City of

Nichols Hills, Oklahoma

COMPREHENSIVE ANNUAL FINANCIAL REPORT AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

CITY OF NICHOLS HILLS, OKLAHOMA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2013

Prepared By:
City of Nichols Hills Department of Finance
Kristi Hort, Finance Director

CITY OF NICHOLS HILLS, OKLAHOMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT
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INTRODUCTION SECTION

CITY OF NICHOLS HILLS

December 30, 2013

To the Honorable Mayor and Members of the City Council of the
City of Nichols Hills, Oklahoma:

We are pleased to submit to you the Comprehensive Annual Financial Report (hereafter referred to as CAFR) of the City of Nichols Hills for the fiscal year ended June 30, 2013. We believe the information, as presented, is accurate in all material aspects and that all disclosures necessary to enable the reader to gain an adequate understanding of the City's financial affairs have been included. The Management's Discussion and Analysis on pages 9-14 provide additional narrative and detailed analysis of the city's financial affairs. It is the responsibility of the management of the City to prepare the CAFR.

Responsibility for the accuracy, completeness and fairness of the presentation, including all disclosures, rests with management. Management is responsible for establishing and maintaining an internal control structure to ensure that the assets of the City are protected from loss, theft or misuse and that adequate accounting data is compiled for preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. We believe the information, as presented, is accurate in all material aspects and that all disclosures necessary to enable the reader to gain an adequate understanding of the City's financial activities have been included.

The City of Nichols Hills provides many municipal services including public safety, streets, parks, general administration, and public utilities. For financial reporting purposes, all funds, agencies, boards, commissions and authorities over which the City Council has financial accountability are included in this report. Financial accountability is determined by several different factors including fiscal dependence, ability to impose will upon the entity's governing body, provision of specific financial burdens or benefits and separate legal entity status. After a careful evaluation of these factors, the City has included in this financial report the Nichols Hills Municipal Authority, as well as all funds of the City.

Governmental Structure

The City of Nichols Hills operates as a Council/Manager form of government. The legislative authority of the City is vested in a three member elected City Council. The mayor is elected from among the council itself. The City Council also serves as trustees of the Nichols Hills Municipal Authority. The Mayor and Council appoint a City Manager, who is the chief executive officer of the city, and also appoint a City Treasurer. Responsibility for the day-to-day operations of the City rests with the City Manager.

Economic Condition and Outlook

Nichols Hills is a small community covering approximately two and one half square miles with the majority of the town being residential in nature. The two major sources of operational income are sales tax and water revenues. The sales tax increased by over $316,000 over the last fiscal year due to another significant hail storm while water revenue decreased by approximately $190,000 over the same period.

Declining sales tax continues to be at the forefront of our concern. The Nichols Hills Plaza south is virtually empty except for one store and a restaurant. The sales tax revenue generated by the plaza has dropped significantly. We have heard that the plaza is for sale and there are several interested buyers. We are hopeful that it will be purchased soon and the sales tax revenue from the plaza will increase.

TOWN HALL • 6407 AVONDALE DRIVE • NICHOLS HILLS, OKLAHOMA 73116-6431 • 405/843-6637, FAX 405/842-8409

Major Initiatives

The City of Nichols Hills will continue use of General Obligation Bonds to improve infrastructure. Street repair continues as the main focus. Wilshire Blvd. and Grand Blvd are both about one half complete with Pennsylvania being scheduled for 2014.

Independent Audit

The financial statements of the City and its component units for the fiscal year ended June 30, 2013, have been audited by a firm of Independent Public Accountants, and their opinion is included in the Financial Section of this report.

The financial statements are the responsibility of the City. The responsibility of the Independent Public Accountants is to express an opinion on the City's financial statements based on their audit. An audit is conducted in accordance with generally accepted auditing standards and Government Auditing Standards. Those standards require that the audit be planned and performed in a manner to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Nichols Hills for its Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 1997 through 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgment

We would like to thank our consultants, Crawford & Associates, P.C., for their professional guidance and experience. And also, thanks to our auditors, Arledge & Associates, P.C. for their assistance in this process.

Finally, to the Nichols Hills City Council we extend heartfelt thanks for their support. It is their commitment to financial reporting excellence that allows the citizens of Nichols Hills to be fully informed about their municipal government finances. We are proud to convey the Council's commitment to our citizens and to all readers of the 2012-13 CAFR.

Respectfully submitted,

David Poole
City Manager

Kristi Hort
Finance Director

CITY OF NICHOLS HILLS, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

JUNE 30, 2013

City Council

E. Peter Hoffman, Jr., Mayor
Steven J. Goetzinger, Vice-Mayor
Sody Clements, Member

Administration

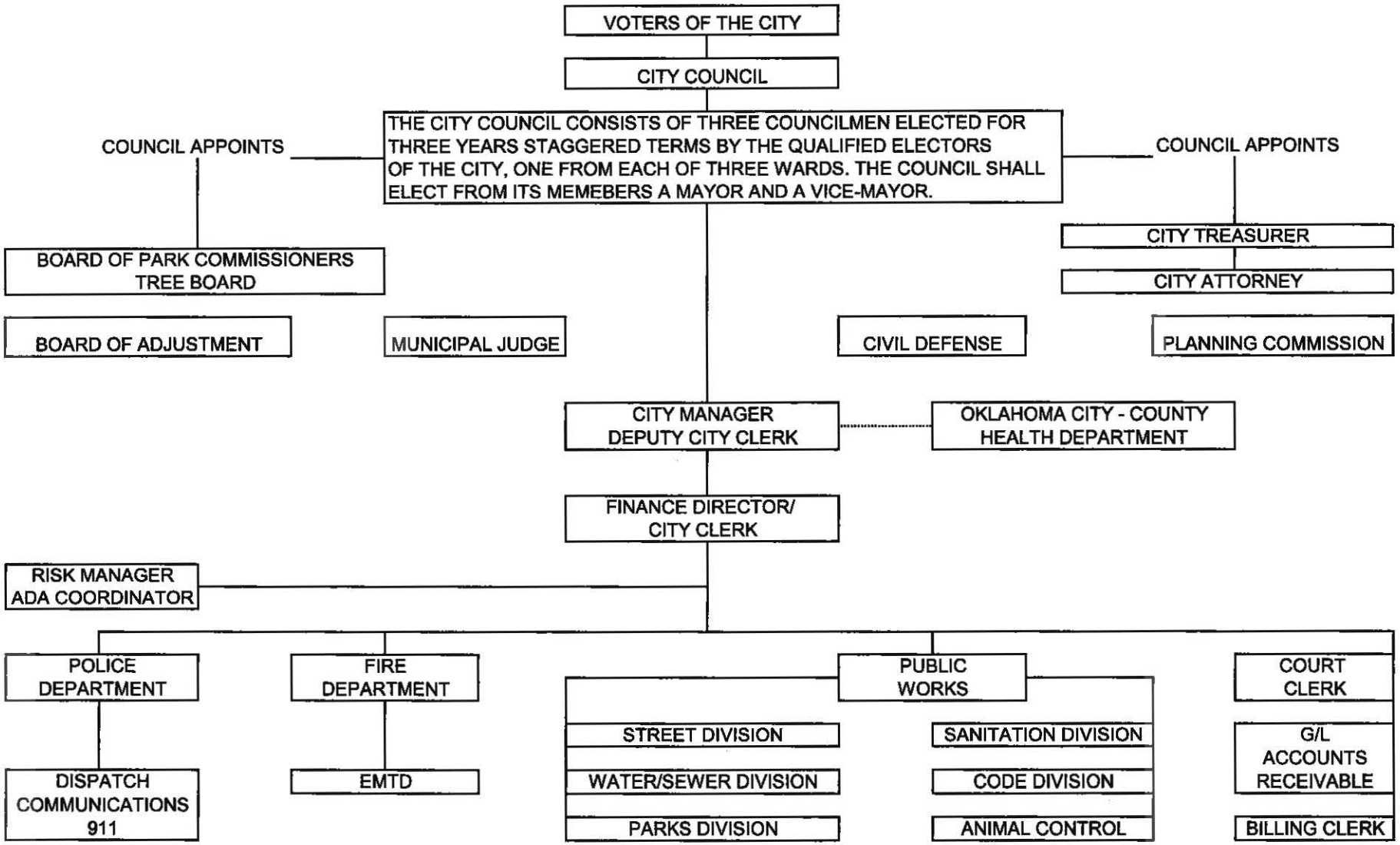
David Poole	City Manager
Kristi Hort	City Clerk
John E. Frank	City Treasurer
John Michael Williams	City Attorney
Lindy Stormont	Risk Manager
Randy Smith	Director of Public Works
Terry Hamilton	Fire Chief
Richard Mask	Police Chief

Finance Department

Kristi Hort	Finance Director
Sherry Dickson	Accounts Payable/Payroll Clerk
Sydney Myers	Court Clerk
Nikki Brown	Utility Billing Clerk

CITY OF NICHOLS HILLS, OKLAHOMA

(A City Coucil/City Manager Form of Government with a Charter)



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Nichols Hills
Oklahoma

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

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FINANCIAL SECTION

Arledge
& Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the City Council of the
City of Nichols Hills, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nichols Hills, Oklahoma, (the "City") 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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Change in Accounting Principle

As discussed in Note I. C. to the financial statements, in fiscal year 2013 the City adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension plan and other post-employment benefits funding schedules, as listed in the table of contents, 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's basic financial statements. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information, as listed in the table of contents, is the responsibility of management and was 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 other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2013, on our consideration of the City'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 the City's internal control over financial reporting and compliance.

Arledge & Associates, P.C.

December 26, 2013

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Our discussion and analysis of the City of Nichols Hills financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2013, the City's total net position increased by $325,283 or 1.3% from the prior year.
- During the year, the City's expenses for governmental activities were $8,415,523 and were funded by program revenues of $1,403,740 and other general revenues and transfers that totaled $7,509,949. This resulted in an increase in governmental activities net position of $498,166.
- The City's business-type activities reported revenues of $3,362,412 and expenses and transfers of $3,535,295 resulting in a decrease in net position of $172,883.
- At June 30, 2013, the General Fund reported an unassigned fund balance of $2,744,790, which is consistent with the prior year.
- For budgetary reporting purposes, the General Fund reported resources available for appropriation in excess of estimates of $170,226 or 3.0%, while expenditures were under the final appropriations by $544,756 or 8.8%.

OVERVIEW OF THE FINANICAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Nichols Hills (the "City") and its component unit using the integrated approach as prescribed by GASB Statement No. 34. Included in this report are governmental-wide statements for each of two categories of activities – governmental and business-type.

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. These statements include all assets of the City (including infrastructure) and deferred outflows, as well as all liabilities (including long-term debt) and deferred inflows.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the most frequently asked questions about the City's finances is, "Has the City's financial condition improved, declined or remained steady over the last year?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets deferred outflows, liabilities and deferred inflows using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them from the prior year. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. However, you must consider other nonfinancial factors, such as changes in the City's tax base and the condition of the City's roads, to assess the overall health of the City.

As mentioned above, in the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities -- Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

- Business-type activities – For these activities, the City charges a fee to customers to help cover all or most of the cost of the services it provides. The City's water and wastewater utilities are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

Governmental funds -- Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds -- When the City charges customers for the services it provides – whether to outside customers or to other units of the City -- these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that business-type activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's combined net position increased from $24.8 million to $25.1 million between fiscal years 2012 and 2013. Looking at the net position of governmental and business-type activities separately, governmental activities increased and the business-type activities decreased.

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2013	restated 2012		2013	2012		2013	restated 2012	
Current assets	$ 14,947,464	$ 13,584,407	10%	$ 1,775,229	$ 1,433,850	24%	$ 16,722,693	$ 15,018,257	11%
Capital assets, net	16,125,046	14,206,494	14%	18,737,386	18,640,462	1%	34,862,432	32,846,956	6%
Total assets	$ 31,072,510	$ 27,790,901	12%	$ 20,512,615	$ 20,074,312	2%	$ 51,585,125	$ 47,865,213	8%
Deferred outlow of resources	$ 129,115	$ -	100%	$ -	$ -	0%	$ 129,115	$ -	100%
Long-term debt outstanding	24,420,876	21,741,820	12%	662,257	41,544	1494%	25,083,133	21,783,364	15%
Other liabilities	1,452,262	1,016,656	43%	61,414	70,941	-13%	1,513,676	1,087,597	39%
Total liabilities	$ 25,873,138	$ 22,758,476	14%	$ 723,671	$ 112,485	543%	$ 26,596,809	$ 22,870,961	16%
Net position									
Net investment in capital assets	2,425,122	840,899	188%	18,118,659	18,405,462	-2%	20,543,781	19,246,361	7%
Restricted	1,360,343	1,118,194	22%	-	-	0%	1,360,343	1,118,194	22%
Unrestricted	1,543,022	3,073,332	-50%	1,670,285	1,556,365	7%	3,213,307	4,629,697	-31%
Total net position	$ 5,328,487	$ 5,032,425	6%	$ 19,788,944	$ 19,961,827	-1%	$ 25,117,431	$ 24,994,252	0.5%

The increase in deferred outflows reported in the governmental activities is due to the implementation of Statement 65 and a deferred amount on refunding of debt. The increase in the net investment in capital assets of the governmental activities was largely due to the addition of the Camden paving project to the capital assets. The increase in governmental activities restricted net position was due largely to the addition of a GO Bond fund for capital projects.

The decrease in governmental activities unrestricted net position is due to the increase in net investment in capital assets and restricted net position.
The increase in business-type activities current assets increased due to the decrease in internal balance payable. The long-term debt outstanding in business-type activities increased due to the addition of a water rights obligation.

Change in Net Position

For the year ended June 30, 2013, net position of the primary government changed as follows:

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2013	restated 2012		2013	2012		2013	restated 2012	
Revenues									
Program revenues - Charges for services	$ 1,004,869	$ 981,122	2%	$ 3,334,681	$ 3,565,894	-6%	$ 4,339,550	$ 4,547,016	-5%
Program revenues - Other	398,871	338,569	18%	-	-		398,871	338,569	18%
Taxes and other general revenue									
Taxes	6,228,576	6,173,432	1%	-	-		6,228,576	6,173,432	1%
Intergovernmental	82,808	43,199	92%	-	-		82,808	43,199	92%
Investment income	42,872	64,080	-33%	6,805	8,507	-20%	49,677	72,587	-32%
Miscellaneous	551,216	703,268	-22%	1,218	43,346	-97%	552,434	746,616	-26%
Total revenues	8,309,212	8,303,670	0%	3,342,704	3,617,749	-8%	11,651,916	11,921,419	-2%
Expenses									
General government	2,103,433	1,758,978	20%	-	-		2,103,433	1,758,978	20%
Public safety	3,761,553	3,503,460	7%	-	-		3,761,553	3,503,460	7%
Highways and streets	592,671	543,226	9%	-	-		592,671	543,226	9%
Culture and recreation	157,684	160,337	-2%	-	-		157,684	160,337	-2%
Public works	1,107,820	1,093,181	1%	-	-		1,107,820	1,093,181	1%
Interest on long-term debt	692,362	558,094	24%	-	-		692,362	558,094	24%
Water	-	-		2,534,168	2,457,147	3%	2,534,168	2,457,147	3%
Wastewater	-	-		371,186	345,992	7%	371,186	345,992	7%
Total expenses	8,415,523	7,617,276	10%	2,905,354	2,803,139	4%	11,320,877	10,420,415	9%
Excess (deficiency) before transfers	(106,311)	686,394	-115%	437,350	814,610	-46%	331,039	1,501,004	-78%
Gain (loss) on disposal of assets	(25,464)	-	-100%	19,708	-	100%	(5,756)	-	100%
Transfers	629,941	1,088,387	-42%	(629,941)	(1,088,387)	-42%	-	-	
Change in net position	498,166	1,774,781	-72%	(172,883)	(273,777)	-37%	325,283	1,501,004	-78%
Beginning net position	4,830,321	3,055,540		19,961,827	20,235,604		24,792,148	23,291,144	
Ending net position	$ 5,328,487	$ 4,830,321		$ 19,788,944	$ 19,961,827		$ 25,117,431	$ 24,792,148	

Intergovernmental revenue increased in the governmental activities due to a resale of property by the county. The decrease in investment income in both governmental and business-type activities is due to an increase in demand deposits instead of time deposits. The decrease in governmental activities and business-type activities miscellaneous revenue is due to a large insurance reimbursement in the prior year. Transfers between governmental and business-type activities are directly related to construction projects funded through general obligation proceeds and fluctuate from year to year.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenditures, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

For the year ended June 30, 2013, total expenses for governmental activities amounted to approximately $8.4 million. Of these total expenses, the program revenues funded $1.4 million through service charges and grants and other contributions, while taxpayers, transfers, and other general revenues funded the remainder of $7.5 million. As a result, governmental activities net position increased by $498,166.

