

CITY OF THE VILLAGE

FINANCIAL REPORT

JUNE 30, 2013



THE CITY OF THE VILLAGE, OKLAHOMA
ANNUAL FINANCIAL REPORT
JUNE 30, 2013

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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 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, 2013, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

As more fully explained in Note 3 to the financial statements, the City provides post-employment benefits in the form of retiree health insurance. Accounting principles generally accepted in the United States of America require that other post-employment benefit (OPEB) costs, which are an implicit subsidy, be calculated and reported in the financial statements. The City has not included its OPEB liability in the governmental activities statement of net position.

In our opinion, except for the effects of not recording the other post-employment benefit obligation as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective 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, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–10 and 30–31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 combining and individual nonmajor fund financial statements 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 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. Such information has been subjected to the auditing procedures applied in the audit of 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 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 May 7, 2014, 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
May 7, 2014

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, 2013. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

Financial Highlights

The City's assets exceeded its liabilities by \$10,102,076 (Total Net Position) at the close of the fiscal year.

Total net assets are comprised of the following:

- 1) Net investment in capital assets, of \$4,534,826 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
- 2) Unrestricted net assets of \$5,567,250 represent the portion available to maintain the City's continuing obligations to citizens and creditors.

The City's governmental funds reported a total ending fund balance of \$5,734,840 this year, while the unassigned fund balance totaled \$4,247,775.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,993,403 or 50% of total General Fund expenditures. Total liabilities of the City were \$4,835,931 at the end of the fiscal year. This includes \$88,007 in lease obligations (current and non-current), \$3,397,695 in notes payable, \$1,291,606 in accrued compensated absences (current and non-current), and \$58,623 in accounts payable.

Overview of the Financial Statements

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

Government-wide financial statements. The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of position presenting information that includes all of 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*. 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 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 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 financial statements, fund 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 financial statements and encompass essentially the same functions reported as governmental activities in the government-wide 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.

Budgetary comparison statements are included in the basic financial statements for the general fund. This statement demonstrates compliance with the City's adopted and final revised budget.

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

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

Other information. In addition to the basic 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 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 \$10,102,076. The following table provides a summary of the City's net assets:

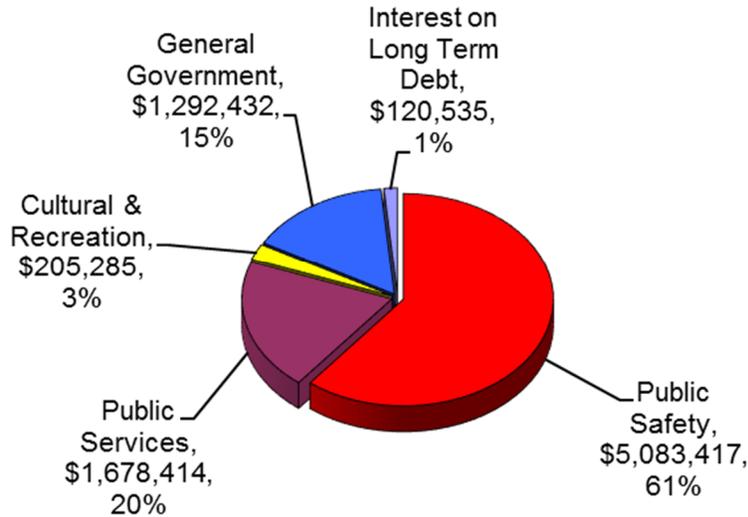
City of The Village, Oklahoma					
Summary & Comparison of Net Position at June 30, 2013					
<i>Net Assets Comparison</i>	<i>Governmental Activities 30-Jun-09</i>	<i>Governmental Activities 30-Jun-10</i>	<i>Governmental Activities 30-Jun-11</i>	<i>Governmental Activities June 30, 2012</i>	<i>Governmental Activities June 30, 2013</i>
Current & Other Assets	4,462,799	4,069,081	4,608,531	4,910,257	5,793,463
Capital Assets	10,716,333	10,713,076	10,189,643	9,547,346	9,144,544
Total Assets	15,179,132	14,782,157	14,798,174	14,457,603	14,938,007
Current Liabilities	549,336	184,611	161,235	190,203	4,747,924
Long Term Liabilities	4,399,531	5,399,965	4,997,669	5,039,970	88,007
Total Liabilities	4,948,867	5,584,576	5,158,904	5,230,173	4,835,931
Net Position:					
Net investment in capital assets	7,455,048	6,500,209	6,304,728	5,661,194	4,534,826
Unrestricted	2,775,219	2,697,292	3,334,524	3,566,236	5,567,250
Total Net Position	10,230,265	9,197,479	9,639,270	9,227,430	10,102,076

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

As stated earlier, one major change in the annual financial report is the addition of the "Statement of Activities." This statement shows on an accrual basis the major activities of the government. These activities are broken down into governmental and business type activities.

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 \$5,083,417 of the total \$8,380,083 (61%) in governmental expenditures.

