

TOWN OF CHEYENNE, OKLAHOMA

FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION

JUNE 30, 2011

**TOWN OF CHEYENNE, OKLAHOMA
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JUNE 30, 2011**

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Hunter & Gibbins, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Amy Patrick, CPA
J.L. Gibbins, CPA

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, 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 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 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.

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, 2011, 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 September 2, 2011, 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 assessing the results of our audit.



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The budgetary comparison 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 inquiries 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.

Hunter & Gillins, P.C.

Elk City, Oklahoma
September 2, 2011



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TOWN OF CHEYENNE, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
Cash and Cash Equivalents	\$ 1,293,336	\$ 244,460	\$ 1,537,796	\$ 54,042
Certificates of Deposit	592,426	230,465	822,891	110,684
Due from Other Governments	124,753	-	124,753	-
Due from General Fund	-	-	-	6,000
Accounts Receivable, Net	-	52,234	52,234	-
Inventories	-	24,176	24,176	-
Restricted Cash and Cash Equivalents	-	147,164	147,164	-
Loan Origination Fees, Net of Amortization	-	20,573	20,573	-
Capital Assets:				
Land and Construction in Progress	106,649	49,962	156,611	128,970
Other Capital Assets, Net of Depreciation	1,435,723	1,475,518	2,911,241	816,232
TOTAL ASSETS	3,552,887	2,244,552	5,797,439	1,115,928
LIABILITIES				
Accounts Payable and Accrued Expenses	47,416	39,909	87,325	-
Due to Component Unit	6,000	-	6,000	-
Customer Deposits	-	26,560	26,560	-
Long-Term Liabilities:				
Due Within One Year	-	23,550	23,550	-
Due in More Than One Year	-	289,667	289,667	-
TOTAL LIABILITIES	53,416	379,686	433,102	-
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,542,372	1,212,263	2,754,635	945,202
Restricted for:				
Capital Projects	937,811	-	937,811	-
Debt Service	-	120,604	120,604	-
Unrestricted	1,019,288	531,999	1,551,287	170,726
TOTAL NET ASSETS	\$ 3,499,471	\$ 1,864,866	\$ 5,364,337	\$ 1,115,928

The accompanying notes are an integral part of the financial statements.

TOWN OF CHEYENNE, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs Primary Government: GOVERNMENTAL ACTIVITIES	PROGRAM REVENUES				NET REVENUE (EXPENSE) AND CHANGES IN NET ASSETS				
	EXPENSES	INDIRECT EXPENSE ALLOCATION	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
General Government	\$ 280,890	\$ (131,839)	\$ 1,861	\$ -	\$ -	\$ (147,190)	\$ (147,190)	\$ -	-
Public Safety	81,045	43,005	2,643	7,025	-	(114,382)	(114,382)	-	-
Culture and Recreation	48,722	25,853	4,478	1,595	-	(68,502)	(68,502)	-	-
Sanitation and Utilities	118,691	62,981	96,425	-	-	(85,247)	(85,247)	-	-
TOTAL GOVERNMENTAL ACTIVITIES	529,348	-	105,407	8,620	-	(415,321)	(415,321)	-	-
BUSINESS-TYPE ACTIVITIES									
Water Utilities	341,538	-	323,301	-	-	-	(18,237)	(18,237)	-
COMPONENT UNIT									
Airport	\$ 56,694	\$ -	\$ 9,760	\$ -	\$ 95,338	-	-	-	48,404
GENERAL REVENUES									
Taxes:									
Sales Taxes						451,124	451,124		-
Franchise Taxes						26,637	26,637		-
Use Taxes						56,004	56,004		-
Alcoholic Beverage Tax						49,474	49,474		-
Other Taxes						13,917	13,917		-
Interest Income						11,332	11,332		1,635
Oil and Gas Revenue						-	-		-
Miscellaneous						40,522	40,522		-
Transfers						(60,000)	(60,000)		-
TOTAL GENERAL REVENUES AND TRANSFERS						589,010	63,073	652,083	1,635
CHANGE IN NET ASSETS						173,689	44,836	218,525	50,039
NET ASSETS-BEGINNING						3,325,782	1,820,030	5,145,812	1,065,889
NET ASSETS-ENDING						\$3,499,471	\$1,864,866	\$5,364,337	\$1,115,928

The accompanying notes are an integral part of the financial statements.

