



CITY OF NICHOLS HILLS, OKLAHOMA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT AND
ACCOMPANYING INDEPENDENT AUDITOR'S REPORT**

FOR THE FISCAL YEAR ENDED

JUNE 30, 2014

CITY OF NICHOLS HILLS, OKLAHOMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

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

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



CITY OF NICHOLS HILLS

December 23, 2014

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, 2014. 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.

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. Declining sales tax continues to be at the forefront of our concern. The Nichols Hills Plaza south is virtually empty and the sales tax revenue generated by the plaza remains low. There is talk that the new owners will fill the vacancies soon generating new sales tax revenue for the City.

In the meantime the City Council has increased the water and sanitation rates to make up for the low sales tax revenues with the intention of lowering the rates when the sales tax from the plaza returns to normal.

Major Initiatives

The City of Nichols Hills will continue use of General Obligation Bonds to improve infrastructure. Street repair continues as the main focus. Pennsylvania Street repair is scheduled for 2014. The City is doing the necessary preparation for the next series of G.O. Bonds to be voted on. The propositions will likely include more street repair and replacement, water, sewer repairs, renovation to city hall, and beautification of Grand Blvd. Park.

Independent Audit

The financial statements of the City and its component units for the fiscal year ended June 30, 2014, 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 2013. 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.

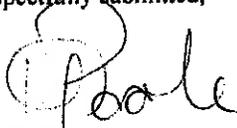
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgment

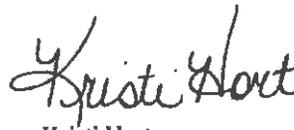
We would like to thank our consultants, Crawford & Associates, P.C., for their professional guidance and experience. And also, thanks to our auditors, Arledge & Associates, P.C. for their assistance in this process.

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 2013-14 CAFR.

Respectfully submitted,



David Poole
City Manager



Kristi Hort
Finance Director

CITY OF NICHOLS HILLS, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

JUNE 30, 2014

City Council

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

Administration

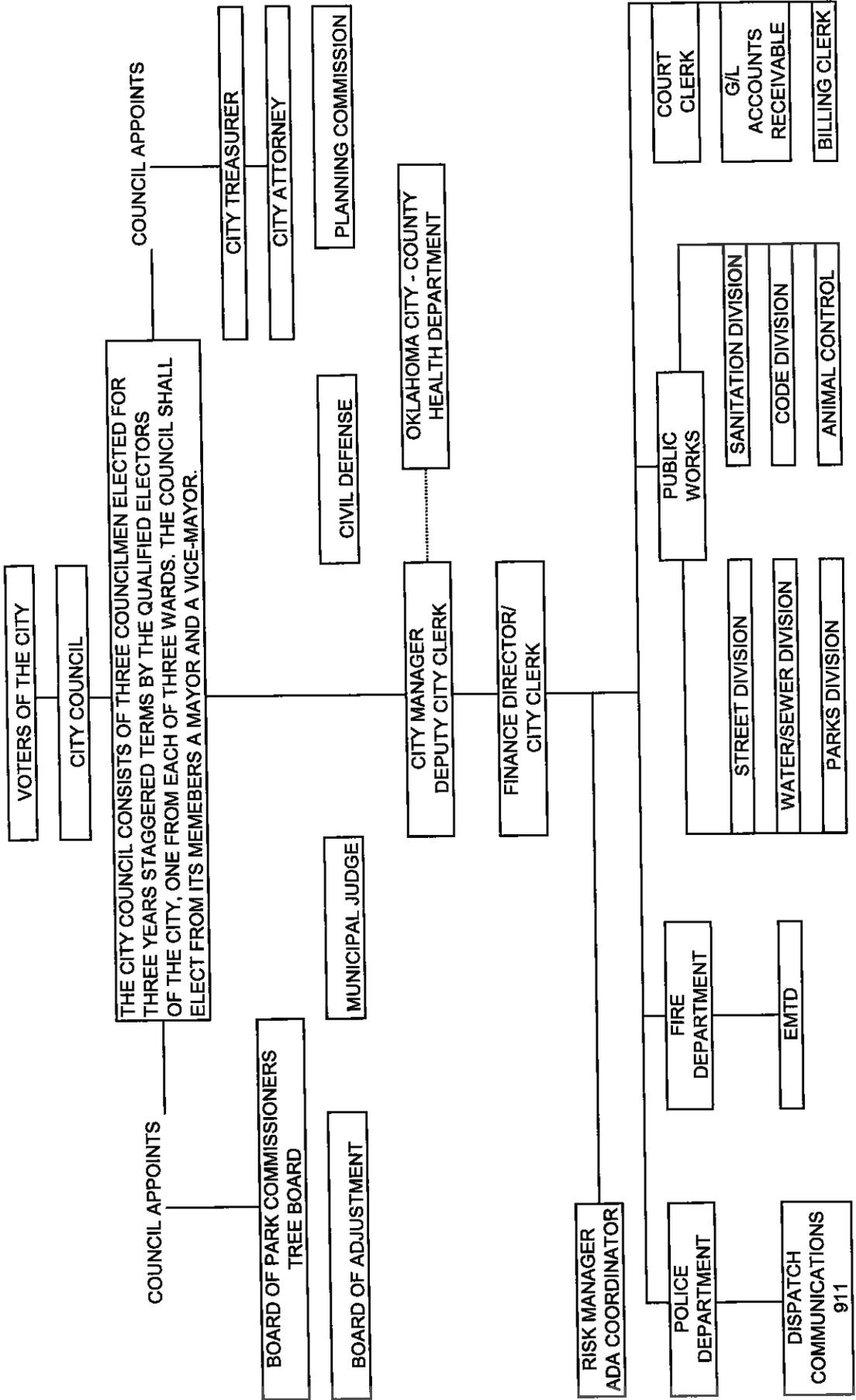
David Poole	City Manager
Kristi Hort	City Clerk
Gerald Marshall	City Treasurer
John Michael Williams	City Attorney
Lindy Stormont	Risk Manager
Randy Lawrence	Director of Public Works
Terry Hamilton	Fire Chief
Richard Mask	Police Chief
Steven Cox	Assistant Police Chief
George Decher	Deputy Public Works Director
Neil Gray	Information Systems Manager

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 Council/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, 2013

Executive Director/CEO

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To 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 City of Nichols Hills, Oklahoma, (the "City") as of and for the year ended June 30, 2014, 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, 2014, 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.

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 supplementary information 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, 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 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 16 2014, 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 16, 2014

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, 2014. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2014, the City's total net position increased by \$852,771 or 3.4% from the prior year.
- During the year, the City's expenses for governmental activities were \$8,625,171 and were funded by program revenues of \$1,713,300 and other general revenues and transfers that totaled \$6,935,619. This resulted in an increase in governmental activities net position of \$23,748.
- The City's business-type activities reported revenues of \$3,659,370 and expenses and transfers of \$2,830,347 resulting in an increase in net position of \$829,023.
- At June 30, 2014, the General Fund reported an unassigned fund balance of \$1,209,735, which is a decrease from the prior year due to a transfer to fund capital projects.
- For budgetary reporting purposes, the General Fund reported resources available for appropriation under final of estimates of \$201,398 or 3.4%, while expenditures were under the final appropriations by \$201,571 or 3.4%.

OVERVIEW OF THE FINANCIAL 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. 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.

**CITY OF NICHOLS HILLS, OKLAHOMA
MANAGEMENT'S DISCUSSION & ANALYSIS
For the fiscal year ended June 30, 2014**

- **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 \$25.1 million to \$26.0 million between fiscal years 2013 and 2014. Looking at the net position of governmental and business-type activities separately, governmental activities increased and the business-type activities increased.

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	2013		2014	2013		2014	2013	
Current assets	\$ 14,852,688	\$ 14,947,464	-1%	\$ 2,673,175	\$ 1,775,229	51%	\$ 17,525,863	\$ 16,722,693	5%
Capital assets, net	17,176,637	16,125,046	7%	18,081,681	18,156,953	0%	35,258,318	34,281,999	3%
Total assets	\$ 32,029,325	\$ 31,072,510	3%	\$ 20,754,856	\$ 19,932,182	4%	\$ 52,784,181	\$ 51,004,692	3%
Deferred outflow of resources	\$ 96,836	\$ 129,115	-25%	\$ -	\$ -	0%	\$ 96,836	\$ 129,115	-25%
Long-term debt outstanding	25,572,487	24,420,876	5%	65,006	81,824	-21%	25,637,493	24,502,700	5%
Other liabilities	1,201,443	1,452,262	-17%	71,884	61,414	17%	1,273,327	1,513,676	-16%
Total liabilities	\$ 26,773,830	\$ 25,873,138	3%	\$ 136,890	\$ 143,238	-4%	\$ 26,910,820	\$ 26,016,376	3%
Net position									
Net investment in capital assets	2,883,731	2,425,122	19%	18,058,754	18,118,659	0%	20,942,485	20,543,781	2%
Restricted	1,038,504	1,360,343	-24%	-	-	0%	1,038,504	1,360,343	-24%
Unrestricted	1,429,996	1,543,022	-7%	2,559,212	1,670,285	53%	3,989,208	3,213,307	24%
Total net position	\$ 5,352,231	\$ 5,328,487	0%	\$ 20,617,966	\$ 19,788,944	4%	\$ 25,970,197	\$ 25,117,431	3.4%

The decrease in deferred outflows reported in the governmental activities is due to the amortization of the deferred amounts related to debt refundings. The increase in the net investment in capital assets of the governmental activities was largely due to the addition of paving projects to the capital assets. The decrease in governmental activities restricted net position was due largely to the decrease of a GO Bond funds for capital projects.

**CITY OF NICHOLS HILLS, OKLAHOMA
MANAGEMENT'S DISCUSSION & ANALYSIS**
For the fiscal year ended June 30, 2014

The increase in business-type activities current assets increased due to the increase in revenue due to utility rate increases. The increase in unrestricted net position is due to the increase in current assets for the reason mentioned in the sentence above.

Change in Net Position

For the year ended June 30, 2014, net position of the primary government changed as follows:

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	2013		2014	2013		2014	2013	
Revenues									
Program revenues - Charges for services	\$ 1,172,165	\$ 1,004,869	17%	\$ 3,638,699	\$ 3,334,681	9%	\$ 4,810,864	\$ 4,339,550	11%
Program revenues - Other	541,135	398,671	36%	-	-	-	541,135	398,671	36%
Taxes and other general revenue									
Taxes	5,988,036	6,228,576	-4%	-	-	-	5,988,036	6,228,576	-4%
Intergovernmental	109,746	82,808	33%	-	-	-	109,746	82,808	33%
Investment income	34,497	42,872	-20%	5,582	6,805	-18%	40,089	49,677	-19%
Miscellaneous	718,434	551,216	30%	15,079	1,218	1138%	733,513	552,434	33%
Total revenues	8,565,013	8,309,212	3%	3,659,370	3,342,704	9%	12,224,383	11,651,916	5%
Expenses									
General government	1,670,579	2,103,433	-21%	-	-	-	1,670,579	2,103,433	-21%
Public safety	3,879,299	3,761,653	3%	-	-	-	3,879,299	3,761,653	3%
Highways and streets	1,262,972	592,671	113%	-	-	-	1,262,972	592,671	113%
Culture and recreation	170,469	157,684	8%	-	-	-	170,469	157,684	8%
Public works	1,149,352	1,107,820	4%	-	-	-	1,149,352	1,107,820	4%
Interest on long-term debt	482,500	692,362	-29%	-	-	-	482,500	692,362	-29%
Water	-	-	-	1,997,610	2,534,168	-21%	1,997,610	2,534,168	-21%
Wastewater	-	-	-	748,831	371,186	102%	748,831	371,186	102%
Total expenses	8,625,171	8,415,523	2%	2,746,441	2,905,354	-5%	11,371,612	11,320,877	0%
Excess (deficiency) before transfers	(60,158)	(106,311)	-43%	912,929	437,350	109%	852,771	331,039	158%
Gain (loss) on disposal of assets	-	(25,464)	-100%	-	19,708	100%	-	(5,756)	100%
Transfers	83,906	629,941	-87%	(83,906)	(629,941)	-87%	-	-	-
Change in net position	23,748	498,166	-95%	829,023	(172,883)	-580%	852,771	325,283	162%
Beginning net position	5,328,483	4,830,321		19,788,943	19,981,827		25,117,426	24,792,148	
Ending net position	\$ 5,352,231	\$ 5,328,487		\$ 20,617,966	\$ 19,788,944		\$ 25,970,197	\$ 25,117,431	

Governmental program revenues increased due to capital contributions. Governmental miscellaneous revenue increased due to a \$497,527 reimbursement from the City of Oklahoma City related to a street project reimbursement. Highway and street expenses increased due to capital projects. Interest on long-term debt decreased due to refunding in prior year. Wastewater expenses increased due to capital projects. 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, 2014, total expenses for governmental activities amounted to approximately \$8.6 million. Of these total expenses, the program revenues funded \$1.7 million through service charges and grants and other contributions, while taxpayers, transfers, and other general revenues funded the remainder of \$6.9 million. As a result, governmental activities net position increased by \$23,748.

