

CITY OF THE VILLAGE

FINANCIAL REPORT

JUNE 30, 2011



THE CITY OF THE VILLAGE, OKLAHOMA
ANNUAL FINANCIAL REPORT
JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of the Village, Oklahoma

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of the Village, Oklahoma's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As more fully explained in Note 3 to the financial statements, the City provides post-retirement benefit options for health care related benefits provided in accordance with State Law and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). GASB Statement 45 requires that the annual other post-employment benefit (OPEB) cost (expense), which is an implicit subsidy, be calculated based on actuarially determined amounts. The City has not provided for the required actuarial valuation and has not included the OPEB liability in the statement of net assets. In our opinion, accounting principles generally accepted in the United States of America requires that such obligation be included in the statement of net assets.

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, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2012, 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* and should be considered in assessing the results of our audit.

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 through 10 and 29 through 30 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of the Village, Oklahoma's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

HBC CPAs & Advisors

Yukon, Oklahoma

April 16, 2012

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, 2011. 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 \$9,639,270 (Total Net Assets) at the close of the fiscal year.

Total net assets are comprised of the following:

- 1) Capital assets, net of related debt, of \$6,304,728 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 \$3,334,542 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 \$4,588,743 this year, while the unassigned fund balance totaled \$3,300,942.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,240,846 or 44% of total General Fund expenditures. Total liabilities of the City were \$5,158,904 at the end of the fiscal year. This includes \$53,875 in lease obligations (current and non-current), \$3,831,040 in notes payable, \$1,254,201 in accrued compensated absences (current and non-current), and \$19,788 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 Assets*. 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 assets. 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

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole. Since this is the first year to report all activities on the accrual basis of accounting, a comparison to the prior year is not possible. However, in future years this section will explain the differences between the current and prior year assets, liabilities and changes in net assets.

The City’s net assets at fiscal year-end are \$9,639,270. The following table provides a summary of the City’s net assets:

**City of The Village, Oklahoma
Summary & Comparison of Net Assets at June 30, 2011**

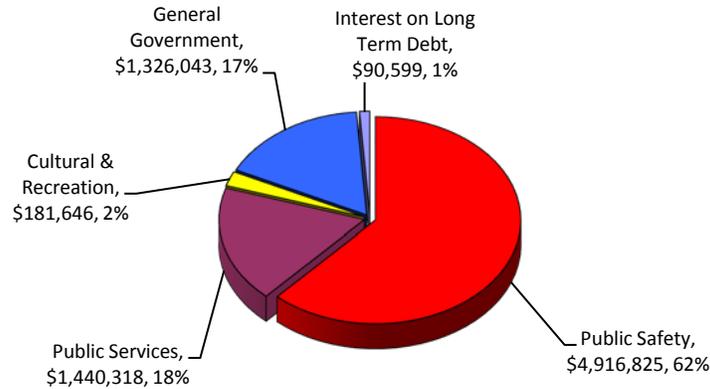
<i>Net Assets Comparison</i>	<i>Governmental Activities June 30, 2007</i>	<i>Governmental Activities June 30, 2008</i>	<i>Governmental Activities June 30, 2009</i>	<i>Governmental Activities June 30, 2010</i>	<i>Governmental Activities June 30, 2011</i>
Current & Other Assets	4,207,558	4,550,465	4,462,799	4,069,081	4,608,531
Capital Assets	7,518,849	7,612,590	10,716,333	10,713,076	10,189,643
Total Assets	11,726,407	12,163,055	15,179,132	14,782,157	14,798,174
Current Liabilities	80,675	178,994	549,336	184,611	161,235
Long Term Liabilities	1,200,545	1,039,971	4,399,531	5,399,965	4,997,669
Total Liabilities	1,281,220	1,218,965	4,948,867	5,584,576	5,158,904
Net Assets:					
Invested in Capital Assets net of Debt	7,478,790	7,554,867	7,455,048	6,500,209	6,304,728
Unrestricted	2,966,399	3,389,223	2,775,219	2,697,292	3,334,524
Total Net Assets	10,445,187	10,994,090	10,230,265	9,197,479	9,639,270

The City reported positive balances in net assets 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 \$4,916,525 of the total \$7,955,431 (62%) in governmental expenditures.

