

In the opinion of Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals. Furthermore, in the opinion of Bond Counsel, under present law, interest on the Bonds is exempt from Oklahoma income taxation. The Bonds will be designated by the City as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. See "Tax Matters."

\$7,110,000
CITY OF THE VILLAGE, OKLAHOMA
COMBINED PURPOSE GENERAL OBLIGATION BONDS,
SERIES 2018

DATED: May 1, 2018

DUE: May 1, as shown herein

The City of The Village, Oklahoma (the "City") Combined Purpose General Obligation Bonds, Series 2018 (the "2018 Bonds" or the "Bonds") will be issued in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the 2018 Bonds. Purchases of the 2018 Bonds will be made in book-entry form only, through brokers and dealers who are, or who act through DTC participants. Purchases of the 2018 Bonds may be made in the denomination of \$1,000 or any multiples thereof. Beneficial owners of the 2018 Bonds will not receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, payment of the principal of, and premium, if any, on the Bonds will be made by BancFirst, Oklahoma City, as initial Paying Agent/Registrar (the "Paying Agent"), directly to DTC or its nominee. Interest on the 2018 Bonds is payable May 1 and November 1, commencing May 1, 2019. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "DESCRIPTION OF THE BONDS—Book-Entry System" herein.

The 2018 Bonds are subject to redemption prior to maturity, as described herein. See "DESCRIPTION OF THE BONDS—Redemption Provisions" herein.

The Bonds constitute direct and general obligations of the City, payable as to principal and interest from ad valorem taxes which may be levied **WITHOUT LIMITATION AS TO RATE OR AMOUNT** on all taxable property within the City, excepting homestead exemptions, as prescribed in Article X, Section 27, of the Constitution of the State of Oklahoma. The 2018 Bonds are to be issued pursuant to an election held January 9, 2018, at which the qualified electors of the City approved an aggregate amount of \$10,380,000 in general obligation bonds for various capital improvements. The proceeds of the 2018 Bonds will be used to provide funds for (i) constructing and repairing streets; (ii) parks and recreation improvements, and (iii) the costs of issuing the 2018 Bonds. See "DESCRIPTION OF THE BONDS—Purpose of the Bonds" herein.

MATURITY SCHEDULE – see inside cover

The 2018 Bonds are offered when, as and if issued by the City and received by the original purchaser (the "Underwriter") thereof, subject to prior sale, to withdrawal or modifications of the offer without any notice, and to the approval of legality of the Bonds by the Attorney General of the State of Oklahoma and The Public Finance Law Group PLLC, Oklahoma City, Oklahoma, Bond Counsel. Certain legal matters will be passed upon for the City by Kutak Rock LLP, Denver, Colorado, Disclosure Counsel for the City. It is expected that the Bonds will be available for delivery to the original purchaser on or about May 31, 2018.

FINANCIAL ADVISOR

MUNICIPAL FINANCE SERVICES, INC.
Edmond, Oklahoma

Official Statement dated April 25, 2018.

MATURITY SCHEDULE

\$7,110,000
CITY OF THE VILLAGE, OKLAHOMA
COMBINED PURPOSE GENERAL OBLIGATION BONDS,
SERIES 2018

Due May 1	Amount	Interest Rate	Yield	CUSIP¹	Due May 1	Amount	Interest Rate	Yield	CUSIP¹
2020	\$360,000	5.000%	1.950%	178577 AA0	2030	\$375,000	3.000%	3.000%	178577 AL6
2021	375,000	3.000	2.100	178577 AB8	2031	375,000	3.000	3.050	178577 AM4
2022	375,000	3.000	2.200	178577 AC6	2032	375,000	3.125	3.150	178577 AN2
2023	375,000	3.000	2.300	178577 AD4	2033	375,000	3.125	3.200	178577 AP7
2024	375,000	3.000	2.400	178577 AE2	2034	375,000	3.250	3.250	178577 AQ5
2025	375,000	3.000	2.500	178577 AF9	2035	375,000	3.250	3.300	178577 AR3
2026	375,000	3.000	2.600	178577 AG7	2036	375,000	3.250	3.350	178577 AS1
2027	375,000	3.000	2.650	178577 AH5	2037	375,000	3.500	3.400	178577 AT9
2028	375,000	3.000	2.750	178577 AJ1	2038	375,000	3.500	3.450	178577 AU6
2029	375,000	3.000	2.850	178577 AK8					

¹ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services, LLC, on behalf of the American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the City or the Underwriter and are included solely for the convenience of the registered owners of the applicable 2018 Bonds. Neither the City nor the Underwriter shall be responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

The Bonds are offered only by means of this Official Statement, which should be read in its entirety. This Official Statement does not constitute an offering of any security other than the Bonds specifically offered hereby. This Official Statement does not constitute an offer to sell or a solicitation for an offer to buy the Bonds in any state or jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale, and no dealer, broker, salesman or other person has been authorized to make such unlawful offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Bonds and if given or made, such other information or representatives must not be relied upon.

In governmental matters with respect to any filing or use of “prospectus” in any state or jurisdiction, this Official Statement may be deemed to be such a prospectus. The Bonds are not registered under the United States Securities Act of 1933, as amended, pursuant to an exemption under Section 3(a) of that Act. Furthermore, the City and the Purchaser of the Bonds do not intend to list the Bonds on any stock or other securities exchange. The U.S. Securities and Exchange Commission has not passed upon the accuracy or adequacy of this Official Statement.

Any statements contained in this Official Statement, including the Exhibits hereto, involving matters of opinion, estimates or projections, whether or not expressly so stated, are intended as such and not as representations of fact. The Underwriter shall review the information in this Official Statement in accordance with, and as a part of, their responsibility to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. Such information is subject to change and/or correction without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall create any implication that the information contained herein is complete or accurate in its entirety as of any date after the date hereof. This Official Statement is not to be construed as a contract with the purchaser of the Bonds.

Questions regarding the Bonds or the Official Statement can be directed to and additional copies of the Official Statement and the City’s audited financial reports may be obtained from Municipal Finance Services, Inc., 3933 E. Covell Road, Edmond, Oklahoma 73034, (405) 340-1727, the City’s financial advisor, or Mr. Bruce Stone, City Manager, City of The Village, 2304 Manchester Drive, The Village, Oklahoma 73120 (405) 751-8861.

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CITY OFFICIALS AND OTHERS

MAYOR AND CITY COUNCIL

<u>Name</u>	<u>Position</u>
Dave Bennett	Mayor
Sonny Wilkinson ²	Vice-Mayor
Stan Alexander ³	Councilmember
Cathy Cummings	Councilmember
C. Scott Symes	Councilmember

ADMINISTRATION

<u>Name</u>	<u>Position</u>
Bruce Stone	City Manager/City Clerk
Leslie Batchelor, Esq.	City Attorney
Beverly Whitener	City Treasurer/ Deputy City Clerk

FINANCIAL ADVISOR

Municipal Finance Services, Inc.
Edmond, Oklahoma

BOND COUNSEL

The Public Finance Law Group PLLC
Oklahoma City, Oklahoma

DISCLOSURE COUNSEL

Kutak Rock LLP
Denver, Colorado

² It is anticipated that on May 7, 2018 the City Council will vote Sonny Wilkinson as Mayor, and Dave Bennett will continue as a Councilmember.

³ Replaced Hutch Hibbard effective April 16, 2018. Mr. Hibbard resigned from the City Council to move out of state.

OFFICIAL STATEMENT
relating to

CITY OF THE VILLAGE, OKLAHOMA

**\$7,110,000 COMBINED PURPOSE GENERAL OBLIGATION BONDS,
SERIES 2018**

INTRODUCTION

This Official Statement, including the cover page and Exhibits hereto, is being provided in connection with the offering and sale by the City of The Village, Oklahoma (the "City") of its \$7,110,000 Combined Purpose General Obligation Bonds, Series 2018 (the "2018 Bonds" or the "Bonds").

The 2018 Bonds were approved by the qualified electors of the City at an election held on January 9, 2018 and are issued pursuant to the provisions of and in full compliance with the Constitution and Laws of the State of Oklahoma, particularly Article X, Section 27, of the Constitution of the State of Oklahoma and Title 62 of the Oklahoma Statutes 2011 and laws supplementary and amendatory thereto.

The 2018 Bonds constitute direct and general obligations of the City, payable as to principal and interest from ad valorem taxes which may be levied, without limitation as to rate or amount, on all taxable property within the City, excepting homestead exemptions, as prescribed in Article X, Section 27, of the Constitution of the State of Oklahoma.

DESCRIPTION OF THE BONDS

The Bonds

The Bonds are dated May 1, 2018 and are issuable in fully registered form, without coupons, in denominations of \$1,000 or multiples thereof. The Bonds will mature May 1 of the year and in the principal amounts and interest rates shown on the inside cover page of this Official Statement. Interest is payable May 1 and November 1 of each year, commencing May 1, 2019, by check, wire or draft mailed to the registered holders of thereof. Principal and premium, if any, on the Bonds is payable at the principal corporate office of the Paying Agent.

Redemption Provisions

The Bonds maturing in the years 2020 to 2026, inclusive, shall not be subject to redemption prior to maturity. Bonds maturing in the years 2027 and thereafter shall be subject to redemption at the option of the City Council, in whole or in part, on any date, but upon thirty (30) days' notice, on or after May 1, 2026, at a price of par plus accrued interest on the principal amount called for redemption to the date fixed for redemption.

In the event any of the Bonds or portions thereof (which shall be \$1,000 or multiples thereof) are called for redemption as aforesaid, notice thereof identifying the Bonds or portions thereof to be redeemed will be given by the Paying Agent-Registrar by mailing a copy of the redemption notice by first class mail (postage prepaid) not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed in whole or in part at the address shown on the registration books. All Bonds so called for redemption will cease to bear interest after the specified redemption date provided funds for their redemption are on deposit at the place of payment at that time.

Book-Entry System – The Depository Trust Company

A description of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of principal of, and premium, if any, and interest and other payments with respect to the Bonds to Direct Participants or Beneficial Owners confirmation and transfer of beneficial ownership interests in such Bonds and other related transactions by and among DTC, the Direct Participants and the Beneficial Owners is based solely on information provided by DTC and is included in “Exhibit D—Book-Entry System—The Depository Trust Company.” Accordingly, no representations can be made concerning these matters and neither the Direct Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. Information concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter, the City or the Participants.

Interest Computation

Interest on the Bonds will be computed on a 360-day year, 30-day month basis. Payments coming due on a non-business day will be paid the following business day.

Record Date

The record date (“Record Date”) means the 15th day of the month preceding any interest payment date.

Authorization of the Bonds

The Bonds are issued pursuant to the provisions of and in full compliance with the Constitution and Laws of the State of Oklahoma, particularly Article X, Section 27, of the Constitution of the State of Oklahoma and Title 62 of the Oklahoma Statutes 2011, as amended, and Ordinance of the City Council adopted on April 25, 2018.

The Bonds were approved by the qualified electors of the City at an election held on January 9, 2018. Two propositions were submitted to the voters at the election: Proposition 1 - \$8,500,000 for streets; Proposition 2 - \$1,880,000 for parks and recreation facilities.

Purpose of the Bonds

The proceeds of the 2018 Bonds are to be issued pursuant to an election held January 9, 2018, at which the qualified electors of the City approved an aggregate amount of \$10,380,000 in general obligation bonds for various capital improvements. Proceeds from the 2018 Bonds will be utilized for (i) constructing and repairing streets; (ii) parks and recreational improvements; and (iii) paying the costs of issuing the 2018 Bonds (collectively, the “Projects”).

Security for the Bonds

Under state laws, cities and towns in Oklahoma cannot become indebted beyond the end of their Fiscal Year or for an amount in excess of the income and revenue provided in such Fiscal Year without authorization from the voters. Under Article X, Section 27, cities may issue obligations upon approval by a simple majority of the voters voting in an election held for such purpose. The Bonds constitute direct and general obligations of the City, payable as to principal and interest from ad valorem taxes which may

be levied WITHOUT LIMITATION AS TO RATE OR AMOUNT on all taxable property within the City, excepting homestead exemptions, as prescribed in Article X, Section 27, of the Constitution of the State of Oklahoma.

Ad valorem taxes for bond payments are deposited into a sinking fund held by the City. The tax rate for sinking fund purposes is determined annually by ascertaining the actual revenue required for payment of principal and interest on indebtedness and judgments. Such total amount may then be reduced by any surplus from the prior fiscal year and any contribution made into the sinking fund. To the resulting net requirements, a reserve for delinquent taxes, in an amount of not less than five percent nor more than 20 percent of the net required tax collection, is then added to the net requirements to derive the actual taxes to be levied. The actual levy amount is then apportioned by the total net assessed valuation to determine the appropriate tax rate for each taxpayer. Under state law, tax collections for a sinking fund cannot be placed in any fund of a City other than the sinking fund. For additional information on the ad valorem tax assessment and collection procedures and historical data see the “DESCRIPTION OF THE BONDS—Tax Levy Collection Process” and “FINANCIAL INFORMATION” sections herein.

Limitation on Remedies Available to Registered Owners of 2018 Bonds

There is no bond trustee or similar person to monitor or enforce the provisions of the bond ordinance. The owners of the 2018 Bonds should, therefore, be prepared to enforce such provisions themselves if the need to do so arises. In the event of a default in the payment of principal or interest on the 2018 Bonds, there is no provision for acceleration of maturity of the principal of the 2018 Bonds. Consequently, the remedies of the owners of the 2018 Bonds (consisting primarily of an action in the nature of mandamus requiring the City and certain other public officials to perform the terms of the bond ordinance) may have to be enforced from year to year. See “DESCRIPTION OF THE BONDS—Tax Levy Collection Process” for a description of property tax collection.

