



January 12, 2016

Office of the State Auditor and Inspector
Attn: Nancy Grantham
2300 N. Lincoln Blvd., Room 100
Oklahoma City, OK 73105

In accordance with O.S. Title 74 Section 212A. A. 2 and O.S. Title 11, Section 17-105.1, we have enclosed the following for the reporting entity of the City of Nichols Hills for the year ended June 30, 2015:

- The audited financial statements, with the accompanying auditor's reports thereon;
- Annual Survey of City and Town Finances (SA&I Form 2643), with the accompanying accountants compilation report thereon; and
- The \$100.00 filing fee payable to the Office of the State Auditor & Inspector.

The entities included in the City of Nichols Hills reporting entity are the following:

- The City of Nichols Hills; and
- The Nichols Hills Municipal Authority

Should you need any additional information or have any questions regarding this filing, please contact LaDonna Sinning, 405-348-0615.

Sincerely,

A handwritten signature in cursive script that reads 'Arledge & Associates, P.C.'.

Arledge & Associates, P.C.



CITY OF NICHOLS HILLS, OKLAHOMA

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

FOR THE FISCAL YEAR ENDED

JUNE 30, 2015

CITY OF NICHOLS HILLS, OKLAHOMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

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

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



CITY OF NICHOLS HILLS

December 22, 2015

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

We are pleased to submit to you the Comprehensive Annual Financial Report (hereafter referred to as CAFR) of the City of Nichols Hills for the fiscal year ended June 30, 2015. We believe the information, as presented, is accurate in all material aspects and that all disclosures necessary to enable the reader to gain an adequate understanding of the City's financial affairs have been included. The Management's Discussion and Analysis on pages 9-14 provide additional narrative and detailed analysis of the city's financial affairs. It is the responsibility of the management of the City to prepare the CAFR.

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

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

The General fund, Street & alley, E-911, Debt Service 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 are reported as reservations of fund balances and 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 town being residential in nature. The two major sources of operational income are sales tax and water revenues. Declining sales tax has been at the forefront of our concern for the last several years. We have new hope since the Nichols Hills Plaza south is beginning to fill the vacancies with new tenants. Two new restaurants have opened and a new Trader Joes grocery store is scheduled to open in mid summer of 2016. This should generate new sales tax revenue for the City. In the meantime the City Council has increased the water and sanitation rates to make up for the low sales tax revenues with the intention of lowering the rates when the sales tax from the plaza returns to normal.

Major Initiatives

The City of Nichols Hills will continue use of General Obligation Bonds to improve infrastructure. Street repair continues as the main focus. Pennsylvania Street is underway and the completion of Grand Blvd. through the park will take place this summer. All of the G. O. bonds that were presented for a vote of the citizens passed and projects such as the remodeling of City Hall, Grand Blvd. park redevelopment, and multiple street replacements will take place over the next five years.

Independent Audit

The financial statements of the City and its component units for the fiscal year ended June 30, 2015, have been audited by a firm of Independent Public Accountants, and their opinion is included in the Financial Section of this report.

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Nichols Hills for its Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 1997 through 2014. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

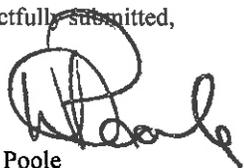
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgment

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

Finally, to the Nichols Hills City Council we extend heartfelt thanks for their support. It is their commitment to financial reporting excellence that allows the citizens of Nichols Hills to be fully informed about their municipal government finances. We are proud to convey the Council's commitment to our citizens and to all readers of the 2014-15 CAFR.