EXPENSES - GOVERNMENTAL ACTIVITIES

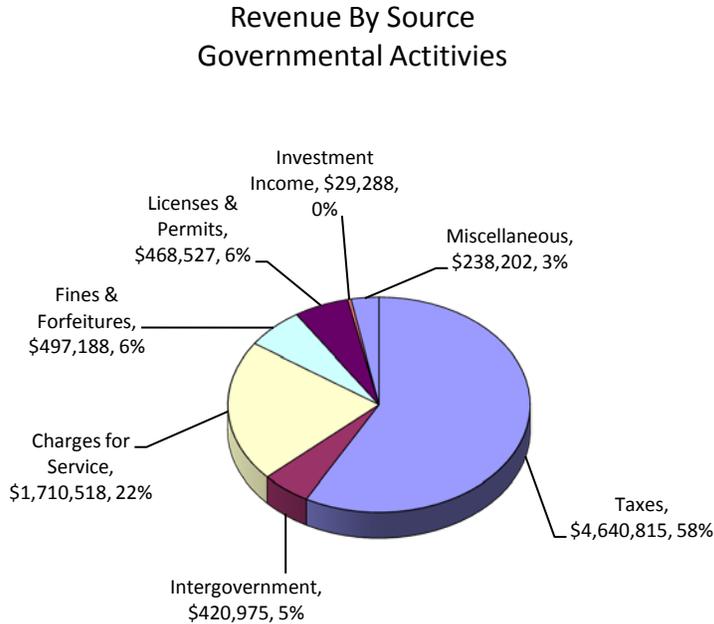


The next graph provides a detailed report on cash-basis expenditures for the General Fund in FY 2010-11. Since the General Fund is the main operating fund of the City, the table only includes activities funded through the General fund.

LINE ITEM	FY 09-10 EXPENDED	FY 10-11 EXPENDED	\$ DIFFERENCE	% DIFFERENCE
Salaries & Wages	\$3,862,301.95	\$3,874,331.40	\$12,029.45	0.31%
Overtime	\$61,684.49	\$57,534.94	-\$4,149.55	-6.73%
Social Security	\$163,724.98	\$160,812.71	-\$2,912.27	-1.78%
Health Insurance	\$749,359.98	\$601,497.21	-\$147,862.77	-19.73%
Worker's Compensation	\$145,004.73	\$138,307.24	-\$6,697.49	-4.62%
Unemployment	\$1,038.20	\$0.00	-\$1,038.20	
Retirement	\$441,067.53	\$429,116.27	-\$11,951.26	-2.71%
Medicare	\$51,016.38	\$51,124.18	\$107.80	0.21%
Uniform Allowance	\$18,700.00	\$19,975.00	\$1,275.00	6.82%
Educational Allowance	\$2,956.12	\$0.00	-\$2,956.12	-100.00%
Other Compensation	\$16,329.24	\$16,222.43	-\$106.81	-0.65%
PERSONAL SERVICES SUBTL	\$5,513,183.60	\$5,348,921.38	-\$164,262.22	-2.98%
Economic Development	\$99,144.10	\$49,299.64	-\$49,844.46	-50.27%

