

CITY OF THE VILLAGE  
ANNUAL FINANCIAL REPORT

JUNE 30, 2018



**THE CITY OF THE VILLAGE, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2018**

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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, 2018, 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, 2018, 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 December 17, 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  
December 17, 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, 2018. 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 \$11,295,896 (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 \$11,300,471 this year, while the *unassigned* fund balance totaled \$3,095,294.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,095,294 or 35% 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 \$11,295,896. The following table provides a summary of the City's net assets, although the previous year's report capital assets and related debt:

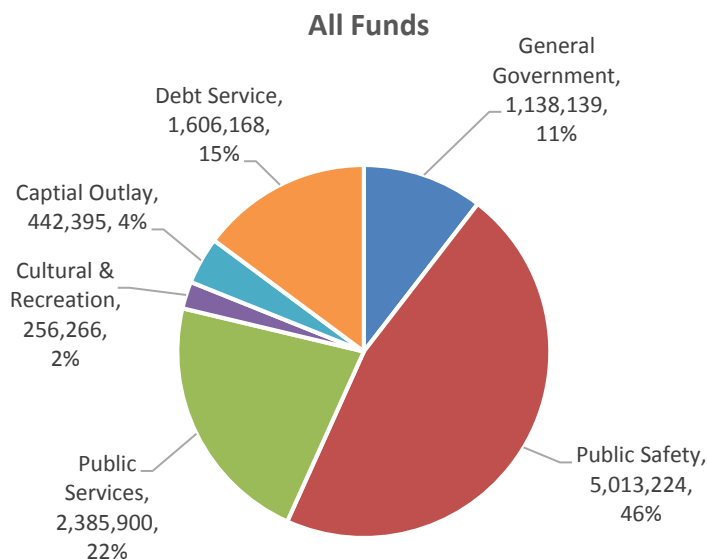
### City of The Village, Oklahoma Summary & Comparison of Net Position at June 30, 2018

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

<i>Net Assets Comparison</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>	<i>Governmental Activities 30-Jun-18</i>
Cash and cash equivalents	4,477,815	4,056,074	1,737,250	2,519,929	9,086,651
Capital Assets / Investments	8,808,096	8,948,618	2,213,811	2,213,820	2,213,820
<b>Total Assets</b>	<b>13,285,911</b>	<b>13,004,692</b>	<b>3,951,061</b>	<b>4,733,749</b>	<b>11,300,471</b>
Current Liabilities	277,867	242,774	1,696	242	4,575
Long Term Liabilities	4,588,138	4,820,470	-	-	-
<b>Total Liabilities</b>	<b>4,866,005</b>	<b>5,063,244</b>	<b>1,696</b>	<b>242</b>	<b>4,575</b>
<b>Net Position:</b>					
Restricted			269,925	698,240	7,137,974
Assigned					1,062,629
Net investment in capital assets	5,278,537	5,224,882	-	-	-
Unrestricted	3,141,369	2,716,566	3,679,440	4,035,267	3,095,293
<b>Total Net Position</b>	<b>8,419,906</b>	<b>7,941,448</b>	<b>3,949,365</b>	<b>4,733,507</b>	<b>11,295,896</b>

**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 \$5,013,224 of the total \$8,773,880 (57%) in (General Fund) governmental expenditures and 46% of total expenditures.

