

TOWN OF VIAN, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013

Audited By:
Robert St. Pierre CPA, PC
1113 North Second St
Stilwell Ok 74960

TOWN OF VIAN, OKLAHOMA
June 30, 2013

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INDEPENDENT

AUDITOR'S

REPORTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Trustees
Town of Vian, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Vian, Oklahoma as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 units, each major fund, and the aggregate remaining fund information of the Town of Vian, Oklahoma, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

Other Information

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated December 18, 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.



Robert St. Pierre, CPA
December 18, 2013

FINANCIAL

SECTION

TOWN OF VIAN
Government Wide Statement
Statement of Net Assets
JUNE 30, 2013

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 386,923	\$ 324,832	\$ 711,755
Certificates of Deposit	-	75,000	75,000
Receivables			
Taxes	35,358	-	35,358
Trade Accounts	42,276	38,331	80,607
Restricted Checking Account (Note 4)	-	30,795	30,795
TOTAL CURRENT ASSETS	464,557	468,958	933,515
NONCURRENT ASSETS:			
Capital Assets:			
Land	5,800	-	5,800
Automobiles and Trucks	658,054	22,074	680,128
Buildings	463,289	-	463,289
Equipment	240,126	22,669	262,795
Streets and Infrastructure	341,763	-	341,763
Construction in Progress	-	926,404	926,404
Sewer and Water Systems	-	3,058,536	3,058,536
Total Capital Assets	1,709,032	4,029,683	5,738,715
Less Accumulated Depreciation	(1,010,380)	(865,974)	(1,876,354)
TOTAL NONCURRENT ASSETS	698,652	3,163,709	3,862,361
TOTAL ASSETS	1,163,209	3,632,667	4,795,876
LIABILITIES:			
CURRENT LIABILITIES			
Accounts Payable	15,490	10,699	26,189
Note Payable Current Portion	-	52,753	52,753
Payable from Restricted Assets	-	-	-
Customer Meter Deposits	-	71,191	71,191
TOTAL CURRENT LIABILITIES	15,490	134,643	150,133
NONCURRENT LIABILITIES			
Notes Payable Non-Current	-	1,328,357	1,328,357
TOTAL NONCURRENT LIABILITIES	-	1,328,357	1,328,357
TOTAL LIABILITIES	15,490	1,463,000	1,478,490
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	698,652	1,782,598	2,481,250
Restricted	-	105,691	105,691
Unrestricted	449,067	281,378	730,445
TOTAL NET ASSETS	\$ 1,147,719	\$ 2,169,667	\$ 3,317,386

**TOWN OF VIAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	CAPITAL	GOVERNMENTAL ACTIVITIES	BUSINESS	TOTAL
			GRANTS AND CONTRIBUTIONS		TYPE ACTIVITIES	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 130,833	\$ 18,906	\$ 45,000	\$ (66,927)	\$ -	\$ (66,927)
City Clerk	44,189	-	-	(44,189)	-	(44,189)
Police	178,036	-	3,445	(174,591)	-	(174,591)
Fire	40,546	-	8,067	(32,479)	-	(32,479)
Parks	32,861	-	-	(32,861)	-	(32,861)
Sanitation	94,404	157,874	-	63,470	-	63,470
Nutrition	7,045	-	-	(7,045)	-	(7,045)
Street	90,682	-	-	(90,682)	-	(90,682)
Town Supervisor	23,147	-	-	(23,147)	-	(23,147)
Code Enforcement	1,538	-	-	(1,538)	-	(1,538)
Special Sales Tax	31	-	-	(31)	-	(31)
Court	59,749	-	-	(59,749)	-	(59,749)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 703,061	\$ 176,780	\$ 56,512	\$ (469,769)	\$ -	\$ (469,769)
BUSINESS-TYPE ACTIVITIES						
Water and Sewer	505,168	496,024	-	-	(9,144)	\$ (9,144)
TOTAL BUSINESS-TYPE ACTIVITIES	505,168	496,024	-	-	(9,144)	(9,144)
TOTAL	\$ 1,208,229	\$ 672,804	\$ 56,512			

GENERAL REVENUES:

