

TOWN OF VIAN, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

TOWN OF VIAN, OKLAHOMA
June 30, 2012

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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, 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 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, 2012, 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 March 13, 2013 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 is 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
March 13, 2013

BASIC FINANCIAL STATEMENTS

TOWN OF VIAN, OKLAHOMA
Statement of Net Assets
June 30, 2012

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS:			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 222,186	\$ 192,466	\$ 414,652
Certificates of Deposit	-	-	-
Receivables			
Taxes	35,358	-	35,358
Trade Accounts	12,558	35,948	48,505
Restricted Checking Account	<u>63,083</u>	<u>97,458</u>	<u>160,540</u>
TOTAL CURRENT ASSETS	\$ 333,185	\$ 325,871	\$ 659,056
NONCURRENT ASSETS:			
Capital Assets:			
Automobiles and Trucks	\$ 684,762	\$ 22,074	\$ 706,836
Buildings	475,415	-	475,415
Equipment	164,242	22,669	186,911
Streets and Infrastructure	304,469	-	304,469
Sewer and Water Systems	-	<u>2,942,353</u>	<u>2,942,353</u>
Total Capital Assets	\$ 1,628,888	\$ 2,987,096	\$ 4,615,984
Less Accumulated Depreciation	<u>(947,254)</u>	<u>(788,715)</u>	<u>(1,735,969)</u>
TOTAL NONCURRENT ASSETS	\$ 681,634	\$ 2,198,381	\$ 2,880,015
TOTAL ASSETS	\$ 1,014,819	\$ 2,524,252	\$ 3,539,071
LIABILITIES:			
CURRENT LIABILITIES			
Accounts Payable	\$ 16,892	\$ 9,938	26,830
Note Payable Current Portion	-	52,753	52,753
Payable from Restricted Assets			
Customer Meter Deposits	-	<u>97,302</u>	<u>97,302</u>
TOTAL CURRENT LIABILITIES	\$ 16,892	\$ 159,993	\$ 176,885
NONCURRENT LIABILITIES			
Notes Payable Non-Current	<u>\$ -</u>	<u>\$ 330,056</u>	<u>\$ 330,056</u>
TOTAL NONCURRENT LIABILITIES	\$ -	\$ 330,056	\$ 330,056
TOTAL LIABILITIES	\$ 16,892	\$ 490,048	\$ 506,940
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 681,634	\$ 1,815,572	\$ 2,497,206
Restricted	63,083	97,458	160,540
Unrestricted	<u>253,210</u>	<u>121,174</u>	<u>374,384</u>
TOTAL NET ASSETS	\$ 997,927	\$ 2,034,203	\$ 3,032,130

See accompanying notes and independent auditor's report

TOWN OF VIAN, OKLAHOMA
Statement of Activities
For the Year Ended June 30, 2012

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		TOTAL
	EXPENSES	CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 207,453	\$ 1,077	\$ -	\$ (206,375)	\$ -	\$ (206,375)
Public Safety	268,594	175,596	19,203	(73,794)	-	(73,794)
Street and Sanitation	156,717	157,755	-	1,039	-	1,039
Parks and Recreation	44,549	-	-	(44,549)	-	(44,549)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 677,312	\$ 334,429	\$ 19,203	\$ (323,680)	\$ -	\$ (323,680)
BUSINESS-TYPE ACTIVITIES						
Water and Sewer	560,174	491,173	-	-	(69,002)	\$ (69,002)
TOTAL BUSINESS-TYPE ACTIVITIES	560,174	491,173	-	-	(69,002)	(69,002)
TOTAL	\$ 1,237,487	\$ 825,601	\$ 19,203			
GENERAL REVENUES:						
Sales and use tax				394,879	-	394,879
Gas tax				1,658	-	1,658
Franchise Tax				43,519	-	43,519
Other taxes				25,553	-	25,553
Investment earnings				1,049	294	1,343
Miscellaneous				21,300	-	21,300
TRANSFERS				(79,070)	79,070	-
TOTAL GENERAL REVENUES AND TRANSFERS				408,888	79,364	488,252
CHANGE IN NET ASSETS				85,207	10,362	95,569
NET ASSETS BEGINNING OF YEAR				912,720	2,023,841	2,936,561
NET ASSETS END OF YEAR				\$ 997,927	\$ 2,034,203	\$ 3,032,130

See accompanying notes and independent auditor's report.