**CITY OF NICHOLS HILLS, OKLAHOMA
MANAGEMENT'S DISCUSSION & ANALYSIS
For the fiscal year ended June 30, 2014**

Net Revenue (Expense) of Governmental Activities

	<u>Total Expense of Services</u> 2014	<u>Net Revenue (Expense) of Services</u> 2014	<u>Total Expense of Services</u> 2013	<u>Net Revenue (Expense) of Services</u> 2013
General government	\$1,670,579	(\$1,515,155)	\$2,103,433	(\$1,887,605)
Public safety	3,879,299	(3,304,731)	3,761,553	(3,189,096)
Highways and streets	1,262,972	(1,095,463)	592,671	(556,755)
Culture and recreation	170,469	(170,469)	157,684	(157,684)
Public Works	1,149,352	(333,553)	1,107,820	(528,281)
Interest on long-term debt	492,500	(492,500)	692,362	(692,362)
Total	<u>\$8,625,171</u>	<u>(\$6,911,871)</u>	<u>\$8,415,523</u>	<u>(\$7,011,783)</u>

Business-Type Activities

Net Revenue (Expense) of Business-Type Activities

	<u>Total Expense of Services</u> 2014	<u>Net Revenue (Expense) of Services</u> 2014	<u>Total Expense of Services</u> 2013	<u>Net Revenue (Expense) of Services</u> 2013
Water	\$1,997,610	\$689,394	\$2,534,168	(\$129,271)
Wastewater	748,831	202,864	371,186	558,598
Total	<u>\$2,746,441</u>	<u>\$892,258</u>	<u>\$2,905,354</u>	<u>\$429,327</u>

In the business-type activities, the charges for services in FY2014 were sufficient to cover expenses due to an increase in rates in fiscal year 2014.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2014 fiscal year, the governmental funds reported a combined fund balance of \$14.1 million or a 0.8% increase from the prior year. The enterprise fund reported net position of \$20.6 million or a 4.2% increase from 2013.

At June 30, 2014, the General Fund reported an unassigned fund balance of \$1,209,735, which is a decrease from prior year due to a transfer for capital projects. The Debt Service fund decreased its fund balance by \$344,611 due to regular debt payments. The Capital Improvement Fund increased its fund balance by \$1,115,209 due to a transfer from the General fund. The City issued Series 2014 General Obligation Bonds in the amount of \$3,900,000 for capital projects, creating an increase of GO Bond Fund fund balance of \$775,603.

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 under final of estimates of \$201,398 (3.3%) and expenditures under final appropriations by \$201,571 (3.3%).

**CITY OF NICHOLS HILLS, OKLAHOMA
MANAGEMENT'S DISCUSSION & ANALYSIS**
For the fiscal year ended June 30, 2014

Capital Asset and Debt Administration

Capital Assets

At June 30, 2014, the City had approximately \$35.3 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)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2014</u>	Restated <u>2013</u>	<u>2014</u>	Restated <u>2013</u>	<u>2014</u>
Land	\$88,000	\$88,000	\$195,742	\$195,742	\$283,742	\$283,742
Buildings	466,813	431,045	191,091	171,710	657,904	602,755
Imp. other than buildings	34,750	32,095	478,608	432,482	513,358	464,577
Machinery, furniture and equipment	1,369,001	1,623,747	406,926	300,379	1,775,927	1,924,126
Infrastructure	11,109,631	12,529,570	-	-	11,109,631	12,529,570
Utility improvements	-	-	16,149,370	16,633,370	16,149,370	16,633,370
Water rights	-	-	53,157	50,980	53,157	50,980
Construction in progress	3,056,850	2,472,180	682,059	297,018	3,738,909	2,769,198
Totals	\$16,125,045	\$17,176,637	\$18,156,953	\$18,081,681	\$34,281,998	\$35,258,318

This year's more significant capital asset additions are street projects totaling approximately \$1.9 million and the \$1.3 in wastewater lines, while the depreciation expense for all assets totaled \$2.4 million. See Note 3.D. for additional information.

Long-Term Debt Administration

At year-end, the City had approximately \$25.6 million in outstanding long-term debt. (See table below). These debts are further detailed below and excludes any unamortized debt premiums and discounts.

Primary Government Long-Term Debt

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	
G.O. Bonds payable	\$24,115,000	\$25,270,000	\$ -	\$ -	\$24,115,000	\$25,270,000	4.8%
Water rights	-	-	24,427	22,927	24,427	22,927	-6.1%
Accrued comp absences	305,876	302,487	22,960	21,209	328,836	323,696	-1.6%
Utility deposits	-	-	20,570	20,870	20,570	20,870	1.5%
Totals	\$24,420,876	\$25,572,487	\$ 67,957	\$ 65,006	\$24,488,833	\$25,637,493	4.7%

For the year ended June 30, 2014, the City incurred an additional \$3.9 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. Pennsylvania is the street scheduled for upcoming repairs.

Declining sales tax continues to be at the forefront of our concern. Water and sanitation rates have been raised to increase revenue for the upcoming year.

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, 2014**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 5,265,307	\$ 1,138,997	\$ 6,404,304
Investments	8,581,007	1,100,633	9,681,640
Deposits with insurance pool	134,066	-	134,066
Interest receivable	4,024	382	4,406
Accounts receivable, net	-	525,990	525,990
Franchise tax receivable	54,754	-	54,754
Court fines receivable, net	181,285	-	181,285
Other receivables	17,463	-	17,463
Internal balances	92,827	(92,827)	-
Due from other governments	462,546	-	462,546
Prepaid assets	59,409	-	59,409
Capital assets:			
Non-depreciable assets	2,560,180	492,760	3,052,940
Depreciable assets, net	14,616,457	17,588,921	32,205,378
	17,176,637	18,081,681	35,258,318
Total capital assets	17,176,637	18,081,681	35,258,318
Total assets	32,029,325	20,754,856	52,784,181
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	96,836	-	96,836
	96,836	-	96,836
LIABILITIES			
Accounts payable and accrued expenses	461,387	71,884	533,271
Compensated absences	30,249	2,121	32,370
Bonds and notes payable	2,585,000	648	2,585,648
Due in more than one year			
Meter deposit liability	-	20,870	20,870
Bonds and notes payable	22,685,000	22,279	22,707,279
Compensated absences	272,238	19,088	291,326
Net pension obligation	608,584	-	608,584
Net OPEB obligation	131,472	-	131,472
Total liabilities	26,773,930	136,890	26,910,820
NET POSITION			
Net investment in capital assets	2,883,731	18,058,754	20,942,485
Restricted for:			
Debt service	918,294	-	918,294
Streets	95,564	-	95,564
Public safety	24,646	-	24,646
Unrestricted	1,429,996	2,559,212	3,989,208
Total net position	\$ 5,352,231	\$ 20,617,966	\$ 25,970,197

See accompanying notes to the basic financial statements

City of Nichols Hills
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs Primary government	Program Revenue			Net (Expense) Revenue and Changes in Net Position Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities	\$ 1,670,579	\$ 148,175	\$ -	\$ 7,249	\$ (1,515,155)	\$ -	\$ (1,515,155)
General Government	3,879,299	208,191	366,377	-	(3,304,731)	-	(3,304,731)
Public Safety	1,262,972	-	36,514	130,995	(1,095,463)	-	(1,095,463)
Highways and Streets	1,149,352	815,799	-	-	(333,553)	-	(333,553)
Public Works	170,469	-	-	-	(170,469)	-	(170,469)
Culture and Recreation	492,500	-	-	-	(492,500)	-	(492,500)
Interest on Long-term debt	8,625,171	1,172,165	402,891	138,244	(6,911,871)	-	(6,911,871)
Total governmental activities							
Business-type Activities							
Water	1,997,610	2,687,004	-	-	-	689,394	689,394
Wastewater	748,831	951,695	-	-	-	202,864	202,864
Total business-type activities	2,746,441	3,638,699	-	-	-	892,258	892,258
Total primary government	\$ 11,371,612	\$ 4,810,864	\$ 402,891	\$ 138,244	\$ (6,911,871)	\$ 892,258	\$ (6,019,613)
General revenues:							
Taxes:							
Sales tax					2,560,439		2,560,439
Property taxes, levied for debt service					2,883,034		2,883,034
Franchise taxes					544,309		544,309
E911 taxes					1,254		1,254
Intergovernment not restricted to specific programs					109,746		109,746
Unrestricted investment earnings					34,497	5,592	40,089
Miscellaneous					718,434	15,078	733,513
Transfers					83,906	(83,906)	-
Total general revenues and transfers					6,935,619	(63,235)	6,872,384
Change in net position					23,748	829,023	852,771
Net position - beginning					5,328,483	19,788,943	25,117,426
Net position - ending					\$ 5,352,231	\$ 20,617,966	\$ 25,970,197

See accompanying notes to the basic financial statements

City of Nichols Hills
Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Debt Service Fund	Capital Improvement Fund	GO Bond Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,329,419	\$ 7,469	\$ 3,738	\$ 2,520,114	\$ 103,595	\$ 3,964,335
Investments	500,000	925,000	-	8,456,979	-	9,881,979
Deposits with insurance pool	134,066	-	-	-	-	134,066
Prepaid items	59,409	-	-	-	-	59,409
Receivables:						
Accrued interest receivable	86	829	-	3,109	-	4,024
Due from other funds	92,827	-	10,881	1,065	1,286	106,059
Due from other governments	371,768	86,983	-	-	3,795	462,546
Franchise taxes receivable	54,754	-	-	-	-	54,754
Court fines receivable, net	181,285	-	-	-	-	181,285
Other receivables	17,349	-	-	-	114	17,463
Total assets	\$ 2,740,963	\$ 1,020,281	\$ 14,619	\$ 10,981,267	\$ 108,790	\$ 14,865,920

LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES

Liabilities:						
Accounts payable	\$ 99,715	\$ -	\$ 14,619	\$ 314,489	\$ 807	\$ 429,610
Due to other funds	13,232	-	-	-	-	13,232
Escrow liabilities	2,919	-	-	-	-	2,919
Due to bondholders	2,000	-	-	-	-	2,000
Retainage payable	-	-	-	26,858	-	26,858
Total liabilities	117,866	-	14,619	341,327	807	474,619
Deferred inflows of resources:						
Deferred revenue	206,654	71,809	-	2,030	-	280,493
Fund balances:						
Nonspendable	59,409	-	-	-	-	59,409
Restricted for:						
Streets	-	-	-	-	95,564	95,564
Public safety	-	-	-	-	11,413	11,413
Donations	-	-	-	-	-	-
Debt service	13,233	918,294	-	-	-	13,233
Capital projects	-	-	-	9,987,631	-	918,294
Assigned for:						
Streets	-	-	-	-	1,006	1,006
Economic development	1,000,000	-	-	-	-	1,000,000
Insurance premiums	134,066	-	-	-	-	134,066
Debt service	-	30,178	-	-	-	30,178
Capital projects	-	-	-	650,279	-	650,279
Unassigned (deficit)	1,209,735	-	-	-	-	1,209,735
Total fund balances	2,416,443	948,472	-	10,637,910	107,983	14,110,808
Total liabilities, deferred inflows and fund balances	\$ 2,740,963	\$ 1,020,281	\$ 14,619	\$ 10,981,267	\$ 108,790	\$ 14,865,920

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, 2014

Total fund balance, governmental funds	\$	14,110,808
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the funds, net of accumulated depreciation of \$12,114,652.</p>		17,176,637
<p>Certain other long-term assets are not available to pay current fund liabilities and therefore, are deferred in the funds:</p>		
Deferred inflows:		
Court fines receivable		172,884
Interest receivable		2,162
Franchise fee receivable		33,770
Receivable from other governments		71,677
		280,493
<p>Certain liabilities are not due and payable from current financial resources and therefore, they along with the deferred outflows, are not reported in the funds:</p>		
General obligation bonds payable		(25,270,000)
Accrued compensated absences		(302,487)
Net pension obligation		(608,584)
Other postemployment benefits		(131,472)
Deferred amount on refunding		96,836
		(26,215,707)
Net Position of Governmental Activities in the Statement of Net Position	\$	5,352,231

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, 2014.

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvement Fund</u>	<u>GO Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Property taxes	\$ 3,104,748	\$ 2,858,056	\$ -	\$ -	\$ -	\$ 2,858,056
Taxes	141,016	-	-	-	1,254	3,106,002
Fees and fines	148,175	-	-	-	-	141,016
Licenses and permits	481,702	-	-	497,527	36,514	148,175
Intergovernmental	873,065	-	-	-	-	1,015,743
Charges for services	5,260	4,271	-	23,321	-	873,065
Investment earnings	209,274	-	3,738	-	-	32,852
Miscellaneous	4,963,240	2,862,327	3,738	520,848	37,768	213,012
Total revenues						
EXPENDITURES						
Current:						
General government	1,473,294	1,717	-	610	-	1,475,621
Public safety	3,603,294	-	-	-	75	3,603,369
Highways and streets	232,078	-	-	-	9,216	241,294
Public works	799,558	-	-	-	-	799,558
Culture and recreation	166,235	-	-	-	-	166,235
Debt service:						
Principal	-	2,745,000	-	-	-	2,745,000
Interest and other charges	-	460,221	-	-	-	460,221
Bond issuance costs	-	-	-	-	-	-
Capital outlay	-	-	-	37,627	-	37,627
Total expenditures	6,274,459	3,206,938	421,754	3,607,008	9,291	4,028,762
Excess (deficiency) of revenues over expenditures	(1,311,219)	(344,611)	(418,016)	(3,124,397)	28,477	(5,169,766)
OTHER FINANCING SOURCES (USES)						
Proceeds of long-term debt	-	-	-	3,900,000	-	3,900,000
Transfers in	1,377,800	-	1,533,225	-	-	2,911,025
Transfers out	(1,533,225)	-	-	-	-	(1,533,225)
Total other financing sources and uses	(155,425)	-	1,533,225	3,900,000	-	5,277,800
Net change in fund balances	(1,466,644)	(344,611)	1,115,209	775,603	28,477	108,034
Fund balances (deficit) - beginning	3,883,087	1,293,083	(1,115,209)	9,862,307	79,506	14,002,774
Fund balances (deficit) - ending	\$ 2,416,443	\$ 948,472	\$ -	\$ 10,637,910	\$ 107,983	\$ 14,110,808

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, 2014**

Net change in fund balances - total governmental funds: \$ 108,034

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	2,148,062
Book value of disposed capital assets	(14,040)
Depreciation expense	<u>(1,082,430)</u>
	<u>1,051,592</u>

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Change in deferred revenue	<u>41,285</u>
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities and can also increase deferred amounts 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	(3,900,000)
General obligation bond principal payments	2,745,000
Change in deferred amount of refunding of debt	<u>(32,279)</u>
	<u>(1,187,279)</u>

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	3,389
Net pension obligation	7,233
Other postemployment benefits	<u>(506)</u>
	<u>10,116</u>

Change in net position of governmental activities	<u>\$ 23,748</u>
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See accompanying notes to the basic financial statements

**City of Nichols Hills
Statement of Net Position
Proprietary Fund
June 30, 2014**

	Enterprise Fund
	<u>Nichols Hills Municipal Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,118,127
Restricted cash and cash equivalents	20,870
Investments	1,100,633
Accounts receivable, net	525,990
Accrued interest receivable	382
Total current assets	2,766,002
Capital assets:	
Non-depreciable assets	492,760
Depreciable assets, net	17,588,921
Total non-current assets	18,081,681
Total assets	20,847,683
LIABILITIES	
Current liabilities:	
Accounts payable	71,884
Due to other funds	92,827
Compensated absences, current portion	2,121
Notes payable, current portion	648
Total current liabilities	167,480
Non-current liabilities:	
Compensated absences	19,088
Meter deposit liability	20,870
Notes payable	22,279
Total non-current liabilities	62,237
Total liabilities	229,717
NET POSITION	
Net investment in capital assets	18,058,754
Unrestricted	2,559,212
Total net position	\$ 20,617,966

See accompanying notes to the basic financial statements

City of Nichols Hills
Statement of Revenues, Expenses and Change in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2014

	<u>Enterprise Fund</u>
	<u>Nichols Hills</u> <u>Municipal Authority</u>
REVENUES	
Charges for services:	
Water charges	\$ 2,644,758
Wastewater charges	951,695
Water taps	23,650
Penalties	18,596
Total operating revenues	3,638,699
OPERATING EXPENSES	
Administrative	473,021
Water and wastewater operations	904,233
Depreciation expense	1,322,152
Total operating expenses	2,699,406
Operating income	939,293
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	5,592
Miscellaneous revenue	15,079
Interest expense	(21)
Gain (loss) on sale of capital assets	(47,014)
Total non-operating revenue (expenses)	(26,364)
Income before contributions and transfers	912,929
Capital contributions	1,293,894
Transfers out	(1,377,800)
Change in net position	829,023
Total net position- beginning	19,788,943
Total net position - ending	\$ 20,617,966

See accompanying notes to the basic financial statements

**City of Nichols Hills
Statement of Cash Flow
Proprietary Fund
For the Year Ended June 30, 2014**

	<u>Enterprise Fund</u>
	<u>Nichols Hills Municipal Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 3,511,077
Payments to suppliers	(742,234)
Payments to employees	(626,301)
Receipts of customer meter deposits	8,550
Refunds of customer meter deposits	(8,250)
Interfund receipts/payments	23,331
Net cash provided by operating activities	<u>2,166,173</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(1,377,800)
Net cash provided by (used in) noncapital financing activities	<u>(1,377,800)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on debt	(1,500)
Interest and fiscal agent fees paid on debt	(21)
Net cash provided by (used in) capital and related financing activities	<u>(1,521)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(600,633)
Interest and dividends	5,288
Net cash provided by (used in) investing activities	<u>(595,345)</u>
Net increase in cash and cash equivalents	191,507
Balances - beginning of year	<u>947,490</u>
Balances - end of year	<u>\$ 1,138,997</u>
Total cash and cash equivalents, end of year	<u>\$ 1,138,997</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating activities:	\$ 939,293
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,322,152
Miscellaneous revenue	1,211
Change in assets and liabilities:	
Due to other funds	23,331
Accounts receivable	(128,833)
Accounts payable	10,470
Deposits subject to refund	300
Accrued compensated absences	(1,751)
Net cash provided by operating activities	<u>\$ 2,166,173</u>
Noncash activities:	
Contributed capital assets	<u>\$ 1,293,894</u>

See accompanying notes to the basic financial statements

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
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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) include 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. In addition, management and staff of the City are also the management and staff of the component unit. 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.

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Reporting Fund</u>
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. In addition, management and staff of the City are also the management and staff of the component unit.	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 plus deferred outflows or liabilities plus deferred inflows or 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 plus deferred outflows or liabilities plus deferred inflows or 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.

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.

CITY OF NICHOLS HILLS, OKLAHOMA
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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 nor 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. City management currently has the authority to assign fund balance.

- 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 fund 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 seven 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, 2014, the City's net assessed valuation of taxable property was \$126,437,054. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2014 was \$26.27.

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.

<u>Fund</u>	<u>Required By</u>
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:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
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

CITY OF NICHOLS HILLS, OKLAHOMA
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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, 2014, the City complied with the legal debt limit. Of the \$25,270,000 outstanding general obligation bonded debt, all but \$691,027 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.

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, 2014:

<u>Type of Deposits and Investments</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ 5,103,332
Time deposits	10,982,612
Total Deposits and Investments	\$ 16,085,944
 Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 6,404,304
Investments	9,681,640
	\$ 16,085,944

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, 2014, all deposits were collateralized.

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:

CITY OF NICHOLS HILLS, OKLAHOMA
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- 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., d., and e.

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, 2014, 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, 2014, 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, 2014 were as follows:

<u>Type of Restricted Assets</u>	<u>Current Assets</u>
Cash and Cash Equivalents:	
Utility Deposits	\$20,870
Total Restricted Assets	\$20,870

CITY OF NICHOLS HILLS, OKLAHOMA
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3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consists of customer utilities. Receivables detail at June 30, 2014 is as follows:

	<u>Business-Type</u>		<u>Governmental</u>
Service receivables	\$551,836	Court receivable	\$872,821
Allowance for doubtful accounts	(25,846)	Allowance for doubtful accounts	(691,536)
Total accounts receivable	<u>\$525,990</u>	Total accounts receivable	<u>\$181,285</u>

3.D. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2014</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$88,000	-	-	\$88,000
Construction in progress	3,056,850	\$1,953,834	\$2,538,504	2,472,180
Total capital assets not being depreciated	<u>3,144,850</u>	<u>1,953,834</u>	<u>2,538,504</u>	<u>2,560,180</u>
Other capital assets:				
Buildings	914,427	-	-	914,427
Improvements	141,587	-	-	141,587
Machinery, furniture and equipment	4,065,043	655,350	125,749	4,594,644
Infrastructure	19,003,070	2,077,382	-	21,080,452
Total other capital assets at historical cost	<u>24,124,127</u>	<u>2,732,732</u>	<u>125,749</u>	<u>26,731,110</u>
Less accumulated depreciation for:				
Buildings	447,614	35,768	-	483,382
Improvements	106,837	2,655	-	109,492
Machinery, furniture and equipment	2,696,042	386,564	111,709	2,970,897
Infrastructure	7,893,439	657,443	-	8,550,882
Total accumulated depreciation	<u>11,143,932</u>	<u>1,082,430</u>	<u>111,709</u>	<u>12,114,653</u>
Other capital assets, net	<u>12,980,195</u>	<u>1,650,302</u>	<u>14,040</u>	<u>14,616,457</u>
Governmental activities capital assets, net	<u>\$16,125,045</u>	<u>\$3,604,136</u>	<u>\$2,552,544</u>	<u>\$17,176,637</u>

