

**Town of Vici**  
Vici, Oklahoma

Audit Report  
for the Year Ended June 30, 2011

Town of Vici  
Vici, Oklahoma

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January 5, 2012

The Board of Town Commissioners  
Town of Vici  
110 W. Broadway  
Vici, Oklahoma 73859

### Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the Town of Vici, Oklahoma, (Town) as of and for the year ended June 30, 2011, which collectively comprise the Town of Vici's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Vici's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 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 opinion.

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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Town of Vici, Oklahoma, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated January 5, 2012, on my consideration of the Town of Vici's internal control over financial reporting and on 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 my 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page twenty-seven be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

The Town of Vici has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of the basic financial statements.

*Linda S. Woodruff, CPA, P.C.*

Linda S. Woodruff CPA, PC

Town of Vici  
Vici, Oklahoma

Basic Financial Statements  
June 30, 2011

**Town of Vici**  
**Statement of Net Assets**  
**June 30, 2011**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Equivalents	\$ 308,579	\$ 423,035	\$ 731,614
Investments	10,070	842,771	852,841
Receivables	54,457	206,443	260,900
Internal Balances	-	6,546	6,546
Due from Other Governmental Agencies	-	-	-
Inventories	-	-	-
Other assets	3,931	3,931	7,862
Capital Assets			
Land and improvements not being depreciated	-	-	-
depreciation	48,813	526,589	575,402
Buildings, net of depreciation	100,506	880,248	980,754
Equipment and Furniture, net of depreciation	119,277	236,929	356,206
Other Capital Assets, net of depreciation	-	-	-
Less: Accumulated Depreciation	-	(771,164)	(771,164)
Total Capital Assets	<u>268,596</u>	<u>872,602</u>	<u>1,141,198</u>
Total Assets	<u>645,633</u>	<u>2,355,328</u>	<u>3,000,961</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	6,639	94,074	100,713
Meters payable	-	31,302	31,302
Deferred Revenues	-	-	-
Long-term liabilities			
Due within one year			
Bonds, capital leases and contracts	-	-	-
Accrued interest	-	-	-
Compensated absences	-	-	-
Claims and judgments	-	-	-
Due in more than one year			
Bonds, capital leases and contracts	-	65,075	65,075
Accrued interest	-	-	-
Compensated absences	-	-	-
Claims and judgments	-	-	-
Total liabilities	<u>6,639</u>	<u>190,451</u>	<u>197,090</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	268,597	-	268,597
Restricted for:			
Capital projects	-	-	-
Debt Service	-	-	-
Other projects	-	-	-
Unrestricted	370,397	2,164,879	2,535,276
Total net assets	<u>\$ 638,994</u>	<u>\$ 2,164,879</u>	<u>\$ 2,803,873</u>

See Independent Auditor's Report.  
The accompanying notes are an integral part of the basic financial statements.

Town of Vici  
Statement of Activities  
For the Year Ended June 30, 2011

Functions/Programs Primary government	Program Revenue			Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General Government	\$ 220,389	\$ 36,165	\$ 4,398	\$ 40,000	\$ (139,826)	\$ -	\$ (139,826)
Public Safety	56,247	39,045	-	-	(17,202)	-	(17,202)
Public Works	-	-	-	-	-	-	-
Health, Welfare and Sanitation	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Interest on Long-term debt	-	-	-	-	-	-	-
Additional Function/Program 1	-	-	-	-	-	-	-
Additional Function/Program 2	-	-	-	-	-	-	-
Total governmental activities	276,636	75,210	4,398	40,000	(157,028)	-	(157,028)
Business-type activities							
Business-type Activity 1	2,904,311	2,654,947	-	-	(249,364)	-	(249,364)
Business-type Activity 2	634,430	667,586	-	-	33,156	-	33,156
Business-type Activity 3	-	-	-	-	-	-	-
Other Business-type Activities	-	-	-	-	-	-	-
Total business-type activities	3,538,741	3,322,533	-	-	(216,208)	-	(216,208)
Total primary government	3,815,377	3,397,743	4,398	40,000	(157,028)	(216,208)	(373,236)
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purposes							
Property taxes, levied for debt service							
Franchise taxes					48,767		48,767
Public service taxes					234,802		234,802
Grants and contributions not restricted to specific programs							
Unrestricted investment earnings					793		793
Miscellaneous							
Transfers							
Total general revenues, special items, and transfers					284,362		284,362
Change in net assets					127,334	(216,208)	(88,874)
Net assets - beginning					511,660	2,381,087	2,892,747
Net assets - ending					\$ 638,994	\$ 2,164,879	\$ 2,804,073

See Independent Auditor's Report.  
The accompanying notes are an integral part of the basic financial statements.

