

ANNUAL FINANCIAL REPORT

CITY OF NICOMA PARK, OKLAHOMA

**(INCLUDING THE NICOMA PARK
DEVELOPMENT AUTHORITY)**

FOR THE YEAR ENDED JUNE 30, 2013

**CITY OF NICOMA PARK
OKLAHOMA COUNTY, OKLAHOMA
FOR THE YEAR ENDED JUNE 30, 2013**

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**CITY OF NICOMA PARK
OKLAHOMA COUNTY, OKLAHOMA
FOR THE YEAR ENDED JUNE 30, 2013**

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Management Letter and Comments

Putnam & Company, PLLC
Certified Public Accountants
169 E. 32nd Street
Edmond, OK 73013
Telephone (405) 348-3800
Fax (405)348-3846

INDEPENDENT AUDITOR'S REPORT

Honorable Governing Board
City of Nicoma Park, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nicoma Park, Oklahoma (the City), as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the presentation and fair presentation of the 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 of 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 City'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 City'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.

Basis for Qualified Opinion

As discussed in Note 1, to the financial statements, the City has not maintained complete capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for our review. Also, the City has elected to not report depreciation on these capital assets. The amount by which this departure would affect assets, net position, and expenses of the Governmental and Business-Type Activities is not readily determinable.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nicoma Park, Oklahoma, as of June 30, 2013, and the respective changes in modified cash basis financial position and where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters**Supplementary and Other Information**

The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) and the GASB has determined is necessary to supplement, although not required to be a part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied by us, in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 11, 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.

Putnam & Company

Putnam & Company, PLLC
April 11, 2014

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF NICOMA PARK, OKLAHOMA
INCLUDING THE NICOMA PARK DEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS--MODIFIED CASH BASIS
JUNE 30, 2013**

	Governmental Activities	Business-Type Activities	Totals
CURRENT ASSETS			
Cash and Cash Equivalents	\$832,737	569,191	1,401,928
TOTAL ASSETS	832,737	569,191	1,401,928
CURRENT LIABILITIES			
Warrants Outstanding	\$62,212	23,887	86,099
Customer Deposits Payable		7,845	7,845
Long-Term Debt--Current Portion		92,231	92,231
Total Current Liabilities	62,212	123,963	186,175
NON-CURRENT LIABILITIES			
Long-Term Debt--Non-Current Portion		105,850	105,850
TOTAL LIABILITIES	62,212	229,813	292,025
NET ASSETS			
Restricted for Debt Service	3,732	197,012	200,744
Unrestricted	766,793	142,366	909,159
TOTAL NET ASSETS	770,525	339,378	1,109,903
TOTAL LIABILITIES AND NET ASSETS	\$832,737	569,191	1,401,928

The notes to the financial statements are an integral part of this statement.

**CITY OF NICOMA PARK, OKLAHOMA
INCLUDING THE NICOMA PARK DEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES--MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

FUNCTIONS/PROGRAMS:	Expenses	Program Revenue		Net (Expense) Revenue
		Charges For Services	Operating Grants	
Governmental Activities City of Nicoma Park	\$1,101,431	11,693	14,234	(1,075,504)
Business-Type Activities Nicoma Park Development Authority	154,968	182,851	4,876	32,759
Total Primary Government	\$1,256,399	194,544	19,110	(1,042,745)

CHANGES IN NET ASSETS:	Primary Government		
	Governmental Activities	Business Type Activities	Total
Net (Expense) Revenue	(1,075,504)	32,759	(1,042,745)
General Revenue			
Sales Taxes	682,962	170,565	853,527
Other Taxes	130,559		130,559
Interest	795	192	987
Other Income	193,900	6,085	199,985
Total General Revenue	(67,288)	209,601	142,313
Transfers--In (Out)	1,018	(2,400)	(1,382)
Change in Net Assets	(66,270)	207,201	140,931
Net Assets--Beginning	836,795	132,177	968,972
Net Assets--Ending	770,525	339,378	1,109,903