Sales and use tax	395,111	-	395,111
Gas tax	3,818	-	3,818
Commercial Vehicle Tax	10,402	-	
Franchise Tax	42,425	-	42,425
Alcoholic Beverage Tax	10,099	-	10,099
Fines	183,856	-	183,856
Miscellaneous	7,866	-	7,866
TRANSFERS	(64,187)	106,694	42,507
TOTAL GENERAL REVENUES AND TRANSFERS	589,390	106,694	685,682
CHANGE IN NET ASSETS	119,621	97,550	206,769
NET ASSETS BEGINNING OF YEAR RESTATED	1,028,098	2,072,117	3,100,215
NET ASSETS END OF YEAR	\$ 1,147,719	\$ 2,169,667	\$ 3,317,386

**TOWN OF VIAN
BALANCE SHEET
GOVERNMENT FUNDS
JUNE 30, 2013**

	GENERAL	SPECIAL SALES TAX	SPECIAL REVENUE	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Cash and Cash Equivalents	\$ 110,270	\$ -	\$ 170,466	\$ 280,736
Receivables				
Taxes Receivable	27,466	7,892	-	35,358
Other	12,276	-	30,000	42,276
Restricted Cash (Note 4)	-	106,188	-	106,188
TOTAL ASSETS	150,012	114,080	200,466	464,558
LIABILITIES & FUND BALANCES				
LIABILITIES				
Accounts Payable	15,490		-	15,490
TOTAL LIABILITIES	15,490	-	-	15,490
FUND BALANCES				
Reseved	-	-	-	-
Unreserved	134,522	114,080	200,466	449,068
TOTAL FUND BALANCES	134,522	114,080	200,466	449,068
TOTAL LIABILITIES & FUND BALANCES	\$ 150,012	\$ 114,080	\$ 200,466	\$ 464,558

TOWN OF VIAN
Reconciliation of Governmental Fund Statements
Balance Sheet with the Statement of Net Assets
JUNE 30, 2013

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 449,067

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$1,706,888 and the accumulated depreciation is \$1,020,177 698,652

Capital Lease obligations used in governmental activities are reported in the general long term account group and not on the statement of net assets. -

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 1,147,719

TOWN OF VIAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General	Special Sales Tax	Court	Government Funds
Revenues				
Sales Taxes	303,084	92,026	-	395,110
Franchise Taxes	42,425	-	-	42,425
Alcoholic Beverage Tax	10,099	-	-	10,099
Interest	681	157	-	838
Grants	56,512	-	-	56,512
Other	18,422	-	-	18,422
Gas Excise Tax	3,818	-	-	3,818
Commercial Vehicle Tax	10,402	-	-	10,402
Donations	-	-	-	-
Fines	-	-	183,856	183,856
Charges for Services	165,387	-	-	165,387
	-	-	-	-
TOTAL REVENUES	610,830	92,183	183,856	886,869
Expenditures				
General Government	130,758	-	-	130,758
City Clerk	44,189	-	-	44,189
Police	203,094	-	-	203,094
Fire	27,221	-	-	27,221
Parks	31,814	-	-	31,814
Sanitation	75,404	-	-	75,404
Nutrition	3,908	-	-	3,908
Street	119,225	-	-	119,225
Town Supervisor	23,147	-	-	23,147
Code Enforcement	1,538	-	-	1,538
Special Sales Tax	-	30	-	30
Court	-	-	59,749	59,749
	-	-	-	-
Total Expenditures	660,298	30	59,749	720,077
Excess (Deficiency) of Revenues Over Expenditures	(49,468)	92,153	124,107	166,792
Other Financing Sources And (Uses)				
Transfers In	91,909	-	-	91,909
Grants	-	-	-	-
Transfers Out	(45,000)	(31,187)	(79,909)	(156,096)
Total Other Financing Sources And (Uses)	46,909	(31,187)	(79,909)	(64,187)
Net Change in Fund Balances	(2,559)	60,966	44,198	102,605
Fund Balances--Beginning	137,078	53,116	156,268	346,462
Fund Balances--Ending	134,519	114,082	200,466	449,067

TOWN OF VIAN
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, 2013

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 102,606

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 \$80,144 exceeds depreciation expense of \$ 63,128 in the period. 17,016

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. _____ -

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 119,622

**TOWN OF VIAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2013**

ASSETS:

CURRENT ASSETS

Cash and Cash Equivalents	\$ 325,505	
Certificate of Deposit	75,000	
Receivables	37,658	
Restricted Cash	30,795	
TOTAL CURRENT ASSETS	468,958	468,958