TOWN OF CHEYENNE, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

ASSETS	GENERAL	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Cash and Cash Equivalents	\$ 201,831	\$ 937,811	\$ 153,694	\$ 1,293,336
Certificates of Deposit	587,426	-	5,000	592,426
Due from Other Governments	52,553	-	72,200	124,753
TOTAL ASSETS	\$ 841,810	\$ 937,811	\$ 230,894	\$ 2,010,515
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 30,532	\$ -	\$ -	\$ 30,532
Due to Other Funds	6,000	-	-	6,000
Compensated Absences	9,944	-	-	9,944
Accrued Wages Payable	6,940	-	-	6,940
TOTAL LIABILITIES	53,416	-	-	53,416
 FUND BALANCES				
Assigned:				
Street & Alley	-	-	37,993	37,993
Fire	-	-	109,030	109,030
Cemetery	-	-	79,044	79,044
Juvenile Affairs	-	-	4,382	4,382
Clerk	-	-	445	445
Capital Projects	-	937,811	-	937,811
Unassigned	788,394	-	-	788,394
TOTAL FUND BALANCES	788,394	937,811	230,894	1,957,099
TOTAL LIABILITIES AND FUND BALANCES	\$ 841,810	\$ 937,811	\$ 230,894	\$ 2,010,515

The accompanying notes are an integral part of the financial statements.

TOWN OF CHEYENNE, OKLAHOMA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total fund balance-total governmental funds	\$ 1,957,099
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$2,588,087, net of accumulated depreciation of (\$1,045,715), are not financial resources and, therefore, are not reported in the funds.	<u>1,542,372</u>
Net assets of governmental activities	<u>\$ 3,499,471</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF CHEYENNE, OKLAHOMA
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

<u>REVENUES</u>	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Sales tax	\$ 408,586	\$ -	\$ 42,538	\$ 451,124
Use Tax	56,004	-	-	56,004
Housing Tax	1,086	-	-	1,086
Alcoholic Beverage Tax	49,474	-	-	49,474
Tobacco Tax	5,907	-	-	5,907
Garbage Disposal	96,425	-	-	96,425
Swimming Pool Fees	117	-	-	117
Cleanup Fees	406	-	-	406
Franchise Fees	26,637	-	-	26,637
Police Fines	1,475	-	-	1,475
Animal Control	893	-	-	893
Rental and Lease Fees	1,200	-	-	1,200
Licenses and Permits	255	-	-	255
Investments Earnings	8,907	1,957	468	11,332
Resale of Property	-	-	4,361	4,361
Miscellaneous	9,343	-	31,179	40,522
Gasoline Tax	-	-	1,358	1,358
Vehicle Tax	-	-	5,566	5,566
Fire Runs	-	-	275	275
Donations	-	-	8,620	8,620
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	666,715	1,957	94,365	763,037
	<hr/>	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES</u>				
Current:				
Personal Service:				
General Government	67,490	-	-	67,490
Garbage Disposal	42,474	-	-	42,474
Office	73,730	-	-	73,730
City Attorney	7,969	-	-	7,969
Swimming Pool	2,847	-	-	2,847
Library	315	-	-	315
	<hr/>	<hr/>	<hr/>	<hr/>
	194,825	-	-	194,825
	<hr/>	<hr/>	<hr/>	<hr/>
Maintenance and Operations:				
Police	285	-	-	285
General Maintenance	33,249	-	-	33,249
Garbage Disposal	61,483	-	-	61,483
Office	46,444	-	-	46,444
Library	7,273	-	-	7,273
Park	9,535	-	-	9,535
Street	\$ 2,910	\$ -	\$ 6,860	\$ 9,770

The accompanying notes are an integral part of the financial statements.

TOWN OF CHEYENNE, OKLAHOMA
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2011