Net Revenue (Expense) of Governmental Activities

	Total Expense of Services 2013	Net Revenue (Expense) of Services 2013	Total Expense of Services 2012	Net Revenue (Expense) of Services 2012
General government	$2,103,433	($1,887,605)	$1,758,978	($1,571,938)
Public safety	3,761,553	(3,189,096)	3,503,460	(2,994,422)
Highways and streets	592,671	(556,755)	543,226	(516,113)
Culture and recreation	157,684	(157,684)	160,337	(160,337)
Public Works	1,107,820	(528,281)	1,093,181	(496,681)
Interest on long-term debt	692,362	(692,362)	558,094	(558,094)
Total	$8,415,523	($7,011,783)	$7,617,276	($6,297,585)

Business-Type Activities

Net Revenue (Expense) of Business-Type Activities

	Total Expense of Services 2013	Net Revenue (Expense) of Services 2013	Total Expense of Services 2012	Net Revenue (Expense) of Services 2012
Water	$2,534,168	($129,271)	$2,457,147	$134,613
Wastewater	371,186	558,598	345,992	628,142
Total	$2,905,354	$429,327	$2,803,139	$762,755

In the business-type activities, the charges for services in FY2013 were sufficient to cover expenses.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2013 fiscal year, the governmental funds reported a combined fund balance of $14 million or a 9.0% increase from the prior year. The enterprise fund reported net position of $19.8 million or a 0.9% decrease from 2012.

At June 30, 2013, the General Fund reported an unassigned fund balance of $2,744,790, which is consistent with prior year. The Debt Service fund increased its fund balance by $247,273. The Capital Improvement Fund decreased its fund balance by $612,021 due to various projects. The City issued Series 2013 General Obligation Bonds in the amount of $4,000,000 for capital projects and issued Series 2012 refunding General Obligation Bonds in the amount of $9,175,000 creating an increase of GO Bond Fund fund balance of $1,389,331.

General Fund Budgetary Highlights

Over the course of the year, the City Council made minor budget revisions. The General Fund reported resources available for appropriations in excess of estimates of $170,226 (3.0%) and expenditures under final appropriations by $544,756 (8.8%). The excess resources available is due to transfers to other funds budgeted but not actually transferred.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2013, the City had approximately $32.8 million invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines, sewer lines and systems. (See table below).

Primary Government Capital Assets
(Net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Land	$88,000	$88,000	$195,742	$195,742	$283,742	$283,742
Buildings	347,365	466,813	212,232	191,091	559,597	657,904
Imp. other than buildings	37,519	34,750	524,734	478,608	562,253	513,358
Machinery, furniture and equipment	1,412,333	1,369,001	358,662	406,926	1,770,995	1,775,927
Infrastructure	9,718,438	11,109,632	-	-	9,718,438	11,109,632
Utility improvements	-	-	17,301,982	16,149,370	17,301,982	16,149,370
Water rights	-	-	-	633,590	-	633,590
Construction in progress	2,602,839	3,056,850	47,110	682,059	2,649,949	3,738,909
Totals	$14,206,494	$16,125,046	$18,640,462	$18,737,386	$32,846,956	$34,862,432

This year's more significant capital asset additions are street projects totaling approximately $2.0 million and the purchase of water rights totaling approximately $650,000, while the depreciation expense for all assets totaled $2.3 million. See Note 3.D. for additional information.

Long- Term Debt Administration

At year-end, the City had approximately $21.8 million in outstanding long-term debt. (See table below). These debts are further detailed below and excludes any unamortized debt premiums, discounts, or refunding charges.

Primary Government Long-Term Debt

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2012	2013	2012	2013	2012	2013	2012-2013
G.O. Bonds payable	$21,480,000	$24,115,000	$ -	$ -	$21,480,000	$24,115,000	12.3%
Water rights	-	-	-	618,727	-	618,727	100.0%
Accrued comp absences	261,820	305,876	22,638	22,960	284,458	328,836	15.6%
Utility deposits	-	-	21,170	20,570	21,170	20,570	-2.8%
Totals	$21,741,820	$24,420,876	$43,808	$662,257	$21,785,628	$25,083,133	15.1%

For the year ended June 30, 2013, the City incurred an additional $2.6 million of general obligation bonds for capital improvements. See Note 3.E. for additional information.

Economic Factors and Next Year's Budget and Rates

The City of Nichols Hills will continue use of General Obligation Bonds to improve infrastructure. Street repair continues as the main focus. Among the streets scheduled for upcoming repairs are Wilshire Blvd. and Grand Blvd with Pennsylvania being scheduled 2014.

Declining sales tax continues to be at the forefront our concern. The Nichols Hill Plaza south retail building is empty except for one store and one restaurant.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at 6407 Avondale Dr., Nichols Hills, Oklahoma 73116 or phone at (405) 843-6637.

City of Nichols Hills
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 6,278,624	$ 947,490	$ 7,226,114
Investments	7,731,386	500,000	8,231,386
Deposits with insurance pool	123,633	-	123,633
Interest receivable	1,627	78	1,705
Accounts receivable, net	-	397,157	397,157
Franchise tax receivable	54,183	-	54,183
Court fines receivable, net	175,439	-	175,439
Other receivables	59,206	-	59,206
Internal balances	69,496	(69,496)	-
Due from other governments	399,531	-	399,531
Prepaid assets	54,339	-	54,339
Capital assets:			
Non-depreciable assets	3,144,850	877,801	4,022,651
Depreciable assets, net	12,980,196	17,859,585	30,839,781
Total Capital Assets	16,125,046	18,737,386	34,862,432
Total assets	$ 31,072,510	$ 20,512,615	$ 51,585,125
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	129,115	-	129,115
LIABILITIES			
Accounts payable and accrued expenses	705,479	61,414	766,893
Compensated absences	30,588	2,296	32,884
Bonds and notes payable	2,540,000	22,266	2,562,266
Due in more than one year			
Meter deposit liability	-	20,570	20,570
Bonds and notes payable	21,575,000	596,461	22,171,461
Compensated absences	275,288	20,664	295,952
Net pension obligation	615,817	-	615,817
Net OPEB obligation	130,966	-	130,966
Total liabilities	25,873,138	723,671	26,596,809
NET POSITION			
Net investment in capital assets	2,425,122	18,118,659	20,543,781
Restricted for:			
Debt service	1,267,176	-	1,267,176
Streets	68,266	-	68,266
Public safety	24,901	-	24,901
Unrestricted	1,543,022	1,670,285	3,213,307
Total net position	$ 5,328,487	$ 19,788,944	$ 25,117,431

See accompanying notes to the basic financial statements

City of Nichols Hills
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	$ 2,103,433	$ 215,828	$ -	$ -	$ (1,887,605)	$ -	$ (1,887,605)
Public Safety	3,761,553	209,502	362,955	-	(3,189,096)	-	(3,189,096)
Highways and Streets	592,671	-	35,916	-	(556,755)	-	(556,755)
Public Works	1,107,820	579,539	-	-	(528,281)	-	(528,281)
Culture and Recreation	157,684	-	-	-	(157,684)	-	(157,684)
Interest on Long-term debt	692,362	-	-	-	(692,362)	-	(692,362)
Total governmental activities	8,415,523	1,004,869	398,871	-	(7,011,783)	-	(7,011,783)
Business-type activities							
Water	2,534,168	2,404,897	-	-	-	(129,271)	(129,271)
Wastewater	371,186	929,784	-	-	-	558,598	558,598
Total business-type activities	2,905,354	3,334,681	-	-	-	429,327	429,327
Total primary government	$ 11,320,877	$ 4,339,550	$ 398,871	$ -	(7,011,783)	429,327	(6,582,456)
General revenues:							
Taxes:							
Sales tax					2,780,618	-	2,780,618
Property taxes, levied for debt service					3,033,854	-	3,033,854
Franchise taxes					412,394	-	412,394
E911 taxes					1,710	-	1,710
Intergovernment not restricted to specific programs					82,808	-	82,808
Unrestricted investment earnings					42,872	6,805	49,677
Miscellaneous					551,216	1,218	552,434
Gain (loss) on disposal of asset					(25,464)	19,708	(5,756)
Transfers					629,941	(629,941)	-
Total general revenues and transfers					7,509,949	(602,210)	6,907,739
Change in net position					498,166	(172,883)	325,283
Net position - beginning, restated					4,830,321	19,961,827	24,792,148
Net position - ending					$ 5,328,487	$ 19,788,944	$ 25,117,431

See accompanying notes to the basic financial statements

City of Nichols Hills
Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	Debt Service Fund	Capital Improvement Fund	GO Bond Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 1,460,768	$ 231,678	$ -	$ 4,510,649	$ 75,529	$ 6,278,624
Investments	1,001,074	955,000	-	5,775,312	-	7,731,386
Deposits with insurance pool	123,633	-	-	-	-	123,633
Prepaid items	54,339	-	-	-	-	54,339
Receivables:						
Accrued interest receivable	263	199	-	1,165	-	1,627
Due from other funds	976,599	-	-	1,065	1,286	978,950
Due from other governments	300,465	95,654	-	-	3,412	399,531
Franchise taxes receivable	54,183	-	-	-	-	54,183
Court fines receivable, net	175,439	-	-	-	-	175,439
Other receivables	1,509	57,450	-	-	247	59,206
Total assets	$ 4,148,272	$ 1,339,981	$ -	$ 10,288,191	$ 80,474	$ 15,856,918
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 68,407	$ -	$ 208,106	$ 397,975	$ 968	$ 675,456
Due to other funds	2,351	-	907,103	-	-	909,454
Escrow liabilities	2,398	-	-	-	-	2,398
Retainage payable	-	-	-	27,625	-	27,625
Total liabilities	73,156	-	1,115,209	425,600	968	1,614,933
Deferred inflows of resources:						
Deferred revenue	192,026	46,898	-	284	-	239,208
Fund balances:						
Restricted for:						
Streets	-	-	-	-	68,266	68,266
Public safety	-	-	-	-	10,234	10,234
Donations	14,667	-	-	-	-	14,667
Debt service	-	1,267,176	-	-	-	1,267,176
Capital projects	-	-	-	9,732,876	-	9,732,876
Assigned for:						
Streets	-	-	-	-	1,006	1,006
Economic development	1,000,000	-	-	-	-	1,000,000
Insurance premiums	123,633	-	-	-	-	123,633
Debt service	-	25,907	-	-	-	25,907
Capital projects	-	-	-	129,431	-	129,431
Unassigned (deficit)	2,744,790	-	(1,115,209)	-	-	1,629,581
Total fund balances	3,883,090	1,293,083	(1,115,209)	9,862,307	79,506	14,002,777
Total liabilities, deferred inflows and fund balances	$ 4,148,272	$ 1,339,981	$ -	$ 10,288,191	$ 80,474	$ 15,856,918

See accompanying notes to the basic financial statements

City of Nichols Hills
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2013

Total fund balance, governmental funds	$	14,002,777
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the funds, net of accumulated depreciation of $11,143,930.		16,125,046
Certain other long-term assets are not available to pay current fund liabilities and therefore, are deferred in the funds:		
Court fines receivable		158,222
Interest receivable		517
Franchise fee receivable		33,770
Receivable from other governments		46,699
		239,208
Certain liabilities are not due and payable from current financial resources and therefore, are not reported in the funds:		
General obligation bonds payable		(24,115,000)
Deferred amount on refunding		129,115
Accrued compensated absences		(305,876)
Net pension obligation		(615,817)
Other postemployment benefits		(130,966)
		(25,038,544)
Net Position of Governmental Activities in the Statement of Net Position	$	5,328,487

See accompanying notes to the basic financial statements

City of Nichols Hills
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	General Fund	Debt Service Fund	Capital Improvement Fund	GO Bond Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	$ -	$ 3,034,674	$ -	$ -	$ -	$ 3,034,674
Taxes	3,159,242	-	-	-	1,710	3,160,952
Fees and fines	138,262	-	-	-	-	138,262
Licenses and permits	215,828	-	-	-	-	215,828
Intergovernmental	442,765	-	-	-	35,916	478,681
Charges for services	659,340	-	-	-	-	659,340
Investment earnings	6,225	7,176	92	31,165	-	44,658
Miscellaneous	227,772	-	316,424	-	-	544,196
Total revenues	$4,849,434	3,041,850	316,516	31,165	37,626	8,276,591
EXPENDITURES						
Current:						
General government	1,464,416	3,184	-	316	-	1,467,916
Public safety	3,425,413	-	-	-	16,645	3,442,058
Highways and streets	248,962	-	-	-	18,002	266,964
Public works	779,180	-	-	-	-	779,180
Culture and recreation	153,604	-	-	-	-	153,604
Debt service:						
Principal	-	2,240,000	-	-	-	2,240,000
Interest and other charges	-	551,393	-	-	-	551,393
Bond issuance costs	-	-	-	191,802	-	191,802
Capital outlay	-	-	928,537	3,054,632	-	3,983,169
Total expenditures	6,071,575	2,794,577	928,537	3,246,750	34,647	13,076,086
Excess (deficiency) of revenues over expenditures	(1,222,141)	247,273	(612,021)	(3,215,585)	2,979	(4,799,495)
OTHER FINANCING SOURCES (USES)						
Proceeds of refunding bonds	-	-	-	8,755,000	-	8,755,000
Proceeds of long-term debt	-	-	-	4,420,000	-	4,420,000
Payment to escrow	-	-	-	(8,570,084)	-	(8,570,084)
Transfers in	1,346,151	-	-	-	-	1,346,151
Total other financing sources and uses	1,346,151	-	-	4,604,916	-	5,951,067
Net change in fund balances	124,010	247,273	(612,021)	1,389,331	2,979	1,151,572
Fund balances (deficit) - beginning	3,759,080	1,045,810	(503,188)	8,472,976	76,527	12,851,205
Fund balances (deficit) - ending	$ 3,883,090	$ 1,293,083	$ (1,115,209)	$ 9,862,307	$ 79,506	$ 14,002,777