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

**CITY OF NICOMA PARK, OKLAHOMA
INCLUDING THE NICOMA PARK DEVELOPMENT AUTHORITY
COMBINED BALANCE SHEET
ALL FUND TYPES - MODIFIED CASH BASIS
AS OF JUNE 30, 2013**

	GOVERNMENTAL FUND TYPES		DEBT SERVICE	FIDUCIARY	PROPRIETARY	TOTAL (Memorandum Only)
	General Fund	Special Revenue Funds	FUND Sinking Fund	FUND TYPES Trust & Agency	FUND TYPES Enterprise Fund	
ASSETS						
Cash and Cash Equivalents	\$731,647	97,302	3,788	22,743	569,191	1,424,671
Total Assets	\$731,647	97,302	3,788	22,743	569,191	1,424,671
LIABILITIES AND FUND BALANCE						
Liabilities:						
Warrants Payable	\$60,126	2,086		1	23,887	86,100
Customers' Deposits Payable					7,845	7,845
OWRB SRF Note Payable					113,108	113,108
OWRB SRF Note Payable					14,973	14,973
OWRB FAP Note Payable					70,000	70,000
Total Liabilities	60,126	2,086	0	1	229,813	292,026
Fund Balance:						
Fund Balance	671,521	95,216	3,788	22,742		793,267
Retained Earnings					339,378	339,378
Total Fund Balance	671,521	95,216	3,788	8,743	339,378	1,132,645
Total Liabilities and Fund Balance	\$731,647	97,302	3,788	8,744	569,191	1,424,671

The notes to the financial statements are an integral part of this statement.

**CITY OF NICOMA PARK, OKLAHOMA
INCLUDING THE NICOMA PARK DEVELOPMENT AUTHORITY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	GOVERNMENTAL FUND TYPES			TOTALS
	General Fund	Debt Service Fund	Special Revenue Funds	(Memorandum Only)
REVENUES:				
Franchise Tax	97,283			97,283
Ad Valorem Tax		56		56
Sales Tax	682,962			682,962
Tobacco Tax	8,953			8,953
Alcoholic Beverage Tax	3,651			3,651
Use Tax	20,616			20,616
Licenses and Permits	12,758			12,758
Intergovernmental			32,885	32,885
Interest	739		56	795
Grants and Contracts	14,234			14,234
Fines and Forfeitures	84,254			84,254
Miscellaneous	75,696			75,696
Total Revenues	1,001,146	56	32,941	1,034,143
EXPENDITURES:				
Police Department	386,076			386,076
Fire Department	205,906			205,906
Municipal Court	88,546			88,546
Maintenance Department	31,088			31,088
General Government	361,113			361,113
Intergovernmental			36,260	36,260
Bank Service Charges	2,442			2,442
Total Expenditures	1,075,171	0	36,260	1,111,431
Revenues Over/(Under) Expenditures	(74,025)	56	(3,319)	(77,288)
OTHER FINANCING SOURCES/(USES):				
Transfers Among Funds			1,018	1,018
Deobligation of Prior Year Funds	10,000			10,000
Total Other Financing Sources/(Uses)	10,000	0	1,018	11,018
Revenues and Other Sources Over/(Under) Expenditures and Other Uses	(64,025)	56	(2,301)	(66,270)
Fund Balance, Beginning of Year	735,546	3,732	97,517	836,795
Fund Balance, End of Year	671,521	3,788	95,216	770,525

The notes to the financial statements are an integral part of this statement.