TOWN OF VIAN, OKLAHOMA
Balance Sheet
Governmental Funds
June 30, 2012

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS:			
Cash and Cash Equivalents	\$ 95,918	\$ 126,268	\$ 222,186
Receivables			
Taxes Recivable	27,466	7,892	35,358
Other	12,558	-	12,558
Restricted Cash	<u>17,858</u>	<u>45,225</u>	<u>63,083</u>
TOTAL ASSETS	<u>\$ 153,800</u>	<u>\$ 179,384</u>	<u>\$ 333,185</u>
LIABILITIES & FUND BALANCES			
LIABILITIES			
Accounts Payable	<u>\$ 16,892</u>	<u>\$ -</u>	<u>\$ 16,892</u>
TOTAL LIABILITIES	<u>\$ 16,892</u>	<u>\$ -</u>	<u>\$ 16,892</u>
FUND BALANCES			
Resevered	\$ -	\$ 53,116	\$ 53,116
Unreserved	<u>136,908</u>	<u>126,268</u>	<u>263,176</u>
TOTAL FUND BALANCES	<u>\$ 136,908</u>	<u>\$ 179,384</u>	<u>\$ 316,293</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 153,800</u>	<u>\$ 179,384</u>	<u>\$ 333,185</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, 2012

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:			
Sanation	\$ 157,755	\$ -	\$ 157,755
Gasoline Tax	1,658	-	1,658
Sales and Use Tax	303,731	91,149	394,879
Franchise Tax	43,519	-	43,519
Other Taxes	25,553	-	25,553
Permits and Fees	1,077	-	1,077
Grants	19,203	-	19,203
Police Fines	-	175,596	175,596
Miscellaneous	21,300	-	21,300
Interest	<u>926</u>	<u>123</u>	<u>1,049</u>
TOTAL REVENUES	\$ 574,721	\$ 266,868	\$ 841,590
EXPENDITURES			
General Government	\$ 200,442	\$ 30	\$ 200,472
Public Safety	217,731	37,232	254,964
Streets and Sanation	167,306	-	167,306
Parks and Recreation	41,052	-	41,052
Capital Outlays	<u>19,511</u>	<u>-</u>	<u>19,511</u>
TOTAL EXPENDITURES	\$ 646,042	\$ 37,262	\$ 683,304
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (71,321)	\$ 229,605	\$ 158,286
OTHER FINANCING SOURCES			
Operating Transfers In	65,466	19,129	84,595
Operating Transfers Out	<u>(19,129)</u>	<u>(144,536)</u>	<u>(163,665)</u>
TOTAL OTHER FINANCING SOURCES	\$ 46,337	\$ (125,408)	\$ (79,070)
NET CHANGE IN FUND BALANCE	\$ (24,984)	\$ 104,198	\$ 79,215
FUND BALANCE AT BEGINNING OF YEAR	<u>161,892</u>	<u>75,187</u>	<u>237,079</u>
FUND BALANCE AT END OF YEAR	<u>\$ 136,908</u>	<u>\$ 179,384</u>	<u>\$ 316,293</u>

See accompanying notes and independent auditor's report.

TOWN OF VIAN, OKLAHOMA
Statement of Net Assets
Proprietary Funds
June 30, 2012

ASSETS:

CURRENT ASSETS

Cash and Cash Equivalents	\$	192,466	
Receivables		35,948	
Restricted Cash		<u>97,458</u>	
TOTAL CURRENT ASSETS	\$		325,871

NONCURRENT ASSETS

Capital Assets			
Water and Sewer Systems	\$	2,956,115	
Automobiles and Equipment		<u>30,981</u>	
TOTAL CAPITAL ASSETS		2,987,096	
Less Accumulated Depreciation		(788,715)	
NET CAPITAL ASSETS		<u>2,198,381</u>	
TOTAL NONCURRENT ASSETS			<u>2,198,381</u>

TOTAL ASSETS	\$		2,524,252
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LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$	9,938	
Current Portion of Long Term Debt		<u>52,753</u>	
TOTAL CURRENT LIABILITIES			62,691

**CURRENT LIABILITIES PAYABLE FROM
RESTRICTED ASSETS**

Customer Meter Deposits	\$	<u>97,302</u>	
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS			97,302

NONCURRENT LIABILITIES

Long Term Debt	\$	<u>330,056</u>	
TOTAL NONCURRENT LAIBILITIES			<u>330,056</u>

TOTAL LIABILITIES	\$		490,048
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$	1,815,572	
Restricted		97,458	
Unrestricted		<u>121,174</u>	