The enforceability of the rights and remedies of the owners of the 2018 Bonds, and the obligations incurred by the City in issuing the 2018 Bonds, are subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers granted to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the 2018 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Tax Levy Collection Process

Oklahoma Statutes require that each year the City makes an ad valorem tax levy for a sinking fund which shall, with cash and investments in the fund, be sufficient to pay all the bonded indebtedness, interest and one-third of all outstanding judgments coming due in the following year. See also “FINANCIAL INFORMATION—Net Assessed Valuation” herein.

After review and approval by the City Council, copies of the sinking fund estimates (the “Estimate of Needs”) are submitted to Oklahoma County Excise Board to determine the ad valorem tax levy appropriations. This submission is required to be made by August 27 of each year. The estimates are for the purposes of determining ad valorem taxes required to fund the sinking fund. The amounts contained in the Estimate of Needs are verified by the Oklahoma County Excise Board and, upon verification, the

levies contained therein are ordered to be certified to the Oklahoma County Assessor in order that the County Assessor may extend said levies upon the tax rolls for the year for which the Estimate of Needs is being submitted. The Oklahoma County Excise Board further certifies that the appropriations contained in the Estimate of Needs and the millage rate levies are within the limitations provided by law. In accordance with Title 68, Oklahoma Statutes 2011, Section 3007, the County Excise Board may make adjustments to the Estimate of Needs as deemed appropriate.

Cities and counties in Oklahoma are limited to a total of ten (10) mills (a mill is equal to \$1 per \$1,000 of assessed value) from ad valorem taxes for operating purposes between them. A county has the option of retaining the ten (10) mills for operating purposes or sharing all or part of it with cities within the county. Traditionally, the Oklahoma County Excise Board has not approved any millage for cities for operating purposes and the entire ten (10) mills have gone to Oklahoma County for its operating fund (Oklahoma County also has additional ad valorem levies to repay its general obligation bonds and judgments, if any). For purposes of the general obligation bond debt service, however, there is no limitation as to the mill levy for debt issued under Section 27, Article X of the Oklahoma Constitution. (See Table 4, which shows historical tax levies for all ad valorem taxing entities within the City. Note that the levy amounts shown in Table 4 reflect levy amounts for both operating purposes and for principal and interest levies to repay general obligations bonds, if any; and judgments, if any)

State statutes make it mandatory for any unit of local government to annually provide for a tax sufficient to pay the principal and interest as they become due on any outstanding debt. If the proper officer whose duty it is to annually provide the necessary tax for debt service fails to do so, it becomes the duty of the county clerk, who serves as secretary of the county excise board. Failure by either the particular unit of government or the county clerk to levy the necessary taxes for debt service makes it the duty of the state auditor to certify the proper amount to the county treasurer who is then required to make the necessary levy.

The county assessor is required to file a tax roll report on or before October 1 of each year with the county treasurer indicating the net assessed valuation for each governmental entity within the county. This report includes the assessed valuation for all real, personal and public service property (public service property assessed valuations are determined by the Oklahoma Tax Commission). The county treasurer must begin collecting taxes by November. The first half of taxes is due and payable on or before December 31. The second half becomes due and payable on or before March 31. If the first half is not paid by December 31, it all becomes due and payable on January 1.

Ad valorem taxes not paid on or before April 1 are considered delinquent. Interest accrues on delinquent taxes at the rate of one and one-half percent monthly (18 percent annually) to a maximum of 100 percent of the taxes due and owing until such time as the delinquent taxes are paid. The county treasurer shall give notice of delinquent taxes by publication once a week for two (2) consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable, in some newspaper in the county to be designated by the county treasurer. Such notice shall contain a notification that all lands on which the taxes are delinquent and remain due and unpaid now has a tax lien for ad valorem taxes and such property will be sold at a public auction if unpaid for a period of three (3) years or more as of the date such taxes first became due and payable.

THE PROJECTS

The projects to be funded by the 2018 Bonds include (i) approximately \$6,000,000 for street projects, including reconstructing, resurfacing, repairing, rehabilitating of streets, and may include traffic control signals, signs, markings, devices, conduit improvements, street lighting, technology improvements, drainage, intersection improvements, sidewalk repair and installation, bike paths or multi-

modal paths, right-of-way acquisition, utility relocation, and landscaping; and (ii) approximately \$1,000,000 for parks and recreational facilities, including constructing, expanding, repairing, improving, renovating, acquiring, and equipping existing parks and recreational facilities.

Sources and Uses

The sources and uses of the funds relating to the 2018 Bonds are set forth in the following table:

Sources and Uses of Funds

Sources

Par Amount of 2018 Bonds	7,110,000.00
Accrued Interest	19,000.00
Original Issue Discount	(13,833.75)
Premium	<u>111,940.05</u>
Total Sources	<u>7,227,106.30</u>

Uses

Project Fund	7,002,678.00
Accrued Interest	19,000.00
Bond Issuance Costs*	181,875.95
Deposit to Sinking Fund	<u>23,552.35</u>
Total Uses	<u>7,227,106.30</u>

*Includes Underwriter's Discount, Bond Counsel, Disclosure Counsel, Financial Advisor, Rating Agency, Paying Agent, Printing , and Oklahoma Attorney General fees

CITY OF THE VILLAGE

General

The City of The Village, Oklahoma (the “City”) is located in central Oklahoma County, the most populated county in Oklahoma. The 2010 Census reports the population of the City at 8,929. The 2010 Census population for Oklahoma County was 718,633. The American Community Survey 5-Year Estimates show an estimated 2015 population of 9,310 for the City and 764,698 for Oklahoma County.

The City was chartered as a town in 1950 and became a city in 1959 and operates under a Council-Manager form of government. The City is located in the northern part of the greater Oklahoma City metropolitan area. The City is bordered on the west, north, and east by the City of Oklahoma City, and on the south by the City of Nichols Hills. Nearby major highways include State Highway 74, Kilpatrick Turnpike, U.S. Highway 77, Interstate 35, Interstate 40, and Interstate 44. The City encompasses approximately 2.7 square miles.

Budgetary compliance – The City prepares its annual operating budget under the provisions of the Municipal Budget Act (Title 11, Oklahoma State Statutes, Sections 17-201 through 17-218) (the “Budget Act”). In accordance with those provisions, the following process is used to adopt the annual budget.

- Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1
- Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1
- Subsequent to the public hearings, but no later than seven days prior to July 1, the budget is adopted by resolution of the City Council
- By July 1, the adopted budget is filed with the Office of State Auditor and Inspector

All funds of the City with revenues and expenditures are required to have annual budgets. The legal level of control at which expenditures may not legally exceed appropriations is the departmental level.

All transfers of appropriations between departments and supplemental appropriations require City Council approval. Budget supplements must also be filed with the Office of State Auditor and Inspector.

In addition, the City has established public trusts to provide services for its residents. In accordance with Title 60 of the Oklahoma State Statutes, the City’s Title 60 public trust (accounted for as enterprise fund and similar component unit) is required to prepare an annual budget and submit a copy to the City as beneficiary. However, there are no further requirements such as form of budget, approval of the budget or definition of a legal level of control. See “Economic Development Activity of the City” herein.

Full-time equivalent City employees by department as of April 6, 2018 are shown below:

Administration and Finance	5
Police	27
Fire	18
Public Works	12
Building and Code	5
Municipal Court	<u>3</u>
TOTAL	<u>70</u>

Source: City management

The legislative and policy-making body consists of a five-member City Council, with staggered terms for a period of four years. The Mayor is elected within the Council membership. The City Manager is responsible for the day-to-day operations of City government.

The major public school system in the City is the Oklahoma City School District (Oklahoma County Independent School District No. 89) with most residents of the City zoned for Andrew Johnson Elementary, Ridgeview Elementary, Greystone Elementary, Quail Creek Elementary, or Britton Elementary; and John Marshall Mid-High School or Oklahoma Centennial High School. Charter school options include Belle Isle Middle School (6-8), Classen School of Advanced Studies (6-12), Harding Charter Preparatory High School (9-12) and Harding Fine Arts (9-12). Local private school options include Casady School (K-12), Heritage Hall (K-12), Catholic School of St. Eugene (K-8), Christ the King

Catholic School (K-8), and Bishop McGuiness Catholic High School (9-12). Higher educational opportunities are available nearby, including Oklahoma City University, The University of Central Oklahoma, Oklahoma Christian University, Oklahoma City Community College, Oklahoma State University – Oklahoma City as well as other colleges, universities and technical colleges.

Medical facilities available to the community include Integris Baptist Medical Center, AllianceHealth Deaconess, Mercy Hospital, and University of Oklahoma Medical Center. Ambulance service is provided by Emergency Medical Services Authority, which is a public trust of the City of Oklahoma City and the City of Tulsa that serves both metropolitan areas.

Major Area Employers

The major employers for the Greater Oklahoma City Metropolitan Statistical Area (MSA) and historical unemployment rates for the MSA are presented below. Additional employment data may be found in the “Economic and Demographic Information” section – herein.

<u>NAME</u>	<u>TYPE OF BUSINESS</u>	<u># EMPLOYED</u>
1. State of Oklahoma	Government	47,300
2. Tinker Air Force Base	Military	24,000
3. University of Oklahoma - Norman	Higher Education	12,700
4. FAA Mike Monroney Aeronautical Center	Aerospace	7,000
5. INTEGRIS Health	Health Care	6,000
6. Hobby Lobby Stores, Inc	Wholesale & Retail	5,100
7. University of Oklahoma Health Sciences Center	Higher Education	5,000
8. City of Oklahoma City	Government	4,700
9. Mercy Hospital	Health Care	4,500
10. OGE Energy Corp.	Utility	3,400

Source: Prepared by financial advisor from information compiled by Economic Development Division of the Greater Oklahoma City Chamber, February 2018

Historical Unemployment Rates – Oklahoma City MSA

2007	4.2%	2012	4.5%
2008	3.8%	2013	4.6%
2009	5.9%	2014	4.0%
2010	5.9%	2015	3.8%
2011	5.0%	2016	4.2%
		2017	3.5% (December)

Source: Bureau of Labor Statistics, Local Area Unemployment Statistics. Prepared by Financial Advisor.

Economic Development Activity of the City

In 2006 the City created Increment District No. 1, City of The Village (“TIF 1”) which captures incremental ad valorem tax revenue created in TIF 1 for a period of up to 25 years. TIF 1 led to the construction of over one hundred and twenty (120) single-family homes and townhouses near City Hall as part of a plan to create a pedestrian friendly, mixed use, village-style town center with park features and pathways.

In 2009, the City created Increment District No. 2, City of The Village (“TIF 2”) within the same boundaries as TIF 1, but which captured incremental sales tax revenue. The focus of TIF 2 was retail development. The City was able to attract some retail investment. TIF 2 expired in 2015.

In 2015, the City created Increment District No. 3, City of The Village (“TIF 3”), a sales tax increment district which was instrumental in attracting a prominent upscale grocery store to The Village. The grocery store opened in early 2016 and is now one of the largest ad valorem taxpayers in the City.

To finance economic development, The Village Public Works Authority (“VPWA”), a public trust created by a Trust Indenture dated as of October 17, 1961, with the City as beneficiary, has entered into loans with a bank and the Oklahoma Department of Commerce to finance land purchase and redevelopment within the City. The loans are secured by land, a pledge of certain sales tax revenue, and ad valorem revenue from TIF 1.

Economic Development Loans - VPWA

Type of Obligation	Issue Date	Purpose	Original Principal Amount	Maturity	Outstanding Balance 6/30/2017
Note with BancFirst	6/14/2014	Land purchase/redevelopment	\$2,000,000	6/14/2021	2,000,000
Note with BancFirst	6/14/2014	Land purchase/redevelopment	\$3,358,000	6/14/2021	854,184
Note with Southwest Trinity Management LLC	12/1/2012	Infrastructure for elder care facility	\$500,000	12/31/2031	340,737
Note with Oklahoma Dept. of Commerce	9/4/2008	Land redevelopment	<u>\$259,080</u>	8/1/2018	<u>234,080</u>
Totals			\$6,117,080		\$3,429,001

Source: Loan documents. Table prepared by financial advisor

Capital Improvement Plan

Currently the City is developing a Capital Improvement Plan which it expects to complete by the end of calendar year 2018.

Municipal Services

The City provides basic services affecting all its residents including but not limited to police and fire protection, parks, streets, and sewer and solid waste collection.

Water System. Drinking water is provided to residents by the City of Oklahoma City, which also bills the accounts and provides water line maintenance.

Sewer System. The City provides sewage collection services, with approximately 50 miles of collection lines, serving approximately 4,600 residential and approximately 300 commercial accounts. Collected sewage is treated by Oklahoma City. Oklahoma City bills customers for sewage treatment costs on their water bills. The City bills customers separately for sewer collection, along with solid waste collection.

Solid Waste System. The City provides solid waste and recycling collection services for residential and commercial customers once per week through a third-party contractor. Bulky waste is collected once per month. The City currently serves approximately 4,600 customers on its solid waste system.

Other Utilities. Electrical power is supplied by OG&E, natural gas by Oklahoma Natural Gas Company, and telephone service by AT&T. Cox Communications is the local cable television provider.

FINANCIAL INFORMATION

Financial Management and Control

The accounting and reporting policies of the City relating to the fund types included in the financial statements conform to generally accepted accounting principles (GAAP), with the exception that the City utilizes a modified cash basis of accounting, as further described in the notes to the financial statements in the City's Annual Financial Report for the fiscal year ended June 30, 2017. Generally accepted accounting principles for municipalities are defined as those principles established by the Governmental Accounting Standards Board (GASB). See "EXHIBIT A – ANNUAL FINANCIAL REPORT" herein.