NONCURRENT ASSETS

Capital Assets		
Water and Sewer Systems	3,058,536	
Automobiles and Equipment	44,743	
Construction in Progress	926,404	
Less Accumulated Depreciation	(865,974)	
NET CAPITAL ASSETS	3,163,709	3,163,709
TOTAL NONCURRENT ASSETS	3,163,709	

TOTAL ASSETS

3,632,667

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	10,700	
Current Portion of Long Term Debt	52,753	
TOTAL CURRENT LIABILITIES	63,453	63,453

**CURRENT LIABILITIES PAYABLE FROM
RESTRICTED ASSETS**

Customer Meter Deposits	71,190	
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	71,190	71,190

NONCURRENT LIABILITIES

Long Term Debt	1,328,357	
TOTAL NONCURRENT LAIBILITIES	1,328,357	1,328,357

TOTAL LIABILITIES

1,463,000

NET ASSETS

Invested in Capital Assets, Net of Related Debt	1,782,598	
Restricted	105,691	
Unrestricted	281,378	
	2,169,667	

TOTAL NET ASSETS

\$ 2,169,667

TOWN OF VIAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

OPERATING REVENUES		
Charges for services	\$ 494,294	
Miscellaneous	1,513	
TOTAL OPERATING REVENUES	<u>495,807</u>	\$ 495,807
 OPERATING EXPENSES		
Water Purchased	\$ 131,796	
Supplies	27,860	
Office Expense	2,963	
Salaries and related expenses	123,350	
Professional Fees	12,917	
Lab Test	4,860	
Insurance	5,828	
Utilities and Telephone	25,448	
Dues	691	
Other Expenses	57,322	
Repairs and Maintenance	10,943	
Depreciation	77,259	
TOTAL OPERATING EXPENSES	<u>481,237</u>	481,237
 OPERATING INCOME		 14,570
 NON-OPERATING REVENUE (EXPENSES)		
Grant Revenue	-	
Interest Income	216	
Interest Expense	(11,930)	
TOTAL NON-OPERATING REVENUE (EXPENSES)		<u>(11,714)</u>
 NET INCOME BEFORE OPERATING TRANSFERS		 2,856
 TRANSFERS		
Transfers In		106,694
Transfers Out		(12,000)
		-
CHANGE IN NET ASSETS		97,550
 BEGINNING OF YEAR NET ASSETS		 <u>2,037,617</u>
 END OF YEAR NET ASSETS		 <u><u>\$ 2,135,167</u></u>

TOWN OF VIAN
STATEMENT OF CASH FLOWS
DECEMBER 30, 2013

CASH FLOWS FROM OPERATIONS		
Cash Received from Customers	\$ 495,850	
Cash Payments from Suppliers	(295,408)	
Cash Payments to Employees	(123,350)	
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>77,092</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grant Income	-	
Transfers In Net of Transfers Out	-	
NET CASH USED FOR NONCAPITAL FINANCING ACTIVITIES		<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Investment in Fixed Assets	(1,042,587)	
Proceeds from Long Term Debt	1,022,426	
Retirement of Long Term Debt	(22,464)	
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES		<u>(42,625)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfers	106,694	
Interest Income	216	
NET CASH PROVIDED BY INVESTING ACTIVITIES		<u>106,910</u>
DECREASE IN CASH AND CASH EQUIVALENTS		141,377
CASH AND CASH EQUIVALENTS - Beginning of Year		<u>289,923</u>
CASH AND CASH EQUIVALENTS - End of Year		<u><u>431,300</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	97,549	
Adjustments:		
Depreciation	77,259	
Net change in Assets and Liabilities		
Accounts Payable	1,663	
Payroll Taxes Payable	(936)	
Customer Deposits Payable	8,389	
Interest Income	(216)	
Transfers In	(106,694)	
Other Admustrments	78	
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 77,092</u>	

FINANCIAL

STATEMENT

NOTES

**TOWN OF VIAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

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 inter-fund 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 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.

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.

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:

	Class Life
Buildings	40
Vehicles	5
Equipment	7
Infrastructure	40

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.

Inter-fund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term inter-fund loans are classified as "due to/from other funds." If short-term inter-fund receivables and payables at year end are planned to be eliminated in the subsequent year. Long-term inter-fund 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.

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	123,284	123,284
VIAN PUBLIC WORKS AUTHORITY	403,331	403,331
TOTAL CASH	<u>526,615</u>	<u>526,615</u>

At June 30th 2013, the Town's bank account were insured by FDIC insurance.

