

TOWN OF VIAN, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011

TOWN OF VIAN, OKLAHOMA
June 30, 2011

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AUDITORS REPORT

INDEPENDENT AUDITOR'S REPORT**Honorable Mayor and Board of Trustees
Town of Vian, Oklahoma**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town of Vian, 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 Vian. My responsibility is to express an opinion on these financial statements based on our audit.

I conducted this 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also 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. I believe that my audit provides a reasonable basis for my opinions.

The Town of Vian has not presented the management 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.

In my 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, each major fund, and the remaining fund information of the Town of Vian, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 11, 2011 on my consideration of the Town of Vian, State of Oklahoma's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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



Barry Spyres, CPA
December 11, 2011

BASIC FINANCIAL STATEMENTS

TOWN OF VIAN, OKLAHOMA
Statement of Net Assets
June 30, 2011

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS:			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 118,103	\$ 206,691	\$ 324,794
Certificates of Deposit	-	-	-
Receivables			
Taxes	35,358	-	35,358
Trade Accounts	10,480	33,823	44,303
Restricted Checking Account	<u>88,732</u>	<u>196,416</u>	<u>285,147</u>
TOTAL CURRENT ASSETS	\$ 252,672	\$ 436,930	\$ 689,603
NONCURRENT ASSETS:			
Capital Assets:			
Automobiles and Trucks	\$ 672,651	\$ 10,000	\$ 682,651
Buildings	475,415	-	475,415
Equipment	164,242	22,669	186,911
Streets and Infrastructure	297,069	-	297,069
Sewer and Water Systems	<u>-</u>	<u>2,808,350</u>	<u>2,808,350</u>
Total Capital Assets	\$ 1,609,377	\$ 2,841,019	\$ 4,450,396
Less Accumulated Depreciation	<u>(914,374)</u>	<u>(711,635)</u>	<u>(1,626,009)</u>
TOTAL NONCURRENT ASSETS	\$ 695,003	\$ 2,129,384	\$ 2,824,387
TOTAL ASSETS	\$ 947,675	\$ 2,566,314	\$ 3,513,990
LIABILITIES:			
CURRENT LIABILITIES			
Accounts Payable	\$ 15,562	\$ 9,651	25,213
Note Payable Current Portion	19,395	52,753	72,148
Payable from Restricted Assets			-
Customer Meter Deposits	<u>-</u>	<u>96,219</u>	<u>96,219</u>
TOTAL CURRENT LIABILITIES	\$ 34,957	\$ 158,623	\$ 193,580
NONCURRENT LIABILITIES			
Notes Payable Non-Current	<u>\$ -</u>	<u>\$ 383,849</u>	<u>\$ 383,849</u>
TOTAL NONCURRENT LIABILITIES	\$ -	\$ 383,849	\$ 383,849
TOTAL LIABILITIES	\$ 34,957	\$ 542,472	\$ 577,429
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 675,608	\$ 1,692,782	\$ 2,368,390
Restricted	88,732	196,416	285,147
Unrestricted	<u>148,379</u>	<u>134,644</u>	<u>283,023</u>
TOTAL NET ASSETS	\$ 912,719	\$ 2,023,842	\$ 2,936,561

See accompanying notes and independent auditor's report

TOWN OF VIAN, OKLAHOMA
Statement of Activities
For the Year Ended June 30, 2011

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		TOTAL
		CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES		
GOVERNMENTAL ACTIVITIES							
General Government	\$ 189,151	\$ 830	\$ 84,775	\$ (103,546)	\$ -	\$ (103,546)	
Public Safety	274,124	186,608	6,802	(80,714)	-	(80,714)	
Street and Sanitation	214,554	170,729	-	(43,826)	-	(43,826)	
Parks and Recreation	35,994	-	9,850	(26,144)	-	(26,144)	
TOTAL GOVERNMENTAL ACTIVITIES	\$ 713,823	\$ 358,167	\$ 101,427	\$ (254,230)	\$ -	\$ (254,230)	
BUSINESS-TYPE ACTIVITIES							
Water and Sewer	510,096	486,360	187,299	-	163,562	\$ 163,562	
TOTAL BUSINESS-TYPE ACTIVITIES	510,096	486,360	187,299	-	163,562	163,562	
TOTAL	\$ 1,223,920	\$ 844,526	\$ 288,726				
GENERAL REVENUES:							
Sales and use tax				386,291		386,291	
Gas tax				2,814		2,814	
Franchise Tax				42,694		42,694	
Other taxes				24,274		24,274	
Investment earnings				1,375	231	1,606	
Miscellaneous				30,034	-	30,034	
TRANSFERS				(109,656)	109,656	(0)	
TOTAL GENERAL REVENUES AND TRANSFERS				377,825	109,887	487,712	
CHANGE IN NET ASSETS				123,595	273,449	397,044	
NET ASSETS BEGINNING OF YEAR				789,124	1,750,393	2,539,517	
NET ASSETS END OF YEAR				\$ 912,719	\$ 2,023,842	\$ 2,936,561	

See accompanying notes and independent auditor's report.