EXPENSES - GOVERNMENTAL ACTIVITIES

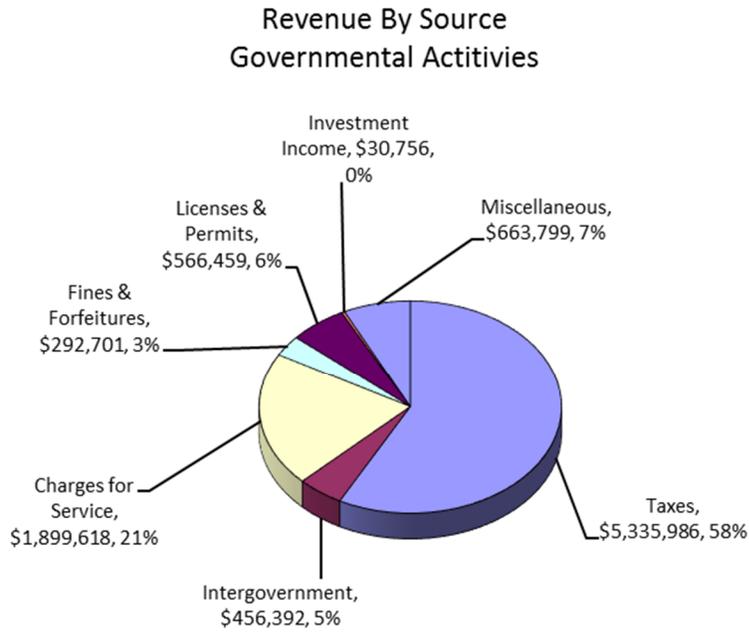


The next graph provides a detailed report on cash-basis expenditures for the General Fund in FY 2012-13. Since the General Fund is the main operating fund of the City, the table only includes activities funded through the General fund.

LINE ITEM	FY 11-12 EXPENDED	FY 12-13 EXPENDED	\$ DIFFERENCE	% DIFFERENCE
Salaries & Wages	\$3,815,565.00	\$4,009,149.00	\$193,584.00	5.07%
Overtime	\$84,489.00	\$84,719.00	\$230.00	0.27%
Social Security	\$163,911.00	\$166,842.00	\$2,931.00	1.79%
Health Insurance	\$686,369.00	\$658,222.00	-\$28,147.00	-4.10%
Worker's Compensation	\$149,883.00	\$170,793.00	\$20,910.00	13.95%
Unemployment	\$0.00	\$7,700.00	\$7,700.00	-
Retirement	\$435,424.00	\$438,689.00	\$3,265.00	0.75%
Medicare	\$52,078.00	\$53,839.00	\$1,761.00	3.38%
Uniform Allowance	\$19,975.00	\$22,950.00	\$2,975.00	14.89%
Educational Allowance	\$508.00	\$667.00	\$159.00	-
Other Compensation	\$16,011.00	\$16,093.00	\$82.00	0.51%
PERSONAL SERVICES SUBTL	\$5,424,213.00	\$5,629,663.00	\$205,450.00	3.79%