**CITY OF NICOMA PARK, OKLAHOMA
INCLUDING THE NICOMA PARK DEVELOPMENT AUTHORITY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
REVENUES:			
Franchise Taxes	81,701	97,283	15,582
Licenses and Permits	14,403	12,758	(1,645)
Sales Tax	601,088	682,962	81,874
Tobacco Tax	9,228	8,953	(275)
Alcoholic Beverage Tax	3,036	3,651	615
Use Tax		20,616	20,616
Interest	1,164	739	(425)
Grants and Contracts		14,234	14,234
Fines and Forfeitures	109,272	84,254	(25,018)
Miscellaneous	4,413	75,696	71,283
Total Revenues	<u>824,305</u>	<u>1,001,146</u>	<u>176,841</u>
EXPENDITURES :			
Police Department	486,328	386,076	100,252
Fire Department	309,538	205,906	103,632
Municipal Court	113,386	88,546	24,840
Maintenance Department	74,798	31,088	43,710
General Government	575,801	361,113	214,688
Bank Service Charges		2,442	(2,442)
Total Expenditures	<u>1,559,851</u>	<u>1,075,171</u>	<u>484,680</u>
Revenues Over/(Under) Expenditures	<u>(735,546)</u>	<u>(74,025)</u>	<u>661,521</u>
OTHER FINANCING SOURCES/(USES):			
Transfers Between Funds			0
Deobligation of Prior Year Funds		10,000	10,000
Total Other Financing Sources/(Uses)	<u>0</u>	<u>10,000</u>	<u>10,000</u>
Revenues and Other Sources Over/(Under) Expenditures and Other Uses	<u>(735,546)</u>	<u>(64,025)</u>	<u>671,521</u>
Fund Balance, Beginning of Year	<u>735,546</u>	<u>735,546</u>	<u>0</u>
Fund Balance, End of Year	<u><u>0</u></u>	<u><u>671,521</u></u>	<u><u>671,521</u></u>

The notes to financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

THE CITY OF NICOMA PARK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the City of Nicoma Park, Oklahoma relating to the funds included in the financial statements conform to generally accepted accounting principles of state and local governments, except as noted below. The following represents the more significant accounting and reporting policies and practices of the City:

(a) **Reporting Entity**

The City of Nicoma Park, for financial reporting purposes, includes funds and account groups over which the governing board exercises oversight authority.

INCLUDED ENTITIES

The Nicoma Park Development Authority is a public trust created under authority of and pursuant to the provisions of 60 O.S. Sections 176-180., for the use and benefit of the City of Nicoma Park, Oklahoma. The trust has as its purpose to develop, construct, plan, establish, install, enlarge, improve, maintain, equip, operate, control and regulate utility facilities whether water, sewage, gas, electric, or other forms or types of public and Municipal services within and without the corporate boundaries of the City of Nicoma Park. The Authority financed the construction of a sanitary sewer system which connects some residents into the Choctaw Utility Authority's sewer system. The City council functions as trustees of the Nicoma Park Development Authority.

(b) **Fund Accounting**

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, transfers, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the financial statements in this report, as follows:

THE CITY OF NICOMA PARK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

(b) Fund Accounting (continued)

Governmental Fund Types

General Fund - The General Fund is the principal fund of the City which accounts for all financial transactions not properly accounted for in other funds. This fund accounts for the general operating transactions of the City including police and fire protection, street repairs and maintenance, planning and development, and administration.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Special revenue funds include:

Street and Alley - Established to account for revenues received from gasoline excise and commercial vehicle tax, and expenditures made for street maintenance and operations, and capital outlay.

Municipal Park - Used to keep tract of funds designated for a city park.

Police Warrant - Accounts for forty percent (40%) of citations collected by police officers.

Capital Projects Fund - The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt and related costs.

THE CITY OF NICOMA PARK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

(b) Fund Accounting (continued)

Proprietary Fund Types

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. This fund includes the Nicoma Park Development Authority.

Fiduciary Funds

Fiduciary funds are trust or agency funds used to account for assets held by the City in a trustee capacity or as an agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

Fiduciary fund types include:

Agency Funds - Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. They are custodial in nature and do not involve measurement of results of operations.

Agency funds include:

Municipal Court - The municipal court fund accounts for the collection and refund or forfeiture of municipal court bonds.

THE CITY OF NICOMA PARK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

(c) Basis of Accounting

The modified cash basis of accounting is followed. Revenues are recorded when received rather than when earned. Expenditures are basically recorded when paid, however, outstanding encumbrances, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation.

This method of accounting is a comprehensive basis of accounting which differs from the method required under generally accepted accounting principles. Generally accepted accounting principles for municipalities require that the modified accrual basis of accounting be followed.

