

Town of Vici
Vici, Oklahoma

Audit Report
for the Year Ended June 30, 2012

Town of Vici
Vici, Oklahoma

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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, State of Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Town of Vici, State of Oklahoma's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Vici, State of Oklahoma'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, State of Oklahoma, as of June 30, 2012, 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 December 28, 2012, on my consideration of the Town of Vici, State of Oklahoma'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, State of Oklahoma, 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
Oklahoma City, Oklahoma City

December 28, 2012

Town of Vici
Vici, Oklahoma

Basic Financial Statements
for the Year Ended June 30, 2012

Town of Vici
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Equivalents	\$ 385,637	255,400	\$ 641,037
Investments	10,201	506,126	516,327
Receivables	39,418	29,336	68,754
Restricted Cash	-	33,490	33,490
Due from Other Governmental Agencies	(7,569)	7,569	-
Inventories	-	-	-
Other assets	4,245	13,689	17,934
Capital Assets			
Land and improvements not being depreciated	-	-	-
Infrastructure, net of depreciation	48,813	-	48,813
Buildings, net of depreciation	207,654	903,995	1,111,649
Equipment and Furniture, net of depreciation	216,475	236,929	453,404
Utility system, net of depreciation	-	-	-
Less: Accumulated Depreciation	(214,757)	(280,246)	(495,003)
Total Capital Assets	258,185	860,678	1,118,863
Total Assets	690,117	1,706,288	2,396,405
LIABILITIES			
Accounts payable and accrued expenses	134	25,744	25,878
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	-	40,893	40,893
Accrued interest	-	-	-
Compensated absences	-	-	-
Meter Deposits Payable	-	33,490	33,490
Total liabilities	134	100,127	100,261
NET ASSETS			
Invested in capital assets, net of related debt	258,185	819,785	1,077,970
Restricted for:			
Capital projects	-	-	-
Debt Service	-	-	-
Other projects	-	33,490	33,490
Unrestricted	431,798	752,886	1,184,684
Total net assets	\$ 689,983	\$ 1,606,161	\$ 2,296,144

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

Town of Vici
Statement of Net Activities
for the Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Program Revenue</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government							
Governmental Activities							
General Government	\$ 172,921	\$ 26,000	\$ -	\$ -	\$ (146,921)		\$ (146,921)
Public Safety	53,324	5,702	-	-	(47,622)		(47,622)
Public Works	-	-	-	-	-		-
Street and Alley	26,537	6,507	-	-	(20,030)		(20,030)
Culture and Recreation	-	-	-	-	-		-
Education	-	-	-	-	-		-
Capital Outlay	261,729	-	-	-	(261,729)		(261,729)
Total governmental activities	<u>514,511</u>	<u>38,209</u>	<u>-</u>	<u>-</u>	<u>(476,302)</u>		<u>(476,302)</u>
Business-type activities							
Vici Nursing Home	-	-	-	-		(589,163)	(589,163)
Vici Public Works	-	-	-	-		20,856	20,856
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>(568,307)</u>	<u>(568,307)</u>
Total primary government	<u>514,511</u>	<u>38,209</u>	<u>-</u>	<u>-</u>	<u>(476,302)</u>	<u>(568,307)</u>	<u>(1,044,609)</u>
General revenues:							
Taxes:							
Oil and Gas Royalty					1,471	-	1,471
Property taxes, levied for debt service					-	-	-
Franchise taxes					21,188	-	21,188
Public service taxes					242,068	-	242,068
Grants and contributions not restricted to specific programs					35,055	-	35,055
Unrestricted investment earnings					751	-	751
Miscellaneous					4,073	-	4,073
Transfers					-	-	-
Total general revenues, special items, and transfers					<u>304,606</u>	<u>-</u>	<u>304,606</u>
Change in net assets					(171,696)	(568,307)	(740,003)
Net assets - beginning					<u>861,679</u>	<u>2,174,468</u>	<u>3,036,147</u>
Net assets - ending					<u>\$ 689,983</u>	<u>\$ 1,606,161</u>	<u>\$ 2,804,073</u>