CITY OF NICHOLS HILLS, OKLAHOMA
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	Restated Balance at July 1, 2013	Additions	Disposals	Balance at June 30, 2014
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$195,742	-	-	\$195,742
Construction in progress	682,059	\$913,917	\$ 1,298,958	297,018
Total capital assets not being depreciated	<u>877,801</u>	<u>913,917</u>	<u>1,298,958</u>	<u>492,760</u>
Other capital assets:				
Buildings	564,061	-	-	564,061
Improvements	924,618	-	-	924,618
Machinery, furniture and equipment	1,217,310	19,506	100,745	1,136,071
Utility improvements	30,574,427	1,659,429	-	32,233,856
Water rights	54,427	-	-	54,427
Total other capital assets at historical cost	<u>33,334,843</u>	<u>1,678,935</u>	<u>100,745</u>	<u>34,913,033</u>
Less accumulated depreciation for:				
Buildings	372,970	19,381	-	392,351
Improvements	446,010	46,126	-	492,136
Machinery, furniture and equipment	810,384	79,039	53,731	835,692
Utility improvements	14,425,057	1,175,429	-	15,600,486
Water rights	1,270	2,177	-	3,447
Total accumulated depreciation	<u>16,055,691</u>	<u>1,322,152</u>	<u>53,731</u>	<u>17,324,112</u>
Other capital assets, net	<u>17,279,152</u>	<u>356,783</u>	<u>47,014</u>	<u>17,588,921</u>
Business-type activities capital assets, net	<u>\$18,156,953</u>	<u>\$1,270,700</u>	<u>\$1,345,972</u>	<u>\$18,081,681</u>

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

Governmental Activities:	
General Government	\$92,132
Public Safety	257,421
Highways and Streets	383,467
Culture and Recreation	2,928
Public Works	346,482
Total depreciation expense for governmental activities	<u>\$ 1,082,430</u>

Business-Type Activities:	
Water	\$978,392
Wastewater	343,760
Total depreciation expense for business-type activities	<u>\$ 1,322,152</u>

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, 2014, the governmental long-term debt of the financial reporting entity consisted of the following:

General Obligation Bonds:

\$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%.

1,880,000

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

\$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%.	1,800,000
\$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%.	4,950,000
\$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%.	2,295,000
\$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%.	6,445,000
\$3,900,000 General Obligation Refunding Bonds, Series 2014, due in annual installments of \$329,875 to 409,256 through June 30, 2028, with interest at 1.50% to 3.0% with final payment of \$329,875 due June 30, 2028, with interest at 3.0%.	<u>3,900,000</u>
Total General Obligation Bonds Payable	<u>\$25,270,000</u>
Current portion	\$2,585,000
Non-current portion	<u>22,685,000</u>
General Obligation Bonds Payable	<u>\$25,270,000</u>

Accrued Compensated Absences:

Current portion	\$30,249
Non-current portion	<u>272,238</u>
Total Accrued Compensated Absences	<u>\$302,487</u>

Business-Type Activities

At June 30, 2014, the long-term debt payable from enterprise fund resources consisted of the following:

Water Rights:

Obligation payable to People's Church, original amount of \$54,427, for use of groundwater, payable in an initial \$30,000 payment and 24 annual installments of \$1,500, final maturity in December 2036.

Current portion	\$648
Non-current portion	<u>22,279</u>
Water Rights Payable	<u>\$22,927</u>

Accrued Compensated Absences:

Current portion	\$2,121
Non-current portion	<u>19,088</u>
Total Accrued Compensated Absences	<u>\$21,209</u>

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

<u>Type of Debt</u>	<u>Restated Balance June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>	<u>Amount Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds Payable	\$ 24,115,000	\$ 3,900,000	\$ 2,745,000	\$ 25,270,000	\$ 2,585,000
Accrued Compensated Absences	305,876	273,650	277,039	302,487	30,249
Total Governmental Activities	\$ 24,420,876	\$ 4,173,650	\$ 3,022,039	\$ 25,572,487	\$ 2,615,249
Business-Type Activities:					
Water Rights	\$ 24,427	\$ -	\$ 1,500	\$ 22,927	\$ 648
Accrued Compensated Absences	22,960	40,127	41,878	21,209	2,121
Total Business-Type Activities	\$ 47,387	\$ 40,127	\$ 43,378	\$ 44,136	\$ 2,769

Governmental accrued compensated absences are liquidated by the general fund.

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2014, are as follows:

Year Ended June 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>G.O. Bonds Payable</u>		<u>Water Rights</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$2,585,000	\$866,024	648	7,734
2016	2,765,000	787,793	672	7,456
2017	2,930,000	744,807	697	7,174
2018	2,675,000	703,115	723	6,889
2019	2,450,000	664,095	750	6,600
2020-2024	8,840,000	2,122,284	4,190	3,315
2025-2029	3,025,000	41,053	5,027	2,476
2030-2034	-	-	6,081	1,469
2035-2038	-	-	4,139	358
Totals	\$25,270,000	\$5,929,171	\$22,927	\$43,471

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

3.F. INTERFUND TRANSACTIONS AND BALANCES

Interfund receivables and payables at June 30, 2014 were as follows:

<u>Payable To</u>	<u>Receivable From</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Municipal Authority	\$ 79,385	Sanitation revenues to be transferred to General Fund
Capital Improvement Fund	General Fund	10,881	Expenditures paid by other fund
General Fund	Municipal Authority	13,442	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
		<u>\$ 106,059</u>	

Reconciliation to Fund Financial Statements:

	<u>Due To</u>	<u>Due From</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 106,059	\$ (13,232)	\$ 92,827
Proprietary Funds	-	(92,827)	(92,827)
	<u>\$ 106,059</u>	<u>\$ (106,059)</u>	<u>-</u>

Interfund transfers for the year ended June 30, 2014, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
Municipal Authority Fund	General Fund	\$ 1,377,800	Trust indenture requirement of net profits
General Fund	Capital Improvement Fund	1,533,225	Reimbursement of capital projects
		<u>\$ 2,911,025</u>	

Reconciliation to Fund Financial Statements/Statement of Activities:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Contributed Capital Transfer</u>	<u>Net Transfers</u>
Governmental Funds	\$ 2,911,025	\$ (1,533,225)	\$ (1,293,894)	\$ 83,906
Proprietary Funds	-	(1,377,800)	1,293,894	(83,906)
	<u>\$ 2,911,025</u>	<u>\$ (2,911,025)</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4. OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

The City participates in three employee pension systems as follows:

<u>Name of Plan/System</u>	<u>Type of Plan</u>
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.

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

A. Eligibility Factors, Contribution Methods, and Benefit Provisions

	<u>Oklahoma Police Pension and Retirement System</u>	<u>Oklahoma Firefighter's Pension and Retirement System</u>
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 participating municipality, not less than 21 years of age or more than 45 years of age when hired.	All full-time or voluntary 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

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

Disability (duty, non-duty)	Yes	Yes
Cost of living allowances	Yes	Yes

B. Trend Information

City contributions required by State statute:

<u>Fiscal Year</u>	<u>Oklahoma Police Pension and Retirement System</u>		<u>Oklahoma Firefighter's Pension and Retirement System</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2012	99,150	100%	110,158	100%
2013	96,099	100%	117,793	100%
2014	99,586	100%	125,741	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 \$87,498 (or 11.4% of covered payroll) and \$277,209 (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, 2014, 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

<u>Provision</u>	<u>OMRF Plan</u>
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

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

- Actuarially Determined	Yes
- Employer Rate	19.85% of covered payroll (Actuarially determined 30.85%)
- Employee Rate	11% 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 \$354,176 of covered wages and the employees contributed \$194,415.

2. Actuarial Assumptions:

Date of Last Actuarial Valuation	For Plan Year July 1, 2014
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%

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

- | | | |
|----|---|--|
| 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	\$ 412,828
Interest on net pension obligation	39,064
Adjustment to annual required contribution	42,535
Annual NPO cost (expense)	494,427
Contributions made	(501,660)
Decrease in net pension obligation	(7,233)
Net pension obligation—beginning of year	615,817
Net pension obligation—end of year	\$ 608,584

C. Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
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
June 30, 2014	\$494,427	101%	\$608,584

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

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability (AAL) <u>-- Entry Age</u>	Unfunded <u>AAL</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	Unfunded AAL as a Percentage of <u>Covered Payroll</u>
1/1/14	\$6.0	\$7.5	\$1.5	79.8%	\$1.7	86.3%

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

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

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, 2014, 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 2014, the City contributed \$11,869 to the plan. Plan members receiving benefits contributed \$11,869, or 100 percent of the total premiums, through their required contribution of \$498.09 per month for retiree-only coverage and \$1,095.85 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, 2014:

Annual required contribution	\$ 58,153
Interest on net OPEB obligation	5,893
Adjustment to annual required contribution	<u>(51,671)</u>
Annual OPEB cost (expense)	12,375
Contributions made	<u>(11,869)</u>
Increase in net OPEB obligation	506
Net OPEB obligation—beginning of year	<u>130,966</u>
Net OPEB obligation—end of year	<u>\$ 131,472</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the unfunded OPEB obligation for 2014 was as follows:

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
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
6/30/14	\$12,375	96%	\$131,472

Funded Status and Funding Progress. As of August 8, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$479,731, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$479,731. The covered payroll (annual payroll of active employees covered by the plan) was \$3.5 million, and the ratio of the UAAL to the covered payroll was 14 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 August 8, 2014, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.35 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 7.35 percent initially, reduced by decrements to an ultimate rate of 4.87 percent in 2060, 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, 2014, was twenty-five 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:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
a. Torts, errors and omissions, asset loss and natural disasters	Purchased commercial insurance	None

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

b. Worker's Compensation - Employee injuries	Participates in Oklahoma Municipal Assurance Group (OMAG) risk entity 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.	(1) 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 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, 2014:

	<u>Payable Fund</u>	<u>Original Contract</u>	<u>Outstanding Balance at June 30, 2014</u>
Wilshire Boulevard	GO Bond Fund	\$1,582,535	\$838,372

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 requirements 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. At this time the impact to the city is unknown.