Budgeting Process

The City prepares annual budgets in accordance with the Budget Act, which provides standard procedures for the preparation, presentation, administration and monitoring of budgets. The City Council approves annual budgets for the General Fund, Special Revenue Funds, the Debt Service Fund, and proprietary fund operations. A proposed budget is prepared under the supervision of the City Manager and submitted to the City Council in May each year. The City holds a public hearing no later than June 15th of each year, with a budget summary published at least five (5) days prior to the hearing. After that hearing and seven (7) days before the beginning of the Fiscal Year on July 1st, the City Council adopts the budget. The adopted budget must be transmitted to the Oklahoma State Auditor and Inspector, with one copy kept in the office of the City Clerk. The adopted budget goes into effect on and after the first day of the fiscal year to which it applies and constitutes an appropriation for each fund.

Governmental Funds

The following Major Governmental Funds are reported in the City's financial statements:

General Fund. The General Fund is the primary operating fund of the City that accounts for all financial transactions not accounted for in other funds. The General Fund also accounts for activities related to sanitation services provided by the City. Fees are charged users of these services in order to recover the costs of providing the services; however the activities are not financed with debt, and laws or regulations do not require that the City recover the costs of the services through user charges, therefore they are not reported in enterprise funds.

Special Reserve Fund. The Emergency Reserve Fund is a permanent fund that accounts for excess assets that were returned by the Oklahoma Municipal Retirement Fund after conversion of the retirement plan from a defined benefit plan to a defined contribution plan. The City has investment responsibility for these permanent fund assets.

Capital Projects Fund. Labeled the TIF Fund within the City's financial statements, this fund was created by the City to account for projects related to the Tax Increment Financing districts for the City that were authorized and initiated using The Village Development Authority.

The following Non-major Funds are reported in the City's financial statements:

Special Revenue Funds. Special Revenue Funds are used to account for revenues derived from specific taxes or other sources which are designated to finance particular functions or activities of the City.

Capital Projects Funds. Capital Projects funds account for the receipt and disbursement of resources for the purpose of building or buying major capital assets, such as schools, public buildings, or recreational facilities. Resources may be derived from a variety of sources, including bond proceeds, loans, or grants.

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities arising from cash transactions are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

For more information about governmental funds, see "EXHIBIT A – ANNUAL FINANCIAL STATEMENTS" herein.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The accounts of the City include agency funds. Agency funds are custodial in nature (assets equal liabilities), and do not involve measurement of results of operations.

Investments

The City Code authorizes the City Treasurer to invest funds of the City in any instrument authorized by State law, including but not limited to the following:

- Direct obligations of the United States Government, its agencies or instrumentalities to the payment of which full faith and credit of the Government of the United States is pledged
- Collateralized or insured certificates of deposits of banks and credit unions located in the State of Oklahoma, when the certificates of deposit are secured with acceptable collateral, or fully insured certificates at banks and credit unions located out of state
- Savings accounts or certificates to the extent that the accounts or certificates are fully insured by the Federal Deposit Insurance Corporation (FDIC)
- Prime banker's acceptances which are eligible for purchase by the Federal Reserve System and which do not exceed two hundred seventy (270) days' maturity. Purchases of prime commercial paper may not exceed ten (10%) percent of the surplus funds of the City and not more than one-half of the ten (10%) percent limit shall be invested in any one commercial bank.

As of June 30, 2017, the City had \$713,820 in money market funds and \$1,500,000 in certificates of deposit for a total of \$2,213,820. As of June 30, 2017, the weighted average maturity of the certificates of deposit was 1.02 years.

General Fund Highlights

Revenues and expenditures for the City's General Fund as presented in the City's audited financial statements for Fiscal Years 2013 through 2017 are shown below:

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	Fiscal Year Ended June 30:				
	2013	2014	2015	2016	2017
REVENUES					
Taxes	\$ 5,335,986	\$ 5,028,346	\$ 5,117,603	\$ 5,367,714	\$ 6,062,242
Intergovernmental	456,392	541,462	661,686	581,477	74,424
Charges for services	1,844,539	1,956,279	1,965,168	1,970,519	2,212,396
Fines and forfeitures	292,701	404,528	487,032	374,372	428,041
Licenses and permits	566,459	391,887	328,952	344,841	323,388
Investment income	15,396	11,986	13,340	14,209	13,885
Miscellaneous	170,204	119,444	16,039	107,762	85,251
Total Revenues	8,681,677	8,453,932	8,589,820	8,760,894	9,199,627
EXPENDITURES					
General Government	1,156,433	1,437,952	948,213	850,992	961,672
Public Safety					
Police	2,442,001	2,515,016	2,717,682	2,403,506	2,674,180
Municipal court	156,895	186,909	141,115	154,816	164,594
Fire	2,220,963	2,412,765	2,551,052	2,152,979	2,169,560
Public Services	1,592,208	1,638,745	2,164,806	2,813,635	2,344,614
Culture and recreation	180,503	190,575	215,766	186,006	241,117
Debt Service	48,018	145,302	-	-	-
Capital Outlay	168,310	-	-	-	-
Total Expenditures	7,965,331	8,527,264	8,738,634	8,561,934	8,555,737
Excess (deficiency) of revenues over expenditures	716,346	(73,332)	(148,814)	198,960	643,890
OTHER FINANCING SOURCES (USES)					
Transfers in	15,000	15,000	4,369,794	305,000	15,000
Transfers out	(20,068)	(482,135)	(4,458,535)	(223,498)	(391,517)
Total other financing sources and uses	(5,068)	(467,135)	(88,741)	81,502	(376,517)
Net Change in fund balance	711,278	(540,467)	(237,555)	280,462	267,373
Fund Balance, beginning	3,282,125	3,157,668	2,617,201	2,379,646	2,660,108
Fund Balance, ending	3,993,403	2,617,201	2,379,646	2,660,108	2,927,481

Source: Table prepared by financial advisor from financial statement ("Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash") included in City of The Village Annual Financial Report for fiscal years ended June 30, 2013 through June 30, 2017. July 1, 2013 fund balance of \$3,993,403 re-stated as \$3,157,668 in Annual Financial Report for the year ended June 30, 2014 due to a change to a modified cash basis of accounting.

Net Assessed Valuation

The assessed valuation of property within the City is comprised of three components: real, personal and public service. The county assessor in each county determines the real and personal property values on an annual basis. Public service valuations are compiled annually by the Oklahoma Tax Commission and set by the State Board of Equalization. Once the valuation is determined, an assessment rate is calculated to provide the assessed valuation on which the appropriate tax levy is determined.

In accordance with the Oklahoma Constitution, the assessment rate for real and personal property set by each county must be within a range established by the State Board of Equalization. As a result of passage of State Question No. 675 on November 5, 1996, the Oklahoma Constitution was amended to provide that the allowable range for real property be placed between 11 percent and 13-½ percent and the range for personal property be set between 10 percent and 15 percent. Beginning January 1, 1997, the percentage at which real or personal property is assessed within a county shall not be increased except upon approval by a majority of the registered voters of the county, voting at an election called for that purpose by a majority of county commissioners, or upon a petition initiated by not less than ten percent (10%) of the registered voters of the county based on the total number of votes cast at the last general

election for the county office receiving the highest number votes at the election. In no event shall the percentage be increased by more than one percentage point per year or increase in excess of the aforementioned assessment ranges for personal and real property. The percentage at which real or personal property is assessed within a county may be decreased within the limitations (assessment ranges) without approval of the voters of the county.

Also, as provided by State Question No. 675, all other property (primarily public service property) assessed by the State Board of Equalization shall be assessed at the percentage of its fair cash value, estimated at the price it would bring at a fair voluntary sale, at which it was assessed on January 1, 1996. Consequently, the assessment rates on public service property and on airlines and railroads included in the public service category were set at 22.85% and 11.84%, respectively.

The Constitution of the State of Oklahoma provides exemptions to real and personal property owners based on certain qualifications and guidelines. A residential homeowner is allowed a homestead exemption deduction equal to \$1,000 of net assessed valuation.

In 1996 voters of Oklahoma County approved the exemption of personal property taxes on “household goods of the heads of families and livestock employed in support of the family” located within the County. The election was held pursuant to an amendment to the Constitution of the State of Oklahoma approved by the voters as State Question 648 on November 3, 1992, which gave each county the authorization to hold such an election.

Table 1 below presents the historical net assessed valuation by Oklahoma County for the City from 2010 to 2018. Net assessed valuation increased 28.19 percent during the period shown. The current assessment rates are 11 percent and 13.75 percent in Oklahoma County for real and personal property, respectively. The City’s Net Assessed Valuation in the most recent year shows an increase of 7.48 percent.

Table 1
Historical Net Assessed Valuation

Fiscal Year	Net Real Property*	Personal Property	Public Service	Net Assessed Valuation	Percent Change
2017-18	\$ 69,054,092	\$ 6,930,667	\$ 1,737,691	\$ 77,722,450	7.48%
2016-17	65,223,068	5,795,557	1,295,691	72,314,316	1.48%
2015-16	63,563,163	6,333,286	1,365,582	71,262,031	2.50%
2014-15	61,199,425	7,005,506	1,316,230	69,521,161	5.19%
2013-14	59,280,273	5,549,119	1,261,450	66,090,842	1.53%
2012-13	58,033,992	5,752,578	1,305,877	65,092,447	2.50%
2011-12	57,127,812	4,983,877	1,391,368	63,503,057	2.24%
2010-11	55,706,043	5,094,979	1,313,020	62,114,042	2.44%
2009-10	54,201,245	5,233,373	1,197,078	60,631,696	

Source: Oklahoma County Assessor Assessed Valuation report. Table prepared by financial advisor from respective reports for period shown

*Excludes applicable homestead exemptions along with a portion of the net assessed value of property included in a tax increment district

Table 2 below presents estimated actual market valuations from 2010 to 2018.

Table 2
Estimated Actual Market Valuation

Year	Market Valuation	Percent Change
2017-18	\$685,774,098	7.03%
2016-17	\$640,756,907	1.73%
2015-16	\$629,883,487	2.74%
2014-15	\$613,067,850	4.84%
2013-14	\$584,789,371	1.68%
2012-13	\$575,133,674	2.40%
2011-12	\$561,679,261	2.27%
2010-11	\$549,219,224	2.46%
2009-10	\$536,038,339	

Source: Oklahoma County Assessor Assessed Valuation report. Table prepared by financial advisor from respective reports for period shown. Market valuations calculated using property assessment ratios for real, personal, and public property for Oklahoma County. Public service property assessment ratio of 22.85% used for all public service property.

Largest Ad Valorem Taxpayers

The largest ad valorem taxpayers in the City for Fiscal Year 2017-2018 are shown below in Table 3 according to net assessed valuation.

Table 3
Largest Ad Valorem Taxpayers

Name	Type of Business	Net Assessed Valuation	Percent of Total 2017 NAV
Love's Country Stores Office	Office	\$ 1,821,906	2.34%
Love's Travel Stops	Office	1,769,331	2.28%
Oklahoma Gas & Electric Co.	Utility	1,199,130	1.54%
MVP Casady LP	Retail	1,114,280	1.43%
Binkowski, Henry	Retail Grocery	1,104,103	1.42%
Southwest Trinity	Nursing Home	1,034,171	1.33%
Esperanza Real Estate	Retail	934,105	1.20%
B&R Real Estate Leasing Co. LLC	Retail	913,496	1.18%
ATIDS COVAK 5 LLC et al	Senior Living	851,956	1.10%
9520 North May Partners LLC	Office	675,399	0.87%
		\$11,417,877	14.69%

Source: Oklahoma County Assessor report entitled "City of The Village Principle Taxpayers". Table prepared by financial advisor.

Levy History

Table 4 below presents the historical ad valorem tax levies within the City for all taxing entities. Total tax levies have averaged 98.22 mills during the last ten years with the Fiscal Year 2017-18 levy at 98.09 mills.

Table 4
Historical Tax Levies*

Fiscal Year	Oklahoma County	ISD No. 89	Career Tech No. 22	City of The Village	Total Levy
2017-18	23.28	59.36	15.45	-	98.09
2016-17	23.81	59.36	15.45	-	98.62
2015-16	23.72	59.71	15.45	-	98.88
2014-15	23.58	59.36	15.45	-	98.39
2013-14	23.87	60.39	15.45	-	99.71
2012-13	23.97	59.29	15.45	-	98.71
2011-12	24.06	62.09	15.45	-	101.60
2010-11	24.27	58.70	15.45	-	98.42
2009-10	24.79	58.43	15.45	-	98.67
2008-09	23.18	52.48	15.45	-	91.11

*Shown as \$1/\$1,000 (also called a "mill") of assessed value

The amounts shown above include operating levies, and levies to pay principal and interest on outstanding general obligations bonds, if any; and on judgments, if any.

Source: Oklahoma County levy tables provided by Oklahoma County Clerk. Table prepared by financial advisor.

Sinking Fund Tax Collection History

The City has not previously issued general obligation bonds, so there is no sinking fund tax collection history to report.

INDEBTEDNESS

General Long-Term Debt of the City

The general long-term debt payable as of June 30, 2017 as recorded in the City's Annual Financial Report June 30, 2017 is summarized below:

General Long-Term Debt as of June 30, 2017

Type of Debt	Balance
General Obligation Bonds	\$0
Capital Lease Obligations	\$277,239
Compensated Absences	\$1,234,489
Notes Payable (1)	<u>\$3,429,001</u>
Total	\$4,940,729

Source: Annual Financial Report June 30, 2017. Table prepared by financial advisor.

(1) Loans entered into by The Village Public Works Authority for economic development purposes. See "CITY OF THE VILLAGE – Economic Development Activity of the City" herein

General Obligation Bonds

The City has no default on principal and interest payments of its general obligation bonded indebtedness of record. As of April 6, 2018, the City had no General Obligation Bond issues outstanding.