Travel/Training	\$21,181.52	\$10,817.61	-\$10,363.91	-48.93%
Telephone	\$26,737.55	\$26,132.45	-\$605.10	-2.26%
Utilities	\$77,498.68	\$65,674.49	-\$11,824.19	-15.26%
Postage & Freight	\$17,052.78	\$16,970.14	-\$82.64	-0.48%
Membership Dues	\$16,941.05	\$16,818.91	-\$122.14	-0.72%
Publications/Books	\$3,155.58	\$2,731.00	-\$424.58	-13.45%
Insurance	\$73,811.99	\$73,689.01	-\$122.98	-0.17%
Advertising/Printing	\$13,636.78	\$12,266.52	-\$1,370.26	-10.05%
Contingencies	\$28,455.18	\$28,812.84	\$357.66	1.26%
Other Services & Charges	\$24,765.73	\$22,231.29	-\$2,534.44	-10.23%
Sanitation Lien	\$1,482.00	\$1,625.00	\$143.00	
SERVICES & CHARGES SUBTL	\$403,862.94	\$327,068.90	-\$76,794.04	-19.01%
Legal	\$0.00	\$796.10	\$796.10	
Computer Software	\$4,027.95	\$369.00	-\$3,658.95	-90.84%
Medical	\$100,736.00	\$137,543.18	\$36,807.18	36.54%
Auditor	\$8,200.00	\$8,600.00	\$400.00	4.88%
Other Prof. Services	\$52,307.26	\$36,456.96	-\$15,850.30	-30.30%
PROF. SERVICES SUBTL	\$165,271.21	\$183,765.24	\$18,494.03	11.19%
Rentals & Leases	\$128,172.95	\$102,229.38	-\$25,943.57	-20.24%
Maintenance Agreements	\$21,611.28	\$20,358.04	-\$1,253.24	-5.80%
Uniform & Misc. Laundry	\$9,825.17	\$9,913.24	\$88.07	0.90%
Vehicle/Equipment Repair	\$31,714.36	\$36,483.34	\$4,768.98	15.04%
Building Repair	\$14,402.68	\$10,023.69	-\$4,378.99	-30.40%
Radio Repair	\$1,790.34	\$3,751.88	\$1,961.54	109.56%
Animal Shelter & Disposal	\$10,365.04	\$8,196.00	-\$2,169.04	-20.93%
Recycling	\$1,709.21	\$2,611.20	\$901.99	
Other Contractual Services	\$568,773.33	\$638,122.10	\$69,348.77	12.19%
CONTRACT SERVICES SUBTL	\$788,364.36	\$831,688.87	\$43,324.51	5.50%
Office Supplies	\$13,460.98	\$10,283.39	-\$3,177.59	-23.61%
Janitorial Supplies	\$7,963.09	\$8,015.12	\$52.03	0.65%
Medical Supplies & Oxygen	\$1,513.38	\$1,877.99	\$364.61	24.09%
Chemicals	\$5,725.87	\$4,704.54	-\$1,021.33	-17.84%
Tools/Equipment	\$13,512.44	\$13,643.20	\$130.76	0.97%
Fuel/Lubricants	\$52,787.35	\$78,998.63	\$26,211.28	49.65%
Vehicle/Equipment Parts	\$18,432.71	\$23,514.10	\$5,081.39	27.57%
Uniforms/Safety Gear	\$12,224.09	\$15,309.40	\$3,085.31	25.24%
Street Maintenance Materials	\$14,421.63	\$20,090.62	\$5,668.99	39.31%
Street Signs	\$3,259.06	\$4,019.79	\$760.73	23.34%
Traffic Supplies	\$1,330.00	\$712.50	-\$617.50	-46.43%
Other Supplies & Materials	\$31,499.38	\$31,311.63	-\$187.75	-0.60%
SUPPLIES & MAT. SUBTL	\$176,129.98	\$212,480.91	\$36,350.93	20.64%
INTRAFUND TRANSFERS	\$97,271.41	\$144,528.59	\$47,257.18	48.58%
GRAND TOTAL	\$7,144,083.50	\$7,048,453.89	-\$95,629.61	-1.34%

The next graph shows revenue by source. Taxes account for 57.9% 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 \$3,300,942.

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 \$3,240,846.

The general fund balance increased by \$505,659 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 \$580,572.50 more than budgeted.

- Expenditures were \$119,121.11 less than the budget. This is 1.66% 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, 2011, totals \$10,189,643 (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 \$358,326, which represents investments in buildings, vehicles, equipment and infrastructure. Annual depreciation on all City assets of \$572,830 and the sale of land valued at \$308,929 resulted in a decrease in net assets of \$520,433.

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 2010-11, the City had \$5,139,116 in total long-term indebtedness. This includes \$53,875 in outstanding lease obligations, \$1,254,201 in compensated absences, and \$3,834,040 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 2010-11 economic conditions had improved somewhat and the fiscal year 2011-12 budget adopted by the Council represents an increase of 8.16% over the previous year. A large part of this increase, however, was to implement a new recycling program. 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 ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,035,133
Sales tax receivable	653,976
Accounts receivables (net)	55,318
Investments	2,864,104
Capital assets (net)	<u>10,189,643</u>
Total assets	<u>14,798,174</u>
LIABILITIES	
Accounts payable	19,788
Accrued compensated absences, current	112,878
Capital lease obligation, current	28,569
Notes payable, noncurrent	3,831,040
Capital lease obligation, non-current	25,306
Accrued compensated absences, non-current	<u>1,141,323</u>
Total liabilities	<u>5,158,904</u>
NET ASSETS	
Invested in capital assets, net of related debt	6,304,728
Unrestricted	<u>3,334,542</u>
Total net assets	<u><u>\$ 9,639,270</u></u>

See accompanying notes.