TOWN OF VIAN, OKLAHOMA
Balance Sheet
Governmental Funds
June 30, 2011

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS:			
Cash and Cash Equivalents	\$ 101,278	\$ 16,825	\$ 118,103
Receivables			
Taxes Recivable	27,466	7,892	35,358
Other	10,480	-	10,480
Restricted Cash	<u>38,262</u>	<u>50,470</u>	<u>88,732</u>
TOTAL ASSETS	<u>\$ 177,486</u>	<u>\$ 75,187</u>	<u>\$ 252,672</u>
LIABILITIES & FUND BALANCES			
LIABILITIES			
Accounts Payable	<u>\$ 15,562</u>	<u>\$ -</u>	<u>\$ 15,562</u>
TOTAL LIABILITIES	<u>\$ 15,562</u>	<u>\$ -</u>	<u>\$ 15,562</u>
FUND BALANCES			
Resevered	\$ -	\$ 58,362	\$ 58,362
Unreserved	<u>161,924</u>	<u>16,825</u>	<u>178,749</u>
TOTAL FUND BALANCES	<u>\$ 161,924</u>	<u>\$ 75,187</u>	<u>\$ 237,111</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 177,486</u>	<u>\$ 75,187</u>	<u>\$ 252,672</u>

See accompanying note and independent auditor's report.

TOWN OF VIAN, OKLAHOMA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	GENERAL	SPECIAL REVENUE	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
Sanation	\$ 150,024	\$ -	\$ 150,024
Gasoline Tax	2,814	-	2,814
Sales and Use Tax	295,751	90,539	386,291
Franchise Tax	42,694	-	42,694
Other Taxes	24,274	-	24,274
Permits and Fees	830	-	830
Grants	101,427	-	101,427
Police Fines	-	186,608	186,608
Miscellaneous	30,034	-	30,034
Interest	1,118	256	1,375
TOTAL REVENUES	\$ 648,966	\$ 277,403	\$ 926,370
EXPENDITURES			
General Government	\$ 182,170	\$ -	\$ 182,170
Public Safty	227,246	33,248	260,494
Streets and Sanation	207,010	-	207,010
Parks and Recreation	32,497	-	32,497
Capital Outlays	134,786	-	134,786
TOTAL EXPENDITURES	\$ 783,710	\$ 33,248	\$ 816,957
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (134,744)	\$ 244,156	\$ 109,413
OTHER FINANCING SOURCES			
Operating Transfers In	246,278	-	246,278
Operating Transfers Out	\$ (33,151)	\$ (322,783)	\$ (355,934)
TOTAL OTHER FINANCING SOURCES	\$ 213,126	\$ (322,783)	\$ (109,656)
NET CHANGE IN FUND BALANCE	\$ 78,383	\$ (78,627)	\$ (244)
FUND BALANCE AT BEGINNING OF YEAR	83,541	153,814	237,355
FUND BALANCE AT END OF YEAR	\$ 161,924	\$ 75,187	\$ 237,111

See accompanying notes and independent auditor's report.

TOWN OF VIAN, OKLAHOMA
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2009

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (244)

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

Capital outlays are reported in governmental funds 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 outlay of \$134,786 exceeds depreciation expense of \$ 31,652 in the period. 103,134

Capital Lease payments used in governmental activities are reported in the general long term account group and not on the statement of revenue and expenditures and changes in net assets. 20,705

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 123,595

See accompanying notes and independent auditor's report.