**Town of Vici  
Balance Sheet  
Governmental Funds  
June 30, 2011**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 298,428	\$ 1,051	\$ 299,479
Investments	10,070	-	10,070
Taxes receivable, net	-	-	-
Due from other funds	54,457	-	54,457
Receivable from other governments	-	-	-
Other receivables	-	-	-
Inventories	-	-	-
Prepaid expenses	3,931	-	3,931
Total assets	366,886	1,051	367,937
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	6,639	-	6,639
Due to other funds	-	-	-
Payable to other governments	-	-	-
Deferred revenue	-	-	-
Other accrued expenses	-	-	-
Other payables	-	-	-
Total liabilities	6,639	-	6,639
 Fund balances:			
Reserved for:			
Inventories	-	-	-
Encumbrances	-	-	-
Prepaid expenses	-	-	-
Debt service	-	-	-
Other purposes	-	-	-
Unreserved	360,247	1,051	361,298
Unreserved, reported in non-major:			
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Debt service funds	-	-	-
Permanent Endowment Fund	-	-	-
Total fund balances	360,247	1,051	361,298
Total liabilities and fund balances	\$ 366,886	\$ 1,051	\$ 367,937

See Independent Auditor's Report.

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

**Town of Vici**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
**June 30, 2011**

Total fund balance, governmental funds	\$ 370,398
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	268,597
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	-
The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.	-
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable ), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.	-
Net Assets of Governmental Activities in the Statement of Net Assets	<u>638,995</u>

See Independent Auditor's Report.  
The accompanying notes are an integral part of the basic financial statements.

**Town of Vici**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property Taxes	\$ -	\$ -	\$ -
Sales and miscellaneous taxes	280,257	4,418	284,675
Fees and fines	7,044	-	7,044
Licenses and permits	1,382	-	1,382
Intergovernmental	-	-	-
Charges for services	30,000	-	30,000
Investment earnings	793	-	793
Miscellaneous	31,395	-	31,395
Other revenue 1	4,284	-	4,284
Other revenue 2	44,398	-	44,398
Total revenues	399,553	4,418	403,971
<b>EXPENDITURES</b>			
Current:			
General government	216,701	-	216,701
Public Safety	56,247	-	56,247
Public Works	-	-	-
Health and sanitation	-	-	-
Culture and recreation	-	-	-
Education	-	-	-
Highways & Roads	-	3,688	3,688
Other expenditure 2	-	-	-
Debt Service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital Outlay	10,990	-	10,990
Total Expenditures	283,938	3,688	287,626
expenditures	115,615	730	116,345
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from long-term debt, net	-	-	-
Proceeds from capital leases	-	-	-
Other source	-	-	-
Other use	-	-	-
Transfers in	5,500	-	5,500
Transfers out	(5,700)	-	(5,700)
Total other financing sources and uses	(200)	-	(200)
Net change in fund balances	115,415	730	116,145
Fund balances - beginning	244,832	321	245,153
Fund balances - ending	\$ 360,247	\$ 1,051	\$ 361,298

See Independent Auditor's Report.

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

**Town of Vici**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2011**

Net change in fund balances - total governmental funds:	\$	116,145
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Government Funds report capital outlay expenditures. However, in the Government-wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period		10,989
Repayment of debt principal is an expenditure in the government funds, but the repayment reduces liabilities in the Statement of Net Assets.		-
The use of reserves and prepaid assets are reported as an expense in the Statement of Activities and reduces the reserve account in the Statement of Net Assets		-
Depreciation expense on capital assets is reported in the Government-wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		(32,908)
Change in net assets of governmental activities	\$	94,226

See Independent Auditor's Report.  
The accompanying notes are an integral part of the basic financial statements.

**Town of Vici  
Statement of Net Assets  
Proprietary Funds  
June 30, 2011**

	<b>Enterprise Funds</b>		
	<u>Vici Nursing</u>	<u>Vici Public</u>	<u>Total</u>
	<u>Home</u>	<u>Works</u>	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 163,847	\$ 227,886	\$ 391,733
Investments	819,163	23,608	842,771
Accounts Receivable, net	200,147	6,297	206,444
Restricted Cash	-	31,302	31,302
Due from other funds	-	6,546	6,546
Receivables from other governments	-	-	-
Other receivables	-	-	-
Inventories	-	-	-
Prepaid Expenses	-	3,931	3,931
Total current assets	<u>1,183,157</u>	<u>299,570</u>	<u>1,482,727</u>
Non-current assets:			
Capital Assets:			
Land and improvements	-	145,382	145,382
Wells	-	526,589	526,589
Utility System	-	671,971	671,971
Construction in Progress	-	-	-
Buildings	880,248	-	880,248
Equipment and Furniture	-	91,547	91,547
Less Accumulated depreciation	(166,590)	(604,574)	(771,164)
Total non-current assets	<u>713,658</u>	<u>830,915</u>	<u>1,544,573</u>
Total assets	<u>1,896,815</u>	<u>1,130,485</u>	<u>3,027,300</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	89,672	4,326	93,998
Salaries payable	-	-	-
Accrued interest payable	-	76	76
Due to other funds	-	-	-
Payable to other governments	-	-	-
Meters Payable	-	31,302	31,302
Deferred revenue	-	-	-
Compensated absences	-	-	-
Capital lease obligation	-	-	-
Claims and judgments	-	-	-
Bonds, notes and loans payable	-	-	-
Total current liabilities	<u>89,672</u>	<u>35,704</u>	<u>125,376</u>
Non-current liabilities:			
Compensated absences	-	-	-
Capital lease obligation	-	-	-
Claims and judgments	-	-	-
Bonds, notes and loans payable	-	65,075	65,075
Total non-current liabilities	<u>-</u>	<u>65,075</u>	<u>65,075</u>
Total liabilities	<u>89,672</u>	<u>100,779</u>	<u>190,451</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	713,658	158,944	872,602
Restricted for debt service	-	-	-
Restricted for capital projects	-	-	-
Restricted for other purposes	-	31,302	31,302
Unrestricted	1,093,485	167,489	1,260,974
Total net assets	<u>\$ 1,807,143</u>	<u>\$ 357,735</u>	<u>\$ 2,164,878</u>