CITY OF NICHOLS HILLS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF OPEB STATUS AND FUNDING PROGRESS
JUNE 30, 2014

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, 2011	July 1, 2012	July 1, 2013
Actuarial accrued liability - AAL (a)	\$381,269	\$472,933	\$479,731
Actuarial value of plan assets (b)	-	-	-
Unfunded actuarial accrued liability – UAAL (funding excess) (a) – (b)	\$381,269	\$472,933	\$479,731
Funded ratio (b)/(a)	0%	0%	0%
Covered payroll (c)	\$3,091,000	\$3,091,000	\$3,475,000
UAAL (funding excess) as a % of covered payroll [UAAL/(c)]	12.0%	15.0%	14.0%

CITY OF NICHOLS HILLS, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION PLAN FUNDING PROGRESS

JUNE 30, 2014

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
1/1/05	\$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%
1/1/14	\$5,951,119	\$7,454,361	\$1,503,242	79.8%	\$1,741,654	86.3%

(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, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS) -
 GENERAL FUND
 For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	<u>\$1,202,000</u>	<u>\$1,202,000</u>	<u>\$3,950,329</u>	<u>\$2,748,329</u>
Resources (Inflows):				
Taxes:				
Sales and use tax	2,668,825	2,668,825	2,489,117	(179,708)
Franchise tax	381,275	381,275	543,738	162,463
Total Taxes	<u>3,050,100</u>	<u>3,050,100</u>	<u>3,032,855</u>	<u>(17,245)</u>
Intergovernmental:				
Alcoholic beverage tax	5,370	5,370	5,842	472
Grant revenue	-	-	7,249	7,249
Total Intergovernmental	<u>5,370</u>	<u>5,370</u>	<u>13,091</u>	<u>7,721</u>
Charges for services:				
Garbage charges	566,750	566,750	811,387	244,637
Ambulance charges	49,435	49,435	51,789	2,354
Total Charges for Services	<u>616,185</u>	<u>616,185</u>	<u>863,176</u>	<u>246,991</u>
Fines and Forfeitures	<u>136,485</u>	<u>136,485</u>	<u>150,523</u>	<u>14,038</u>
Licenses and Permits:				
Building permits	54,590	54,590	59,097	4,507
Plumbing permits	23,875	23,875	21,176	(2,699)
Plumbing licenses	18,035	18,035	27,295	9,260
Animal licenses	455	455	580	125
Electrical licenses	4,080	4,080	9,451	5,371
Electrical permits	14,320	14,320	12,972	(1,348)
Alcoholic beverage licenses and permits	2,485	2,485	5,345	2,860
Miscellaneous	75,890	75,890	12,259	(63,631)
Total Licenses and Permits	<u>193,730</u>	<u>193,730</u>	<u>148,175</u>	<u>(45,555)</u>
Investment Income	<u>5,925</u>	<u>5,925</u>	<u>5,403</u>	<u>(522)</u>
Miscellaneous:				
Lease revenue	156,330	156,330	142,421	(13,909)
Other	108,425	108,425	142,658	34,233
Total Miscellaneous	<u>264,755</u>	<u>264,755</u>	<u>285,079</u>	<u>20,324</u>
Other Financing Sources:				
Transfers from other funds	1,804,950	1,804,950	1,377,800	(427,150)
Total Other Financing Sources	<u>1,804,950</u>	<u>1,804,950</u>	<u>1,377,800</u>	<u>(427,150)</u>
Total Resources (Inflows)	<u>6,077,500</u>	<u>6,077,500</u>	<u>5,876,102</u>	<u>(201,398)</u>
Amounts available for appropriation	<u>7,279,500</u>	<u>7,279,500</u>	<u>9,826,431</u>	<u>2,546,931</u>

(Continued)

CITY OF NICHOLS HILLS, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS) -
 GENERAL FUND
 For the year ended June 30, 2014

(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to Appropriations (Outflows):				
GENERAL GOVERNMENT:				
Council	790	790	782	8
Manager/Clerk	454,495	450,090	434,974	15,116
Treasurer	1,320	1,320	1,304	16
Attorney	155,000	205,260	205,260	-
Engineer	80,000	40,400	40,364	36
Building and Code Division	112,045	116,435	104,762	11,673
Safety/Risk	116,010	118,355	109,614	8,741
General Government	465,840	428,346	417,075	11,271
Information Systems	218,650	174,610	153,821	20,789
TOTAL GENERAL GOVERNMENT	<u>1,604,150</u>	<u>1,535,606</u>	<u>1,467,956</u>	<u>67,650</u>
PUBLIC SAFETY:				
Court	85,115	87,240	80,507	6,733
Police	1,763,430	1,784,590	1,751,709	32,881
Fire	1,375,020	1,414,714	1,384,130	30,584
TOTAL PUBLIC SAFETY	<u>3,223,565</u>	<u>3,286,544</u>	<u>3,216,346</u>	<u>70,198</u>
HIGHWAYS AND STREETS	<u>255,565</u>	<u>234,350</u>	<u>231,256</u>	<u>3,094</u>
PUBLIC WORKS:				
Sanitation	677,165	693,230	670,433	22,797
Public Works	150,325	156,000	123,779	32,221
TOTAL PUBLIC WORKS	<u>827,490</u>	<u>849,230</u>	<u>794,212</u>	<u>55,018</u>
PARKS AND RECREATION	<u>166,730</u>	<u>171,770</u>	<u>166,159</u>	<u>5,611</u>
Total Charges to Appropriations	<u>6,077,500</u>	<u>6,077,500</u>	<u>5,875,929</u>	<u>201,571</u>
Ending Budgetary Fund Balance	<u>\$1,202,000</u>	<u>\$1,202,000</u>	<u>\$3,950,502</u>	<u>\$2,748,502</u>

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, 2014**

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

	<u>General Fund</u>
Sources/Inflows of resources	
Actual amounts (budgetary basis) "total resources" from the budgetary comparison schedule	\$5,876,102
Differences – budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(1,377,800)
State payments made on-behalf of police and fire pension not considered a budgetary resource	364,707
Designated accounts fund revenues	3,174
Revenues not considered a budgetary resource	<u>97,057</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – general fund	<u>\$4,963,240</u>

**CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$5,875,929
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Differences – budget to GAAP:

State payments made on-behalf of police and fire pensions	364,707
Designated accounts fund expenses	4,608
Expenses not reported as outflows for budgetary purposes	<u>29,215</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance – general fund	<u>\$6,274,459</u>

Transfers

Transfer out from budgetary comparison	\$ -
Transfer not reported for budgetary purposes	<u>1,533,225</u>
Total transfer out reported on statement of revenue, expenditures, and changes in fund balance – general fund	<u>\$1,533,225</u>

City of Nichols Hills
Combining Balance Sheet Accounts
General Fund Accounts
June 30, 2014

	<u>General Fund</u>	<u>Designated Accounts Fund</u>	<u>Total General Fund</u>
ASSETS			
Cash and cash equivalents	\$ 1,316,047	\$ 13,372	\$ 1,329,419
Investments	500,000	-	500,000
Deposits with insurance pool	134,066	-	134,066
Prepaid expenses	59,409	-	59,409
Receivables:			
Accrued interest receivable	86	-	86
Due from other funds	92,827	-	92,827
Due from other governments	371,768	-	371,768
Franchise tax receivable	54,754	-	54,754
Court fines receivable, net	181,285	-	181,285
Other receivables	17,349	-	17,349
Total assets	\$ 2,727,591	\$ 13,372	\$ 2,740,963
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 99,576	\$ 139	\$ 99,715
Due to other funds	13,232	-	13,232
Escrow liabilities	2,919	-	2,919
Due to bondholders	2,000	-	2,000
Total liabilities	117,727	139	117,866
 Deferred inflows of resources:			
Deferred revenue	206,654	-	206,654
 Fund balances:			
Nonspendable	59,409	-	59,409
Restricted for:			
Donations	-	13,233	13,233
Assigned for:			
Economic development	1,000,000	-	1,000,000
Insurance premiums	134,066	-	134,066
Unassigned	1,209,735	-	1,209,735
Total fund balances	2,403,210	13,233	2,416,443
Total liabilities, deferred inflows and fund balances	\$ 2,727,591	\$ 13,372	\$ 2,740,963

City of Nichols Hills
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
General Fund Accounts
For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Designated Accounts Fund</u>	<u>Total General Fund</u>
REVENUES			
Taxes	\$ 3,104,748	\$ -	\$ 3,104,748
Fees and fines	141,016	-	141,016
Licenses and permits	148,175	-	148,175
Intergovernmental	481,702	-	481,702
Charges for services	873,065	-	873,065
Investment earnings	5,260	-	5,260
Miscellaneous	206,100	3,174	209,274
Total revenues	<u>4,960,066</u>	<u>3,174</u>	<u>4,963,240</u>
EXPENDITURES			
Current:			
General government	1,473,294	-	1,473,294
Public safety	3,599,893	3,401	3,603,294
Highways and roads	232,078	-	232,078
Public works	798,351	1,207	799,558
Culture and recreation	166,235	-	166,235
Total Expenditures	<u>6,269,851</u>	<u>4,608</u>	<u>6,274,459</u>
Excess (deficiency) of revenues over expenditures	<u>(1,309,785)</u>	<u>(1,434)</u>	<u>(1,311,219)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,377,800	-	1,377,800
Transfers out	<u>(1,533,225)</u>	<u>-</u>	<u>(1,533,225)</u>
Total other financing sources and uses	<u>(155,425)</u>	<u>-</u>	<u>(155,425)</u>
FUND BALANCE			
Net change in fund balances	(1,465,210)	(1,434)	(1,466,644)
Fund balances - beginning	3,868,420	14,667	3,883,087
Fund balances - ending	<u>\$ 2,403,210</u>	<u>\$ 13,233</u>	<u>\$ 2,416,443</u>

**City of Nichols Hills
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

	<u>Street and Alley Fund</u>	<u>E-911 Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 92,296	\$ 11,299	\$ 103,595
Due from other funds	1,286	-	1,286
Due from other governments	3,795	-	3,795
Other receivables	-	114	114
Total assets	<u>\$ 97,377</u>	<u>\$ 11,413</u>	<u>\$ 108,790</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 807	\$ -	\$ 807
Total liabilities	<u>807</u>	<u>-</u>	<u>807</u>
Fund balances:			
Restricted for:			
Streets	95,564	-	95,564
Public safety	-	11,413	11,413
Assigned for:			
Streets	1,006	-	1,006
Total fund balances	<u>96,570</u>	<u>11,413</u>	<u>107,983</u>
Total liabilities and fund balances	<u>\$ 97,377</u>	<u>\$ 11,413</u>	<u>\$ 108,790</u>

City of Nichols Hills
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	<u>Street and Alley</u> <u>Fund</u>	<u>E-911 Fund</u>	<u>Total Nonmajor</u> <u>Governmental</u> <u>Funds</u>
REVENUES			
Taxes	\$ -	\$ 1,254	\$ 1,254
Intergovernmental	36,514	-	36,514
Total revenues	<u>36,514</u>	<u>1,254</u>	<u>37,768</u>
EXPENDITURES			
Current:			
Public safety	-	75	75
Highways and roads	9,216	-	9,216
Total Expenditures	<u>9,216</u>	<u>75</u>	<u>9,291</u>
Excess (deficiency) of revenues over expenditures	<u>27,298</u>	<u>1,179</u>	<u>28,477</u>
Net change in fund balances	27,298	1,179	28,477
Fund balances - beginning	69,272	10,234	79,506
Fund balances - ending	<u>\$ 96,570</u>	<u>\$ 11,413</u>	<u>\$ 107,983</u>

CITY OF NICHOLS HILLS, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS
 For the fiscal year ended June 30, 2014

	SPECIAL REVENUE - STREET & ALLEY FUND			SPECIAL REVENUE - E-911 FUND				
	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:								
Taxes	\$ 29,000	\$ 29,000	\$ 36,131	\$ 7,131	\$ 1,600	\$ 1,600	\$ 1,387	\$ (213)
Intergovernmental	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Total Revenues	<u>29,000</u>	<u>29,000</u>	<u>36,131</u>	<u>7,131</u>	<u>1,600</u>	<u>1,600</u>	<u>1,387</u>	<u>(213)</u>
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Highways and streets	88,600	88,600	9,216	79,384	28,000	28,000	75	27,925
Public works	-	-	-	-	-	-	-	-
Total Expenditures	<u>88,600</u>	<u>88,600</u>	<u>9,216</u>	<u>79,384</u>	<u>28,000</u>	<u>28,000</u>	<u>75</u>	<u>27,925</u>
Excess (deficiency) of revenues over expenditures	<u>(59,600)</u>	<u>(59,600)</u>	<u>26,915</u>	<u>86,515</u>	<u>(26,400)</u>	<u>(26,400)</u>	<u>1,312</u>	<u>27,712</u>
Net change in fund balances	<u>(59,600)</u>	<u>(59,600)</u>	<u>26,915</u>	<u>86,515</u>	<u>(28,400)</u>	<u>(28,400)</u>	<u>1,312</u>	<u>27,712</u>
Fund Balance - beginning of year	59,600	59,600	68,855	10,255	26,400	26,400	10,349	(18,051)
Fund Balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,770</u>	<u>\$ 96,770</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,661</u>	<u>\$ 11,661</u>