TOTAL NET ASSETS	\$		<u>2,034,203</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, 2012

OPERATING REVENUES		
Charges for services	\$ 487,001	
Sales tax revenue	-	
Miscellaneous	4,172	
TOTAL OPERATING REVENUES	<u>491,173</u>	\$ 491,173
OPERATING EXPENSES		
Water Purchased	\$ 124,278	
Supplies	30,148	
Office Expense	938	
Salaries and related expenses	124,630	
Professional Fees	101,924	
Lab Test	2,590	
Insurance	7,558	
Utilities and Telephone	24,096	
Dues	2,692	
Other Expenses	16,349	
Repairs and Maintenance	12,984	
Depreciation	77,080	
TOTAL OPERATING EXPENSES	<u>525,269</u>	525,269
OPERATING INCOME		(34,096)
NON-OPERATING REVENUE (EXPENSES)		
Grant Revenue	-	
Interest Income	294	
Interest Expense	(34,905)	
TOTAL NON-OPERATING REVENUE (EXPENSES)		<u>(34,612)</u>
NET INCOME BEFORE OPERATING TRANSFERS		(68,708)
TRANSFERS		
Transfers In		91,642
Transfers Out		(12,573)
CHANGE IN NET ASSETS		10,362
BEGINNING OF YEAR NET ASSETS		<u>2,023,842</u>
END OF YEAR NET ASSETS		<u><u>\$ 2,034,203</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, 2012

CASH FLOWS FROM OPERATIONS		
Cash Received from Customers	\$ 489,048	
Cash Payments from Suppliers	(323,271)	
Cash Payments to Employees	<u>(124,630)</u>	
NET CASH PROVIDED BY OPERATING ACTIVITIES		\$ 41,147
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grant Income	\$ -	
Transfers In Net of Transfers Out	<u>79,069</u>	
NET CASH USED FOR NONCAPITAL FINANCING ACTIVITIES		79,069
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets Net of Retirements	\$ (146,077)	
Reduction in Long Term Debt	(53,793)	
Interest Paid	<u>(34,905)</u>	
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES		(234,775)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Activity of Restricted Accounts	\$ 100,040	
Interest Income	<u>294</u>	
NET CASH PROVIDED BY INVESTING ACTIVITIES		<u>100,334</u>
DECREASE IN CASH AND CASH EQUIVALENTS		\$ (14,225)
CASH AND CASH EQUIVALENTS - Beginning of Year		<u>206,691</u>
CASH AND CASH EQUIVALENTS - End of Year		<u>\$ 192,466</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ (34,096)	
Adjustments:		
Depreciation	77,080	
Net change in Assets and Liabilities		
Trade Accounts Receivable	(2,124)	
Accounts Payable	<u>287</u>	
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>\$ 41,147</u>

See accompanying notes and independent auditor's report

NOTES

TOWN OF VIAN, OKLAHOMA
Notes to Financial Statements
June 30, 2012

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 Vian 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 sustainability 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, 2012

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, 2012

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, 2012

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, 2012

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:

	<u>Book Value</u>	<u>Bank Carrying Value</u>
Town of Vian	\$ 285,269	\$ 285,269
Vian Public Works Authority	289,924	289,924
Total	<u>\$ 575,193</u>	<u>\$ 575,193</u>

At June 30th 2012, the Town's bank account were insured by FDIC insurance.

TOWN OF VIAN, OKLAHOMA
Notes to Financial Statements
June 30, 2012

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	64	
General Fund Grant Account	17,858	
Consumer Meter Deposits	97,394	
Special Sales Tax Account	45,224	
Total Restricted Cash	\$ 160,540	

NOTE (5) INTER-FUND BALANCES AND TRANSFERS

Interfund Transfers

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General	\$ 65,466	\$ 19,129
Special Revenue	19,129	144,536
Business-Type Fund		
Public Works Authority	91,642	12,573
Total	<u>\$ 176,237</u>	<u>\$ 176,237</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, 2012 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, 2012

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, 2012
Oklahoma Water Resource Board 3.177% interest with 36 semi-annual payments of \$38,150, maturing August 15, 2019	\$ 382,809
Less Current Portion	<u>(52,753)</u>
Total	<u><u>\$ 330,056</u></u>

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

<u>Year</u>	<u>Amount</u>
2014	\$ 54,739
2015	56,798
2016	58,739
2017	60,798
2018	<u>62,899</u>
Beyond five years	<u>36,083</u>
Total	<u><u>\$ 330,056</u></u>