See Independent Auditor's Report.

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

**Town of Vici**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	<b>Enterprise Funds</b>		
	<b><u>Vici Nursing</u></b>	<b><u>Vici Public</u></b>	<b><u>Total</u></b>
	<b><u>Home</u></b>	<b><u>Works</u></b>	
<b>REVENUES</b>			
Charges for services	\$ 2,631,731	\$ 673,060	\$ 3,304,791
Miscellaneous	-	145	145
Total operating revenues	<u>2,631,731</u>	<u>673,205</u>	<u>3,304,936</u>
<b>OPERATING EXPENSES</b>			
Personal services	1,831,618	305,295	2,136,913
Contractual services	22,546	155	22,701
Utilities	91,914	15,441	107,355
Repairs and maintenance	57,817	26,729	84,546
Other supplies and expenses	302,684	275,530	578,214
Insurance claims and expenses	422,409	-	422,409
Depreciation	21,937	10,218	32,155
Total Operating Expenses	<u>2,750,925</u>	<u>633,368</u>	<u>3,384,293</u>
Operating income (loss)	<u>(119,194)</u>	<u>39,837</u>	<u>(79,357)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest and investment revenue	8,515	-	8,515
Miscellaneous revenue	1,520	(6,000)	(4,480)
Operating grants and contributions	-	-	-
Interest expense	-	(182)	(182)
Miscellaneous expenses	(140,205)	-	(140,205)
Total non-operating revenue (expenses)	<u>(130,170)</u>	<u>(6,182)</u>	<u>(136,352)</u>
Income (loss) before contributions and transfer	<u>(249,364)</u>	<u>33,655</u>	<u>(215,709)</u>
Capital contributions	-	-	-
Transfers in	-	5,000	5,000
Transfers out	-	(5,500)	(5,500)
Special item - gain (loss) on sale of land	-	-	-
Change in net assets	<u>(249,364)</u>	<u>33,155</u>	<u>(216,209)</u>
Total net assets - beginning	<u>2,056,507</u>	<u>353,111</u>	<u>2,409,618</u>
Total net assets - ending	<u>\$ 1,807,143</u>	<u>\$ 386,266</u>	<u>\$ 2,193,409</u>

See Independent Auditor's Report.

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

Town of Vici  
Statement of Cash Flows  
Proprietary Funds  
for the Year Ended June 30, 2011

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Public Works Authority</b>	<b>Nursing Home Authority</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers & Service Users	\$ 667,299	\$ 2,631,731	\$ 3,299,030
Cash Payments for Goods & Services & Employees	(639,079)	(2,958,472)	(3,597,551)
<b>Net Cash Provided by Operating Activities</b>	<b>28,220</b>	<b>(326,741)</b>	<b>(298,521)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating Transfers In/(Out) to Other Funds	(200)	-	(200)
<b>Net Cash Provided (Used) for Noncapital Financing Activities</b>	<b>(200)</b>	<b>-</b>	<b>(200)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Repayment of Loan Proceeds	(12,547)	-	(12,547)
Acquisition & Construction of Capital Assets	-	(53,944)	(53,944)
<b>Net Cash Provided (Used) for Capital and Related Financing Activities</b>	<b>(12,547)</b>	<b>(53,944)</b>	<b>(66,491)</b>
<b>Cash Flows from Investing Activities:</b>			
Interest on Investments	-	8,515	8,515
<b>Net Cash Provided by investing Activities</b>	<b>-</b>	<b>8,515</b>	<b>8,515</b>
<b>Net Increase (Decrease) in Cash &amp; Cash Equivalents</b>	<b>15,473</b>	<b>(372,168)</b>	<b>(356,695)</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>267,323</b>	<b>1,355,178</b>	<b>1,622,501</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 282,796</b>	<b>\$ 983,010</b>	<b>\$ 1,265,806</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income	\$ 33,655	\$ (257,879)	\$ (224,224)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>			
Depreciation	10,218	21,937	32,155
Change in Assets and Liabilities:			
(Increase) Decrease in Prepaid Expense	1,328	-	1,328
(Increase) Decrease in Interest Receivable	-	580	580
(Increase) Decrease in Accounts Receivable	(5,761)	(181,051)	(186,812)
(Increase) Decrease in Due from General	(6,546)	-	(6,546)
Increase (Decrease) in Notes Payable	(4,402)	-	(4,402)
Increase (Decrease) in Accrued Expenses	(472)	89,672	89,200
Increase (Decrease) in Meter Reserve	200	-	200
<b>Total Adjustments</b>	<b>(5,435)</b>	<b>(68,862)</b>	<b>(74,297)</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 28,220</b>	<b>\$ (326,741)</b>	<b>\$ (298,521)</b>