TOWN OF VIAN, OKLAHOMA
Statement of Net Assets
Proprietary Funds
June 30, 2011

ASSETS:

CURRENT ASSETS

Cash and Cash Equivalents	\$	206,691	
Receivables		33,823	
Restricted Cash		<u>196,416</u>	
TOTAL CURRENT ASSETS			\$ 436,930

NONCURRENT ASSETS

Due from Primary Government	\$	-	
Capital Assets			
Water and Sewer Systems		2,810,038	
Automobiles and Equipment		<u>30,981</u>	
TOTAL CAPITAL ASSETS		2,841,019	
Less Accumulated Depreciation		(711,635)	
NET CAPITAL ASSETS		<u>2,129,384</u>	
TOTAL NONCURRENT ASSETS			<u>2,129,384</u>

TOTAL ASSETS			\$ 2,566,314
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LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$	9,651	
Current Portion of Long Term Debt		<u>52,753</u>	
TOTAL CURRENT LIABILITIES			62,404

CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Customer Meter Deposits	\$	<u>96,219</u>	
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS			96,219

NONCURRENT LIABILITIES

Long Term Debt	\$	<u>383,849</u>	
TOTAL NONCURRENT LAIBILITIES			<u>383,849</u>

TOTAL LIABILITIES			\$ 542,472
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$	1,692,782	
Restricted	\$	196,416	
Unrestricted		<u>134,644</u>	

TOTAL NET ASSETS			<u>\$ 2,023,842</u>
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See accompanying notes and independent auditor's report.

TOWN OF VIAN, OKLAHOMA
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

OPERATING REVENUES		
Charges for services	\$ 474,544	
Sales tax revenue	-	
Miscellaneous	<u>11,815</u>	
TOTAL OPERATING REVENUES		\$ <u>486,360</u>
OPERATING EXPENSES		
Water Purchased	\$ 115,708	
Supplies	41,835	
Office Expense	1,499	
Salaries and related expenses	133,796	
Professional Fees	33,444	
Lab Test	2,623	
Insurance	5,779	
Utilities and Telephone	23,158	
Dues	4,110	
Other Expenses	14,465	
Repairs and Maintenance	45,951	
Depreciation	<u>72,817</u>	
TOTAL OPERATING EXPENSES		<u>495,185</u>
OPERATING INCOME		(8,826)
NON-OPERATING REVENUE (EXPENSES)		
Grant Revenue	187,299	
Interest Income	231	
Interest Expense	<u>(14,910)</u>	
TOTAL NON-OPERATING REVENUE (EXPENSES)		<u>172,619</u>
NET INCOME BEFORE OPERATING TRANSFERS		163,794
TRANSFERS		
Transfers In		123,650
Transfers Out		(13,995)
CHANGE IN NET ASSETS		273,449
BEGINNING OF YEAR NET ASSETS		<u>1,750,393</u>
END OF YEAR NET ASSETS		<u>\$ <u>2,023,842</u></u>

See accompanying notes and independent auditor's report.

TOWN OF VIAN, OKLAHOMA
Statement of Cash Flows Proprietary Funds
For the Year Ended June 30, 2011

CASH FLOWS FROM OPERATIONS		
Cash Received from Customers	\$ 489,474	
Cash Payments from Suppliers	(289,524)	
Cash Payments to Employees	<u>(133,796)</u>	
NET CASH PROVIDED BY OPERATING ACTIVITIES		\$ 66,154
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grant Income	\$ 87,300	
Transfers In Net of Transfers Out	<u>109,655</u>	
NET CASH USED FOR NONCAPITAL FINANCING ACTIVITIES		196,955
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets Net of Retirements	\$ (141,354)	
Reduction in Long Term Debt	(103,170)	
Interest Paid	<u>(14,910)</u>	
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES		(259,434)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Activity of Restricted Accounts	\$ (268)	
Interest Income	<u>231</u>	
NET CASH PROVIDED BY INVESTING ACTIVITIES		<u>(37)</u>
DECREASE IN CASH AND CASH EQUIVALENTS		\$ 3,638
CASH AND CASH EQUIVALENTS - Beginning of Year		<u>203,053</u>
CASH AND CASH EQUIVALENTS - End of Year		<u>\$ 206,691</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ (8,826)	
Adjustments:		
Depreciation	72,817	
Net change in Assets and Liabilities		
Trade Accounts Receivable	3,114	
Accounts Payable	<u>(951)</u>	
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>\$ 66,154</u>

See accompanying notes and independent auditor's report

NOTES

TOWN OF VIAN, OKLAHOMA
Notes to Financial Statements
June 30, 2011

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Vian, Oklahoma is incorporated and operates under a statutory town form of government as directed by Title 11 of the Oklahoma statutes. The duties of the mayor are set forth in Title 11 and the Town is governed by five board members each representing a ward within the Town. Major operations include police and fire protection, parks and recreation, public works, sanitation and streets, and general administrative services.