LINE ITEM	FY 11-12 EXPENDED	FY 12-13 EXPENDED	\$ DIFFERENCE	% DIFFERENCE
Economic Development	\$39,834.00	\$117,981.00	\$78,147.00	196.18%
Travel/Training	\$15,857.00	\$20,390.00	\$4,533.00	28.59%
Telephone	\$24,806.00	\$24,629.00	-\$177.00	-0.71%
Utilities	\$71,394.00	\$60,541.00	-\$10,853.00	-15.20%
Postage & Freight	\$16,274.00	\$16,602.00	\$328.00	2.02%
Membership Dues	\$15,606.00	\$16,443.00	\$837.00	5.36%
Publications/Books	\$3,243.00	\$1,130.00	-\$2,113.00	-65.16%
Insurance	\$72,693.00	\$77,932.00	\$5,239.00	7.21%
Advertising/Printing	\$9,012.00	\$12,147.00	\$3,135.00	34.79%
Contingencies	\$25,098.00	\$24,006.00	-\$1,092.00	-4.35%
Other Services & Charges	\$30,260.00	\$29,794.00	-\$466.00	-1.54%
Sanitation Lien	\$1,703.00	\$0.00	-\$1,703.00	-100.00%
SERVICES & CHARGES SUBTL	\$325,780.00	\$401,595.00	\$75,815.00	23.27%
Legal	\$248.00	\$248.00	\$0.00	
Computer Software	\$147.00	\$2,610.00	\$2,463.00	1675.51%
Medical	\$114,255.00	\$110,828.00	-\$3,427.00	-3.00%
Auditor	\$9,175.00	\$8,700.00	-\$475.00	-5.18%
Other Prof. Services	\$18,357.00	\$17,817.00	-\$540.00	-2.94%
PROF. SERVICES SUBTL	\$142,182.00	\$140,203.00	-\$1,979.00	-1.39%
Rentals & Leases	\$93,632.00	\$115,135.00	\$21,503.00	22.97%
Maintenance Agreements	\$22,282.00	\$20,354.00	-\$1,928.00	-8.65%
Uniform & Misc. Laundry	\$10,200.00	\$8,899.00	-\$1,301.00	-12.75%
Vehicle/Equipment Repair	\$39,652.00	\$36,616.00	-\$3,036.00	-7.66%
Building Repair	\$18,841.00	\$19,480.00	\$639.00	3.39%
Radio Repair	\$2,637.00	\$4,489.00	\$1,852.00	70.23%
Animal Shelter & Disposal	\$3,085.00	\$3,238.00	\$153.00	4.96%
Recycling	\$205,911.00	\$221,469.00	\$15,558.00	7.56%
Other Contractual Services	\$728,849.00	\$662,050.00	-\$66,799.00	-9.16%
CONTRACT SERVICES SUBTL	\$1,125,089.00	\$1,091,730.00	-\$33,359.00	-2.97%
Office Supplies	\$11,817.00	\$14,340.00	\$2,523.00	21.35%
Janitorial Supplies	\$8,282.00	\$9,270.00	\$988.00	11.93%
Medical Supplies & Oxygen	\$2,492.00	\$2,436.00	-\$56.00	-2.25%
Chemicals	\$4,481.00	\$4,334.00	-\$147.00	-3.28%
Tools/Equipment	\$18,412.00	\$19,916.00	\$1,504.00	8.17%
Fuel/Lubricants	\$71,093.00	\$80,289.00	\$9,196.00	12.94%
Vehicle/Equipment Parts	\$28,194.00	\$24,257.00	-\$3,937.00	-13.96%
Uniforms/Safety Gear	\$21,229.00	\$30,174.00	\$8,945.00	42.14%
Street Maintenance Materials	\$12,682.00	\$12,234.00	-\$448.00	-3.53%
Street Signs	\$3,654.00	\$5,378.00	\$1,724.00	47.18%
Traffic Supplies	\$1,084.00	\$1,503.00	\$419.00	38.65%
Other Supplies & Materials	\$29,569.00	\$38,920.00	\$9,351.00	31.62%
SUPPLIES & MAT. SUBTL	\$212,989.00	\$243,051.00	\$30,062.00	14.11%
INTRAFUND TRANSFERS	\$227,164.00	\$20,068.00	-\$207,096.00	-91.17%
GRAND TOTAL	\$7,457,417.00	\$7,526,310.00	\$68,893.00	0.92%

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 \$5,567,250.

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 \$3,993,403.

The general fund balance increased by \$711,278 during the year. Please note that the general fund does not receive any property tax to fund services.

General Fund Budgetary Highlights

- General fund revenues were \$658,383 more than budgeted.
- Expenditures were \$25,698 less than the budget. This is 0.5% under budget.

Capital Asset and Debt Administration

Capital Assets. The City of The Village's investment in capital assets for governmental activities as of June 30, 2013, totals \$11,932,239 (net of accumulated depreciation and the deletion of capital assets). This investment includes land, buildings, equipment, park facilities, street and drainage improvements, and sewer system improvements.

Capital asset additions during the year totaled \$466,747, which represents investments in buildings, vehicles, equipment and infrastructure. Annual depreciation on all City assets of \$436,163.

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 2012-13, the City had \$4,777,308 in total long-term indebtedness. This includes \$88,007 in outstanding lease obligations, \$1,291,606 in compensated absences, and \$3,397,695 in notes payable (Vintage Lakes purchase, cleanup and demolition).

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, the slowdown has had an adverse effect on local finances. By the end of FY 2012-13 economic conditions had improved somewhat and the fiscal year 2013-14 budget adopted by the Council represents an increase of 4.5% over the previous year. Budget increases for other departments were modest.

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
JUNE 30, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,081,957
Sales tax receivable	792,165
Accounts receivables (net)	57,151
Investments	2,862,190
Capital assets (net)	9,144,544
Total assets	14,938,007
LIABILITIES	
Accounts payable	58,623
Accrued compensated absences, current	116,625
Capital lease obligation, current	1,174,981
Notes payable, current	3,397,695
Capital lease obligation, non-current	37,042
Accrued compensated absences, non-current	50,965
Total liabilities	4,835,931
NET POSITION	
Net investment in capital assets	4,534,826
Unrestricted	5,567,250
Total net position	\$ 10,102,076

See accompanying notes.

