



CITY OF NICHOLS HILLS, OKLAHOMA

ANNUAL COMPREHENSIVE FINANCIAL REPORT
AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

CITY OF NICHOLS HILLS, OKLAHOMA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

Prepared By:
City of Nichols Hills Department of Finance

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

December 9, 2022

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 Annual Comprehensive Financial Report (hereafter referred to as ACFR) of the City of Nichols Hills for the fiscal year ended June 30, 2022. 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 11-16 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 ACFR.

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

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

The General fund, Street & Alley fund, E-911 fund, Debt Service fund, Health Insurance fund, and Capital Project funds adopt annual budgets. The GO bond fund adopts budgets by project. The City Manager's proposed operating budget for the fiscal year commencing the following July 1 is submitted to the City Council prior to June 1. A public hearing is held prior to June 15 to obtain citizen comments. Subsequent to the public hearing but not later than seven days prior to July 1, the budget is adopted by resolution of the City Council. The adopted budget is filed with the Office of State Auditor and Inspector. The appropriated budget is prepared by fund, function and department. All supplemental appropriations require City Council approval. The City Manager may transfer appropriations between departments without City Council approval. Supplemental appropriations must also be filed with the Office of the State Auditor and Inspector.

The City maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. The commitments will be honored during the subsequent year.

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 City being residential in nature. The two major sources of operational income are sales tax and water revenues. The City ended the fiscal year with a 25% increase in sales tax revenue from prior year. Use tax increased 15% from the prior fiscal year. In the upcoming fiscal year, the City will be working to increase sales tax revenue by promoting local businesses to occupants of a newly constructed hotel located outside the City's corporate limits, but adjacent to one of the City's primary retail districts. This will be accomplished by completion of construction of a pedestrian crosswalk between the hotel and the City's retail plaza.

Water sales continue to be good at rounding out our income sources. Water revenue increased by 17.8% from the prior year. The City of Nichols Hills was fortunate to not have a significant decrease in utility collections during the pandemic.

Major Initiatives

The City of Nichols Hills will continue use of General Obligation Bonds to improve infrastructure. Street repair, water improvements, a Fire Department Ladder truck, and training tower for will be the major projects for the 2023 General Obligation Bond issue, as well as a sanitary sewer improvements, police vehicles, technology improvements, public works improvements, and park improvements.

Independent Audit

The financial statements of the City and its component units for the fiscal year ended June 30, 2022, 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 Annual Comprehensive Financial Report (ACFR) for the fiscal years ended June 30, 1997 through 2021. 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 Annual Comprehensive Financial Report, the contents of which conform to program standards. The ACFR 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, Finley & Cook, PLLC 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 2021-22 ACFR.

Respectfully submitted,



S. Shane Pate II

CITY OF NICHOLS HILLS, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

JUNE 30, 2022

City Council

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

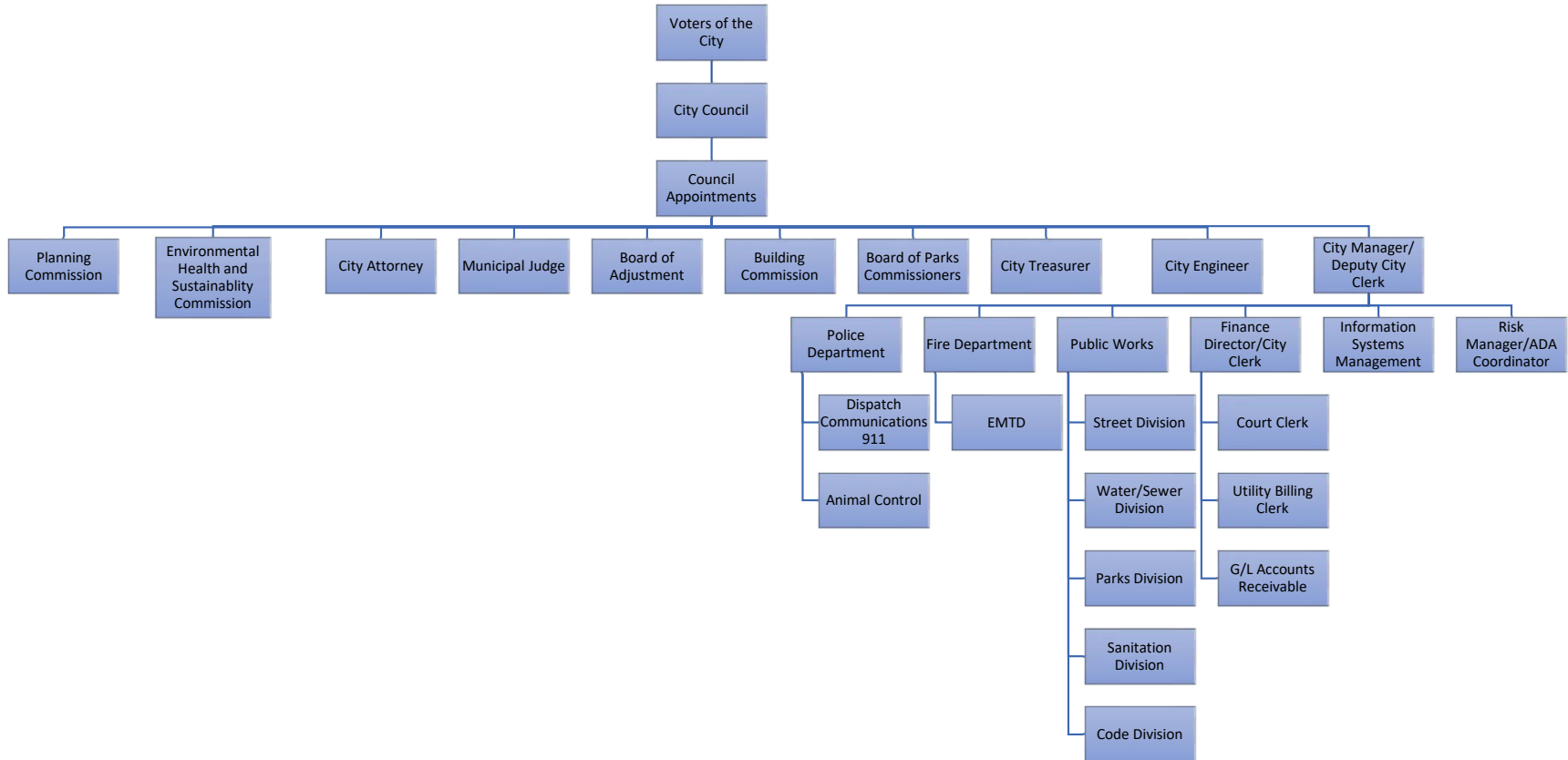
Administration

S. Shane Pate II	City Manager
Amanda Copeland	City Clerk
Sherry Dickson	Assistant City Clerk
Johnson Hightower	City Treasurer
John Michael Williams	City Attorney
Lindy Hough	Risk Manager
Randy Lawrence	Director of Public Works
Aaron Buckman	Deputy Public Works Director
Kevin Boydston	Fire Chief
Kenny Reyes	Assistant Fire Chief
Steven Cox	Police Chief
Casey Nix	Assistant Police Chief
Neil Gray	Information Systems Manager

Finance Department

Amanda Copeland	Finance Director
Sherry Dickson	Assistant Finance Director
Nikki Brown	Court Clerk
Rachel Gerber	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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nichols Hills, Oklahoma (the "City") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis, the budgetary comparison schedule—general fund, the schedule of share of net pension liability (asset)—Oklahoma Police Pension and Retirement System, the schedule of City contributions—Oklahoma Police Pension and Retirement System, the schedule of share of net pension liability—Oklahoma Firefighters Pension and Retirement System, the schedule of City contributions—Oklahoma Firefighters Pension and Retirement System, the schedule of changes in net pension liability (asset) and related ratios—Oklahoma Municipal Retirement Fund, the schedule of employer contributions—Oklahoma Municipal Retirement Fund, and the schedule of changes in total OPEB liability and related ratios on pages 11–16 and pages 58–68, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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, 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.

Supplementary 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 combining schedules—general fund accounts, combining statements of non-major governmental funds, budgetary comparison schedule—non major governmental funds, budgetary comparison schedule—major governmental funds, combining schedules—enterprise fund accounts, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022, 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.

Finley + Cook, PLLC

Shawnee, Oklahoma
December 8, 2022

CITY OF NICHOLS HILLS, OKLAHOMA
MANAGEMENT'S DISCUSSION & ANALYSIS
For the fiscal year ended June 30, 2022

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, 2022. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2022, the City's total net position increased by \$6,634,426 or 21% from the prior year.
- During the year, the City's expenses for governmental activities totaled \$12,183,332 and were funded by program revenues of \$5,983,812 and other general revenues and transfers that totaled \$12,494,628. This resulted in an increase in governmental activities net position of \$6,295,108. The increase is due to pension plan activity, grant proceeds, and increased sales tax revenue.
- The City's business-type activities reported revenues of \$4,957,311 and expenses and transfers of \$4,617,993 resulting in an increase in net position of \$339,318
- At June 30, 2022, the General Fund reported an unassigned fund balance of \$4,004,180, which is an increase from the prior year due in part to an increase in sales and use tax revenue and grant revenue.
- For budgetary reporting purposes, the General Fund reported resources available for appropriation over final of estimates of \$2,372,254, or 16.9%, while expenditures were under the final appropriations by \$205,992 or 1.8%.

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, expenses and deferrals 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, deferred outflows, liabilities and deferred inflows – 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:

CITY OF NICHOLS HILLS, OKLAHOMA
MANAGEMENT'S DISCUSSION & ANALYSIS
For the fiscal year ended June 30, 2022

- Governmental activities -- Most of the City's basic services are reported here, including the police, fire, general administration, streets, sanitation, and parks. Sales taxes, franchise fees, fines, charges for services, and state and federal grants finance most of these activities.
- Business-type activities -- For these activities, the City charges a fee to customers to help cover all or most of the cost of the services it provides. The City's water and wastewater utilities are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's combined net position increased from \$31.6 million to \$38.2 million between fiscal years 2021 and 2022. Looking at the net position of governmental and business-type activities separately, total net position of the governmental activities increased \$6,295,108 and business-type activities increased \$339,318.

The increase in governmental current assets is due to the increase in net pension assets, General Fund investments, and unspent Park donation proceeds. Deferred outflows of resources decreased and deferred inflows of resources increased in both Governmental and Business-type Activities due to changes in assumptions in the three pension plans. The increase in Governmental net investment in capital assets is due to street projects and Fire Station additions in the current year. The increase in governmental unrestricted net position is due to an increase in sales and use tax, unrestricted grant revenue and an increase in transfers from business-type activities. Business-type activities current assets and unrestricted net position increased due to increased cash and investments and an increase in net pension assets.

CITY OF NICHOLS HILLS, OKLAHOMA
MANAGEMENT'S DISCUSSION & ANALYSIS
For the fiscal year ended June 30, 2022

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2022	2021		2022	2021		2022	2021	
Current assets	\$ 30,437,366	\$ 22,892,972	33%	\$ 5,142,187	\$ 4,024,284	28%	\$ 35,579,553	\$ 26,917,256	32%
Capital assets, net	33,788,547	29,259,744	15%	17,656,396	17,992,565	-2%	51,444,943	47,252,309	9%
Total assets	64,225,913	52,152,716	23%	22,798,583	22,016,849	4%	87,024,496	74,169,565	17%
Deferred outflows of resources	1,974,910	2,527,936	-22%	79,244	144,017	-45%	2,054,154	2,671,953	-23%
Long-term debt outstanding	38,995,008	39,082,780	-0.2%	191,950	192,902	0%	39,186,958	39,275,682	0%
Other liabilities	5,925,268	5,259,781	13%	160,325	138,039	16%	6,085,593	5,397,820	13%
Total liabilities	44,920,276	44,342,561	1%	352,275	330,941	6%	45,272,551	44,673,502	1%
Deferred inflows of resources	5,191,320	543,972	854%	388,657	32,347	1102%	5,579,977	576,319	868%
Net position									
Net investment in capital assets	7,816,642	5,754,593	36%	17,640,226	17,975,559	-2%	25,456,868	23,730,152	7%
Restricted	2,433,174	2,314,947	5%	-	-		2,433,174	2,314,947	5%
Unrestricted	5,839,411	1,724,579	239%	4,496,669	3,822,019	18%	10,336,080	5,546,598	86%
Total net position	\$ 16,089,227	\$ 9,794,119	64%	\$ 22,136,895	\$ 21,797,578	2%	\$ 38,226,122	\$ 31,591,697	21%

Change in Net Position

For the year ended June 30, 2022, net position of the primary government changed as follows:

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2022	2021		2022	2021		2022	2021	
Revenues									
Program revenues - Charges for services	\$ 2,536,484	\$ 2,589,458	-2%	\$ 4,933,671	\$ 4,344,520	14%	\$ 7,470,155	\$ 6,933,978	8%
Program revenues - Other	3,447,328	868,406	297%	-	-		3,447,328	868,406	297%
Taxes and other general revenues:									
Taxes	11,092,288	10,271,752	8%	-	-		11,092,288	10,271,752	8%
Intergovernmental	10,488	11,020	-5%	-	-		10,488	11,020	-5%
Investment income	110,785	66,747	66%	11,098	5,221	113%	121,883	71,968	69%
Miscellaneous	487,925	358,279	36%	12,542	24,571	-49%	500,467	382,850	31%
Total revenues	17,685,298	14,165,662	25%	4,957,311	4,374,312	13%	22,642,609	18,539,974	22%
Expenses									
General government	2,841,304	2,833,696	0.3%	-	-		2,841,304	2,833,696	0%
Public safety	5,157,852	6,511,943	-21%	-	-		5,157,852	6,511,943	-21%
Highways and streets	1,528,390	2,403,820	-36%	-	-		1,528,390	2,403,820	-36%
Culture and recreation	431,599	440,212	-2%	-	-		431,599	440,212	-2%
Public works	1,415,611	1,754,432	-19%	-	-		1,415,611	1,754,432	-19%
Interest on long-term debt	808,576	978,791	-17%	-	-		808,576	978,791	-17%
Water	-	-		2,674,392	2,697,650	-1%	2,674,392	2,697,650	-1%
Wastewater	-	-		1,150,459	1,175,985	-2%	1,150,459	1,175,985	-2%
Total expenses	12,183,332	14,922,894	-18%	3,824,851	3,873,635	-1%	16,008,183	18,796,529	-15%
Excess (deficiency) before transfers	5,501,966	(757,232)	-827%	1,132,460	500,677	126%	6,634,426	(256,555)	-2686%
Transfers	793,142	1,287,436	-38%	(793,142)	(1,287,436)	-38%	-	-	
Change in net position	6,295,108	530,204	1087%	339,318	(786,759)	-143%	6,634,426	(256,555)	-2686%
Beginning net position	9,794,119	9,263,915		21,797,577	22,584,337		31,591,696	31,848,252	
Ending net position	\$ 16,089,227	\$ 9,794,119		\$ 22,136,895	\$ 21,797,577		\$ 38,226,122	\$ 31,591,697	

The increase in other program revenues is due to grant and donation revenue in the current year. Investment income increased due to interest rates increasing during the year. Governmental miscellaneous revenue increased due to insurance proceeds for a damaged fire truck. Public safety expenses decreased due to changes in pension plans. Highways and streets and Public Works expenses decreased due to ice storm clean up expenses in the prior year. Transfers changed in the current year due to Business-type activity projects from GO Bonds.

**CITY OF NICHOLS HILLS, OKLAHOMA
MANAGEMENT'S DISCUSSION & ANALYSIS**

For the fiscal year ended June 30, 2022

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.

Net Revenue (Expense) of Governmental Activities

	Total Expense of Services	Net Revenue (Expense) of Services	Total Expense of Services	Net Revenue (Expense) of Services
	2022	2022	2021	2021
General government	\$2,841,304	(\$843,089)	\$2,833,696	(\$2,070,338)
Public safety	5,157,852	(4,022,090)	6,511,943	(5,217,301)
Highways and streets	1,528,390	(1,387,840)	2,403,820	(2,258,621)
Culture and recreation	431,599	1,068,401	440,212	(430,336)
Public works	1,415,611	(206,326)	1,754,432	(509,643)
Interest on long-term debt	808,576	(808,576)	978,791	(978,791)
Total	\$12,183,332	(\$6,199,520)	\$14,922,894	(\$11,465,030)

For the year ended June 30, 2022, total expenses for governmental activities amounted to approximately \$12.2 million. Of these total expenses, the program revenues funded \$5.98 million through service charges and grants and other contributions, while taxpayers, transfers, and other general revenues funded the remainder of \$6.2 million.

Business-Type Activities

Net Revenue (Expense) of Business-Type Activities

	Total Expense of Services	Net Revenue (Expense) of Services	Total Expense of Services	Net Revenue (Expense) of Services
	2022	2022	2021	2021
Water	\$2,674,392	\$822,619	\$2,697,650	\$301,741
Wastewater	1,150,459	286,201	1,175,985	169,144
Total	\$3,824,851	\$1,108,820	\$3,873,635	\$470,885

In the business-type activities, the charges for services in FY2022 were sufficient to cover expenses.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2022 fiscal year, the governmental funds reported a combined fund balance of \$23.9 million or an 11.4% increase from the prior year. The enterprise fund reported net position of \$22.1 million or a 1.5% increase from 2021.

CITY OF NICHOLS HILLS, OKLAHOMA
MANAGEMENT'S DISCUSSION & ANALYSIS
For the fiscal year ended June 30, 2022

At June 30, 2022, the General Fund reported an unassigned fund balance of \$4,004,180, which is an increase from prior year due in part to an increase in sales and use tax revenue in the amount of \$1,217,152 and an increase in grant revenue of \$883,132. The Debt Service Fund decreased its fund balance by \$954,228 due to less property taxes being collected. The Capital Improvement Fund had an increase in fund balance due to additional transfers in from the General Fund in the current year since transfers were paused in prior year due to the uncertainty of the pandemic. The City issued Series 2022 General Obligation Bonds in the amount of \$6,600,000 for capital projects, and the GO Bond Fund balance decreased by \$243,579.