The financial statements of the Town have been prepared in accordance with Generally Accepted Accounting Principals (GAAP) in the United States. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The accompanying financial statements present the Town and its component unit (Vian Public Works Authority), an entity for which the government is considered financially accountable. A blended component unit, although a legally separate entity, is in substance, part of the government's operations and so data from this unit is included as part of the reporting entity. The Town's council members are the board of directors for the Vain Public Works Authority, they set the budget, and approve all significant management issues. Separate financial statements of the Authority are not issued.

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements are information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustain ability of the Town as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular

TOWN OF VIAN, OKLAHOMA
Notes to Financial Statements
June 30, 2011

function or business type activity. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental, proprietary, and fiduciary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column in the financial section of the basic financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

Franchise taxes, sales taxes, other taxes, charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The general fund is the Town's primary operating fund. It accounts for all financial resources of general government, except those required to be accounted for in another fund.

The special revenue funds account for revenue sources that are legally restricted to expenditures. Special revenue funds consist of the Special Sales Tax Fund, and Court Fund.

TOWN OF VIAN, OKLAHOMA
Notes to Financial Statements
June 30, 2011

The Town reports the following major proprietary fund:

The public works authority is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the Council is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; (b) where the Council has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The public works authority of the Town of Vian, Oklahoma, consists of one fund - the water and sewer department.

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others and consists of the agency fund. The agency fund is custodial in nature and does not present results of operations or have a measurement focus. The Town of Vain did not maintain any agency funds.

Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

Cash balances from all funds are pooled and invested to the extent available in certificates of deposit. For purposes of the statement of cash flows, the proprietary fund considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Management has not established an allowance for uncollectible accounts receivable. Accounts are written off as bad debt expense when it is deemed that they are uncollectible. The allowance for doubtful accounts was considered immaterial for reporting purposes.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, street lights, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donation.

TOWN OF VIAN, OKLAHOMA
Notes to Financial Statements
June 30, 2011

The costs of normal maintenance are repairs that do not add to the value or capacity of the asset or materiality extend assets lives are not capitalized.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Water Plant and Sewer System	40
Automobiles	5
Equipment	7

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as “due to/from other funds.” All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year. Long-term interfund loans are classified as “advances to/from other funds.” Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Compensated Absences

Employee’s vacation and holiday leave does not vest or accumulate and sick leave is not normally paid without an illness related absence; therefore, no accruals for compensated absences have been reflected in the accompanying financial statements.

TOWN OF VIAN, OKLAHOMA
Notes to Financial Statements
June 30, 2011

NOTE (2) BUDGETARY ACCOUNTING

The Town uses the following procedures in establishing the budgetary data reflected in the financial statements:

- a. The mayor submits to the Town Council a proposed operating budget. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted by the Town to obtain taxpayer comments.
- c. The Town Council adopts the budget.
- d. The City Clerk, with approval is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
- e. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Revenues shall be classified separately by source. Expenditures shall be departmentalized within each fund and shall be classified into at least the following accounts: Personal services, materials and supplies, other services and charges, capital outlays, and debt service, and transfers.

The Town prepares an annual operating budget for its General Fund, Special Revenue Funds, and Proprietary Funds.

The Town prepares its budget on the same basis of accounting as is used to prepare its non-budgetary financial statements.

NOTE (3) BANK DEPOSITS

The Town's bank account balances are as follows:

	Book Value	Bank Carrying Value
Town of Vian	\$ 118,103	\$ 118,103
Vian Public Works Authority	206,691	206,691
Total	\$ 324,794	\$ 324,794

At June 30th 2011, the Town's bank account were insured by FDIC insurance.

TOWN OF VIAN, OKLAHOMA
Notes to Financial Statements
June 30, 2011

NOTE (4) RESTRICTED ASSETS - CASH

Restricted cash represents amounts maintained in separate bank accounts for the purpose of segregating funds. Restricted cash consisted of the following:

VPWA Grant Account		99,999
General Fund Grant Account		38,262
Consumer Meter Deposits		96,416
Special Sales Tax Account		50,470
Total Restricted Cash	\$	285,147

NOTE (5) INTER-FUND BALANCES AND TRANSFERS

Interfund Transfers

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General	\$ 246,278	\$ 33,151
Special Revenue		322,783
Business-Type Fund		
Public Works Authority	123,651	13,995
Total	<u>\$ 369,929</u>	<u>\$ 369,929</u>

Throughout the course of the year, the Town has to make occasional interfund transfers. The transfers are usually approved so that the fund receiving the money can continue to operate. Major transfers for the fiscal year ended June 30, 2011 consisted of transfers of sales tax to pay for debt service and fixes assets purchased with grant funds and used in the public works authority.