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:

	Balance
Meter Deposit Accounts	30,795
Speical Sales Tax Fund	106,188
TOTAL CASH	136,983

NOTE (5) INTER-FUND BALANCES AND TRANSFERS

Inter-fund Transfers

	Transfers In	Transfers Out
Governmental Funds		
General	91,909	45,000
Special Revenue	-	111,096
Public Works Authority	106,694	12,000
Totals	198,603	168,096

Throughout the course of the year, the Town has to make occasional inter-fund 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, 2013 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.

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

Payable to	Date Note Matures	Collateral Pledged	Rate of Interest	Balance At 12/31/2013	Current Portion Due in One Year	Interest Due in One Year
OWRB	2/15/2018	Revenues / Assets	0.76%	358,683	69,922	2,628
BancFirst CWSRF	2/1/2039	Revenues / Assets	1.72%	1,022,427	5,000	-
				<u>1,381,110</u>	<u>74,922</u>	<u>2,628</u>

The total future scheduled maturities of long-term debt are as follows:

Years ending December 31, :	PRINCIPAL	INTEREST
2015	80,818	2,087
2016	81,725	1,540
2017	87,640	989
2018	119,235	424
2019	46,807	-
Thereafter	889,963	-
TOTAL	<u>1,306,188</u>	<u>5,040</u>

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 2012-2013 plan year was 6.89% of participant's payroll which results in 3.00% for the employee and 3.89% for the Town.

The Town's current unfunded actuarial liability as of June 30, 2013 is 23,470.

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.

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.

NOTE (13) CHANGES IN CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Capital Assets being Depreciated				
Automobiles and Trucks	684,762	34,109	-	718,871
Buildings and Building Improvements	475,415	10,200	-	485,615
Infrastructure	304,469	30,087	-	334,556
Equipment	164,242	3,300	-	167,542
Total Capital Assets being Depreciated	1,628,888	77,696	-	1,706,584
Less Accumulated Depreciation				
Automobiles and Trucks	447,072	48,717	-	495,789
Buildings	229,832	10,987	-	240,819
Infrastructure	22,014	8,135	-	30,149
Equipment	248,336	5,084	-	253,420
Total Accumulated Depreciation	947,254	72,923	-	1,020,177
Governmental Activities, Capital Assets, Net	681,634	4,773	-	686,407

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

General Government	-
Public Safety	57,455
Street and Sanitation	11,240
Parks and Recreation	4,228
Total Depreciation from Governmental Activities	72,923

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

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Capital Assets, being Depreciated				
Water System and Sewer Systems	2,942,353	116,183	-	3,058,536
Equipment	22,669	-	-	22,669
Automobiles	22,074	-	-	22,074
Construction in Progress	-	926,404	-	926,404
Total Capital Assets being Depreciated	2,987,096	1,042,587	-	4,029,683
Less Accumulated Depreciation				
Water Plant and Sewer Systems	759,968	69,804	-	829,772
Equipment	17,540	5,040	-	22,580
Automobiles	11,207	2,415	-	13,622
Total Accumulated Depreciation	788,715	77,259	-	865,974
Business-Type Activities, Capital Assets, Net	2,198,381	965,328	-	3,163,709

SUPPLEMENTARY

INFORMATION

**TOWN OF VIAN
GENERAL FUND
BUDGET VS ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

REVENUES	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
Income			
5100 · Taxes			
5120 · Franchise Tax	42,425	42,000	425
5121 · Cigarette Tax	6,675	5,100	1,575
5125 · Sales Tax	277,739	271,000	6,739
5126 · Use Tax	25,345	24,000	1,345
5135 · Gasoline Tax	3,818	2,800	1,018
5140 · Motor Vehicle Tax	10,402	9,700	702
5145 · Alcoholic Beverage Tax	10,099	9,300	799
Total 5100 · Taxes	376,503	363,900	12,603
5200 · Licenses & Permits			
5200 · Licenses & Permits - Other	1,036	800	236
Total 5200 · Licenses & Permits	1,036	800	236
5300 · Intergovernmental			
5310 · Other Grants	56,512	-	56,512
Total 5300 · Intergovernmental	56,512	-	56,512
5400 · Charges for Services			
5891 · Tin Horn Purchase	6,048	-	(6,048)
5220 · Nutrition Center Rentals	200	-	(200)
5420 · Sanitation	157,874	150,000	(7,874)
5455 · Accident Reports	8	-	(8)
5459 · Copier	110	200	90
5460 · Notary Fees	175	200	25
5499 · Misc Charges for Service	20	-	(20)
5400 · Charges for Services - Other	953	-	(953)
Total 5400 · Charges for Services	165,387	150,400	(14,987)
5600 · Other Revenues			
5481 · Code Enforcement	157	-	157
5410 · Pop Revenue	88	-	88
5619 · Reimbursement	4,233	-	4,233
5625 · Interest Income	681	-	681
5631 · Nutrition Center-Utilities	470	1,100	(630)
5675 · Donations	1,955	-	1,955
5676 · Donations-Fire	2,952	3,700	(748)
5698 · Surplus Items	800	-	800
5699 · Miscellaneous Income	57	-	57
Total 5600 · Other Revenues	11,392	4,800	6,592
Total Income	610,830	519,900	60,956