General Fund Budgetary Highlights

Over the course of the year, the City Council made budget revisions mostly due to transfer to the Capital Improvement fund, sales tax, and grant revenue exceeding original estimates. The General Fund reported resources available for appropriations over final estimates of \$2,372,254 (16.9%) and expenditures under final appropriations by \$205,992 (1.8%). Sales and use tax budget amounts were purposely conservative causing revenue to exceed budget even after amendments. Other revenue exceeds final budget amounts due to a large insurance check near year end.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2022, the City had approximately \$51.4 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</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$408,047	\$408,047	\$207,742	\$207,742	\$615,789	\$615,789
Buildings	2,691,947	2,850,867	983,171	1,054,452	3,675,118	3,905,319
Imp. other than buildings	781,096	774,348	20,582	3,107	801,678	777,455
Machinery, furniture and equipment	1,388,847	1,664,087	787,053	770,084	2,175,900	2,434,171
Infrastructure	24,816,135	22,183,520	-	-	24,816,135	22,183,520
Utility improvements	-	-	14,859,620	14,805,601	14,859,620	14,805,601
Water rights	-	-	33,563	38,692	33,563	38,692
Construction in progress	3,702,475	1,378,875	764,665	1,112,887	4,467,140	2,491,762
Totals	<u>\$33,788,547</u>	<u>\$29,259,744</u>	<u>\$17,656,396</u>	<u>\$17,992,565</u>	<u>\$51,444,943</u>	<u>\$47,252,309</u>

This year's more significant capital asset additions are various paving projects, water well redrilling project, and ongoing Fire Station addition. Depreciation expense for all assets totaled \$4.0 million. See Note 3.D. for additional information.

Long- Term Debt Administration

At year-end, the City had approximately \$38.5 million in outstanding long-term debt. (See table below). These debts are further detailed below and excludes any unamortized debt premiums and discounts.

CITY OF NICHOLS HILLS, OKLAHOMA
MANAGEMENT'S DISCUSSION & ANALYSIS
For the fiscal year ended June 30, 2022

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>		<u>Total</u> <u>Percentage</u> <u>Change</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022-2021</u>
G.O. Bonds payable	\$37,830,000	\$35,555,000	\$ -	\$ -	\$37,830,000	\$35,555,000	6.4%
Water rights	-	-	16,170	17,006	16,170	17,006	-4.9%
Accrued comp absences	594,423	554,174	42,672	48,644	637,095	602,818	5.7%
Utility deposits	-	-	27,774	28,424	27,774	28,424	-2.3%
Totals	<u>\$ 38,424,423</u>	<u>\$36,109,174</u>	<u>\$ 86,616</u>	<u>\$ 94,074</u>	<u>\$38,511,039</u>	<u>\$36,203,248</u>	6.4%

For the year ended June 30, 2022, the City issued \$6.6 million of general obligation bonds for capital improvements. See Note 3.E. for additional information.

Economic Factors and Next Year's Budget and Rates

Nichols Hills is a small community covering approximately two and one-half square miles, with the majority of the City being residential in nature. The two major sources of operational income are sales tax and water revenues. Sales tax revenue increased 25% from the prior fiscal year. Use tax increased 15% from the prior fiscal year. In the upcoming fiscal year, the City will be working to increase sales tax revenue by promoting local businesses to occupants of a newly constructed hotel located outside the City's corporate limits, but adjacent to one of the City's primary retail districts. This will be accomplished by completion of construction of a pedestrian crosswalk between the hotel and the City's retail plaza.

Water sales continue to be good at rounding out our income sources. Water revenue increased 17.8% from the prior fiscal year. The City of Nichols Hills was fortunate to not have a significant decrease in utility collections during the pandemic.

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, 2022**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,949,352	\$ 1,773,498	\$ 8,722,850
Investments	17,341,908	2,057,493	19,399,401
Deposits with insurance pool	32,285	-	32,285
Interest receivable	30,729	3,269	33,998
Accounts receivable, net	-	745,436	745,436
Franchise tax receivable	49,754	-	49,754
Court fines receivable, net	179,482	-	179,482
Other receivables	124,331	12,517	136,848
Internal balances	85,237	(85,237)	-
Due from other governments	1,272,450	-	1,272,450
Lease receivable	301,328	-	301,328
Net pension asset	4,070,510	635,211	4,705,721
Capital assets:			
Non-depreciable assets	4,110,522	972,407	5,082,929
Depreciable assets, net	29,678,025	16,683,989	46,362,014
Total capital assets	<u>33,788,547</u>	<u>17,656,396</u>	<u>51,444,943</u>
Total assets	<u>64,225,913</u>	<u>22,798,583</u>	<u>87,024,496</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to OPEB	131,112	16,492	147,604
Deferred amounts related to pensions	1,843,798	62,752	1,906,550
Total deferred outflows of resources	<u>1,974,910</u>	<u>79,244</u>	<u>2,054,154</u>
LIABILITIES			
Accounts payable and accrued expenses	1,391,858	155,191	1,547,049
Long-term liabilities			
Due within one year			
Compensated absences	59,442	4,267	63,709
Bonds and notes payable	4,473,968	867	4,474,835
Due in more than one year			
Deposit liability	9,240	27,774	37,014
Bonds and notes payable	34,963,120	15,303	34,978,423
Compensated absences	534,981	38,405	573,386
Net pension liability	2,482,388	-	2,482,388
Total OPEB liability	887,387	97,369	984,756
Claims and judgments	117,892	13,099	130,991
Total liabilities	<u>44,920,276</u>	<u>352,275</u>	<u>45,272,551</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts related to OPEB	103,615	15,859	119,474
Deferred amounts related to refunding	27,066	-	27,066
Deferred amounts related to leases	301,328	-	301,328
Deferred amounts related to pensions	4,759,311	372,798	5,132,109
	<u>5,191,320</u>	<u>388,657</u>	<u>5,579,977</u>
NET POSITION			
Net investment in capital assets	7,816,642	17,640,226	25,456,868
Restricted for:			
Debt service	1,027,843	-	1,027,843
Streets	191,315	-	191,315
Donations	1,122,593	-	1,122,593
Public safety	59,138	-	59,138
Insurance	32,285	-	32,285
Unrestricted	5,839,411	4,496,669	10,336,080
Total net position	<u>\$ 16,089,227</u>	<u>\$ 22,136,895</u>	<u>\$ 38,226,122</u>

**City of Nichols Hills
Statement of Activities
For the Year Ended June 30, 2022**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 2,841,304	\$ 459,933	\$ 1,538,282	\$ -	\$ (843,089)	\$ -	\$ (843,089)
Public Safety	5,157,852	761,971	373,172	619	(4,022,090)	-	(4,022,090)
Highways and Streets	1,528,390	105,295	35,255	-	(1,387,840)	-	(1,387,840)
Public Works	1,415,611	1,209,285	-	-	(206,326)	-	(206,326)
Culture and Recreation	431,599	-	1,500,000	-	1,068,401	-	1,068,401
Interest on Long-term debt	808,576	-	-	-	(808,576)	-	(808,576)
Total governmental activities	<u>12,183,332</u>	<u>2,536,484</u>	<u>3,446,709</u>	<u>619</u>	<u>(6,199,520)</u>	<u>-</u>	<u>(6,199,520)</u>
Business-type Activities							
Water	2,674,392	3,497,011	-	-	-	822,619	822,619
Wastewater	<u>1,150,459</u>	<u>1,436,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>286,201</u>	<u>286,201</u>
Total business-type activities	<u>3,824,851</u>	<u>4,933,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,108,820</u>	<u>1,108,820</u>
Total primary government	<u>\$ 16,008,183</u>	<u>\$ 7,470,155</u>	<u>\$ 3,446,709</u>	<u>\$ 619</u>	<u>(6,199,520)</u>	<u>1,108,820</u>	<u>(5,090,700)</u>
General revenues:							
Taxes:							
Sales tax					6,396,736	-	6,396,736
Property taxes, levied for debt service					4,338,496	-	4,338,496
Franchise taxes					348,327	-	348,327
E911 taxes					8,729	-	8,729
Intergovernment not restricted to specific programs					10,488	-	10,488
Unrestricted investment earnings					110,785	11,098	121,883
Miscellaneous					487,925	12,542	500,467
Transfers					793,142	(793,142)	-
Total general revenues and transfers					<u>12,494,628</u>	<u>(769,502)</u>	<u>11,725,126</u>
Change in net position					6,295,108	339,318	6,634,426
Net position - beginning					9,794,119	21,797,577	31,591,696
Net position - ending					<u>\$ 16,089,227</u>	<u>\$ 22,136,895</u>	<u>\$ 38,226,122</u>

See accompanying notes to the basic financial statements

**City of Nichols Hills
Balance Sheet
Governmental Funds
June 30, 2022**

	General Fund	Debt Service Fund	Capital Improvement Fund	GO Bond Fund	Park Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 2,350,599	\$ 194,564	\$ 699,987	\$ 2,591,454	\$ 795,408	\$ 255,847	\$ 6,887,859
Restricted cash and equivalents	9,240	-	-	-	-	-	9,240
Investments	3,023,473	796,339	2,123,367	10,873,729	525,000	-	17,341,908
Deposits with insurance pool	32,285	-	-	-	-	-	32,285
Receivables:							
Accrued interest receivable	3,069	2,323	4,589	19,414	1,334	-	30,729
Due from other funds	85,237	-	-	-	-	-	85,237
Due from other governments	1,161,969	108,746	-	-	-	1,735	1,272,450
Franchise taxes receivable	49,754	-	-	-	-	-	49,754
Court fines receivable, net	179,482	-	-	-	-	-	179,482
Leases	301,328	-	-	-	-	-	301,328
Other	10,947	-	-	-	-	729	11,676
Total assets	<u>\$ 7,207,383</u>	<u>\$ 1,101,972</u>	<u>\$ 2,827,943</u>	<u>\$ 13,484,597</u>	<u>1,321,742</u>	<u>\$ 258,311</u>	<u>\$ 26,201,948</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 446,935	\$ -	\$ 11,055	\$ 509,279	273,163	\$ -	\$ 1,240,432
Due to other governments	924	-	-	-	-	-	924
Deposit liabilities	9,240	-	-	-	-	-	9,240
Retainage payable	126,751	-	-	23,751	-	-	150,502
Total liabilities	<u>583,850</u>	<u>-</u>	<u>11,055</u>	<u>533,030</u>	<u>273,163</u>	<u>-</u>	<u>1,401,098</u>
Deferred inflows of resources:							
Leases	301,328	-	-	-	-	-	301,328
Unavailable revenue	511,276	74,129	4,589	19,414	1,334	-	610,742
Total deferred inflows	<u>812,604</u>	<u>74,129</u>	<u>4,589</u>	<u>19,414</u>	<u>1,334</u>	<u>-</u>	<u>912,070</u>
Fund balances:							
Restricted for:							
Streets	-	-	-	-	-	191,315	191,315
Public safety	-	-	-	-	-	59,138	59,138
Donations	78,001	-	-	-	1,044,814	-	1,122,815
Debt service	-	1,027,843	-	-	-	-	1,027,843
Capital projects	-	-	-	12,905,919	-	-	12,905,919
Insurance	32,285	-	-	-	-	-	32,285
Committed for:							
Capital projects	384,751	-	-	-	-	-	384,751
Assigned for:							
Streets	-	-	-	-	-	7,166	7,166
Economic development	500,000	-	-	-	-	-	500,000
Capital projects	811,712	-	-	-	-	692	812,404
Donations	-	-	-	-	2,431	-	2,431
Capital projects	-	-	2,812,299	26,234	-	-	2,838,533
Unassigned	4,004,180	-	-	-	-	-	4,004,180
Total fund balances	<u>5,810,929</u>	<u>1,027,843</u>	<u>2,812,299</u>	<u>12,932,153</u>	<u>1,047,245</u>	<u>258,311</u>	<u>23,888,780</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 7,207,383</u>	<u>\$ 1,101,972</u>	<u>\$ 2,827,943</u>	<u>\$ 13,484,597</u>	<u>\$ 1,321,742</u>	<u>\$ 258,311</u>	<u>\$ 26,201,948</u>

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, 2022

Total fund balance, governmental funds	\$ 23,888,780
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the funds, net of accumulated depreciation of \$19,174,231.	<u>33,788,547</u>
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Certain other long-term assets and deferred outflows are not available to pay current fund liabilities and therefore are deferred or not reported in the funds:

Net pension asset	4,070,510
Deferred Outflows:	
Court fines receivable	161,030
Grant receivable	347,177
Investment receivable	30,729
Deferred amount related to OPEB	131,112
Pension related deferred outflows	1,843,798
Receivable from other governments	71,806
	<u>6,656,162</u>

Internal service fund are used by management to charge costs of certain activities that benefit multiple funds, such as self-insurance costs, to individual funds. These assets and liabilities of these internal service funds are reported in the governmental activities of the Statement of Net Position:

Internal service funds' net position	<u>47,016</u>
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Certain liabilities are not due and payable from current financial resources and therefore, they, along with the deferred inflows, are not reported in the funds:

General obligation bonds payable	(39,437,088)
Deferred inflow on refunding	(27,066)
Accrued compensated absences	(594,423)
Net pension liability	(2,482,388)
Total OPEB liability	(887,387)
OPEB related deferred inflows	(103,615)
Pension related deferred inflows	(4,759,311)
	<u>(48,291,278)</u>

Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$ 16,089,227</u></u>
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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, 2022

	General Fund	Debt Service Fund	Capital Improvement Fund	GO Bond Fund	Park Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	\$ -	\$ 4,378,529	\$ -	\$ -	\$ -	\$ -	\$ 4,378,529
Taxes	6,745,063	-	-	-	-	8,729	6,753,792
Fees and fines	118,586	-	-	-	-	-	118,586
Licenses and permits	292,792	-	-	-	-	-	292,792
Intergovernmental	1,720,839	-	-	-	-	35,255	1,756,094
Charges for services	1,212,453	-	-	-	-	-	1,212,453
Investment earnings	20,305	19,931	2,750	43,570	2,431	900	89,887
Miscellaneous	451,565	-	55,880	-	-	-	507,445
Donations	-	-	-	-	1,500,000	-	1,500,000
Total revenues	<u>10,561,603</u>	<u>4,398,460</u>	<u>58,630</u>	<u>43,570</u>	<u>1,502,431</u>	<u>44,884</u>	<u>16,609,578</u>
EXPENDITURES							
Current:							
General government	2,513,027	2,575	-	3,727	-	-	2,519,329
Public safety	5,439,767	-	-	-	-	1,034	5,440,801
Highways and streets	311,173	-	-	-	-	37,750	348,923
Public works	1,067,732	-	-	-	-	-	1,067,732
Culture and recreation	231,764	-	-	-	105,500	-	337,264
Debt service:							
Principal	-	4,325,000	-	-	-	-	4,325,000
Interest and other charges	-	1,025,113	-	-	-	-	1,025,113
Bond issuance costs	-	-	-	85,295	-	-	85,295
Capital outlay	312,150	-	351,677	7,004,452	349,686	-	8,017,965
Total expenditures	<u>9,875,613</u>	<u>5,352,688</u>	<u>351,677</u>	<u>7,093,474</u>	<u>455,186</u>	<u>38,784</u>	<u>23,167,422</u>
Excess (deficiency) of revenues over expenditures	<u>685,990</u>	<u>(954,228)</u>	<u>(293,047)</u>	<u>(7,049,904)</u>	<u>1,047,245</u>	<u>6,100</u>	<u>(6,557,844)</u>
OTHER FINANCING SOURCES (USES)							
Issuance of debt	-	-	-	6,600,000	-	-	6,600,000
Premium on issuance of debt	-	-	-	206,325	-	-	206,325
Transfers in	2,194,164	-	1,853,205	-	-	-	4,047,369
Transfers out	(1,853,205)	-	-	-	-	-	(1,853,205)
Total other financing sources and uses	<u>340,959</u>	<u>-</u>	<u>1,853,205</u>	<u>6,806,325</u>	<u>-</u>	<u>-</u>	<u>9,000,489</u>
Net change in fund balances	1,026,949	(954,228)	1,560,158	(243,579)	1,047,245	6,100	2,442,645
Fund balances - beginning	<u>4,783,980</u>	<u>1,982,071</u>	<u>1,252,141</u>	<u>13,175,732</u>	<u>-</u>	<u>252,211</u>	<u>21,446,135</u>
Fund balances - ending	<u>\$ 5,810,929</u>	<u>\$ 1,027,843</u>	<u>\$ 2,812,299</u>	<u>\$ 12,932,153</u>	<u>\$ 1,047,245</u>	<u>\$ 258,311</u>	<u>\$ 23,888,780</u>

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, 2022

Net change in fund balances - total governmental funds: \$ 2,442,645

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	6,734,457
Depreciation expense	(2,176,411)
Loss on disposal of capital asset	(29,243)
	4,528,803

In the Statement of Activities, the net cost of pension and other post-employment benefits earned is calculated and is reported as pension and OPEB expense. The fund financial statements report pension and OPEB contributions as expenditures. This amount represents the difference between pension and OPEB contributions and calculated pension and OPEB expense. (1,211,844)

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

Change in unavailable revenue	276,264
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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	(6,600,000)
General obligation bond principal payments	4,325,000
Change in bond premium	5,791
Change in deferred inflow on refunding	5,505
Change in bond discount	(1,084)
	(2,264,788)

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	(40,249)
Net pension obligation	2,503,733
Total OPEB liability	(58,014)
	2,405,470

Internal service fund activity is reported as a proprietary fund in the fund financial statements, but certain net revenues are reported in governmental activities on the Statement of Activities

Change in net position for internal service funds	118,558
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Change in net position of Governmental Activities	\$ 6,295,108
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See accompanying notes to the basic financial statements