CITY OF NICHOLS HILLS, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 MAJOR GOVERNMENTAL FUNDS
 For the fiscal year ended June 30, 2014

	DEBT SERVICE				CAPITAL PROJECT - CAPITAL IMPROVEMENT			
	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Beginning Budgetary Fund Balance	-	-	\$ 853,269	\$ 853,269	\$ 586,300	\$ 586,300	\$ (476,322)	\$ (1,062,622)
Resources (Inflows):								
Taxes	\$ 3,254,306	\$ 3,254,306	2,891,705	(362,601)	-	-	-	-
Investment income	-	-	3,573	3,573	-	-	3,738	3,738
Miscellaneous income	-	-	-	-	-	-	-	-
Amounts available for appropriation	3,254,306	3,254,306	3,748,547	494,241	586,300	586,300	(472,584)	(1,058,884)
Charges to appropriations (outflows):								
General government	-	-	1,717	(1,717)	586,300	586,300	421,754	164,546
Capital outlay	-	-	-	-	-	-	-	-
Debt service	3,254,306	3,254,306	3,205,221	49,085	-	-	-	-
Total Charges to Appropriations	3,254,306	3,254,306	3,206,938	47,368	586,300	586,300	421,754	164,546
Ending Budgetary Fund Balance	\$ -	\$ -	\$ 541,609	\$ 541,609	\$ -	\$ -	\$ (894,338)	\$ (894,338)

**City of Nichols Hills
Combining Schedule of Net Position
Enterprise Fund Accounts
June 30, 2014**

	<u>Nichols Hills Municipal Authority</u>	<u>Nichols Hills Municipal Authority CIF Account</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,116,136	\$ 1,991	\$ 1,118,127
Restricted cash and cash equivalents	20,870	-	20,870
Investments	1,100,633	-	1,100,633
Accounts receivable, net	525,990	-	525,990
Accrued interest receivable	382	-	382
Total current assets	<u>2,764,011</u>	<u>1,991</u>	<u>2,766,002</u>
Non-current assets:			
Capital Assets:			
Non-depreciable assets	492,760	-	492,760
Other capital assets, net of depreciation	17,357,519	231,402	17,588,921
Total non-current assets	<u>17,850,279</u>	<u>231,402</u>	<u>18,081,681</u>
Total assets	<u>20,614,290</u>	<u>233,393</u>	<u>20,847,683</u>
LIABILITIES			
Current liabilities:			
Accounts payable	71,884	-	71,884
Due to other funds	79,385	13,442	92,827
Compensated absences, current portion	2,121	-	2,121
Note payable, current portion	648	-	648
Total current liabilities	<u>154,038</u>	<u>13,442</u>	<u>167,480</u>
Non-current liabilities:			
Compensated absences	19,088	-	19,088
Meter deposit liability	20,870	-	20,870
Note payable	22,279	-	22,279
Total non-current liabilities	<u>62,237</u>	<u>-</u>	<u>62,237</u>
Total liabilities	<u>216,275</u>	<u>13,442</u>	<u>229,717</u>
NET POSITION			
Net investment in capital assets	18,058,754	-	18,058,754
Unrestricted	2,339,261	219,951	2,559,212
Total net position	<u>\$ 20,398,015</u>	<u>\$ 219,951</u>	<u>\$ 20,617,966</u>

City of Nichols Hills
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
Enterprise Fund Accounts
For the Year Ended June 30, 2014

	<u>Nichols Hills Municipal Authority</u>	<u>Nichols Hills Municipal Authority CIF Account</u>	<u>Total</u>
REVENUES			
Charges for Service:			
Water charges	\$ 2,644,758	\$ -	\$ 2,644,758
Wastewater charges	951,695	-	951,695
Water taps	23,650	-	23,650
Penalties	18,596	-	18,596
Total operating revenues	3,638,699	-	3,638,699
OPERATING EXPENSES			
Administrative	473,021	-	473,021
Water and wastewater operations	890,791	13,442	904,233
Depreciation expense	1,322,152	-	1,322,152
Total operating expenses	2,685,964	13,442	2,699,406
Operating income (loss)	952,735	(13,442)	939,293
NON-OPERATING REVENUES (EXPENSES)			
Interest and Investment revenue	5,592	-	5,592
Miscellaneous revenue	15,079	-	15,079
Interest expense	(21)	-	(21)
Gain (loss) on sale of capital assets	(47,014)	-	(47,014)
Total non-operating revenue (expenses)	(26,364)	-	(26,364)
Income (loss) before contributions and transfers	926,371	(13,442)	912,929
Capital contributions	1,293,894	-	1,293,894
Transfers out	(1,377,800)	-	(1,377,800)
Change in net position	842,465	(13,442)	829,023
Total net position - beginning	19,555,550	233,393	19,788,943
Total net position - ending	\$ 20,398,015	\$ 219,951	\$ 20,617,966

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012		
Governmental activities										
Invested in capital assets, net of related debt	\$ (2,310,907)	\$ (4,417,209)	\$ (3,606,626)	\$ (3,334,232)	\$ (3,868,818)	\$ (2,302,280)	\$ 289,096	\$ 840,899		
Restricted	1,780,502	1,881,589	2,300,109	2,461,157	2,778,398	363,430	482,303	1,118,194		
Unrestricted	794,445	3,020,362	2,914,171	3,027,138	2,814,631	4,436,157	2,486,245	3,073,332		
Total governmental activities net assets	\$ 264,040	\$ 484,722	\$ 1,607,654	\$ 2,154,063	\$ 1,824,209	\$ 2,489,327	\$ 3,257,644	\$ 5,032,425		
Business-type activities										
Invested in capital assets, net of related debt	\$ 13,773,019	\$ 14,700,332	\$ 15,266,365	\$ 16,810,548	\$ 16,211,920	\$ 18,286,928	\$ 18,952,874	\$ 18,405,462		
Restricted	395,559	401,029	398,113	413,729	424,820	437,468	450,583	450,583		
Unrestricted	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	\$ 15,392,963	\$ 16,502,810	\$ 16,790,938	\$ 17,496,829	\$ 19,000,714	\$ 18,782,105	\$ 20,235,604	\$ 19,961,827		
Primary government										
Invested in capital assets, net of related debt	\$ 11,462,112	\$ 10,283,123	\$ 11,658,739	\$ 13,276,316	\$ 14,343,102	\$ 15,984,688	\$ 19,241,970	\$ 19,248,361		
Restricted	2,168,061	2,282,598	2,688,222	2,874,886	3,203,016	800,898	932,896	1,118,184		
Unrestricted	2,018,820	4,421,811	4,040,631	3,489,690	3,276,805	4,485,866	3,318,382	4,629,687		
Total primary government net assets	\$ 15,646,993	\$ 16,987,532	\$ 18,398,592	\$ 19,650,682	\$ 20,824,923	\$ 21,281,432	\$ 23,493,248	\$ 24,984,252		
	2013	2014								
Governmental activities										
Net investment in capital assets	\$ 2,425,122	\$ 2,883,731								
Restricted	1,380,343	1,038,504								
Unrestricted	1,543,022	1,429,986								
Total governmental activities net position	\$ 5,328,487	\$ 5,352,231								
Business-type activities										
Net investment in capital assets	\$ 18,118,659	\$ 18,068,754								
Restricted	1,670,285	2,569,212								
Unrestricted	16,448,374	15,499,542								
Total business-type activities net position	\$ 19,788,944	\$ 20,617,986								
Primary government										
Net investment in capital assets	\$ 20,543,781	\$ 20,942,485								
Restricted	1,380,343	1,038,504								
Unrestricted	3,213,307	3,989,208								
Total primary government net position	\$ 25,117,431	\$ 25,970,197								

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Government activities:										
General government	\$ 1,433,455	\$ 1,260,679	\$ 1,473,741	\$ 1,756,081	\$ 1,399,829	\$ 1,689,504	\$ 1,615,627	\$ 1,766,978	\$ 2,103,433	\$ 1,670,579
Public safety	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	3,879,299
Highways and streets	366,110	327,157	410,147	358,041	490,454	592,325	387,524	543,226	592,671	1,262,972
Culture and recreation	110,139	111,325	79,739	182,347	185,370	161,284	156,427	160,337	157,684	170,468
Public works	606,106	705,876	747,004	832,490	687,172	716,987	936,069	1,093,181	1,107,820	1,149,352
Interest on long-term debt	501,104	557,462	585,234	636,140	657,163	662,507	671,031	558,094	692,362	492,500
Total governmental activities expenses	<u>5,447,725</u>	<u>5,450,269</u>	<u>6,583,547</u>	<u>6,896,609</u>	<u>6,599,566</u>	<u>7,174,005</u>	<u>7,039,624</u>	<u>7,617,276</u>	<u>8,415,523</u>	<u>8,625,171</u>
Business-type activities:										
Water	1,487,186	1,360,410	1,204,821	1,565,768	1,081,412	1,513,517	1,980,153	2,457,147	2,534,188	1,997,610
Wastewater	1,002,793	1,125,170	1,189,103	639,539	1,167,338	872,318	430,552	345,992	371,186	748,831
Total business-type activities expenses	<u>2,489,979</u>	<u>2,485,580</u>	<u>2,393,924</u>	<u>2,205,307</u>	<u>2,258,750</u>	<u>2,385,835</u>	<u>2,410,705</u>	<u>2,803,139</u>	<u>2,905,354</u>	<u>2,746,441</u>
Total primary government expenses	<u>\$ 7,937,704</u>	<u>\$ 7,935,849</u>	<u>\$ 8,977,471</u>	<u>\$ 9,101,916</u>	<u>\$ 8,858,316</u>	<u>\$ 9,559,840</u>	<u>\$ 9,450,329</u>	<u>\$ 10,420,415</u>	<u>\$ 11,320,877</u>	<u>\$ 11,371,612</u>
Program Revenues										
Government activities:										
Charges for services:										
General government	\$ 264,067	\$ 214,180	\$ 190,946	\$ 203,505	\$ 148,153	\$ 315,054	\$ 218,627	\$ 187,040	\$ 215,828	\$ 148,175
Public safety	227,107	207,128	193,188	233,155	169,205	87,573	256,913	197,582	209,502	208,191
Highways and streets	-	-	36,944	-	-	-	-	-	-	-
Public works	557,495	571,897	599,695	487,180	511,577	553,778	540,393	596,500	579,539	815,799
Operating grants and contributions	42,840	-	392,756	434,077	313,607	296,861	324,872	338,569	398,871	402,891
Capital grants and contributions	-	189,653	-	6,500	270,089	6,568	60,627	-	-	138,244
Total governmental activities program revenues	<u>1,081,509</u>	<u>1,162,858</u>	<u>1,373,529</u>	<u>1,374,417</u>	<u>1,412,641</u>	<u>1,259,834</u>	<u>1,401,432</u>	<u>1,319,691</u>	<u>1,403,740</u>	<u>1,713,300</u>

(Continued)