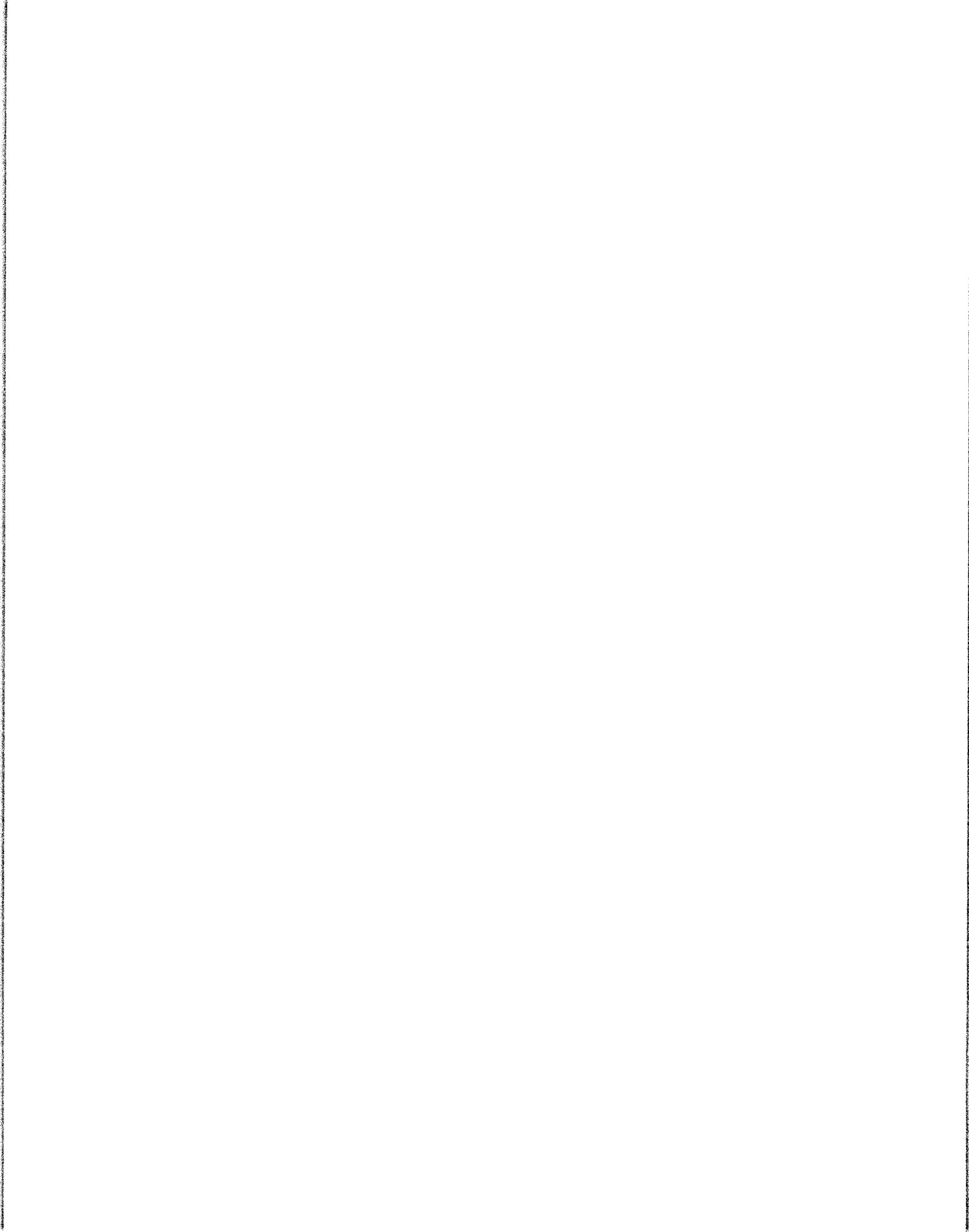
	GENERAL	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Maintenance and Operations :				
(Continued)				
Fire	\$ 14,793	\$ -	\$ 11,842	\$ 26,635
Swimming Pool	4,109	-	-	4,109
Cemetery	-	-	1,165	1,165
Juvenile Affairs	-	-	250	250
Animal Control	2,082	-	-	2,082
	<u>182,163</u>	<u>-</u>	<u>20,117</u>	<u>202,280</u>
Capital Outlay:				
General Government	4,488	-	-	4,488
Office	19,491	-	-	19,491
Fire	-	-	9,321	9,321
Cemetery	-	-	4,758	4,758
Street	3,200	-	-	3,200
	<u>27,179</u>	<u>-</u>	<u>14,079</u>	<u>41,258</u>
Total Expenditures	<u>404,167</u>	<u>-</u>	<u>34,196</u>	<u>438,363</u>
Excess Revenue Over (Under) Expenditures	<u>262,548</u>	<u>1,957</u>	<u>60,169</u>	<u>324,674</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Transfers In (Out)	<u>(147,899)</u>	<u>87,899</u>	<u>-</u>	<u>(60,000)</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	114,649	89,856	60,169	264,674
Fund Balances-Beginning	<u>673,745</u>	<u>847,955</u>	<u>170,725</u>	<u>1,692,425</u>
Fund Balances-Ending	<u>\$ 788,394</u>	<u>\$ 937,811</u>	<u>\$ 230,894</u>	<u>\$ 1,957,099</u>

The accompanying notes are an integral part of the financial statements.