**City of Nichols Hills
Statement of Net Position
Proprietary Fund
June 30, 2022**

	<u>Enterprise Fund</u>	
	<u>Nichols Hills Municipal Authority</u>	<u>Internal Service Fund</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,739,918	\$ 58,059
Investments	2,057,493	-
Accounts receivable, net	745,436	125,172
Accrued interest receivable	3,269	-
Total current assets	<u>4,546,116</u>	<u>183,231</u>
Non-current assets:		
Restricted cash and cash equivalents	27,774	-
Net pension asset	635,211	-
Capital assets:		
Non-depreciable assets	972,407	-
Depreciable assets, net	16,683,989	-
Total non-current assets	<u>18,319,381</u>	<u>-</u>
Total assets	<u>22,865,497</u>	<u>183,231</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amounts related to OPEB	16,492	-
Deferred amounts related to pensions	62,752	-
	<u>79,244</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	155,191	-
Due to other funds	85,237	-
Compensated absences, current portion	4,267	-
Claims and judgments	-	130,991
Notes payable, current portion	867	-
Total current liabilities	<u>245,562</u>	<u>130,991</u>
Non-current liabilities:		
Compensated absences	38,405	-
Meter deposit liability	27,774	-
Notes payable, non-current portion	15,303	-
OPEB liability	97,369	-
Total non-current liabilities	<u>178,851</u>	<u>-</u>
Total liabilities	<u>424,413</u>	<u>130,991</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred amounts related to OPEB	15,859	-
Deferred amounts related to pensions	372,798	-
	<u>388,657</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	17,640,226	-
Unrestricted	4,491,445	52,240
Total net position	<u>\$ 22,131,671</u>	<u>\$ 52,240</u>

**City of Nichols Hills
Reconciliation of the Proprietary Funds Balance Sheet to the Statement of
Net Position
June 30, 2022**

Total net position, proprietary funds \$ 22,131,671

Internal service fund are used by management to charge costs of certain activities that benefit multiple funds, such as self-insurance costs, to individual funds. These assets and liabilities of these internal service funds are reported in the governmental activities of the Statement of Net Position:

Internal service funds' net position 5,224

Net Position of Business-Type Activities in the Statement of Net Position

\$ 22,136,895

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, 2022

	<u>Enterprise Fund</u>	
	<u>Nichols Hills Municipal Authority</u>	<u>Internal Service Fund</u>
REVENUES		
Charges for services:		
Water charges	\$ 3,355,336	\$ -
Wastewater charges	1,436,660	-
Water taps	19,334	-
Penalties	16,000	-
Health insurance charge	-	1,037,410
Miscellaneous revenue	12,542	37,406
Total operating revenues	<u>4,839,872</u>	<u>1,074,816</u>
OPERATING EXPENSES		
Administrative	839,886	520
Water and wastewater operations	1,055,612	-
Insurance claims and expenses	-	943,243
Depreciation expense	1,825,562	-
Total operating expenses	<u>3,721,060</u>	<u>943,763</u>
Operating income	<u>1,118,812</u>	<u>131,053</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	11,098	679
Interest expense	(664)	-
Total non-operating revenues (expense)	<u>10,434</u>	<u>679</u>
Income before contributions and transfers	1,129,246	131,732
Capital contributions	1,391,062	-
Transfer out	(2,194,164)	-
Change in net position	326,144	131,732
Total net position- beginning	21,805,527	(79,492)
Total net position - ending	<u>\$ 22,131,671</u>	<u>\$ 52,240</u>

City of Nichols Hills
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Proprietary Funds to the Statement of Activities
For the Year Ended June 30, 2022

Net change in net position - total proprietary funds: \$ 326,144

Amounts reported for Business-Type Activities in the Statement of Activities are different because:

Internal service fund activity is reported as a proprietary fund in the fund financial statements, but certain net revenues are reported in Business-Type Activities on the Statement of Activities

Change in net position for internal service funds 13,174

Change in net position of Business-Type Activities \$ 339,318

See accompanying notes to the basic financial statements

**City of Nichols Hills
Statement of Cash Flow
Proprietary Fund
For the Year Ended June 30, 2022**

	Enterprise Fund	
	Nichols Hills Municipal Authority	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 4,686,060	\$ -
Payments to suppliers	(1,263,630)	(892,317)
Payments to employees	(734,982)	-
Receipts of customer meter deposits	10,500	-
Refunds of customer meter deposits	(11,150)	-
Interfund receipts/payments	192	-
Other income	-	37,406
Health insurance charge	-	912,238
Net cash provided by operating activities	2,686,990	57,327
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(2,194,164)	-
Net cash provided by (used in) noncapital financing activities	(2,194,164)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(98,331)	-
Principal paid on debt	(836)	-
Interest and fiscal agent fees paid on debt	(664)	-
Net cash provided by (used in) capital and related financing activities	(99,831)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(107,493)	-
Interest and dividends	8,308	679
Net cash provided by (used in) investing activities	(99,185)	679
Net increase in cash and cash equivalents	293,810	58,006
Balances - beginning of year	1,473,882	53
Balances - end of year	\$ 1,767,692	\$ 58,059
Reconciliation to Statement of Net Position:		
Cash and cash equivalents	\$ 1,739,918	\$ 58,059
Restricted cash and cash equivalents - non-current	27,774	-
Total cash and cash equivalents, end of year	\$ 1,767,692	\$ 58,059
Reconciliation of operating income to net cash provided by operating activities:		
Operating activities:	\$ 1,118,812	\$ 131,053
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,825,562	-
Change in assets and liabilities:		
Due to other funds	192	-
Total OPEB liability and deferred amounts	5,891	-
Accounts receivable	(153,812)	(125,172)
Accounts payable	22,852	-
Net pension asset and deferred amounts	(125,885)	-
Deposits subject to refund	(650)	-
Accrued compensated absences	(5,972)	-
Claims liability	-	51,446
Net cash provided by operating activities	\$ 2,686,990	\$ 57,327
Noncash Activities:		
Contributed capital assets	\$ 1,391,062	\$ -

See accompanying notes to the basic financial statements

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
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CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

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 three major categories: governmental, proprietary, and internal service. 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.

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

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
Park 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)

INTERNAL SERVICE FUNDS

Health Insurance Fund

Health Insurance fund accounts for the revenue and expenses of insurance costs for employees with the City, including retirees. The reporting entity includes the following internal service fund:

Health Insurance Fund

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
Park Fund

Enterprise Fund:

Nichols Hills Municipal Authority

Internal Service Fund:

Health Insurance Fund

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.

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

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, leases, 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

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

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.

Leases

The City is a party as lessor for various noncancellable long-term leases of cell towers. The corresponding lease receivable is recorded in an amount equal to present value of the expected future minimum lease payments received or received, respectively, discounted by an applicable interest rate.

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 \$7,500.

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 acquisition 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.

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

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.

Deferred Outflows and Inflows

Deferred outflows represent a consumption of net assets that applies to future periods. Deferred inflows represent an acquisition of net assets that applies to future periods. At June 30, 2022, the City's deferred outflows and deferred inflows of resources were comprised of pension, OPEB, and leases related deferrals. As mentioned in Note 1.H., certain pension and OPEB amounts are deferred, some as outflows and other as inflows, amortized as a component of pension and insurance expense and lease and interest revenue in future periods.

Lease-related amounts are recognized at the inception of leases in with the City is the lessor and are recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less and lease incentives paid to, or on behalf of the lessee at or before the commencement of the lease term. The inflows of resources is recognized in a systematic and rational manner over the term of the lease using the effective interest rate method.

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

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

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.

CITY OF NICHOLS HILLS, OKLAHOMA
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At the present time the City levies a property tax to fund the annual debt service requirements of thirteen general obligation bond issues.

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

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

For the year ended June 30, 2022, the City's net assessed valuation of taxable property was \$178,102,507. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2022 were \$25.56.

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

CITY OF NICHOLS HILLS, OKLAHOMA
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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.

The City generally uses an estimate based on municipal bond rate yield curves as the discount rate for leases unless the rate that the is known.

1.H. PENSIONS AND OPEB

For purposes of measuring the net pension asset, net pension liability, deferred outflows of resources and deferred

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inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Firefighters Pension & Retirement System (OFPRS), Oklahoma Police Pension & Retirement System (OPPRS) and Oklahoma Municipal Retirement Fund (OkMRF) and additions to/deductions from OFPRS, OPPRS and OkMRF's fiduciary net position have been determined on the same basis as they are reported by OFPRS, OPPRS and OkMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments held by these funds are reported at fair value.

For purposes of measuring the total OPEB liability, deferred outflows of resources, and deferred inflows and OPEB expense for the single employer other postemployment benefit plan the measurement has been prepared in accordance with GASB Statement No. 75.

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

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, 2022, the City complied with the legal debt limit. Of the \$37,830,000 outstanding general obligation bonded debt, all but \$8,170,967 is utility and street related.

2.D. FUND EQUITY / NET POSITION RESTRICTIONS

Restricted Net Position

CITY OF NICHOLS HILLS, OKLAHOMA
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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, 2022:

<u>Type of Deposits and Investments</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ 8,722,850
Time deposits	19,399,401
Total Deposits and Investments	\$ 28,122,251
 Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 8,722,850
Investments	19,399,401
	\$ 28,122,251

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. The City’s policy is to have demand deposits and certificate deposits collateralized at 110% coverage. At June 30, 2022, 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:

- 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.

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- 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, 2022, 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, 2022, the City had no concentration of credit risk as defined above.

3.B. RESTRICTED ASSETS

The amounts reported as restricted assets in the governmental and proprietary fund financial statements are comprised of cash and cash equivalents held by the City on related to building demolition, fire hydrant meter, and utility deposits held for refund.

The restricted assets as of June 30, 2022 were as follows:

<u>Type of Restricted Assets</u>	<u>Proprietary Fund</u>		<u>Governmental</u>
Utility Deposits	<u>\$27,774</u>	Demolition Deposit	\$7,240
		Fire Hydrant Meter Deposit	<u>2,000</u>
			<u>\$9,240</u>

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consists of customer utilities, while the governmental activities consists of municipal court activity. Receivables detail at June 30, 2022 is as follows:

	<u>Business-Type</u>		<u>Governmental</u>
Service receivables	\$770,214	Court receivable	\$1,210,802
Allowance for doubtful accounts	<u>(24,778)</u>	Allowance for doubtful accounts	<u>(1,031,320)</u>
Total accounts receivable	<u>\$745,436</u>	Total accounts receivable	<u>\$179,482</u>

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
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3.D. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance at July 1, 2021	Additions	Disposals	Balance at June 30, 2022
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$408,047	-	-	\$408,047
Construction in progress	1,378,875	6,400,789	4,077,189	3,702,475
Total capital assets not being depreciated	1,786,922	6,400,789	4,077,189	4,110,522
Other capital assets:				
Buildings	3,912,401	12,788	-	3,925,189
Improvements	1,226,221	70,602	-	1,296,823
Machinery, furniture and equipment	5,504,636	250,277	430,672	5,324,241
Infrastructure	36,003,795	4,077,189	-	40,080,984
Total other capital assets at historical cost	46,647,053	4,410,856	430,672	50,627,237
Less accumulated depreciation for:				
Buildings	1,061,534	171,708	-	1,233,242
Improvements	451,873	63,854	-	515,727
Machinery, furniture and equipment	3,840,549	496,275	401,430	3,935,394
Infrastructure	13,820,275	1,444,574	-	15,264,849
Total accumulated depreciation	19,174,231	2,176,411	401,430	20,949,212
Other capital assets, net	27,472,822	2,234,445	29,242	29,678,025
Governmental activities capital assets, net	\$29,259,744	\$8,635,234	\$4,106,431	\$33,788,547
	Balance at July 1, 2021	Additions	Disposals	Balance at June 30, 2022
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$207,742	-	-	\$207,742
Construction in progress	1,112,887	1,309,862	1,658,084	764,665
Total capital assets not being depreciated	1,320,629	1,309,862	1,658,084	972,407
Other capital assets:				
Buildings	1,913,356	-	-	1,913,356
Improvements	18,434	21,200	-	39,634
Machinery, furniture and equipment	1,838,961	164,707	19,383.00	1,984,285
Utility improvements	40,126,854	1,651,708	-	41,778,562
Water rights	93,783	-	-	93,783
Total other capital assets at historical cost	43,991,388	1,837,615	19,383	45,809,620
Less accumulated depreciation for:				
Buildings	858,905	71,280	-	930,185
Improvements	15,327	3,725	-	19,052
Machinery, furniture and equipment	1,068,876	147,739	19,383	1,197,232
Utility improvements	25,321,253	1,597,689	-	26,918,942
Water rights	55,091	5,129	-	60,220
Total accumulated depreciation	\$27,319,452	\$1,825,562	19,383.00	\$29,125,631
Other capital assets, net	16,671,936	12,053	-	16,683,989
Business-type activities capital assets, net	\$17,992,565	\$1,321,915	1,658,084	\$17,656,396

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
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Depreciation expense was charged to functions in the Statement of Activities as follows:

Governmental Activities:	
General Government	\$354,501
Public Safety	174,947
Highways and Streets	1,130,099
Culture and Recreation	169,181
Public Works	<u>347,683</u>
Total depreciation expense for governmental activities	\$ <u>2,176,411</u>
Business-Type Activities:	
Water	\$1,278,251
Wastewater	<u>547,311</u>
Total depreciation expense for business-type activities	\$ <u>1,825,562</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, 2022, the governmental long-term debt of the financial reporting entity consisted of the following:

General Obligation Bonds:

\$4,200,000 General Obligation Bonds, Series 2016, due in annual installments of \$350,000 through July 1, 2028, with interest at 3.0% to 3.25% with final payment of \$350,000 due July 1, 2029, with interest at 3.25%.	2,450,000
\$4,200,000 General Obligation Bonds, Series 2017, due in annual installments of \$350,000 through July 1, 2029, with interest at 2.25% to 3.0% with final payment of \$350,000 due July 1, 2030, with interest at 3.0%.	2,800,000
\$3,000,000 General Obligation Bonds, Series 2018, due in annual installments of \$250,000 through July 1, 2030, with interest 3.0% with final payment of \$250,000 due July 1, 2031, with interest at 3.0%.	2,250,000
\$3,000,000 General Obligation Bonds, Series 2019, due in annual installments of \$250,000 through July 1, 2031, with interest 3.0% to 5.0% with final payment of \$250,000 due July 1, 2032, with interest at 3.25%.	2,500,000
\$7,800,000 General Obligation Bonds, Series 2020, due in annual installments of \$650,000 through July 1, 2032, with interest 2.0% to 4.0% with final payment of \$650,000 due July 1, 2033, with interest at 2.0%.	7,150,000
\$7,800,000 General Obligation Bonds, Series 2021, due in annual installments of \$650,000 through July 1, 2034, with interest 1.0% to 1.2% with final payment of \$650,000 due July 1, 2034, with interest at 1.2%.	7,800,000
\$8,305,000 General Obligation Refunding Bonds, Series 2021, due in annual installments of \$295,000 to 1,975,000 through July 1, 2028, with interest at 4.0% with final payment of \$295,000 due July 1, 2028, with interest at 4.0%.	6,280,000
\$6,600,000 General Obligation Bonds, Series 2022, due in annual installments of \$550,000 through July 1, 2035, with interest 1.5% to 3.0% with final payment of \$550,000 due July 1, 2035, with interest at 1.5%.	<u>6,600,000</u>

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

Total General Obligation Bonds Payable	\$37,830,000
Less Unamortized Bond Discount	(11,382)
Add Unamortized Bond Premium	<u>1,618,470</u>
Net General Obligation Bonds Payable	<u>39,437,088</u>
Current portion	\$4,473,968
Non-current portion	<u>34,963,120</u>
General Obligation Bonds Payable	<u>\$39,437,088</u>

Accrued Compensated Absences:

Current portion	\$59,442
Non-current portion	<u>534,981</u>
Total Accrued Compensated Absences	<u>\$594,423</u>

Business-Type Activities

At June 30, 2022, the long-term debt payable from enterprise fund resources consisted of the following:

Water Rights – direct borrowing:

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	\$867
Non-current portion	<u>15,303</u>
Water Rights Payable	<u>\$16,170</u>

Accrued Compensated Absences:

Current portion	\$4,267
Non-current portion	<u>38,405</u>
Total Accrued Compensated Absences	<u>\$42,672</u>

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2022:

Type of Debt	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Amount Due Within One Year
Governmental Activities:					
General Obligation Bonds Payable	\$ 35,555,000	\$ 6,600,000	\$ 4,325,000	\$ 37,830,000	\$ 4,255,000
Plus: Premium on Bonds	1,611,795	206,325	211,032	1,607,088	218,968
Accrued Compensated Absences	<u>554,174</u>	<u>375,680</u>	<u>335,431</u>	<u>594,423</u>	<u>59,442</u>
Total Governmental Activities	<u>\$ 37,720,969</u>	<u>\$ 7,182,005</u>	<u>\$ 4,871,463</u>	<u>\$ 40,031,511</u>	<u>\$ 4,533,410</u>
Business-Type Activities:					
Water Rights - direct borrowing	\$ 17,006	\$ -	\$ 836	\$ 16,170	\$ 867
Accrued Compensated Absences	<u>48,644</u>	<u>19,276</u>	<u>25,248</u>	<u>42,672</u>	<u>4,267</u>
Total Business-Type Activities	<u>\$ 65,650</u>	<u>\$ 19,276</u>	<u>\$ 26,084</u>	<u>\$ 58,842</u>	<u>\$ 5,134</u>

Governmental accrued compensated absences are liquidated by the General Fund.

CITY OF NICHOLS HILLS, OKLAHOMA
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June 30, 2022

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2022, 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 - direct borrowing</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	4,255,000	1,025,825	867	633
2024	4,605,000	825,888	899	601
2025	4,210,000	675,438	933	567
2026	4,025,000	539,913	967	533
2027	3,665,000	416,788	1,003	497
2028-2032	13,470,000	947,075	5,607	1,893
2033-2037	3,600,000	82,500	5,894	813
Totals	<u>\$37,830,000</u>	<u>\$4,513,427</u>	<u>\$16,170</u>	<u>\$5,537</u>

3.F. INTERFUND TRANSACTIONS AND BALANCES

Interfund receivables and payables at June 30, 2022 were as follows:

<u>Payable To</u>	<u>Receivable From</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Municipal Authority	\$ 85,237	Sanitation revenues to be transferred to General Fund
		<u>\$ 85,237</u>	

Reconciliation to Fund Financial Statements:

	<u>Due To</u>	<u>Due From</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 85,237	\$ -	\$ 85,237
Proprietary Funds	-	(85,237)	(85,237)
	<u>\$ 85,237</u>	<u>\$ (85,237)</u>	<u>\$ -</u>

Interfund transfers for the year ended June 30, 2022, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
Municipal Authority Fund	General Fund	\$ 2,194,164	Trust indenture requirement of net profits
General Fund	Capital Improvement Fund	1,853,205	Transfer of capital projects
		<u>\$ 4,047,369</u>	

Reconciliation to Fund Financial Statements/Statement of Activities:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Contributed Capital Transfer</u>	<u>Non-Capital Transfer</u>	<u>Net Transfers</u>
Governmental Funds	\$ 4,047,369	\$ (1,853,205)	\$ (1,391,062)	\$ (9,960)	\$ 793,142
Proprietary Funds	-	(2,194,164)	1,391,062	9,960	(793,142)
	<u>\$ 4,047,369</u>	<u>\$ (4,047,369)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

3.G. LEASE RECEIVABLES

The City as a lessor, has entered into lease agreements involving cell towers. The total amounts of inflows of resources, including lease revenue and interest revenue recognized during the fiscal year was \$117,519.