(d) Total (Memorandum Only)

The combined financial statements have "Total (Memorandum Only)" columns. These columns do not purport to present the consolidated financial position of the City of Nicoma Park, Oklahoma. All significant inter-fund transactions would be eliminated and other adjustments would be made in the preparation of consolidated financial statements.

(e) Budget

The City's budget represents appropriations originally authorized and any subsequent revisions that were officially adopted during the fiscal year. The City's budget is also prepared under the modified cash basis of accounting. In accordance with Oklahoma law, all remaining unexpended appropriations lapse at year end.

(f) Compensated Absences

The City records vacation and sick leave expenditures only at the time such leave is actually paid.

(2) DEPOSITS, INVESTMENTS, AND COLLATERAL

The City is statutorily limited to investing public funds in insured checking accounts, certificates of deposit, insured savings accounts, savings certificates and U.S. or Oklahoma government obligations. The City is also required to secure collateral for invested funds in excess of amounts insured by the Federal Deposit Insurance Corporation or Federal Savings & Loan Insurance Corporation. Acceptable collateral is primarily limited to federal, state and local government obligations.

THE CITY OF NICOMA PARK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

(2) **DEPOSITS, INVESTMENTS, AND COLLATERAL** (continued)

Custodial Credit Risk - The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct debt obligations of the state, municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2013, the City was not exposed to custodial credit risk as defined above.

Investment Credit Risk – The City's investment policy limits investments to those allowed in state law applicable to school districts as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

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. 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's investment policy limits investments to those with short-term maturities, as a means of managing exposure to fair value losses arising from increasing interest rates. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments.

THE CITY OF NICOMA PARK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

(2) **DEPOSITS, INVESTMENTS, AND COLLATERAL** (continued)

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 percent 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's investment policy requires diversification of investments. At June 30, 2013, the City had no concentration of credit risk as defined above.

(3) **LONG-TERM DEBT**

The City of Nicoma Park and its component unit have Long-Term Debt as noted in the following paragraphs.

Note payable to Oklahoma Water Resources Board, dated August 25, 1995, in the amount of \$850,000 for the OWRB Finance Assistance Program (FAP), payable in annual installments through September 1, 2013, with interest from 3.90% to 6.02%, secured by the sewer system \$ 70,000

Note payable to Oklahoma Water Resources Board, dated August 15, 1994, in the amount of \$568,960 for the OWRB State Revolving Fund Financing Program (SRF), payable in semi-annual installments of \$14,973, plus an annual .5% administrative fee based on the outstanding balance, secured by the sewer system \$ 14,973

Note payable to Oklahoma Water Resources Board, dated March 15, 2012, in the amount of \$125,000. for the OWRB State Revolving Fund Financing Program (SRF), payable in semi-annual installments of \$4,882, plus an annual .5% administrative fee based on the outstanding balance, The Interest rate is 1.72%. This obligation continues through September 15, 2026, secured by the sewer system. \$ 113,108

Long-term debt transactions, for the year ended June 30, 2013, and changes therein were as follows:

Notes Payable - OWRB - FAP	
Balance, July 1, 2012	\$ 140,000
Additions	0
Retirements	<u>70,000</u>
Balance, June 30, 2013	\$ <u>70,000</u>

THE CITY OF NICOMA PARK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

(3) **LONG-TERM DEBT** (continued)

Notes Payable - OWRB - SRF-	
Balance, July 1, 2012	\$ 44,918
Additions	0
Retirements	<u>29,945</u>
Balance, June 30, 2013	<u>\$ 14,973</u>

Notes Payable - OWRB - SRF-	
Balance, July 1, 2012	\$ 120,205
Additions	0
Retirements	<u>7,097</u>
Balance, June 30, 2013	<u>\$ 113,108</u>

Annual payments required to amortize the OWRB notes payable obligations next year, and incrementally thereafter, are as follows:

<u>Year Ending June 30,</u>	<u>FAP Note</u>		<u>SRF Note</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013-2014	70,000	2,107	22,231	1,979
2015-2026			<u>105,850</u>	<u>12,548</u>
	<u>\$ 70,000</u>	<u>2,107</u>	<u>128,081</u>	<u>14,527</u>

(4) **PENSION AND RETIREMENT PLANS**

All police personnel participate in the Statewide Oklahoma State Police Pension and Retirement System. Plan members are required to contribute 8.0% of their annual covered salary and the City of Nicoma Park contributes 13.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the state legislature.