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, 2011

Net change in fund balances-total governmental funds	\$ 264,674
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 and reported as depreciation expense. This is the amount by which depreciation of (\$132,243) exceeded capital outlays of \$41,258 in the current period.	(90,985)
Change in net assets of governmental activities	<u>\$ 173,689</u>

The accompanying notes are an integral part of the financial statements.



TOWN OF CHEYENNE, OKLAHOMA
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

ASSETS	UTILITY AUTHORITY
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$ 244,460
Certificates of Deposit	230,465
Accounts Receivable, Net	52,234
Inventories	24,176
	<hr/>
TOTAL CURRENT ASSETS	551,335
 <u>NON-CURRENT ASSETS</u>	
Restricted Cash and Cash Equivalents	147,164
Property, Plant and Equipment-Net of Depreciation	1,525,480
Loan Origination Fees-Net of Amortization	20,573
	<hr/>
TOTAL NON-CURRENT ASSETS	1,693,217
	<hr/>
TOTAL ASSETS	2,244,552
	<hr/>
 <u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	20,645
Accrued Interest Payable	541
Compensated Absences	14,747
Accrued Wages	3,976
Current Portion of Long-Term Debt	23,550
	<hr/>
TOTAL CURRENT LIABILITIES	63,459
 <u>NON-CURRENT LIABILITIES</u>	
Customer Deposits	26,560
Long-Term Debt (Net of Current Portion)	289,667
	<hr/>
TOTAL NON-CURRENT LIABILITIES	316,227
	<hr/>
TOTAL LIABILITIES	379,686
	<hr/>
 <u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	1,212,263
Restricted for:	
Debt Service	120,604
Unrestricted	531,999
	<hr/>
TOTAL NET ASSETS	\$ 1,864,866
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The accompanying notes are an integral part of the financial statements.

TOWN OF CHEYENNE, OKLAHOMA
 STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS
 PROPRIETARY FUND
 FOR THE YEAR ENDED JUNE 30, 2011

<u>OPERATING REVENUES</u>	<u>UTILITY AUTHORITY</u>
Utility Service-Water	\$ 253,645
Utility Service-Sewer	39,378
Other Income	30,278
	<hr/>
TOTAL OPERATING REVENUES	323,301
<u>OPERATING EXPENSES</u>	
Personal Services	119,826
Plant and Line Repairs	19,015
Plant Supplies	32,725
Depreciation	75,390
Amortization	1,828
Plant Utilities	9,881
Payroll Taxes	8,560
Employee Benefits	29,300
Licenses and Testing	10,590
Legal and Professional	4,638
Vehicle Expense	3,632
Insurance	11,717
Office Supplies	3,521
Bad Debts	2,147
Telephone and Utilities	3,657
	<hr/>
TOTAL OPERATING EXPENSES	336,427
	<hr/>
OPERATING INCOME (LOSS)	(13,126)
<u>NON-OPERATING REVENUES (EXPENSES):</u>	
Interest Income	3,073
Interest Expense	(5,111)
	<hr/>
TOTAL NON-OPERATING REVENUES (EXPENSES)	(2,038)
	<hr/>
INCOME (LOSS) BEFORE TRANSFERS	(15,164)
Net Transfers In (Out)	60,000
	<hr/>
CHANGE IN NET ASSETS	44,836
Total Net Assets-Beginning	1,820,030
	<hr/>
Total Net Assets-Ending	<u><u>\$ 1,864,866</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF CHEYENNE, OKLAHOMA
STATEMENT CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>UTILITY AUTHORITY</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received From Customers	\$ 312,680
Cash Payments for Goods and Services	(129,054)
Cash Payments to Employees	<u>(114,196)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>69,430</u>
 <u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>	
Operating Transfer In	<u>60,000</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>60,000</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Principal Paid on Long-Term Debt	(49,408)
Payments of Interest on Long-Term Debt	(5,278)
Acquisition and Construction of Capital Assets	<u>(10,625)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(65,311)</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Proceeds from Certificates of Deposit	(102,236)
Interest Income	<u>3,073</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(99,163)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(35,044)
CASH AND CASH EQUIVALENTS AT JULY 1, 2010	<u>426,668</u>
CASH AND CASH EQUIVALENTS AT JUNE 30, 2011	<u><u>\$ 391,624</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF CHEYENNE, OKLAHOMA
STATEMENT CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

	UTILITY AUTHORITY
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (13,126)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation and Amortization Expense	77,218
(Increase) Decrease in Assets:	
Accounts Receivable	(11,803)
Inventory	(2,993)
Increase (Decrease) in Liabilities:	
Accounts Payable	13,322
Accrued Payables	5,630
Customer Deposits	1,182
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 69,430

The accompanying notes are an integral part of the financial statements.