See accompanying notes to the basic financial statements

City of Nichols Hills

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2013

Net change in fund balances - total governmental funds:	$	1,151,572
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized		2,927,530
Book value of disposed capital assets		(34,564)
Depreciation expense		(974,414)
		1,918,552
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Deferred revenue		48,997
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds; but the repayment reduces long-term liabilities in the Statement of Net Position:		
Bond proceeds received		(13,175,000)
General obligation bond principal payments		10,540,000
Deferred amount of refunding of debt		129,115
		(2,505,885)
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Accrued compensated absences		(44,056)
Net pension obligation		(38,421)
Other postemployment benefits		(32,593)
		(115,070)
Change in net position of governmental activities	$	498,166

See accompanying notes to the basic financial statements

City of Nichols Hills
Statement of Net Position
Proprietary Funds
June 30, 2013

	Enterprise Fund
	Nichols Hills Municipal Authority
ASSETS	
Current assets:	
Cash and cash equivalents	$ 926,920
Restricted cash and cash equivalents	20,570
Investments	500,000
Accounts receivable, net	397,157
Accrued interest receivable	78
Total current assets	1,844,725
Capital assets:	
Non-depreciable assets	877,801
Depreciable assets, net	17,859,585
Total non-current assets	18,737,386
Total assets	20,582,111
LIABILITIES	
Current liabilities:	
Accounts payable	61,414
Due to other funds	69,496
Compensated absences, current portion	2,296
Notes payable, current portion	22,266
Total current liabilities	155,472
Non-current liabilities:	
Compensated absences	20,664
Meter deposit liability	20,570
Notes payable	596,461
Total non-current liabilities	637,695
Total liabilities	793,167
NET POSITION	
Net investment in capital assets	18,118,659
Unrestricted	1,670,285
Total net position	$ 19,788,944

See accompanying notes to the basic financial statements

City of Nichols Hills
Statement of Revenues, Expenses and Change in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Fund
	Nichols Hills Municipal Authority
REVENUES	
Charges for services:	
Water charges	$ 2,357,854
Wastewater charges	929,784
Water taps	26,200
Penalties	20,843
Total operating revenues	3,334,681
OPERATING EXPENSES	
Administrative	478,239
Water and wastewater operations	1,114,632
Depreciation expense	1,312,483
Total operating expenses	2,905,354
Operating income	429,327
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	6,805
Miscellaneous revenue	1,218
Gain on sale of capital assets	19,708
Total non-operating revenue (expenses)	27,731
Income before contributions and transfers	457,058
Capital contributions	716,210
Transfers out	(1,346,151)
Change in net position	(172,883)
Total net position- beginning	19,961,827
Total net position - ending	$ 19,788,944

See accompanying notes to the basic financial statements

City of Nichols Hills
Statement of Cash Flow
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Fund
	Nichols Hills Municipal Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 3,476,281
Payments to suppliers	(973,511)
Payments to employees	(626,301)
Receipts of customer meter deposits	9,217
Refunds of customer meter deposits	(9,817)
Interfund receipts/payments	(560,106)
Net cash provided by operating activities	1,315,763
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(1,346,151)
Net cash provided by (used in) noncapital financing activities	(1,346,151)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(710,789)
Principal paid on debt	618,727
Proceeds from sale of capital assets	37,300
Net cash provided by (used in) capital and related financing activities	(54,762)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	855,910
Interest and dividends	7,558
Net cash provided by investing activities	863,468
Net increase in cash and cash equivalents	778,318
Balances - beginning of year	169,172
Balances - end of year	$ 947,490
Total cash and cash equivalents, end of year	$ 947,490
Reconciliation of operating income to net cash provided by operating activities:	
Operating activities:	$ 429,327
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,312,483
Miscellaneoud revenue	1,218
Change in assets and liabilities:	
Due to other funds	(560,106)
Accounts receivable	140,382
Accounts payable	(7,263)
Deposits subject to refund	(600)
Accrued compensated absences	322
Net cash provided by operating activities	$ 1,315,763
Noncash activities:	
Contributed capital assets	$ 716,210

See accompanying notes to the basic financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY
B. BASIS OF PRESENTATION
C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING
D. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS AND EQUITY
E. REVENUES, EXPENDITURES AND EXPENSES
F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES
G. USE OF ESTIMATES

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. FUND ACCOUNTING REQUIREMENTS
B. REVENUE RESTRICTIONS
C. DEBT RESTRICTIONS AND COVENANTS
D. FUND EQUITY/NET POSITION RESTRICTIONS

NOTE 3. DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

A. CASH AND INVESTMENTS
B. RESTRICTED ASSETS
C. ACCOUNTS RECEIVABLE
D. CAPITAL ASSETS
E. LONG-TERM DEBT
F. INTERFUND TRANSACTIONS AND BALANCES
G. PRIOR PERIOD ADJUSTMENT

NOTE 4. OTHER NOTES

A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS
B. RISK MANAGEMENT
C. COMMITMENTS AND CONTINGENCIES
D. FUTURE ACCOUNTING PRONOUNCEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's accounting and financial reporting policies conform with accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America (GAAP) includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity is comprised of the following:

Primary Government:	City of Nichols Hills
Blended Component Unit:	Nichols Hills Municipal Authority

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" as amended by Statement 61, and includes all component units of which the City appointed a voting majority of the units board and the City is financially accountable.

The component unit is a Public Trust established pursuant to Title 60 of Oklahoma State law. A public trust (Authority) has no taxing power. The Authority is generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authority generally retains title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation of the Authority to the Trustees on a long-term basis. The City, as beneficiary of the Public Trust, receives title to any residual assets when the Public Trust is dissolved.

BLENDED COMPONENT UNIT

A blended component unit is a separate legal entity that meets the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. The component unit fund is blended into those of the City's by appropriate fund category to comprise the primary government presentation.

The component unit that is blended into the reporting fund categories of the City's report is presented below.

Component Unit	Brief Description/Inclusion Criteria	Reporting Fund
Nichols Hills Municipal Authority (NHMA)	Created December 29, 1987, to finance, develop and operate the water and waste-water activities of the City. Current City Council serves as entire governing body (Trustees). Debt issued by the Authority requires 2/3rds approval of City Council.	Enterprise Fund

This component unit does not issue a separate annual financial report.

1.B. BASIS OF PRESENTATION

Government-Wide Financial Statements:

The statement of net position and statement of activities display information about the City as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The City presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

a. Total assets, deferred outflows, liabilities, deferred inflows, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

b. Total assets, deferred outflows, liabilities, deferred inflows, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

GOVERNMENTAL FUNDS

General Fund

The General Fund is the primary operating fund of the City. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City. The reporting entity includes the following special revenue funds:

Street and Alley Fund
E-911

Debt Service Fund

The Debt Service Fund is used to account for ad-valorem taxes levied by the City for use in retiring general obligation bonds, court-assessed judgments, and their related interest expense and fiscal agent fees. State law refers to this fund as the Sinking Fund.

Capital Project Funds

Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes the following capital project funds:

Capital Improvement Fund
GO Bond Fund

PROPRIETARY FUNDS

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund:

Nichols Hills Municipal Authority Fund (Water and Wastewater)

MAJOR AND NON-MAJOR FUNDS

The funds are further classified as major or non-major as follows:

Major:
General Fund

Debt Service Fund

Capital Project Funds:
Capital Improvement Fund
GO Bond Fund

Enterprise Fund:
Nichols Hills Municipal Authority

Non-Major:
Special Revenue Funds:
Street and Alley Fund
E-911 Fund

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities both governmental and business-type activities are presented using the economic resources measurement focus as defined in item 2. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

1. All governmental fund types utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

2. Proprietary fund types utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) , along with deferred outflows and deferred inflows associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows, liabilities, and deferred inflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred. All proprietary funds utilize the accrual basis of accounting.

New Accounting Pronouncements

The City implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*. GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity and also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The Statement is effective for periods beginning after June 15, 2012.

The City implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements.

The City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

The City early implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously recognized as assets and liabilities. The Statement is effective for fiscal years ended June 30, 2014, however, the City, as mentioned, above, has chose to early implement Statement No. 65. This early implementation resulted in a prior period restatement for the removal of bond issuance costs from the Statement of Net Position in the Governmental Activities totaling $202,104.

1.D. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS AND EQUITY

Cash and Cash Equivalents

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments

Investments are reported at fair value which is determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. All non-negotiable certificates of deposit are carried at cost. Additional cash and investment disclosures are presented in 3.A.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales tax, franchise tax, grants and court fines. Business-type activities report utilities and interest earnings as its major receivables.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, court fine receivables, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Available has been defined by the City as collected within 60 days of year end. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if available to pay current liabilities since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Due to their immaterial nature, the City has chosen to record consumable materials and supplies as expenditures/expenses at the time of purchase, and, therefore, no balances for inventory on-hand are reported on the balance sheet.

Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. The threshold for capital asset additions is $1,000.

Government-Wide Statements

In the government-wide financial statements, property, plant and equipment are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Prior to July 1, 2003, governmental activities' infrastructure assets were not capitalized. These assets have not yet been valued or recorded as capital assets. Only infrastructure additions after July 1, 2003 have been included in the balances of capital assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset of the City is as follows:

Buildings	20-50 years
Equipment	2-20 years
Wastewater lines	50 years
Waterlines	50 years
Streets	20-50 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets reported in the fund financial statements include current assets that are legally restricted as to their use. The primary restricted assets are related to utility customer deposits and trustee accounts restricted for debt service.

Long-Term Debt

Accounting treatment of long-term debt varies depending upon the source of repayment and whether the debt is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of general obligation bonds payable, notes payable, and accrued compensated absences.

Long-term debt of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

Compensated Absences

The City's policies regarding vacation and compensatory time permit employees to accumulate varying amounts as determined by management and contracts with employee groups.

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources if due and payable at period end for terminated employees, while the proprietary funds report the liability as it is incurred.

Equity Classification

Government-Wide Financial Statements:

Equity is classified as net position and displayed in three components:

1. 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.

2. Restricted net position – Consists of net position with constraints placed on the 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.

3. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
b. Restricted – consists of fund balance with constraints placed on the use of resources either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (b) law through constitutional provisions or enabling legislation.

c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance.

d. Assigned – includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted or committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.

e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund, or represents deficit fund balances in non-general governmental funds.

It is the City's policy to first use restricted fund balances prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balances are available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Proprietary fund equity is classified the same as in the government-wide statements.

1.E. REVENUES, EXPENDITURES AND EXPENSES

Sales Tax

The City presently levies a four-cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. Sales tax proceeds are recorded in the General Fund. Sales tax accrued is included under the caption "Due from other governments".

Property Tax

Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments.

At the present time the City levies a property tax to fund the annual debt service requirements of thirteen general obligation bond issues.

The property tax levy, as determined by the City's debt service needs, is submitted to the County Excise Board for approval. County assessors, elected officials, determine the taxable value of real estate and personal property in the County. A State Board of Equalization hears complaints on real estate values with the power to equalize assessments. Under present State law, the ratio of assessed value to true value cannot be less than 11 percent nor more than 13 ½ percent.

Property taxes levied by the City are billed and collected by the County Treasurer's Office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October. Property taxes levied, but not collected during the year or within 60 days of year-end are reported as deferred revenue.

For the year ended June 30, 2013, the City's net assessed valuation of taxable property was $120,733,997. The taxes levied by the City per $1,000 of net assessed valuation for the year ended June 30, 2013 was $23.70.

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, other charges, capital grants
Public safety	Court fines and animal license fees; pension plans on-behalf payments by state; capital grants.
Highways and streets	Operating grants and contributions include motor fuel and commercial vehicle intergovernmental revenues.
Public works	Sanitation service charges.

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Non-operating revenues and expenses are those related to capital and related financing, non-capital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are reported on the accrual basis and are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures/expenses are classified as follows:

Governmental Funds - By Character:	Current (further classified by function) Capital Outlay Debt Service

Proprietary Funds - By Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to the use of economic resources.

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide statement of net position and statement of activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements:

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans - amounts provided with a requirement for repayment are reported as interfund receivables and payables.

2. Interfund services - sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.

3. Interfund reimbursements - repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.

4. Interfund transfers - flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government-Wide Financial Statements:

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances - amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.

2. Internal activities - amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers - Internal Activities.

The effect of interfund services between funds are not eliminated in the statement of activities.

1.G. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component unit are subject to various federal, state and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows:

2.A. FUND ACCOUNTING REQUIREMENTS

The City complies, in all material respects, with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following.

Fund	Required By
Debt Service Fund (Sinking Fund)	State Law
Municipal Authority Fund	Bond Indenture

2.B. REVENUE RESTRICTIONS

The City complied, in all material respects, with the restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Gasoline Excise & Commercial Vehicle Tax	Street and Alley Purposes
Water and Wastewater Revenue	Debt Service and Utility Operations
Ad-Valorem Tax	Debt Service on General Obligation Bonds
E-911 Revenue	E-911 Emergency Services Purposes
Sinking Fund Interest Income	Retirement of General Obligation Bond Debt
Net Surplus Revenue of Municipal Authority	Transfer to City General Fund

2.C. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2013, the City complied with the legal debt limit. Of the $24,115,000 outstanding general obligation bonded debt, all but $773,737 is utility and street related.

2.D. FUND EQUITY / NET POSITION RESTRICTIONS

Restricted Net Position

Restricted net position at the government-wide financial statements are required to restrict funds in accordance with various laws and regulations, specifically those laws and regulations dealing with debt service and the use of restricted revenues. See Note 3.G. for details of restricted net position.

NOTE 3. DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, deferred outflows, liabilities, deferred inflows, equity, revenues and expenditures/expenses.

3.A. CASH AND INVESTMENTS

The City of Nichols Hills held the following deposits and investments at June 30, 2013:

Type of Deposits and Investments	Carrying Value
Deposits:	
Demand deposits	$ 9,527,188
Time deposits	5,930,312
Total Deposits and Investments	$ 15,457,500
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	$ 7,226,114
Investments	8,231,386
	$ 15,457,500

Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

At June 30, 2013, all deposits were collateralized. Custody credit risk is not applicable to mutual funds because they are not evidenced by a specific security.

Investment Credit Risk – Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations—rating agencies—as of the year end. Investments of a City (excluding Public Trusts) are limited by State law to the following:

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 of Oklahoma 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 mutual funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

Public trusts created under O.S. Title 60, are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2013, the City and its included component unit complied, in all material respects, with the above noted investment restrictions.

Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no formal investment interest rate risk policy. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments.

Concentration of Investment Credit Risk - Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City has no formal concentration of investment credit risk policy.

At June 30, 2013, the City had no concentration of credit risk as defined above.