Bond Indebtedness Including 2018 Bonds

The general obligation bond indebtedness of the City including the 2018 Bonds is as follows:

2018 General Obligation Bonds Annual Debt Service

Date	Principal	Interest	Debt Service	Annual Debt Service
5/1/2019		\$228,000.00	\$228,000.00	\$228,000.00
11/1/2019		114,000.00	114,000.00	
5/1/2020	\$360,000.00	114,000.00	474,000.00	588,000.00
11/1/2020		105,000.00	105,000.00	
5/1/2021	375,000.00	105,000.00	480,000.00	585,000.00
11/1/2021		99,375.00	99,375.00	
5/1/2022	375,000.00	99,375.00	474,375.00	573,750.00
11/1/2022		93,750.00	93,750.00	
5/1/2023	375,000.00	93,750.00	468,750.00	562,500.00
11/1/2023		88,125.00	88,125.00	
5/1/2024	375,000.00	88,125.00	463,125.00	551,250.00
11/1/2024		82,500.00	82,500.00	
5/1/2025	375,000.00	82,500.00	457,500.00	540,000.00
11/1/2025		76,875.00	76,875.00	
5/1/2026	375,000.00	76,875.00	451,875.00	528,750.00
11/1/2026		71,250.00	71,250.00	
5/1/2027	375,000.00	71,250.00	446,250.00	517,500.00
11/1/2027		65,625.00	65,625.00	
5/1/2028	375,000.00	65,625.00	440,625.00	506,250.00
11/1/2028		60,000.00	60,000.00	
5/1/2029	375,000.00	60,000.00	435,000.00	495,000.00
11/1/2029		54,375.00	54,375.00	
5/1/2030	375,000.00	54,375.00	429,375.00	483,750.00
11/1/2030		48,750.00	48,750.00	
5/1/2031	375,000.00	48,750.00	423,750.00	472,500.00
11/1/2031		43,125.00	43,125.00	
5/1/2032	375,000.00	43,125.00	418,125.00	461,250.00
11/1/2032		37,265.63	37,265.63	
5/1/2033	375,000.00	37,265.63	412,265.63	449,531.26
11/1/2033		31,406.25	31,406.25	
5/1/2034	375,000.00	31,406.25	406,406.25	437,812.50
11/1/2034		25,312.50	25,312.50	
5/1/2035	375,000.00	25,312.50	400,312.50	425,625.00
11/1/2035		19,218.75	19,218.75	
5/1/2036	375,000.00	19,218.75	394,218.75	413,437.50
11/1/2036		13,125.00	13,125.00	
5/1/2037	375,000.00	13,125.00	388,125.00	401,250.00
11/1/2037		6,562.50	6,562.50	
5/1/2038	375,000.00	6,562.50	381,562.50	388,125.00
	\$7,110,000.00	\$2,499,281.26	\$9,609,281.26	\$9,609,281.26

The combined estimated principal and interest levy requirements for the 2018 Bonds, is shown below in Table 5 for the next five fiscal years.

Table 5
Principal and Interest Levy Requirements for 2018 Bonds

Fiscal Year	Principal Levy	Interest Levy	Total Levy
2018-19	\$355,500	\$267,094	\$622,594
2019-20	\$355,500	\$225,938	\$581,438
2020-21	\$355,500	\$209,063	\$564,563
2021-22	\$355,500	\$197,813	\$553,313
2022-23	\$355,500	\$195,000	\$550,500

Source: Table prepared by financial advisor from General Obligation Bond Offering Document and financial advisor projections for period shown

Judgments

Judgments against a city are payable from ad valorem taxes over three years at an interest rate set by State law. As of April 6, 2018, the City had no judgments or judgment payments.

Statement of Indebtedness
(As of April 6, 2018)

Estimated Actual Market Value (2017-2018)		\$685,774,098
Assessed Valuation (Gross) Including Homestead Exemptions		80,115,696
Real Property*	69,054,092	
Personal Property	6,930,667	
Public Service Property	1,737,691	
Net Assessed Valuation (Deducts Homestead and Veteran Exemptions)		77,722,450
Debt Outstanding		
Existing Bonded Indebtedness	-	
2018 Bonds (authorized)	7,110,000	
Judgments	-	
Total Debt Outstanding		7,110,000
Less Sinking Fund Balance (as of 3/19/2018)		\$0
Net General Obligation Indebtedness		7,110,000
Ratio of Net General Obligation Bonds Outstanding to Net Assessed Valuation		9.15%
Net Indebtedness Per Capita (Based on 2010 Census population of 8,929)		\$796.28

*Excludes Homestead Exemptions of \$2,393,246

Source: Oklahoma County Assessor's Valuation Report, City General Obligation Bond Offering Document, Sinking Fund Cash and Investment Balance, and City management. Table prepared by financial advisor.

**Net Direct, Underlying and Overlapping
General Obligation Bonded Indebtedness**

The proportionate share of the net direct, underlying and overlapping indebtedness within the City includes debt of the City, Oklahoma City School District (I-89), Metro Tech (V-22), and Oklahoma County as shown. The aggregate net indebtedness directly, underlying and overlapping the City is \$12,637,280, as of June 30, 2017.

Net Direct, Underlying and Overlapping Indebtedness

Governmental Entity	Net Indebtedness	Estimated % Applicable to City	Overlapping Debt Applicable to City	Per Capita Debt
City of The Village	\$7,110,000	100.00%	\$7,110,000	\$796.28
Oklahoma City School District (I-89)	\$133,481,002	3.70%	\$4,939,793	\$553.23
Metro Tech (V-22)	\$0	4.58%	\$0	\$0.00
Oklahoma County	\$53,536,587	1.10%	\$587,487	\$65.80
Totals	\$194,127,589		\$12,637,280	\$1,415.31

Source: Respective governmental entity's Estimate of Needs filed with the Oklahoma State Auditor and Inspector's Office. Table prepared by financial advisor.

Other Long-Term Obligations

As of June 30, 2017, the City had the following outstanding capital lease obligations.

Capitalized Leases				
Dated	Purpose	Original Amount	Maturity	Annual Payment
12/1/2013	Fire truck	\$360,916	12/17/2018	\$64,201
11/20/2014	Police motorcycle	\$27,745	1/10/2018	\$7,205
12/4/2014	Police car	\$46,746	2/15/2019	\$12,119
1/27/2015	Public works truck	\$34,699	1/30/2019	\$9,240
2/16/2016	Code enforcement vehicle	\$22,940	2/16/2018	\$4,361
7/20/2016	Fire department vehicle	\$32,595	2/16/2018	\$11,260
7/21/2016	Public works vehicle	\$28,725	10/21/2018	\$9,260
7/19/2016	Two police vehicles	\$82,418	10/20/2019	\$21,491
8/17/2016	Two police vehicles	\$14,599	10/17/2018	\$4,938
		\$651,383		\$144,075

Source: Annual Financial Report June 30, 2017. Table prepared by financial advisor.

Retirement Plans

Each qualified employee is included in one of three retirement plans. These are the Oklahoma Firefighters Pension and Retirement System (defined benefit), and Oklahoma Police and Retirement System (defined benefit), and a defined contribution plan for all other qualified employees. The City does not maintain the accounting records, hold the investments or administer the firefighter or police retirement funds. The police and firefighter plans are statewide systems administered by the State of Oklahoma. Each of these plans are described in the Annual Financial Report as of June 30, 2017 included herein as on Exhibit A.

As of June 30, 2017, the City's contributions as a percentage of covered-employee payroll were: 13% for the Oklahoma Firefighters Pension and Retirement System; 13% for the Oklahoma Police Pension and Retirement System; and 7% for all other qualified employees.

As of June 30, 2017, the funded ratio was 65.4% for the Oklahoma Firefighters Pension and Retirement System, and 101.8% for the Oklahoma Police Pension and Retirement System.

For more information on the retirement systems and other post-employment benefits applicable to the City, see “EXHIBIT A—ANNUAL FINANCIAL REPORT”

Authorized but Unissued Bonds

Upon issuance of the 2018 Bonds, there will be \$3,270,000 remaining to be issued from the 2018 election. The City has not determined a date to issue the remaining debt, but it is anticipated to occur within the next five years.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population

Table 6 below presents historical census population for the City and Oklahoma County.

**Table 6
Population**

Year	City of The Village	Oklahoma County
1970	13,695	526,805
1980	11,114	568,933
1990	10,353	599,611
2000	10,157	660,448
2010	8,929	718,633
2015	9,310	782,970

Source: U.S. Census Bureau decennial census. 2015 data from American Fact Finder, U.S. Census Bureau. Table prepared by financial advisor

Population by Age

Table 7 below presents the distribution of population by age for the City, Oklahoma County and the State of Oklahoma for selected years.

Table 7
Percentage of Population By Age

Year	Age Grouping					Total
	Under 5	5-19	20-44	45-64	65+	
<u>2000</u>						
City of The Village	7.7%	14.5%	42.6%	18.9%	16.3%	100%
Oklahoma County	7.3%	21.3%	37.7%	21.4%	12.3%	100%
State of Oklahoma	6.8%	22.2%	35.5%	22.2%	13.3%	100%
<u>2010</u>						
City of The Village	7.2%	12.9%	41.6%	23.1%	15.2%	100%
Oklahoma County	7.7%	20.3%	35.3%	24.8%	11.9%	100%
State of Oklahoma	7.0%	20.8%	33.0%	25.8%	13.4%	100%
<u>2015</u>						
City of The Village	4.9%	13.0%	41.6%	22.8%	17.7%	100%
Oklahoma County	7.8%	20.2%	35.5%	24.0%	12.5%	100%
State of Oklahoma	6.9%	20.6%	33.3%	25.0%	14.2%	100%

Source: U.S. Census Bureau, American Fact Finder. Table prepared by financial advisor.

Per Capita Income

A comparison of Oklahoma County and the State of Oklahoma is shown below in Table 8 for the years 2009 through 2016. Area Per Capita Income in 2016 for Oklahoma County was \$47,583 compared to the State level of \$42,692.

Table 8
Area Per Capita Income

Year	Oklahoma County	State of Oklahoma
2016	\$47,583	\$42,692
2015	\$47,991	\$43,695
2014	\$46,830	\$45,186
2013	\$44,958	\$42,684
2012	\$44,431	\$41,098
2011	\$43,492	\$38,459
2010	\$41,770	\$35,911
2009	\$41,420	\$34,920

Source: U.S. Bureau of Economic Analysis, CA-1 Personal Income Summary, Current Dollars. Table prepared by financial advisor.

Employment Data

The number of persons in the Oklahoma County labor force and number employed for the years 2008 through 2017 are shown below in Table 9. Also, shown is the Oklahoma County unemployment rate compared to state and national averages for the same period.

Table 9
Employment Data

Year	Labor Force, Oklahoma County	Number Employed, Oklahoma County	Unemployment Rate		
			Oklahoma County	State of Oklahoma	U.S.
2017	383,306	369,356	3.6%	4.3%	4.4%
2016	376,333	360,064	4.3%	4.9%	4.9%
2015	375,515	360,768	3.9%	4.4%	5.3%
2014	368,462	353,007	4.2%	4.5%	6.2%
2013	369,356	351,448	4.8%	5.2%	7.4%
2012	365,892	348,402	4.8%	5.2%	8.1%
2011	357,336	338,450	5.3%	5.8%	8.9%
2010	354,254	332,486	6.1%	6.8%	9.6%
2009	325,899	305,990	6.1%	6.4%	9.3%
<u>2008</u>	<u>324,124</u>	<u>311,404</u>	<u>3.9%</u>	<u>3.8%</u>	<u>5.8%</u>

Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics. Table prepared by financial advisor.

Sales Tax Receipts

City voters on January 9, 2018 approved a new 0.50% capital improvement sales tax. The new sales tax will increase the City sales tax from 4.0% to 4.5%, which together with the State sales tax of four and one-half percent (4.50%) places the total City and State sales tax rate at nine percent (9.00%). Historical sales tax collections for the City are shown below in Table 10.

Table 10
City of The Village Sales Tax Receipts

Fiscal Year	Total Receipts	1% Sales Tax Generated	Percent Change
2017	\$ 5,161,126	\$1,290,281	13.20%
2016	4,559,398	1,139,850	5.97%
2015	4,302,691	1,075,673	2.03%
2014	4,217,236	1,054,309	-6.50%
2013	4,510,610	1,127,653	14.11%
2012	3,952,984	988,246	0.17%
2011	3,946,403	986,601	9.22%
2010	3,613,366	903,342	-1.67%
2009	3,674,554	918,639	0.44%
<u>2008</u>	<u>3,658,321</u>	914,580	

Source: Oklahoma Tax Commission. Table prepared by financial advisor.

Residential Building Permits

Table 11 below indicates the number of construction permits issued for residential new construction purposes for the last ten calendar years.

Table 11
Number of Residential Building Permits
New Homes

2017	65
2016	56
2015	14
2014	59
2013	59
2012	36
2011	5
2010	2
2009	5
<u>2008</u>	0

Source: City Records. Table prepared by financial advisor.

RATING

The Bonds have been rated “AA” by S&P Global Ratings, acting through Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective views of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating company, if in the judgment of the company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. For an explanation of the significance of the rating, an investor should communicate with the rating agency directly.

The Municipal Rating Committee of Oklahoma, Inc. currently rates the general obligation indebtedness of the City as Oklahoma No. 2. For an explanation of the significance of the rating, an investor should communicate with the rating committee directly.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of The Public Finance Law Group PLLC, Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals under the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City in connection with the Bonds, and Bond Counsel has assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, (other than certain “qualified” obligations). The Bonds will be designated as “qualified” obligations for this purpose.

