Interest	Total
2013	\$ 33,683	\$ 3,856	\$37,539
2014	36,467	3,384	39,851
2015	39,450	2,875	42,325
2016	42,717	2,323	45,040
2017	46,200	2,502	48,702
Thereafter	57,899	690	58,589
Totals	\$ 256,417	\$ 15,630	\$ 272,047

**3 (F): RISK MANAGEMENT**

The Town purchases commercial insurance to satisfy liabilities under Worker's Compensation claims, property damage, and liability claims up to the limits set by the Oklahoma Governmental Tort Claim.

**NOTE 4: OTHER NOTES**

**Contingencies**

*Grants*

In the normal course of operations, the Town receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

**Retirement Plans**

The Town's firefighters participate in the Fireman's Pension and Retirement System. The system is funded by contributions from employers, employees, and the state. During the year ended June 30, 2012, the Town contributed \$1,200 to this plan.

The Town also contributes amounts to the Oklahoma Public Employees Retirement program for eligible employees. During the year ended June 30, 2012, the Town contributed \$31,281 to this plan.

Town of Cheyenne, Oklahoma  
 General Fund  
 Statement of Revenues, Expenditures and  
 Changes in Fund Balance  
 Budget and Actual (GAAP Budgetary Basis)  
 For the Year Ended June 30, 2012

<u>Revenues</u>	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
Sales Tax	\$ 350,000.00	\$ 741,091.97	\$ 391,091.97
Franchise Tax	24,000.00	27,564.27	3,564.27
Alcoholic Beverage Tax	30,000.00	48,879.81	18,879.81
Use Tax	15,000.00	114,766.06	99,766.06
Cigar Tax	1,000.00	10,374.23	9,374.23
Grant Revenue	100,000.00	100,000.00	0.00
Licenses, Fees & Permits	200.00	382.00	182.00
Park Revenue	100.00	0.00	(100.00)
Sanitation Services	90,000.00	103,738.00	13,738.00
Police Fines & Court Fees	1,000.00	1,230.00	230.00
Sales of Assets	1,000.00	17,542.19	16,542.19
Refunds and Reimbursements	0.00	260.01	260.01
Rentals	0.00	1,291.11	1,291.11
Interest Income	8,000.00	7,732.98	(267.02)
Housing Tax	800.00	1,222.22	422.22
Animal Control Fees	800.00	532.50	(267.50)
Miscellaneous Sales and Service	3,300.00	14,842.71	11,542.71
	<u>625,200.00</u>	<u>1,191,450.06</u>	<u>566,250.06</u>
 <u>Expenditures</u>			
Personal Services:			
General Government	0.00	74,327.66	(74,327.66)
Garbage Disposal	0.00	36,983.34	(36,983.34)
Office	0.00	83,314.16	(83,314.16)
Park	0.00	782.28	(782.28)
	<u>220,000.00</u>	<u>195,407.44</u>	<u>24,592.56</u>
 Maintenance and Operations:			
Police	0.00	185.90	(185.90)
General Government	0.00	45,122.95	(45,122.95)
Garbage Disposal	0.00	65,887.80	(65,887.80)
Office	0.00	52,040.92	(52,040.92)
Library	0.00	9,362.10	(9,362.10)
Park	0.00	19,303.34	(19,303.34)
Street	0.00	26,974.78	(26,974.78)
Fire	0.00	11,128.91	(11,128.91)
Animal Control	0.00	2,716.93	(2,716.93)
	<u>440,000.00</u>	<u>232,723.63</u>	<u>207,276.37</u>

The accompanying notes to financial statements are an integral part of this statement.

Town of Cheyenne, Oklahoma  
 Budgetary Comparison Schedule - Cash Basis  
 General Fund, (Continued)  
 For the Year Ended June 30, 2012

<u>Expenditures, (Continued)</u>	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
Capital Outlay:			
General Government	\$ 0.00	\$ 44,871.22	\$ (44,871.22)
Street	0.00	172,029.79	(172,029.79)
Park	0.00	130,879.99	(130,879.99)
	<u>753,593.83</u>	<u>347,781.00</u>	<u>405,812.83</u>
Total Expenditures	<u>1,413,593.83</u>	<u>775,912.07</u>	<u>637,681.76</u>
Excess Revenues Over (Under) Expenditures	<u>(788,393.83)</u>	<u>415,537.99</u>	<u>1,203,931.82</u>
<u>Other Financing Sources (Uses)</u>			
Net Transfers In (Out)	<u>0.00</u>	<u>(224,241.15)</u>	<u>224,241.15</u>
Excess of Revenues and Other Sources over Expenditures and Other Uses	(788,393.83)	191,296.84	979,690.67
Fund Balance, Beginning	<u>788,393.83</u>	<u>788,393.83</u>	<u>0.00</u>
Fund Balance, Ending	<u>\$ 0.00</u>	<u>\$ 979,690.67</u>	<u>\$ 979,690.67</u>

The accompanying notes to financial statements are an integral part of this statement.



**BRITTON, KUYKENDALL, & MILLER**  
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Town Commissioners  
Town of Cheyenne, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discreetly presented component unit, and the aggregate remaining fund information of the Town of Cheyenne, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Town of Cheyenne, Oklahoma, basic financial statements and have issued our report thereon dated January 4, 2013. The Town of Cheyenne, Oklahoma has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Cheyenne, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Cheyenne, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Cheyenne, Oklahoma's internal control over reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Cheyenne, Oklahoma's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Cheyenne, Oklahoma's financial statements that is more than inconsequential will not be prevented or detected by the Town of Cheyenne, Oklahoma's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Cheyenne, Oklahoma's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies of 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

As part of obtaining reasonable assurance about whether the Town of Cheyenne, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grand 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 management, Town Council, 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.

*Britton, Kuykendall & Miller*

Weatherford, Oklahoma  
January 4, 2013