3.B. RESTRICTED ASSETS

The amounts reported as restricted assets in the proprietary fund financial statements are comprised of cash and cash equivalents held by the trustee bank on behalf of the public trust (Authority) related to its promissory note accounts as described in Note 2.C, in addition to utility deposits held for refund. The restricted assets as of June 30, 2013 were as follows:

Type of Restricted Assets	Current Assets
Cash and Cash Equivalents:	
Utility Deposits	$20,570
Total Restricted Assets	$20,570

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consists of customer utilities. Receivables detail at June 30, 2013 is as follows:

	Business-Type		Governmental
Service receivables	$418,781	Court receivable	$808,326
Allowance for doubtful accounts	(21,624)	Allowance for doubtful accounts	(632,887)
Total accounts receivable	$397,157	Total accounts receivable	$175,439

3.D. CAPITAL ASSETS

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

	Balance at June 30, 2012	Additions	Disposals	Balance at June 30, 2013
Governmental activities:				
Capital assets not being depreciated:				
Land	$88,000	-	-	$88,000
Construction in progress	2,602,839	$2,427,148	$1,973,137	3,056,850
Total capital assets not being depreciated	2,690,839	2,427,148	1,973,137	3,144,850
Other capital assets:				
Buildings	774,627	139,800	-	914,427
Improvements	141,587	-	-	141,587
Machinery, furniture and equipment	3,849,039	328,573	112,569	4,065,043
Infrastructure	16,997,923	2,005,147	-	19,003,070
Total other capital assets at historical cost	21,763,176	2,473,520	112,569	24,124,127
Less accumulated depreciation for:				
Buildings	427,262	20,352	-	447,614
Improvements	104,068	2,769	-	106,837
Machinery, furniture and equipment	2,436,706	337,341	78,005	2,696,042
Infrastructure	7,279,485	613,953	-	7,893,438
Total accumulated depreciation	10,247,521	974,415	78,005	11,143,931
Other capital assets, net	11,515,655	1,499,105	34,564	12,980,196
Governmental activities capital assets, net	$14,206,494	$3,926,253	$2,007,701	$16,125,046

	Balance at June 30, 2012	Additions	Disposals	Balance at June 30, 2013
Business-type activities:				
Capital assets not being depreciated:				
Land	$195,742	-	-	$195,742
Construction in progress	47,110	$634,949	$ -	682,059
Total capital assets not being depreciated	242,852	634,949	-	877,801
Other capital assets:				
Buildings	564,061	-	-	564,061
Improvements	924,618	-	-	924,618
Machinery, furniture and equipment	1,209,072	143,323	135,085	1,217,310
Utility improvements	30,574,427	-	-	30,574,427
Water rights	-	648,727	-	648,727
Total other capital assets at historical cost	33,272,178	792,050	135,085	33,929,143
Less accumulated depreciation for:				
Buildings	351,829	21,141	-	372,970
Improvements	399,884	46,126	-	446,010
Machinery, furniture and equipment	850,410	77,467	117,493	810,384
Utility improvements	13,272,445	1,152,612	-	14,425,057
Water rights	-	15,137	-	15,137
Total accumulated depreciation	14,874,568	1,312,483	117,493	16,069,558
Other capital assets, net	18,397,610	(520,433)	17,592	17,859,585
Business-type activities capital assets, net	$18,640,462	$114,516	$17,592	$18,737,386

Depreciation expense was charged to functions in the Statement of Activities as follows:

Governmental Activities:	
General Government	$73,930
Public Safety	252,312
Highways and Streets	322,802
Culture and Recreation	3,042
Public Works	322,329
Total depreciation expense for governmental activities	$ 974,415
Business-Type Activities:	
Water	$941,297
Wastewater	371,186
Total depreciation expense for business-type activities	$ 1,312,483

3.E. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities

At June 30, 2013, the governmental long-term debt of the financial reporting entity consisted of the following:

General Obligation Bonds:

$2,800,000 General Obligation Bonds, Series 2008, due in annual installments of $230,000 through July 1, 2020, with interest at 2.9% to 4.5% with final payment of $270,000 due July 1, 2021, with interest at 3.85%.	230,000
$2,800,000 General Obligation Bonds, Series 2009, due in annual installments of $230,000 through July 1, 2021, with interest at 1.95% to 3.5% with final payment of $270,000 due July 1, 2022, with interest at 3.5%.	2,110,000
$2,400,000 General Obligation Bonds, Series 2010, due in annual installments of $200,000 through July 1, 2022, with interest at 2.25% to 5.0% with final payment of $200,000 due July 1, 2022, with interest at 3.15%.	2,000,000
$5,400,000 General Obligation Bonds, Series 2011, due in annual installments of $450,000 through July 30, 2025, with interest at 2.00% to 3.4% with final payment of $450,000 due July 1, 2025, with interest at 3.40%.	5,400,000
$2,500,000 General Obligation Bonds, Series 2012, due in annual installments of $205,000 through July 1, 2024, with interest at 1.10% to 3.1% with final payment of $245,000 due July 1, 2025, with interest at 2.40%.	2,500,000
$4,000,000 General Obligation Bonds, Series 2013, due in annual installments of $330,000 through June 30, 2027, with interest at 0.60% to 2.0% with final payment of $370,000 due June 30, 2027, with interest at 2.00%.	4,000,000

$9,175,000 General Obligation Refunding Bonds, Series 2012, due in annual installments of $270,000 to 1,500,000 through July 1, 2021, with interest at 0.50% to 1.75% with final payment of $270,000 due July 1, 2021, with interest at 1.75%.	7,875,000
Total General Obligation Bonds Payable	$24,115,000
Current portion	$2,540,000
Non-current portion	21,575,000
General Obligation Bonds Payable	$24,115,000
Accrued Compensated Absences:	
Current portion	$ 30,588
Non-current portion	275,288
Total Accrued Compensated Absences	$305,876

Business-Type Activities

At June 30, 2013, the long-term debt payable from enterprise fund resources consisted of the following:

Water Rights:	
Obligation payable to People's Church, original amount of $648,727, for use of groundwater, payable in 25 annual installments of $30,000, final maturity in December 2036.	
Current portion	$22,266
Non-current portion	596,461
Water Rights Payable	$618,727
Accrued Compensated Absences:	
Current portion	$ 2,296
Non-current portion	20,664
Total Accrued Compensated Absences	$22,960

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

Type of Debt	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013	Amount Due Within One Year
Governmental Actitivites:					
General Obligation Bonds Payable	$ 21,480,000	$ 13,175,000	$ 10,540,000	$ 24,115,000	$ 2,540,000
Accrued Compensated Absences	261,820	249,615	205,559	305,876	30,588
Total Governmental Activities	$ 21,741,820	$ 13,424,615	$ 10,745,559	$ 24,420,876	$ 2,570,588
Business-Type Activities:					
Water Rights	$ -	$ 648,727	$ 30,000	$ 618,727	$ 22,266
Accrued Compensated Absences	22,638	18,737	18,415	22,960	2,296
Total Business-Type Activities	$ 22,638	$ 667,464	$ 48,415	$ 641,687	$ 24,562

Governmental accrued compensated absences are liquidated by the general fund.

Refunding of Debt

In December 2012, the City issued 9,175,000 of G.O. Bonds to refund the outstanding debt obligation of the G.O. Bond series 2001, 2002, 2003, 2004, 2005, 2006 and partially refund G.O. Bond series 2007 and 2008 and to pay certain expenses related to the issuance of the Bonds.

The refunding resulted in a deferred outflow amount of $129,115. The present value economic gain was $41,963.

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2013, are as follows:

	Governmental Activities		Business-Type Activities	
Year Ended	G.O. Bonds Payable		Water Rights	
June 30,	Principal	Interest	Principal	Interest
2014	2,540,000	841,360	22,266	7,734
2015	2,585,000	871,457	22,544	7,456
2016	2,765,000	791,176	22,826	7,174
2017	2,605,000	747,164	23,111	6,889
2018	2,350,000	705,729	23,400	6,600
2019-2023	8,355,000	2,751,917	121,463	28,537
2024-2028	2,915,000	106,457	129,245	20,755
2029-2033	-	-	137,528	10,663
2034-2037	-	-	116,344	5,464
Totals	$24,115,000	$6,815,260	618,727	101,272

3.F. INTERFUND TRANSACTIONS AND BALANCES

Interfund receivables and payables at June 30, 2013 were as follows:

Payable To	Receivable From	Amount	Purpose
General Fund	Municipal Authority	$ 69,496	Sanitation revenues to be transferred to General Fund
General Fund	Capital Improvement Fund	907,103	Expenditures paid by other fund
Street and Alley Fund	General Fund	1,286	Expenditures paid by other fund
GO Bond Fund	General Fund	1,065	Expenditures paid by other fund
		$ 978,950	

Reconciliation to Fund Financial Statements:

	Due To	Due From	Net Internal Balances
Governmental Funds	$ 978,950	$ (909,454)	$ 69,496
Proprietary Funds	-	(69,496)	(69,496)
	$ 978,950	$ (978,950)	-

Interfund transfers for the year ended June 30, 2013, were as follows:

Transfer From	Transfer To	Amount	Purpose
Municipal Authority Fund	General Fund	$ 1,346,151	Trust indenture requirement of net profits
		$ 1,346,151	

Reconciliation to Fund Financial Statements/Statement of Activities:

	Transfers In	Transfers Out	Contributed Capital Transfer	Net Transfers
Governmental Funds	$ 1,346,151	$ -	$ (716,210)	$ 629,941
Proprietary Funds	-	(1,346,151)	$ 716,210	(629,941)
	$ 1,346,151	$ (1,346,151)	$ -	$ -

3.G. PRIOR PERIOD ADJUSTMENT

Beginning net position was restated as of July 1, 2012, as follows:

	Government-Wide Governmental Activities
Beginning net position, as previously reported	$5,032,425
Elimination of bond issue cost due to Statement 65 implementation	(202,104)
Beginning net position, restated	$4,830,321

NOTE 4. OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

The City participates in three employee pension systems as follows:

Name of Plan/System	Type of Plan
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan
Oklahoma Municipal Retirement Fund (OMRF)	Agent Multiple Employer - Defined Benefit Plan

Oklahoma Police and Firefighter's Pension and Retirement Systems
The City of Nichols Hills, as the employer, participates in two statewide cost-sharing multiple employer defined benefit plans on behalf of the police officers and firefighters. The systems are funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

A. Eligibility Factors, Contribution Methods, and Benefit Provisions

	Oklahoma Police Pension and Retirement System	Oklahoma Firefighter's Pension and Retirement System
Obtaining separately issued financial statements	Police Pension and Retirement 1001 N.W. 63rd St., Suite 605 Oklahoma City, OK 73116-7335	Firefighters Pension & Retirement 4545 N. Lincoln Blvd., Suite 265 Oklahoma City, OK 73105-3414
Eligibility to participate	All full-time officers, employed by a	All full-time or voluntary

	participating municipality, not less than 21 years of age or more than 45 years of age when hired.	firefighters of a participating municipality hired before age 45.
Authority establishing contribution obligations and benefits	State Statute	State Statute
Employee's contribution rate (percent of covered payroll)	8%	8%
City's contribution rate (percent of covered payroll)	13%	13%
State obligation	11.2%	21.9%
Period required to vest	10 years	10 years
Eligibility and benefits for distribution (full-time)	20 years credited service, 2.5% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.	20 years credited service 2.5% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Eligibility and benefits for distribution (volunteer)	-	20 years credited service equal to $5.46 per month per year of service, with a maximum of 30 years considered.
Deferred retirement option	Yes, 20 years credited service with continued service for a maximum of 5 years.	Yes, 20 years credited service with continued service for a maximum of 30 or more years.
Provisions for:		
Cost of living adjustments (normal retirement)	Yes	Yes, if vested by 5/83
Death (duty, non-duty, post retirement)	Yes	Yes
Disability (duty, non-duty)	Yes	Yes
Cost of living allowances	Yes	Yes

B. Trend Information

City contributions required by State statute:

Fiscal Year	Oklahoma Police Pension and Retirement System Required Contribution	Oklahoma Police Pension and Retirement System Percentage Contributed	Oklahoma Firefighter's Pension and Retirement System Required Contribution	Oklahoma Firefighter's Pension and Retirement System Percentage Contributed
2011	105,561	100%	156,134	100%
2012	99,150	100%	110,158	100%
2013	96,099	100%	117,793	100%

The state made on-behalf payments to the Oklahoma Police Pension and Retirement System and the Oklahoma Firefighter's Pension and Retirement System of $87,114 (or 11.8% of covered payroll) and $271,830 (or 30.0% of covered payroll), respectively, for the fiscal year. These are recorded as both a revenue and expense.

Trend information showing the progress of the Systems in accumulating sufficient assets to pay benefits when due is presented in their respective separate annual financial reports.

C. Related Party Investments

As of June 30, 2013, the Systems held no related-party investments of the City or of its related entities.

Oklahoma Municipal Retirement Fund (OMRF)

A. Plan Description, Eligibility Factors, Contribution Methods, and Benefit Provisions

1. Plan Description

As authorized by City ordinance, effective March 1, 1977, the City began contributing to the City of Nichols Hills Plan and Trust in the form of The Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, an agent multiple employer - defined benefit plan. Administration of the City's individual plan, including establishing or amending plan revisions, rests with the City Council. The overall operations of OMRF are supervised by a nine-member Board of Trustees elected by the participating municipalities. Bank One Trust Company of Oklahoma City acts as administrator and securities custodian. OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 100 N. Broadway, Oklahoma City, Oklahoma, 73102.

2. Eligibility Factors, Contribution Methods and Benefit Provisions

Provision	OMRF Plan
a. Eligible to Participate	Full-time, non-uniformed employees of the City or Authority upon hire if less than age 60.
b. Contribution Requirements:	
- Authorization	By City ordinance
- Actuarially Determined	Yes
- Employer Rate	19.41% of covered payroll (Actuarially determined 28.41%)
- Employee Rate	9% of earnings
c. Period Required to Vest	7 years of credited service
d. Eligibility for Distribution	- Normal retirement at the earlier of: Age 65 with 7 years of service; Age 55 with 80 points and 7 or more years of service

	- Early retirement at age 55 with 7 years of service - Disability retirement upon disability with 7 years of service - Death benefit with 7 years of service for married employees
e. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 years of service.
f. Benefit Determination Methods:	
- Normal Retirement	2.625% of final average salary multiplied by credited years of service.
- Early Retirement	Actuarially reduced benefit based upon age and years of service at termination.
- Disability Retirement	Benefit computed as for normal retirement based on average salary and service as of the date of disability.
- Death Benefit	50% of employee's accrued benefit, but terminates upon spouse remarriage.
- Prior to 7 Years Service	Return of employee contributions with accrued interest.
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, optional form based on actuarial equivalent.

B. Annual Pension Costs and Net Pension Obligation

1. Current Year Contribution Information

The City contributed $337,438 of covered wages and the employees contributed $185,438.

2. Actuarial Assumptions:

Date of Last Actuarial Valuation	For Plan Year July 1, 2012
a. Actuarial Cost Method	Entry Age Normal
b. Rate of Return on Investments	7.5%
c. Projected Salary Increase	rates by age
d. Post Retirement Cost-of-Living Increase	3.0%
e. Inflation Rate	Separate Inflation rate not available; inflation included in projected salary increase.
f. Amortization Method of Unfunded Actuarial Accrued Liability	Level percentage of projected payroll.
g. Remaining Amortization Period	Due to the use of the aggregate actuarial cost method, unfunded actuarial liabilities are not amortized.

h. Asset Valuation Method — A tentative actuarial value, calculated as a 7.5% yield on the actuarial value at the beginning of the period, increased or decreased by a cumulative adjustment using a range of 90% to 110% of the current market value of the fund.