TABLE 2
(Continued)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-type activities:										
Charges for services:										
Water	1,340,984	2,061,573	1,739,445	1,928,996	1,870,309	1,699,316	2,878,055	2,591,760	2,404,897	2,697,004
Wastewater	783,092	888,503	796,957	775,849	771,974	727,055	939,504	974,134	929,784	951,695
Total business-type activities program revenues	2,124,076	2,950,076	2,536,402	2,704,845	2,642,283	2,426,371	3,817,559	3,565,894	3,334,681	3,638,699
Total primary government program revenues	\$ 3,215,565	\$ 4,112,934	\$ 3,909,931	\$ 4,079,262	\$ 4,054,924	\$ 3,696,205	\$ 5,018,991	\$ 4,865,585	\$ 4,738,421	\$ 5,351,999
Net (Expense)/Revenue	\$ (4,356,216)	\$ (4,287,411)	\$ (5,010,016)	\$ (5,522,192)	\$ (5,186,925)	\$ (5,914,171)	\$ (5,638,192)	\$ (6,297,585)	\$ (7,011,783)	\$ (6,911,871)
Government activities	(365,923)	484,496	142,478	499,538	383,633	40,536	1,206,654	762,795	429,327	892,258
Business-type activities	(4,722,139)	(3,822,915)	(4,867,540)	(6,022,654)	(4,803,392)	(5,873,635)	(4,431,338)	(5,534,830)	(6,592,456)	(6,019,613)
Total primary government net expense	\$ (4,722,139)	\$ (3,822,915)	\$ (4,867,540)	\$ (6,022,654)	\$ (4,803,392)	\$ (5,873,635)	\$ (4,431,338)	\$ (5,534,830)	\$ (6,592,456)	\$ (6,019,613)
General Revenues and Other Changes in Net Assets/Net Position										
Government activities:										
Taxes:										
Sales and use taxes	2,242,808	2,717,331	2,656,081	2,666,337	2,736,897	2,598,246	2,926,222	2,457,370	2,780,618	2,560,439
Property taxes	2,400,839	2,332,307	2,517,460	2,401,835	2,299,388	2,849,982	2,920,432	3,330,068	3,033,854	2,883,034
Franchise and public service taxes	253,767	273,394	278,452	306,846	288,909	347,501	369,748	384,005	412,394	544,309
Other taxes	2,725	2,841	3,201	3,233	3,070	4,334	4,334	1,989	1,710	1,254
Unrestricted grants and contributions	20,842	87,660	56,046	42,599	42,274	42,143	47,100	43,189	82,808	109,746
Investment earnings	140,109	295,372	414,480	475,180	225,520	109,460	77,196	64,080	42,872	34,497
Miscellaneous	251,238	234,001	243,184	303,749	369,517	401,393	314,997	703,268	525,752	718,434
Transfers	(1,189,879)	(795,317)	(37,934)	(133,178)	(1,100,502)	153,410	(293,476)	1,068,387	629,941	83,906
Total governmental activities	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	6,935,619
Business-type activities:										
Investment earnings	31,538	77,767	101,300	57,125	13,317	4,145	3,797	8,507	6,805	5,592
Miscellaneous	430	11,823	6,416	16,050	6,533		9,369	43,348	20,926	15,079
Transfers	1,186,879	785,317	37,934	133,178	1,100,502	(153,410)	253,478	(1,088,387)	(629,941)	(83,906)
Total business-type activities	1,220,847	864,907	145,650	206,353	1,120,352	(149,265)	266,644	(1,036,532)	(602,210)	(63,235)
Total primary government	\$ 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	\$ 6,872,384
Change in Net Assets/Net Position										
Government activities	(232,769)	860,168	1,122,932	546,409	(329,852)	590,960	756,319	1,774,781	496,166	23,748
Business-type activities	854,924	1,349,403	288,128	705,891	1,503,885	(109,729)	1,473,498	(273,777)	(172,863)	829,023
Total primary government	\$ 622,155	\$ 2,209,571	\$ 1,411,060	\$ 1,252,300	\$ 1,174,033	\$ 482,231	\$ 2,231,817	\$ 1,501,004	\$ 325,283	\$ 852,771

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund	\$ -	\$ 338,007	\$ 1,355,916	\$ 1,378,003	\$ 1,146,000	\$ 1,170,484	\$ -	\$ -	\$ -	\$ 59,409
Nonspendable	-	-	-	-	-	-	-	-	-	-
Reserved	1,735,547	2,788,466	1,928,968	1,949,328	2,236,868	2,245,765	-	-	-	-
Unreserved	-	-	-	-	-	-	22,168	15,594	14,667	13,283
Restricted	-	-	-	-	-	-	1,192,485	1,202,661	1,123,633	1,134,066
Assigned	-	-	-	-	-	-	2,545,242	2,540,825	2,744,790	1,209,735
Unassigned	-	-	-	-	-	-	\$ 3,759,895	\$ 3,759,080	\$ 3,883,090	\$ 2,416,443
Total general fund	\$ 2,089,755	\$ 3,126,473	\$ 3,284,884	\$ 3,327,331	\$ 3,382,868	\$ 3,416,229	\$ 7,488,151	\$ 9,092,125	\$ 10,119,667	\$ 11,694,365
All Other Governmental Funds	\$ -	\$ 445,666	\$ 790,769	\$ 1,877,895	\$ 482,823	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:	77,474	103,819	117,500	123,415	148,854	6,046,564	-	-	-	-
Special revenue funds	2,006,698	2,100,478	2,530,271	2,717,154	2,657,453	341,778	-	-	-	-
Debt service funds	4,975,492	5,274,878	6,389,537	5,734,944	5,947,052	-	8,050,758	9,477,310	11,078,552	11,012,902
Capital project funds	-	-	-	-	-	-	54,081	118,003	156,344	681,463
Restricted	-	-	-	-	-	-	(616,868)	(503,188)	(1,115,209)	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 7,059,664	\$ 7,924,841	\$ 9,828,077	\$ 10,453,408	\$ 9,236,182	\$ 6,388,340	\$ 7,488,151	\$ 9,092,125	\$ 10,119,667	\$ 11,694,365
GRAND TOTAL	\$ 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	\$ 14,110,808

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Taxes	\$ 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	\$ 5,964,058
Intergovernmental	60,510	257,313	485,746	476,559	625,990	345,572	432,589	381,766	478,681	1,015,743
Charges for services	601,957	615,577	603,154	550,017	555,078	640,755	633,173	692,504	659,340	873,065
Fines and forfeitures	220,284	177,213	179,345	193,197	185,055	170,123	184,078	132,172	138,262	141,016
Licenses and permits	210,007	171,806	147,487	203,505	148,153	174,055	218,827	187,040	215,828	148,175
Investment income	130,882	266,247	425,373	498,645	231,588	107,240	67,139	76,875	44,658	32,852
Miscellaneous	254,406	234,001	243,184	248,991	328,518	589,914	270,381	656,892	544,198	213,012
Total Revenues	6,378,876	7,037,998	7,559,232	7,541,044	7,382,655	7,739,036	8,015,683	8,324,363	8,276,591	8,387,921
Expenditures:										
General government	1,197,480	1,111,324	1,468,607	1,730,852	1,350,096	1,481,828	2,197,460	1,506,891	1,467,916	1,475,621
Public safety	2,279,334	2,388,313	2,928,988	3,004,978	3,034,185	3,177,877	3,108,507	3,176,902	3,442,056	3,603,369
Highways and streets	196,067	188,190	203,345	250,476	209,236	297,729	221,696	212,937	288,964	241,294
Culture and recreation	101,416	105,221	150,913	176,054	183,896	180,077	152,026	156,975	163,604	186,235
Public works	538,574	579,606	617,334	612,239	669,760	693,681	716,743	738,382	779,190	798,558
Capital outlay	1,810,231	2,237,443	1,712,519	2,744,531	2,364,436	3,046,084	3,876,242	2,482,204	3,963,169	4,028,762
Debt service										
Principal	1,196,951	1,718,952	1,645,000	1,680,000	1,740,000	4,085,000	2,270,000	2,100,000	2,240,000	2,745,000
Interest	447,041	526,384	539,083	588,117	623,545	1,029,443	658,019	556,094	561,363	480,221
Payment of issue costs	31,365	34,969	28,939	29,875	30,237	29,660	49,741	552	191,802	37,627
Total Expenditures	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	13,557,687
Excess of revenues over/(under) expenditures	(1,421,583)	(1,852,406)	(1,738,496)	(3,276,077)	(2,820,726)	(6,262,141)	(5,036,720)	(2,686,554)	(4,799,495)	(5,169,766)
Other financing sources/(uses)										
Transfers in	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	2,911,025
Transfers out		(198,141)	(413,300)	(211,730)	(2,775,635)		(134,732)	(649,045)	(8,570,094)	(1,533,225)
Other use										
Bond proceeds	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	3,900,000
Total other financing sources/(uses)	\$ 2,985,069	\$ 3,812,075	\$ 3,798,143	\$ 3,943,855	\$ 1,859,037	\$ 3,447,660	\$ 6,484,269	\$ 4,189,714	\$ 5,951,067	\$ 5,277,800
Net change in fund balances	\$ 1,563,466	\$ 1,959,669	\$ 2,061,647	\$ 667,778	\$ (1,181,689)	\$ (2,814,481)	\$ 1,447,549	\$ 1,603,160	\$ 1,151,572	\$ 108,034
Debt service as a percentage of noncapital expenditures	27.5%	33.7%	28.8%	28.1%	30.2%	46.7%	28.2%	28.6%	27.5%	30.2%

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
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
2014	2,858,056	3,106,002	544,309	1,254	6,509,621

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
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
2014	124,654,042	1,689,260	1,135,752	127,479,054	1,042,000	126,437,054	26.27	1,158,900,491

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

Fiscal Year	City	Overlapping Rates			Total
	Direct Rate	Debt Service Fund*	Independent School District (1)	Nichols Hills City Resident	
2005	32.82	32.82	63.78	18.21	114.81
2006	30.79	30.79	73.47	10.97	115.23
2007	30.75	30.75	72.52	22.81	126.08
2008	26.97	26.97	72.18	10.36	109.51
2009	23.81	23.81	67.93	11.25	102.99
2010	26.99	26.99	73.88	12.86	113.73
2011	29.37	29.37	74.15	24.27	124.96
2012	29.37	29.37	77.54	24.06	130.97
2013	26.09	26.09	74.74	23.97	124.80
2014	23.70	23.70	75.84	23.87	123.41
2015	26.27	26.27	74.81	23.58	124.66

The levy certified to the tax rolls for the upcoming fiscal year is as follows:

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 solely for General Obligation Debt

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

Taxpayer	Type of Business	2014			2005		
		Rank	Taxable Assessed Value	Percentage of Net Total Assessed Value	Rank	Taxable Assessed Value	Percentage of Net Total Assessed Value
OKC NHP LLC	Retail	1	\$ 1,358,860	1.13%			
Oklahoma City Golf & Country Club	Recreation	2	1,094,875	0.91%	3	\$ 416,608	0.06%
Oklahoma Gas & Electric	Utility	3	745,559	0.62%	1	510,300	0.07%
TG NHOB LLC	Banking	4	628,100	0.52%	8	223,052	0.03%
Chesapeake Land Co LLC	Residential & Commercial Property	5	522,069	0.43%			
Crutchmer Clyde V	Resident	6	473,170	0.39%			
Albers Leigh Ann & Paul W	Resident	7	416,973	0.35%			
Liddell Mike Trust	Resident	8	407,000	0.34%			
Oliver Michael & Deborah Trust	Resident	9	395,142	0.33%			
Greythorn LLC	Resident	10	373,544	0.31%			
Southwestern Bell Telephone LP	Telephone				2	434,603	0.06%
Plaza North Limited	Retail				4	302,689	0.04%
Nichols Hills Development Company	Retail				5	299,556	0.04%
Hudlburg David R Trust	Trust				6	268,264	0.04%
NB Properties LLC	Banking				7	252,877	0.04%
Hall Kirkland & Julia L	Residential Properties				9	218,670	0.03%
Burger Jerry R & Carleen M	Trust				10	206,320	0.03%
Totals			\$ 6,415,092	5.91%		\$ 3,130,739	0.44%