#### EXPENSES - GOVERNMENTAL ACTIVITIES



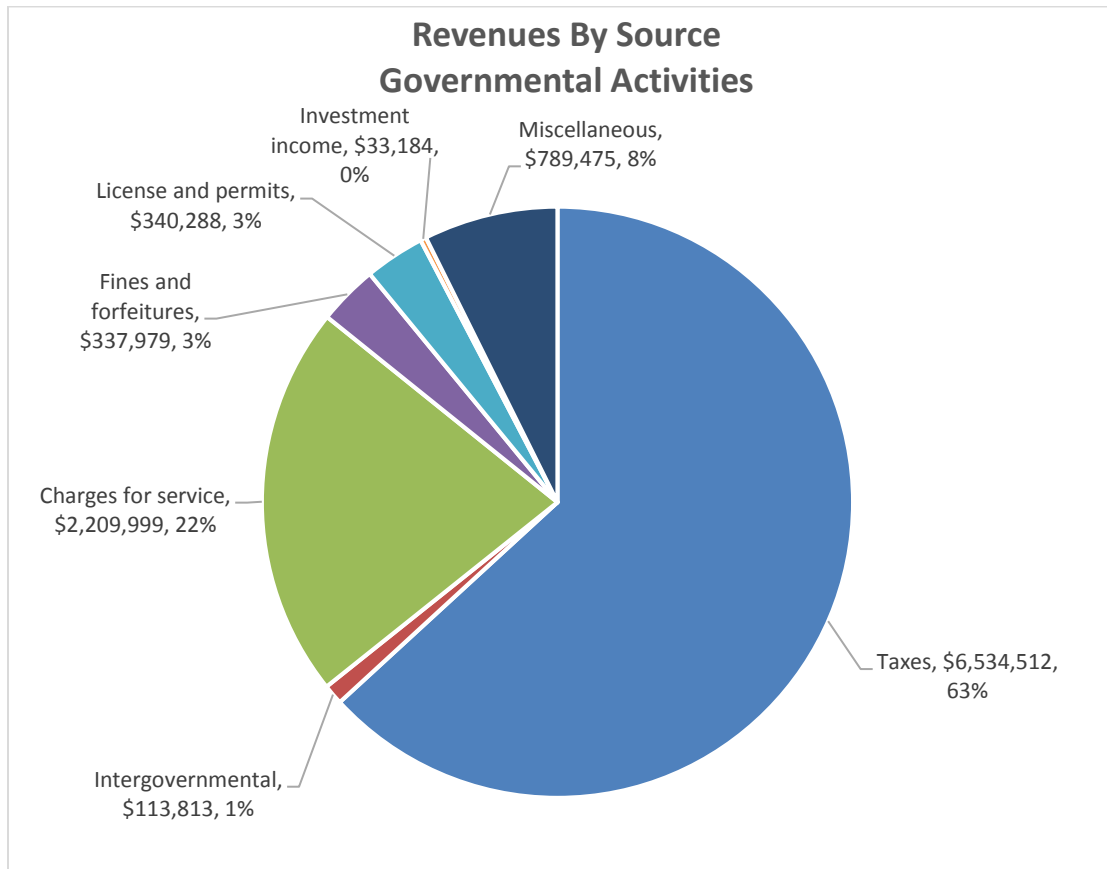
The next graph provides a detailed report on cash-basis expenditures for the General Fund in FY 2017-18. Since the General Fund is the main operating fund of the City, the table only includes activities funded through the General fund.

<b>LINE ITEM</b>	<b>FY 16-17 EXPENDED</b>	<b>FY 17-18 EXPENDED</b>	<b>\$ DIFFERENCE</b>	<b>% DIFFERENCE</b>
Salaries & Wages	\$4,495,976	4,521,274	\$25,299	0.56%
Overtime	\$134,476	134,200	(\$276)	-0.21%
Social Security	\$189,441	193,830	\$4,389	2.32%
Health Insurance	\$733,008	755,005	\$21,997	3.00%
Worker's Compensation	\$207,253	200,289	(\$6,964)	-3.36%
Retirement	\$492,065	507,891	\$15,826	3.22%
Medicare	\$63,344	65,458	\$2,114	3.34%
Uniform Allowance	\$25,925	32,725	\$6,800	26.23%
Educational Allowance	\$3,778	1,904	(\$1,873)	-49.59%
Other Compensation	\$13,994	46,471	\$32,477	232.08%
<b>PERSONAL SERVICES SUBTL</b>	<b>\$6,359,258</b>	<b>\$6,459,047</b>	<b>\$99,788</b>	<b>1.57%</b>
AMS fee	\$8,839	\$24,465	\$15,626	176.79%
Economic Development	\$11,867	\$8,212	(\$3,656)	-30.80%
Travel/Training	\$51,236	\$29,311	(\$21,925)	-42.79%
Telephone	\$30,738	\$24,586	(\$6,152)	-20.01%
Utilities	\$24,638	\$111,942	\$87,304	354.35%
Postage & Freight	\$102,502	\$17,561	(\$84,941)	-82.87%
Membership Dues	\$14,755	\$16,845	\$2,089	14.16%
Publications/Books	\$21,063	\$3,109	(\$17,954)	-85.24%
Insurance	\$2,731	\$55,053	\$52,322	1916.14%
Advertising/Printing	\$94,697	\$22,917	(\$71,780)	-75.80%
Contingencies	\$9,820	\$27,383	\$17,562	178.83%
Other Services & Charges	\$37,105	\$33,087	(\$4,018)	-10.83%
Sanitation Lien	\$37,935	\$33,217	(\$4,718)	-12.44%
<b>SERVICES &amp; CHARGES SUBTL</b>	<b>\$447,925</b>	<b>\$407,686</b>	<b>(\$40,239)</b>	<b>-8.98%</b>
Legal	\$94,251	\$155,403	\$61,153	64.88%
Computer Software	\$589	\$1,974	\$1,386	235.30%
Medical	\$82,673	\$102,790	\$20,117	24.33%
Auditor	\$5,625	\$23,350	\$17,725	315.11%
Other Prof. Services	\$37,728	\$70,875	\$33,147	87.85%
<b>PROF. SERVICES SUBTL</b>	<b>\$220,865</b>	<b>\$371,736</b>	<b>\$133,528</b>	<b>60.45%</b>