THE CITY OF NICOMA PARK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

All firefighters participate in the Statewide Oklahoma Firefighter's Pension and Retirement System. Plan members are required to contribute 8.0% of their annual covered salary and the City of Nicoma Park contributes 13.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the State legislature.

Historical trend information is presented in annual reports for these retirement systems. This information is useful in assessing a pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

(5) **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. Accordingly, the City purchases commercial insurance to reduce its risk of loss. Also, all personnel responsible for custody of cash were bonded during the fiscal year.

(6) **COMMITMENTS AND CONTINGENT LIABILITIES**

The financial statements do not include any provision for loss contingencies resulting from litigation. Under applicable Oklahoma statutes, cities generally establish a sinking fund to satisfy legal judgments rendered against them. Tax revenues are then specifically assessed for payment of these claims which have been reduced to judgment. Such claims are generally paid through these special tax assessments over a three (3) year period.

In 1991 the Nicoma Park Development Authority entered into an agreement with the Choctaw Utilities Authority (CUA) whereby the CUA provides wastewater treatment service to the Authority. A condition of the agreement was that the Authority maintains an interest-bearing account with a minimum deposit of \$22,700 in the event that the Authority failed to make its monthly payment for services to the CUA at any time during the duration of the agreement.

(7) **SUSEQUENT EVENTS**

Subsequent events have been evaluated through April 11, 2014, which is the date the financial statements were issued.

**CITY OF NICOMA PARK, OKLAHOMA
GENERAL FUND
SCHEDULE OF REVENUES BY SOURCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE OVER/ (UNDER)</u>
TAXES:			
Franchise Taxes	\$81,701	97,283	15,582
LICENSES AND PERMITS			
	14,403	12,758	(1,645)
INTERGOVERNMENTAL:			
Alcoholic Beverage Tax	3,036	3,651	615
Sales Tax	601,088	682,962	81,874
Tobacco Tax	9,228	8,953	(275)
Charges for Services		11,693	11,693
Use Tax		20,616	20,616
Total Intergovernmental	613,352	727,875	114,523
INTEREST			
	1,164	739	(425)
FINES AND FORFEITURES:			
Police Fines	109,272	84,254	(25,018)
MISCELLANEOUS:			
Grants & Contracts		14,234	14,234
Sale of Property		16,600	16,600
Royalties		2,811	2,811
Other Revenue Collections	4,413	44,592	40,179
Total Miscellaneous	4,413	78,237	73,824
TOTAL REVENUES	<u>\$824,305</u>	<u>1,001,146</u>	<u>176,841</u>

The notes to the financial statements are an integral part of this statement.