3. Net Pension Obligation

The change in net pension obligation for the fiscal year is as follows:

Annual required contribution	$ 379,324
Interest on net pension obligation	39,324
Adjustment to annual required contribution	(42,789)
Annual NPO cost (expense)	375,859
Contributions made	(337,438)
Increase in net pension obligation	38,421
Net pension obligation—beginning of year	577,396
Net pension obligation—end of year	$ 615,817

C. Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2005	$259,579	53%	$318,834
June 30, 2006	$294,499	70%	$406,844
June 30, 2007	$323,082	128%	$314,536
June 30, 2008	$288,167	90%	$343,172
June 30, 2009	$275,380	103%	$312,460
June 30, 2010	$389,405	71%	$427,844
June 30, 2011	$385,070	75%	$525,673
June 30, 2012	$345,933	85%	$577,396
June 30, 2013	$375,859	90%	$615,817

Actuarial valuation information for the current year is as follows (expressed in millions of dollars):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -- Entry Age	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
1/1/13	$5.4	$7.6	$2.2	71.7%	$1.6	134.7%

This method does not identify or separately amortize unfunded actuarial accrued liabilities information about funded status and funding progress is presented using the entry age actuarial cost method and that the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

The schedule of funding progress for postemployment defined benefit plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

D. *Annual OPEB Cost and Net OPEB Obligation.*

Plan Description: The City provides post-retirement benefit options for health care, and prescription drug 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, 2 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 $11,502 to the plan. Plan members receiving benefits contributed $11,502, or 100 percent of the total premiums, through their required contribution of $338.51 per month for retiree-only coverage and $406.22 for retiree and spouse medical coverage.

The City's annual other postemployment 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. The following table shows the components of the City's annual OPEB cost, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the year ended June 30, 2013:

Annual required contribution	$ 43,197
Interest on net OPEB obligation	4,427
Adjustment to annual required contribution	(3,529)
Annual OPEB cost (expense)	44,095
Contributions made	(11,502)
Increase in net OPEB obligation	32,593
Net OPEB obligation—beginning of year	98,373
Net OPEB obligation—end of year	$ 130,966

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the unfunded OPEB obligation for 2013 was as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Unfunded OPEB Obligation
6/30/10	$43,197	25%	$32,593
6/30/11	$45,322	23%	$67,311
6/30/12	$38,586	35%	$92,213
6/30/13	$44,095	26%	$130,966

Funded Status and Funding Progress. As of December 4, 2012, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $472,933, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $472,933. The covered payroll (annual payroll of active employees covered by the plan) was $3.1 million, and the ratio of the UAAL to the covered payroll was 12 percent.
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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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.

In the December 4, 2012, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7 percent initially, reduced by decrements to an ultimate rate of 5 percent in 2014, based upon dependent rates. Separate Inflation rate not available; inflation included in annual healthcare cost trend rate. There were no assets to determine the actuarial value of assets. The UAAL is being amortized over 30 year closed period as level payments. The remaining amortization period at June 30, 2013, was twenty-six years.

4.B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of asset; errors and omissions; injuries to employees; employees health and life; and natural disasters. The City manages these various risks of loss as follows:

Type of Loss	Method Managed	Risk of Loss Retained
a. Torts, errors and omissions, asset loss and natural disasters	Purchased commercial insurance	None
b. Worker's Compensation - Employee injuries	Participates in Oklahoma Municipal Assurance Group (OMAG) risk entity	(1)

	pool. Participant fee includes an actuarially determined amount held by OMAG as the loss reserve fund, to pay claims incurred. Claims are administered by the State Insurance Fund.	Specific aggregate stop loss coverage is provided by the State Insurance Fund and covers all claims above the loss reserve fund.
c. Health and Life: - Medical - Life	Purchased commercial insurance	None

Management believes 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.

(1) Oklahoma Municipal Assurance Group (OMAG)
Worker's Compensation Plan

The title to all assets acquired by the Plan are vested in the Plan. In the event of termination of the Plan, such property shall belong to the then members of the Plan in equal shares. Each participating city pays for all costs, premiums, or other fees attributable to its respective participation in the Plan, policy or service established under the agreement establishing the Oklahoma Municipal Assurance Group, and is responsible for its obligations under any contract entered into with the Plan.

Reserves for policy and contract claims provide for reported claims on a case basis and a provision for incurred but not reported claims limited to specific retention levels for each member as outlined in the Plan's reinsurance agreement.

The Plan's worker's compensation coverage is reinsured for losses in excess of respective retention levels. The reinsurance agreement covers losses incurred within the effective period of the agreement. Each Plan member's liability for claims losses is limited to their individual retention levels as outlined in the Plan's reinsurance agreement.

4.C. COMMITMENTS AND CONTINGENCIES

Commitments:

Construction Contracts

The City is involved in the following construction contracts at June 30, 2013:

	Payable Fund	Original Contract	Outstanding Balance at June 30, 2013
Grand Paving	GO Bond Fund	$1,413,518	$861,019

Contingencies:

Litigation

The City is a party to various legal proceedings which normally occur in the course of governmental operations. State statutes provide for the levy of an ad valorem tax over a three-year period by the City's "Sinking Fund" for the payment of any court-assessed judgment rendered against the City. This provision is not applicable to the Nichols Hills Municipal Authority.

4.D. Future Accounting Pronouncements

The GASB has issued several new accounting pronouncements, which will be effective in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the City's consideration of the impact of these pronouncements are described below:

Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27.* GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and the City has not yet determined the impact that implementation of GASB No. 68 will have on its net position. The Statement is effective for fiscal years ended June 30, 2015. At this time the impact to the city is unknown.

Statement No. 69, *Government Combinations and Disposals of Government Operations* – GASB No. 69 was issued in January 2013, and establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations can include a variety of transactions, including mergers, acquisition, and transfers of operations. A disposal of a government's operations results in the removal of specific activities of a government. The requirement of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees – GASB No. 70 required a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The government is required to report the guaranteed obligation until it is legally released as an obligor, and when it is legally released, it should recognize revenue as a result of this release. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for certain disclosure requirements which may be applied prospectively, the provisions of this Statement are required to be applied retroactively. The City has not yet evaluated the effects that GASB No. 70 will have on its financial statements.

CITY OF NICHOLS HILLS, OKLAHOMA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PENSION PLAN FUNDING PROGRESS

JUNE 30, 2013

OMRF Agent Multiple Employer Defined Pension Plan

Schedule of Pension Plan Funding Progress

Actuarial Date	Actuarial Assets	Actuarial Accrued -- Entry Age	Unfunded AAL	Ratio	(1) Payroll	Unfunded AAL as a % of Covered Payroll
1/1/04	$3,084,133	$3,699,413	$615,280	83.4%	$1,120,387	54.9%
1/1/05	$3,209,670	$4,243,568	$1,033,898	75.6%	$1,228,514	84.2%
1/1/06	$3,423,970	$4,502,719	$1,078,749	76.0%	$1,203,909	89.6%
1/1/07	$3,915,407	$5,192,276	$1,276,869	75.4%	$1,344,313	95.0%
1/1/08	$4,341,640	$5,761,506	$1,419,866	75.4%	$1,430,027	99.3%
1/1/09	$4,469,828	$6,548,341	$2,078,513	68.3%	$1,584,844	131.1%
1/1/10	$4,529,559	$6,902,069	$2,372,511	65.6%	$1,564,837	151.6%
1/1/11	$4,922,833	$7,253,960	$2,331,127	67.9%	$1,544,818	150.9%
1/1/12	$5,019,814	$6,927,984	$1,908,170	72.5%	$1,456,742	131.0%
1/1/13	$5,441,812	$7,592,269	$2,150,457	71.7%	$1,596,875	134.7%

(1) Payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year.

CITY OF NICHOLS HILLS

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF OPEB STATUS AND FUNDING PROGRESS

JUNE 30, 2013

Required Supplementary Information

The funded status and funding progress of the City's defined benefit OPEB plan for the most recent actuarial valuations is as follows:

	July 1, 2009	July 1, 2010	July 1, 2011
Actuarial accrued liability - AAL (a)	$442,164	$478,791	$381,269
Actuarial value of plan assets (b)	-	-	-
Unfunded actuarial accrued liability – UAAL (funding excess) (a) – (b)	$442,164	$478,791	$381,269
Funded ratio (b)/(a)	0%	0%	0%
Covered payroll (c)	$2,486,000	$2,788,000	$3,091,000
UAAL (funding excess) as a % of covered payroll [UAAL/(c)]	18.0%	17.0%	12.0%

CITY OF NICHOLS HILLS, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS) - GENERAL FUND
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Beginning Budgetary Fund Balance:	$3,500,000	$3,500,000	$3,689,997	$189,997
Resources (Inflows):				
Taxes:				
Sales and use tax	2,065,315	2,220,515	2,828,984	608,469
Franchise tax	374,855	374,855	415,903	41,048
Total Taxes	2,440,170	2,595,370	3,244,887	649,517
Intergovernmental:				
Alcoholic beverage tax	4,475	4,475	5,661	1,186
Grant revenue	-	-	1,013	1,013
Total Intergovernmental	4,475	4,475	6,674	2,199
Charges for services:				
Garbage charges	632,000	632,000	610,157	(21,843)
Ambulance charges	50,160	50,160	52,058	1,898
Total Charges for Services	682,160	682,160	662,215	(19,945)
Fines and Forfeitures	119,865	119,865	144,802	24,937
Licenses and Permits:				
Building permits	57,545	57,545	56,693	(852)
Plumbing permits	24,080	24,080	24,603	523
Plumbing licenses	19,105	19,105	32,855	13,750
Animal licenses	505	505	520	15
Electrical licenses	6,770	6,770	9,025	2,255
Electrical permits	16,445	16,445	16,406	(39)
Alcoholic beverage licenses and permits	6,650	6,650	5,790	(860)
Miscellaneous	12,045	36,830	69,936	33,106
Total Licenses and Permits	143,145	167,930	215,828	47,898
Investment Income	9,345	9,345	6,547	(2,798)
Miscellaneous:				
Lease revenue	182,020	182,020	164,444	(17,576)
Other	29,805	29,805	90,633	60,828
Total Miscellaneous	211,825	211,825	255,077	43,252
Other Financing Sources:				
Transfers from other funds	1,920,985	1,920,985	1,346,151	(574,834)
Total Other Financing Sources	1,920,985	1,920,985	1,346,151	(574,834)
Total Resources (Inflows)	5,531,970	5,711,955	5,882,181	170,226
Amounts available for appropriation	9,031,970	9,211,955	9,572,178	360,223

(Continued)

CITY OF NICHOLS HILLS, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS) - GENERAL FUND
For the year ended June 30, 2013

(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Charges to Appropriations (Outflows):				
GENERAL GOVERNMENT:				
Council	775	775	774	1
Manager/Clerk	423,950	433,149	420,388	12,761
Treasurer	1,320	1,320	1,307	13
Attorney	140,000	172,300	172,252	48
Engineer	55,000	73,300	73,184	116
Building and Code Division	178,415	117,774	116,842	932
Safety/Risk	109,970	108,773	105,315	3,458
General Government	428,440	418,620	414,241	4,379
Information Systems	143,140	148,840	144,983	3,857
TOTAL GENERAL GOVERNMENT	1,481,010	1,474,851	1,449,286	25,565
PUBLIC SAFETY:				
Court	75,150	74,415	72,573	1,842
Police	1,548,250	1,664,375	1,630,874	33,501
Fire	1,302,785	1,315,350	1,301,693	13,657
TOTAL PUBLIC SAFETY	2,926,185	3,054,140	3,005,140	49,000
HIGHWAYS AND STREETS	193,260	250,395	247,316	3,079
PUBLIC WORKS:				
Sanitation	630,000	664,275	654,736	9,539
Public Works	134,830	114,145	112,474	1,671
TOTAL PUBLIC WORKS	764,830	778,420	767,210	11,210
PARKS AND RECREATION	166,685	154,149	152,897	1,252
Other Financing Uses:				
Transfers to other funds	375,362	454,650	-	454,650
Total Other Financing Uses	375,362	454,650	-	454,650
Total Charges to Appropriations	5,907,332	6,166,605	5,621,849	544,756
Ending Budgetary Fund Balance	$3,124,638	$3,045,350	$3,950,329	$904,979

See the accompanying footnotes to the budgetary comparison schedules

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Budget Law

The City has adopted the provisions of the Municipal Budget Act of 1979 (the "Budget Act"). In accordance with the Budget Act, the following process is used to adopt the annual budget:

a. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.

b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.

c. 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.

d. By July 1, the adopted budget is filed with the Office of State Auditor and Inspector.

Per State law, the legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

All transfers of appropriation between departments and supplemental appropriations require City Council approval. The City Manager 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.

Budgetary Accounting

The annual operating budgets are prepared and presented on a non-GAAP budgetary basis of accounting. This basis records revenues when available and measurable and expenditures in the month preceding payment approval by the governing body. The exceptions to this basis are the transactions related to the City's participation in a worker's compensation insurance pool, which are recorded at net for budgetary purposes, state pension on-behalf payments, and payable accruals.

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	General Fund
Sources/Inflows of resources	
Actual amounts (budgetary basis) "total resources" from the budgetary comparison schedule	$5,882,181
Differences – budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(1,346,151)
State payments made on-behalf of police and fire pension not considered a budgetary resource	358,944
Revenues not considered a budgetary resource	(50,743)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – general fund	$4,844,231

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

Uses/Outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$5,621,849
Differences – budget to GAAP:	
State payments made on-behalf of police and fire pensions	358,944
Expenses not reported as outflows for budgetary purposes	84,652
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance – general fund	$6,065,445

City of Nichols Hills
Combining Balance Sheet Accounts
General Fund Accounts
June 30, 2013

	General Fund	Designated Accounts Fund	Total General Fund
ASSETS			
Cash and cash equivalents	$ 1,445,962	$ 14,806	$ 1,460,768
Investments	1,001,074	-	1,001,074
Deposits with insurance pool	123,633		123,633
Prepaid expenses	54,339	-	54,339
Receivables:			
Accrued interest receivable	263	-	263
Due from other funds	976,599	-	976,599
Due from other governments	300,465	-	300,465
Franchise tax receivable	54,183		54,183
Court fines receivable, net	175,439		175,439
Other receivables	1,509	-	1,509
Total assets	$ 4,133,466	$ 14,806	$ 4,148,272
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 68,268	$ 139	$ 68,407
Due to other funds	2,351	-	2,351
Escrow liabilities	2,398	-	2,398
Total liabilities	73,017	139	73,156
Deferred inflows of resources:			
Deferred revenue	192,026	-	192,026
Fund balances:			
Restricted for:			
Donations	-	14,667	14,667
Assigned for:			
Economic development	1,000,000	-	1,000,000
Insurance premiums	123,633	-	123,633
Unassigned	2,744,790	-	2,744,790
Total fund balances	3,868,423	14,667	3,883,090
Total liabilities, deferred inflows and fund balances	$ 4,133,466	$ 14,806	$ 4,148,272

City of Nichols Hills
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
General Fund Accounts
For the Year Ended June 30, 2013

	General Fund	Designated Accounts Fund	Total General Fund
REVENUES			
Taxes	$3,159,242	$ -	$3,159,242
Fees and fines	138,262	-	138,262
Licenses and permits	215,828	-	215,828
Intergovernmental	442,765	-	442,765
Charges for services	659,340	-	659,340
Investment earnings	6,225	-	6,225
Miscellaneous	222,569	5,203	227,772
Total revenues	4,844,231	5,203	4,849,434
EXPENDITURES			
Current:			
General government	1,464,395	21	1,464,416
Public safety	3,420,217	5,196	3,425,413
Highways and roads	248,962	-	248,962
Public works	778,267	913	779,180
Culture and recreation	153,604	-	153,604
Total Expenditures	6,065,445	6,130	6,071,575
Excess (deficiency) of revenues over expenditures	(1,221,214)	(927)	(1,222,141)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,346,151	-	1,346,151
Total other financing sources and uses	1,346,151	-	1,346,151
FUND BALANCE			
Net change in fund balances	124,937	(927)	124,010
Fund balances - beginning	3,743,486	15,594	3,759,080
Fund balances - ending	$ 3,868,423	$ 14,667	$ 3,883,090