**CITY OF THE VILLAGE, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

	Expenses	Program Revenues		Net (Expense)/ Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants & Contributions
Functions/Programs:					
Governmental activities:					
General government	\$ 1,326,043	\$ 468,527	\$ -	\$ -	\$ (857,516)
Public safety					
Police	2,581,446	497,188	123,185	-	(1,961,073)
Municipal court	149,955	-	-	-	(149,955)
Fire	2,185,424	-	-	-	(2,185,424)
Public services	1,440,318	1,721,566	297,790	420,975	1,000,013
Cultural and recreation:	181,646	-	-	-	(181,646)
Interest on long term debt	90,599				(90,599)
Total Governmental activities	<u>7,955,431</u>	<u>2,687,281</u>	<u>420,975</u>	<u>420,975</u>	<u>(4,426,200)</u>
TOTAL	<u>\$ 7,955,431</u>	<u>\$ 2,687,281</u>	<u>\$ 420,975</u>	<u>\$ 420,975</u>	<u>\$ (4,426,200)</u>

	Governmental Activities
Net (expense)/revenue	<u>\$ (4,426,200)</u>
General revenues:	
Taxes:	
Sales and use taxes	3,653,495
Franchise and public service taxes	998,617
Investment income	51,325
Miscellaneous	585,527
Total general revenues and transfers	<u>5,288,964</u>
Change in net assets	862,764
Net assets, beginning	9,197,481
Net assets, ending	<u>\$ 10,060,245</u>

See accompanying notes.

**CITY OF THE VILLAGE, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General Fund	Emergency Reserve Fund	TIF Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 888,411	\$ 77,226	\$ 9,400	\$ 60,096	\$ 1,035,133
Sales tax receivable	653,976	-	-	-	653,976
Accounts receivables (net)	55,318	-	-	-	55,318
Investments	1,662,929	1,201,175	-	-	2,864,104
Total assets	<u>\$ 3,260,634</u>	<u>\$ 1,278,401</u>	<u>\$ 9,400</u>	<u>\$ 60,096</u>	<u>\$ 4,608,531</u>
LIABILITIES					
Accounts payable	\$ 19,788	\$ -	\$ -	\$ -	\$ 19,788
Total liabilities	<u>19,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,788</u>
FUND BALANCES					
Restricted			9,400		9,400
Committed	-	-	-	-	-
Assigned		1,278,401			1,278,401
Unassigned	3,240,846	-	-	60,096	3,300,942
Total fund balances	<u>3,240,846</u>	<u>1,278,401</u>	<u>9,400</u>	<u>60,096</u>	<u>4,579,343</u>
Total liabilities and fund balances	<u>\$ 3,260,634</u>	<u>\$ 1,278,401</u>	<u>\$ 9,400</u>	<u>\$ 60,096</u>	<u>\$ 4,599,131</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, 2011**

Total fund balance - total governmental funds	\$ 4,588,743
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$20,665,502, net of accumulated depreciation of (\$9,952,426), are not financial resources and, therefore, are not reported in the funds.	10,189,643
Long-term liabilities of (\$5,564,788) are not due and payable in the current period and are not reported in the funds.	(5,139,116)
Net assets of governmental activities	<u>\$ 9,639,270</u>

See accompanying notes.

CITY OF THE VILLAGE, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General Fund	Emergency Reserve Fund	TIF Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 4,640,815	\$ -	\$ 11,297	\$ -	\$ 4,652,112
Intergovernmental	420,975	-	-	-	420,975
Charges for services	1,710,518	-	-	11,048	1,721,566
Fines and forfeitures	497,188	-	-	-	497,188
Licenses and permits	468,527	-	-	-	468,527
Investment income	29,288	21,858	10	169	51,325
Miscellaneous	238,202	1,386	112,227	233,713	585,528
Total revenues	<u>8,005,513</u>	<u>23,244</u>	<u>123,534</u>	<u>244,930</u>	<u>8,397,221</u>
EXPENDITURES					
Current:					
General Government	1,203,471	-	13,062	14	1,216,547
Public Safety					
Police	2,436,191	-	-	-	2,436,191
Municipal court	140,910	-	-	-	140,910
Fire	2,073,110	-	-	-	2,073,110
Public Services	1,352,777	-	-	-	1,352,777
Cultural and Recreation	158,030	-	-	12,158	170,188
Debt Service	-	-	417,556	-	417,556
Capital Outlay	-	-	-	359,321	359,321
Total Expenditures	<u>7,364,489</u>	<u>-</u>	<u>430,618</u>	<u>371,493</u>	<u>8,166,600</u>
Excess (deficiency) of revenues over expenditures	<u>641,024</u>	<u>23,244</u>	<u>(307,084)</u>	<u>(126,563)</u>	<u>230,621</u>
OTHER FINANCING SOURCES (USES)					
Sale of assets	-	-	308,929	-	308,929
Transfers in	20,000	-	1,765	153,600	175,365
Transfers out	(155,365)	(20,000)	-	-	(175,365)
Total other financing sources and uses	<u>(135,365)</u>	<u>(20,000)</u>	<u>310,694</u>	<u>153,600</u>	<u>308,929</u>
Net change in fund balances	505,659	3,244	3,610	27,037	539,550
Fund balances, July 1, 2010	2,735,187	1,275,157	5,790	33,059	4,049,193
Fund balances, June 30, 2011	<u>\$ 3,240,846</u>	<u>\$ 1,278,401</u>	<u>\$ 9,400</u>	<u>\$ 60,096</u>	<u>\$ 4,588,743</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, 2011**