See Independent Auditor's Report.  
The accompanying notes are an integral part of the basic financial statements.

Town of Vici  
Vici, Oklahoma

Notes to the Basic Financial Statements  
June 30, 2011

1. Summary of Significant Account Policies

The Town of Vici, Oklahoma, (the Town) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

A. Reporting Entity

The Town of Vici, Oklahoma, was organized under the statutes of the State of Oklahoma. The Town provides the following services as authorized by state statutes: general government, public safety (fire and police), streets, public works, judicial, health and social services, culture, parks and recreation, public improvements, and planning and zoning for the geographical area organized as the Town of Vici, Oklahoma.

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the Town's operations and so data from these units are combined with the data of the primary government.

**Blended Component Units** – In evaluating how to define the Town of Vici, Oklahoma, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service application of this criterion involves considering whether the activity benefits the Town and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Town and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities.

Component units may be presented as either a blended component unit or a discretely presented component unit. A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. The component unit's funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. A discretely presented component in it is a separate legal entity that meets the component unit criteria but does not meet the criteria for blending.

Town of Vici  
Vici, Oklahoma

Notes to the Basic Financial Statements  
June 30, 2011

**1. Summary of Significant Account Policies – Continued**

**A. Reporting Entity – Continued**

Based on the foregoing criteria, the Town has presented the Vici Public Works Authority and the Vici Nursing Home Authority as blended component units in the basic financial statements. The Town Council serves as the trustees of the Authorities. Operations of the Public Works Authority and the Nursing Home Authority are reported as Enterprise Funds and do not issue separately audited component unit financial statements.

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting**

The Town's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

**Government-Wide Financial Statements** – The statement of net assets and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

**Fund Financial Statements** – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Town of Vici  
Vici, Oklahoma

Notes to the Basic Financial Statements  
June 30, 2011

1. Summary of Significant Accounting Policies – Continued

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting – Continued

**Fund Accounting** – The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds** – are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Sales taxes, gasoline excise taxes and motor vehicle taxes collected and held by the state and county at year-end on behalf of the Town are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise taxes, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following are the Town's major governmental funds:

General Fund – is the general operating fund of the Town. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Other governmental funds of the Town that are considered non-major funds include:

Special Revenue Funds - accounts for revenue sources that are designated to expenditures for specific purposes (not including expendable trusts or major capital projects). The following are the Town's Special Revenue Funds: Street and Alley Fund.

Town of Vici  
Vici, Oklahoma

Notes to the Basic Financial Statements  
June 30, 2011

1. Summary of Significant Accounting Policies – Continued

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting – Continued

**Proprietary Funds** – are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 20 the Town has elected to only apply Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds are classified as enterprise funds.

**Enterprise Funds** – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body 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 or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The following are the Town's major enterprise funds:

Public Works Authority – accounts for the operations of providing public works to the Town.

Nursing Home Authority – accounts for the operations of the community owned nursing home facility.

**Fiduciary Funds** – account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The Town's only fiduciary fund is composed of customer deposit funds.

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the Town can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments. Investments are stated at cost.

Town of Vici  
Vici, Oklahoma

Notes to the Basic Financial Statements  
June 30, 2011

**1. Summary of Significant Accounting Policies – Continued**

**C. Assets, Liabilities and Equity – Continued**

2. Fair Value of Financial Instruments

The Town's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The Town's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

3. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. Inventories

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed.

5. Restricted Assets

The amounts reported as restricted assets are composed of amounts held by the Public Works Authority for utility deposits (refunded upon termination of service or applied to the final bill), of \$31,102.

Town of Vici  
Vici, Oklahoma

Notes to the Basic Financial Statements  
June 30, 2011

1. Summary of Significant Accounting Policies – Continued

C. Assets, Liabilities and Equity – Continued

6. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Town does not maintain a capitalization threshold. The Town's infrastructure consists of roads, bridges, culverts, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the Town. Such infrastructure assets acquired after July 1, 2003 are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings & Improvements	40 - 100 years	40 - 100 years
Plants & Facilities	40 - 100 years	40 - 100 years
Furniture & Major Movable Equipment	10 - 40 years	10 - 40 years
Distribution systems	10 - 40 years	10 - 40 years
Infrastructure	40 - 100 years	40 - 100 years

The Town has not maintained complete capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation.