City of Nichols Hills
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Street and Alley Fund	E-911 Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 65,518	$ 10,011	$ 75,529
Due from other funds	1,286	-	1,286
Due from other governments	3,412	-	3,412
Other receivables	-	247	247
Total assets	$ 70,216	$ 10,258	$ 80,474
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 944	$ 24	$ 968
Total liabilities	944	24	968
Fund balances:			
Restricted for:			
Streets	68,266	-	68,266
Public safety	-	10,234	10,234
Assigned for:			
Streets	1,006	-	1,006
Total fund balances	69,272	10,234	79,506
Total liabilities and fund balances	$ 70,216	$ 10,258	$ 80,474

City of Nichols Hills
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Street and Alley Fund	E-911 Fund	Total Nonmajor Governmental Funds
REVENUES			
Taxes	$ -	$ 1,710	$ 1,710
Intergovernmental	35,916	-	35,916
Total revenues	35,916	1,710	37,626
EXPENDITURES			
Current:			
Public safety	-	16,645	16,645
Highways and roads	18,002	-	18,002
Total Expenditures	18,002	16,645	34,647
Excess (deficiency) of revenues over expenditures	17,914	(14,935)	2,979
Net change in fund balances	17,914	(14,935)	2,979
Fund balances - beginning	51,358	25,169	76,527
Fund balances - ending	$ 69,272	$ 10,234	$ 79,506

	SPECIAL REVENUE - STREET & ALLEY FUND				SPECIAL REVENUE - DESIGNATED ACCOUNTS			
	Budgeted Amounts		Actual	Variance with Final Budget	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)	Original	Final	Amounts	Positive (Negative)
Revenues:								
Taxes	-	-	-	-	-	-	-	-
Intergovernmental	$ 28,500	$ 28,500	$ 33,719	$ 5,219	-	-	-	-
Miscellaneous	-	-	-	-	$ 2,800	$ 2,800	$ 5,203	$ 2,403
Total Revenues	28,500	28,500	33,719	5,219	2,800	2,800	5,203	2,403
Expenditures:								
Current:								
General government	-	-	-	-	-	-	$ 21	$ (21)
Public safety	-	-	-	-	$ 16,942	$ 16,942	5,196	11,746
Highways and streets	76,500	76,500	18,002	58,498	-	-	-	-
Public works	-	-	-	-	2,301	2,301	913	1,388
Total Expenditures	76,500	76,500	18,002	58,498	19,243	19,243	6,130	13,113
Excess (deficiency) of revenues over expenditures	(48,000)	(48,000)	15,717	63,717	(16,443)	(16,443)	(927)	15,516
Net change in fund balances	(48,000)	(48,000)	15,717	63,717	(16,443)	(16,443)	(927)	15,516
Fund Balance - beginning of year	48,000	48,000	54,138	6,138	16,443	16,443	15,594	(849)
Fund Balance - end of year	$ -	$ -	$ 69,855	$ 69,855	$ -	$ -	$ 14,667	$ 14,667

(Continued)

CITY OF NICHOLS HILLS, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS
For the fiscal year ended June 30, 2013

(Continued)

SPECIAL REVENUE - E-911 FUND

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Taxes	$ 2,400	$ 2,400	$ 1,644	$ (756)
Intergovernmental	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	2,400	2,400	1,644	(756)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	27,400	27,400	16,645	10,755
Highways and streets	-	-	-	-
Public works	-	-	-	-
Total Expenditures	27,400	27,400	16,645	10,755
Excess (deficiency) of revenues over expenditures	(25,000)	(25,000)	(15,001)	9,999
Net change in fund balances	(25,000)	(25,000)	(15,001)	9,999
Fund Balance - beginning of year	25,000	25,000	25,350	350
Fund Balance - end of year	-	-	$ 10,349	$ 10,349

	DEBT SERVICE				CAPITAL PROJECT - CAPITAL IMPROVEMENT			
	Budgeted Amounts		Actual	Variance with Final Budget	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)	Original	Final	Amounts	Positive (Negative)
Beginning Budgetary Fund Balance	-	-	$ 632,992	$ 632,992	$ -	$ 830,012	$ 135,688	$ (694,324)
Resources (Inflows):								
Taxes	2,897,275	$ 2,897,275	3,007,678	110,403	-	-	-	-
Investment income	-	-	7,176	7,176	-	-	103	103
Miscellaneous income	-	-	-	-	-	308,000	316,424	8,424
Transfer in	-	-	-	-	424,362	0	-	-
Amounts available for appropriation	2,897,275	2,897,275	3,647,846	750,571	424,362	1,138,012	452,215	(685,797)
Charges to appropriations (outflows):								
General government	-	-	3,184	(3,184)	-	-	-	-
Capital outlay	-	-	-	-	424,362	1,138,012	928,537	209,475
Debt service	2,897,275	2,897,275	2,791,393	105,882	-	-	-	-
Total Charges to Appropriations	2,897,275	2,897,275	2,794,577	102,698	424,362	1,138,012	928,537	209,475
Ending Budgetary Fund Balance	$ -	$ -	$ 853,269	$ 853,269	$ -	$ -	$ (476,322)	$ (476,322)

City of Nichols Hills
Combining Schedule of Net Position
Enterprise Fund Accounts
June 30, 2013

	Nichols Hills Municipal Authority	Nichols Hills Municipal Authority CIF Account	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 924,929	$ 1,991	$ 926,920
Restricted cash and cash equivalents	20,570	-	20,570
Investments	500,000	-	500,000
Accounts receivable, net	397,157	-	397,157
Accrued interest receivable	78	-	78
Total current assets	1,842,734	1,991	1,844,725
Non-current assets:			
Capital Assets:			
Non-depreciable assets	877,801	-	877,801
Other capital assets, net of depreciation	17,628,182	231,403	17,859,585
Total non-current assets	18,505,983	231,403	18,737,386
Total assets	20,348,717	233,394	20,582,111
LIABILITIES			
Current liabilities:			
Accounts payable	61,414	-	61,414
Due to other funds	69,496	-	69,496
Compensated absences, current portion	2,296	-	2,296
Note payable, current portion	22,266	-	22,266
Total current liabilities	155,472	-	155,472
Non-current liabilities:			
Compensated absences	20,664	-	20,664
Meter deposit liability	20,570	-	20,570
Note payable	596,461	-	596,461
Total non-current liabilities	637,695	-	637,695
Total liabilities	793,167	-	793,167
NET POSITION			
Net investment in capital assets	18,118,659	-	18,118,659
Unrestricted	1,436,891	233,394	1,670,285
Total net position	$ 19,555,550	$ 233,394	$ 19,788,944

City of Nichols Hills
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
Enterprise Fund Accounts
For the Year Ended June 30, 2013

	Nichols Hills Municipal Authority	Nichols Hills Municipal Authority CIF Account	Total
REVENUES			
Charges for Service:			
Water charges	$ 2,357,854	$ -	$ 2,357,854
Wastewater charges	929,784	-	929,784
Water taps	26,200	-	26,200
Penalties	20,843	-	20,843
Total operating revenues	3,334,681	-	3,334,681
OPERATING EXPENSES			
Administrative	478,239	-	478,239
Water and wastewater operations	1,114,013	619	1,114,632
Depreciation expense	1,312,483	-	1,312,483
Total operating expenses	2,904,735	619	2,905,354
Operating income (loss)	429,946	(619)	429,327
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	6,805	-	6,805
Miscellaneous revenue	1,218	-	1,218
Gain on sale of capital assets	19,708	-	19,708
Total non-operating revenue (expenses)	27,731	-	27,731
Income before contributions and transfers	457,677	(619)	457,058
Capital contributions	716,210	-	716,210
Transfers out	(1,346,151)	-	(1,346,151)
Change in net position	(172,264)	(619)	(172,883)
Total net position - beginning	19,727,814	234,013	19,961,827
Total net position - ending	$ 19,555,550	$ 233,394	$ 19,788,944

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Nichols Hills' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health

Such statistical information includes:

- Financial Trends – These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time

- Revenue Capacity – These schedules contain information to help the reader assess the city's most significant local revenue sources, gas and sales tax revenues.

- Debt Capacity –These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.

- Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place

- Operating Information – These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.

CITY OF NICHOLS HILLS, OKLAHOMA
NET ASSETS/NET POSITION BY COMPONENT
Last Ten Fiscal Years
TABLE 1

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities									
Invested in capital assets, net of related debt	$ (2,742,784)	$ (2,310,907)	$ (4,417,209)	$ (3,606,626)	$ (3,334,232)	$ (3,868,818)	$ (2,302,260)	$ 289,096	$ 840,899
Restricted	1,036,349	1,780,502	1,881,569	2,300,109	2,461,157	2,778,396	363,430	482,303	1,118,194
Unrestricted	2,195,912	794,445	3,020,362	2,914,171	3,027,138	2,914,631	4,438,157	2,486,245	3,073,332
Total governmental activities net assets	$ 489,477	$ 264,040	$ 484,722	$ 1,607,654	$ 2,154,063	$ 1,824,209	$ 2,499,327	$ 3,257,644	$ 5,032,425
Business-type activities									
Invested in capital assets, net of related debt	$ 13,159,825	$ 13,773,019	$ 14,700,332	$ 15,266,365	$ 16,610,548	$ 18,211,920	$ 18,266,928	$ 18,952,874	$ 18,405,462
Restricted	374,616	385,559	401,029	398,113	413,729	424,620	437,468	450,593	-
Unrestricted	993,588	1,224,375	1,401,449	1,126,460	472,552	364,174	57,709	832,137	1,556,365
Total business-type activities net assets	$ 14,528,029	$ 15,382,953	$ 16,502,810	$ 16,790,938	$ 17,496,829	$ 19,000,714	$ 18,762,105	$ 20,235,604	$ 19,961,827
Primary government									
Invested in capital assets, net of related debt	$ 10,417,041	$ 11,462,112	$ 10,283,123	$ 11,659,739	$ 13,276,316	$ 14,343,102	$ 15,964,668	$ 19,241,970	$ 19,246,361
Restricted	1,410,965	2,166,061	2,282,598	2,698,222	2,874,886	3,203,016	800,898	932,896	1,118,194
Unrestricted	3,189,500	2,018,820	4,421,811	4,040,631	3,499,690	3,278,805	4,495,866	3,318,382	4,629,697
Total primary government net assets	$ 15,017,506	$ 15,646,993	$ 16,987,532	$ 18,398,592	$ 19,650,892	$ 20,824,923	$ 21,261,432	$ 23,493,248	$ 24,994,252

	2013
Governmental activities	
Net investment in capital assets	$ 2,425,122
Restricted	1,360,343
Unrestricted	1,543,022
Total governmental activities net position	$ 5,328,487
Business-type activities	
Net investment in capital assets	$ 18,118,659
Restricted	-
Unrestricted	1,670,285
Total business-type activities net position	$ 19,788,944
Primary government	
Net investment in capital assets	$ 20,543,781
Restricted	1,360,343
Unrestricted	3,213,307
Total primary government net position	$ 25,117,431

CITY OF NICHOLS HILLS, OKLAHOMA
CHANGES IN NET ASSETS/POSITION
Last Ten Fiscal Years
TABLE 2

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Government activities:										
General government	$ 1,498,768	$ 1,433,455	$ 1,260,679	$ 1,473,741	$ 1,756,081	$ 1,399,829	$ 1,689,504	$ 1,615,627	$ 1,758,978	$ 2,103,433
Public safety	2,365,324	2,430,811	2,487,770	3,087,682	3,131,510	3,179,578	3,351,398	3,273,946	3,503,460	3,761,553
Highways and streets	365,145	366,110	327,157	410,147	358,041	490,454	592,325	387,524	543,226	592,671
Culture and recreation	122,348	110,139	111,325	79,739	182,347	185,370	161,284	155,427	160,337	157,684
Public works	572,268	606,106	705,876	747,004	832,490	687,172	716,987	936,069	1,093,181	1,107,820
Interest on long-term debt	536,304	501,104	557,462	585,234	636,140	657,183	662,507	671,031	558,094	692,362
Total governmental activities expenses	5,460,155	5,447,725	5,450,269	6,383,547	6,896,609	6,599,586	7,174,005	7,039,624	7,617,276	8,415,523
Business-type activities:										
Water	1,481,422	1,487,186	1,360,410	1,204,821	1,595,768	1,091,412	1,513,517	1,980,153	2,457,147	2,534,168
Wastewater	1,027,142	1,002,793	1,125,170	1,189,103	639,539	1,167,338	872,318	430,552	345,992	371,186
Total business-type activities expenses	2,508,564	2,489,979	2,485,580	2,393,924	2,205,307	2,258,750	2,385,835	2,410,705	2,803,139	2,905,354
Total primary government expenses	$ 7,968,719	$ 7,937,704	$ 7,935,849	$ 8,777,471	$ 9,101,916	$ 8,858,316	$ 9,559,840	$ 9,450,329	$ 10,420,415	$ 11,320,877
Program Revenues										
Government activities:										
Charges for services:										
General government	$ 243,526	$ 264,067	$ 214,180	$ 190,946	$ 203,505	$ 148,153	$ 315,054	$ 218,627	$ 187,040	$ 215,828
Public safety	239,907	227,107	207,128	193,188	233,155	169,205	87,573	256,913	197,582	209,502
Highways and streets	-	-	-	36,944	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-	-
Public works	497,663	557,495	571,897	559,695	497,180	511,577	553,778	540,393	596,500	579,539
Operating grants and contributions	37,288	42,840	-	392,756	434,077	313,607	296,861	324,872	338,569	398,871
Capital grants and contributions	62,186	-	169,653	-	6,500	270,099	6,568	60,627	-	-
Total governmental activities program revenues	1,080,570	1,091,509	1,162,858	1,373,529	1,374,417	1,412,641	1,259,834	1,401,432	1,319,691	1,403,740

(Continued)