**CITY OF THE VILLAGE, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

	Program Revenues			Net (Expense)/ Revenue	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants & Contributions
Functions/Programs:					
Governmental activities:					
General government	\$ 1,292,432	\$ 566,459	\$ -	\$ -	\$ (725,973)
Public safety					
Police	2,576,817	292,701	141,514	-	(2,142,602)
Municipal court	165,389	-	-	-	(165,389)
Fire	2,341,211	-	-	-	(2,341,211)
Public services	1,678,414	1,899,618	314,878	-	536,082
Cultural and recreation:	205,285	-	-	-	(205,285)
Interest on long term debt	120,535	-	-	-	(120,535)
Total Governmental activities	<u>8,380,083</u>	<u>2,758,778</u>	<u>456,392</u>	<u>-</u>	<u>(5,164,913)</u>
TOTAL	<u>\$ 8,380,083</u>	<u>\$ 2,758,778</u>	<u>\$ 456,392</u>	<u>\$ -</u>	<u>\$ (5,164,913)</u>

	Governmental Activities
Net (expense)/revenue	\$ (5,164,913)
General revenues:	
Taxes:	
Sales and use taxes	4,492,737
Franchise and public service taxes	843,249
Investment income	30,756
Miscellaneous	672,857
Change in net assets	874,686
Net position, beginning, restated	9,227,390
Net position, ending	<u>\$ 10,102,076</u>

See accompanying notes.

**CITY OF THE VILLAGE, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General Fund	Emergency Reserve Fund	TIF Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,492,899	\$ 72,814	\$ 213,851	\$ 302,393	\$ 2,081,957
Sales tax receivable	792,165	-	-	-	792,165
Accounts receivables (net)	57,151	-	-	-	57,151
Investments	1,661,790	1,200,400	-	-	2,862,190
Total assets	<u>\$ 4,004,005</u>	<u>\$ 1,273,214</u>	<u>\$ 213,851</u>	<u>\$ 302,393</u>	<u>\$ 5,793,463</u>
LIABILITIES					
Accounts payable	\$ 10,602	\$ -	\$ -	\$ 48,021	\$ 58,623
Total liabilities	<u>10,602</u>	<u>-</u>	<u>-</u>	<u>48,021</u>	<u>58,623</u>
FUND BALANCES					
Restricted	-	-	213,851	-	213,851
Committed	-	-	-	-	-
Assigned	-	1,273,214	-	-	1,273,214
Unassigned	3,993,403	-	-	254,372	4,247,775
Total fund balances	<u>3,993,403</u>	<u>1,273,214</u>	<u>213,851</u>	<u>254,372</u>	<u>5,734,840</u>
Total liabilities and fund balances	<u>\$ 4,004,005</u>	<u>\$ 1,273,214</u>	<u>\$ 213,851</u>	<u>\$ 302,393</u>	<u>\$ 5,793,463</u>

See accompanying notes.

**CITY OF THE VILLAGE, OKLAHOMA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2013**

Total fund balance - total governmental funds	\$ 5,734,840
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$15,848,656, net of accumulated depreciation of (\$6,704,112), are not financial resources and, therefore, are not reported in the funds.	9,144,544
Long-term liabilities of (\$4,777,308) are not due and payable in the current period and are not reported in the funds.	(4,777,308)
Net assets of governmental activities	<u>\$ 10,102,076</u>

See accompanying notes.

CITY OF THE VILLAGE, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General Fund	Emergency Reserve Fund	TIF Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 5,335,986	\$ -	\$ -	\$ -	\$ 5,335,986
Intergovernmental	456,392	-	-	-	456,392
Charges for services	1,844,539	-	-	55,079	1,899,618
Fines and forfeitures	292,701	-	-	-	292,701
Licenses and permits	566,459	-	-	-	566,459
Investment income	15,396	15,087	128	145	30,756
Miscellaneous	170,204	-	127,678	365,917	663,799
Total revenues	<u>8,681,677</u>	<u>15,087</u>	<u>127,806</u>	<u>421,141</u>	<u>9,245,711</u>
EXPENDITURES					
Current:					
General Government	1,156,433	-	14,250	50,025	1,220,708
Public Safety					
Police	2,442,001	-	-	-	2,442,001
Municipal court	156,895	-	-	-	156,895
Fire	2,220,963	-	-	-	2,220,963
Public Services	1,592,208	-	-	-	1,592,208
Cultural and Recreation	180,503	-	-	15,009	195,512
Debt Service	48,018	-	120,535	-	168,553
Capital Outlay	168,310	-	-	217,523	385,833
Total Expenditures	<u>7,965,331</u>	<u>-</u>	<u>134,785</u>	<u>282,557</u>	<u>8,382,673</u>
Excess (deficiency) of revenues over expenditures	<u>716,346</u>	<u>15,087</u>	<u>(6,979)</u>	<u>138,584</u>	<u>863,038</u>
OTHER FINANCING SOURCES (USES)					
Sale of assets	-	-	25,000	-	25,000
Transfers in	15,000	-	810	8,700	24,510
Transfers out	(20,068)	(15,000)	(5,384)	-	(40,452)
Total other financing sources and uses	<u>(5,068)</u>	<u>(15,000)</u>	<u>20,426</u>	<u>8,700</u>	<u>9,058</u>
Net change in fund balances	711,278	87	13,447	147,284	872,096
Fund balances, July 1, 2012	3,282,125	1,273,127	200,404	107,088	4,862,744
Fund balances, June 30, 2013	<u>\$ 3,993,403</u>	<u>\$ 1,273,214</u>	<u>\$ 213,851</u>	<u>\$ 254,372</u>	<u>\$ 5,734,840</u>

See accompanying notes.