**TOWN OF VIAN
GENERAL FUND
BUDGET VS ACTUAL CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013**

Expense	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
6100 · Personal Services			
6111 · Returned Checks	513	-	(513)
6110 · Salaries & Wages	234,556	242,080	7,524
6113 · Judge Fee	-	-	-
6120 · Overtime	10,359	14,500	4,141
6125 · Soc. Sec./MC	17,206	19,622	2,416
6130 · Group Health & Life Ins	711	1,500	789
6135 · Workers Compensation	18,805	23,700	4,895
6140 · Unemployment Insurance	1,975	1,895	(80)
6145 · Retirement	6,124	5,820	(304)
6155 · Council Fee	2,198	3,000	802
6160 · Contract Labor	6,200	-	(6,200)
6100 · Personal Services - Other	-	-	-
Total 6100 · Personal Services	298,648	312,117	13,469
6200 · Materials & Supplies			
6210 · Supplies	63,471	34,700	34,700
6212 · Office Supplies	3,200	5,500	5,500
6216 · Gas & Oil	36,361	32,500	32,500
6200 · Materials & Supplies - Other	-	-	-
Total 6200 · Materials & Supplies	105,032	72,700	72,700
6300 · Other Services & Charges			
6310 · Repairs	21,512	42,800	21,288
6311 · Building Maint. & Repair	-	1,000	1,000
6320 · Electricity	9,069	6,670	(2,400)
6321 · Natural Gas	2,867	3,700	833
6322 · Telephone	12,464	9,900	(2,564)
6324 · Petty Cash	107	1,200	1,093
6325 · Water	6,464	4,600	(1,864)
6330 · Contracted Services	16,172	6,600	(9,572)
6331 · Legal Fees	6,682	10,000	3,318
6332 · Accounting & Auditing	5,575	6,000	425
6333 · Sequoyah County Emergency M:	3,000	3,000	-
6337 · Landfill Charges	20,708	18,000	(2,708)
6341 · Bonds & Insurance	17,457	22,400	4,943
6342 · Travel & Lodging	2,889	4,000	1,111
6343 · Advertising & Publ.	879	2,000	1,121
6344 · Memberships & Dues	5,115	2,300	(2,815)
6346 · Training Expenses	1,681	1,600	(81)
6346 · Equipment Rental	314	600	286
6349 · Election Costs	1,869	6,600	4,731
6350 · Postage	968	600	(368)
6352 · Uniform Expense	1,691	-	(1,691)
6900 · Misc Fees	12	-	(12)
6901 · Street Light Electricity	31,377	27,000	(4,377)
6902 · Fireworks	3,500	-	(3,500)
Total 6300 · Other Services & Charges	172,373	180,570	8,197

**TOWN OF VIAN
GENERAL FUND
BUDGET VS ACTUAL CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
6303 · OLETS fees	600	-	(600)
6400 · Capital Outlay			
6425 · Capital Improvements	42,835	2,600	(40,235)
6430 · Vehicles	34,109	-	(34,109)
6440 · Equipment	3,300	-	(3,300)
6400 · Capital Outlay - Other	3,400	-	(3,400)
Total 6400 · Capital Outlay	83,644	2,600	(81,044)
Total Expense	660,297	567,987	12,722
Net Ordinary Income	(49,466)	(48,087)	48,234
Other Income/Expense			
Other Income			
5701 · Transfers To and From Sanitatio	-		
5510 · Fines--Transfer in from Court	79,909	-	(79,909)
7500 · VPWA-Transfer in for ADA	12,000	-	(12,000)
Total Other Income	91,909	-	(91,909)
Other Expense			
6615 · Transfer to VPWA	45,000	-	
Total Other Expense	45,000	-	
Net Other Income	46,909	-	(91,909)
Net Income	(2,557)	(48,087)	(43,675)