NOTE (6) CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Town and Vian Public Works Authority to credit risk consist primarily of the accounts receivable of Vian Public Works Authority. Vian Public Works Authority sells primarily to citizens in and around Vian, Oklahoma.

TOWN OF VIAN, OKLAHOMA
Notes to Financial Statements
June 30, 2011

NOTE (7) RISK MANAGEMENT

The Town is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance along with policies through Oklahoma Municipal Assurance Group for risk loss.

There has been no significant reduction in the Town's insurance coverage from the previous year. In addition, there have been no settlements in excess of the Town's coverage in any of the prior three fiscal years.

NOTE (8) LONG TERM DEBT

Vian Public Works Authority

Notes Payable:	Outstanding Debt June 30, 2010
 Oklahoma Water Resource Board 3.177% interest with 36 semi-annual payments of \$38,150, maturing August 15, 2019	\$ 436,602
Less Current Portion	(52,753)
Total	\$ 383,849

Maturities of Long-term Debt due within the next five (5) years are as follows:

<u>Year</u>	<u>Amount</u>
2013	54,739
2014	56,798
2015	58,739
2016	60,798
2017	62,899
Beyond five years	89,876
Total	\$ 383,849

TOWN OF VIAN, OKLAHOMA
Notes to Financial Statements
June 30, 2011

NOTE (9) EMPLOYEE'S RETIREMENT PLAN

The Town participates in the Oklahoma Municipal Retirement Fund (O.M.R.F.), which provides coverage to substantially all full-time Town employees. The plan is a multiple-employer plan.

Plan Description

The Town contributes to the Oklahoma Municipal Retirement Fund Employee Retirement System (O.M.R.F.), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for governmental entities in the State of Oklahoma.

All regular full-time employees except police, firefighters and other employees covered under a state system are eligible to participate in O.M.R.F. benefits vest after five years of service. Upon vesting, Town employees who retire at age 65 with 10 or more years of vesting are entitled to annual retirement benefits payable monthly for life in an amount equal to a percent of their average salary during their last year of employment.

These benefit provisions and all other requirements are established by the plan. The total contribution rate for the plan is separated between the employee-paid and municipality-paid portions based on the most recent reported employees contribution rate. The employee contribution rate is set by the plan, and the municipality is committed to meet the long term funding needs of the plan by paying any portion of the contribution not provided by employees.

The total required contribution rate for the 2009-2010 plan year was 5.14% of participant's payroll which results in 1.5% for the employee and 3.64% for the Town.

NOTE (10) VOLUNTEER FIREFIGHTERS PENSION FUND

The Town volunteer firemen participate only in the Oklahoma State Firefighters Pension and Retirement System which is defined contributions plan applying only to the Town's volunteer firefighters. Eligibility to participate includes all full-time or voluntary firefighters of a participating municipality if they are hired before age 45. The State Statute give the authority to establish contribution obligations and benefits. Vesting occurs after 10 years of service and payments begin at age 50, or after 20 years of service, whichever is later. The eligibility and benefits for distribution for volunteer firemen is 20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered.

TOWN OF VIAN, OKLAHOMA
Notes to Financial Statements
June 30, 2011

NOTE (11) COMMITMENTS AND CONTINGENCIES

Grant Programs

The Town participates in the certain federal and state grant programs as available. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. The amount of expenditures that may be disallowed by the granting agency cannot be determined at this time, although it is believed by the Town that the amount, if any, would not be significant.

Litigation

At the report date the Town of Vain had one lawsuit pending the outcome and or estimate of these claims could not be determined at the time of this report.

NOTE (12) INSURANCE COVERAGE

The Town purchases commercial insurance policies covering property casualty loss, public liability, board member and administrator liability, and workers compensation. The Town also purchases surety bonds for employees in all positions required by state law to be bonded.