In addition, in the opinion of Bond Counsel to the City, under existing statutes, interest on the Bonds shall be exempt from Oklahoma income taxation pursuant to Section 2358.5 of Title 68, Oklahoma Statutes, 2011.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity (a bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Bonds. In general, the issue price for each maturity of Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount and market discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. The rule generally applies to taxable years after 2017, except that in the case of income from a debt instrument having original issue discount, the rule does not apply until taxable years after 2018.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the

Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING, OR DISPOSITION OF THE BONDS.

UNDERWRITING

The Bonds were sold at a competitive sale on April 25, 2018. The Bonds were purchased by Robert W. Baird & Co. Inc. (the "Purchaser"), at a true interest cost of 3.142756%. The Purchase Contract provides that the Purchaser will not be obligated to purchase any Bonds if all such Bonds are not available for purchase. The Purchaser may offer to sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering price stated on the inside cover page hereof. After the initial public offering, the public offering price may be changed from time to time by the Purchaser.

FINANCIAL ADVISOR

Municipal Finance Services, Inc. serves as Financial Advisor to the City in connection with the issuance of the Bonds. The information contained in the Official Statement has been obtained primarily from the City's records and from other sources which are believed reliable, including financial records of the City and other entities which may be subject to interpretation. Municipal Finance Services, Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds and certain financial information included in this Official Statement has been compiled by the Financial Advisor.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

FINANCIAL STATEMENTS

The Annual Financial Report of the City as of June 30, 2017, is included as Exhibit A.

CERTIFICATIONS

The City will furnish a statement to the effect that this Official Statement, to the best of its knowledge and belief as of the date of sale and the date of delivery, is true and correct in all material respects and does not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made not misleading.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with SEC Rule 15c2-12 (the “Rule”), pursuant to the Continuing Disclosure Agreement (the “Agreement”) to be executed on behalf of the City on or before closing, the City will covenant for the benefit of the holders or beneficial owners of the Series 2018 Bonds to provide certain financial information and operating data annually, and to provide notices of the occurrence of certain events enumerated in the Rule to the Municipal Securities Rulemaking Board (the “MSRB”), accompanied by identifying information and in an electronic format, as prescribed by the MSRB, pursuant to its Electronic Municipal Market Access (“EMMA”) System. The specific nature of the Agreement, as well as the information to be contained in the annual report or the notices of material events is set forth in the Agreement in substantially the form attached hereto as Exhibit B. See “EXHIBIT B—FORM OF CONTINUING DISCLOSURE AGREEMENT.”

The City has not entered into any prior continuing disclosure agreements.

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving certificate of the Attorney General of the State of Oklahoma and the legal opinion of The Public Finance Law Group PLLC, Oklahoma City, Oklahoma, Bond Counsel, as to validity and tax exemption. The opinion of Bond Counsel is expected to be in substantially the form of Exhibit C. Bond Counsel has not participated in the preparation of this Official Statement except for certain information on the cover and under the heading “TAX MATTERS.” Certain legal matters will be passed upon for the City by Kutak Rock LLP, Denver, Colorado, Disclosure Counsel for the City.

ABSENCE OF MATERIAL LITIGATION

There is not now pending or, to the knowledge of the City, threatened any litigation seeking to restrain or enjoin or in any way limit the approval or the issuance and delivery of the Official Statement or the Bonds or the proceedings or City under which they are to be issued. There is no litigation pending, or to the knowledge of the City, threatened which in any manner challenges or threatens the powers of the City to enter into or carry out the transactions contemplated herein.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are intended as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement has been duly authorized by the City.

CITY OF THE VILLAGE, OKLAHOMA

By /s/Dave Bennett
Mayor

Attest:

By /s/Bruce Stone
City Clerk

EXHIBIT A—ANNUAL FINANCIAL REPORT

CITY OF THE VILLAGE

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

WITH

INDEPENDENT AUDITOR'S REPORT

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CITY OF THE VILLAGE
ANNUAL FINANCIAL REPORT

JUNE 30, 2017



THE CITY OF THE VILLAGE, OKLAHOMA
ANNUAL FINANCIAL REPORT
JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of The Village, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of The Village, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1a; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of The Village, Oklahoma, as of June 30, 2017, and the respective changes in modified cash basis financial position in accordance with the modified cash basis of accounting as described in Note 1a.

Basis of Accounting

We draw attention to Note 1a of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of The Village, Oklahoma's basic financial statements. The management's discussion and analysis (pages 3-9), which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of The Village, Oklahoma's basic financial statements. The combining and individual nonmajor fund financial statements—modified cash basis (pages 26-28) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements—modified cash basis are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements—modified cash basis are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2018, on our consideration of the City of The Village, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of The Village, Oklahoma's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma
March 16, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of The Village's annual financial report, management provides narrative discussion and analysis of the financial activities for the fiscal year ended June 30, 2017. The City's financial performance is discussed and analyzed within the context of the accompanying modified cash financial statements and disclosures following this section.

Financial Highlights

The City's assets exceeded its liabilities by \$4,733,507 (Total Net Position on modified cash basis) at the close of the fiscal year.

The City's governmental funds reported a total ending fund balance of \$4,733,507 this year, while the *unassigned* fund balance totaled \$ 2,927,481.

At the end of the current fiscal year, unassigned fund balance for the General Fund was 2,927,481 or 34.8% of total General Fund expenditures.

Overview of the Modified cash financial statements

Management's Discussion and Analysis introduces the City's basic modified cash financial statements. The basic modified cash financial statements include: (1) government-wide modified cash financial statements, (2) fund modified cash financial statements, and (3) notes to the modified cash financial statements. The City also provides additional information to supplement the basic modified cash financial statements.

Government-wide modified cash financial statements. The City's annual report includes two government-wide modified cash financial statements, as described in the financial statement notes. These statements provide both long-term and short-term information about the City's overall status.

The first of these government-wide statements is the *Statement of Net Position – Modified Cash*. This is the City-wide statement of position presenting information that includes the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities – Modified Cash*. This statement reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Government-wide modified cash financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, and recreation. Business-type activities include wastewater utilities and solid waste management.

Fund modified cash financial statements. A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic modified cash financial statements, fund modified cash financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The City has two kinds of funds:

Governmental funds are reported in the fund modified cash financial statements and encompass essentially the same functions reported as governmental activities in the government-wide modified cash financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spend-able resources during the year and balances of spend-able resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spend-able resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Fiduciary funds are reported in the fiduciary fund modified cash financial statements, but are excluded from the government-wide reporting. Fiduciary fund modified cash financial statements report resources that are not available to fund City programs. Fiduciary fund modified cash financial statements report similarly to proprietary funds.

Notes to the modified cash financial statements. The accompanying notes to the modified cash financial statements provide information essential to a full understanding of the government-wide and fund modified cash financial statements. The notes to the modified cash financial statements begin immediately following the basic modified cash financial statements.

Other information. In addition to the basic modified cash financial statements and accompanying notes, this report also presents supplementary information including detail by fund and component unit, for receivables, payables, transfers, and payments within the reporting entity.

Major funds and component units are reported in the basic modified cash financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

Financial Analysis of the City as a Whole

The City's net position at fiscal year-end is \$4,733,507. The following table provides a summary of the City's net assets, although the previous year's report capital assets and related debt:

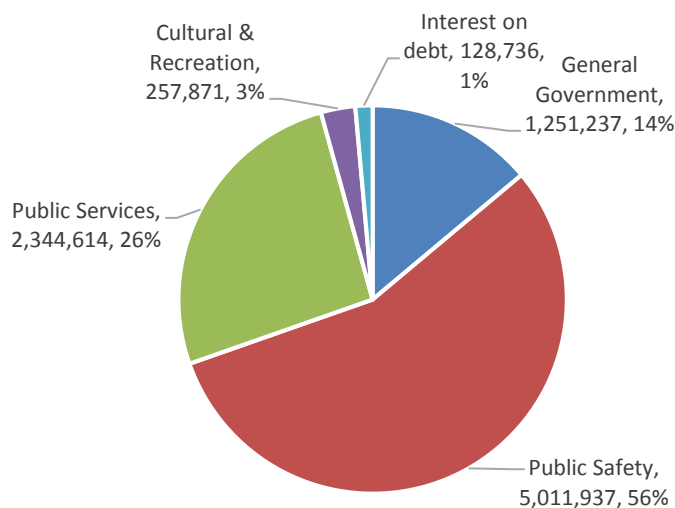
City of The Village, Oklahoma Summary & Comparison of Net Position at June 30, 2017

The City reported positive balances in net position for its governmental activities.

<i>Net Assets Comparison</i>	<i>Governmental Activities 30-Jun-13</i>	<i>Governmental Activities 30-Jun-14</i>	<i>Governmental Activities 30-Jun-15</i>	<i>Governmental Activities 30-Jun-16</i>	<i>Governmental Activities 30-Jun-17</i>
Cash and cash equivalents	5,793,463	4,477,815	4,056,074	1,737,250	2,519,929
Capital Assets / Investments	9,144,544	8,808,096	8,948,618	2,213,811	2,213,820
Total Assets	14,938,007	13,285,911	13,004,692	3,951,061	4,733,749
Current Liabilities	3,623,908	277,867	242,774	1,696	242
Long Term Liabilities	1,212,023	4,588,138	4,820,470	-	-
Total Liabilities	4,835,931	4,866,005	5,063,244	1,696	242
Net Position:					
Restricted for TIF fund				269,925	698,240
Net investment in capital assets	4,534,826	5,278,537	5,224,882	-	-
Unrestricted	5,567,250	3,141,369	2,716,566	3,679,440	4,035,267
Total Net Position	10,102,076	8,419,906	7,941,448	3,949,365	4,733,507

Governmental activities. The graph below shows the major governmental activities and their associated program revenues. You can easily see that all governmental activities are largely financed by taxes, rather than user fees. You can see that public safety activities account for approximately \$5,011,937 of the total \$8,994,395 (56%) in governmental expenditures.

EXPENSES - GOVERNMENTAL ACTIVITIES



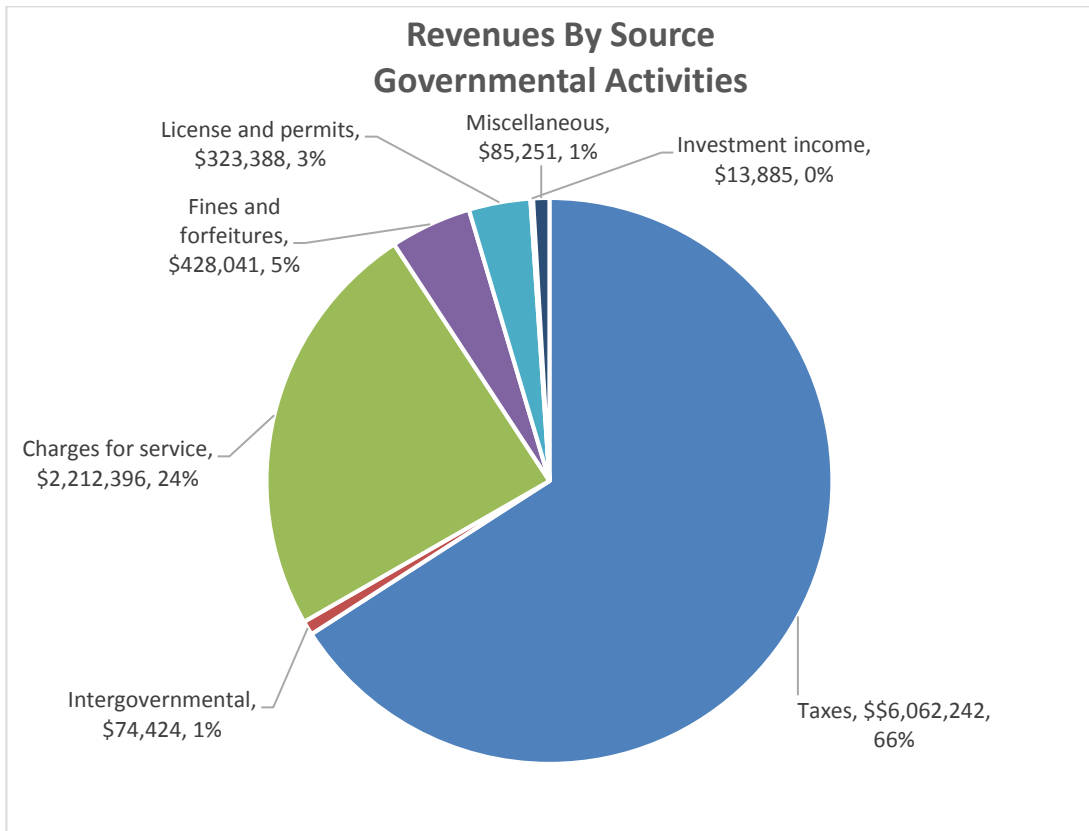
The next graph provides a detailed report on cash-basis expenditures for the General Fund in FY 2016-17. Since the General Fund is the main operating fund of the City, the table only includes activities funded through the General fund.