**TOWN OF VIAN
COURT FUND
BUDGET VS ACTUAL
JUNE 30, 2013**

	Actual		
	Jul '12 - Jun 13	Budget	Variance
Ordinary Income/Expense			
Income			
1001 · Returned Check	330	-	330
5000 · Fine Income		-	-
5004 · Warrant Intercept	4,512	-	4,512
5003 · Online Collection	26,514	-	26,514
5000 · Fine Income - Other	153,900	164,700	(10,800)
Total 5000 · Fine Income	185,256	164,700	20,556
5001 · Refunds	(1,400)		(1,400)
Total Income	183,856	164,700	19,156
Expense			
7005 · Capital Vehicles for General Fu	29,909	-	(29,909)
6115 · JUDGE FEE	6,000	6,600	(600)
6114 · Court Clerk Fees	600	700	(100)
Total 6100 · Personal Services	36,509	7,300	29,209
6300 · Other Services & Charges			
6012 · BANK CHECKS	5	-	(5)
5475 · Picked Up Returned Checks	365	-	(365)
6320 · Seq Cty Criminal Justice Author	22,141	10,000	(12,141)
6399 · Misc. Other Services & Charges	16,740	400	(16,340)
Total 6300 · Other Services & Charges	39,251	10,400	28,851
6450 · CLEET Fees	6,636	6,600	(36)
6600 · OSBI Fees	7,175	9,500	2,325
66900 · Reconciliation Discrepancies	-	-	-
7000 · Checks for Bond Account	87		(87)
Total Expense	89,658	33,800	55,858
Net Ordinary Income	94,198	130,900	(36,702)
Other Income/Expense			
Other Expense			
6400 · Transfers to General Fund	50,000	140,000	(90,000)
Total Other Expense	50,000	140,000	(90,000)
Net Other Income	(50,000)	(140,000)	90,000
Net Income	44,198	(9,100)	53,298

**TOWN OF VIAN
SPECIAL SALES TAX FUND
BUDGET VS ACTUAL
JUNE 30, 2013**

	Jul '12 - Jun 13	Budget	Variance
Ordinary Income/Expense			
Income			
5130 · Restricted Sales Tax	92,026	75,000	17,026
5625 · Interest Income	155	200	-45
Total Income	<u>92,181</u>	<u>75,200</u>	<u>16,981</u>
Other Income/Expense			
Other Expense			
1000 · Wire Transfer Fees	30	0	-30
7001 · Transfers Out to Town	0	30,000	30,000
7002 · Transfers Out to VPWA	31,187	89,000	57,813
Total Other Expense	<u>31,217</u>	<u>119,000</u>	<u>-87,783</u>
Net Income	<u><u>60,963</u></u>	<u><u>-43,800</u></u>	<u><u>104,763</u></u>

**TOWN OF VIAN
VIAN PUBLIC WORKS AUTHORITY
BUDGET VS ACTUAL
June 30, 2013**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Ordinary Income/Expense			
Income			
5400 · Charges for Services			
5416 · 7-Day Clean	1,890	-	1,890
5410 · Water Revenue	294,729	287,000	7,729
5415 · Sewer	166,737	155,000	11,737
5418 · Transfer Fee	400	700	(300)
5419 · Meter Reset Fee	8,999	9,000	(1)
5425 · Penalties	14,374	13,000	1,374
5430 · Water Taps	500	-	500
5475 · Picked Up Returned Check	1,423	-	1,423
5400 · Charges for Services - Other	5,458	-	5,458
5800 · Cash over/short	6	-	6
5625 · Interest Income	216	-	216
5699 · Miscellaneous Income	1,279	-	1,279
5700 · Transfers In	13	-	13
Total Income	<u>496,024</u>	<u>464,700</u>	<u>31,324</u>
Gross Profit	496,024	464,700	31,324
Expense			
10001 · Reimbursement	5,690	-	5,690
6110 · Salaries & Wages	74,006	104,200	(30,194)
6120 · Overtime	11,868	10,000	1,868
6125 · Soc. Sec./MC	7,246	8,721	(1,475)
6130 · Group Health & Life Ins	19,379	5,000	14,379
6135 · Workers Compensation	6,638	9,000	(2,362)
6140 · Unemployment Insurance	752	800	(48)
6145 · Retirement	3,461	2,900	561
Total 6100 - Personal Services	<u>129,040</u>	<u>140,621</u>	<u>(11,581)</u>
4000 · Reconciliation Discrepancies	-	-	-
6200 · Materials & Supplies			
6210 · Supplies	23,850	35,200	(11,350)
6212 · Office Supplies	946	2,500	(1,554)
6216 · Gas & Oil	3,065	2,600	465
6220 · Water Purchased	131,796	116,000	15,796
Total 6200 · Materials & Supplies	<u>159,657</u>	<u>156,300</u>	<u>3,357</u>
6300 · Other Services & Charges			