TOWN OF VIAN, OKLAHOMA
Notes to Financial Statements
June 30, 2011

NOTE (13) CHANGES IN CAPITAL ASSETS

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

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
Capital Assets being Depreciated				
Automobiles and Trucks	\$ 672,651	\$ -	\$ -	\$ 672,651
Buildings and Building Improvements	\$ 420,415	\$ 55,000	\$ -	\$ 475,415
Infrastructure	\$ 217,283	\$ 79,786	\$ -	\$ 297,069
Equipment	\$ 164,242	\$ -	\$ -	\$ 164,242
Total Capital Assets being Depreciated	\$ 1,474,591	\$ 134,786	\$ -	\$ 1,609,377
Less Accumulated Depreciation				
Automobiles and Trucks	\$ 414,300	\$ 15,772	\$ -	\$ 430,072
Buildings	218,262	5,785	-	224,047
Infrastructure	8,908	6,553	-	15,461
Equipment	241,252	3,542	-	244,794
Total Accumulated Depreciation	\$ 882,722	\$ 31,652	\$ -	\$ 914,374
Governmental Activities, Capital Assets, Net	<u>\$ 591,869</u>	<u>\$ 103,134</u>	<u>\$ -</u>	<u>\$ 695,003</u>

Depreciation expense for governmental activities is charged to functions as follows:

General Government	\$ 6,981
Public Safety	\$ 13,630
Street and Sanitation	\$ 7,544
Parks and Recreation	\$ 3,497
Total Depreciation from Governmental Activities	<u>\$ 31,652</u>

Capital asset activity for business-type activities for the year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2010
Capital Assets, being Depreciated				
Water System and Sewer Systems	\$ 2,666,996	\$ 141,354	\$ -	\$ 2,808,350
Equipment	22,669	-	-	22,669
Automobiles	10,000	-	-	10,000
Total Capital Assets being Depreciated	2,699,665	141,354	-	2,841,019
Less Accumulated Depreciation				
Water Plant and Sewer Systems	620,407	71,817	-	692,224
Automobiles	10,000	-	-	10,000
Equipment	9,411	-	-	9,411
Total Accumulated Depreciation	\$ 639,818	\$ 71,817	\$ -	\$ 711,635
Business-Type Activities, Capital Assets, Net	<u>\$ 2,059,847</u>	<u>\$ 69,537</u>	<u>\$ -</u>	<u>\$ 2,129,384</u>

ADDITIONAL REQUIRED REPORTS AND SCHEDULES

TOWN OF VIAN, OKLAHOMA
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2011

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Sanitation	\$ 127,000	\$ 150,024	\$ 23,024
Gasoline Tax	2,500	2,814	314
Sales and Use Tax	292,500	295,751	3,251
Franchise Tax	37,000	42,694	5,694
Other Taxes	22,200	24,274	2,074
Permits and Fees	1,250	830	(420)
Grants	75,000	101,427	26,427
Miscellaneous	-	30,034	30,034
Interest	-	1,118	1,118
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	\$ 557,450	\$ 648,966	\$ 91,516
EXPENDITURES			
General Government	210,102	182,170	27,932
Public Safty	227,615	227,246	369
Street and Sanation	182,554	207,010	(24,456)
Parks and Recreation	9,900	32,497	(22,597)
Debt Service	-	-	-
Capital Outlays	155,000	134,786	20,214
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	\$ 785,171	\$ 783,710	\$ 1,461
EXCESS OR REVENUES OVER (UNDER) EXPENDITURES	\$ (227,721)	\$ (134,744)	\$ 92,977
OTHER FINANCIAL SOURCES			
Operating Transfers In	295,900	246,278	542,178
Operating Transfers Out	-	(33,151)	(33,151)
	<u> </u>	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES	295,900	213,126	509,026
NET CHANGE IN FUND BALANCE	\$ 68,179	\$ 78,383	\$ 602,004

See accompanying notes and independent auditor's report.

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

Town Council
Town of Gans, Oklahoma

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and remaining fund information of the Town of Vian, Oklahoma as of and for the year ended June 30, 2011, and have issued my report thereon dated December 11, 2011. I conducted the audit in accordance with 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, I considered the Town of Vian 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 Vian, internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Vian, Oklahoma internal control over financial 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 Vian, 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 Vian, financial statements that is more than inconsequential will not be prevented or detected by the Town of Vian, 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 Vian, internal control.

My 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 or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above, however I noted certain matters that I have reported to management of the Town of Vian in a separate letter dated December 11, 2011.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Vian, 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, I 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, City Council, others within the entity, 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.



Barry Spyres, CPA
December 11, 2011