Net change in fund balances - total governmental funds	\$	539,550
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 capital outlay expenditures of \$476,188 was exceeded by depreciation expense of \$479,445 in the current period.		(247,865)
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 compensated absences of (\$46,586).		97,720
In the statement of activities, the sale of land is reported as a revenue whereas in the governmental funds, there is no revenue since the land was sold for its cost.		(308,929)
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.		361,313
Change in net assets of governmental activities	<u>\$</u>	<u>441,789</u>

See accompanying notes.

**CITY OF THE VILLAGE, OKLAHOMA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011**

ASSETS

Cash and cash equivalents	\$ 34,112
Total assets	<u>\$ 34,112</u>

LIABILITIES

Escrow liability	\$ 34,112
Total liabilities	<u>\$ 34,112</u>

See accompanying notes.

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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 assets 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, 2011

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 assets 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.

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.

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

1d. Assets, Liabilities and Equity (continued)

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 assets and displayed in three components. Invested in Capital Assets, Net of Related Debt 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 Assets consists of net assets 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 Assets consists of all other net assets that do not meet the above definitions.

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.

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

1d. Assets, Liabilities and Equity (continued)

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.

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.

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

2. Detailed Notes – Transaction Classes/Accounts

2a. Deposits and Investments

Custodial Credit Risk

At June 30, 2011, the City held deposits of approximately \$1,035,000 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, 2011, 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.).

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

Type	Weighted Average Maturity (Years)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	\$ 503,857	\$ 503,857
Certificate of deposit	2.27	N/A	759,716	760,000
Federal National Mortgage Association	2.99	AAA/Stable	501,052	499,998
Federal Home Loan Bank	4.04	AAA/A-1+	1,101,261	1,099,998
Total investments			<u>\$ 2,865,886</u>	<u>\$ 2,863,853</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: 18% in Money Market funds at Citigroup (\$503,857), 27% in Certificates of deposit (\$760,000), 17% invested in Federal National Mortgage Association Medium-Term Notes (\$499,998), and 38% invested in Federal Home Loan Bank Consolidated Bonds (\$1,099,998).

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

2b. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 3,537,629	\$ -	\$ (308,929)	\$ 3,228,700
Other assets				
Buildings	3,877,615	215,759	-	4,093,374
Infrastructure	11,390,595	66,970	-	11,457,565
Equipment	999,983	23,115	-	1,023,098
Furniture and fixtures	41,189	-	-	41,189
Vehicles	776,781	41,984	-	818,765
Land improvements	41,710	10,498	-	52,208
	<u>20,665,502</u>	<u>358,326</u>	<u>(308,929)</u>	<u>20,714,899</u>
Less accumulated depreciation	(9,952,426)	(572,830)	-	(10,525,256)
Governmental activities capital assets, net	<u>\$ 10,713,076</u>	<u>\$ (214,504)</u>	<u>\$ (308,929)</u>	<u>\$ 10,189,643</u>

The amount of capital assets that have been acquired under capital leases and related accumulated depreciation is \$263,841 and \$154,135, respectively.

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

<i>Governmental activities</i>	
General government	\$ 132,017
Public safety:	
Police	175,131
Municipal court	10,906
Fire	135,415
Public service	105,546
Culture and recreation	13,814
Total depreciation expense	<u>\$572,829</u>

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).