6156 · Licensing and Permits	4,251	-	4,251
7500 · Lagoon Clean-up	-	-	-
6601 · Contracted Services	2,573	4,700	(2,127)
6533 · Returned Checks	797	600	197
6532 · Bank Fees	36,194	-	36,194
6310 · Repairs	4,436	18,000	(13,564)
6311 · Building Maint. & Repair	6,508	-	6,508
6320 · Electricity	21,703	20,000	1,703
6322 · Telephone	3,746	2,500	1,246
6330 · Council Fees & Other Services	6,048	1,800	4,248
6331 · Legal fees	6,578	10,000	(3,422)
6332 · Accounting & Auditing	6,339	6,000	339
6335 · Computer Consulting	-	2,000	(2,000)
6336 · Engineering Services	-	17,000	(17,000)
6339 · Lab Tests	4,860	3,000	1,860
6341 · Bonds & Insurance	5,828	6,000	(172)
6342 · Travel & Lodging	-	1,000	(1,000)
6343 · Advertising & Publ.	1,107	400	707
6344 · Memberships & Dues	691	3,800	(3,109)
6345 · Training Expenses	-	300	(300)
6352 · Uniform Expense	660	1,000	(340)
6530 · Postage	2,963	3,200	(237)
Total 6300 · Other Services & Charges	115,282	101,300	13,982
6400 · Capital Outlay	-	-	-
6425 · Capital Improvements	-	-	-
Total 6400 · Capital Outlay	-	-	-
6500 · Debt Service	-	-	-
6512 · Sewer Plant Interest and Fees	-	-	-
Total 6500 · Debt Service	-	-	-
6501 · Depreciation Expense	77,259	-	77,259
6513 · Interest Expense	11,930	-	11,930
6600 · Transfers Out	-	-	-
6628 · Transfers Out to General--ADA	12,000	-	12,000
6621 · Transfer to VPWA	-	-	-
6622 · Transfers I/O Water/Wastewater	-	30,000	(30,000)
Total 6600 · Transfers Out	101,189	30,000	71,189
Total Expense	505,168	428,221	76,947
Net Ordinary Income	(9,144)	36,479	(45,623)
Other Income/Expense			
Other Income			
5711 · TRANSFER IN - SPEC. SALES TAX	61,694	-	61,694
5710 · Transfers in from Town	45,000	-	45,000
Total Other Income	106,694	-	106,694
Net Other Income	106,694	-	106,694
Net Income	97,550	36,479	61,071

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Board of Trustees
Town of Vian, Oklahoma

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Vian, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Vian, Oklahoma's basic financial statements, and have issued our report thereon dated December 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Vian Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Vian Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Vian, Oklahoma's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiencies. (2013-1)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Vian Oklahoma's financial statements are free from 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*.

Town of Vian, Oklahoma's Response to Findings

Town of Vian, Oklahoma response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Vian, Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Robert St. Pierre CPA, PC
December 18, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

2013-1

The inherent limitation resulting from a small number of employees performing functions that would normally be divided among several employees were a larger number available presents a proper segregation of accounting functions deficiency. A much larger staff would be necessary in order to assure adequate internal accounting controls. This deficiency requires the trustee's to remain actively involved in the day to day activities of the Organization.

Management Response

Management's response to the lack of segregation of duties is to stay actively involved to help ensure that financial statements are free or material errors or fraud. Management also remains committed to staying actively involved in the financial matters of the organization and consulting with their auditor's and their CPA consultant whenever needed.