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

Town of Vici
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	373,712	11,926	\$ 385,638
Investments	10,201	-	10,201
Taxes receivable, net	-	-	-
Due from other funds	39,418	-	39,418
Receivable from other governments	-	-	-
Other receivables	-	-	-
Inventories	-	-	-
Prepaid expenses	4,245	-	4,245
Total assets	<u>427,576</u>	<u>11,926</u>	<u>439,502</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	134	-	134
Due to other funds	7,569	-	7,569
Payable to other governments	-	-	-
Deferred revenue	-	-	-
Other accrued expenses	-	-	-
Other payables	-	-	-
Total liabilities	<u>7,703</u>	<u>-</u>	<u>7,703</u>
Fund balances:			
Reserved for:			
Inventories	-	-	-
Encumbrances	-	-	-
Prepaid expenses	-	-	-
Debt service	-	-	-
Other purposes	-	-	-
Unreserved	419,873	11,926	431,799
Unreserved, reported in non-major:			
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Debt service funds	-	-	-
Permanent Endowment Fund	-	-	-
Total fund balances	<u>419,873</u>	<u>11,926</u>	<u>431,799</u>
Total liabilities and fund balances	<u>\$ 427,576</u>	<u>\$ 11,926</u>	<u>\$ 439,502</u>

See Independent Auditor's Report.

The Accompanying notes are an integral part of the basic financial statement.

Town of Vici
Reconciliation of the Governmental Fund
Balance Sheet to the Statement of Net Assets
June 30, 2012

Total fund balance, governmental funds	\$ 431,799
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.	258,184
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>689,983</u>

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

Town of Vici
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
for the Year Ended June 30, 2012

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Franchise Taxes	\$ 21,188	\$ -	\$ 21,188
Sales and miscellaneous taxes	242,068	6,507	248,575
Fees and fines	5,702	-	5,702
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Charges for services	26,000	-	26,000
Investment earnings	751	-	751
Miscellaneous	4,073	-	4,073
Oil & Gas Royalty	1,471	-	1,471
Grants	35,055	-	35,055
Total revenues	<u>336,308</u>	<u>6,507</u>	<u>342,815</u>
EXPENDITURES			
Current:			
General government	172,921	-	172,921
Public Safety	53,324	-	53,324
Public Works	-	-	-
Health and sanitation	-	-	-
Culture and recreation	-	-	-
Education	-	-	-
Highways & Roads	-	26,537	26,537
Debt Service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital Outlay	<u>35,484</u>	<u>-</u>	<u>35,484</u>
Total Expenditures	<u>261,729</u>	<u>26,537</u>	<u>288,266</u>
expenditures	<u>74,579</u>	<u>(20,030)</u>	<u>54,549</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt, net	-	-	-
Proceeds from capital leases	-	-	-
Other source	-	-	-
Other use	-	-	-
Transfers in	9,228	-	9,228
Transfers out	(5,619)	-	(5,619)
Total other financing sources and uses	<u>3,609</u>	<u>-</u>	<u>3,609</u>
Net change in fund balances	78,188	(20,030)	58,158
Fund balances - beginning	<u>341,685</u>	<u>31,956</u>	<u>373,641</u>
Fund balances - ending	<u>\$ 419,873</u>	<u>\$ 11,926</u>	<u>\$ 431,799</u>

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

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, 2012

Net change in fund balances - total governmental funds:	\$	58,158
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
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		35,484
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.		(27,396)
Change in net assets of governmental activities	\$	66,246