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

2c. Receivables and Payables (continued)

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, 2011:

Sales tax receivable	\$	642,556
Accounts receivable	\$	75,173
Less allowance for doubtful accounts		(19,855)
		\$ 55,318
		\$ 55,318

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 5, 2009, the City issued a lease payable to Ford Motor Credit Company in the amount of \$39,192 for the purchase of police vehicle. The City will pay 3 annual installments of \$13,945 that include interest of 6.90%, with the maturity date of November 5, 2011.

On December 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 December 11, 2012.

On July 13, 2010, the City issued a lease payable to Ford Motor Credit Company in the amount of \$33,361 for the purchase of truck for the street department. The City will pay 4 annual installments of \$9,235 that include interest of 7.25%, with the maturity date of July 13, 2013.

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 4% on the principal outstanding. The principal on the note payable is due on July 18, 2011. The outstanding principal at June 30, 2011 was \$2,000,000. The note payable was renewed prior to the maturity date to establish a new maturity July 18, 2012.

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 5% on the principal outstanding. The principal on the note payable is due on July 18, 2011. The outstanding principal at June 30, 2011 was \$1,831,040. The note payable was renewed prior to the maturity date to establish a new maturity July 18, 2012.

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

2d. Long-term debt (continued)

Transactions for the year ended June 30, 2011 are as follows:

<u>Governmental Type Activities</u>	<u>Balance 6/30/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2011</u>	<u>Current Portion</u>
Capital lease obligations	\$ 72,898	\$ 33,361	\$ (52,384)	\$ 53,875	\$ 28,569
Compensated absences	1,351,921	298,837	(396,557)	1,254,201	112,878
Notes payable	4,139,969		(308,929)	3,831,040	-
Total	<u>\$ 5,564,788</u>	<u>\$ 332,198</u>	<u>\$ (757,870)</u>	<u>\$ 5,139,116</u>	<u>\$ 141,447</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

	Capital lease obligations			Notes payable		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 28,568	\$ 3,960	\$ 32,528	\$ -	\$ 171,552	\$ 171,552
2013	16,697	2,517	19,214	3,831,040	14,296	3,845,336
2014	8,610	624	9,234	-	-	-
	<u>\$ 53,875</u>	<u>\$ 7,101</u>	<u>\$ 60,976</u>	<u>\$ 3,831,040</u>	<u>\$ 185,848</u>	<u>\$ 4,016,888</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't Funds</u>	
General Fund	\$ -	\$ -	\$ 1,765	\$ 153,600	\$ 155,365
Emergency Reserve Fund	20,000	-	-	-	20,000
TIF Fund	-	-	-	-	-
Other Governmental funds	-	-	-	-	-
Total Transfers To	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 1,765</u>	<u>\$ 153,600</u>	<u>\$ 175,365</u>

CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011, was \$1,699,297. Total contributions to the plan were \$144,248, which consisted of employer contributions of \$86,549 and employee contributions of \$57,699.

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 \$181,035, for the year ending June 30, 2011. The state made on-behalf contributions of \$123,185 for the year ending June 30, 2011 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 \$155,339, for the year ending June 30, 2011. The state made on-behalf contributions of \$297,790 for the year ending June 30, 2011 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, 2011

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, 2011, approximately 6 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 2011, the City contributed \$0 to the plan for retired employees. Plan members receiving benefits contributed \$62,091, or approximately 100 percent of the total premiums, through their required contribution. There are three tiers of coverage ranging from \$476 to \$592 per month for retiree-only coverage and \$1,014 to \$1,258 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 \$72 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, 2011 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, 2011

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.