Rentals & Leases	\$188,446	\$246,509	\$58,063	30.81%
Maintenance Agreements	\$31,607	\$25,157	(\$6,450)	-20.41%
Uniform & Misc. Laundry	\$9,622	\$10,686	\$1,064	11.06%
Vehicle/Equipment Repair	\$35,215	\$44,385	\$9,170	26.04%
Building Repair	\$16,737	\$35,442	\$18,705	111.76%
Radio Repair	\$4,065	\$3,108	(\$957)	-23.54%
Animal Shelter & Disposal	\$237,614	\$228,242	(\$9,372)	-3.94%
Recycling	\$2,253	\$2,017	(\$236)	-10.47%
Other Contractual Services	\$744,993	\$700,980	(\$44,014)	-5.91%
<b>CONTRACT SERVICES SUBTL</b>	<b>\$1,270,552</b>	<b>\$1,296,526</b>	<b>\$25,974</b>	<b>2.04%</b>
Office Supplies	\$20,327	\$15,735	(\$4,592)	-22.59%
Janitorial Supplies	\$12,038	\$8,208	(\$3,830)	-31.82%
Medical Supplies & Oxygen	\$1,723	\$2,380	\$657	38.15%
Chemicals	\$6,568	\$5,229	(\$1,339)	-20.38%
Tools/Equipment	\$24,194	\$15,464	(\$8,730)	-36.08%
Fuel/Lubricants	\$55,263	\$61,957	\$6,694	12.11%
Vehicle/Equipment Parts	\$20,469	\$32,038	\$11,569	56.52%
Uniforms/Safety Gear	\$36,837	\$32,018	(\$4,819)	-13.08%
Street Maintenance Materials	\$30,216	\$24,794	(\$5,422)	-17.94%
Street Signs	\$5,219	\$3,913	(\$1,306)	-25.02%
Traffic Supplies	\$2,340	\$624	(\$1,716)	-73.33%
Other Supplies & Materials	\$41,578	\$48,397	\$6,819	16.40%
Debris removal costs	\$0	\$5,470	\$5,470	#DIV/0!
<b>SUPPLIES &amp; MAT. SUBTL</b>	<b>\$256,773</b>	<b>\$256,227</b>	<b>(\$546)</b>	<b>-0.21%</b>
<b>NET INTRAFUND TRANSFERS OUT</b>	<b>\$391,555</b>	<b>\$789,953</b>	<b>\$398,397</b>	<b>101.75%</b>
<b>GRAND TOTAL</b>	<b>\$8,947,293</b>	<b>\$9,563,831</b>	<b>\$616,538</b>	<b>6.89%</b>

The next graph shows revenue by source. Taxes account for 63% 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.

The general fund is the chief operating fund of the City. Most governmental activities are funded through this fund. At the end of the current fiscal year, total unassigned governmental fund balance is \$3,095,293 and the total governmental fund balance is \$11,295,896.

The general fund balance increased by \$167,812 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 budgeted revenues were \$9,122,343 but revenue reached a total at the end of the year of \$9,746,130, which is \$630,414 more than budgeted.
- General Fund expenditures were \$9,548,087 which is \$185,357 less than the amended budget of \$9,733,444. This is 1.9% under budget.

### **Long-term debt**

At the end of the fiscal year, the City had no judgments payable.