Town of Vici  
Vici, Oklahoma

Notes to the Basic Financial Statements  
June 30, 2011

1. Summary of Significant Accounting Policies – Continued

C. Assets, Liabilities and Equity – Continued

6. Capital Assets – Continued

Primary Government capital asset activity for the year ended is as follows:

<b>Governmental Activities</b>	Balance 6/30/2010	Additions	Disposals	Balance 6/30/2011
<b>Non-Depreciable Assets</b>	\$	\$	\$	\$
Land	18,500	-	-	18,500
Total Non-Depreciable Assets	18,500	-	-	18,500
<b>Depreciable Assets</b>				
Vehicles	115,003	21,220	-	136,223
Buildings	204,547	-	-	204,547
Equipment	41,707	6,168	-	47,875
Streets	43,992	4,821	-	48,813
Total Depreciable Assets	405,249	32,209	-	437,458
<b>Less Accumulated Depreciation</b>				
Vehicles	(72,447)	(12,633)		(85,080)
Buildings	(44,773)	(10,143)		(54,916)
Equipment	(9,981)	(9,032)		(19,013)
Streets	(27,252)	(1,100)		(28,352)
Total Accumulated Depreciation	(154,453)	(32,908)	-	(187,361)
<b>Net Governmental Assets</b>	269,296	(699)	-	268,597
<b>Depreciable Assets</b>				
Buildings	100,117	16,350	-	116,467
Water Wells	145,382	-	-	145,382
Vehicles	91,547	-	-	91,547
Utility System	526,589	-	-	526,589
Nursing Home Equipment	726,188	37,592	-	763,780
Total Depreciable Assets	1,589,823	53,942	-	1,643,765
<b>Less Accumulated Depreciation</b>				
Buildings	(18,514)	(2,773)	-	(21,287)
Water Wells	(26,350)	(3,634)	-	(29,984)
Vehicles	(41,416)	(6,584)	-	(48,000)
Utility System	-	(526,589)	-	(526,589)
Nursing Home Equipment	(126,139)	(19,164)	-	(145,303)
Total Accumulated Depreciation	(212,419)	(558,744)	-	(771,163)
<b>Net Business-Type Activities</b>				
<b>Capital Assets</b>	\$ 1,377,404	\$ (504,802)	\$ -	\$ 872,602

Depreciation expense was charged to unallocated depreciation and not charged as a direct expense of the various programs.

Town of Vici  
Vici, Oklahoma

Notes to the Basic Financial Statements  
June 30, 2011

1. Summary of Significant Accounting Policies – Continued

C. Assets, Liabilities and Equity -- Continued

7. Net Assets/Fund Balance

In the government-wide financial statement, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation. The Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

In the fund financial statement, governmental funds report reservations of fund balances that are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriations or expenditure. Designations of fund balances are not required by law but represent the classification or funds that are earmarked by the Town's management for specific purposes and may be subject to change.

2. Detailed Notes Concerning the Funds

A. Deposits and Investments

Custodial Credit Risk – At June 30, 2011, the Town held deposits of approximately \$1,584,455 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

Investment Interest Rate Risk – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Town of Vici  
Vici, Oklahoma

Notes to the Basic Financial Statements  
June 30, 2011

**2. Detailed Notes Concerning the Funds**

**A. Deposits and Investments**

Investment Credit Risk – The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The investments held at June 30, 2011 are as follows:

Type	Credit Rating	Market Value	Cost
Investments			
Certificate of Deposits		\$ 852,841	\$ 852,841
Total Investments		<u>\$ 852,841</u>	<u>\$ 852,841</u>

Reconciliation to Statement of Net Assets	
Governmental Activities	\$ 10,070
Business-Type Activities	<u>842,771</u>
	<u>\$ 852,841</u>

Town of Vici  
Vici, Oklahoma

Notes to the Basic Financial Statements  
June 30, 2011

**3. Long-Term Debt**

Long-term debt of the Town consists of notes payable. Debt service requirements for notes are payable solely from fund balance and future revenues of the Public Works Authority. The following briefly describes these notes payable:

Oklahoma Department of Commerce – The original amount of the loan is \$86,079.00. The loan is to be repaid in 240 monthly installments. The first 239 payments are to be in the amount of \$358.66 and the final payment is to be \$359.26. This is a 0% interest loan. The Town is to remit payments beginning in fiscal year 2003 and ending in fiscal year 2023.

The following is a summary of the long-term debt transactions of the Public Works Authority for the year ended June 30, 2011, based on the original loan terms.