TOWN OF CHEYENNE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 (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.

Airport Authority-The Airport Authority operates the local Airport including hangar rentals. The Airport Authority Board is separate and distinct from the Town of Cheyenne governing board. The Authority is accountable to the Town's governing board, and is therefore reported as a discretely presented component unit.

TOWN OF CHEYENNE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 expenditure/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.

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, 2011

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 fund: Cheyenne Utility Authority which 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, 2011**

The Town Council establish (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution.

General Fund

The General Fund has Unassigned Fund Balance of \$788,394 at June 30, 2011.

Other Major Funds

The Capital Projects Fund has Assigned Fund Balance for capital improvements of \$937,811 at June 30, 2011.

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, 2011

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 purpose 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. Major receivable balances for the governmental activities include grants and sales taxes. Business-type activities report utilities sales as their major receivable.

**TOWN OF CHEYENNE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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.

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 or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable.

TOWN OF CHEYENNE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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.

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, 2011

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 funds 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 operations, 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.

**TOWN OF CHEYENNE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

- 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.

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

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.

<u>Category</u>				<u>Bank Balance</u>
Primary	<u>A</u>	<u>B</u>	<u>C</u>	
Government	\$ 250,000	\$ 2,168,758	\$ -	\$ 2,418,758
Component				
Unit	\$ 164,788	\$ -	\$ -	\$ 164,788

3(B): Restricted Cash and Investments

Restricted Cash and Cash Equivalents include accounts that are restricted for payment of associated debt, loan covenants, customer deposits, and capital projects. The amounts in the accounts as of June 30, 2011 totaled \$147,164.

TOWN OF CHEYENNE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

3(C): Property and Equipment

Capital asset activity for the year ended June 30, 2011, was as follows:

Governmental Activities:	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Land	\$ 103,449	\$ -	\$ -	\$ 103,449
Infrastructure	896,382	3,200	-	899,582
Buildings	624,390	-	-	624,390
Equipment and Furniture	922,608	38,058	-	960,666
Totals at Historical Cost	2,546,829	41,258	-	2,588,087
Less: Accumulated Depreciation	913,472	132,243	-	1,045,715
Net Book Value	<u>\$ 1,633,357</u>	<u>\$ (90,985)</u>	<u>\$ -</u>	<u>\$ 1,542,372</u>
Business-Type Activities:	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Land	\$ 49,962	\$ -	\$ -	\$ 49,962
Infrastructure	2,929,161	9,916	-	2,939,077
Equipment and Furniture	105,946	709	-	106,655
Totals at Historical Cost	3,085,069	10,625	-	3,095,694
Less: Accumulated Depreciation	1,494,824	75,390	-	1,570,214
Net Book Value	<u>\$ 1,590,245</u>	<u>\$ (64,765)</u>	<u>\$ -</u>	<u>\$ 1,525,480</u>

Depreciation Expense

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

Governmental Activities:

General Government	\$ 52,008
Public Safety	42,023
Culture and Recreation	23,478
Sanitation and Utilities	14,734
Total	<u>\$ 132,243</u>

Business-Type Activities:

Water Utilities	\$ 75,390
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TOWN OF CHEYENNE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011, the long-term debt payable from proprietary fund resources consisted of the following:

Notes Payable

Oklahoma Water Resources Board: \$ 313,217

The Cheyenne Utility Authority entered into a loan with the Oklahoma Water Resources Board for the purpose of financing improvements to the water system facility and water distribution lines, refinancing two outstanding General Electric Credit Corporation loans, paying legal and administrative costs to secure the loan and establishing a reserve fund. The loan has a variable interest rate that was 1.370% as of June 30, 2011, is payable in semi-annual installments and is secured by water and sewer improvements and a 2% sales tax pledge. The loan matures September 15, 2022.