TOWN OF VIAN, OKLAHOMA
Notes to Financial Statements
June 30, 2012

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 2011-2012 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, 2012

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 Vian had several lawsuit's 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, 2012 was as follows:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012
Capital Assets being Depreciated				
Automobiles and Trucks	\$ 672,651	\$ 12,111	\$ -	\$ 684,762
Buildings and Building Improvements	\$ 475,415	\$ -	\$ -	\$ 475,415
Infrastructure	\$ 297,069	\$ 7,400	\$ -	\$ 304,469
Equipment	\$ 164,242	\$ -	\$ -	\$ 164,242
Total Capital Assets being Depreciated	\$ 1,609,377	\$ 19,511	\$ -	\$ 1,628,888
Less Accumulated Depreciation				
Automobiles and Trucks	\$ 430,072	\$ 17,000	\$ -	\$ 447,072
Buildings	224,047	5,785	-	229,832
Infrastructure	15,461	6,553	-	22,014
Equipment	244,794	3,542	-	248,336
Total Accumulated Depreciation	\$ 914,374	\$ 32,880	\$ -	\$ 947,254
Governmental Activities, Capital Assets, Net	<u>\$ 695,003</u>	<u>\$ (13,369)</u>	<u>\$ -</u>	<u>\$ 681,634</u>

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

General Government	\$ 6,981
Public Safety	\$ 13,630
Street and Sanitation	\$ 8,772
Parks and Recreation	\$ 3,497
Total Depreciation from Governmental Activities	<u>\$ 32,880</u>

Capital asset activity for business-type activities for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012
Capital Assets, being Depreciated				
Water System and Sewer Systems	\$ 2,808,350	\$ 134,003	\$ -	\$ 2,942,353
Equipment	22,669	-	-	22,669
Automobiles	10,000	12,074	-	22,074
Total Capital Assets being Depreciated	2,841,019	146,077	-	2,987,096
Less Accumulated Depreciation				
Water Plant and Sewer Systems	692,224	67,744	-	759,968
Equipment	9,411	8,129	-	17,540
Automobiles	10,000	1,207	-	11,207
Total Accumulated Depreciation	\$ 711,635	\$ 77,080	\$ -	\$ 788,715
Business-Type Activities, Capital Assets, Net	<u>\$ 2,129,384</u>	<u>\$ 68,997</u>	<u>\$ -</u>	<u>\$ 2,198,381</u>

ADDITIONAL REQUIRED REPORTS AND SCHEDULES

TOWN OF VIAN, OKLAHOMA
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2012

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Sanitation	\$ 130,000	\$ 157,755	\$ 27,755
Gasoline Tax	2,500	1,658	(842)
Sales and Use Tax	312,500	303,731	(8,769)
Franchise Tax	40,000	43,519	3,519
Other Taxes	21,500	25,553	4,053
Permits and Fees	1,250	1,077	(173)
Grants	75,000	19,203	(55,797)
Miscellaneous	-	21,300	21,300
Interest	550	926	376
TOTAL REVENUES	<u>\$ 583,300</u>	<u>\$ 574,721</u>	<u>\$ (8,579)</u>
EXPENDITURES			
General Government	200,584	200,442	142
Public Safety	257,223	217,731	39,492
Street and Sanation	162,168	167,306	(5,138)
Parks and Recreation	28,690	41,052	(12,362)
Debt Service	-	-	-
Capital Outlays	95,000	19,511	75,489
TOTAL EXPENDITURES	<u>\$ 743,665</u>	<u>\$ 646,042</u>	<u>\$ 97,623</u>
EXCESS OR REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (160,365)</u>	<u>\$ (71,321)</u>	<u>\$ 89,044</u>
OTHER FINANCIAL SOURCES			
Operating Transfers In	155,000	65,466	220,466
Operating Transfers Out	-	(19,129)	(19,129)
TOTAL OTHER FINANCING SOURCES	<u>155,000</u>	<u>46,337</u>	<u>201,337</u>
NET CHANGE IN FUND BALANCE	<u>\$ (5,365)</u>	<u>\$ (24,984)</u>	<u>\$ 290,381</u>

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 Vian, 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, 2012, and have issued my report thereon dated March 13, 2013. 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.

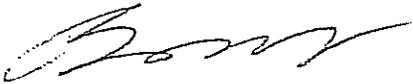
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Vian, internal control.

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 March 13, 2013.

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
March 13, 2013