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

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 (OkMRF)	Agent Multiple Employer - Defined Benefit Plan

A summary of all the amounts recorded in the City's financial statements for the plans is as follows:

	Governmental Activities	Business-type Activities	Plan Totals
Net Pension Asset:			
OkMRF	\$ 2,408,309	\$ 635,211	\$ 3,043,520
Police	1,662,201	-	1,662,201
Total	<u>\$ 4,070,510</u>	<u>\$ 635,211</u>	<u>\$ 4,705,721</u>
Net Pension Liability:			
Firefighters	\$ 2,482,388	\$ -	\$ 2,482,388
Total	<u>\$ 2,482,388</u>	<u>\$ -</u>	<u>\$ 2,482,388</u>
Deferred Outflows of Resources:			
OkMRF	\$ 224,328	\$ 62,752	\$ 287,080
Police	218,678	-	218,678
Firefighters	1,400,792	-	1,400,792
Total	<u>\$ 1,843,798</u>	<u>\$ 62,752</u>	<u>\$ 1,906,550</u>
Deferred Inflows of Resources:			
OkMRF	\$ 1,390,084	\$ 372,798	\$ 1,762,882
Police	1,290,226	-	1,290,226
Firefighters	2,079,001	-	2,079,001
Total	<u>\$ 4,759,311</u>	<u>\$ 372,798</u>	<u>\$ 5,132,109</u>
Pension (Benefit) Expense:			
OkMRF	\$ (315,470)	\$ (83,208)	\$ (398,678)
Police	(168,535)	-	(168,535)
Firefighters	89,310	-	89,310
Total	<u>\$ (394,695)</u>	<u>\$ (83,208)</u>	<u>\$ (477,903)</u>

Governmental pension and OPEB liabilities are liquidated by the General Fund.

Oklahoma Police Pension and Retirement System

Plan description - The City of Nichols Hills, as the employer, participates in the Oklahoma Police Pension and Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at www.ok.gov/OPPRS

Benefits provided - OPPRS provides retirement, disability, and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later. Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

Contributions - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$164,317. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$146,022 during the calendar year and this is reported as both expense and revenue in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$98,294. These on-behalf payments did not meet the criteria of a special funding situation.

Net Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2022, the City reported an asset of \$1,662,201 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2021. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2021. Based upon this information, the City's proportion was 0.346497%.

For the year ended June 30, 2022, the City recognized pension expense of \$(168,535). At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,865	\$ 65,607
Changes of assumptions	25,277	-
Net Difference between projected and actual earnings on plan investments	-	1,212,518
Changes in Proportion	2,805	7,720
Contributions during measurement date	2,414	4,381
City benefit payments subsequent to the measurement date	164,317	-
Total	<u>\$ 218,678</u>	<u>\$ 1,290,226</u>

In the year ending June 30, 2022, \$164,317 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as either a reduction of or an addition to the net pension liability (asset) in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ (280,547)
2024	(244,918)
2025	(308,905)
2026	(404,527)
2027	3,032
	<u>\$ (1,235,865)</u>

Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	2.75%
Salary increases:	3.5% to 12% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Cost-of-living adjustments:	Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary of 3.5% (wage inflation).
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA. Active employees (post-retirement): RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA.

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Disabled pensioners: Blue Collar Healthy Combined table with age set forward 4 years.

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2012, to June 30, 2017.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	3.22%
Domestic equity	4.55%
International equity	8.50%
Real estate	7.97%
Private Equity	9.36%

The current allocation policy is that approximately 65% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 20% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

Discount Rate-The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate-The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount <u>Rate (7.5%)</u>	1% Increase <u>(8.5%)</u>
Employers' net pension liability (asset)	\$ (623,376)	\$ (1,662,201)	\$ (2,540,605)

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPPRS; which can be located at www.ok.gov/OPPRS.

Oklahoma Firefighter's Pension and Retirement System

Plan description - The City of Nichols Hills, as the employer, participates in the Firefighters Pension & retirement—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs

Benefits provided - FPRS provides defined retirement benefits based on members' final average compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. The Plan's benefits are established and amended by Oklahoma statute. Retirement provisions are as follows:

Normal Retirement:

- **Hired Prior to November 1, 2013**
Normal retirement is attained upon completing 20 years of service. The normal retirement benefit is equal to 50% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month.
- **Hired After November 1, 2013**
Normal retirement is attained upon completing 22 years of service. The normal retirement benefit is equal to 55% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. Also participants must be age 50 to begin receiving benefits. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in the line of duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not in the line of duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$182,029. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$372,605 during the calendar year and this is reported as both expense and revenue in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$274,878. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2022, the City reported a liability of \$2,482,388 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The City's proportion of

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the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2021. Based upon this information, the City's proportion was 0.376938%.

For the year ended June 30, 2022, the City recognized pension expense of \$89,310. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 900,306	\$ 43,595
Changes of assumptions	-	55,059
Net Difference between projected and actual earnings on plan investments	-	1,973,392
Changes in Proportion	294,385	6,648
Contributions during measurement date	24,072	307
City benefit payments subsequent to the measurement date	182,029	-
Total	<u>\$ 1,400,792</u>	<u>\$ 2,079,001</u>

In the year ending June 30, 2022, \$182,029 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2023	\$	(43,551)
2024		(114,997)
2025		(238,472)
2026		(463,218)
2027		-
	<u>\$</u>	<u>(860,238)</u>

Actuarial Assumptions- The total pension liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	2.75%
Salary increases:	2.75% to 10.5% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the Pub-2010 Public Safety Table, with adjustments for generational mortality improvement using scale MP-2018 for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013, to June 30, 2018.

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The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	3.53%
Domestic equity	47%	5.73%
International equity	15%	8.50%
Real estate	10%	7.97%
Other assets	8%	4.73%

Discount Rate- The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate-The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Employers' net pension liability	\$ 3,879,245	\$ 2,482,388	\$ 1,312,933

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS which can be located at www.ok.gov/FPRS.

Oklahoma Municipal Retirement Fund

A. Plan Description

The City contributes to the OkMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: www.okmrf.org/reports.html. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

B. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and

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payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plans' fiduciary net position is available in the separately issued OkMRF financial report.

Eligibility Factors and Benefit Provisions

<u>Provision</u>	<u>As of 07/01/21</u> <u>OkMRF Plan</u>
a. Eligible to participate	Full-time employees except police, firefighters and other employees who are covered under an approved system.
b. Period Required to Vest	7 years of credited service
c. Eligibility for Distribution	-Normal retirement at age 65 with 7 years of service -Early retirement at age 55 with 80 points and 7 years of service -Disability retirement upon disability with 7 years of service -Death benefit with 7 years of service for married employees
d. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
e. Benefit Determination Methods:	
Normal Retirement	-2.25% of final average salary multiplied by credited years of service
Early Retirement	-Actuarially reduced benefit based upon age, final average salary, and years of service at termination
Disability Retirement	-Same as normal retirement
Death Benefit	-50% of employees accrued benefit, but terminates upon spouse re-marriage
Prior to 7 Years Service	-No benefits
f. Benefit Authorization	-Benefits are established and amended by City Council adoption of an ordinance in accordance with O.S. Title, 11, Section 48-101-102
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, option form based on actuarial equivalent.

C. Employees Covered by Benefit Terms

Active Employees	43
Deferred Vested Former Employees	6
Retirees or Retiree Beneficiaries	<u>17</u>
Total	<u>66</u>

D. Contribution Requirements

The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year

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have been made in accordance with an actuarially determined rate. The actuarially determined rate is 3.96% of covered payroll as of July 1, 2021; however, management elected to contribute 8.0% of covered payroll as of July 1, 2021. The City recognized \$210,550 of employer contributions to the plan which exceeds the actuarially determined amount based on covered payroll of \$2,631,869. Employees' contribution is 11% of covered payroll as of July 1, 2021.

E. Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2021
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.50%
c. Projected Salary Increase	Varies between 7.5% and 4.5% based on age
d. Post Retirement cost-of-Living Increase	Benefits (attributable to service prior to 1/1/2010) in payment status are adjusted each July 1st based on the percentage change in the CPI. The maximum increase or decrease in any year is 2.75%.
e. Inflation Rate	2.7%
f. Mortality Table	PubG-2010, with projected mortality improvement
g. Percent of married employees	100%
h. Spouse age difference	3 years (female spouses younger)
i. Turnover	Select and ultimate rates Ultimate rates are age-related as shown Additional rates per thousand are Added during the first 5 years: Year 1: 225 Year 2: 140 Year 3: 100 Year 4: 70 Year 5: 40
j. Date of last experience study	September 2012 for fiscal years 2007 thru 2011

- F. Discount Rate* – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.50% since the plan's net fiduciary position is projected to be sufficient to make projected benefit payments.

The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future

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real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2021 are summarized in the following table:

	Target Allocation	Real Return	Weighted Return
Large cap stocks S&P 500	25%	5.80%	1.45%
Small/mid cap stocks Russell 2500	10%	6.40%	0.64%
Long/short equity MSCI ACWI	10%	5.00%	0.50%
International stocks MSCI EAFE	20%	6.20%	1.24%
Fixed income bonds Barclay's Capital Aggregate	30%	2.30%	0.69%
Real estate NCREIF	5%	4.60%	0.23%
Cash equivalents 3 month Treasury	0%	0.00%	0.00%
TOTAL	100%		
Average Real Return			4.75%
Inflation			2.75%
Long-term expected return			<u>7.50%</u>

- G. Changes in Net Pension Liability (Asset) – The total pension liability was determined based on an actuarial valuation performed as of July 1, 2021 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2021 and the City's report ending date of June 30, 2022, that would have had a significant impact on the net pension liability (asset). The following table reports the components of changes in net pension liability (asset):

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances Beginning of Year	<u>\$ 10,487,705</u>	<u>\$ 10,958,846</u>	<u>\$ (471,141)</u>
Changes for the Year:			
Service cost	389,739	-	389,739
Interest expense	765,602	-	765,602
Difference between expected and actual experience	(241,692)	-	(241,692)
Changes of assumptions	-	-	-
Contributions--City	-	202,987	(202,987)
Contributions--members	-	279,107	(279,107)
Net investment income	-	3,026,350	(3,026,350)
Benefits paid	(569,656)	(569,656)	-
Benefit changes due to plan amendments	-	-	-
Plan administrative expenses	-	(22,416)	22,416
Net Changes	<u>343,993</u>	<u>2,916,372</u>	<u>(2,572,379)</u>
Balances End of Year	<u>\$ 10,831,698</u>	<u>\$ 13,875,218</u>	<u>\$ (3,043,520)</u>

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Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.50 percent, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability (Asset)	\$ (1,996,495)	\$ (3,043,520)	\$ (3,923,212)

The City reported \$(398,678) in pension expense for the year ended June 30, 2022. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,900	\$ 222,943
Changes of assumptions	44,413	-
Net difference between projected and actual earnings on pension plan investments	-	1,526,736
Changes in proportion and differences between City contributions and proportionate share of contributions	10,592	5,579
City contributions during measurement date	2,625	7,624
City contributions subsequent to the measurement date	210,550	-
Total	<u>\$ 287,080</u>	<u>\$ 1,762,882</u>

Amortization of Pension Deferrals: In the year ending June 30, 2022, \$210,550 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of or an addition to the net pension liability (asset) in the subsequent year. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ (409,159)
2024	(416,561)
2025	(418,935)
2026	(441,697)
	<u>\$ (1,686,352)</u>

H. Related Party Investments

As of June 30, 2022, the Systems held no related-party investments of the City or of its related entities.

City of Nichols Hills Other Postemployment Benefits Plan

Plan description – The City's defined benefit OPEB plan provides OPEB to eligible retirees and their dependents. The City Council has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided – The City provides medical and prescription drug benefits to eligible retirees and their dependents. 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 retirees and dependents pay 110% of the active employee coverage rates; this results in the retirees and beneficiaries receiving an implicit rate subsidy. Retirees and dependents coverage ceases at age 65 and are no longer eligible for the City's OPEB plan.

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Employees covered by benefit terms - At June 30, 2022 the following employees were covered by the benefit terms:

Active Employees	73
Inactives or beneficiaries currently receiving benefit payments	<u>5</u>
Total	<u>78</u>

Total OPEB Liability – The City’s total OPEB liability of \$925,946 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions- The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2021, using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Discount Rate – 2.21%, based on June 30, 2021 published Bond Pay Go-20 bond index
- Termination – Civilian employees are based on actual experience of the Oklahoma Municipal Retirement Fund. Rates for police and firefighters are based on rates for these groups in Oklahoma.
- Retirement Age:

*Civilian
Retirement*

<u>Age</u>	<u>Rate</u>
55	7%
56	7%
57	7%
58	7%
59	7%
60	7%
61	7%
62	30%
63	17.5%
64	17.5%
65 - 69	30%
70	100%

Years of Service	Retirement Rate	
	Police	Fire
20	20%	11%
21	6%	6%
22	6%	6%
23	6%	6%
24	10%	11%
25	20%	17%
26	10%	17%
27	10%	17%
28	10%	17%
29	15%	17%
30	100%	24%
31	100%	24%
32	100%	24%
33	100%	24%
34	100%	29%
35	100%	100%

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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

- Participation – 25% of currently covered civilian employees are assumed to elect retiree medical coverage and 50% for police and firefighters. Dependents are assumed acceptance rate is 67%
- Healthcare cost trend rates - Plan year dependent rates graded from 4.87% to 5.99%
- Mortality Rates - Pub2010 Gen or Public Safety Mortality Table with cohort mortality projection

Changes in Total OPEB Liability –The following table reports the components of changes in total OPEB liability:

	Total OPEB Liability (a)
Balances Beginning of Year	<u>\$ 925,946</u>
Changes for the Year:	
Service cost	43,278
Interest expense	36,690
Benefits paid	<u>(21,158)</u>
Net Changes	<u>58,810</u>
Balances End of Year	<u><u>\$ 984,756</u></u>

Changes of assumptions reflects a change in discount rate from 3.50 percent to 2.21 percent and a change from the RP-2000 to the Pub-2010 mortality tables.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate-The following presents the total OPEB liability of the employer calculated using the discount rate of 2.21%, as well as what the Plan's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.21%) or 1-percentage-point higher (3.21) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Employers' total opeb liability	\$ 1,211,332	\$ 984,756	\$ 810,152

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate-The following presents the total OPEB liability of the employer calculated using the healthcare cost trend rate of 5.99% grading to 4.87%, as well as what the Plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (4.99% grading to 3.87%) or 1-percentage-point higher (6.99% grading to 5.87%) than the current rate:

	1% Decrease (4.99% grading to 3.87%)	Healthcare Cost Trend Rates (5.99% grading to 4.87%)	1% Increase (6.99% grading to 5.87%)
Employers' net opeb liability	\$ 815,753	\$ 984,756	\$ 1,198,045

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the City recognized OPEB expense of \$72,911. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 24,228	\$ 59,364
Changes of assumptions	97,193	51,087
Changes in proportion and differences between City contributions and proportionate share of contributions	7,190	7,190
City contributions during measurement date	178	1,833
Benefit payments subsequent to the measurement date	18,815	-
Total	<u>\$ 147,604</u>	<u>\$ 119,474</u>

The \$18,815 reported as deferred outflows of resources related to OPEB resulting from benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2023	\$ (7,057)
2024	(7,057)
2025	(7,057)
2026	(1,738)
2027	6,279
Thereafter	25,945
Total	<u>\$ 9,315</u>

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
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 CompSource.	(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	Self-insured with City paying a portion	Claims after \$75,000 per individual

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

of premiums. Administered by Assured covered by stop loss insurance.
Benefits Administrators on the Cigna
Network

- Life Purchased commercial insurance None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

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

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

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

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

4.C. COMMITMENTS AND CONTINGENCIES

Commitments:

Construction Contracts

The City is involved in the following construction contracts at June 30, 2022:

	Payable Fund	Original Contract	Outstanding Balance at June 30, 2022
Waterline Constriction WC-1901	GO Bond Fund	\$561,555	\$110,096
PW Improvements Phase III	GO Bond Fund	\$1,444,444	\$1,444,444
Sanitary Sewer Improvements	GO Bond Fund	\$725,848	\$725,848
Fire Station & City Hall			
Renovation & Addition	General Fund	\$3,070,600	\$812,489
63 rd Street Pedestrian Crossing	General Fund	\$243,679	\$243,679
Love Family Park	Park Fund	\$961,700	\$787,200

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.