**THE CITY OF NICOMA PARK, OKLAHOMA
SCHEDULE OF EXPENDITURES BY CLASSIFICATION
BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE - FAVORABLE/ (UNFAVORABLE)
MUNICIPAL COURT			
Personal Services	\$81,786	75,005	6,781
Maintenance and Operation	18,800	12,481	6,319
Capital Outlay	4,800	1,060	3,740
Intergovernmental	8,000		8,000
Total Municipal Court	<u>113,386</u>	<u>88,546</u>	<u>24,840</u>
GENERAL GOVERNMENT			
Personal Services	141,951	130,717	11,234
Maintenance and Operation	132,750	48,728	84,022
Capital Outlay	33,000	11,001	21,999
Intergovernmental	193,600	170,667	22,933
Other	74,500		74,500
Total General Government	<u>575,801</u>	<u>361,113</u>	<u>214,688</u>
POLICE DEPARTMENT			
Personal Services	314,923	273,323	41,600
Maintenance and Operation	107,085	78,109	28,976
Capital Outlay	38,570	24,544	14,026
Intergovernmental	1,000	350	650
Other	24,750	9,750	15,000
Total Police Department	<u>486,328</u>	<u>386,076</u>	<u>100,252</u>
FIRE DEPARTMENT			
Personal Services	170,138	135,727	34,411
Maintenance and Operation	59,290	45,596	13,694
Capital Outlay	35,000	15,114	19,886
Intergovernmental	600	572	28
Other	44,510	8,897	35,613
Total Fire Department	<u>309,538</u>	<u>205,906</u>	<u>103,632</u>
MAINTENANCE DEPARTMENT			
Personal Services	40,698	19,696	21,002
Maintenance and Operation	31,100	11,392	19,708
Other	3,000		3,000
Total Maintenance Department	<u>74,798</u>	<u>31,088</u>	<u>43,710</u>
TOTALS	<u><u>\$1,559,851</u></u>	<u><u>1,072,729</u></u>	<u><u>487,122</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF NICOMA PARK, OKLAHOMA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
AS OF JUNE 30, 2013

	STREET AND ALLEY FUND	POLICE WARRANT FUND	CDBG FUND	POLICE TRAINING FUND	JUVENILE COURT	FIREWORKS FUND	SENIOR MEALS FUND	TOTALS (Memorandum Only)
ASSETS								
Cash and Cash Equivalents	\$40,602	9,836	25,791	7,261	5,647	4,941	3,224	97,302
Total Assets	\$40,602	9,836	25,791	7,261	5,647	4,941	3,224	97,302
LIABILITIES AND FUND BALANCE								
Liabilities:								
Warrants Outstanding	\$1,811			275			0	2,086
Reserved for Encumbrances								0
Total Liabilities	1,811	0	0	275	0	0	0	2,086
Fund Balance	38,791	9,836	25,791	6,986	5,647	4,941	3,224	95,216
Total Liabilities and Fund Balance	\$40,602	9,836	25,791	7,261	5,647	4,941	3,224	97,302

The notes to the financial statements are an integral part of this statement.

**CITY OF NICOMA PARK, OKLAHOMA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	STREET AND ALLEY FUND	POLICE WARRANT FUND	CDBG FUND	POLICE TRAINING FUND	JUVENILE COURT	FIREWORKS FUND	SENIOR MEALS FUND	TOTALS (Memorandum Only)
REVENUES:								
Intergovernmental:								
Gasoline Tax	\$2,677							2,677
Motor Vehicle Tax	17,264							17,264
Warrant Fund Collections		111						111
Lien Collections	1,278							1,278
Miscellaneous				1,710	398	3,650	5,797	11,555
Total Intergovernmental	21,219	111	0	1,710	398	3,650	5,797	32,885
Interest	34		21	0	0	1	0	56
Total Revenues	21,253	111	21	1,710	398	3,651	5,797	32,941
EXPENDITURES:								
Maintenance and Operations	22,936	2,481		626	1,123	3,509	5,585	36,260
Total Expenditures	22,936	2,481	0	626	1,123	3,509	5,585	36,260
Revenues Over/(Under) Expenditures	(1,683)	(2,370)	21	1,084	(725)	142	212	(3,319)
OTHER FINANCING SOURCES/(USES):								
Transfer (To) / From Other Funds	(1,382)	0	2,400	0	0		0	1,018
Deobligation of Prior Year Obligations								0
Total Other Financing Sources/(Uses)	(1,382)	0	2,400	0	0	0	0	1,018
Revenues and Other Sources Over/(Under) Expenditures and Other Uses	(3,065)	(2,370)	2,421	1,084	(725)	142	212	(2,301)
Fund Balance - Beginning of Year	41,856	12,206	23,370	5,902	6,372	4,799	3,012	97,517
Fund Balance - End of Year	\$38,791	9,836	25,791	6,986	5,647	4,941	3,224	95,216

The notes to the financial statements are an integral part of this statement.