**CITY OF THE VILLAGE, OKLAHOMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

Net change in fund balances - total governmental funds	\$	872,096
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense of \$436,163 was exceeded by capital outlay expenditures of \$385,834 in the current period.		(50,329)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the net decrease in accrued compensated absences of (\$4,901).		4,901
Governmental funds record the payment on debt as expenditures because they consume current financial resources. These transactions reduce the outstanding debt obligations on the Statement of Net Assets and have no effect on the change in net assets.		48,018
Change in net assets of governmental activities	<u>\$</u>	<u>874,686</u>

See accompanying notes.

CITY OF THE VILLAGE, OKLAHOMA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2013

ASSETS

Cash and cash equivalents	\$ 30,264
Total assets	<u>\$ 30,264</u>

LIABILITIES

Escrow liability	\$ 30,264
Total liabilities	<u>\$ 30,264</u>

See accompanying notes.

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. Summary of Significant Accounting Policies

The financial statements of the City of The Village, Oklahoma (the City) are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide, proprietary fund, and component unit financial statements apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

1a. 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 one blended component unit, The Village Public Works Authority (TVPWA). 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. The City Council members are the trustees of the Authority. Although TVPWA has been inactive in recent years, it is considered to be an enterprise fund.

1b. Basis of 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.

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.

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.

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1b. Basis of Presentation – Continued

Major (continued)

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 – The TIF fund is a fund created by the City to account for capital projects related to the Tax Increment Financing area for the City.

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.

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.

1c. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included in the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are susceptible to accrual i.e. when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, hotel/motel taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1d. 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

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are capitalized and stated at historical cost, or estimated historical cost if actual cost is unavailable, and comprehensively reported in the government-wide financial statements. Prior to July 1, 2003, infrastructure assets were not capitalized.

Donated assets are stated at fair value on the date donated. The City capitalizes assets with cost of \$500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized.

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	40
Building improvements	40
Vehicles	5
Office equipment	7-10
Computer equipment	5
Infrastructure	25-50

Compensated Absences

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. Compensated absences are reported as accrued in the government-wide, proprietary, and fiduciary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable.

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, 2013

1d. 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, 2013

1e. 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, 2013, the City held deposits of approximately \$2,100,000 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, 2013, 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, 2013

2a. Deposits and Investments (continued)

The investments held at June 30, 2013 are as follows:

Type	Weighted Average Maturity (Years)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	\$ 462,590	\$ 462,590
Certificate of deposit	2.75	N/A	3,605,052	3,600,000
Total investments			<u>\$ 4,067,642</u>	<u>\$ 4,062,590</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: 11% in Money Market funds at Morgan Stanley (\$462,590) and 89% in Certificates of deposit (\$3,605,052).

2b. Capital Assets

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

	June 30, 2012	Additions	Deletions	June 30, 2013
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 1,590,874	\$ -	\$ (433,345)	\$ 1,157,529
Other assets				
Buildings	3,999,312	125,793	-	4,125,105
Infrastructure	9,266,278	123,795	-	9,390,073
Equipment	750,577	131,283	(37,197)	844,663
Furniture and fixtures	77,919	780	-	78,699
Vehicles	267,886	85,096	(117,393)	235,589
Land improvements	16,998	-	-	16,998
	<u>15,969,844</u>	<u>466,747</u>	<u>(587,935)</u>	<u>15,848,656</u>
Less accumulated depreciation	(6,422,538)	(436,163)	154,590	(6,704,111)
Governmental activities capital assets, net	<u>\$ 9,547,306</u>	<u>\$ 30,584</u>	<u>\$ (433,345)</u>	<u>\$ 9,144,545</u>

The amount of capital assets that have been acquired under capital leases \$80,093.

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

2b. Capital Assets (continued)

Depreciation expense was charged as a direct expense to the following functions of the primary government as follows:

<i>Governmental activities</i>	
General government	\$ 72,539
Public safety:	
Police	136,348
Municipal court	8,591
Fire	121,615
Public service	87,186
Culture and recreation	9,884
Total depreciation expense	\$ 436,163

2c. Receivables and Payables

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Similar activities in which a component unit is a party are captioned as "receivables/payables" for both the current and non-current portions between a component unit and the primary government. Balances to which a fiduciary fund is a party are treated as "external" receivables and payables substantially reported as wages and benefits payable (retirement benefits).

Receivable consisted of the following at June 30, 2013:

Sales tax receivable	\$ 792,165
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CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

2d. 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 November 11, 2009, the City issued a lease payable to Ford Motor Credit Company in the amount of \$33,506 for the purchase of truck for the street department. The City will pay 4 annual installments of \$9,349 that include interest of 7.85%, with the maturity date of November 11, 2013.