TABLE 2
(Continued)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business-type activities:										
Charges for services:										
Water	1,428,064	1,340,964	2,061,573	1,739,445	1,928,996	1,870,309	1,699,316	2,678,055	2,591,760	2,404,897
Wastewater	814,217	783,092	888,503	796,957	775,849	771,974	727,055	939,504	974,134	929,784
Total business-type activities program revenues	2,242,281	2,124,056	2,950,076	2,536,402	2,704,845	2,642,283	2,426,371	3,617,559	3,565,894	3,334,681
Total primary government program revenues	$ 3,322,851	$ 3,215,565	$ 4,112,934	$ 3,909,931	$ 4,079,262	$ 4,054,924	$ 3,686,205	$ 5,018,991	$ 4,885,585	$ 4,738,421
Net (Expense)/Revenue										
Government activities	$ (4,379,585)	$ (4,356,216)	$ (4,287,411)	$ (5,010,018)	$ (5,522,192)	$ (5,186,925)	$ (5,914,171)	$(5,638,192)	$ (6,297,585)	$ (7,011,783)
Business-type activities	(266,283)	(365,923)	464,496	142,478	499,538	383,533	40,536	1,206,854	762,755	429,327
Total primary government net expense	$ (4,645,868)	$ (4,722,139)	$ (3,822,915)	$ (4,867,540)	$ (5,022,654)	$ (4,803,392)	$ (5,873,635)	$(4,431,338)	$ (5,534,830)	$ (6,582,456)
General Revenues and Other Changes in Net Assets/Net Position										
Government activities:										
Taxes:										
Sales and use taxes	$ 2,197,665	$ 2,242,808	$ 2,717,331	$ 2,658,081	$ 2,668,337	$ 2,738,897	$ 2,598,246	$ 2,926,222	$ 2,457,370	$ 2,780,618
Property taxes	1,921,697	2,400,839	2,332,307	2,517,460	2,401,835	2,289,388	2,849,982	2,920,432	3,330,068	3,033,854
Franchise and public service taxes	235,257	253,767	273,384	278,452	306,846	288,909	347,501	359,748	384,005	412,394
Other taxes	2,707	2,725	2,841	3,201	3,233	3,070	2,996	4,334	1,989	1,710
Unrestricted grants and contributions	30,491	20,842	87,660	56,046	42,599	42,274	42,143	47,100	43,199	82,808
Investment earnings	83,039	140,109	295,372	414,480	475,180	225,520	109,460	77,156	64,080	42,872
Miscellaneous	298,522	251,236	234,001	243,164	303,749	369,517	401,393	314,997	703,268	525,752
Transfers	(592,187)	(1,188,879)	(795,317)	(37,934)	(133,178)	(1,100,502)	153,410	(253,478)	1,088,387	629,941
Total governmental activities	4,177,191	4,123,447	5,147,579	6,132,950	6,068,601	4,857,073	6,505,131	6,396,511	8,072,366	7,509,949
Business-type activities:										
Investment earnings	23,620	31,538	77,767	101,300	57,125	13,317	4,145	3,797	8,507	6,805
Miscellaneous	-	430	11,823	6,416	16,050	6,533	-	9,369	43,348	20,926
Transfers	592,187	1,188,879	795,317	37,934	133,178	1,100,502	(153,410)	253,478	(1,088,387)	(629,941)
Total business-type activities	615,807	1,220,847	884,907	145,650	206,353	1,120,352	(149,265)	266,644	(1,036,532)	(602,210)
Total primary government	$ 4,792,998	$ 5,344,294	$ 6,032,486	$ 6,278,600	$ 6,274,954	$ 5,977,425	$ 6,355,866	$ 6,663,155	$ 7,035,834	$ 6,907,739
Change in Net Assets/Net Position										
Government activities	$ (202,394)	$ (232,769)	$ 860,168	$ 1,122,932	$ 546,409	$ (329,852)	$ 590,960	$ 758,319	$ 1,774,781	$ 498,166
Business-type activities	349,524	854,924	1,349,403	288,128	705,891	1,503,885	(108,729)	1,473,498	(273,777)	(172,883)
Total primary government	$ 147,130	$ 622,155	$ 2,209,571	$ 1,411,060	$ 1,252,300	$ 1,174,033	$ 482,231	$ 2,231,817	$ 1,501,004	$ 325,283

CITY OF NICHOLS HILLS, OKLAHOMA
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
TABLE 3

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	$ 217,533	$ 334,208	$ 338,007	$ 1,355,916	$ 1,378,003	$ 1,146,000	$ 1,170,464	$ -	$ -	$ -
Unreserved	1,787,455	1,735,547	2,788,466	1,928,968	1,949,328	2,236,868	2,245,765	-	-	-
Restricted	-	-	-	-	-	-	-	22,168	15,594	14,667
Assigned	-	-	-	-	-	-	-	1,192,485	1,202,661	1,123,633
Unassigned	-	-	-	-	-	-	-	2,545,242	2,540,825	2,744,790
Total general fund	$ 2,004,988	$ 2,069,755	$ 3,126,473	$ 3,284,884	$ 3,327,331	$ 3,382,868	$ 3,416,229	$ 3,759,895	$ 3,759,080	$ 3,883,090
All Other Governmental Funds										
Reserved	$ -	$ -	$ 445,666	$ 790,769	$ 1,877,895	$ 482,823	$ -	$ -	$ -	$ -
Unreserved, reported in:										
Special revenue funds	78,499	77,474	103,819	117,500	123,415	148,854	6,046,564	-	-	-
Debt service funds	1,224,431	2,006,698	2,100,478	2,530,271	2,717,154	2,657,453	341,776	-	-	-
Capital project funds	4,250,683	4,975,492	5,274,878	6,389,537	5,734,944	5,947,052	-	-	-	-
Restricted	-	-	-	-	-	-	-	8,050,758	9,477,310	11,078,552
Assigned	-	-	-	-	-	-	-	54,081	118,003	156,344
Unassigned	-	-	-	-	-	-	-	(616,688)	(503,188)	(1,115,209)
Total all other governmental funds	$ 5,553,613	$ 7,059,664	$ 7,924,841	$ 9,828,077	$ 10,453,408	$ 9,236,182	$ 6,388,340	$ 7,488,151	$ 9,092,125	$ 10,119,687
GRAND TOTAL	$ 7,558,601	$ 9,129,419	$ 11,051,314	$ 13,112,961	$ 13,780,739	$ 12,619,050	$ 9,804,569	$ 11,248,046	$ 12,851,205	$ 14,002,777

CITY OF NICHOLS HILLS, OKLAHOMA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years Ten Fiscal Years
TABLE 4

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Taxes	$ 4,344,818	$4,900,828	$ 5,316,040	$ 5,476,963	$ 5,372,130	$ 5,310,285	$ 5,731,377	$ 6,209,685	$ 6,194,312	$ 6,195,626
Intergovernmental	127,921	60,510	257,313	485,746	476,559	625,980	345,572	432,599	381,768	478,681
Charges for services	541,370	601,957	615,577	603,154	550,017	555,078	640,755	633,173	692,504	659,340
Fines and forfeitures	200,516	220,284	177,213	176,345	193,197	185,055	170,123	184,079	132,172	138,262
Licences and permits	203,929	210,007	171,605	147,487	203,505	148,153	174,055	218,627	187,040	215,828
Investment Income	83,259	130,882	266,247	425,373	496,645	231,588	107,240	67,139	76,675	44,658
Miscellaneous	300,566	254,408	234,001	243,164	248,991	326,516	569,914	270,381	659,892	544,196
Total Revenues	5,802,379	6,378,876	7,037,996	7,558,232	7,541,044	7,382,655	7,739,036	8,015,683	8,324,363	8,276,591
Expenditures:										
General government	1,037,702	1,197,480	1,111,324	1,468,607	1,730,852	1,350,096	1,481,626	2,197,460	1,506,891	1,467,916
Public safety	2,211,800	2,279,334	2,388,313	2,928,988	3,004,978	3,034,185	3,177,877	3,108,507	3,175,902	3,442,058
Highways and streets	150,518	196,067	188,190	203,345	250,475	208,236	297,729	221,666	212,937	266,964
Culture and recreation	111,230	101,416	105,221	150,913	176,054	183,896	160,077	152,025	155,975	153,604
Public works	502,601	538,574	579,606	617,334	612,239	668,750	693,681	718,743	738,362	779,180
Capital outlay	1,761,560	1,810,231	2,237,443	1,712,519	2,744,531	2,364,436	3,046,084	3,678,242	2,462,204	3,983,169
Debt service										
Principal	1,778,951	1,198,951	1,718,952	1,645,000	1,680,000	1,740,000	4,085,000	2,270,000	2,100,000	2,240,000
Interest	563,507	447,041	526,384	539,083	588,117	623,545	1,029,443	656,019	558,094	551,393
Payment of issue costs	26,846	31,365	34,969	28,939	29,875	30,237	29,660	49,741	552	191,802
Total Expenditures	8,144,715	7,800,459	8,890,402	9,294,728	10,817,121	10,203,381	14,001,177	13,052,403	10,910,917	13,076,086
Excess of revenues over(under) expenditures	(2,342,336)	(1,421,583)	(1,852,406)	(1,736,496)	(3,276,077)	(2,820,726)	(6,262,141)	(5,036,720)	(2,586,554)	(4,799,495)
Other financing sources(uses)										
Transfers in	659,161	485,069	1,511,216	1,711,443	1,355,585	1,634,672	1,047,660	1,219,001	2,338,759	1,346,151
Transfers out	(75,558)	-	(199,141)	(413,300)	(211,730)	(2,775,635)	-	(134,732)	(649,045)	-
Other use	-	-	-	-	-	-	-	-	-	(8,570,084)
Bond proceeds	6,500,000	2,500,000	2,500,000	2,500,000	2,800,000	2,800,000	2,400,000	5,400,000	2,500,000	13,175,000
Total other financing sources(uses)	$ 7,083,603	$2,985,069	$ 3,812,075	$ 3,798,143	$ 3,943,855	$ 1,659,037	$ 3,447,660	$ 6,484,269	$ 4,189,714	$ 5,951,067
Net change in fund balances	$ 4,741,267	$1,563,486	$ 1,959,669	$ 2,061,647	$ 667,778	$ (1,161,689)	$ (2,814,481)	$ 1,447,549	$ 1,603,160	$ 1,151,572
Debt service as a percentage of noncapital expenditures	36.7%	27.5%	33.7%	28.8%	28.1%	30.2%	46.7%	29.2%	28.8%	27.5%

CITY OF NICHOLS HILLS, OKLAHOMA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
Last Ten Fiscal Years
TABLE 5

Fiscal Year	Ad Valorem Tax	Sales & Use Tax	Franchise Tax	Emergency Telephone Tax	Totals
2004	1,909,189	2,197,665	235,257	2,707	4,344,818
2005	2,401,528	2,242,808	253,767	2,725	4,900,828
2006	2,322,484	2,717,331	273,384	2,841	5,316,040
2007	2,537,229	2,658,081	278,452	3,201	5,476,963
2008	2,393,714	2,668,337	306,846	3,233	5,372,130
2009	2,279,409	2,738,897	288,909	3,070	5,310,285
2010	2,782,634	2,598,246	347,501	2,996	5,731,377
2011	2,919,381	2,926,222	48,649	4,334	5,898,586
2012	3,330,068	2,457,370	384,005	1,989	6,173,432
2013	3,034,674	2,780,618	378,624	1,710	6,195,626

CITY OF NICHOLS HILLS, OKLAHOMA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
TABLE 6

Fiscal Year	Real Property	Personal Property	Public Service Property	Total Assessed Value	Homestead Exemption	Net Total Assessed Value	Total Direct Tax Rate	Estimated Actual Value
2004	66,275,178	1,265,830	991,555	68,532,563	1,235,000	67,297,563	28.62	623,023,300
2005	70,044,893	1,004,223	1,147,195	72,196,311	1,207,000	70,989,311	32.82	656,330,100
2006	74,874,146	1,191,626	1,114,211	77,179,983	1,205,000	75,974,983	30.79	701,636,209
2007	81,315,083	1,527,659	1,083,530	83,926,272	1,329,550	82,596,722	30.75	762,966,109
2008	88,060,162	1,681,144	994,474	90,735,780	1,395,223	89,340,557	26.97	824,870,727
2009	95,001,606	1,502,443	1,026,979	97,531,028	1,360,466	96,170,562	23.81	886,645,709
2010	102,481,956	1,693,498	1,194,004	105,369,458	1,348,594	104,020,864	26.99	957,904,164
2011	111,131,220	2,007,817	1,317,677	114,456,714	1,099,000	113,357,714	29.37	1,040,515,582
2012	114,218,989	1,754,755	1,228,414	117,202,158	1,087,000	116,115,158	29.37	1,065,474,164
2013	118,937,793	1,655,979	1,212,225	121,805,997	1,072,000	120,733,997	23.70	1,107,327,245

CITY OF NICHOLS HILLS, OKLAHOMA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER $1,000 OF ASSESSED VALUE)
Last Ten Fiscal Years
TABLE 7

	City Direct Rate	Overlapping Rates		
Fiscal Year	Debt Service Fund*	Independent School District (1)	Oklahoma County	Total Nichols Hills City Resident
2004	28.62	69.89	23.15	121.66
2005	32.82	63.78	18.21	114.81
2006	30.79	73.47	10.97	115.23
2007	30.75	72.52	22.81	126.08
2008	26.97	72.18	10.36	109.51
2009	23.81	67.93	11.25	102.99
2010	26.99	73.88	12.86	113.73
2011	26.54	74.15	24.27	124.96
2012	29.37	77.54	24.06	130.97
2013	26.09	74.74	23.97	124.80
The levy certified to the tax rolls for the upcoming fiscal year is as follows:				
2014	23.70	75.84	23.87	123.41

Source: County Excise Board

Note: City property tax may only be levied to repay principal and interest on general obligation bonded debt approved by the voters and any court-assessed judgments.

(1) Includes levy for Metro Tech Vo-Tech #22, Oklahoma City Schools.

* Direct rate is soley for General Obligation Debt

CITY OF NICHOLS HILLS, OKLAHOMA
Principal PROPERTY TAXPAYERS
Last Ten Fiscal Years
TABLE 8

		2013			2004		
Taxpayer	**Type of Business**	**Rank**	**Taxable Assessed Value**	**Percentage of Net Total Assessed Value**	**Rank**	**Taxable Assessed Value**	**Percentage of Net Total Assessed Value**
Chesapeake Land Company, LLC	Oil and Gas	1	$ 2,285,295	1.89%			
Oklahoma City Golf & Country Club	Recreation	2	1,021,387	0.85%	3	$ 378,652	0.06%
Oklahoma Gas & Electric	Utility	3	800,860	0.66%	1	492,197	0.08%
NHOB LLC	Banking	4	628,100	0.52%			
Crutchmer Clyde V	Resident	5	454,518	0.38%			
Albers Leigh Ann & Paul W	Resident	6	406,677	0.34%			
Blue Frog Rev Trust	Resident	7	359,338	0.30%			
Hamm, Harold G & Sue A.	Resident	8	344,051	0.28%			
Mohamadi Monireh	Resident	9	332,622	0.28%			
Wetwiska J Steven J & Rebecca	Resident	10	309,959	0.26%			
Southwestern Bell Telephone LP	Telephone		-		4	348,880	0.05%
2400 Grand BLVD LLC	Trust		-		2	385,508	0.06%
Plaza North Limited	Retail		-		5	288,275	0.05%
Nichols Hills Development Company	Retail		-		6	285,291	0.04%
NB Properties LLC	Banking				7	240,643	0.04%
1995 Nichols Hills			-		8	212,430	0.03%
Parsons Marylin Jones TRS ETAL	Residential Properties		-		9	211,794	0.03%
Kuykendall Kathleen	Construction		-		10	200,837	0.03%
Totals			$ 6,942,807	5.75%		$ 3,044,507	0.47%

Source: County Assessors Office

CITY OF NICHOLS HILLS, OKLAHOMA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
TABLE 9

Fiscal Year	Total Tax Levy	Current Tax Collections	Percentage of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percentage of Total Collected to Total Levy	Net Assessed Value	Mill Levy
2003	1,789,253	1,624,369	90.78%	116,178	1,740,547	97.28%	63,735,511	26.25
2004	1,925,888	1,873,923	97.30%	51,965	1,925,888	100.00%	67,297,563	28.62
2005	2,329,949	2,304,406	98.90%	25,543	2,329,949	100.00%	70,989,311	32.82
2006	2,339,954	2,315,228	98.94%	24,726	2,339,954	100.00%	75,974,983	30.79
2007	2,539,966	2,466,453	97.11%	63,378	2,529,831	99.60%	82,596,722	30.75
2008	2,409,918	2,393,714	99.33%	8,095	2,401,809	99.66%	89,340,557	26.97
2009	2,289,836	2,279,409	99.54%	10,427	2,289,836	100.00%	96,170,562	23.81
2010	2,808,007	2,711,838	96.58%	96,169	2,808,007	100.00%	104,020,864	26.99
2011	2,923,866	2,827,500	96.70%	10,353	2,837,853	97.06%	113,357,714	29.37
2012	3,321,020	3,251,542	97.91%	48,878	3,300,420	99.38%	115,810,084	26.09
2013	3,021,644	2,925,990	96.83%	-	2,925,990	96.83%	120,733,997	23.70