**NICOMA PARK DEVELOPMENT AUTHORITY
ENTERPRISE FUND
COMBINING BALANCE SHEET
MODIFIED CASH BASIS
AS OF JUNE 30, 2013**

ASSETS

Cash and Cash Equivalents	<u>\$569,191</u>
Total Assets	<u><u>\$569,191</u></u>

LIABILITIES AND RETAINED EARNINGS

Liabilities:

Warrants Payable	\$23,887
Customers' Deposits Payable	7,845
OWRB SRF Note Payable	113,108
OWRB SRF Note Payable	14,973
OWRB FAP Note Payable	<u>70,000</u>
Total Liabilities	<u>229,813</u>
Retained Earnings	<u>339,378</u>
Total Liabilities and Retained Earnings	<u><u>\$569,191</u></u>

The notes to the financial statements are an integral part of this statement.

**NICOMA PARK DEVELOPMENT AUTHORITY
ENTERPRISE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

OPERATING REVENUES:

Charges for Services:	
Sewer Revenue	\$142,154
Stormwater Fees	7,510
Garbage Collection	18,437
Water Revenues	14,544
Other Collections	206
Total Charges for Services	<u>182,851</u>
Taxes:	
Sales Tax	<u>170,565</u>
Miscellaneous:	
Rents	6,000
Credit Card Fee Collections	313
Refunds	(228)
Grants and Contracts	4,876
Interest Income	192
Total Miscellaneous	<u>11,153</u>
Total Operating Revenues	364,569
<u>OPERATING EXPENDITURES:</u>	
Maintenance & Operations	<u>154,968</u>
Operating Revenues Over (Under) Operating Expenditures	209,601
OTHER FINANCING SOURCES (USES):	
Transfer to CDBG	<u>(2,400)</u>
Revenues and Other Sources Over/(Under) Expenditures and Other Uses	207,201
Retained Earnings, Beginning of Year	<u>132,177</u>
Retained Earnings, End of Year	<u><u>\$339,378</u></u>

The notes to the financial statements are an integral part of this statement.

Exhibit C-3

**CITY OF NICOMA PARK, OKLAHOMA
INCLUDING THE NICOMA PARK DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS - ENTERPRISE FUND TYPE
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

Cash Flows from Operating Activities:	
Net Income (Loss) from Operations	<u>\$209,601</u>
Cash Flows From Non-Capital Financing Activities:	
Transfers in (out)	<u>(2,400)</u>
Cash Flows from Capital and Related Financing Activities:	
Decrease in Long-Term Debt	(107,042)
increase in Warrant Payable	5,043
Decrease in Customer Deposits Payable	<u>(903)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(102,902)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	104,299
Cash and Cash Equivalents, June 30, 2012	<u>464,892</u>
Cash and Cash Equivalents, June 30, 2013	<u><u>\$569,191</u></u>

The notes to the financial statements are an integral part of this statement.

**THE CITY OF NICOMA PARK, OKLAHOMA
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
TRUST AND AGENCY FUND
JUNE 30, 2013**

	<u>MUNICIPAL COURT FUND</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
<u>ASSETS</u>		
Cash, including time deposits	<u>\$22,743</u>	<u>22,743</u>
Total Assets	<u>\$22,743</u>	<u>22,743</u>
<u>LIABILITIES AND FUND EQUITY</u>		
Liabilities:		
Warrants Outstanding	<u>\$1</u>	<u>1</u>
Fund Balance:		
Unreserved	<u>22,742</u>	<u>22,742</u>
Total Liabilities and Fund Equity	<u>\$22,743</u>	<u>22,743</u>

See accompanying letter and notes to financial statements.