At the end of FY 2017-18, the City had \$11,212,699 in total long-term indebtedness. This includes \$190,979 in outstanding lease obligations, \$1,350,369 in compensated absences, and \$9,671,351 in notes payable. Notes payable include the bond issue of 2018 and the balance of a VPWA commercial development loan from BancFirst.

### **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 recognizes that the overall economic condition of the region is important in the budgeting process and this is routinely reflected in budgets approved by the Council. A slowdown in the local energy economy in FY 2015-16 had an adverse effect on local finances beginning in FY 2015-16. Moreover, in FY 2015-16, the City was hit by a costly ice storm that required a costly clean up. Economic conditions, however, improved significantly for The Village towards the end of FY 2015-16 primarily due to a new grocery store which opened for business in February 2016. Statewide economic conditions were generally good during FY 2017-18 and Use Tax revenues were unexpectedly strong. A permanent ½ cent increase in Sales Taxes dedicated for capital expenditures became effective in the 3<sup>rd</sup> Quarter of FY 2017-18 also helping to boost in both sales and use taxes for the year.

The fiscal year 2017-18 budget adopted by the Council in the amount of \$9,733,444 represented a modest increase of 3% or \$329,854 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, 2018**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 9,086,651
Investments	2,213,820
Total assets	11,300,471
<b>LIABILITIES</b>	
Unapplied payments	4,575
Total liabilities	4,575
<b>NET POSITION</b>	
Restricted	7,137,974
Unrestricted	4,157,922
Total net position	\$ 11,295,896

See accompanying notes.

**CITY OF THE VILLAGE, OKLAHOMA**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**YEAR ENDED JUNE 30, 2018**

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants, Contributions, and Debt Proceeds	Net (Expense)/ Revenue
<b>Functions/Programs:</b>				
Governmental activities:				
General government	\$ 2,714,851	\$ 348,266	\$ 113,813	\$ -
Public safety				
Police	2,665,157	337,979	-	-
Municipal court	202,595	-	-	-
Fire	2,194,867	-	-	-
Public services	2,696,587	2,202,021	-	7,045,231
Cultural and recreation:	256,266	-	-	-
Interest on debt	111,769	-	-	-
Total Governmental activities	10,842,092	2,888,266	113,813	7,045,231
 TOTAL	 \$ 10,842,092	 \$ 2,888,266	 \$ 113,813	 \$ 7,045,231
				\$ (794,782)
				Net (expense)/revenue
				\$ (794,782)
				General revenues:
				Taxes:
				Sales and use taxes
				5,886,300
				Franchise and public service taxes
				648,212
				Investment income
				33,184
				Miscellaneous
				789,475
				Change in net assets
				6,562,389
				Net position, beginning
				4,733,507
				Net position, ending
				\$ 11,295,896

See accompanying notes.

**CITY OF THE VILLAGE, OKLAHOMA  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	General Fund	Emergency Reserve Fund	TIF Fund	G.O. Bond Project Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,797,998	\$ 65,702	\$ 224,982	\$ 6,912,992	\$ 84,977	\$ 9,086,651
Investments	1,301,870	911,950	-	-	-	2,213,820
Total assets	<u>\$ 3,099,868</u>	<u>\$ 977,652</u>	<u>\$ 224,982</u>	<u>\$ 6,912,992</u>	<u>\$ 84,977</u>	<u>\$ 11,300,471</u>
<b>LIABILITIES</b>						
Unapplied payments	\$ 4,575	\$ -	\$ -	\$ -	\$ -	\$ 4,575
Total liabilities	<u>4,575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,575</u>
<b>FUND BALANCES</b>						
Restricted	-	-	224,982	6,912,992	-	7,137,974
Assigned	-	977,652	-	-	84,977	1,062,629
Unassigned	3,095,293	-	-	-	-	3,095,293
Total fund balances	<u>3,095,293</u>	<u>977,652</u>	<u>224,982</u>	<u>6,912,992</u>	<u>84,977</u>	<u>11,295,896</u>
Total liabilities and fund balances	<u>\$ 3,099,868</u>	<u>\$ 977,652</u>	<u>\$ 224,982</u>	<u>\$ 6,912,992</u>	<u>\$ 84,977</u>	<u>\$ 11,300,471</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, 2018**