Balance, July 1, 2010	\$44,208
Additions (Prior Period)	9,592
Retirements	<u>(4,304)</u>
Balance, June 30, 2011	<u>\$49,496</u>

The annual debt service requirements for retirement of note principal and payment of interest are as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 4,304	\$ -	\$ 4,304
2012	4,304	-	4,304
2013	4,304	-	4,304
2014	4,304	-	4,304
Thereafter	32,280	-	32,280
Totals	<u>\$ 49,496</u>	<u>\$ -</u>	<u>\$ 49,496</u>

Interest expense on general long-term debt incurred during the current year totaled \$0.00.

Town of Vici  
Vici, Oklahoma

Notes to the Basic Financial Statements  
June 30, 2011

**4. Capital Lease**

Bank of Vici – The Public Works Authority entered into a lease purchase agreement with the Bank of Vici for the lease of a 2009 trash packer. The terms of the lease are as follows:

Beginning Date	December 17, 2009
Ending Date	January 18, 2013
Unit Price	\$ 45,347.19
Down Payment	\$ 15,347.19
Remaining Balance	\$ 30,000.00
Payment	\$ 898.15 per month
Interest Rate	5%

Upon tender of the last lease payment due under the lease agreement, Vici Public Works Authority shall acquire title to and ownership of the equipment. The annual debt service for the capital lease is as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 10,231.19	\$ 546.61	\$ 10,777.80
2013	5,348.10	99.89	5,447.99
Totals	\$ 15,579.29	\$ 646.50	\$ 16,225.79

**5. Other Information**

Risk Management – The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The Town purchases commercial insurance for protection against loss other than health, life, and workers compensation. Settled claims have not exceeded the commercial coverage during the past three fiscal years.

The Town is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that Town, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year.

As a member of the Plan, the Town is required to pay fees set by the Plan according to an established payment schedule. The Town is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A Loss Fund has been established from the proceeds of fees paid by the Town. The State Insurance Fund provides coverage in excess of the Loss Fund so the Town's liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance Fund to honor its obligations could result in losses to the Plan.

**6. Subsequent Events**

Management has evaluated subsequent events through January 5, 2012, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

Town of Vici  
Vici, Oklahoma

Required Supplemental Information  
June 30, 2011

**Town of Vici**  
**Budget and Actual (with Variances)**  
**General Fund**  
**For the year ended June 30, 2011**

(Original and Final Pulled from Imported Balances)	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales and miscellaneous taxes	268,695	268,695	284,675	553,370
Fees and fines	7,205	7,205	7,044	14,249
Licenses and permits	-	-	1,382	1,382
Intergovernmental	-	-	-	-
Charges for services	30,000	30,000	30,000	60,000
Investment earnings	485	485	793	1,278
Miscellaneous	8,215	8,215	31,395	39,610
Total revenues	314,600	314,600	355,289	669,889
<b>EXPENDITURES</b>				
Current:				
General government	74,269	74,269	220,389	(146,120)
Public Safety	39,640	39,640	56,247	(16,607)
Highways and roads	-	-	-	-
Health and sanitation	-	-	-	-
Culture and recreation	-	-	-	-
Education	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay	35,882	35,882	-	35,882
Total Expenditures	149,791	149,791	276,636	(126,845)
Excess (deficiency) of revenues over expenditures	164,809	164,809	78,653	543,044
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital leases	-	-	-	-
Transfers in	-	-	5,500	(5,500)
Transfers out	(50,830)	(50,830)	(5,700)	(45,130)
Total other financing sources and uses	(50,830)	(50,830)	(200)	(50,630)
<b>SPECIAL ITEM</b>				
Proceeds from sale capital assets	-	-	-	-
Net change in fund balances	113,979	113,979	78,453	35,526
Fund balances - beginning	279,728	279,728	22,381	257,347
Fund balances - ending	\$ 393,707	\$ 393,707	\$ 100,834	\$ 292,873

Town of Vici  
Vici, Oklahoma

Notes to Required Supplemental Information  
for the Year Ended June 30, 2010  
(Unaudited)

**Budgetary Information**

The Town is required by the state law to prepare an annual budget. The Town Council legally adopts a budget for the General Fund. The adopted budget is filed with the Office of State Auditor and Inspector. This budget is prepared in accordance with the modified cash basis of accounting, which is utilized by the General Fund. The object category level maintains budgetary control by department within the General Fund. Budgeted expenditures may not exceed total appropriations that need to be added to the original appropriation also require Town Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

Town of Vici  
Vici, Oklahoma

Supplemental Information  
June 30, 2011

Town of Vici  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2011

	<b>Special Revenue</b>	<b>Total</b>
	<b>Street &amp; Alley Fund</b>	<b>Non-Major Governmental Funds</b>
<b>Assets</b>		
Cash in Bank (Note 3A)	\$ 10,151	\$ 10,151
<b>Total Assets</b>	\$ 10,151	\$ 10,151
<b>Liabilities</b>		
Accounts Payable	\$ -	\$ -
<b>Total Liabilities</b>	-	-
<b>Fund Balances</b>		
Reserved	-	-
Unreserved	10,151	10,151
<b>Total Fund Balances</b>	10,151	10,151
<b>Total Liabilities and Fund Balances</b>	\$ 10,151	\$ 10,151