On July 12, 2010, the City issued a lease payable to Ford Motor Credit Company in the amount of \$36,361 for the purchase of a police vehicle. The City will pay 4 annual installments of \$9,235 that include interest of 7.25%, with the maturity date of July 13, 2013.

On July 22, 2011, the City issued a lease payable to Ford Motor Credit Company in the amount of \$45,097 for the purchase of a police vehicle. The City will pay 4 annual installments of \$11,274 that include interest of 6.6%, with the maturity date of July 22, 2014.

On September 12, 2012, the City issued a lease payable to Ford Motor Credit Company in the amount of \$80,913 for the purchase of a police vehicle. The City will pay 4 annual installments of \$22,014 that include interest of 5.95%, with the maturity date of September 12, 2015.

Notes payable

On July 18, 2008, the City entered into a note payable at Bancfirst in the amount of \$2,000,000 for the purchase of land. The City pays interest quarterly of 2.25% on the principal outstanding. The principal on the note payable is due on June 15, 2014. The outstanding principal at June 30, 2013 was \$2,000,000.

On July 18, 2008, the City entered into note payable at Bancfirst in the amount of \$3,612,000 to finance the preparation of land for redevelopment. The City pays interest quarterly of 3.25% on the principal outstanding. The principal on the note payable is due on June 14, 2014. The outstanding principal at June 30, 2013 was \$1,397,695.

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

2d. Long-term debt (continued)

Transactions for the year ended June 30, 2013 are as follows:

<u>Governmental Type Activities</u>	<u>Balance 6/30/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2013</u>	<u>Current Portion</u>
Capital lease obligations	\$ 55,112	\$ 80,913	\$ (48,018)	\$ 88,007	\$ 37,042
Compensated absences	1,296,508	111,784	(116,686)	1,291,606	116,686
Notes payable	3,831,040	-	(433,345)	3,397,695	3,397,695
Total	<u>\$ 5,182,660</u>	<u>\$ 192,697</u>	<u>\$ (598,049)</u>	<u>\$ 4,777,308</u>	<u>\$ 3,551,423</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

	Capital lease obligations			Notes payable		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 37,042	\$ 5,481	\$ 42,523	\$ 3,397,695	\$ 95,800	\$ 3,493,495
2014	30,187	3,101	33,288	-	-	-
2015	20,778	1,236	22,014	-	-	-
	<u>\$ 88,007</u>	<u>\$ 9,818</u>	<u>\$ 97,825</u>	<u>\$ 3,397,695</u>	<u>\$ 95,800</u>	<u>\$ 3,493,495</u>

2e. 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:

<u>Transfers from</u>	<u>Transfers to</u>				<u>Total Transfers From</u>
	<u>Governmental Activities</u>				
<u>Governmental Activities:</u>	<u>General</u>	<u>Emergency Reserve Fund</u>	<u>TIF Fund</u>	<u>Other Gov'tl Funds</u>	
General Fund	\$ -	\$ -	-	\$ 20,068	\$ 20,068
Emergency Reserve Fund	15,000	-	-	-	15,000
TIF Fund	-	-	-	5,384	5,384
Other Governmental funds	-	-	810	8,700	9,510
Total Transfers To	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ 810</u>	<u>\$ 34,152</u>	<u>\$ 49,962</u>

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013, was \$1,460,561. Total contributions to the plan were \$146,168, which consisted of employer contributions of \$87,701 and employee contributions of \$58,467.

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 \$178,019, for the year ending June 30, 2013. The state made on-behalf contributions of \$141,514 for the year ending June 30, 2013 which is reported as intergovernmental revenue and police expense.

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 \$169,550, for the year ending June 30, 2013. The state made on-behalf contributions of \$314,878 for the year ending June 30, 2013 which is reported as intergovernmental revenue and fire expense.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information, which can be obtained from the Oklahoma Firefighter's Pension and Retirement System, 4545 N. Lincoln Blvd, Suite 265, Oklahoma City, Oklahoma 73105-3414.

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013, approximately 7 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 2013, the City contributed \$0 to the plan for retired employees. Plan members receiving benefits contributed \$58,415, or approximately 100 percent of the total premiums, through their required contribution. There are three tiers of coverage ranging from \$441 to 542 per month for retiree-only coverage and \$939 to 1,155 for retiree and spouse medical coverage, these amounts do not include dental and vision coverage that can be added for retiree-only coverage for \$28 and \$12 per month, respectively, and for retiree and spouse coverage for \$57 and \$20 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, 2013 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, 2013

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.

3d. Restatement of Government Wide Governmental Net Position

Government wide governmental net position-net investment in capital assets at July 1, 2012 was reduced by \$904,906. This reduction resulted from a decrease in capital assets due to adjustments for assets that were no longer in service or were fully depreciated, assets with understated depreciation, and assets that had been capitalized at overstated amounts. The effect of the restatement was to reduce the cost of capital assets by \$5,284,458, reduce related accumulated depreciation by \$4,382,512 and reduce net assets by \$904,906.