Less: Current Portion 23,550

Noncurrent Portion \$ 289,667

Changes in Long-Term Debt

	Balance	Additions	Reductions	Balance	Balance
	7/01/2010			6/30/2011	Due Within
					One Year
Business Type Activities:					
Notes Payable	<u>\$ 362,625</u>	<u>\$ -</u>	<u>\$ 49,408</u>	<u>\$ 313,217</u>	<u>\$ 23,550</u>

TOWN OF CHEYENNE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Annual Debt Service

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2011, are as follows:

Business-Type Activities Notes Payable

Year Ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>			
2012	\$ 23,550	\$ 3,166	\$ 26,716
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
Thereafter	<u>137,350</u>	<u>3,192</u>	<u>140,542</u>
Totals	<u>\$ 313,217</u>	<u>\$ 18,796</u>	<u>\$ 332,013</u>

Interest expense charged as a direct program expense in the statement of changes in net assets was as follows:

Water Utilities	<u>\$ 5,111</u>
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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 Act.

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, 2011, 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, 2011, the Town contributed \$32,845 to this plan.

TOWN OF CHEYENNE, OKLAHOMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011

<u>REVENUES</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
Sales tax	\$ 250,000	\$ 408,586	\$ 158,586
Use Tax	15,000	56,004	41,004
Housing Tax	-	1,086	1,086
Grant Income	50,000	-	(50,000)
Alcoholic Beverage Tax	30,000	49,474	19,474
Tobacco Tax	1,000	5,907	4,907
Garbage Disposal	90,000	96,425	6,425
Swimming Pool Fees	200	117	(83)
Cleanup Fees	2,000	406	(1,594)
Franchise Fees	25,000	26,637	1,637
Police Fines	2,000	1,475	(525)
Animal Control	1,000	893	(107)
Rental and Lease Fees	1,000	1,200	200
Licenses and Permits	200	255	55
Investments Earnings	12,000	8,907	(3,093)
Resale of Property	-	-	-
Miscellaneous	3,000	9,343	6,343
	<u>482,400</u>	<u>666,715</u>	<u>184,315</u>
<u>EXPENDITURES</u>			
Personal Service:			
General Government	-	67,490	-
Garbage Disposal	-	42,474	-
Office	-	73,730	-
City Attorney	-	7,969	-
Swimming Pool	-	2,847	-
Library	-	315	-
	<u>220,000</u>	<u>194,825</u>	<u>25,175</u>
Maintenance and Operations:			
Police	-	285	-
General Government	-	33,249	-
Garbage Disposal	-	61,483	-
Office	-	46,444	-
Library	-	7,273	-
Park	-	9,535	-
Street	-	2,910	-
Fire	-	14,793	-
Swimming Pool	-	4,109	-
Animal Control	-	2,082	-
	<u>440,000</u>	<u>182,163</u>	<u>257,837</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF CHEYENNE, OKLAHOMA
 GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE BUDGET AND ACTUAL
 (GAAP BUDGETARY BASIS) (UNAUDITED) (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2011

<u>EXPENDITURES-CONTINUED</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Capital Outlay:			
General Government	-	4,488	-
Garbage Disposal	-	-	-
Office	-	19,491	-
Park	-	-	-
Street	-	3,200	-
Fire	-	-	-
Swimming Pool	-	-	-
	<u>496,145</u>	<u>27,179</u>	<u>468,966</u>
 Total Expenditures	 <u>1,156,145</u>	 <u>404,167</u>	 <u>751,978</u>
 Excess of Revenues Over (Under) Expenditures	 <u>(673,745)</u>	 <u>262,548</u>	 <u>936,293</u>
 <u>OTHER FINANCING SOURCES (USES):</u>			
Net Transfers Out	-	(147,899)	(147,899)
 Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	 <u>(673,745)</u>	 <u>114,649</u>	 <u>788,394</u>
 Fund Balance-Beginning	 <u>673,745</u>	 <u>673,745</u>	 <u>-</u>
 Fund Balance-Ending	 <u>\$ -</u>	 <u>\$ 788,394</u>	 <u>\$ 788,394</u>

The accompanying notes are an integral part of the financial statements.



Hunter & Gibbins, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Amy Patrick, CPA
J.L. Gibbins, CPA

**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, the aggregate discreetly 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, 2011, which collectively comprise the Town of Cheyenne, Oklahoma, basic financial statements and have issued our report thereon dated September 2, 2011. 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 *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.



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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 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 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.

Hunter & Gibbins, P.C.

Elk City, Oklahoma
September 2, 2011



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