CITY OF NICHOLS HILLS, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS) -
GENERAL FUND
Required Supplementary Information
For the year ended June 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Beginning Budgetary Fund Balance:	\$3,264,255	\$3,055,615	\$4,402,458	\$1,346,843
Resources (Inflows):				
Taxes:				
Sales and use tax	4,884,916	5,761,916	6,267,785	505,869
Cigarette tax	36,804	36,804	42,075	5,271
Franchise tax	313,436	313,436	346,363	32,927
Total Taxes	5,235,156	6,112,156	6,656,223	544,067
Intergovernmental:				
Alcoholic beverage tax	9,992	9,992	10,563	571
Grant revenue	-	1,000,000	1,191,724	191,724
Total Intergovernmental	9,992	1,009,992	1,202,287	192,295
Charges for services:				
Garbage charges	1,007,529	1,007,529	1,065,204	57,675
Ambulance charges	59,223	59,223	61,864	2,641
Total Charges for Services	1,066,752	1,066,752	1,127,068	60,316
Fines and Forfeitures	80,713	80,713	111,111	30,398
Licenses and Permits:				
Building permits	138,131	138,131	122,992	(15,139)
Plumbing permits	23,910	23,910	45,270	21,360
Plumbing licenses	18,303	18,303	25,375	7,072
Animal licenses	690	690	515	(175)
Electrical licenses	9,278	9,278	12,375	3,097
Electrical permits	21,673	21,673	36,730	15,057
General contractor registration	15,580	15,580	22,100	6,520
Miscellaneous	23,841	23,840	27,435	3,595
Total Licenses and Permits	251,406	251,405	292,792	41,387
Investment Income	3,871	3,871	14,752	10,881
Miscellaneous:				
Lease revenue	260,187	260,187	258,219	(1,968)
Other	42,799	42,799	190,842	148,043
Total Miscellaneous	302,986	302,986	449,061	146,075
Other Financing Sources:				
Transfers from other funds	2,194,172	2,194,172	2,194,164	(8)
Total Other Financing Sources	2,194,172	2,194,172	2,194,164	(8)
Total Resources (Inflows)	9,145,048	11,022,047	12,047,458	1,025,411
Amounts available for appropriation	12,409,303	14,077,662	16,449,916	2,372,254

(Continued)

CITY OF NICHOLS HILLS, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS) -
GENERAL FUND
Required Supplementary Information
For the year ended June 30, 2022

(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to Appropriations (Outflows):				
GENERAL GOVERNMENT:				
Council	784	784	782	2
Manager/Clerk	652,283	663,752	636,543	27,209
Treasurer	1,307	1,307	1,304	3
Attorney	200,000	260,000	255,031	4,969
Engineer	80,000	210,000	196,768	13,232
Building and Code Division	348,954	362,890	355,817	7,073
Safety/Risk	183,604	214,106	210,807	3,299
General Government	514,466	1,959,466	1,954,111	5,355
Information Systems	440,722	449,575	433,354	16,221
TOTAL GENERAL GOVERNMENT	2,422,120	4,121,880	4,044,517	77,363
PUBLIC SAFETY:				
Court	112,254	120,216	116,635	3,581
Police	2,726,973	2,805,080	2,752,281	52,799
Fire	2,104,046	2,338,719	2,326,153	12,566
TOTAL PUBLIC SAFETY	4,943,273	5,264,015	5,195,069	68,946
HIGHWAYS AND STREETS	344,529	367,414	363,172	4,242
PUBLIC WORKS:				
Sanitation	895,969	924,252	920,838	3,414
Public Works	230,168	242,147	237,603	4,544
TOTAL PUBLIC WORKS	1,126,137	1,166,399	1,158,441	7,958
PARKS AND RECREATION	308,990	310,980	263,497	47,483
Total Charges to Appropriations	9,145,049	11,230,688	11,024,696	205,992
Ending Budgetary Fund Balance	\$ 3,264,254	\$ 2,846,974	\$5,425,220	\$2,578,246

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, 2022**

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.

The funds that have legally adopted budgets are the General fund, Street & alley, E-911, Debt Service and Capital Improvement funds. The GO Bond fund is not budgeted annually; it is budgeted by project.

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	\$12,047,458
Differences – budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(2,194,164)
State payments made on-behalf of police and fire pension not considered a budgetary resource	518,627
Revenues not considered a budgetary resource	95,844
Other General fund accounts	<u>93,838</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – general fund	<u>\$10,561,603</u>

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

Uses/Outflows of resources

Actual amounts (budgetary basis) “total charges to appropriations” from the budgetary comparison schedule	\$11,024,696
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Differences – budget to GAAP:

State payments made on-behalf of police and fire pensions	518,627
Transfers out to funds are outflows flows of budgetary resources but are not expenditures for financial reporting purposes.	(1,853,205)
Expenses not reported as outflows for budgetary purposes	172,887
Other General fund accounts	<u>12,608</u>

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance – general fund	<u><u>9,875,613</u></u>
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Required Supplementary Information
Oklahoma Police Pension & Retirement System

Schedule of the City of Nichols Hills' Proportionate Share of
Net Pension Liability (Asset)
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022
City's proportion of the net pension liability (asset)	0.2742%	0.2561%	0.2882%	0.3863%	0.3157%	0.3315%	0.3419%	0.3465%
City's proportionate share of the net pension liability (asset)	\$ (92,320)	\$ 10,442	\$ 441,337	\$ 29,715	\$ (150,364)	\$ (21,166)	\$ 392,619	\$ (1,662,201)
City's covered payroll	\$ 766,046	\$ 723,585	\$ 849,569	\$ 909,354	\$ 965,154	\$ 1,083,262	\$ 1,167,062	\$ 1,197,992
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-12.05%	1.44%	51.95%	3.27%	-15.58%	-1.95%	33.64%	-138.75%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.82%	93.50%	99.68%	101.89%	100.24%	95.80%	117.07%

Notes to Schedule:

Only eight years are presented because 10-year data is not yet available.

Required Supplementary Information
Oklahoma Police Pension & Retirement System

Schedule of the City of Nichols Hills Contributions
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022
Statutorially required contribution	\$ 94,066	\$ 110,444	\$ 118,216	\$ 125,470	\$ 140,824	\$ 151,718	\$ 155,739	\$ 164,317
Contributions in relation to the statutorially required contribution	94,066	110,444	118,216	125,470	140,824	\$ 151,718	\$ 155,739	\$ 164,317
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 723,585	\$ 849,569	\$ 909,354	\$ 965,154	\$ 1,083,262	\$ 1,167,062	\$ 1,197,992	\$ 1,263,977
Contributions as a percentage of covered payroll	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Notes to Schedule:

Only eight years are presented because 10-year data is not yet available.

Required Supplementary Information
Oklahoma Firefighters Pension & Retirement System

Schedule of the City of Nichols Hills' Proportionate Share of
Net Pension Liability
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022
City's proportion of the net pension liability	0.335567%	0.323544%	0.309250%	0.313273%	0.334900%	0.357550%	0.372875%	0.376938%
City's proportionate share of the net pension liability	\$ 3,450,800	\$ 3,434,125	\$ 3,778,138	\$ 3,940,104	\$ 3,769,779	\$ 3,778,107	\$ 4,593,502	\$ 2,482,388
City's covered payroll	\$ 898,150	\$ 895,843	\$ 864,721	\$ 891,379	\$ 996,057	\$ 1,484,886	\$ 1,200,493	\$ 1,225,371
City's proportionate share of the net pension liability as a percentage of covered payroll	384%	383%	437%	442%	378%	254%	383%	203%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%	66.61%	70.73%	72.85%	69.98%	84.24%

Notes to Schedule:

Only eight years are presented because 10-year data is not yet available.

Required Supplementary Information
Oklahoma Firefighters Pension & Retirement System

Schedule of the City of Nichols Hills' Contributions
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022
Statutorially required contribution	\$ 125,418	\$ 121,061	\$ 124,793	\$ 139,448	\$ 207,884	\$ 168,069	\$ 171,552	\$ 182,029
Contributions in relation to the statutorially required contribution	125,418	121,061	124,793	139,448	207,884	168,069	171,552	182,029
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 895,843	\$ 864,721	\$ 891,379	\$ 996,057	\$ 1,484,886	\$ 1,200,493	\$ 1,225,371	\$ 1,300,207
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Notes to Schedule:

Only eight years are presented because 10-year data is not yet available

Required Supplementary Information
Oklahoma Municipal Retirement Fund

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022
Total pension liability								
Service cost	\$ 231,823	\$ 230,997	\$ 337,268	\$ 370,729	\$ 333,708	\$ 356,868	\$ 381,474	\$ 389,739
Interest	661,978	614,609	632,759	650,266	683,585	703,925	737,321	765,602
Changes of benefit terms	(625,513)	-	-	77,664	(4,570)	-	-	-
Change in assumptions	-	-	-	-	-	129,279	-	-
Differences between expected and actual experience	-	(177,555)	(239,662)	169,914	(99,495)	55,014	(67,107)	(241,692)
Benefit payments, including refunds of member contribution	(817,173)	(471,748)	(394,524)	(618,599)	(467,564)	(822,926)	(775,832)	(569,656)
Net change in total pension liability	(548,885)	196,303	335,841	649,974	445,664	422,160	275,856	343,993
Total pension liability - beginning	8,710,792	8,161,907	8,358,210	8,694,051	9,344,025	9,789,689	10,211,849	10,487,705
Total pension liability - ending (a)	\$ 8,161,907	\$ 8,358,210	\$ 8,694,051	\$ 9,344,025	\$ 9,789,689	\$ 10,211,849	\$ 10,487,705	\$ 10,831,698
Plan fiduciary net position								
Contributions - employer	\$ 358,053	\$ 1,443,800	\$ 160,198	\$ 161,647	\$ 168,663	\$ 183,116	\$ 195,261	\$ 202,987
Contributions - member	196,536	192,467	220,118	222,265	231,911	251,786	268,485	279,107
Net investment income	1,102,303	205,006	80,015	1,107,845	730,032	706,560	450,186	3,026,350
Benefit payments, including refunds of member contribution	(817,173)	(471,748)	(394,524)	(618,599)	(467,564)	(822,926)	(775,832)	(569,656)
Administrative expense	(16,324)	(15,962)	(17,813)	(19,450)	(20,495)	(21,358)	(22,217)	(22,416)
Net change in plan fiduciary net position	823,395	1,353,563	47,994	853,708	642,547	297,178	115,883	2,916,372
Plan fiduciary net position - beginning	6,824,578	7,647,973	9,001,536	9,049,530	9,903,238	10,545,785	10,842,963	10,958,846
Plan fiduciary net position - ending (b)	\$ 7,647,973	\$ 9,001,536	\$ 9,049,530	\$ 9,903,238	\$ 10,545,785	\$ 10,842,963	\$ 10,958,846	\$ 13,875,218
Net pension liability (asset)- ending (a) - (b)	\$ 513,934	\$ (643,326)	\$ (355,479)	\$ (559,213)	\$ (756,096)	\$ (631,114)	\$ (471,141)	\$ (3,043,520)
Plan fiduciary net position as a percentage of the total pension liability	93.70%	107.70%	104.09%	105.98%	107.72%	106.18%	104.49%	128.10%
Covered payroll	\$ 1,766,759	\$ 1,718,775	\$ 2,001,006	\$ 2,020,584	\$ 2,108,285	\$ 2,288,950	\$ 2,441,125	\$ 2,631,866
Net pension liability (asset) as a percentage of covered payroll	29.09%	-37.43%	-17.77%	-27.68%	-35.86%	-27.57%	-19.30%	-115.64%

Notes to Schedule:

Only eight years are presented because 10-year data is not yet available

Required Supplementary Information
Oklahoma Municipal Retirement Fund

Schedule of Employer Contributions

Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially determined contribution	\$ 242,519	\$ 282,350	\$ 95,978	\$ 102,673	\$ 90,414	\$ 96,424	\$ 169,240	\$ 175,545
Contributions in relation to the actuarially determined contribution	1,443,790	160,198	161,647	168,662	183,116	195,290	202,987	210,550
Contribution deficiency (excess)	<u>\$ (1,201,271)</u>	<u>\$ 122,152</u>	<u>\$ (65,669)</u>	<u>\$ (65,989)</u>	<u>\$ (92,702)</u>	<u>\$ (98,866)</u>	<u>\$ (33,747)</u>	<u>\$ (35,005)</u>
Covered payroll	\$ 1,718,775	\$ 2,001,006	\$ 2,020,584	\$ 2,108,285	\$ 2,288,950	\$ 2,441,125	\$ 2,537,335	\$ 2,631,866
Contributions as a percentage of covered payroll	84.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%

Notes to Schedule:

- Only eight years are presented because 10-year data is not yet available.
- Latest Valuation Date: July 1, 2021
- Actuarially determined contribution rate is calculated as of July 1, 2021 for fiscal year 2022
July 2021 through June 2022 the City elected to make contributions at a rate of 8.0%.
- Methods and assumptions used to determine contribution rates:
 - Actuarial cost method - Entry age normal
 - Amortization method - Level percent of payroll, closed
 - Remaining amortization period - 30 years
 - Asset valuation method - Actuarial:
 - Smoothing period - 5 years
 - Recognition method - Non-asymptotic
 - Corridor - 70% - 130%
 - Salary increases - 4.50% to 7.50% (varies by attained age)
 - Investment rate of return - 7.50%

Required Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios

Last 10 Fiscal Years

	2018	2019	2020	2021	2022
Total OPEB liability					
Service cost	\$ 56,125	\$ 56,125	\$ 45,553	\$ 43,278	\$ 43,278
Interest	20,799	30,479	30,759	26,646	36,690
Change in assumptions	(65,133)	(38,619)	(8,424)	127,285	-
Differences between expected and actual experience	-	-	(75,875)	31,728	-
Benefit payments, including refunds of member contributions	(18,626)	(19,617)	(53,422)	(21,022)	(21,158)
Net change in total OPEB liability	(6,835)	28,368	(61,409)	207,915	58,810
Total OPEB liability - beginning	757,907	751,072	779,440	718,031	925,946
Total OPEB liability - ending	\$ 751,072	\$ 779,440	\$ 718,031	\$ 925,946	\$ 984,756
Covered-employee payroll	\$ 3,860,000	\$ 3,958,168	\$ 4,481,000	\$ 4,781,000	\$ 4,781,000
Net OPEB liability as a percentage of covered-employee payroll	19.46%	19.69%	16.02%	19.37%	20.60%

Notes to Schedule:

Only five years are presented because 10-year data is not yet available.

The change in assumption is a result of a decrease in the discount rate from 3.50% to 2.21%.

No assets accumulated in a trust that meets the criteria to pay related benefits for the OPEB plan.

City of Nichols Hills
Combining Balance Sheet Accounts
General Fund Accounts
June 30, 2022

	General Fund	Designated Accounts Account	Designated Funds Public Works Account	Drainage Impact Fees	Impound Fee Police Account	Water Impact Fees Account	Sewer Impact Fee Account	Total General Fund
ASSETS								
Cash and cash equivalents	\$ 1,894,383	\$ 76,105	\$ 2,292	\$ 140,461	\$ 28,180	\$ 126,050	\$ 83,128	\$ 2,350,599
Restricted cash and cash equivalents	9,240	-	-	-	-	-	-	9,240
Investments	3,023,473	-	-	-	-	-	-	3,023,473
Deposits with insurance pool	32,285	-	-	-	-	-	-	32,285
Receivables:								
Accrued interest receivable	3,069	-	-	-	-	-	-	3,069
Due from other funds	85,237	-	-	-	-	-	-	85,237
Due from other governments	1,161,969	-	-	-	-	-	-	1,161,969
Franchise tax receivable	49,754	-	-	-	-	-	-	49,754
Court fines receivable, net	179,482	-	-	-	-	-	-	179,482
Leases	301,328	-	-	-	-	-	-	301,328
Other	4,015	-	-	6,932	-	-	-	10,947
Total assets	<u>\$ 6,744,235</u>	<u>\$ 76,105</u>	<u>2,292</u>	<u>147,393</u>	<u>28,180</u>	<u>126,050</u>	<u>83,128</u>	<u>\$ 7,207,383</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 446,539	\$ 73	323	-	-	-	-	\$ 446,935
Due to other governments	924	-	-	-	-	-	-	924
Deposit liabilities	9,240	-	-	-	-	-	-	9,240
Retainage payable	126,751	-	-	-	-	-	-	126,751
Total liabilities	<u>583,454</u>	<u>73</u>	<u>323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>583,850</u>
Deferred inflows of resources:								
Leases	301,328	-	-	-	-	-	-	301,328
Unavailable revenue	511,276	-	-	-	-	-	-	511,276
Total deferred inflows	<u>812,604</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>812,604</u>
Fund balances:								
Restricted for:								
Donations	-	76,032	1,969	-	-	-	-	78,001
Insurance premiums	32,285	-	-	-	-	-	-	32,285
Committed for:								
Capital projects	-	-	-	147,393	28,180	126,050	83,128	384,751
Assigned for:								
Economic development	500,000	-	-	-	-	-	-	500,000
Capital projects	811,712	-	-	-	-	-	-	811,712
Unassigned	4,004,180	-	-	-	-	-	-	4,004,180
Total fund balances	<u>5,348,177</u>	<u>76,032</u>	<u>1,969</u>	<u>147,393</u>	<u>28,180</u>	<u>126,050</u>	<u>83,128</u>	<u>5,810,929</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,744,235</u>	<u>\$ 76,105</u>	<u>\$ 2,292</u>	<u>\$ 147,393</u>	<u>\$ 28,180</u>	<u>\$ 126,050</u>	<u>\$ 83,128</u>	<u>\$ 7,207,383</u>

City of Nichols Hills
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
General Fund Accounts
For the Year Ended June 30, 2022

	General Fund	Designated Accounts Account	Designated Funds Public Works Account	Drainage Impact Fees	Impound Fee Police Account	Water Impact Fees Account	Sewer Impact Fee Account	Total General Fund
REVENUES								
Taxes	\$ 6,745,063	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,745,063
Fees and fines	113,986	-	-	-	4,600	-	-	118,586
Licenses and permits	292,792	-	-	-	-	-	-	292,792
Intergovernmental	1,720,839	-	-	-	-	-	-	1,720,839
Charges for services	1,126,706	5,605	-	65,426	-	9,190	5,526	1,212,453
Investment earnings	18,764	271	7	439	96	441	287	20,305
Miscellaneous	449,615	1,750	200	-	-	-	-	451,565
Total revenues	<u>10,467,765</u>	<u>7,626</u>	<u>207</u>	<u>65,865</u>	<u>4,696</u>	<u>9,631</u>	<u>5,813</u>	<u>10,561,603</u>
EXPENDITURES								
Current:								
General government	2,511,472	1,108	447	-	-	-	-	2,513,027
Public safety	5,438,456	1,311	-	-	-	-	-	5,439,767
Highways and roads	311,173	-	-	-	-	-	-	311,173
Public works	1,067,732	-	-	-	-	-	-	1,067,732
Culture and recreation	231,764	-	-	-	-	-	-	231,764
Capital Outlay	302,408	642	-	9,100	-	-	-	312,150
Total Expenditures	<u>9,863,005</u>	<u>3,061</u>	<u>447</u>	<u>9,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,875,613</u>
Excess (deficiency) of revenues over expenditures	<u>604,760</u>	<u>4,565</u>	<u>(240)</u>	<u>56,765</u>	<u>4,696</u>	<u>9,631</u>	<u>5,813</u>	<u>685,990</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	2,194,164	-	-	-	-	-	-	2,194,164
Transfers out	<u>(1,853,205)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,853,205)</u>
Total other financing sources and uses	<u>340,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>340,959</u>
FUND BALANCE								
Net change in fund balances	945,719	4,565	(240)	56,765	4,696	9,631	5,813	1,026,949
Fund balances - beginning	4,402,458	71,467	2,209	90,628	23,484	116,419	77,315	4,783,980
Fund balances - ending	<u>\$ 5,348,177</u>	<u>\$ 76,032</u>	<u>\$ 1,969</u>	<u>\$ 147,393</u>	<u>\$ 28,180</u>	<u>\$ 126,050</u>	<u>\$ 83,128</u>	<u>\$ 5,810,929</u>