CITY OF NICHOLS HILLS, OKLAHOMA
SALES TAX RATES OF DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years
TABLE 10

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Oklahoma County	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
State of Oklahoma	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Total	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%

CITY OF NICHOLS HILLS, OKLAHOMA
TAXABLE SALES BY CATEGORY
Last Seven Fiscal Years
June 30, 2013
TABLE 11

	2007	2008	2009	2010	2011	2012	2013
Agriculture, forestry, and fishing	$ 1,898	$ 2,373	$ 3,044	$ 2,835	$ 2,955	$ 2,613	$ 2,199
Mining	29	62	10	-	-	(3)	7
Construction	2,741	3,053	2,919	3,073	3,251	7,612	2,017
Manufacturing	46,726	54,880	60,386	38,955	38,887	48,483	73,634
Transportation	51	227	227	(39)	87	40	250,650
Communications and utilities:							
Communications	254,176	273,926	290,330	304,055	166,347	135,595	127,123
Electric, gas, and sanitary services	322,934	307,298	327,071	332,872	313,775	333,304	312,031
Wholesale trade	30,672	29,109	32,068	20,758	93,866	33,878	52,158
Retail trade:							
Building materials, hardware, garden supply and mobile home dealer	117,186	163,202	200,466	124,284	536,892	171,040	313,591
General merchandise stores	4,059	2,358	1,945	2,315	4,983	2,707	563
Food stores	179,582	193,625	185,175	175,913	172,155	67,873	11,855
Automotive dealers and gasoline service stations	15,418	8,978	20,593	31,297	32,037	96	233
Apparel and accessory stores	372,184	383,607	343,972	358,713	391,039	365,685	381,062
Furniture, home furnishings and equipment stores	382,430	341,511	342,269	229,535	207,781	293,989	206,491
Eating and drinking places	171,972	166,391	172,546	189,193	208,418	195,456	225,035
Miscellaneous retail	225,124	145,248	181,795	179,726	180,303	209,191	178,242
Finance, insurance, and real estate	135	454	207	5,209	6,417	9,323	11,134
Services:							
Hotels and motels	-	-	-	-	-	-	-
Personal services	5,682	6,148	7,769	5,510	4,419	3,442	6,921
Business services	103,924	97,815	94,814	86,104	39,412	40,749	14,730
Automotive repair services and garages	128	675	698	672	1,450	279	77
Miscellaneous repair services	1,155	855	126	27	60	78	19
Motion pictures	203	816	856	1,146	1,781	1,757	915
Other services	399,901	423,186	412,970	434,457	460,302	471,676	251,942
Nonclassifiable establishments	2,556	15,358	4,500	12,851	32,901	23,101	-
	$ 2,640,866	$ 2,621,155	$ 2,686,756	$ 2,539,461	$ 2,899,518	$ 2,417,964	$ 2,422,629

Note: Ten years of information as required by generally accepted accounting principles is not available at this time.

CITY OF NICHOLS HILLS, OKLAHOMA
RATIO OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
TABLE 12

	Governmental Activities		Business-Type Activities			
Fiscal Year	General Obligation Bonds	Judgment Payable	Notes Payable	Total Primary Government	Per Capita	Per Estimated Actual Property Values
2004	14,450,000	67,903	1,510,000	16,027,903	3,952	0.03
2005	15,785,000	33,952	1,360,000	17,178,952	4,235	0.03
2006	16,600,000	-	1,200,000	17,800,000	4,389	0.03
2007	17,455,000	-	1,030,000	18,485,000	4,557	0.02
2008	18,575,000	-	850,000	19,425,000	4,789	0.02
2009	19,635,000	-	660,000	20,295,000	5,004	0.02
2010	17,950,000	-	455,000	18,405,000	4,538	0.02
2011	21,080,000	-	235,000	21,315,000	5,745	0.02
2012	21,480,000	-	-	21,480,000	5,790	0.02
2013	24,115,000	-	618,727	24,733,727	6,667	0.02

CITY OF NICHOLS HILLS, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
Last Ten Fiscal Years
TABLE 13

Fiscal Year	Population	Net Assessed Value	Gross Bonded Debt (1)	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2004	4,030	67,297,563	14,450,000	1,231,762	13,218,238	19.64%	3,280
2005	4,056	70,989,311	15,785,000	2,006,698	13,778,302	19.41%	3,397
2006	4,056	75,974,983	16,600,000	2,100,478	14,499,522	19.08%	3,575
2007	4,056	82,596,722	17,455,000	2,530,271	14,924,729	18.07%	3,680
2008	4,056	89,340,557	18,575,000	2,717,154	15,857,846	17.75%	3,910
2009	4,056	96,170,562	19,635,000	2,713,515	16,921,485	17.60%	4,172
2010	4,056	104,020,864	17,950,000	409,167	17,540,833	16.86%	4,325
2011	3,710	113,357,714	21,080,000	412,472	20,667,528	18.23%	5,571
2012	3,710	116,115,158	21,480,000	1,027,078	20,452,922	17.61%	5,513
2013	3,710	120,733,997	24,115,000	1,267,176	22,847,824	18.92%	6,158

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) Represents outstanding general obligation bonds financed through ad valorem and sales tax.

CITY OF NICHOLS HILLS, OKLAHOMA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2013
TABLE 14

Jurisdiction	Net (1) Debt Outstanding	Percentage (2) Applicable to City of Nichols Hills	Amount Applicable to City of Nichols Hills
City of Nichols Hills	$24,115,000	100.00%	$24,115,000

(1) Gross general bonded debt outstanding less debt service reserves.

(2) Determined by ratio of assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in the City of Nichols Hills.

Note: Other than the direct debt of the City of Nichols Hills, there is no overlapping debt of other jurisdictions.

CITY OF NICHOLS HILLS, OKLAHOMA
LEGAL DEBT MARGIN INFORMATION
Last NINE Fiscal Years
TABLE 15

	Fiscal Year								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	$ 7,098,931	$ 7,597,498	$ 8,259,672	$ 8,934,056	$ 9,617,056	$ 10,402,086	$ 11,335,771	$ 11,611,516	$ 12,073,400
Total net debt applicable to limit	150,000	150,000	150,000	137,700	125,400	950,800	938,500	855,367	773,737
Legal debt margin	$ 6,948,931	$ 7,447,498	$ 8,109,672	$ 8,796,356	$ 9,491,656	$ 9,451,286	$ 10,397,271	$ 10,756,149	$ 11,299,663
Total net debt applicable to the limit as a percentage of debt limit	2.11%	1.97%	1.82%	1.54%	1.30%	9.14%	8.28%	7.37%	6.41%

Legal Debt Margin Calculation for Fiscal Year 2013

Net assessed valuation	$ 120,733,997
Debt limit (10% of total assessed value)	12,073,400
Debt applicable to limit:	
General obligation bonds	24,115,000
Less: Street and public utility bonds outstanding	(23,341,263)
Total net debt applicable to limit	773,737
Legal debt margin	$ 11,299,663

Note: Article 10, Section 26 of the Constitution of the State of Oklahoma limits municipal debt to 10% of net assessed valuation.
Article 10, Section 27 of the Constitution of the State of Oklahoma limits municipal debt to non-utility or non-street purposes.

Note: Ten years of information as required by generally accepted accounting principles is not available at this time.

CITY OF NICHOLS HILLS, OKLAHOMA
MUNICIPAL AUTHORITY
PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years
TABLE 16

Fiscal Year	Gross Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Maximum Annual Debt Service (1)	Debt Service Coverage
2004	2,265,901	1,477,695	788,206	249,230	3.16
2005	2,155,594	1,153,590	1,002,004	249,230	4.02
2006	3,027,843	1,293,512	1,734,331	249,230	6.96
2007	2,637,702	1,369,987	1,267,715	249,230	5.09
2008	2,764,660	1,286,620	1,478,040	249,230	5.93
2009	2,655,600	1,275,427	1,380,173	249,230	5.54
2010	2,430,516	1,426,155	1,004,361	249,230	4.03
2011	3,630,725	1,478,840	2,151,885	249,230	8.63
2012	3,617,749	1,528,564	2,089,185	-	0.00
2013	3,342,704	1,592,871	1,749,833	-	0.00

(1) Maximum annual debt service includes principal, interest and fee payments to fiscal agents for promissory note payable secured by or for which debt service is paid from trust revenues.

CITY OF NICHOLS HILLS, OKLAHOMA
BUILDING PERMITS AND CONSTRUCTION
Last Ten Calendar Years
TABLE 17

Calendar Year	Number of Building Permits	Construction Values			Estimated Actual Value of Taxable Property
		Residential	Commercial	Total	
2004	175	15,944,260	55,000	15,999,260	623,023,300
2005	174	7,309,951	116,000	7,425,951	656,330,100
2006	159	14,832,016	1,155,656	15,987,672	701,636,209
2007	148	19,592,037	-	19,592,037	762,966,109
2008	153	27,824,574	-	27,824,574	824,870,727
2009	123	17,347,175	300,100	17,647,275	886,645,709
2010	110	13,487,136	63,400	13,550,536	957,904,164
2011	133	12,358,584	1,177,000	13,535,584	1,040,515,582
2012	152	20,510,423	4,620,080	25,130,503	1,065,474,164
2013	185	20,676,740	305,138	20,981,878	1,107,327,245

CITY OF NICHOLS HILLS, OKLAHOMA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years
TABLE 18

Year	Population (1)	Median Age of Population (2)	School Enrollment (3) (in thousands)	Unemployment Rate (4)
2004	4,030	44.2	38	5.3%
2005	4,056	44.2	37	4.5%
2006	4,056	44.2	35	4.1%
2007	4,056	44.2	35	4.1%
2008	4,056	44.2	35	4.1%
2009	4,083	44.2	35	4.1%
2010	4,099	44.2	41	6.9%
2011	3,710	49.8	43	6.9%
2012	3,710	49.8	43	6.9%
2013	3,710	50	43	5.2%

Sources:

(1) From U.S. Census Data and INCOG

(2) ODOC per 2000 Census

(3) Oklahoma City Public School District Enrollment

(4) Oklahoma Employment Security Commission, for the Oklahoma City metropolitan area

Note: Personal income and income per capita is not available for Nichols Hills area only.

CITY OF NICHOLS HILLS, OKLAHOMA
PRINCIPAL EMPLOYERS
CURRENT YEAR
TABLE 19

		2013	
Employer	**Product/Business**	**Rank**	**Employees**
Oklahoma City Golf & Country Club	Private Club	1	228
Christ the King School & Church	Private School	2	110
City of Nichols Hills	Municipal Government	3	68
All Soul's Episcopal Church	Church/Daycare	4	40
Mamasita's Restaurant	Restaurant	5	30
Cool Greens	Restaurant	6	26
Coach House Restaurant	Restaurant	7	21
Saturn Grill	Restaurant	8	21
CK & Co.	Retail	9	15
Ruth Meyers	Retail	10	15
Totals			574

Note: Nine Years Ago information as required by generally accepted accounting principles is not available at this time.

CITY OF NICHOLS HILLS, OKLAHOMA
Capital Asset Statistics by Function/Program
Last Eight Fiscal Years
TABLE 20

Function/Program	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
General Government								
Buildings	1	1	1	1	1	1	1	1
Police								
Stations	1	1	1	1	1	1	1	1
Patrol units	4	4	4	4	4	4	4	4
Unmarked Units								
Motorcycles	1	1	0	0	0	0	0	0
Fire								
Stations	1	1	1	1	1	1	1	1
Trucks	2	2	2	2	2	2	2	2
Streets								
Street miles	29	29	29	29	29	29	29	29
Traffic signals	1	1	1	1	1	1	1	1
Parks and recreation								
Parks	34	34	34	34	34	34	34	34
Playgrounds	2	2	2	2	2	2	2	2
Baseball/softball diamonds	2	2	2	2	2	2	2	2
Soccer/football fields	1	1	1	1	1	1	1	1
Water								
Water mains (miles)	31	31	31	31	31	31	31	31
Fire hydrants	236	236	236	236	236	236	236	236
Storage capacity	5,500,000	5,500,000	5,500,000	5,500,000	5,000,000	9,000,000	9,000,000	9,000,000
Wastewater								
Sanitary sewers (miles)	52	52	52	52	52	52	52	52

Note: Similar information for years prior to 2006 is not readily available. This table will be expanded to ultimately include ten fiscal years, starting with 2006.

CITY OF NICHOLS HILLS, OKLAHOMA
Full-Time Equivalent City Government Employees by Function/Program
Last Eight Fiscal Years
TABLE 21

Function/Program	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
General Government:								
City clerk	1	1	1	1	1	1	1	1
City treasurer	-	-	-	-	-	-	-	-
General government	6	6	6	6	5	5	6	6
Total General Government	**7**	**7**	**7**	**7**	**6**	**6**	**7**	**7**
Public Safety and Judiciary:								
City attorney	1	1	1	1	1	1	1	1
Police	21	21	21	21	21	21	21	21
Municipal court	2	2	2	2	2	2	2	2
Fire	14	14	14	14	14	14	14	14
Total Public Safety and Judiciary	**38**	**38**	**38**	**38**	**38**	**38**	**38**	**38**
Transportation:								
Streets	2	2	2	2	2	2	2	2
Total Transportation	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Cultural, Parks and Recreation:								
Parks	2	2	2	2	2	2	1	1
Total Cultural, Parks and Recreation	**2**	**2**	**2**	**2**	**2**	**2**	**1**	**1**
Public Works:								
Water and Sewer	11	11	11	10	10	10	10	10
Sanitation				9	9	9	10	10
Building and Code	2	2	2	2	2	2	2	2
Total Public Works	**13**	**13**	**13**	**21**	**21**	**21**	**22**	**22**

Note: Similar information for years prior to 2006 is not readily available. This table will be expanded to ultimately include ten fiscal years, starting with 2006.

CITY OF NICHOLS HILLS, OKLAHOMA
Operating Indicators By Function/Program
Last Eight Fiscal Years
TABLE 22

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety								
Police								
Number of Violations (Citations)	3,249	2,902	3,288	3,094	2,985	2,508	1,976	2,473
Fire								
Call Responses	613	678	633	444	438	589	528	539
Highways and Streets								
Asphalt Repairs (tons)	30	130	336	42	846	116	37	48
Culture and Recreation								
Acreage	40	40	40	40	40	40	40	40
Water and Wastewater Operations								
Number of Water Consumers	1,869	1,878	1,844	1,863	1,871	1,870	1,885	1,944
Average Daily Water Consumption (millions of gallons)	1.5	1.4	1.4	1.4	1.5	1.6	1.5	1.3
Number of Sewer Consumers	1,850	1,855	1,844	1,844	1,851	1,849	1,865	1,944
Solid Waste Operations								
Refuse collected (cubic yards per day)	30	25	21.5	25.0	25.0	22.0	15.4	21.4
Active Refuse Accounts	1,877	1,891	1,953	1,954	1,879	1,828	1,885	1,944

Source: City Departments

Note: Similar information for years prior to 2006 is not readily available. This table will be expanded to ultimately include ten fiscal years, starting with 2006.