	General Fund	Emergency Reserve Fund	TIF Fund	G.O. Bond Project Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 6,534,512	\$ -	\$ -	\$ -	\$ -	\$ 6,534,512
Intergovernmental	113,813	-	-	-	-	113,813
Charges for services	2,202,021	-	-	-	7,978	2,209,999
Fines and forfeitures	337,979	-	-	-	-	337,979
Licenses and permits	340,288	-	-	-	-	340,288
Investment income	18,329	13,058	428	1,214	155	33,184
Miscellaneous	163,998	-	606,913	-	18,564	789,475
Total revenues	<u>9,710,940</u>	<u>13,058</u>	<u>607,341</u>	<u>1,214</u>	<u>26,697</u>	<u>10,359,250</u>
<b>EXPENDITURES</b>						
Current:						
General Government	1,133,135	-	-	10	4,994	1,138,139
Public Safety						
Police	2,665,157	-	-	-	-	2,665,157
Municipal court	202,595	-	-	-	-	202,595
Fire	2,145,472	-	-	-	-	2,145,472
Public Services	2,385,900	-	-	-	-	2,385,900
Cultural and Recreation	241,621	-	-	-	14,645	256,266
Debt Service	-	-	1,606,168	-	-	1,606,168
Capital Outlay	-	-	-	90,890	351,505	442,395
Total Expenditures	<u>8,773,880</u>	<u>-</u>	<u>1,606,168</u>	<u>90,900</u>	<u>371,144</u>	<u>10,842,092</u>
Excess (deficiency) of revenues over expenditures	<u>937,060</u>	<u>13,058</u>	<u>(998,827)</u>	<u>(89,686)</u>	<u>(344,447)</u>	<u>(482,842)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
New debt proceeds	-	-	-	7,045,231	-	7,045,231
Transfers in	20,705	-	525,569	100	301,232	847,606
Transfers out	<u>(789,953)</u>	<u>(15,000)</u>	<u>-</u>	<u>(42,653)</u>	<u>-</u>	<u>(847,606)</u>
Total other financing sources and uses	<u>(769,248)</u>	<u>(15,000)</u>	<u>525,569</u>	<u>7,002,678</u>	<u>301,232</u>	<u>7,045,231</u>
Net change in fund balances	167,812	(1,942)	(473,258)	6,912,992	(43,215)	6,562,389
Fund balances, July 1, 2017	2,927,481	979,594	698,240	-	128,192	4,733,507
Fund balances, June 30, 2018	<u>\$ 3,095,293</u>	<u>\$ 977,652</u>	<u>\$ 224,982</u>	<u>\$ 6,912,992</u>	<u>\$ 84,977</u>	<u>\$ 11,295,896</u>

See accompanying notes.

**CITY OF THE VILLAGE, OKLAHOMA**  
**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2018**

**ASSETS**

Cash and cash equivalents	\$ 35,693
Total assets	<u>\$ 35,693</u>

**LIABILITIES**

Escrow liability	\$ 35,693
Total liabilities	<u>\$ 35,693</u>

See accompanying notes.



**CITY OF THE VILLAGE, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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, 2018**

**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 Funds – Two funds, the TIF Fund and the G.O. Bond Project Fund account for monies set aside for capital projects of the City. The TIF Fund accounts for Tax Increment Financing districts of the City that were authorized and initiated using the The Village Development Authority. The G.O. Bond Project Fund accounts for proceeds from a May, 2018 general obligation bond issue being used for infrastructure construction and repairs.

*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, 2018**

**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, 2018**

**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, 2018**

**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, 2018, the City held deposits of approximately \$9,128,000 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, 2018, 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, 2018**

**2a. Deposits and Investments (continued)**

The investments held at June 30, 2018 are as follows:

Type	Average Maturity (Years)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	\$ 614,661	\$ 613,820
Certificate of deposit	1.02	N/A	1,588,061	1,600,000
Total investments			<u>\$ 2,202,722</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: 28% in Money Market funds at Morgan Stanley (\$613,820) and 72% in Certificates of deposit (\$1,600,000).