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

Town of Vici
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Enterprise Funds		
	Vici Nursing Home	Vici Public Works	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 15,507	239,894	\$ 255,401
Investments	482,185	23,940	506,125
Accounts Receivable, net	23,039	6,297	29,336
Restricted Cash	-	33,490	33,490
Due from other funds	-	7,569	7,569
Receivables from other governments	-	-	-
Other receivables	-	-	-
Inventories	-	-	-
Prepaid Expenses	10,567	3,122	13,689
Total current assets	<u>531,298</u>	<u>314,312</u>	<u>845,610</u>
Non-current assets:			
Capital Assets:			
Utility System	-	145,382	145,382
Construction in Progress	-	-	-
Buildings	903,995	-	903,995
Equipment and Furniture	-	91,547	91,547
Less Accumulated depreciation	(192,043)	(88,203)	(280,246)
Total non-current assets	<u>711,952</u>	<u>148,726</u>	<u>860,678</u>
Total assets	<u><u>1,243,250</u></u>	<u><u>463,038</u></u>	<u><u>1,706,288</u></u>
LIABILITIES			
Current Liabilities:			
Accounts payable	25,270	454	25,724
Salaries payable	-	-	-
Accrued interest payable	-	20	20
Due to other funds	-	-	-
Payable to other governments	-	-	-
Meters Payable	-	33,490	33,490
Deferred revenue	-	-	-
Compensated absences	-	-	-
Capital lease obligation	-	-	-
Claims and judgments	-	-	-
Bonds, notes and loans payable	-	-	-
Total current liabilities	<u>25,270</u>	<u>33,964</u>	<u>59,234</u>
Non-current liabilities:			
Compensated absences	-	-	-
Capital lease obligation	-	-	-
Claims and judgments	-	-	-
Bonds, notes and loans payable	-	40,893	40,893
Total non-current liabilities	<u>-</u>	<u>40,893</u>	<u>40,893</u>
Total liabilities	<u><u>25,270</u></u>	<u><u>74,857</u></u>	<u><u>100,127</u></u>
NET ASSETS			
Invested in capital assets, net of related debt	711,952	107,833	819,785
Restricted for debt service	-	-	-
Restricted for capital projects	-	-	-
Restricted for other purposes	-	33,490	33,490
Unrestricted	506,028	246,858	752,886
Total net assets	<u><u>\$ 1,217,980</u></u>	<u><u>\$ 388,181</u></u>	<u><u>\$ 1,606,161</u></u>

See Independent Auditor's Report.

The Accompanying notes are an integral part of the basic financial statement.

Town of Vici
Statement of Revenues, Expenditures, and Changes in Fund Net Assets
Proprietary Funds
for the Year Ended June 30, 2012

	Enterprise Funds		
	Vici Nursing Home	Vici Public Works	Total
REVENUES			
Charges for services	\$ 2,353,764	\$ 661,554	\$ 3,015,318
Miscellaneous	-	-	-
Total operating revenues	<u>2,353,764</u>	<u>661,554</u>	<u>3,015,318</u>
OPERATING EXPENSES			
Personal services	1,815,810	283,498	2,099,308
Contractual services	113,614	5,424	119,038
Utilities	101,330	16,606	117,936
Repairs and maintenance	39,914	59,927	99,841
Other supplies and expenses	276,010	258,497	534,507
Insurance claims and expenses	441,750	809	442,559
Depreciation	25,453	10,218	35,671
Total Operating Expenses	<u>2,813,881</u>	<u>634,979</u>	<u>3,448,860</u>
Operating income (loss)	<u>(460,117)</u>	<u>26,575</u>	<u>(433,542)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	12,952	333	13,285
Miscellaneous revenue	-	(6,000)	(6,000)
Operating grants and contributions	-	-	-
Interest expense	-	(52)	(52)
Miscellaneous expenses	(141,998)	-	(141,998)
Total non-operating revenue (expenses)	<u>(129,046)</u>	<u>(5,719)</u>	<u>(134,765)</u>
Income (loss) before contributions and transfers	<u>(589,163)</u>	<u>20,856</u>	<u>(568,307)</u>
Capital contributions	-	-	-
Transfers in	-	5,500	5,500
Transfers out	-	(5,500)	(5,500)
Special item - gain (loss) on sale of land	-	-	-
Change in net assets	<u>(589,163)</u>	<u>20,856</u>	<u>(568,307)</u>
Total net assets - beginning	<u>1,807,143</u>	<u>367,326</u>	<u>2,174,469</u>
Total net assets - ending	<u>\$ 1,217,980</u>	<u>\$ 388,181</u>	<u>\$ 1,606,161</u>