LINE ITEM	FY 15-16 EXPENDED	FY 16-17 EXPENDED	\$ DIFFERENCE	% DIFFERENCE
Salaries & Wages	\$4,195,336	\$4,495,976	\$300,640	7.17%
Overtime	\$136,456	\$134,476	(\$1,980)	-1.45%
Social Security	\$170,179	\$189,441	\$19,262	11.32%
Health Insurance	\$681,140	\$733,008	\$51,868	7.61%
Worker's Compensation	\$206,824	\$207,253	\$429	0.21%
Retirement	\$452,859	\$492,065	\$39,206	8.66%
Medicare	\$56,610	\$63,344	\$6,734	11.89%
Uniform Allowance	\$28,900	\$25,925	(\$2,975)	-10.29%
Educational Allowance	\$3,049	\$3,778	\$729	23.89%
Other Compensation	\$16,158	\$13,994	(\$2,164)	-13.39%
PERSONAL SERVICES SUBTL	\$5,947,511	\$6,359,258	\$411,747	6.92%
AMS fee	\$4,567	\$8,839	\$4,272	93.54%
Economic Development	\$17,592	\$11,867	(\$5,725)	-32.54%
Travel/Training	\$17,062	\$51,236	\$34,174	200.29%
Telephone	\$25,374	\$30,738	\$5,364	21.14%
Utilities	\$75,644	\$24,638	(\$51,006)	-67.43%
Postage & Freight	\$18,967	\$102,502	\$83,535	440.42%
Membership Dues	\$19,190	\$14,755	(\$4,435)	-23.11%
Publications/Books	\$2,102	\$21,063	\$18,961	902.03%
Insurance	\$82,460	\$2,731	(\$79,729)	-96.69%
Advertising/Printing	\$14,021	\$94,697	\$80,676	575.39%
Contingencies	\$31,234	\$9,820	(\$21,414)	-68.56%
Other Services & Charges	\$35,051	\$37,105	\$2,054	5.86%
Sanitation Lien	\$156	\$37,935	\$37,779	24217.37%
SERVICES & CHARGES SUBTL	\$343,420	\$447,925	\$104,505	30.43%
Legal	\$63,597	\$94,251	\$30,654	48.20%
Computer Software	\$605	\$589	(\$16)	-2.66%
Medical	\$78,533	\$82,673	\$4,140	5.27%
Auditor	\$9,650	\$5,625	(\$4,025)	-41.71%
Other Prof. Services	\$45,791	\$37,728	(\$8,063)	-17.61%
PROF. SERVICES SUBTL	\$198,176	\$220,865	\$22,689	11.45%

Rentals & Leases	\$213,648	\$188,446	(\$25,202)	-11.80%
Maintenance Agreements	\$21,734	\$31,607	\$9,873	45.43%
Uniform & Misc. Laundry	\$9,698	\$9,622	(\$76)	-0.79%
Vehicle/Equipment Repair	\$21,351	\$35,215	\$13,864	64.93%
Building Repair	\$11,671	\$16,737	\$5,066	43.40%
Radio Repair	\$4,267	\$4,065	(\$202)	-4.73%
Animal Shelter & Disposal	\$2,712	\$237,614	\$234,902	8661.57%
Recycling	\$229,767	\$2,253	(\$227,514)	-99.02%
Other Contractual Services	\$694,343	\$744,993	\$50,650	7.29%
CONTRACT SERVICES SUBTL	\$1,209,191	\$1,270,552	\$61,361	5.07%
Office Supplies	\$16,707	\$20,327	\$3,620	21.67%
Janitorial Supplies	\$9,165	\$12,038	\$2,873	31.35%
Medical Supplies & Oxygen	\$2,272	\$1,723	(\$549)	-24.17%
Chemicals	\$3,952	\$6,568	\$2,616	66.19%
Tools/Equipment	\$21,386	\$24,194	\$2,808	13.13%
Fuel/Lubricants	\$55,718	\$55,263	(\$455)	-0.82%
Vehicle/Equipment Parts	\$16,728	\$20,469	\$3,741	22.36%
Uniforms/Safety Gear	\$46,792	\$36,837	(\$9,955)	-21.27%
Street Maintenance Materials	\$23,155	\$30,216	\$7,061	30.49%
Street Signs	\$6,390	\$5,219	(\$1,171)	-18.33%
Traffic Supplies	\$1,406	\$2,340	\$934	66.43%
Other Supplies & Materials	\$45,808	\$41,578	(\$4,230)	-9.23%
Debris removal costs	\$614,158	\$0	(\$614,158)	-100.00%
SUPPLIES & MAT. SUBTL	\$863,637	\$256,773	(\$606,864)	-70.27%
NET INTRAFUND TRANSFERS OUT	\$223,499	\$391,517	\$168,018	75.18%
GRAND TOTAL	\$8,587,258	\$8,947,255	\$359,997	4.19%

/

The next graph shows revenue by source. Taxes account for 58% of revenue.



Financial Analysis of the Government's Funds

The City of The Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of The Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. This information is used to assess The Village's financing needs. Unreserved fund balance is used to measure net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, total unassigned governmental fund balance is \$2,927,481.

The general fund is the chief operating fund of the City. Most governmental activities are funded through this fund. At the end of the fiscal year, unassigned fund balance was \$2,927,481.

The general fund balance increased by \$267,373 during the year. Please note that the general fund does not receive any property tax to fund services.

General Fund Budgetary Highlights

- General fund amended revenues were \$9,217,365 but ended the year at 9,275,222, which is \$57,857 more than budgeted.
- General Fund expenditures were \$8,947,255 which is \$456,335 less than the amended budget of \$9,403,590. This is 4.85% under budget.

Long-term debt

At the end of the fiscal year, the City had no *bonded* indebtedness and there were no judgments payable.

At the end of FY 2016-17, the City had \$4,940,730 in total long-term indebtedness. This includes \$277,239 in outstanding lease obligations, \$1,234,489 in compensated absences, and \$3,429,001 in notes payable.

Economic Factors and Next Year's Budgets and Rates

The City of The Village is located in the northern part of the Oklahoma City Metropolitan Area. The ability of our citizens to pay for municipal services is greatly dependent on the health of the economy of the overall metropolitan area. Many of our citizens work in Oklahoma City and the surrounding municipalities and do much of their shopping outside the corporate limits of the City.

The Village City Council is certainly aware that the overall economic condition of the region is important in the budgeting process. Although Oklahoma City has weathered the long national recession relatively well, a slowdown in the local energy economy has had an adverse effect on local finances. By the end of FY 2016-17, however, economic conditions had improved significantly for The Village primarily due to a new grocery store which opened for business in February 2016. The fiscal year 2016-17 budget adopted by the Council in the amount of \$9,403,590 represented a modest increase of 2% or \$189,419 over the previous year.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and prospective creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of The Village's Finance Department.

CITY OF THE VILLAGE, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,519,929
Investments	2,213,820
Total assets	4,733,749
LIABILITIES	
Unapplied payments	242
Total liabilities	242
NET POSITION	
Restricted	698,240
Unrestricted	4,035,267
Total net position	\$ 4,733,507

See accompanying notes.

CITY OF THE VILLAGE, OKLAHOMA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2017

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Net (Expense)/ Revenue
Functions/Programs:				
Governmental activities:				
General government	\$ 1,251,237	\$ 332,113	\$ 74,424	\$ -
Public safety				
Police	2,674,180	428,041	-	-
Municipal court	164,594	-	-	-
Fire	2,173,160	-	-	-
Public services	2,344,614	2,212,396	-	-
Cultural and recreation:	257,874	-	-	-
Interest on debt	128,736	-	-	-
Total Governmental activities	8,994,395	2,972,550	74,424	-
 TOTAL	 \$ 8,994,395	 \$ 2,972,550	 \$ 74,424	 \$ -
				Governmental Activities
				Net (expense)/revenue
				\$ (5,947,421)
				General revenues:
				Taxes:
				Sales and use taxes
				5,414,030
				Franchise and public service taxes
				648,212
				Investment income
				22,635
				Miscellaneous
				646,686
				Change in net assets
				784,142
				Net position, beginning
				3,949,365
				Net position, ending
				\$ 4,733,507

See accompanying notes.

CITY OF THE VILLAGE, OKLAHOMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Emergency Reserve Fund	TIF Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,625,853	\$ 67,644	\$ 698,240	\$ 128,192	\$ 2,519,929
Investments	1,301,870	911,950	-	-	2,213,820
Total assets	<u>\$ 2,927,723</u>	<u>\$ 979,594</u>	<u>\$ 698,240</u>	<u>\$ 128,192</u>	<u>\$ 4,733,749</u>
LIABILITIES					
Unapplied payments	\$ 242	-	-	-	\$ 242
Total liabilities	<u>242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>242</u>
FUND BALANCES					
Restricted	-	-	698,240	-	698,240
Assigned	-	979,594	-	128,192	1,107,786
Unassigned	2,927,481	-	-	-	2,927,481
Total fund balances	<u>2,927,481</u>	<u>979,594</u>	<u>698,240</u>	<u>128,192</u>	<u>4,733,507</u>
Total liabilities and fund balances	<u>\$ 2,927,723</u>	<u>\$ 979,594</u>	<u>\$ 698,240</u>	<u>\$ 128,192</u>	<u>\$ 4,733,749</u>

See accompanying notes.

CITY OF THE VILLAGE, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	General Fund	Emergency Reserve Fund	TIF Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 6,062,242	\$ -	\$ -	\$ -	\$ 6,062,242
Intergovernmental	74,424	-	-	-	74,424
Charges for services	2,212,396	-	-	8,725	2,221,121
Fines and forfeitures	428,041	-	-	-	428,041
Licenses and permits	323,388	-	-	-	323,388
Investment income	13,885	8,567	133	50	22,635
Miscellaneous	85,251	-	551,918	9,517	646,686
Total revenues	<u>9,199,627</u>	<u>8,567</u>	<u>552,051</u>	<u>18,292</u>	<u>9,778,537</u>
EXPENDITURES					
Current:					
General Government	961,672	-	-	-	961,672
Public Safety					
Police	2,674,180	-	-	-	2,674,180
Municipal court	164,594	-	-	-	164,594
Fire	2,169,560	-	-	-	2,169,560
Public Services	2,344,614	-	-	-	2,344,614
Cultural and Recreation	241,117	-	-	16,757	257,874
Debt Service	-	-	375,490	-	375,490
Capital Outlay	-	-	-	46,411	46,411
Total Expenditures	<u>8,555,737</u>	<u>-</u>	<u>375,490</u>	<u>63,168</u>	<u>8,994,395</u>
Excess (deficiency) of revenues over expenditures	<u>643,890</u>	<u>8,567</u>	<u>176,561</u>	<u>(44,876)</u>	<u>784,142</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	15,000	-	251,754	139,763	406,517
Transfers out	(391,517)	(15,000)	-	-	(406,517)
Total other financing sources and uses	<u>(376,517)</u>	<u>(15,000)</u>	<u>251,754</u>	<u>139,763</u>	<u>-</u>
Net change in fund balances	267,373	(6,433)	428,315	94,887	784,142
Fund balances, July 1, 2016	2,660,108	986,027	269,925	33,305	3,949,365
Fund balances, June 30, 2017	<u>\$ 2,927,481</u>	<u>\$ 979,594</u>	<u>\$ 698,240</u>	<u>\$ 128,192</u>	<u>\$ 4,733,507</u>

See accompanying notes.

CITY OF THE VILLAGE, OKLAHOMA
STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2017

ASSETS

Cash and cash equivalents	\$ 38,317
Total assets	<u>\$ 38,317</u>

LIABILITIES

Escrow liability	\$ 38,317
Total liabilities	<u>\$ 38,317</u>

See accompanying notes.

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

1. Financial Reporting Entity

The government is a municipal corporation governed by an elected five member council. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City has two blended component units, The Village Public Works Authority (TVPWA) and The Village Development Authority (TVDA). TVPWA is a public trust created for the purpose of furnishing various forms of public and municipal services within and without the boundaries of the City. TVDA is a public trust created for economic development and has been most recently used to facilitate the development of projects in tax two increment financing districts.

1a. Basis of Accounting and Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services, however, the City does not report business-type activities.

The statement of net position and statement of activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles.

These modifications include adjustments for the following balances arising from cash transactions:

- Cash-based interfund receivables and payables
- Other cash-based receivables and payables
- Investments
- Utility deposit or payment liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

1a. Basis of Accounting and Presentation (continued)

The funds of the financial reporting entity are described below:

Governmental Funds

Major

General Fund - The General Fund is the principal fund of the City and accounts for all financial transactions not appropriately accounted for in other funds. The General Fund also accounts for activities related to sanitation services provided by the City. Fees are charged users of these services in order to recover the costs of providing the services, however, the activities are not financed with debt, and laws or regulations do not require that the City recover the costs of the services through user charges, therefore, they are not reported in enterprise funds.

Special Revenue Fund – The Emergency Reserve Fund is a permanent fund that accounts for excess assets that were returned by the Oklahoma Municipal Retirement Fund after conversion of the retirement plan from a defined benefit plan to a defined contribution plan. The City has investment responsibility for these permanent fund assets.

Capital Projects Fund – Labeled the TIF fund in these financial statements, this fund was created by the City to account for capital projects related to the Tax Increment Financing districts for the City that were authorized and initiated using the The Village Development Authority.

Non-major

Special Revenue Funds - Special Revenue Funds are used to account for revenues derived from specific taxes or other sources which are designated to finance particular functions or activities of the City.

Capital Projects Funds - Capital Projects funds account for the receipt and disbursement of resources for the purpose of building or buying major capital assets, such as schools, public buildings, or recreational facilities. Resources may be derived from a variety of sources, including bond proceeds, loans, or grants.

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities arising from cash transactions are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The accounts of the City include agency funds. Agency funds are custodial in nature (assets equal liabilities), and do not involve measurement of results of operations.

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

1b. Assets, Liabilities and Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at cost which approximates market unless otherwise indicated.

Capital Assets and Depreciation

Due to the use of the modified cash basis of accounting, capital assets and related depreciation are not reported in the financial statements.

Long-Term Debt

Due to the use of the modified cash basis of accounting, long-term debt obligations are not reported in the financial statements. However the amount of long-term debt issued and outstanding at the end of the fiscal year is reported as a commitment in Note 3c.

Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment is reported in Note 3c.

City employees are granted vacation and sick leave based upon length of employment. In the event of termination, the employee is paid for accumulated vacation leave (maximum 48 days). Payment of sick leave is restricted to retiring employees who can be paid up to 90 days of accumulated benefits and are limited to maximum compensation equivalent of 33 to 68 days.

Equity

Government-Wide Statements

Equity is classified as net position and displayed in three components. Net investment in capital assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation. Unrestricted Net Position consists of all other net position that do not meet the above definitions.

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

1b. Assets, Liabilities and Equity (continued)

When an expense is incurred that can be paid using either restricted or unrestricted resources, the City's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Fund Statements

Fund Statements

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered nonspendable (i.e., fund balance associated with assets that are not in spendable form, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are spendable (such as fund balance associated with cash, investments or receivables).

Amounts in the spendable fund balance category are further classified as restricted, committed, assigned or unassigned, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The City Ordinance is the highest level of decision-making authority of the City.

Assigned fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

1c. Revenues, Expenditures and Expenses

Program revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General government – licenses and permits
Police – Fines and forfeitures
Public service – Sewer and sanitation charges

All other governmental revenues are reported as general revenues. All taxes are classified as general revenue even if restricted for a specific purpose.

2. Detailed Notes – Transaction Classes/Accounts

2a. Deposits and Investments

Custodial Credit Risk

At June 30, 2017, the City held deposits of approximately \$2,519,000 at financial institutions. These institutions are required by law to pledge securities in addition to Federal Deposit Insurance Corporation (FDIC) insurance at least equal to the amount on deposit at all times. As of June 30, 2017, the balances in cash and certificates of deposit were fully secured.

Investment Interest Rate Risk

The City 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.

Investment Credit Risk

The City 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 deposit 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.).

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

2a. Deposits and Investments (continued)

The investments held at June 30, 2017 are as follows:

Type	Weighted Average Maturity (Years)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	\$ 713,811	\$ 713,820
Certificate of deposit	1.02	N/A	1,511,577	1,500,000
Total investments			<u>\$ 2,225,388</u>	<u>\$ 2,213,820</u>

Concentration of Investment Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has the following of credit risk: 32% in Money Market funds at Morgan Stanley (\$713,820) and 68% in Certificates of deposit (\$1,511,577).

2b. Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs.

The government-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns. Only transfers *between* the two columns appear in this statement.

The following schedule reports transfers and payments within the reporting entity:

Transfers from	Transfers to				Total Transfers From
	Governmental Activities				
Governmental Activities:	General	Emergency Reserve Fund	TIF Fund	Other Govt'l Funds	
General Fund	\$ -	\$ -	\$ 251,754	\$ 139,763	\$ 391,517
Emergency Reserve Fund	15,000	-	-	-	15,000
TIF Fund	-	-	-	-	-
Other Governmental funds	-	-	-	-	-
Total Transfers To	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ 251,754</u>	<u>\$ 139,763</u>	<u>\$ 406,517</u>

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

3. Other Information

3a. Employee Retirement Plans

City employees participate in three retirement plans, which are discussed below:

Non-Police and Non-Fire employee retirement system

City employees (excluding police and fire) participate in a defined contribution retirement plan (the plan) for non-uniformed employees. The City contributes 6% and City employees contribute 4% of covered employee salaries to the plan.

The City's payroll for employees covered by the Plan for the year ended June 30, 2017, was \$1,899,784. Total contributions to the plan were \$189,978, which consisted of employer contributions of \$113,967 and employee contributions of \$75,991.

Police pension and retirement plan

The City participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). The employees are required to contribute 8% and the City is required to contribute 13% per year per paid police officer to the statewide plan by state law. The OPPRS is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The City's actual contribution to the plan was equal on the required contribution and totaled \$196,242, for the year ending June 30, 2017. The state made on-behalf contributions of \$149,209 for the year ending June 30, 2017.

The OPPRS issues a public available report that includes financial statements, which can be obtained from the Oklahoma Police Pension and Retirement System, 1001 NW 63rd Street, Oklahoma City, Oklahoma 73116-7335.

Firemen's pension and retirement plan

The City's firefighters participate in the statewide Oklahoma State Firefighters Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

The City's actual contribution to the plan was equal on the required contribution and totaled \$181,768, for the year ending June 30, 2017. The state made on-behalf contributions of \$488,595 for the year ending June 30, 2017.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information, which can be obtained online from the Oklahoma Firefighter's Pension and Retirement System at www.ok.gov/fprs.

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

3a. Employee Retirement Plans (continued)

Other Post-Employment Benefits

Plan Description: City provides post-retirement benefit options for health care, prescription drug, dental and vision benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs. Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the City. As of June 30, 2017, approximately 8 retired employees are receiving benefits under this plan.

Funding Policy. The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree. The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. For fiscal year 2017, the City contributed \$0 to the plan for retired employees. Plan members receiving benefits contributed \$63,136, or approximately 100 percent of the total premiums, through their required contribution. The cost of coverage is \$513 per month for retiree-only coverage and \$1,128 for retiree and spouse medical coverage, these amounts do not include dental and vision coverage that can be added for retiree-only coverage for \$84-101 and \$14-22 per month, respectively.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB 45 requires entities with over 200 employees to have the actuarial valuation performed biennially. The City has not performed the actuarial valuation of the OPEB cost and related OPEB obligation for the year ended June 30, 2017 and we were unable to determine the effect on the financial statements.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

3b. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City has established a self-insurance fund to cover deductibles on claims related to destruction, theft or damage of assets. Losses related to other risks or those exceeding deductibles are covered by commercial insurance. Management believes that such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

3c. Commitments and Contingencies

By law, the City's exposure in these matters is limited to \$125,000 per claim for loss arising other than from property loss which is limited to \$25,000. Any obligation the City might incur as a result of this litigation would be covered by liability insurance for which the City has coverage for maximum exposure under State law and a maximum of \$1,000,000 for losses under federal laws.

The City in the past has participated in various grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency.

Long-term debt

The City has entered into notes payable and capitalized leases. The lease agreements met the criteria of a capital lease as defined by FASB Statement No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as expenditures on the fund financial statements.

Capitalized leases

On December 17, 2013, the City issued a lease payable to Oklahoma State Bank in the amount of \$360,916 for the purchase of a fire truck. The City will pay 6 annual installments of \$64,201 that include interest of 2.68%, with the maturity date of December 17, 2018.

On April 21, 2015, the City issued a lease payable to Oklahoma State Bank in the amount of \$19,607 for the purchase of a complete phone system for the City. The City will pay 24 monthly installments of \$834 that include interest 1.99% with the maturity date of April 21, 2017.

On November 20, 2014, the City issued a lease payable to RCB Bank in the amount of \$27,745 for the purchase of a police motorcycle. The City will pay annual installments of \$7,205 that include interest of 2.25%, with the maturity date of January 10, 2018.

On December 14, 2014, the City issued a lease payable to RCB Bank in the amount of \$46,746 for the purchase of a police department interceptor. The City will pay annual installments of \$12,119 that include interest of 2.25%, with the maturity date of February 15, 2019.

On January 27, 2015, the City issued a lease payable to RCB Bank in the amount of \$34,699 for the purchase of a public works truck. The City will pay annual installments of \$9,240 that include interest of 2.25%, with the maturity date of January 30, 2019.

On February 16, 2016, the City issued a lease payable to Ford Credit in the amount of \$22,940 for the purchase of a code enforcement vehicle. The City will pay annual installments of \$4,361 that include interest of 6.50%, with the maturity date of February 16, 2018.

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

3c. Commitments and Contingencies (continued)

Long-term debt (continued)

Capitalized leases (continued)

On July 20, 2016, the City issued a lease payable to RCB Bank in the amount of \$32,595 for the purchase of a fire department vehicle. The City will pay annual installments of \$11,260 that include interest of 6.50%, with the maturity date of February 16, 2018.

On July 21, 2016, the City issued a lease payable to RCB Bank in the amount of \$28,725 for the purchase of a public works vehicle. The City will pay annual installments of \$9,260 that include interest of 2.20%, with the maturity date of October 21, 2018.

On July 19, 2016, the City issued a lease payable to RCB Bank in the amount of \$82,418 for the purchase of two police vehicles. The City will pay annual installments of \$21,491 that include interest of 2.20%, with the maturity date of October 20, 2019.

On August 17, 2016, the City issued a lease payable to RCB Bank in the amount of \$14,599 for the purchase of two police vehicles. The City will pay annual installments of \$4,983 that include interest of 2.20%, with the maturity date of October 17, 2018.

Notes payable

On July 18, 2008, the City, through its component unit the Village Public Works Authority, entered into a note payable at Bancfirst in the amount of \$2,000,000 for the purchase of land. This note was refinanced June 14, 2014. The City pays interest quarterly of 4.25% on the principal outstanding. The principal on the note payable is due on June 14, 2021, although if there are any excess tax increment revenues, they should be applied to the note. The outstanding principal at June 30, 2017 was \$2,000,000.

On July 18, 2008, the City, through its component unit the Village Public Works Authority, entered into note payable at Bancfirst in the amount of \$3,358,000 to finance the preparation of land for redevelopment. This note was refinanced June 14, 2014. The City pays interest quarterly of 4.25% on the principal outstanding. The principal on the note payable is due on June 14, 2021, although if there are any excess tax increment revenues, they should be applied to the note. The outstanding principal at June 30, 2017 was \$854,184.

On September 4, 2008, the City, through its component unit the Village Public Works Authority, entered into note payable with the Oklahoma Department of Commerce in the amount of \$259,080 to finance the preparation of land for redevelopment. The City pays no interest on the principal outstanding. If the City is delinquent in payments there will be an accrual of 1% per year which is added to the principal balance. The principal on the note payable is in installments of \$5,000 starting in 2012 until August 1, 2018 when the remaining balance is due. The outstanding principal at June 30, 2017 was \$234,080.

On December 1, 2012, the City, through its component unit Village Public Works Authority, entered into a note payable with Southwest Trinity Management, LLC (STM) in the amount of \$500,000 to finance infrastructure that is part of a new eldercare facility within the tax increment financing district. This note is subordinate to the Bancfirst notes payable above. Principal payments were originally to begin after repayment of the Bancfirst debt, however an agreement was reached between the City, Bancfirst and STM whereby approximately 9% of the excess tax increment revenues would be paid to STM. The outstanding principal at June 30, 2017 was \$340,737.

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

3c. Commitments and Contingencies (continued)

Long-term debt (continued)

Transactions for the year ended June 30, 2017 are as follows:

<u>Governmental Type</u>	Balance 6/30/2016	Additions	Reductions	Balance 6/30/2017	Current Portion
<u>Activities</u>					
Capital lease obligations	\$263,189	\$158,612	\$(144,562)	\$277,239	\$138,461
Compensated absences	1,264,942	83,392	(113,845)	1,234,489	111,104
Notes payable	3,751,281	-	(322,280)	3,429,001	5,000
Total	<u>\$5,279,412</u>	<u>\$242,004</u>	<u>\$(580,687)</u>	<u>\$4,940,730</u>	<u>\$254,565</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

	<u>Capital lease obligations</u>			<u>Notes payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$138,461	\$8,317	\$146,778	\$5,000	\$121,303	\$126,303
2019	118,172	4,163	122,336	229,080	121,303	350,383
2020	20,606	618	21,224	-	121,303	121,303
2021	-	-	-	2,854,184	121,303	2,975,487
2022	-	-	-	-	-	-
2023-2027	-	-	-	-	-	-
2028-2032	-	-	-	340,737	-	340,737
	<u>\$277,239</u>	<u>\$13,098</u>	<u>\$290,338</u>	<u>\$3,429,001</u>	<u>\$485,212</u>	<u>\$3,914,213</u>

Other commitments

On June 1, 2017 the City, through its component unit the Village Public Works Authority, entered into an agreement with a local developer to provide financial assistance for a retaining wall and fence in conjunction with the construction of single family homes built by the developer and related to the revitalization of the City. The amount of assistance cannot exceed \$319,500 and the repayment of the developer's costs begins one year after all prior tax increment financing debt has been repaid.