Town of Vici  
Combining State of Revenues, Expenditures and  
Changes in Fund Balance – non-Major Governmental Funds  
for the Year Ended June 30, 2011

	<u>Special Revenue</u>	<u>Total</u>
	<u>Street &amp;</u>	<u>Non-Major</u>
	<u>Alley</u>	<u>Governmental</u>
<b>Revenues</b>	<u>Fund</u>	<u>Funds</u>
Gasoline Excise Tax	\$ 4,418	\$ 4,418
Interest	-	-
<b>Total Revenues</b>	<u>4,418</u>	<u>4,418</u>
<b>Expenditures</b>		
General Government	-	-
Highways & Roads	3,688	3,688
<b>Total Expenditures</b>	<u>3,688</u>	<u>3,688</u>
<b>Excess of Revenues Over(Under)</b>		
<b>Expenditures</b>	730	730
<b>Other Financing Uses</b>		
Operating Transfers In(Out)	-	-
<b>Excess of Revenues Over(Under)</b>		
<b>Expenditures &amp; Transfers</b>	730	730
<b>Fund Balance -</b>		
<b>Beginning of Year</b>	9,421	9,421
<b>Fund Balance - End of Year</b>	<u>\$ 10,151</u>	<u>\$ 10,151</u>

Town of Vici  
Vici, Oklahoma

Schedule of Expenditures of Federal Awards  
for the Year Ended June 30, 2011

	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>
<b>Oklahoma Economic Development Authority</b>			
REAP Grant -- Contract #11-227 (Handicap Access)	\$ 34,978	\$ -	\$ -
REAP Grant -- Contract #10-130 (Road Work, Curb, & Gutter)	40,000	40,000	40,000
<b>Department of Agriculture</b>			
Fire Grant	<u>4,398</u>	<u>4,398</u>	<u>4,398</u>
<b>Total Grants</b>	\$ 79,376	\$ 44,398	\$ 44,398

Note A – Basis of Presentation

This schedule includes the federal grant activity of the Town of Vici and is presented on the cash basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts present in, or used in the preparation of the basic financial statements.

Town of Vici  
Vici, Oklahoma

Report Required by *Government Auditing Standards*  
June 30, 2011

January 5, 2012

The Board of Town Commissioners  
Town of Vici  
110 W. Broadway  
Vici, Oklahoma 73859

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

I have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Town of Vici, Oklahoma, (Town) as of and for the year ended June 30, 2011, which collectively comprises the Town of Vici's basic financial statements and have issued my report thereon dated January 5, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Vici's internal control over financial reporting as a basis of designing my audit procedures for the purpose of expressing my opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Vici's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Vici's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, I identified certain deficiencies in internal control over financial reporting that I consider to be a material weakness and other deficiencies that I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in normal course of performing their assigned function, 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 statement will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings to be a material weaknesses: 11-01, 11-02, 11-04, and 11-05.

A *significant deficiency* is a deficiency, or a combination or deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies: 11-03

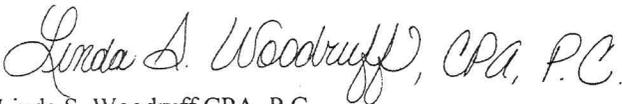
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I consider the deficiencies number 10-01 to 10-05 described in the accompanying schedule of findings to be a significant deficiency in the internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Vici's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contract 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

The Town of Vici's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. I did not audit the Town of Vici's responses and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, Town Board, 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.

  
Linda S. Woodruff CPA, P.C.

Town of Vici  
Vici, Oklahoma

Schedule of Findings

11-01. Internal Control

Condition: An adequate internal control structure does not exist because of the small size of the entity nor is there adequate segregation of duties.

Criteria: Internal controls should be in place that provide reasonable assurance that any one individual does not have control over several of the financial functions of the Town.

Effect: Because of the inadequate segregation of duties, an opportunity exists for an employee to alter record keeping.

Recommendation: I recommend that the Town strive to implement more segregation of duties where possible and utilize compensating procedures where applicable.

Response: The Town of Vici concurs with the recommendation, although, the cost to correct this might exceed the benefit.

11-02. Internal Control

Condition: Purchase orders are prepared when an invoice is received rather than when materials are ordered. Documentation is missing on several items randomly selected for testing.

Criteria: Purchases should be substantiated through the use of purchase orders to ensure that merchandise ordered is necessary, and original invoices should be received and filed with each vendor.

Effect: Since purchase orders are not prepared when products or services are ordered, no controls exist for controlling ordering and price fluctuations. Invoices not being filed with remaining documentation may lead to duplicate payments.

Recommendation: When the purchase order is prepared, obtain the signature of person ordering, then the Town official signs the purchase order and the Board of Commissioners approve individual purchase orders at their meeting. All payments must be supported by vendor invoices not notes with name and amounts written down by an accounts payable clerk.