**THE CITY OF NICOMA PARK, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCE
TRUST AND AGENCY FUND - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

	MUNICIPAL COURT FUND	TOTAL (MEMORANDUM ONLY)
REVENUE:		
Fines	\$76,021	76,021
Court Bonds	26,468	26,468
Credit Card Fees	36	36
Refunds	(806)	(806)
	<u>101,719</u>	<u>101,719</u>
Total Revenue		
EXPENDITURES:		
Maintenance and Operation	6,797	6,797
	<u>6,797</u>	<u>6,797</u>
Total Expenditures		
REVENUE IN EXCESS OF EXPENDITURES	<u>94,922</u>	<u>94,922</u>
OTHER FINANCING SOURCES (USES):		
Transfers Among Funds	(80,922)	
	<u>(80,922)</u>	
TOTAL OTHER FINANCING SOURCES (USES):	<u>(80,922)</u>	<u>(80,922)</u>
REVENUE IN EXCESS OF EXPENDITURES AND OTHER FINANCING SOURCES (USES) :	<u>14,000</u>	<u>14,000</u>
FUND BALANCE, BEGINNING OF YEAR	<u>8,743</u>	<u>8,743</u>
FUND BALANCE, END OF YEAR	<u><u>\$22,743</u></u>	<u><u>22,743</u></u>

See accompanying letter and notes to financial statements.

**REPORTS REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS**

**CITY OF NICOMA PARK, OKLAHOMA
 (INCLUDING THE NICOMA PARK DEVELOPMENT AUTHORITY)
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 2013**

	<u>CFDA Number</u>	<u>Program or Award Amount</u>	<u>Beginning Balance at July 1, 2012</u>	<u>Federal Receipts</u>	<u>Federal Expenditures</u>	<u>Ending Balance at June 30, 2013</u>
<u>U.S. Department of Homeland Security--FEMA</u>						
Passed Thru the Oklahoma Office of Homeland Security						
Installation/Replacement of Cameras and Access Controls						
	97.008	<u>\$9,750</u>	<u></u>	<u>9,750</u>	<u>9,750</u>	<u>0</u>

The accompanying notes to the financial statements are an integral part of this statement.

Putnam & Company, PLLC
Certified Public Accountants
169 E. 32nd Street
Edmond, OK 73013
Telephone (405) 348-3800
Fax (405)348-3846

**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**

Honorable Governing Board
City of Nicoma Park, 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 of the City of Nicoma Park, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Nicoma Park's basic financial statements and have issued our report thereon dated April 11, 2014. The report on the City was qualified due to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Management Discussion and Analysis is not presented as required by the Governmental Accounting Standards Board.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Nicoma Park'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 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 intended solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

Putnam & Company

Putnam & Company, PLLC

April 11, 2014

MANAGEMENT LETTER AND COMMENTS

PUTNAM & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

169 E. 32ND

EDMOND, OKLAHOMA 73013

(405) 348-3800

FAX (405) 348-3846

April 11, 2014

Honorable Governing Board
City of Nicoma Park, Oklahoma

We have audited financial statements of the City of Nicoma Park, including the Nicoma Park Development Authority, as of and for the year ended June 30, 2013, as listed in the table of contents, and have issued our report thereon dated April 11, 2014. As a part of our audit, we made a study and evaluation of the City's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and we do not express such an opinion.

However, during our audit we became aware of some matters that, while not involving material weaknesses in internal accounting control, are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated April 11, 2014, on the financial statements of the City of Nicoma Park.

We will review the status of these comments during our next audit engagement. We would be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

We also wish to express our appreciation of the courteous attention and cooperation which we received from staff members during our engagement.

Sincerely,



Jerry W. Putnam, CPA

PUTNAM & COMPANY, PLLC

**CITY OF NICOMA PARK
OKLAHOMA COUNTY, OKLAHOMA
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

PRIOR YEAR'S COMMENTS AND RECOMMENDATIONS:

Corrective action has been taken by the City with regard to the prior year's comments.

CURRENT YEAR'S COMMENTS AND RECOMMENDATIONS:

PURCHASE ORDERS AND RELATED DOCUMENTATION

We reviewed purchase orders and related payment documentation on a sample basis. Our testing indicated that the City's payment documentation was very good. Also, the City's staff was able to resolve any questions we presented with respect to those samples by providing additional information and/or additional documentation, as necessary.

CITY'S RESPONSE TO AUDIT COMMENTS AND RECOMMENDATIONS

The City has received the findings and recommendations above and will to continue to review current procedures in order to implement any necessary changes.