**CITY OF THE VILLAGE, OKLAHOMA
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NON MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017**

	Police Department Grant Fund	Juvenile Fund	Park Beautification/ Events Fund	Asset Seizure Fund	Capital Projects Fund	Total Non major Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 5,777	\$ 8,906	\$ 12,629	\$ 7,239	\$ 93,641	\$ 128,192
Total assets	<u>\$ 5,777</u>	<u>\$ 8,906</u>	<u>\$ 12,629</u>	<u>\$ 7,239</u>	<u>\$ 93,641</u>	<u>\$ 128,192</u>
FUND BALANCES						
Assigned	5,777	8,906	12,629	7,239	93,641	128,192
Total fund balances	<u>5,777</u>	<u>8,906</u>	<u>12,629</u>	<u>7,239</u>	<u>93,641</u>	<u>128,192</u>
 Total fund balances	<u>\$ 5,777</u>	<u>\$ 8,906</u>	<u>\$ 12,629</u>	<u>\$ 7,239</u>	<u>\$ 93,641</u>	<u>\$ 128,192</u>

CITY OF THE VILLAGE, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH
NON MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	Police Department Grant Fund	Juvenile Fund	Park Beautification/ Events Fund	Asset Seizure Fund	Capital Projects Fund	Total Non major Governmental Funds
REVENUES						
Charges for services	\$ -	\$ 330	\$ 8,395	\$ -	\$ -	\$ 8,725
Investment income	3	4	8	6	29	50
Grant Deposits	-	-	9,335	-	-	9,335
Miscellaneous	-	-	182	-	-	182
Total revenues	<u>3</u>	<u>334</u>	<u>17,920</u>	<u>6</u>	<u>29</u>	<u>18,292</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Culture and Recreation	-	-	16,757	-	-	16,757
Capital Outlay	-	-	-	6,725	39,686	46,411
Total Expenditures	<u>-</u>	<u>-</u>	<u>16,757</u>	<u>6,725</u>	<u>39,686</u>	<u>63,168</u>
Excess (deficiency) of revenues over expenditures	<u>3</u>	<u>334</u>	<u>1,163</u>	<u>(6,719)</u>	<u>(39,657)</u>	<u>(44,876)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	10,000	-	129,763	139,763
Transfers out	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>129,763</u>	<u>139,763</u>
Net change in fund balances	3	334	11,163	(6,719)	90,106	94,887
Fund balances, July 1, 2016	5,774	8,572	1,466	13,958	3,535	33,305
Fund balances, June 30, 2017	<u>\$ 5,777</u>	<u>\$ 8,906</u>	<u>\$ 12,629</u>	<u>\$ 7,239</u>	<u>\$ 93,641</u>	<u>\$ 128,192</u>

CITY OF THE VILLAGE, OKLAHOMA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH
AGENCY FUNDS
JUNE 30, 2017

	Penalty Assessment Fund	Animal Bond Fund	Municipal Court Bond Fund	Building Code Fund	Total Agency Funds
ASSETS					
Cash and cash equivalents	\$ 21,093	\$ 310	\$ 13,282	\$ 3,632	\$ 38,317
Total assets	<u>\$ 21,093</u>	<u>\$ 310</u>	<u>\$ 13,282</u>	<u>\$ 3,632</u>	<u>\$ 38,317</u>
LIABILITIES					
Escrow liability	\$ 21,093	\$ 310	\$ 13,282	\$ 3,632	\$ 38,317
Total liabilities	<u>\$ 21,093</u>	<u>\$ 310</u>	<u>\$ 13,282</u>	<u>\$ 3,632</u>	<u>\$ 38,317</u>



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

To the City Council
City of The Village, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of The Village, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise City of The Village, Oklahoma's basic modified cash basis financial statements, and have issued our report thereon dated March 16, 2018.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of The Village, Oklahoma's modified cash basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Oklahoma City, Oklahoma
March 16, 2018

EXHIBIT B—FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of _____, 2018 (this “Disclosure Agreement”), is being executed and delivered by **THE CITY OF THE VILLAGE, OKLAHOMA** (the “City”) in connection with the issuance of the City’s \$7,110,000 Combined Purpose General Obligation Bonds, Series 2018 (the “2018 Bonds” or the “Bonds”). The Series 2018 Bonds will be issued pursuant to an Ordinance of the City dated April 25, 2018 (the “Ordinance”). Capitalized terms used in the Disclosure Agreement which are not otherwise defined in the Ordinance, shall have the same respective meanings specified below or in Section 2 of this Disclosure Agreement.

Section 1. Purpose of Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist each Participating Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “Commission”).

Section 2. Defined Terms.

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 hereof.

“*Audited Financial Statements*” means the City’s annual financial statements. Except for governmental and business-type activities in the government-wide financial statements and fund financial statements that are presented using a modified cash basis of account, the City complies with generally accepted accounting principles (“GAAP”) for local governmental units as promulgated by the Governmental Accounting Standards Board (“GASB”), which financial statements shall have been audited by such auditor as shall be then required or permitted by the laws of the State; provided, however, that the City may from time to time, if required by Federal or State legal requirements, modify the basis upon which its financial statements are prepared. Notice of any such modification shall be provided to the MSRB and shall include a reference to the specific Federal or State law or regulation describing such accounting basis.

“*Beneficial Owner*” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“*Dissemination Agent*” means the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“*EMMA*” means the MSRB’s Electronic Municipal Market Access System. Reference is made to Commission Release No. 34-59062, December 8, 2008 (the “*Release*”) relating to the EMMA system for municipal securities disclosure effective on July 1, 2009.

“*Listed Event*” means any of the events listed in Appendix A to this Disclosure Agreement.

“*Listed Event Notice*” means notice of a Listed Event in Prescribed Form.

“*MSRB*” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“*Official Statement*” means the “final official statement,” as defined in the paragraph (f)(3) of the Rule, relating to the 2018 Bonds. The final official statement related to the Bonds is dated April 25, 2018.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Reports, Audited Financial Statements and Listed Event Notices with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“*Rule*” means Rule 15c2-12(b)(5) promulgated by the Commission under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Disclosure Agreement, including any official interpretations thereof.

Section 3. **Provision of Annual Reports.**

(a) The City, as the “obligated persons” for purposes of the Rule, hereby agrees to provide or cause to be provided to the MSRB in Prescribed Form annually not later than 210 days following the end of each fiscal year an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement. All or any portion of the Annual Report may be provided by way of cross-reference to other documents previously provided to the MSRB.

(b) The Annual Report shall be provided at least annually notwithstanding a fiscal year longer than 12 calendar months. The City may change its current fiscal year, but must promptly notify the MSRB of each such change.

Section 4. **Content of Annual Reports.** The City’s Annual Report shall contain or include by reference the following:

(a) Annual Audited Financial Statements.

(b) An annual update of financial and operating data of the City, to the same extent as provided in those portions identified in Appendix B hereto.

Section 5. **Failure to File Annual Reports and Audited Financial Statements.** If the City fails to provide an Annual Report to the MSRB by the date specified in Section 3, the City shall send a timely notice of such failure to the MSRB by a date not in excess of 10 business days after the occurrence of such failure.

Section 6. **Disclosure of Listed Events.** The City hereby covenants that it will disseminate in a timely manner, not in excess of ten (10) business days after the occurrence of the event, a Listed Event Notice to the MSRB in Prescribed Form. The City is required to deliver such Listed Event Notice in the same manner as provided by Section 3 of this Disclosure Agreement.

Section 7. **Duty To Update EMMA/MSRB.** The City shall determine, in the manner it deems appropriate, whether there has occurred a change in the MSRB’s e-mail address or filing procedures and requirements under EMMA each time it is required to file information with the MSRB.

Section 8. **Duties, Immunities and Liabilities of Dissemination Agent.** The City may, from time to time, engage or appoint an agent to assist the City in disseminating information hereunder (the “Dissemination Agent”). The City may discharge any Dissemination Agent with or without appointing a successor Dissemination Agent. If appointed, the Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties thereunder, including the costs and expenses (including attorney’s fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent’s negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 9. **Termination of Obligations.** Pursuant to paragraph (b)(5)(iii) of the Rule, the obligations under this Disclosure Agreement shall terminate if and when the City no longer remains an obligated person with respect to the Bonds, which shall occur upon either payment of the Bonds in full at maturity or by means of prior redemption or the legal defeasance of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event Notice under Section 5.

Section 10. **Amendment.** Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, without the consent of the Bondholders, under the following conditions:

- (1) The amendment or waiver may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the City, or type of business conducted;
- (2) This Disclosure Agreement, as amended or with the provision so waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (3) The amendment or waiver does not materially impair the interest of holders of the Bonds, as determined either by parties unaffiliated with the City (which shall include the Paying Agent or nationally recognized bond counsel, or any other party determined by any of them to be unaffiliated), or by approving vote of holders of the Bonds at the time of the amendment or waiver.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented. In addition, if the amendment relates to the accounting principles to be followed in preparing Audited Financial Statements, (i) notice of such change shall be given in the same manner as for a Listed Event Notice under Section 5; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 11. **Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in

any Annual Report or Listed Event Notice, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or Listed Event Notice in addition to that which is specifically required by this Disclosure Agreement, the City shall not have any obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or Listed Event Notice.

Section 12. **Failure To Comply.** In the event of a failure of the City to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with their obligations under this Disclosure Agreement. A failure to comply under this Disclosure Agreement shall not be deemed an Event of Default under the Bond Ordinance, and the sole remedy under this Disclosure Agreement in the event of any failure of the Bond Ordinance or the City to comply with this Disclosure Agreement shall be an action to compel performance.

Section 13. **Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, each Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. **Recordkeeping.** The City shall maintain records of all filings of Annual Reports and Listed Event Notices, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

Section 15. **Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 16. **Choice of Law.** This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of Oklahoma, provided that to the extent this Disclosure Agreement addresses matters of federal securities laws, including the Rule, this Disclosure Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, by an authorized representative, all as of the date first above written.

CITY OF THE VILLAGE, OKLAHOMA

(SEAL)

Mayor

Attest:

City Clerk

APPENDIX A

EVENTS WITH RESPECT TO THE BONDS FOR WHICH LISTED EVENT NOTICES ARE REQUIRED

1. Principal and interest payment delinquencies.
2. Nonpayment-related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
7. Modifications to rights of security holders, if material.
8. Bond calls, if material, and tender offers
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the City[†].
13. The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

[†]This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

APPENDIX B

DESCRIPTION OF PORTIONS OF OFFICIAL STATEMENT REQUIRING ANNUAL UPDATE

To the extent that substantially all such information is not already included in the Audited Financial Statements, the following information of the type, but not necessarily in the same form, included in the Official Statement under the headings and tables entitled “FINANCIAL INFORMATION,” “INDEBTEDNESS” and “ECONOMIC AND DEMOGRAPHIC INFORMATION” including the following:

FINANCIAL INFORMATION

- General Fund Highlights
- Historical Net Assessed Valuation
- Estimated Actual Market Valuation
- Largest Ad Valorem Taxpayers
- Historical Tax Levies
- Sinking Fund Tax Collection History

INDEBTEDNESS

- General Long-Term Debt of the City
- Bond Indebtedness
- Principal and Interest Levy Requirements for Existing Bonds
- Statement of Indebtedness
- Net Direct, Underlying and Overlapping General Obligation Bonded Indebtedness
- Other Long-Term Obligations
- Retirement Plans
- Authorized but Unissued Bonds

ECONOMIC AND DEMOGRAPHIC INFORMATION

- Sales Tax Receipts

EXHIBIT C—FORM OF BOND COUNSEL OPINION



We have acted as Bond Counsel in connection with the issuance by the City of the Village, Oklahoma (the “Issuer”) of \$7,110,000 Combined Purpose General Obligation Bonds, Series 2018 dated May 1, 2018 (the “Bonds”). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds are valid and binding obligations of the Issuer.
2. All taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds. The Issuer has provided for the collection of an annual tax sufficient to pay the interest on the Bonds as it becomes due and also to constitute a sinking fund for the payment of the principal thereof according to law.
3. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals under the Code. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Issuer in connection with the Bonds, and we have assumed compliance by the Issuer with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that, for federal income tax purposes, interest on the Bonds not be included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Bonds, the Issuer will execute an Arbitrage and Use of Proceeds Certificate (the "Arbitrage Certificate") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Arbitrage Certificate, the Issuer covenants that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things required by the Code to assure that interest paid on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 3, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Arbitrage Certificate with respect to matters affecting the status of interest paid on the Bonds, and (ii) compliance by the Issuer with the procedures and covenants set forth in the Arbitrage Certificate as to such tax matters.

4. The Code generally denies financial institutions (including foreign banks doing business in the United States) 100% of interest deductions that are allocable to tax-exempt obligations acquired after August 7, 1986, for tax years ending after December 31, 1986. An exception to the provisions is provided in Section 265(b)(3)(B) of the Code for qualified tax-exempt obligations acquired by a financial institution. Pursuant to its Ordinance duly adopted, the Issuer has made representations that it reasonably anticipates that the aggregate amount of "qualified tax-exempt obligations", as defined in Section 265(b)(3)(B) of the Code, which have been issued or will be issued by the Issuer and all subordinate entities thereof during calendar year 2018 will not exceed \$10,000,000 and has designated the Bonds for the purpose of the Section 265(b)(3)(B) exception. Based solely on such representations and designation of the Issuer, it is our opinion that the Bonds constitute qualified tax-exempt obligations for purposes of Section 265(b)(3)(B) and are thus treated as if acquired by financial institutions on August 7, 1986.
5. Interest on the Bonds is exempt from Oklahoma income taxation pursuant to Section 2358.5 of Title 68, Oklahoma Statutes, 2011.

Except as stated in paragraphs 3, 4, and 5, above, we express no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds or the ownership or disposition thereof. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for federal income tax purposes of interest on the Bonds.

The portion of this opinion that is set forth in paragraph 1, above, is qualified only to the extent that enforceability of the Bonds may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally; (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; and (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the Issuer.

This opinion is given as of the date hereof and is based on existing law, and we assume no obligation to update, revise, or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention or any changes in law or interpretations thereof that may hereafter arise or occur, or for any other reason.

This opinion is limited to matters of Oklahoma law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms "law" and "laws" do not include unpublished judicial decisions, and we disclaim the effect of any such decision on this opinion.

We have served as bond counsel only to the Issuer in connection with the Bonds and have not represented and are not representing any other party in connection with the Bonds. This opinion is given solely for the benefit of the Issuer in connection with the Bonds and may not be relied on in any manner or for any purpose by any person or entity other than the Issuer, and any person to whom we may send a formal reliance letter, indicating that the recipient is entitled to rely on this opinion.

Respectfully submitted,

THE PUBLIC FINANCE LAW GROUP PLLC

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EXHIBIT D—BOOK-ENTRY SYSTEM—THE DEPOSITORY TRUST COMPANY

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized officer of DTC. One fully-registered bond certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC at the office of the Paying Agent on behalf of DTC utilizing the DTC FAST system of registration.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to DTC’s Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (or such other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made by the Paying Agent to DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Paying Agent. Disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to any series of the Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, the Bond certificates are required to be printed and delivered as described in the applicable Ordinance.

The City may decide to discontinue the use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that City believes to be reliable, but the City takes no responsibility for the accuracy thereof.