Response: The Town of Vici concurs with the recommendation and has implemented purchase order procedures for the Town and the Nursing Home beginning, June 1, 2011.

11-03. Internal Control

Condition: No listing of past due customers is provided at the end of the fiscal year.

Criteria: An aging statement showing past due customer amounts and days outstanding should be reviewed on the last day of the month. This report then should be presented to the Town Board for discussion of delinquent accounts, if any, that require write-off or adjustment.

Effect: Accounts receivable balance could be materially overstated or understated on the financial statement resulting in understated or overstated revenue.

Recommendations: Generate an aging report on the last business day of the month from the billing software. Review this report and discuss with the Town Board if action is required on any customer's account.

Response: The Town of Vici clerk will generate a report of past due customers at the end of each month for reconciliation purposes.

Town of Vici  
Vici, Oklahoma

Schedule of Findings

11-04. Internal Control – Financial Statements

Criteria: The Town's management is responsible for internal controls over financial reporting. This includes controls over the fair and complete presentation of the government's annual statements in accordance with GAAP. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing account data (2) reporting government-wide and fund financial statements, including the related footnotes (i.e. external financial reporting). Professional audit standards clearly indicate that the external financial statement auditor cannot perform any part of management's control activities or be a component of the internal controls over financial reporting.

Condition: As in the case with many smaller and medium-sized entities, the Town has historically relied extensively on its independent external auditors to provide the needed expertise to assist in the preparation of the financial statements and footnotes as part of its controls over the external financial reporting process. Accordingly, the town's ability to prepare financial statements in accordance with generally accepted accounting principle (GAAP) is based, in part, on its external auditors, who cannot by definition be considered a part of the town's internal controls.

Effect or Potential Effect: As a result of this condition, without reliance on its external auditors, the Town lacks the necessary internal controls over the preparation of financial statements in accordance with GAAP. This condition also places the auditor in a questionable position regarding auditor independence as a result of potentially performing part of management's functions.

Recommendation: I recommend that the Town consider designing and implementing sufficient internal controls over financial reporting by obtaining the necessary knowledge, expertise and continuing education to prepare financial statements in accordance with generally accepted accounting principles without reliance on the external financial statement auditor. This could be achieved through employment of qualified accounting staff or the outsourcing of these control activities to a qualified accounting firm other than the external auditor.

Response: The Town of Vici agrees with the recommendation and will review the financial statements for obvious errors and omissions on a monthly basis and will discuss potential entries as required.

Town of Vici  
Vici, Oklahoma

Schedule of Findings

11-05. Internal Control – Material Adjusting Journal Entries

Criteria: The Town's management is responsible for internal controls over accounting and financial reporting. This responsibility include the design and implementation of controls over the fair and complete presentation of the Town's annual financial statements in accordance with generally accepted accounting principles (GAAP) from trial balances derived from the Town's accounting records. For trial balances to be both complete and accurate, the Town must have effective internal controls over recording, processing, summarizing, and adjusting accounting data. As evidence of effective internal controls over accounting and financial reporting, there should generally be few, if any, material adjustments to the trial balances required that are detected and corrected solely as a result of the financial statement audit. In other words, Town management should not rely on the external auditor to detect and correct material misstatements in the books and records as part of its internal controls, but rather should have its own procedures designed and in place that are independent of the external auditor to provide reasonable, although not absolute, assurance that material misstatements will be detected and corrected in its trial balances prior to audit.

Condition: The Town's trial balances for the year ended June 30, 2010, required a number of material adjusting journal entries in order for the financial statements to be prepared in accordance with GAAP.

Cause: The Town's accounting and financial reporting staff lacks the necessary knowledge, expertise and education, relative to the complex nature of applying GAAP applicable to state and local governments, sufficient to provide reasonable assurance that the trial balances used for preparing the GAAP financial statements are complete and accurate prior to audit. As a result, management has had to rely on the external auditors to identify and correct a number of material misstatements in the trial balance.

Effect of Potential Effect: As a result of this condition, without reliance on its external auditors, the Town lacks the necessary internal controls over the completeness and accuracy of the trial balances that are used in the preparation of its financial statement in accordance with GAAP. This condition can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit. In addition, if management's intentions are to continue to rely on the external auditor to detect and correct material misstatements, this condition could place the auditor in a questionable position regarding auditor independence as a result of the auditor performing part of management's functions in regard to the trial balance.

Recommendation: The Town should consider designing and implementing sufficient internal controls over the completeness and accuracy of trial balances by obtaining the necessary knowledge, expertise and continuing education to apply GAAP in the development of working trial balances that will be used to prepare the Town's annual financial statements. This could be achieved through employment of qualified accounting staff or the outsourcing of these control activities to a qualified accounting firm other than the external auditor.

Response: The Town of Vici agrees with the recommendation and will review the financial statements for obvious errors and omissions on a monthly basis and will discuss potential entries as required.