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

Town of Vici
Statement of Cash Flows
Proprietary Funds
for the Year Ended June 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Public Works Authority</u>	<u>Nursing Home Authority</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Cash Received from Customers & Service Users	\$ 661,554	\$ 2,530,872	\$ 3,192,426
Cash Payments for Goods & Services & Employees	(632,434)	(3,005,395)	(3,637,829)
Net Cash Provided by Operating Activities	<u>29,120</u>	<u>(474,523)</u>	<u>(445,403)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Transfers In/(Out) to Other Funds	-	-	-
Net Cash Provided (Used) for Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:			
Repayment of Loan Proceeds	(14,592)	-	(14,592)
Acquisition & Construction of Capital Assets	-	(23,747)	(23,747)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(14,592)</u>	<u>(23,747)</u>	<u>(38,339)</u>
Cash Flows from Investing Activities:			
Interest on Investments	-	12,952	12,952
Net Cash Provided by investing Activities	<u>-</u>	<u>12,952</u>	<u>12,952</u>
Net Increase (Decrease) in Cash & Cash Equivalents	14,528	(485,318)	(470,790)
Cash and Cash Equivalents - Beginning of Year	<u>282,796</u>	<u>983,010</u>	<u>1,265,806</u>
Cash and Cash Equivalents - End of Year	<u>\$ 297,324</u>	<u>\$ 497,692</u>	<u>\$ 795,016</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$ 20,856	\$ (602,115)	\$ (581,259)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	10,218	25,453	35,671
Change in Assets and Liabilities:			
(Increase) Decrease in Prepaid Expense	809	(10,567)	(9,758)
(Increase) Decrease in Interest Receivable	-	-	-
(Increase) Decrease in Accounts Receivable	-	177,108	177,108
(Increase) Decrease in Due from General	(1,023)	-	(1,023)
Increase (Decrease) in Notes Payable	-	-	-
Increase (Decrease) in Accrued Expenses	(3,928)	(64,402)	(68,330)
Increase (Decrease) in Meter Reserve	2,188	-	2,188
Total Adjustments	<u>8,264</u>	<u>127,592</u>	<u>135,856</u>
Net Cash Provided by Operating Activities	<u>\$ 29,120</u>	<u>\$ (474,523)</u>	<u>\$ (445,403)</u>

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

Town of Vici
Vici, Oklahoma

Notes to the Basic Financial Statements
June 30, 2012

1. Summary of Significant Account Policies

The Town of Vici, State of 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, State of 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, State of 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, State of 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, 2012

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, 2012

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, 2012

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, 2012

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 \$33,490.

Town of Vici
Vici, Oklahoma

Notes to the Basic Financial Statements
June 30, 2012

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	Business-Type
	Activities	Activities
	Estimated Lives	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, 2012

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:

Governmental Activities	Balance 6/30/2011	Additions	Disposals	Balance 6/30/2012
Depreciable Assets				
Vehicles	\$ 136,223	\$ -	\$ -	\$ 136,223
Buildings	204,547	3,107	-	207,654
Equipment	47,875	32,377	-	80,252
Streets	48,813	-	-	48,813
Total Depreciable Assets	<u>437,458</u>	<u>35,484</u>	<u>-</u>	<u>472,942</u>
Less Accumulated Depreciation				
Vehicles	(85,080)	(12,282)	-	(97,362)
Buildings	(54,916)	(10,454)	-	(65,370)
Equipment	(19,013)	(3,560)	-	(22,573)
Streets	(28,352)	(1,100)	-	(29,452)
Total Accumulated Depreciation	<u>(187,361)</u>	<u>(27,396)</u>	<u>-</u>	<u>(214,757)</u>
Net Governmental Assets	250,097	8,088	-	258,185
Depreciable Assets				
Buildings	116,467	-	-	116,467
Water Wells	145,382	-	-	145,382
Vehicles	91,547	-	-	91,547
Nursing Home Equipment	763,780	23,747	-	787,527
Total Depreciable Assets	<u>1,117,176</u>	<u>23,747</u>	<u>-</u>	<u>1,140,923</u>
Less Accumulated Depreciation				
Buildings	(21,287)	-	-	(21,287)
Water Wells	(29,984)	-	-	(29,984)
Vehicles	(48,000)	(10,218)	-	(58,218)
Nursing Home Equipment	(145,303)	(25,453)	-	(170,756)
Total Accumulated Depreciation	<u>(244,574)</u>	<u>(35,671)</u>	<u>-</u>	<u>(280,245)</u>
Net Business-Type Activities				
Capital Assets	<u>\$ 872,602</u>	<u>\$ (11,924)</u>	<u>\$ -</u>	<u>\$ 860,678</u>

Depreciation expense was charged to unallocated depreciation and not charged as a direct expense of the various programs. Totally depreciated assets have been removed from the accounts resulting in a difference in prior year balance and balance shown on 06/30/2011.

Town of Vici
Vici, Oklahoma

Notes to the Basic Financial Statements
June 30, 2012

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, 2012, the Town held deposits of approximately \$1,190,855 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, 2012

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, 2012 are as follows:

Type	Credit Rating	Market Value	Cost
Investments			
Certificate of Deposits		\$ 516,327	\$ 516,327
Total Investments		<u>\$ 516,327</u>	<u>\$ 516,327</u>

Reconciliation to Statement of Net Assets	
Governmental Activities	\$ 10,201
Business-Type Activities	<u>506,126</u>
	<u>\$ 516,327</u>

Town of Vici
Vici, Oklahoma

Notes to the Basic Financial Statements
June 30, 2012

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 01, 2011	\$49,496
Prior Period Adjustments	(9,592)
Retirements	<u>(4,304)</u>
Balance, June 30, 2012	<u>\$35,600</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
2012	\$ 4,304	\$ -	\$ 4,304
2013	4,304	-	4,304
2014	4,304	-	4,304
2015	4,304	-	4,304
Thereafter	18,384	-	18,384
Totals	<u>\$ 35,600</u>	<u>\$ -</u>	<u>\$ 35,600</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, 2012

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
2013	\$ 5,292.60	\$ 96.30	\$ 5,388.90
Totals	\$ 5,292.60	\$ 96.30	\$ 5,388.90

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 December 28, 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
for the Year Ended June 30, 2012

Town of Vici
Budget and Actual (with Variances)
General Fund
for the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget -</u> <u>Positive (Negative)</u>
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales and miscellaneous taxes	268,695	268,695	270,038	(1,343)
Fees and fines	7,205	7,205	4,834	2,371
Licenses and permits	-	-	593	(593)
Intergovernmental	-	-	-	-
Charges for services	30,000	30,000	26,000	4,000
Investment earnings	485	485	751	(266)
Miscellaneous	8,215	8,215	4,073	4,142
Total revenues	<u>314,600</u>	<u>314,600</u>	<u>306,289</u>	<u>8,311</u>
EXPENDITURES				
Current:				
General government	175,000	175,000	172,921	2,079
Public Safety	55,000	55,000	53,324	1,676
Highways and roads	-	-	-	-
Health and sanitation	-	-	-	-
Culture and recreation	-	-	-	-
Education	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay	-	-	35,484	(35,484)
Total Expenditures	<u>230,000</u>	<u>230,000</u>	<u>261,729</u>	<u>(31,729)</u>
Excess (deficiency) of revenues over expenditures	<u>84,600</u>	<u>84,600</u>	<u>44,560</u>	<u>(23,418)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	-	-	-	-
Transfers in	-	-	9,228	(9,228)
Transfers out	-	-	(5,619)	5,619
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>3,609</u>	<u>(3,609)</u>
SPECIAL ITEM				
Proceeds from sale capital assets	-	-	-	-
Net change in fund balances	<u>84,600</u>	<u>84,600</u>	<u>48,169</u>	<u>36,431</u>
Fund balances - beginning	<u>393,707</u>	<u>393,707</u>	<u>100,834</u>	<u>292,873</u>
Fund balances - ending	<u>\$ 478,307</u>	<u>\$ 478,307</u>	<u>\$ 149,003</u>	<u>\$ 329,304</u>