**City of Nichols Hills
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022**

	Street and Alley Fund	E-911 Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 196,746	\$ 59,101	\$ 255,847
Due from other governments	1,735	-	1,735
Other receivables	-	729	729
Total assets	<u>\$ 198,481</u>	<u>\$ 59,830</u>	<u>\$ 258,311</u>
 FUND BALANCES			
Fund balances:			
Restricted for:			
Streets	191,315	-	191,315
Public safety	-	59,138	59,138
Assigned for:			
Streets	7,166	-	7,166
E-911	-	692	692
Total fund balances	<u>198,481</u>	<u>59,830</u>	<u>258,311</u>
Total liabilities and fund balances	<u>\$ 198,481</u>	<u>\$ 59,830</u>	<u>\$ 258,311</u>

City of Nichols Hills
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Street and Alley Fund	E-911 Fund	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ -	\$ 8,729	\$ 8,729
Intergovernmental	35,255	-	35,255
Investment earnings	696	204	900
Total revenues	<u>35,951</u>	<u>8,933</u>	<u>44,884</u>
EXPENDITURES			
Current:			
Public safety	-	1,034	1,034
Highways and roads	<u>37,750</u>	<u>-</u>	<u>37,750</u>
Total Expenditures	<u>37,750</u>	<u>1,034</u>	<u>38,784</u>
Excess (deficiency) of revenues over expenditures	<u>(1,799)</u>	<u>7,899</u>	<u>6,100</u>
Net change in fund balances	(1,799)	7,899	6,100
Fund balances - beginning	200,280	51,931	252,211
Fund balances - ending	<u>\$ 198,481</u>	<u>\$ 59,830</u>	<u>\$ 258,311</u>

CITY OF NICHOLS HILLS, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS
For the fiscal year ended June 30, 2022

	SPECIAL REVENUE - STREET & ALLEY FUND				SPECIAL REVENUE - E-911 FUND			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
				Positive (Negative)				Positive (Negative)
Revenues:								
Taxes	-	-	-	-	\$ 8,000	\$ 8,000	\$ 8,712	\$ 712
Intergovernmental	\$ 31,647	\$ 31,647	\$ 37,671	\$ 6,024	-	-	-	-
Investment income	269	269	696	427	10	10	204	194
Total Revenues	<u>31,916</u>	<u>31,916</u>	<u>38,367</u>	<u>6,451</u>	<u>8,010</u>	<u>8,010</u>	<u>8,916</u>	<u>906</u>
Expenditures:								
Current:								
Public safety	-	-	-	-	57,755	57,755	1,034	56,721
Highways and streets	229,616	229,616	37,750	191,866	-	-	-	-
Total Expenditures	<u>229,616</u>	<u>229,616</u>	<u>37,750</u>	<u>191,866</u>	<u>57,755</u>	<u>57,755</u>	<u>1,034</u>	<u>56,721</u>
Excess (deficiency) of revenues over expenditures	<u>(197,700)</u>	<u>(197,700)</u>	<u>617</u>	<u>198,317</u>	<u>(49,745)</u>	<u>(49,745)</u>	<u>7,882</u>	<u>57,627</u>
Net change in fund balances	(197,700)	(197,700)	617	198,317	(49,745)	(49,745)	7,882	57,627
Fund Balance - beginning of year	197,700	197,700	200,280	2,580	49,745	49,745	51,931	2,186
Fund Balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,897</u>	<u>\$ 200,897</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,813</u>	<u>\$ 59,813</u>

CITY OF NICHOLS HILLS, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
For the fiscal year ended June 30, 2022

	DEBT SERVICE				CAPITAL PROJECT - CAPITAL IMPROVEMENT			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
Beginning Budgetary Fund Balance	-	537,150	\$ 1,982,071	\$ 1,444,921	\$ 1,249,897	\$ 1,249,897	\$ 1,252,141	\$ 2,244
Resources (Inflows):								
Taxes	\$ 4,799,040	\$ 4,799,040	4,378,529	(420,511)	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Investment income	8,000	18,000	19,931	1,931	-	-	2,750	2,750
Miscellaneous income	-	-	-	-	-	-	55,880	55,880
Transfer in	-	-	-	-	553,205	1,249,897	1,853,205	603,308
Amounts available for appropriation	<u>4,807,040</u>	<u>5,354,190</u>	<u>6,380,531</u>	<u>1,026,341</u>	<u>1,803,102</u>	<u>2,499,794</u>	<u>3,163,976</u>	<u>664,182</u>
Charges to appropriations (outflows):								
General government	1,000	1,000	475	525	-	-	-	-
Capital outlay	-	-	-	-	1,803,102	1,803,102	351,677	1,451,425
Debt service	<u>4,806,040</u>	<u>5,353,190</u>	<u>5,352,213</u>	<u>977</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Charges to Appropriations	<u>4,807,040</u>	<u>5,354,190</u>	<u>5,352,688</u>	<u>1,502</u>	<u>1,803,102</u>	<u>1,803,102</u>	<u>351,677</u>	<u>1,451,425</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,027,843</u>	<u>\$ 1,027,843</u>	<u>\$ -</u>	<u>\$ 696,692</u>	<u>\$ 2,812,299</u>	<u>\$ 2,115,607</u>

CITY OF NICHOLS HILLS, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
For the fiscal year ended June 30, 2022

(Continued)

CAPITAL PROJECT - PARK FUND				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	-	-	-	-
Resources (Inflows):				
Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Investment income	-	-	\$ 2,431	\$ 2,431
Miscellaneous income	-	\$ 1,500,000	1,500,000	-
Transfer in	-	-	-	-
Amounts available for appropriation	-	1,500,000	1,502,431	2,431
Charges to appropriations (outflows):				
General government	-	-	-	-
Capital outlay	-	1,150,000	455,186	694,814
Debt service	-	-	-	-
Total Charges to Appropriations	-	1,150,000	455,186	694,814
Ending Budgetary Fund Balance	\$ -	\$ 350,000	\$ 1,047,245	\$ 697,245

City of Nichols Hills
Combining Schedule of Net Position
Enterprise Fund Accounts
June 30, 2022

	Nichols Hills Municipal Authority	Nichols Hills Municipal Authority CIF Account	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 743,843	\$ 996,075	\$ 1,739,918
Investments	1,108,326	949,167	2,057,493
Accounts receivable, net	745,436	-	745,436
Accrued interest receivable	1,429	1,840	3,269
Total current assets	<u>2,599,034</u>	<u>1,947,082</u>	<u>4,546,116</u>
Non-current assets:			
Restricted cash and cash equivalents	27,774	-	27,774
Net pension asset	635,211	-	635,211
Capital Assets:			
Non-depreciable assets	972,407	-	972,407
Other capital assets, net of depreciation	16,683,989	-	16,683,989
Total non-current assets	<u>18,319,381</u>	<u>-</u>	<u>18,319,381</u>
Total assets	<u>20,918,415</u>	<u>1,947,082</u>	<u>22,865,497</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred amounts related to OPEB	16,492		16,492
Deferred amounts related to pensions	62,752	-	62,752
Total deferred outflows of resources	<u>79,244</u>	<u>-</u>	<u>79,244</u>
LIABILITIES			
Current liabilities:			
Accounts payable	155,191	-	155,191
Due to other funds	85,237	-	85,237
Compensated absences, current portion	4,267	-	4,267
Notes payable, current portion	867	-	867
Total current liabilities	<u>245,562</u>	<u>-</u>	<u>245,562</u>
Non-current liabilities:			
Compensated absences	38,405	-	38,405
Meter deposit liability	27,774	-	27,774
Note payable	15,303	-	15,303
Total OPEB liability	97,369	-	97,369
Total non-current liabilities	<u>178,851</u>	<u>-</u>	<u>178,851</u>
Total liabilities	<u>424,413</u>	<u>-</u>	<u>424,413</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred amounts related to OPEB	15,859	-	15,859
Deferred amounts related to pensions	372,798	-	372,798
Total deferred inflows of resources	<u>388,657</u>	<u>-</u>	<u>388,657</u>
NET POSITION			
Net investment in capital assets	17,640,226	-	17,640,226
Unrestricted	2,544,363	1,947,082	4,491,445
Total net position	<u>\$ 20,184,589</u>	<u>\$ 1,947,082</u>	<u>\$ 22,131,671</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, 2022

	Nichols Hills Municipal Authority	Nichols Hills Municipal Authority CIF Account	Total
REVENUES			
Charges for Service:			
Water charges	\$ 3,355,336	\$ -	\$ 3,355,336
Wastewater charges	1,436,660	-	1,436,660
Water taps	19,334	-	19,334
Penalties	16,000	-	16,000
Miscellaneous revenue	4,477	8,065	12,542
Total operating revenues	<u>4,831,807</u>	<u>8,065</u>	<u>4,839,872</u>
OPERATING EXPENSES			
Administrative	839,886	-	839,886
Water and wastewater operations	1,055,612	-	1,055,612
Depreciation expense	1,825,562	-	1,825,562
Total operating expenses	<u>3,721,060</u>	<u>-</u>	<u>3,721,060</u>
Operating income	<u>1,110,747</u>	<u>8,065</u>	<u>1,118,812</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	5,705	5,393	11,098
Interest expense	(664)	-	(664)
Total non-operating revenues (expense)	<u>5,041</u>	<u>5,393</u>	<u>10,434</u>
Income before contributions and transfers	<u>1,115,788</u>	<u>13,458</u>	<u>1,129,246</u>
Capital contributions	1,391,062	-	1,391,062
Transfers in	104,707	521,836	626,543
Transfers out	(2,716,000)	(104,707)	(2,820,707)
Change in net position	<u>(104,443)</u>	<u>430,587</u>	<u>326,144</u>
Total net position- beginning	<u>20,289,032</u>	<u>1,516,495</u>	<u>21,805,527</u>
Total net position - ending	<u>\$ 20,184,589</u>	<u>\$ 1,947,082</u>	<u>\$ 22,131,671</u>

CITY OF NICHOLS HILLS, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
As of and for the fiscal year ended June 30, 2022

Federal/State Grantor/Pass through agency Grantor/Program	Federal AL Number	Pass Thru Grant #	Award Amount	Contract Expenditures
Federal Awards:				
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
Oklahoma Department of Emergency Management:				
Ice Storm - Debris Removal	97.036	PA-06-OK-4575-PW-00069	\$ 823,938	\$ 823,938
Ice Storm - Management Costs	97.036	PA FEMA DR 4575 PW 145	9,069	9,069
Emergency Protective Measures - COVID	97.036	COVID DR-4530 PW 26	19,251	14,202
Total AL 97.036			<u>\$ 852,258</u>	<u>\$ 847,209</u>
<u>U.S. DEPARTMENT OF TREASURY</u>				
American Rescue Plan Act - CSLFRF	21.027		<u>\$ 691,074</u>	<u>\$ 691,074</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Oklahoma District Attorneys Council:				
2019 Edward Byrne Memorial Justice Assistance	16.738		<u>\$ 619</u>	<u>\$ 619</u>
TOTAL FEDERAL AWARDS			<u>\$ 1,543,951</u>	<u>\$ 1,538,902</u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Nichols Hills, Oklahoma (the "City") under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The City has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Governmental activities										
Net investment in capital assets	\$ 2,425,122	\$ 2,883,731	\$ 3,138,855	\$ 2,039,744	\$ 3,955,351	\$ 4,805,952	\$ 5,976,388	\$ 6,116,023	\$ 5,754,593	\$ 7,816,642
Restricted	1,360,343	1,038,504	953,407	1,146,121	1,355,422	1,158,521	1,506,372	1,973,241	2,314,947	2,433,174
Unrestricted	<u>1,543,022</u>	<u>1,429,996</u>	<u>(2,225,118)</u>	<u>(1,880,281)</u>	<u>(1,264,576)</u>	<u>(464,112)</u>	<u>1,149,920</u>	<u>1,174,651</u>	<u>1,724,579</u>	<u>5,839,411</u>
Total governmental activities net position	<u>\$ 5,328,487</u>	<u>\$ 5,352,231</u>	<u>\$ 1,867,144</u>	<u>\$ 1,305,584</u>	<u>\$ 4,046,197</u>	<u>\$ 5,500,361</u>	<u>\$ 8,632,680</u>	<u>\$ 9,263,915</u>	<u>\$ 9,794,119</u>	<u>\$ 16,089,227</u>
Business-type activities										
Net investment in capital assets	\$ 18,118,659	\$ 18,058,754	\$ 18,961,631	\$ 21,577,476	\$ 20,377,268	\$ 19,222,957	\$ 18,687,637	\$ 18,793,595	\$ 17,975,559	\$ 17,640,226
Unrestricted	<u>1,670,285</u>	<u>2,559,212</u>	<u>1,875,438</u>	<u>2,323,000</u>	<u>2,723,150</u>	<u>3,503,366</u>	<u>3,337,077</u>	<u>3,790,742</u>	<u>3,822,019</u>	<u>4,496,669</u>
Total business-type activities net position	<u>\$ 19,788,944</u>	<u>\$ 20,617,966</u>	<u>\$ 20,837,069</u>	<u>\$ 23,900,476</u>	<u>\$ 23,100,418</u>	<u>\$ 22,726,323</u>	<u>\$ 22,024,714</u>	<u>\$ 22,584,337</u>	<u>\$ 21,797,578</u>	<u>\$ 22,136,895</u>
Primary government										
Net investment in capital assets	\$ 20,543,781	\$ 20,942,485	\$ 22,100,486	\$ 23,617,220	\$ 24,332,619	\$ 24,028,909	\$ 24,664,025	\$ 24,909,618	\$ 23,730,152	\$ 25,456,868
Restricted	1,360,343	1,038,504	953,407	1,146,121	1,355,422	1,158,521	1,506,372	1,973,241	2,314,947	2,433,174
Unrestricted	<u>3,213,307</u>	<u>3,989,208</u>	<u>(349,680)</u>	<u>442,719</u>	<u>1,458,574</u>	<u>3,039,254</u>	<u>4,486,997</u>	<u>4,965,393</u>	<u>5,546,598</u>	<u>10,336,080</u>
Total primary government net position	<u>\$ 25,117,431</u>	<u>\$ 25,970,197</u>	<u>\$ 22,704,213</u>	<u>\$ 25,206,060</u>	<u>\$ 27,146,615</u>	<u>\$ 28,226,684</u>	<u>\$ 30,657,394</u>	<u>\$ 31,848,252</u>	<u>\$ 31,591,697</u>	<u>\$ 38,226,122</u>

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Expenses										
Government activities:										
General government	\$ 2,103,433	\$ 1,670,579	\$ 1,299,408	\$ 2,290,054	\$ 2,307,051	\$ 2,495,458	\$ 2,429,658	\$ 2,609,785	\$ 2,833,696	\$ 2,841,304
Public safety	3,761,553	3,879,299	3,500,180	3,519,911	3,685,815	3,997,551	3,901,353	5,309,204	6,511,943	5,157,852
Highways and streets	592,671	1,262,972	749,946	762,751	1,022,354	1,170,398	1,249,721	1,281,820	2,403,820	1,528,390
Culture and recreation	157,684	170,469	191,791	193,210	219,959	233,077	372,777	430,254	440,212	431,599
Public works	1,107,820	1,149,352	1,044,334	1,066,659	1,200,553	1,205,996	1,242,046	1,489,116	1,754,432	1,415,611
Interest on long-term debt	<u>692,362</u>	<u>492,500</u>	<u>870,590</u>	<u>572,961</u>	<u>703,856</u>	<u>675,392</u>	<u>677,014</u>	<u>747,782</u>	<u>978,791</u>	<u>808,576</u>
Total governmental activities expenses	<u>8,415,523</u>	<u>8,625,171</u>	<u>7,656,249</u>	<u>8,405,546</u>	<u>9,139,588</u>	<u>9,777,872</u>	<u>9,872,569</u>	<u>11,867,961</u>	<u>14,922,894</u>	<u>12,183,332</u>
Business-type activities:										
Water	2,534,168	1,997,610	1,911,554	2,149,829	2,600,051	2,858,698	2,449,800	2,652,736	2,697,650	2,674,392
Wastewater	<u>371,186</u>	<u>748,831</u>	<u>697,992</u>	<u>728,531</u>	<u>912,251</u>	<u>933,709</u>	<u>1,017,587</u>	<u>1,092,270</u>	<u>1,175,985</u>	<u>1,150,459</u>
Total business-type activities expenses	<u>2,905,354</u>	<u>2,746,441</u>	<u>2,609,546</u>	<u>2,878,360</u>	<u>3,512,302</u>	<u>3,792,407</u>	<u>3,467,387</u>	<u>3,745,006</u>	<u>3,873,635</u>	<u>3,824,851</u>
Total primary government expenses	<u>\$ 11,320,877</u>	<u>\$ 11,371,612</u>	<u>\$ 10,265,795</u>	<u>\$ 11,283,906</u>	<u>\$ 12,651,890</u>	<u>\$ 13,570,279</u>	<u>\$ 13,339,956</u>	<u>\$ 15,612,967</u>	<u>\$ 18,796,529</u>	<u>\$ 16,008,183</u>
Program Revenues										
Government activities:										
Charges for services:										
General government	\$ 215,828	\$ 148,175	\$ 178,871	\$ 221,295	\$ 207,935	\$ 267,579	\$ 309,905	\$ 233,677	\$ 454,766	\$ 459,933
Public safety	209,502	208,191	193,841	255,862	183,863	234,786	231,816	279,761	770,619	761,971
Highways and streets	-	-	-	-	-	-	-	28,822	109,408	105,295
Culture and recreation	-	-	-	-	-	-	-	-	9,876	-
Public works	579,539	815,799	968,256	1,020,566	963,933	1,064,447	1,080,155	1,076,833	1,244,789	1,209,285
Operating grants and contributions	398,871	402,891	386,862	423,000	422,726	439,752	561,336	532,520	868,406	3,446,709
Capital grants and contributions	<u>-</u>	<u>138,244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,763</u>	<u>1,132</u>	<u>-</u>	<u>619</u>
Total governmental activities program revenues	<u>1,403,740</u>	<u>1,713,300</u>	<u>1,727,830</u>	<u>1,920,723</u>	<u>1,778,457</u>	<u>2,006,564</u>	<u>2,233,975</u>	<u>2,152,745</u>	<u>3,457,864</u>	<u>5,983,812</u>