**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					
	General	Emergency Reserve Fund	TIF Fund	G.O. Bond Project Fund	Other Gov't Funds	
<u>Governmental Activities:</u>						
General Fund	\$ 5,705	\$ -	\$ 525,569	\$ 100	\$ 258,579	\$ 789,953
Emergency Reserve Fund	15,000	-	-	-	-	15,000
TIF Fund	-	-	-	-	-	-
G.O. Bond Project Fund	-	-	-	-	42,653	42,653
Other Governmental funds	-	-	-	-	-	-
Total Transfers To	<u>\$ 20,705</u>	<u>\$ -</u>	<u>\$ 525,569</u>	<u>\$ 100</u>	<u>\$ 301,232</u>	<u>\$ 847,606</u>

**CITY OF THE VILLAGE, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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, 2018, was \$1,857,083. Total contributions to the plan were \$190,801, which consisted of employer contributions of \$114,481 and employee contributions of \$76,320.

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 \$197,451, for the year ending June 30, 2018. The state made on-behalf contributions of \$160,257 for the year ending June 30, 2018.

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 63<sup>rd</sup> 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 \$192,010, for the year ending June 30, 2018. The state made on-behalf contributions of \$567,177 for the year ending June 30, 2018.

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](http://www.ok.gov/fprs).

**CITY OF THE VILLAGE, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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, 2018, approximately 10 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 2018, the City contributed \$0 to the plan for retired employees. Plan members receiving benefits contributed \$71,634, 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, 2018**

**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 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 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.

**CITY OF THE VILLAGE, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**3c. Commitments and Contingencies (continued)**

Long-term debt (continued)

*Capitalized leases (continued)*

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.

On July 1, 2017, the City issued a lease payable to RCB Bank in the amount of \$14,599 for the purchase of a street department truck. The City will pay annual installments of \$12,091 that include interest of 2.65%, with the maturity date of September 21, 2019.

On September 29, 2017, the City issued a lease payable to Oklahoma State Bank in the amount of \$24,659 for a police vehicle. The City will pay annual installments of \$6,401 that include interest of 2.20%, with the maturity date of October 31, 2020.

On June 25, 2018, the City issued a lease payable to Oklahoma State Bank in the amount of \$21,883 for the purchase of a building and code department truck. The City will pay annual installments of \$4,152 that include interest of 2.20%, with the maturity date of June 25, 2021.

*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, 2018 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, 2018 was \$387,933.

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, 2018 was \$229,080.

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, 2018 was \$285,075

**CITY OF THE VILLAGE, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**3c. Commitments and Contingencies (continued)**

Long-term debt (continued)

*Bonds payable*

On May 1, 2018, the City issued Combined Purpose General Obligation Bonds, Series 2018 in the amount of \$7,110,000 to fund various street projects and parks and recreational facilities. The bonds carry interest rates ranging from 3% to 5%. The City pays interest on May 1 and November 1, beginning May 1, 2019. Principal payments will begin May 1, 2020 and continue annually on May 1 until maturity on May 1, 2038. The balance on June 30, 2018 was \$7,110,000.

Transactions for the year ended June 30, 2018 are as follows:

	Balance 6/30/2017	Additions	Reductions	Balance 6/30/2018	Current Portion
<u>Governmental Type Activities</u>					
Capital lease obligations	\$ 277,239	\$ 81,447	\$(167,707)	\$ 190,979	\$ 138,478
Compensated absences	1,234,489	226,984	(111,104)	1,350,369	121,533
Notes payable	3,088,264	7,110,000	(526,913)	9,671,351	229,080
Total	<u>\$4,599,992</u>	<u>\$7,418,431</u>	<u>\$(805,724)</u>	<u>\$11,212,699</u>	<u>\$ 489,091</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

	Capital lease obligations			Bonds & Notes payable		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 138,478	\$ 5,420	\$ 143,899	\$ 229,080	\$ 335,189	\$ 564,269
2020	42,205	4,163	46,368	360,000	335,189	695,189
2021	10,296	309	10,605	2,762,933	317,189	3,080,122
2022	-	-	-	660,075	204,452	864,527
2023	-	-	-	375,000	187,500	562,500
2024-2028	-	-	-	1,875,000	768,750	2,643,750
2029-2033	-	-	-	1,875,000	487,031	2,362,031
2034-2038	-	-	-	1,875,000	191,250	2,066,250
	<u>\$ 190,979</u>	<u>\$ 9,893</u>	<u>\$ 200,872</u>	<u>\$ 10,012,088</u>	<u>\$ 2,826,550</u>	<u>\$ 12,838,638</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, 2018**