REQUIRED SUPPLEMENTARY INFORMATION

UNAUDITED
CITY OF THE VILLAGE, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Adjustments	Actual	Favorable
	Original	Final	GAAP	Budget	Budget	(Unfavorable)
			Basis	Basis	Basis	Variance
REVENUES						
Taxes	\$ 4,288,765	\$ 4,288,765	\$ 4,640,815	\$ 11,420	\$ 4,652,235	\$ 363,470
Intergovernmental	-	-	420,975	(420,975)	-	-
Charges for services	1,590,257	1,590,257	1,710,518	-	1,710,518	120,261
Fines and forfeitures	503,635	503,635	497,188	-	497,188	(6,447)
Licenses and permits	340,444	340,444	468,527	-	468,527	128,083
Investment income	49,648	49,648	29,288	-	29,288	(20,360)
Miscellaneous	216,172	216,172	238,202	-	238,202	22,030
Total revenues	<u>6,988,921</u>	<u>6,988,921</u>	<u>8,005,513</u>	<u>(409,555)</u>	<u>7,595,958</u>	<u>607,037</u>
EXPENDITURES						
Current:						
General Government						-
Personal service	846,425	862,975	892,811	-	892,811	(29,836)
Materials and supplies	31,450	48,363	48,363		48,363	-
Other services and charges	287,847	287,847	222,628		222,628	65,219
Capital outlay	-	-	-		-	-
Debt service	-	-	-		-	-
Interfund transfers	-	-	-		-	-
Public Safety						-
Police						-
Personal service	2,148,825	2,138,825	2,126,437		2,126,437	12,388
Materials and supplies	60,550	60,550	59,788		59,788	762
Other services and charges	130,300	130,300	126,781		126,781	3,519
Capital outlay	-	-	-		-	-
Debt service	-	-	-		-	-
Interfund transfers	-	-	-		-	-
Municipal court						-
Personal service	139,770	135,035	134,040		134,040	995
Materials and supplies	1,000	1,000	739		739	261
Other services and charges	12,890	6,890	6,131		6,131	759
Capital outlay	-	-	-		-	-
Debt service	-	-	-		-	-
Interfund transfers	-	-	-		-	-
Fire						-
Personal service	1,589,335	1,585,370	1,571,418		1,571,418	13,952
Materials and supplies	32,650	32,650	24,808		24,808	7,842
Other services and charges	210,900	180,900	179,094		179,094	1,806
Capital outlay	-	-	-		-	-
Debt service	-	-	-		-	-
Interfund transfers	-	-	-		-	-
Public Services						-
Personal service	565,905	565,905	555,668		555,668	10,237
Materials and supplies	107,025	107,025	85,981		85,981	21,044
Other services and charges	674,348	710,693	711,008		711,008	(315)
Capital outlay	-	-	-		-	-
Debt service	-	-	-		-	-
Interfund transfers	-	-	-		-	-
Cultural and Recreation						-
Personal service	119,720	119,720	116,778		116,778	2,942
Materials and supplies	17,075	17,075	11,716		11,716	5,359
Other services and charges	31,225	31,225	29,536		29,536	1,689
Capital outlay	-	-	-		-	-
Debt service	-	-	-		-	-
Total Expenditures	<u>7,007,240</u>	<u>7,022,348</u>	<u>6,903,725</u>	<u>-</u>	<u>6,903,725</u>	<u>108,633</u>
Excess (deficiency) of revenues over expenditures	<u>(18,319)</u>	<u>(33,427)</u>	<u>1,101,788</u>	<u>(409,555)</u>	<u>692,233</u>	<u>725,660</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	20,000	20,000	384,721	(349,721)	35,000	(15,000)
Transfers out	(145,225)	(108,532)	(45,810)	-	(45,810)	62,722
Total other financing sources and uses	<u>(125,225)</u>	<u>(88,532)</u>	<u>338,911</u>	<u>(349,721)</u>	<u>(10,810)</u>	<u>47,722</u>
Net change in fund balances	(143,544)	(121,959)	1,440,699	(759,276)	681,423	773,382
Fund balances, July 1, 2010	143,544	121,959	2,735,187	-	2,735,187	-
Fund balances, June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,175,886</u>	<u>\$ (759,276)</u>	<u>\$ 3,416,610</u>	<u>\$ 773,382</u>

**UNAUDITED
CITY OF THE VILLAGE, OKLAHOMA
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2011**

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, 2011**

	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	\$ -	\$ 3,166	\$ 8,365	\$ 31,433	\$ 4,806	\$ 12,326	\$ 60,096
Total assets	<u>\$ -</u>	<u>\$ 3,166</u>	<u>\$ 8,365</u>	<u>\$ 31,433</u>	<u>\$ 4,806</u>	<u>\$ 12,326</u>	<u>\$ 60,096</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Reserved for:							
Special revenue funds	-	-	-	-	-	-	-
Unreserved, reported in:							
Special revenue funds	-	3,166	8,365	31,433	4,806	12,326	60,096
Capital projects fund	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>3,166</u>	<u>8,365</u>	<u>31,433</u>	<u>4,806</u>	<u>12,326</u>	<u>60,096</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 3,166</u>	<u>\$ 8,365</u>	<u>\$ 31,433</u>	<u>\$ 4,806</u>	<u>\$ 12,326</u>	<u>\$ 60,096</u>