(Continued)

TABLE 2
(Continued)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Business-type activities:										
Charges for services:										
Water	2,404,897	2,687,004	2,638,072	3,149,780	3,346,087	3,151,382	2,331,283	3,014,644	2,999,391	3,497,011
Wastewater	929,784	951,695	949,117	1,067,393	1,168,721	1,159,789	968,358	1,289,022	1,345,129	1,436,660
Total business-type activities program revenues	3,334,681	3,638,699	3,587,189	4,217,173	4,514,808	4,311,171	3,299,641	4,303,666	4,344,520	4,933,671
Total primary government program revenues	\$ 4,738,421	\$ 5,351,999	\$ 5,315,019	\$ 6,137,896	\$ 6,293,265	\$ 6,317,735	\$ 5,533,616	\$ 6,456,411	\$ 7,802,384	\$ 10,917,483
Net (Expense)/Revenue										
Government activities	\$ (7,011,783)	\$ (6,911,871)	\$ (5,928,419)	\$ (6,484,823)	\$ (7,361,131)	\$ (7,771,308)	\$ (7,638,594)	\$ (9,715,216)	\$ (11,465,030)	\$ (6,199,520)
Business-type activities	429,327	892,258	977,643	1,338,813	1,002,506	518,764	(167,746)	558,660	470,885	1,108,820
Total primary government net expense	\$ (6,582,456)	\$ (6,019,613)	\$ (4,950,776)	\$ (5,146,010)	\$ (6,358,625)	\$ (7,252,544)	\$ (7,806,340)	\$ (9,156,556)	\$ (10,994,145)	\$ (5,090,700)
General Revenues and Other Changes in Net Assets/Net Position										
Government activities:										
Taxes:										
Sales and use taxes	\$ 2,780,618	\$ 2,560,439	\$ 2,756,819	\$ 2,783,220	\$ 3,453,468	\$ 3,928,736	\$ 4,576,632	\$ 4,760,407	\$ 5,177,903	\$ 6,396,736
Property taxes	3,033,854	2,883,034	3,324,947	3,840,425	4,125,099	3,990,370	4,532,711	4,478,676	4,771,624	4,338,496
Franchise and public service taxes	412,394	544,309	399,654	339,874	337,882	358,832	324,662	326,031	313,615	348,327
Other taxes	1,710	1,254	1,318	1,351	1,064	12,138	7,462	9,145	8,610	8,729
Unrestricted grants and contributions	82,808	109,746	7,377	6,012	6,204	6,276	8,667	9,783	11,020	10,488
Investment earnings	42,872	34,497	43,279	73,674	99,168	146,992	341,878	291,816	66,747	110,785
Miscellaneous	525,752	718,434	226,812	247,580	269,429	325,679	343,465	363,691	358,279	487,925
Transfers	629,941	83,906	405,456	(1,698,873)	1,809,431	844,621	635,436	106,902	1,287,436	793,142
Total governmental activities	7,509,949	6,935,619	7,165,662	5,593,263	10,101,745	9,613,644	10,770,913	10,346,451	11,995,234	12,494,628
Business-type activities:										
Investment earnings	6,805	5,592	9,734	3,077	4,205	11,031	56,416	46,437	5,221	11,098
Miscellaneous	20,926	15,079	5,249	22,644	2,662	11,759	45,157	61,428	24,571	12,542
Transfers	(629,941)	(83,906)	(405,456)	1,698,873	(1,809,431)	(844,621)	(635,436)	(106,902)	(1,287,436)	(793,142)
Total business-type activities	(602,210)	(63,235)	(390,473)	1,724,594	(1,802,564)	(821,831)	(533,863)	963	(1,257,644)	(769,502)
Total primary government	\$ 6,907,739	\$ 6,872,384	\$ 6,775,189	\$ 7,317,857	\$ 8,299,181	\$ 8,791,813	\$ 10,237,050	\$ 10,347,414	\$ 10,737,590	\$ 11,725,126
Change in Net Assets/Net Position										
Government activities	\$ 498,166	\$ 23,748	\$ 1,237,243	\$ (891,560)	\$ 2,740,614	\$ 1,842,336	\$ 3,132,319	\$ 631,235	\$ 530,204	\$ 6,295,108
Business-type activities	(172,883)	829,023	587,170	3,063,407	(800,058)	(303,067)	(701,609)	559,623	(786,759)	339,318
Total primary government	\$ 325,283	\$ 852,771	\$ 1,824,413	\$ 2,171,847	\$ 1,940,556	\$ 1,539,269	\$ 2,430,710	\$ 1,190,858	\$ (256,555)	\$ 6,634,426

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General Fund										
Nonspendable	\$ -	\$ 59,409	\$ 60,478	\$ 69,195	\$ 73,483	\$ 78,672	\$ 81,090	\$ 14,255	\$ -	\$ -
Restricted	14,667	13,233	14,579	14,547	39,734	36,527	35,658	67,932	87,623	110,286
Committed	-	-	-	-	-	-	-	225,307	307,846	384,751
Assigned	1,123,633	1,134,066	628,694	627,754	500,000	629,118	662,818	500,000	500,000	1,311,712
Unassigned	<u>2,744,790</u>	<u>1,209,735</u>	<u>2,114,891</u>	<u>1,173,458</u>	<u>1,702,443</u>	<u>1,885,054</u>	<u>2,478,456</u>	<u>2,982,308</u>	<u>3,888,511</u>	<u>4,004,180</u>
Total general fund	<u>\$ 3,883,090</u>	<u>\$ 2,416,443</u>	<u>\$ 2,818,642</u>	<u>\$ 1,884,954</u>	<u>\$ 2,315,660</u>	<u>\$ 2,629,371</u>	<u>\$ 3,258,022</u>	<u>\$ 3,789,802</u>	<u>\$ 4,783,980</u>	<u>\$ 5,810,929</u>
All Other Governmental Funds										
Restricted	\$ 11,078,552	\$ 11,012,902	\$ 11,658,454	\$ 9,514,201	\$ 7,438,743	\$ 7,125,231	\$ 7,633,785	\$ 11,344,374	\$ 15,189,074	\$ 15,229,029
Assigned	156,344	681,463	714,777	1,987,684	2,205,120	1,990,483	2,718,574	1,471,253	1,473,081	2,848,822
Unassigned (deficit)	<u>(1,115,209)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 10,119,687</u>	<u>\$ 11,694,365</u>	<u>\$ 12,373,231</u>	<u>\$ 11,501,885</u>	<u>\$ 9,643,863</u>	<u>\$ 9,115,714</u>	<u>\$ 10,352,359</u>	<u>\$ 12,815,627</u>	<u>\$ 16,662,155</u>	<u>\$ 18,077,851</u>
GRAND TOTAL	<u>\$ 14,002,777</u>	<u>\$ 14,110,808</u>	<u>\$ 15,191,873</u>	<u>\$ 13,386,839</u>	<u>\$ 11,959,523</u>	<u>\$ 11,745,085</u>	<u>\$ 13,610,381</u>	<u>\$ 16,605,429</u>	<u>\$ 21,446,135</u>	<u>\$ 23,888,780</u>

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Revenues:										
Taxes	\$ 6,195,626	\$ 5,964,058	\$ 6,502,632	\$ 6,952,259	\$ 7,918,119	\$ 8,284,272	\$ 9,436,518	\$ 9,572,924	\$ 10,269,560	\$ 11,132,321
Intergovernmental	478,681	1,015,743	337,047	476,650	489,358	567,360	626,979	562,073	742,853	1,756,094
Charges for services	659,340	873,065	1,025,698	1,081,170	1,020,217	1,122,207	1,145,495	1,208,816	1,236,324	1,212,453
Fines and forfeitures	138,262	141,016	137,548	189,619	135,846	167,753	152,346	132,332	102,408	118,586
Licences and permits	215,828	148,175	178,871	221,295	207,935	266,716	304,393	232,355	301,895	292,792
Investment Income	44,658	32,852	41,175	73,507	90,032	142,762	342,221	297,136	69,052	89,887
Donation	-	-	-	-	-	-	-	-	-	1,500,000
Miscellaneous	<u>544,196</u>	<u>213,012</u>	<u>221,321</u>	<u>258,296</u>	<u>263,892</u>	<u>305,526</u>	<u>335,492</u>	<u>359,679</u>	<u>353,506</u>	<u>507,445</u>
Total Revenues	<u>8,276,591</u>	<u>8,387,921</u>	<u>8,444,292</u>	<u>9,252,796</u>	<u>10,125,399</u>	<u>10,856,596</u>	<u>12,343,444</u>	<u>12,365,315</u>	<u>13,075,598</u>	<u>16,609,578</u>
Expenditures:										
General government	1,467,916	1,475,621	2,332,577	2,197,285	2,048,926	2,092,011	2,052,373	2,093,862	2,147,493	2,519,329
Public safety	3,442,058	3,603,369	3,474,899	3,624,883	3,658,186	4,022,308	4,321,228	4,819,410	4,831,126	5,440,801
Highways and streets	266,964	241,294	239,701	233,047	309,671	275,805	281,851	262,670	1,165,850	348,923
Culture and recreation	153,604	166,235	203,652	201,630	213,143	223,944	256,252	255,558	274,955	337,264
Public works	779,180	799,558	755,692	800,562	873,022	878,310	949,311	1,009,650	1,152,594	1,067,732
Capital outlay	3,983,169	4,028,762	3,700,012	6,810,063	6,745,421	4,115,253	3,379,516	6,659,721	4,369,597	8,017,965
Debt service										
Principal	2,240,000	2,745,000	2,915,000	3,090,000	3,280,000	3,375,000	3,500,000	3,530,000	12,530,000	4,325,000
Interest	551,393	460,221	508,311	552,403	692,279	705,300	717,890	807,461	1,066,165	1,025,113
Payment of issue costs	191,802	37,627	19,436	93,562	85,394	66,170	75,625	146,605	99,035	85,295
Total Expenditures	<u>13,076,086</u>	<u>13,557,687</u>	<u>14,149,280</u>	<u>17,603,435</u>	<u>17,906,042</u>	<u>15,754,101</u>	<u>15,534,046</u>	<u>19,584,937</u>	<u>27,636,815</u>	<u>23,167,422</u>
Excess of revenues over(under) expenditures	<u>(4,799,495)</u>	<u>(5,169,766)</u>	<u>(5,704,988)</u>	<u>(8,350,639)</u>	<u>(7,780,643)</u>	<u>(4,897,505)</u>	<u>(3,190,602)</u>	<u>(7,219,622)</u>	<u>(14,561,217)</u>	<u>(6,557,844)</u>
Other financing sources(uses)										
Transfers in	1,346,151	2,911,025	2,831,066	3,610,870	2,517,274	2,095,037	2,719,467	2,459,005	2,307,100	4,047,369
Transfers out	-	(1,533,225)	(245,016)	(1,416,232)	(493,180)	(493,180)	(791,454)	(394,691)	-	(1,853,205)
Other use	(8,570,084)	-	-	-	-	-	-	-	-	-
Bond proceeds	<u>13,175,000</u>	<u>3,900,000</u>	<u>4,200,000</u>	<u>4,350,966</u>	<u>4,329,234</u>	<u>3,081,208</u>	<u>3,127,883</u>	<u>8,150,356</u>	<u>17,094,822</u>	<u>6,806,325</u>
Total other financing sources(uses)	<u>\$ 5,951,067</u>	<u>\$ 5,277,800</u>	<u>\$ 6,786,050</u>	<u>\$ 6,545,604</u>	<u>\$ 6,353,328</u>	<u>\$ 4,683,065</u>	<u>\$ 5,055,896</u>	<u>\$ 10,214,670</u>	<u>\$ 19,401,922</u>	<u>\$ 9,000,489</u>
Net change in fund balances	<u>\$ 1,151,572</u>	<u>\$ 108,034</u>	<u>\$ 1,081,062</u>	<u>\$ (1,805,035)</u>	<u>\$ (1,427,315)</u>	<u>\$ (214,440)</u>	<u>\$ 1,865,294</u>	<u>\$ 2,995,048</u>	<u>\$ 4,840,705</u>	<u>\$ 2,442,645</u>
Debt service as a percentage of noncapital expenditures	30.7%	33.6%	32.8%	24.8%	34.8%	32.4%	30.9%	33.2%	58.1%	32.6%

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
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
2015	3,311,071	2,726,186	433,424	1,318	6,471,999
2016	3,827,814	2,752,633	339,874	1,351	6,921,672
2017	4,125,705	3,414,285	337,882	1,064	7,878,936
2018	3,990,370	3,928,736	358,832	12,138	8,290,076
2019	4,527,762	4,540,459	324,662	7,452	9,400,335
2020	4,477,341	4,721,952	326,031	9,145	9,534,469
2021	4,769,432	5,138,550	313,615	8,610	10,230,207
2022	4,338,496	6,355,702	348,327	8,729	11,051,254

REVENUE CAPACITY

These schedules contain trend information to help the reader understand how the City's most significant local revenue source, the sales tax and property tax.

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	Exemptions	Net Total Assessed Value	Total Direct Tax Rate	Estimated Actual Value
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
2015	131,851,749	1,670,395	1,150,601	134,672,745	1,034,000	133,638,745	28.38	1,224,297,682
2016	138,741,187	1,756,754	1,097,508	141,595,449	1,244,505	140,350,944	29.14	1,287,231,355
2017	145,046,585	1,891,037	779,411	147,717,033	1,257,021	146,460,012	27.06	1,342,882,118
2018	149,757,271	2,096,104	826,084	152,679,459	1,225,127	151,454,332	29.71	1,387,995,082
2019	158,117,873	2,237,518	801,287	161,156,678	1,297,147	159,859,531	28.09	1,465,060,709
2020	161,356,877	2,762,073	856,267	164,975,217	1,316,500	163,658,717	28.10	1,499,774,700
2021	167,747,021	2,855,659	904,782	171,507,462	1,490,762	170,016,700	29.11	1,559,158,745
2022	175,673,773	2,997,989	884,525	179,556,287	1,453,780	178,102,507	25.56	1,632,329,882

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 Direct Rate	Overlapping Rates		Total Nichols Hills City Resident
	Debt Service Fund*	Independent School District (1)	Oklahoma County	
2013	26.09	74.74	23.97	124.80
2014	23.70	75.84	23.87	123.41
2015	26.27	74.81	23.58	124.66
2016	28.38	75.16	23.72	127.26
2017	29.14	74.81	23.81	127.76
2018	27.06	74.81	23.28	125.15
2019	29.71	74.29	11.71	115.71
2020	28.10	80.10	23.49	131.69
2021	29.11	80.47	23.38	132.96
2022	25.56	80.05	22.92	128.53

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

2023	25.36	79.12	23.05	127.53
------	-------	-------	-------	--------

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
CURRENT AND NINE YEARS AGO
TABLE 8

Taxpayer	Type of Business	Rank	2022		Rank	2013	
			Taxable Assessed Value	Percentage of Net Total Assessed Value		Taxable Assessed Value	Percentage of Net Total Assessed Value
Oklahoma City Golf & Country Club	Recreation	1	\$ 1,735,640	0.97%	2	\$ 1,021,387	0.85%
OKC NHP LLC	Retail	2	1,087,120	0.61%			
Mills Rober L & Margaret S Trust	Resident	3	503,281	0.28%			
Oklahoma Gas & Electric	Utility	4	489,589	0.27%	3	800,860	0.66%
Cox Communications	Communications Company	5	479,011	0.27%			
Crutchmer Clyde V (2 properties)	Resident	6	478,610	0.27%	5	454,518	0.38%
TG NHOB LLC	Banking	7	477,733	0.27%	4	628,100	0.52%
JLJ Properties (2 properties)	Resident	8	474,430	0.27%			
Cameron William M Trust	Resident	9	466,344	0.26%			
Albers Leigh Ann & Paul W	Resident	10	457,545	0.26%	6	406,677	0.34%
Chesapeake Lan Company LLC	Oil and gas		-	-	1	2,285,295	1.89%
Blue Frog Rev Trust	Resident		-	-	7	359,338	0.30%
Hamm Harold G & Sue A	Resident		-	-	8	344,051	0.28%
Mohamadi Monireh	Resident		-	-	9	332,622	0.28%
Wetwresk J Steven J & Rebecca	Resident		-	-	10	309,959	0.26%
Totals			<u>\$ 6,649,303</u>	<u>3.72%</u>		<u>\$ 6,942,807</u>	<u>5.76%</u>

Source: County Assessors Office

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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percentage of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percentage of Total Collected to Total Levy	Net Assessed Value	Mill Levy
2013	3,021,644	2,925,990	96.83%	77,044	3,003,034	99.38%	115,810,084	26.09
2014	2,853,369	2,766,386	96.95%	57,200	2,823,586	98.96%	120,393,780	23.70
2015	3,316,335	3,205,328	96.65%	-	3,205,328	96.65%	126,239,127	26.27
2016	3,786,396	3,647,898	96.34%	124,642	3,772,540	99.63%	133,435,770	28.38
2017	4,089,261	3,969,958	97.08%	122,754	4,092,712	100.08%	140,350,944	29.14
2018	3,963,102	3,857,037	97.32%	117,138	3,974,175	100.28%	146,460,012	27.06
2019	4,500,433	4,422,859	98.28%	104,903	4,527,762	100.61%	151,454,332	29.72
2020	4,491,426	4,357,425	97.02%	114,289	4,471,714	99.56%	163,658,717	28.10
2021	4,763,817	4,614,422	96.86%	141,809	4,756,231	99.84%	170,016,700	29.11
2022	4,345,557	4,229,224	97.32%	149,920	4,379,144	100.77%	178,102,507	25.56