	Police Department Grant Fund	Juvenile Fund	Park Beautification/ Events Fund	Technology Fund	Asset Seizure Fund	G.O. Bond Sinking Fund	Capital Projects Fund	Total Non major Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 6,382	\$ 8,924	\$ 13,970	\$ 73	\$ 7,254	\$ 42,639	\$ 5,735	\$ 84,977
Total assets	<u>\$ 6,382</u>	<u>\$ 8,924</u>	<u>\$ 13,970</u>	<u>\$ 73</u>	<u>\$ 7,254</u>	<u>\$ 42,639</u>	<u>\$ 5,735</u>	<u>\$ 84,977</u>
<b>FUND BALANCES</b>								
Assigned	6,382	8,924	13,970	73	7,254	42,639	5,735	84,977
Total fund balances	<u>6,382</u>	<u>8,924</u>	<u>13,970</u>	<u>73</u>	<u>7,254</u>	<u>42,639</u>	<u>5,735</u>	<u>84,977</u>
Total fund balances	<u>\$ 6,382</u>	<u>\$ 8,924</u>	<u>\$ 13,970</u>	<u>\$ 73</u>	<u>\$ 7,254</u>	<u>\$ 42,639</u>	<u>\$ 5,735</u>	<u>\$ 84,977</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, 2018**

	Police Department Grant Fund	Juvenile Fund	Park Beautification/ Events Fund	Technology Fund	Asset Seizure Fund	G.O. Bond Sinking Fund	Capital Projects Fund	Total Non major Governmental Funds
<b>REVENUES</b>								
Charges for services	\$ -	\$ -	\$ 7,978	\$ -	\$ -	\$ -	\$ -	\$ 7,978
Investment income	12	18	33	-	15	7	70	155
Grant Deposits	593	-	7,806	-	-	-	-	8,399
Miscellaneous	-	-	169	-	4,946	-	5,050	10,165
Total revenues	<u>605</u>	<u>18</u>	<u>15,986</u>	<u>-</u>	<u>4,961</u>	<u>7</u>	<u>5,120</u>	<u>26,697</u>
<b>EXPENDITURES</b>								
Current:								
General government	-	-	-	27	4,946	21	-	4,994
Culture and Recreation	-	-	14,645	-	-	-	-	14,645
Capital Outlay	-	-	-	-	-	-	351,505	351,505
Total Expenditures	<u>-</u>	<u>-</u>	<u>14,645</u>	<u>27</u>	<u>4,946</u>	<u>21</u>	<u>351,505</u>	<u>371,144</u>
Excess (deficiency) of revenues over expenditures	<u>605</u>	<u>18</u>	<u>1,341</u>	<u>(27)</u>	<u>15</u>	<u>(14)</u>	<u>(346,385)</u>	<u>(344,447)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	100	-	42,653	258,479	301,232
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>-</u>	<u>42,653</u>	<u>258,479</u>	<u>301,232</u>
Net change in fund balances	605	18	1,341	73	15	42,639	(87,906)	(43,215)
Fund balances, July 1, 2017	5,777	8,906	12,629	-	7,239	-	93,641	128,192
Fund balances, June 30, 2018	<u>\$ 6,382</u>	<u>\$ 8,924</u>	<u>\$ 13,970</u>	<u>\$ 73</u>	<u>\$ 7,254</u>	<u>\$ 42,639</u>	<u>\$ 5,735</u>	<u>\$ 84,977</u>

**CITY OF THE VILLAGE, OKLAHOMA**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH**  
**AGENCY FUNDS**  
**JUNE 30, 2018**

	Penalty Assessment Fund	Animal Bond Fund	Municipal Court Bond Fund	Building Code Fund	Total Agency Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 20,434	\$ 380	\$ 11,389	\$ 3,490	\$ 35,693
Total assets	<u>\$ 20,434</u>	<u>\$ 380</u>	<u>\$ 11,389</u>	<u>\$ 3,490</u>	<u>\$ 35,693</u>
<b>LIABILITIES</b>					
Escrow liability	\$ 20,434	\$ 380	\$ 11,389	\$ 3,490	\$ 35,693
Total liabilities	<u>\$ 20,434</u>	<u>\$ 380</u>	<u>\$ 11,389</u>	<u>\$ 3,490</u>	<u>\$ 35,693</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, 2018, 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 December 17, 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.

Handwritten signature in black ink that reads "HBC CPAs & Advisors".

Oklahoma City, Oklahoma  
December 17, 2018