CITY OF THE VILLAGE, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	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	\$ -	\$ -	\$ 5	\$ 10,993	\$ 50	\$ -	\$ 11,048
Taxes	-	-	-	-	-	-	-
Investment income	-	5	12	24	7	121	169
Sale of Assets	-	-	-	-	-	-	-
Miscellaneous	-	-	-	10,305	-	223,408	233,713
Total revenues	<u>-</u>	<u>5</u>	<u>17</u>	<u>21,322</u>	<u>57</u>	<u>223,529</u>	<u>244,930</u>
EXPENDITURES							
Current:							
General government	14	-	-	-	-	-	14
Culture and Recreation	-	-	-	12,158	-	-	12,158
Capital Outlay	-	-	-	9,500	-	349,821	359,321
Total Expenditures	<u>14</u>	<u>-</u>	<u>-</u>	<u>21,658</u>	<u>-</u>	<u>349,821</u>	<u>371,493</u>
Excess (deficiency) of revenues over expenditures	<u>(14)</u>	<u>5</u>	<u>17</u>	<u>(336)</u>	<u>57</u>	<u>(126,292)</u>	<u>(126,563)</u>
OTHER FINANCING SOURCES							
Transfers in	-	-	-	15,000	-	138,600	153,600
Transfers out	-	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>138,600</u>	<u>153,600</u>
Net change in fund balances	(14)	5	17	14,664	57	12,308	27,037
Fund balances, July 1, 2010	14	3,161	8,348	16,769	4,749	18	33,059
Fund balances, June 30, 2011	<u>\$ -</u>	<u>\$ 3,166</u>	<u>\$ 8,365</u>	<u>\$ 31,433</u>	<u>\$ 4,806</u>	<u>\$ 12,326</u>	<u>\$ 60,096</u>

CITY OF THE VILLAGE, OKLAHOMA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2011

	Penalty Assessment Fund	Animal Bond Fund	Municipal Court Bond Fund	Building Code Fund	Clearing Benefit Fund	Total Agency Funds
ASSETS						
Cash and cash equivalents	\$ 22,607	\$ 5	\$ 9,090	\$ 2,388	\$ 22	\$ 34,112
Total assets	<u>\$ 22,607</u>	<u>\$ 5</u>	<u>\$ 9,090</u>	<u>\$ 2,388</u>	<u>\$ 22</u>	<u>\$ 34,112</u>
LIABILITIES						
Escrow liability	\$ 22,607	\$ 5	\$ 9,090	\$ 2,388	\$ 22	\$ 34,112
Total liabilities	<u>\$ 22,607</u>	<u>\$ 5</u>	<u>\$ 9,090</u>	<u>\$ 2,388</u>	<u>\$ 22</u>	<u>\$ 34,112</u>



Alan Behrens, CPA
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**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
The 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, 2011, which collectively comprise the City of The Village, Oklahoma's basic financial statements and have issued our report thereon dated April 16, 2012. Our report on the financial statements of the governmental activities and the major fund-General Fund was qualified because the City has not included a liability and recorded the annual cost for its 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, we considered the City of The Village, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the component unit financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of The Village, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of The Village, Oklahoma's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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. We consider the deficiency described below in Finding 2011-1 to be a material weakness.

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. We did not identify any significant deficiencies.

Finding 2011-1

Criteria: The City should have knowledge of generally accepted accounting principles (GAAP) in order to implement controls that prevent, detect and correct material misstatements in the financial statements or inadequate disclosures in the financial statements.

Condition: The City does not have staff that could implement controls that would prevent, detect and correct financial statement misstatements or inadequate disclosures in the financial statements based on generally accepted accounting principles.

Cause: The City's staff does not have a complete knowledge and understanding of generally accepted accounting principles.

Effect: The potential effect on the financial statements is that there could be material misstatements in the financial statements or inadequate disclosures in the notes to financial statements that could go undetected by management of the City.

Managements' Response:

The City does not have the knowledge, staff, or training to perform an "audit" of the "auditor". The governing body may wish to engage the services of a third party professional to perform the review in future years.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

City of The Village, Oklahoma's responses to the finding identified in our audit is described above. We did not audit the City of The Village, Oklahoma's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council of The Village, Oklahoma and management and is not intended to be and should not be used by anyone other than these specified parties.

HBC CPAs + Advisors

April 16, 2012