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
City of Nichols Hills	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Oklahoma County	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
State of Oklahoma	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Total	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%

CITY OF NICHOLS HILLS, OKLAHOMA
TAXABLE SALES BY CATEGORY
Last Ten Fiscal Years

TABLE 11

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Agriculture, forestry, and fishing	\$ 2,199	\$ 1,465	\$ 956	\$ 1,098	\$ 899	\$ 4,312	\$ 2,249	\$ 324	\$ 12	\$ 2,101
Mining	7	-	16	40	-	-	-	-	-	-
Construction	2,017	824	1,344	1,131	1,379	2,594	2,749	2,920	4,426	3,666
Manufacturing	73,634	99,250	97,363	110,407	163,434	139,031	122,914	125,856	101,850	121,836
Transportation	250,650	533,399	604,289	595,701	595,704	606,364	254,237	9,357	18,726	11,677
Communications and utilities:										
Communications	127,123	120,751	114,695	104,149	96,820	99,099	95,732	79,004	73,759	75,070
Electric, gas, and sanitary services	312,031	312,233	313,243	285,451	289,031	312,640	282,390	273,359	276,237	343,640
Wholesale trade	52,158	81,800	70,254	71,413	77,940	87,392	75,031	77,976	84,329	110,044
Retail trade:										
Building materials, hardware, garden supply										
and mobile home dealer	313,591	238,472	192,625	221,981	11	338,037	347,035	266,978	333,520	304,484
General merchandise stores	563	18,356	-	42,983	55,750	22,565	55,117	42,148	180,928	253,272
Food stores	11,855	22,709	41,680	98,022	554,739	815,834	1,134,184	1,166,678	1,244,501	1,403,020
Automotive dealers and gasoline service stations	233	1,000	820	28,995	41,786	32,370	14,624	238	378	379
Apparel and accessory stores	381,062	371,704	531,637	342,127	357,614	281,870	315,870	534,388	537,354	748,764
Furniture, home furnishings and equipment stores	206,491	97,512	324,891	209,465	242,608	204,257	319,487	139,483	246,673	400,890
Eating and drinking places	225,035	221,614	239,450	216,349	213,577	296,849	451,839	390,955	415,344	498,136
Miscellaneous retail	178,242	23,858	13,396	144,423	185,955	226,112	141,541	-	58,087	105,141
Finance, insurance, and real estate	11,134	16,237	14,476	26,756	14,883	46,517	19,742	951	6,347	24,901
Services:										
Hotels and motels	-	-	-	-	-	1,896	983	520	461	1,007
Personal services	6,921	5,043	205	13,333	11,288	11,448	64,540	53,372	48,108	63,706
Business services	14,730	120,751	7,334	2,459	10,219	21,715	358,122	389,387	64,880	57,446
Automotive repair services and garages	77	625	2,162	-	768	424	440	1,116	474	425
Miscellaneous repair services	19	103	120	-	-	-	-	-	497	451
Motion pictures	915	-	-	-	-	-	-	-	-	-
Other services	251,942	169,808	114,695	15,116	6,868	27,612	22,166	518,741	603,216	733,688
Nonclassifiable establishments	-	47,681	15,798	55,208	91,772	28,764	25,482	17,858	21,953	185,446
	<u>\$ 2,422,629</u>	<u>\$ 2,505,195</u>	<u>\$ 2,701,449</u>	<u>\$ 2,586,607</u>	<u>\$ 3,013,045</u>	<u>\$ 3,607,702</u>	<u>\$ 4,106,474</u>	<u>\$ 4,091,609</u>	<u>\$ 4,322,060</u>	<u>\$ 5,449,190</u>

DEBT CAPACITY

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

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			
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
2015	26,885,000	-	21,427	26,906,427	7,252	0.02
2016	27,869,402	-	20,756	27,890,158	7,518	0.02
2017	29,210,868	-	20,060	29,230,928	7,879	0.02
2018	28,574,234	-	19,338	28,593,572	7,707	0.02
2019	28,161,241	-	18,589	28,179,830	7,596	0.02
2020	32,721,918	-	17,812	32,739,730	8,825	0.02
2021	37,166,795	-	17,006	37,183,801	10,023	0.02
2022	39,437,088	-	16,170	39,453,258	10,195	0.02

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

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
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
2015	3,710	134,672,745	26,885,000	814,790	26,070,210	19.36%	7,027
2016	3,710	140,350,944	27,869,402	991,871	26,877,531	19.15%	7,245
2017	3,710	146,460,012	29,210,868	4,405,804	24,805,064	16.94%	6,686
2018	3,710	151,454,332	28,574,234	1,133,503	27,440,731	18.12%	7,396
2019	3,710	159,859,531	28,161,241	1,487,593	26,673,648	16.69%	7,190
2020	3,710	163,658,717	32,721,918	1,665,138	31,056,780	18.98%	8,371
2021	3,710	170,016,700	37,166,795	1,944,297	35,222,498	20.72%	9,494
2021	3,870	178,102,507	39,437,088	990,903	38,446,185	21.59%	9,934

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, 2022
TABLE 14

Jurisdiction	Gross Debt Outstanding	Percentage (2) Applicable to City of Nichols Hills	Amount Applicable to City of Nichols Hills
City of Nichols Hills (1)	\$39,437,088	100.00%	\$39,437,088
Oklahoma City Public Schools (3)	108,749,413	4.21%	4,578,350
Metro Tech Vo-Tech (3)	63,629,163	2.40%	1,527,100
Oklahoma County (3)	9,703,977	11.00%	1,067,437
	182,082,553		7,172,888
Total Direct and Overlapping Debt	\$221,519,641		\$46,609,976

(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.

(3) Oklahoma Financial Survey and Municipal Bond Ratings 2022 Edition compiled by The Municipal Rating Committee of Oklahoma, Inc.; figures shown reflect bonded debt as of June 30, 2021, net of sinking fund balances and excluding judgments.

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt limit	\$ 12,073,400	\$ 12,643,705	\$ 14,035,094	\$ 14,646,001	\$ 14,646,001	\$ 15,985,953	\$ 15,985,953	\$ 16,365,872	\$ 17,001,670	\$ 17,810,251
Total net debt applicable to limit	<u>773,737</u>	<u>691,027</u>	<u>2,857,736</u>	<u>6,825,690</u>	<u>7,037,474</u>	<u>6,433,875</u>	<u>5,992,145</u>	<u>7,943,909</u>	<u>7,905,800</u>	<u>9,778,055</u>
Legal debt margin	<u>\$ 11,299,663</u>	<u>\$ 11,952,678</u>	<u>\$ 11,177,358</u>	<u>\$ 7,820,311</u>	<u>\$ 7,608,527</u>	<u>\$ 9,552,078</u>	<u>\$ 9,993,808</u>	<u>\$ 8,421,963</u>	<u>\$ 9,095,870</u>	<u>\$ 8,032,196</u>
Total net debt applicable to the limit as a percentage of debt limit	6.41%	5.47%	20.36%	46.60%	48.05%	40.25%	37.48%	48.54%	46.50%	54.90%

Legal Debt Margin Calculation for Fiscal Year 2022

Net assessed valuation	\$ 178,102,507
Debt limit (10% of total assessed value)	17,810,251
Debt applicable to limit:	
General obligation bonds	39,437,088
Less: Street and public utility bonds outstanding	<u>(29,659,033)</u>
Total net debt applicable to limit	<u>9,778,055</u>
Legal debt margin	<u>\$ 8,032,196</u>

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.

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

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Direct Operating Expenses</u>	<u>Net Revenue Available for Debt Service</u>	<u>Maximum Annual Debt Service (1)</u>	<u>Debt Service Coverage</u>
2013	3,342,704	1,592,871	1,749,833	-	0.00
2014	3,659,370	1,377,254	2,282,116	-	0.00
2015	3,602,172	1,272,748	2,329,424	-	0.00
2016	4,242,894	1,530,239	2,712,655	-	0.00
2017	4,506,615	2,080,816	2,425,799	-	0.00
2018	4,333,961	1,829,140	2,504,821	-	0.00
2019	3,401,214	1,590,237	1,810,977	-	0.00
2020	4,411,531	1,820,668	2,590,863	-	0.00
2021	4,256,696	1,850,536	2,406,160	-	0.00
2022	4,850,970	1,895,498	2,955,472	-	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.

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within the City's financial activities take place.

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	
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
2015	115	18,725,690	4,142,400	22,868,090	1,055,415,642
2016	129	25,514,864	2,489,900	28,004,764	93,897,162
2017	214	23,373,289	2,182,849	25,556,138	1,055,307,198
2018	262	55,016,242	8,707,641	63,723,883	3,567,900,209
2019	233	56,030,226	19,367,310	75,397,536	4,221,508,041
2020	174	19,702,469	630,007	20,332,476	1,138,415,331
2021	203	31,449,262	533,946	31,983,208	1,790,739,816
2022	202	22,594,931	993,002	23,587,933	1,320,688,369

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>
2013	3,710	49.8	43	5.2%
2014	3,710	49.8	45	4.5%
2015	3,710	49.8	46	3.2%
2016	3,710	49.8	41	4.8%
2017	3,908	49.8	40	4.5%
2018	3,710	45.3	38	3.5%
2019	3,710	46.3	46	3.2%
2020	3,710	45.9	45	6.9% (5)
2021	3,710	48.3	43	3.7%
2022	3,870	42.5	43	3.2%

Sources:

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

(2) ODOC per 2000 Census

(3) Oklahoma City Public School District Enrollment

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

(5) U.S. Bureau of Labor Statistics

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

CITY OF NICHOLS HILLS, OKLAHOMA
PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO
TABLE 19

Employer	Product/Business	2022			2013		
		Rank	Employees	Percentage of Total City Employment	Rank	Employees	Percentage of Total City Employment
Oklahoma City Golf & Country Club	Private Club	1	280	7%	1	228	6%
Christ the King School & Church	Private School	2	124	3%	2	110	3%
Trader Joe's	Grocery	3	85	2%			
City of Nichols Hills	Municipal Government	4	72	2%	3	68	2%
All Soul's Episcopal Church	Church/Daycare	5	58	1%	4	40	
The Hutch	Restaurant	6	34	1%			
Cool Greens	Restaurant	7	21	1%	6	26	1%
Balliet's	Retail	8	20	1%			
Saturn Grill	Restaurant	9	18	0.5%	8	21	1%
Starbucks	Restaurant	10	15	0.4%			
Mamasita's Restaurant	Restaurant				5	30	1%
Coach House Restaurant	Restaurant				7	21	1%
CK & Co.	Retail				9	15	0%
Ruth Meyers	Retail				10	15	0%
Totals			<u>727</u>	<u>19%</u>		<u>574</u>	<u>14%</u>

NOTE: Information obtained from businesses above.

OPERATING INFORMATION

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

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

<u>Function/Program</u>	<u>Fiscal Year 2013</u>	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2022</u>
General Government										
Buildings	1	1	1	1	1	1	1	1	1	1
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	4	4	5	5	5	5	6	8	12	12
Unmarked Units			4	4	3	3	3	3	3	3
Motorcycles	0	0	0	0	0	0	0	0	0	0
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Trucks	2	2	2	2	2	2	2	2	2	2
Streets										
Street miles	29	29	29	29	29	29	29	29	29	29
Traffic signals	1	1	1	1	1	1	1	1	1	1
Parks and recreation										
Parks	34	34	34	34	34	37	37	37	37	37
Playgrounds	2	2	2	2	2	2	2	2	2	2
Baseball/softball diamonds	2	2	2	2	2	2	2	2	2	2
Soccer/football fields	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	31	31	31	31	31	45	45	45	45	45
Fire hydrants	236	236	246	301	301	291	301	301	301	301
Storage capacity	9,000,000	9,000,000	9,000,000	9,000,000	8,750,000	8,750,000	8,750,000	8,750,000	8,750,000	8,750,000
Wastewater										
Sanitary sewers (miles)	27	27	27	27	27	27	27	27	27	27

Source: City Departments

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

Function/Program	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
General Government:										
City clerk	1	1	1	1	1	1	1	1	1	1
City treasurer	-	-	-	-	1	1	1	1	1	1
General government	6	6	6	6	9	9	9	10	10	10
Total General Government	7	7	7	7	11	11	11	12	12	12
Public Safety and Judiciary:										
City attorney	1	1	1	1	1	1	1	1	1	1
Police	21	22	21	23	21	22	21	23	23	24
Municipal court	2	2	2	2	2	2	2	2	2	2
Fire	14	14	14	14	14	14	14	14	14	14
Total Public Safety and Judiciary	38	39	38	40	38	39	38	40	40	41
Transportation:										
Streets	2	2	1	1	3	3	3	3	3	2
Total Transportation	2	2	1	1	3	3	3	3	3	2
Cultural, Parks and Recreation:										
Parks	1	1	2	2	2	2	2	2	1	0
Total Cultural, Parks and Recreation	1	1	2	2	2	2	2	2	1	0
Public Works:										
Water and Sewer	10	10	8	10	6	6	7	9	7	8
Sanitation	10	10	10	10	10	10	10	10	9	10
Building and Code	2	1	2	2	3	3	3	3	3	4
Total Public Works	22	21	20	22	19	19	20	22	19	22

Source: City Departments

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

Function/Program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Public Safety										
Police										
Number of Violations (Citations)	2,473	2,552	2,028	1,782	1,989	2,223	2,056	1,677	703	1,377
Fire										
Call Responses	539	544	588	571	571	587	621	638	845	744
Highways and Streets										
Asphalt Repairs (tons)	48	36	40	40	17	31	10	7	11	17
Culture and Recreation										
Acreage	40	40	40	40	40	40	40	40	40	40
Water and Wastewater Operations										
Number of Water Consumers	1,944	1,879	2,009	1,889	1,847	1,858	1,861	1,862	1,868	1,871
Average Daily Water Consumption (millions of gallons)	1	1	1	1	1	1	1	1	1	1
Number of Sewer Consumers	1,944	1,863	2,009	1,873	1,774	1,783	1,786	1,799	1,826	1,824
Solid Waste Operations										
Refuse collected (cubic yards per day)	21	26	27	27	35	29	38	37	43	41
Active Refuse Accounts	1,944	1,838	2,009	1,848	1,803	1,831	1,809	1,812	1,802	1,777

Source: City Departments

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City of Nichols Hills

Nichols Hills, Oklahoma

Single Audit Report

For the Year Ended June 30, 2022

**CITY OF NICHOLS HILLS
NICHOLS HILLS, OKLAHOMA**

**SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2022**

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**INDEPENDENT AUDITORS' 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 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 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, 2022, 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 8, 2022. Our report includes an explanatory paragraph disclaiming an opinion on required supplementary information.

Report on 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") as a basis for designing 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.

(Continued)

**INDEPENDENT AUDITORS' 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*, CONTINUED**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 financial statements. 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finley + Cook, PLLC

Shawnee, Oklahoma
December 8, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Users of the City of Nichols Hills, Oklahoma,
Annual Financial Report

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Nichols Hills, Oklahoma's (the "City") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

(Continued)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED**

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

(Continued)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED**

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

(Continued)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED**

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 8, 2022, which contained unmodified opinions on those financial statements. Our report includes an explanatory paragraph disclaiming an opinion on required supplementary information. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Finley + Cook, PLLC

Shawnee, Oklahoma
December 8, 2022

**CITY OF NICHOLS HILLS
NICHOLS HILLS, OKLAHOMA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal AL number	Pass-Through Entity Identifying #	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Homeland Security:				
<i>Passed through the Oklahoma</i>				
<i>Department of Emergency Management:</i>				
Ice storm—debris removal	97.036*	PA-06-OK-4575-PW-00069	\$ -	823,938
Ice storm—management costs	97.036*	PA-FEMA-DR-4575-PW 145	-	9,069
Emergency protective measures—COVID	97.036*	COVID DR-4530-PW-26	-	14,202
<i>Total passed through the Oklahoma</i>			-	847,209
<i>Department of Emergency Management</i>			-	847,209
Total U.S. Department of Homeland Security			-	847,209
U.S. Department of the Treasury:				
<i>Passed through the Oklahoma Office of Management and Enterprise Services:</i>				
American Rescue Plan Act	21.027		-	691,074
Total U.S. Department of the Treasury			-	691,074
U.S. Department of Justice:				
<i>Passed through the Oklahoma District Attorney's Council:</i>				
2019 Edward Byrne Memorial Justice Assistance	16.738		-	619
Total U.S. Department of Justice			-	619
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	1,538,902

* A major program as determined by the independent auditors.

See Independent Auditors' Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by the Uniform Guidance.
See accompanying notes to schedule of expenditures of federal awards.

**CITY OF NICHOLS HILLS
NICHOLS HILLS, OKLAHOMA**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

(1) BASIS FOR PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Nichols Hills for the year ended June 30, 2022, and is presented in accordance with the basis for determining federal awards expended as defined by the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of the City of Nichols Hills, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Nichols Hills.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the City of Nichols Hills had no subrecipients that were provided federal awards.

(4) INDIRECT COST RATE

The City of Nichols Hills does not have an indirect cost rate and has elected not to use the 10% de minimis cost rate allowed under the Uniform Guidance during the year ended June 30, 2022.

See Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.

**CITY OF NICHOLS HILLS
NICHOLS HILLS, OKLAHOMA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

SECTION I—SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiency(ies) identified?

☐ Yes ☒ None Reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiency(ies) identified?

☐ Yes ☒ None Reported

Type of auditors' report issued on compliance for the major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

☐ Yes ☒ No

Identification of major programs:

Federal AL Number	Name of Federal Program or Cluster
97.036	U.S. Department of Homeland Security Emergency Protective Measures— COVID and Ice Storm

Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

**CITY OF NICHOLS HILLS
NICHOLS HILLS, OKLAHOMA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

Year Ended June 30, 2022

SECTION II—FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

**CITY OF NICHOLS HILLS
NICHOLS HILLS, OKLAHOMA**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2022

There were no audit findings noted in the prior year audit for the year ended June 30, 2021.