REQUIRED SUPPLEMENTARY INFORMATION

**UNAUDITED
CITY OF THE VILLAGE, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Adjustments	Actual	Favorable
	Original	Final	GAAP Basis	Budget Basis	Budget Basis	(Unfavorable) Variance
REVENUES						
Taxes	\$ 4,599,604	\$ 4,599,604	\$ 5,335,986	\$ (60,076)	\$ 5,275,910	\$ 676,306
Intergovernmental			456,392	(456,392)	-	-
Charges for services	1,724,319	1,724,319	1,844,539	(130,491)	1,714,048	(10,271)
Fines and forfeitures	273,115	273,115	292,701		292,701	19,586
Licenses and permits	478,836	478,836	566,459		566,459	87,623
Investment income	22,981	22,981	15,396		15,396	(7,585)
Miscellaneous	308,071	308,071	170,204	30,591	200,795	(107,276)
Total revenues	<u>7,406,926</u>	<u>7,406,926</u>	<u>8,681,677</u>	<u>(616,368)</u>	<u>8,065,309</u>	<u>658,383</u>
EXPENDITURES						
Current:						
General Government						-
Personal service	936,739	936,739	825,939		825,939	110,800
Materials and supplies	34,950	34,950	56,070		56,070	(21,120)
Other services and charges	143,877	143,877	324,743	117,981	442,724	(298,847)
Capital outlay	-	-	117,981	(117,981)	-	-
Debt service	-	-	-		-	-
Interfund transfers	-	-	-		-	-
Public Safety						-
Police						-
Personal service	2,218,092	2,218,092	2,285,723	(141,514)	2,144,209	73,883
Materials and supplies	81,870	81,870	83,548		83,548	(1,678)
Other services and charges	152,180	152,180	120,748	(3,908)	116,840	35,340
Capital outlay	-	-	-		-	-
Debt service	-	-	-		-	-
Interfund transfers	-	-	-		-	-
Municipal court						-
Personal service	152,535	152,535	148,237		148,237	4,298
Materials and supplies	1,000	1,000	3,684		3,684	(2,684)
Other services and charges	12,740	12,740	4,974		4,974	7,766
Capital outlay	-	-	-		-	-
Debt service	-	-	-		-	-
Interfund transfers	-	-	-		-	-
Fire						-
Personal service	1,724,770	1,724,770	2,032,722	(314,878)	1,717,844	6,926
Materials and supplies	40,650	40,650	27,915		27,915	12,735
Other services and charges	177,800	177,800	160,325	(6,515)	153,810	23,990
Capital outlay	-	-	-		-	-
Debt service	-	-	-		-	-
Interfund transfers	-	-	-		-	-
Public Services						-
Personal service	588,218	588,218	565,554		565,554	22,664
Materials and supplies	109,425	109,425	85,537		85,537	23,888
Other services and charges	960,773	960,773	890,787	50,329	941,116	19,657
Capital outlay	-	-	50,329	(50,329)	-	-
Debt service	-	-	-		-	-
Interfund transfers	-	-	-		-	-
Cultural and Recreation						-
Personal service	128,270	128,270	130,628		130,628	(2,358)
Materials and supplies	18,675	18,675	15,881		15,881	2,794
Other services and charges	38,025	38,025	33,994	(3,613)	30,381	7,644
Capital outlay	-	-	-		-	-
Debt service	-	-	-		-	-
Total Expenditures	<u>7,520,589</u>	<u>7,520,589</u>	<u>7,965,319</u>	<u>(470,428)</u>	<u>7,494,891</u>	<u>25,698</u>
Excess (deficiency) of revenues over expenditures	<u>(113,663)</u>	<u>(113,663)</u>	<u>716,358</u>	<u>(145,940)</u>	<u>570,418</u>	<u>684,081</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	20,000	20,000	15,000	-	15,000	5,000
Transfers out	<u>(227,200)</u>	<u>(227,164)</u>	<u>(20,068)</u>	<u>-</u>	<u>(20,068)</u>	<u>207,096</u>
Total other financing sources and uses	<u>(207,200)</u>	<u>(207,164)</u>	<u>(5,068)</u>	<u>-</u>	<u>(5,068)</u>	<u>-</u>
Net change in fund balances	<u>(320,863)</u>	<u>(320,827)</u>	<u>711,290</u>	<u>-</u>	<u>565,350</u>	<u>-</u>
Fund balances, July 1, 2012	-	-	3,993,403	-	3,993,403	-
Fund balances, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,704,693</u>	<u>\$ -</u>	<u>\$ 4,558,753</u>	<u>\$ -</u>

**UNAUDITED
CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2013**

Budget Law

The City prepares its annual operating budget under Titles 11 of the Oklahoma Statutes. Under the provisions of these statutes, the City uses the following process when adopting their budget:

- Prior to June 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
- Public hearing 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.
- The adopted budget is filed with the Office of State Auditor and Inspector.