Sources: 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		Mill Levy
						Total Levy	Net Assessed Value	
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%	21,643	2,849,143	97.44%	113,357,714	29.37
2012	3,321,020	3,251,542	97.91%	55,878	3,307,420	99.59%	115,810,084	26.09
2013	3,021,644	2,925,990	96.83%	71,792	2,997,782	99.21%	120,733,997	23.70
2014	2,853,369	2,766,386	96.95%	-	2,766,386	96.95%	126,437,054	26.27

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Oklahoma County	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
State of Oklahoma	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	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 Eight Fiscal Years
 June 30, 2014
TABLE 11

	2007	2008	2008	2009	2010	2011	2012	2013	2014
Agriculture, forestry, and fishing	\$ 1,898	\$ 2,373	\$ 3,044	\$ 2,835	\$ 2,613	\$ 2,955	\$ 2,613	\$ 2,199	\$ 1,465
Mining	29	62	10	-	(3)	-	(3)	7	-
Construction	2,741	3,053	2,919	3,073	7,612	3,251	7,612	2,017	824
Manufacturing	46,726	54,880	60,366	38,955	48,483	36,887	48,483	73,634	99,250
Transportation	51	227	227	(39)	40	87	40	250,650	533,399
Communications and utilities:									
Communications	254,176	273,926	280,330	304,055	135,565	166,347	135,565	127,123	120,751
Electric, gas, and sanitary services	322,934	307,298	327,071	332,872	333,304	313,775	333,304	312,031	312,233
Wholesale trade	30,672	29,109	32,068	20,758	33,878	93,866	33,878	52,158	81,800
Retail trade:									
Building materials, hardware, garden supply and mobile home dealer	117,186	163,202	200,466	124,284	171,040	536,892	171,040	313,591	238,472
General merchandise stores	4,059	2,358	1,945	2,315	2,707	4,983	2,707	563	18,356
Food stores	179,582	193,625	185,175	175,913	67,873	172,155	67,873	11,855	22,709
Automotive dealers and gasoline service stations	15,418	8,978	20,593	31,297	96	32,037	96	233	1,000
Apparel and accessory stores	372,164	383,607	343,972	368,713	365,685	391,039	365,685	381,062	371,704
Furniture, home furnishings and equipment stores	362,430	341,511	342,268	229,535	207,781	207,781	293,969	206,491	97,512
Eating and drinking places	171,972	166,391	172,546	189,193	195,456	208,418	195,456	225,035	221,614
Miscellaneous retail	225,124	145,248	181,795	179,728	209,191	180,303	209,191	178,242	23,858
Finance, insurance, and real estate services:	135	454	207	5,209	9,323	6,417	9,323	11,134	16,237
Hotels and motels	-	-	-	-	-	-	-	-	-
Personal services	5,682	6,148	7,769	5,510	3,442	4,419	3,442	6,921	5,043
Business services	103,924	97,815	94,814	86,104	40,749	39,412	40,749	14,730	120,751
Automotive repair services and garages	128	675	698	672	279	1,450	279	77	625
Miscellaneous repair services	1,155	855	126	27	78	60	78	19	103
Motion pictures	203	816	856	1,146	1,757	1,781	1,757	915	-
Other services	399,901	423,188	412,970	434,457	471,676	460,302	471,676	251,942	169,808
Nonclassifiable establishments	2,556	15,358	4,500	12,951	23,101	32,901	23,101	-	47,681
	<u>\$ 2,640,866</u>	<u>\$ 2,621,155</u>	<u>\$ 2,686,756</u>	<u>\$ 2,539,461</u>	<u>\$ 2,417,964</u>	<u>\$ 2,889,518</u>	<u>\$ 2,417,964</u>	<u>\$ 2,422,629</u>	<u>\$ 2,505,195</u>

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

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Per Capita	Per Estimated Actual Property Values
	General Obligation Bonds	Judgment Payable	Notes Payable	Notes Payable	Government			
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	-	24,427	-	24,139,427	6,507	0.02	
2014	25,270,000	-	22,927	-	25,292,927	6,818	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
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
2014	3,710	126,437,054	25,270,000	918,294	24,351,706	19.26%	6,564

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

<u>Jurisdiction</u>	<u>Net (1) Debt Outstanding</u>	<u>Percentage (2) Applicable to City of Nichols Hills</u>	<u>Amount Applicable to City of Nichols Hills</u>
City of Nichols Hills	\$24,351,706	100.00%	\$24,351,706

(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								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 7,597,498	\$ 8,259,672	\$ 8,934,056	\$ 9,617,056	\$ 10,402,086	\$ 11,335,771	\$ 11,611,516	\$ 12,073,400	\$ 12,643,705
Total net debt applicable to limit	150,000	150,000	137,700	125,400	850,800	938,500	855,367	773,737	691,027
Legal debt margin	\$ 7,447,498	\$ 8,109,672	\$ 8,796,356	\$ 9,491,656	\$ 9,451,286	\$ 10,397,271	\$ 10,756,149	\$ 11,299,663	\$ 11,952,678
Total net debt applicable to the limit as a percentage of debt limit	1.87%	1.82%	1.54%	1.30%	8.14%	8.28%	7.37%	6.41%	5.47%

Legal Debt Margin Calculation for Fiscal Year 2014

Net assessed valuation	\$ 126,437,054
Debt limit (10% of total assessed value)	12,643,705
Debt applicable to limit:	25,270,000
General obligation bonds	(24,578,973)
Less: Street and public utility bonds outstanding	691,027
Total net debt applicable to limit	\$ 11,952,678

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
PLEGGED REVENUE COVERAGE
Last Ten Fiscal Years
TABLE 16**

Fiscal Year	Gross Revenues	Direct Operating Expenses	Net Revenue Available for		Maximum Annual Debt Service (\$)	Debt Service Coverage
			Debt Service	Debt Service		
2004	2,265,901	1,477,695	788,206	249,230	249,230	3.16
2005	2,155,594	1,153,590	1,002,004	249,230	249,230	4.02
2006	3,027,843	1,293,512	1,734,331	249,230	249,230	6.96
2007	2,637,702	1,369,987	1,267,715	249,230	249,230	5.09
2008	2,764,660	1,286,620	1,478,040	249,230	249,230	5.93
2009	2,655,600	1,275,427	1,380,173	249,230	249,230	5.54
2010	2,430,516	1,426,155	1,004,361	249,230	249,230	4.03
2011	3,630,725	1,478,840	2,151,885	249,230	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
2014	3,659,370	1,377,254	2,282,116	-	-	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	
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	300,100.00	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
2014	165	15,729,647	382,000	16,111,647	850,211,612

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

<u>Year</u>	<u>Population (1)</u>	<u>Median Age of Population (2)</u>	<u>School Enrollment (3) (in thousands)</u>	<u>Unemployment Rate (4)</u>
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	49.8	43	5.2%
2014	3,710	49.8	43	4.5%

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**

2014

<u>Employer</u>	<u>Product/Business</u>	<u>Rank</u>	<u>Employees</u>
Oklahoma City Golf & Country Club	Private Club	1	205
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	25
Coach House Restaurant	Restaurant	7	21
Saturn Grill	Restaurant	8	20
CK & Co.	Retail	9	13
Ruth Meyers	Retail	10	12
Totals			544

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 Nine 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	Fiscal Year 2014
General Government									
Buildings	1	1	1	1	1	1	1	1	1
Police									
Stations	1	1	1	1	1	1	1	1	1
Patrol units	4	4	4	4	4	4	4	4	4
Unmarked Units									
Motorcycles	1	1	0	0	0	0	0	0	0
Fire									
Stations	1	1	1	1	1	1	1	1	1
Trucks	2	2	2	2	2	2	2	2	2
Streets									
Street miles	29	29	29	29	29	29	29	29	29
Traffic signals	1	1	1	1	1	1	1	1	1
Parks and recreation									
Parks	34	34	34	34	34	34	34	34	34
Playgrounds	2	2	2	2	2	2	2	2	2
Baseball/softball diamonds	2	2	2	2	2	2	2	2	2
Soccer/football fields	1	1	1	1	1	1	1	1	1
Water									
Water mains (miles)	31	31	31	31	31	31	31	31	31
Fire hydrants	236	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	9,000,000
Wastewater									
Sanitary sewers (miles)	52	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 Nine 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	Fiscal Year 2014
General Government:									
City clerk	1	1	1	1	1	1	1	1	1
City treasurer	-	-	-	-	-	-	-	-	-
General government	6	6	6	6	5	5	6	6	6
Total General Government	7	7	7	7	6	6	7	7	7
Public Safety and Judiciary:									
City attorney	1	1	1	1	1	1	1	1	1
Police	21	21	21	21	21	21	21	21	22
Municipal court	2	2	2	2	2	2	2	2	2
Fire	14	14	14	14	14	14	14	14	14
Total Public Safety and Judiciary	38	39							
Transportation:									
Streets	2	2	2	2	2	2	2	2	2
Total Transportation	2								
Cultural, Parks and Recreation:									
Parks	2	2	2	2	2	2	2	1	1
Total Cultural, Parks and Recreation	2	1	1						
Public Works:									
Water and Sewer	11	11	11	10	10	10	10	10	10
Sanitation				9	9	9	10	10	10
Building and Code	2	2	2	2	2	2	2	2	1
Total Public Works	13	13	13	21	21	21	22	22	21

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 Nine Fiscal Years
TABLE 22

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety									
Police									
Number of Violations (Citations)	3,249	2,902	3,288	3,094	2,985	2,508	1,976	2,473	2,552
Fire									
Call Responses	613	678	633	444	438	589	528	539	544
Highways and Streets									
Asphalt Repairs (tons)	30	130	338	42	846	116	37	48	36
Cultures and Recreation									
Acreage	40	40	40	40	40	40	40	40	40
Water and Wastewater Operations									
Number of Water Consumers	1,869	1,878	1,844	1,883	1,871	1,870	1,885	1,944	1,879
Average Daily Water Consumption (millions of gallons)	2	1	1	1	2	2	2	1	1
Number of Sewer Consumers	1,850	1,855	1,844	1,844	1,851	1,849	1,865	1,944	1,863
Solid Waste Operations									
Refuse collected (cubic yards per day)	30	25	22	25	25	22	15	21	28
Active Refuse Accounts	1,877	1,891	1,953	1,964	1,879	1,828	1,885	1,944	1,838

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.

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CITY OF NICHOLS HILLS

**REPORT ON INTERNAL CONTROL
AND ON COMPLIANCE WITH
*GOVERNMENT AUDITING STANDARDS***

**FOR THE YEAR ENDED
JUNE 30, 2014**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 16, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Arledge & Associates, P.C.

December 16, 2014

CITY OF NICHOLS HILLS, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2014

Finding 13-1 Negative Fund Balance

Criteria: Oklahoma law prescribes that the City may not have a negative fund balance.

Condition: The City's Capital Improvement Fund reported a deficit fund balance of approximately \$1.1 million.

Cause: Controls were not sufficient to ensure that proceeds were placed in the Capital Improvement fund prior to the incurrence of liabilities in accordance with State law.

Recommendation: We recommend that the City put procedures in place to ensure that restricted or assigned funds be spent only for their intended purposes and that negative fund balances be monitored and spending constrained or that the City reimburse this fund from other sources.

City's Response: This condition was resolved in the current year.