Town of Vici
Vici, Oklahoma

Notes on Required Supplemental Information
for the Year Ended June 30, 2012
(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
for the Year Ended June 30, 2012

Town of Vici
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012

	Special Revenue	Total
	Street & Alley Fund	Non-Major Governmental Funds
Assets		
Cash in Bank (Note 3A)	\$ 11,926	\$ 11,926
Total Assets	\$ 11,926	\$ 11,926
 Liabilities		
Accounts Payable	\$ -	\$ -
Total Liabilities	-	-
 Fund Balances		
Reserved	-	-
Unreserved	11,926	11,926
Total Fund Balances	11,926	11,926
 Total Liabilities and Fund Balances	\$ 11,926	\$ 11,926

Town of Vici
Combining State of Revenues, Expenditures and
Changes in Fund Balance – non-Major Governmental Funds
for the Year Ended June 30, 2012

	Special Revenue	Total
	Street & Alley Fund	Non-Major Governmental Funds
Revenues		
Gasoline Excise Tax	\$ 6,507	\$ 6,507
Interest	-	-
Total Revenues	6,507	6,507
Expenditures		
General Government	-	-
Highways & Roads	26,537	26,537
Total Expenditures	26,537	26,537
Excess of Revenues Over(Under)		
Expenditures	(20,030)	(20,030)
Other Financing Uses		
Operating Transfers In(Out)	-	-
Excess of Revenues Over(Under)		
Expenditures & Transfers	(20,030)	(20,030)
Fund Balance -		
Beginning of Year	31,956	31,956
Fund Balance - End of Year	\$ 11,926	\$ 11,926

Town of Vici
Vici, Oklahoma

Schedule of Expenditures of Federal Awards
for the Year Ended June 30, 2012

	Program or Award Amount	Revenue Collected	Total Expenditures
Oklahoma Economic Development Authority			
REAP Grant -- Contract #11-227 (Handicap Access)	\$ 34,978	\$ 30,643	\$ 34,978
Department of Agriculture			
Fire Grant	4,413	4,413	4,413
Total Grants	\$ 39,391	\$ 35,056	\$ 39,391

Note A – Basis of Presentation

This schedule includes the federal grant activity of the Town of Vici, State of Oklahoma, 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*
for the Year Ended June 30, 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, State of Oklahoma, as of and for the year ended June 30, 2012, which collectively comprises the Town of Vici, State of Oklahoma's basic financial statements and have issued my report thereon dated December 28, 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, State of Oklahoma'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, State of Oklahoma's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Vici, State of Oklahoma'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: 2012-01 and 2012-03.

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. I consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies: 2012-02

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 2012-01 to 2012-05 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, State of Oklahoma'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, State of Oklahoma'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, State of Oklahoma'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, PC
Oklahoma City, Oklahoma

December 28, 2012

Town of Vici
Vici, Oklahoma

Schedule of Findings

2012-01. 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 of Potential 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.

2012-02. 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 of Potential 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

2012-03. 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, 2012, 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.