The legal level of control at which expenditures may not legally exceed appropriations is object category level by department within a fund. The Budget Act recognizes the following object categories as the minimum legal level of control by department within a fund:

- Personal services
- Materials and supplies
- Other services and charges
- Capital outlay
- Debt service
- Interfund transfers

All transfers of appropriations between departments and supplemental appropriations require City Council approval. The Mayor may transfer appropriations between object categories within a department without City Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

Basis of Accounting

The budget is prepared on the modified cash basis of accounting. Revenues and expenditures are reported when they result from cash transactions except for certain expenditures which are recorded when a commitment to purchase goods or services is made (encumbered).

OTHER SUPPLEMENTARY INFORMATION

**CITY OF THE VILLAGE, OKLAHOMA
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Fire Department Grant Fund	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	\$ -	\$ 3,171	\$ 8,380	\$ 40,289	\$ 47,032	\$ 203,521	\$ 302,393
Total assets	<u>\$ -</u>	<u>\$ 3,171</u>	<u>\$ 8,380</u>	<u>\$ 40,289</u>	<u>\$ 47,032</u>	<u>\$ 203,521</u>	<u>\$ 302,393</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 48,021	\$ -	\$ 48,021
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,021</u>	<u>-</u>	<u>48,021</u>
FUND BALANCES							
Reserved for:							
Special revenue funds	-	-	-	-	-	-	-
Unreserved, reported in:							
Special revenue funds	-	3,171	8,380	40,289	(989)	203,521	254,372
Capital projects fund	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>3,171</u>	<u>8,380</u>	<u>40,289</u>	<u>(989)</u>	<u>203,521</u>	<u>254,372</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 3,171</u>	<u>\$ 8,380</u>	<u>\$ 40,289</u>	<u>\$ 47,032</u>	<u>\$ 203,521</u>	<u>\$ 302,393</u>

CITY OF THE VILLAGE, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Fire Department Grant Fund	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	\$ -	\$ -	\$ -	\$ 10,375	\$ 44,704	\$ -	\$ 55,079
Taxes	-	-	-	-	-	-	-
Investment income	-	2	6	27	8	102	145
Sale of Assets	-	-	-	-	-	-	-
Grant Deposits	-	-	-	11,531	-	-	11,531
Miscellaneous	-	-	-	-	-	354,386	354,386
Total revenues	<u>-</u>	<u>2</u>	<u>6</u>	<u>21,933</u>	<u>44,712</u>	<u>354,488</u>	<u>421,141</u>
EXPENDITURES							
Current:							
General government	-	-	-	-	50,025	-	50,025
Culture and Recreation	-	-	-	15,009	-	-	15,009
Capital Outlay	-	-	-	-	-	217,523	217,523
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,009</u>	<u>50,025</u>	<u>217,523</u>	<u>282,557</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>2</u>	<u>6</u>	<u>6,924</u>	<u>(5,313)</u>	<u>136,965</u>	<u>138,584</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	8,700	8,700
Transfers out	-	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,700</u>	<u>8,700</u>
Net change in fund balances	-	2	6	6,924	(5,313)	145,665	147,284
Fund balances, July 1, 2012	-	3,169	8,374	33,365	4,324	57,856	107,088
Fund balances, June 30, 2013	<u>\$ -</u>	<u>\$ 3,171</u>	<u>\$ 8,380</u>	<u>\$ 40,289</u>	<u>\$ (989)</u>	<u>\$ 203,521</u>	<u>\$ 254,372</u>

CITY OF THE VILLAGE, OKLAHOMA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2013

	Penalty Assessment Fund	Animal Bond Fund	Municipal Court Bond Fund	Clearing Benefit Fund	Total Agency Funds
ASSETS					
Cash and cash equivalents	\$ 20,149	\$ 130	\$ 9,962	\$ 23	\$ 30,264
Total assets	<u>\$ 20,149</u>	<u>\$ 130</u>	<u>\$ 9,962</u>	<u>\$ 23</u>	<u>\$ 30,264</u>
LIABILITIES					
Escrow liability	\$ 20,149	\$ 130	\$ 9,962	\$ 23	\$ 30,264
Total liabilities	<u>\$ 20,149</u>	<u>\$ 130</u>	<u>\$ 9,962</u>	<u>\$ 23</u>	<u>\$ 30,264</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 the 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, 2013, which collectively comprise the City of The Village, Oklahoma's basic financial statements and have issued our report thereon dated May 7, 2014. Our report on the financial statements was qualified because the City has not included a liability and recorded the annual cost for other post-employment benefit obligations as required by accounting principles generally accepted in the United States of America. 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.

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, State 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of The Village, Oklahoma's financial statements are free of 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.

HBC CPAs & Advisors

Oklahoma City, Oklahoma
May 7, 2014