Respectfully submitted,



David Poole
City Manager



Kristi Hort
Finance Director

CITY OF NICHOLS HILLS, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

JUNE 30, 2015

City Council

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

Administration

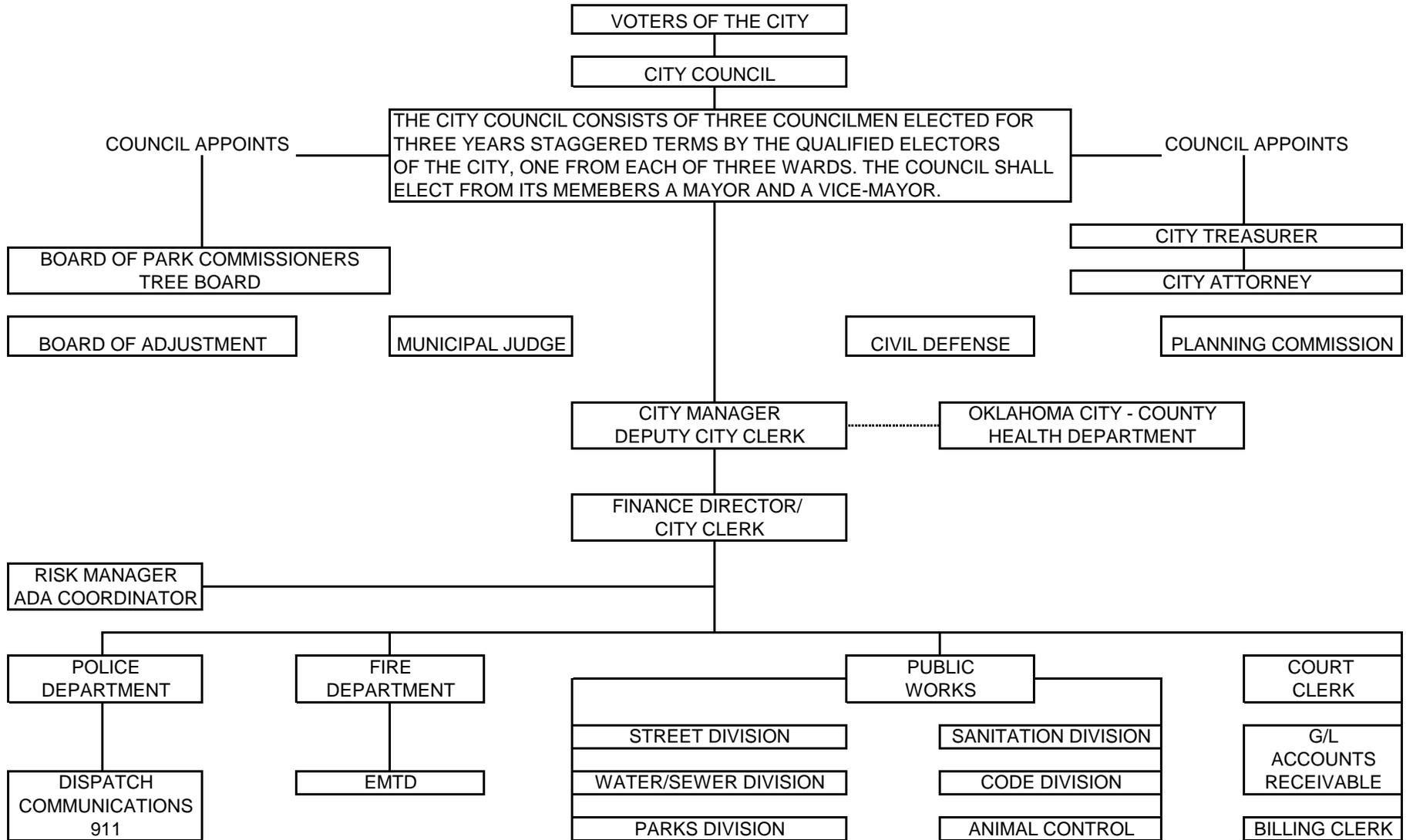
David Poole	City Manager
Kristi Hort	City Clerk
Gerald Marshall	City Treasurer
John Michael Williams	City Attorney
Lindy Stormont	Risk Manager
Randy Lawrence	Director of Public Works
Terry Hamilton	Fire Chief
Richard Mask	Police Chief
Steven Cox	Assistant Police Chief
George Decher	Deputy Public Works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

Finance Department

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

CITY OF NICHOLS HILLS, OKLAHOMA

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





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Nichols Hills
Oklahoma**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nichols Hills, Oklahoma, (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 3.G to the financial statements, in fiscal year 2015 the City adopted new accounting guidance, Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, and the pension plan and other post-employment benefits funding schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18 2015, 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.

Arlidge & Associates, P.C.

December 18, 2015

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, 2015. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2015, the City's total net position increased by \$1,824,413 or 8.7% from the prior year.
- During the year, the City's expenses for governmental activities were \$7,656,249 and were funded by program revenues of \$1,727,830 and other general revenues and transfers that totaled \$7,165,662. This resulted in an increase in governmental activities net position of \$1,237,243.
- The City's business-type activities reported revenues of \$3,602,172 and expenses and transfers of \$3,015,002 resulting in an increase in net position of \$587,170.
- At June 30, 2015, the General Fund reported an unassigned fund balance of \$2,114,891, which is an increase from the prior year due to the utility revenue transfer.
- For budgetary reporting purposes, the General Fund reported resources available for appropriation over final of estimates of \$162,119 or 2.3%, while expenditures were under the final appropriations by \$465,234 or 6.5%.

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:

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

**CITY OF NICHOLS HILLS, OKLAHOMA
MANAGEMENT'S DISCUSSION & ANALYSIS**
For the fiscal year ended June 30, 2015

- 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 \$20.9 million to \$22.7 million between fiscal years 2014 and 2015. Looking at the net position of governmental and business-type activities separately, governmental activities increased and the business-type activities also increased.

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	2015		2014	2015		2014	2015	
Current assets	\$ 14,852,688	\$ 16,270,092	9%	\$ 2,673,175	\$ 1,926,699	-39%	\$ 17,525,863	\$ 18,196,791	4%
Capital assets, net	17,176,637	17,385,021	1%	18,081,681	18,983,058	5%	35,258,318	36,368,079	3%
Total assets	\$ 32,029,325	\$ 33,655,113	5%	\$ 20,754,856	\$ 20,909,757	1%	\$ 52,784,181	\$ 54,564,870	3%
Deferred outflow of resources	\$ 96,836	\$ 1,461,528	93%	\$ -	\$ 346,865	100%	\$ 96,836	\$ 1,808,393	95%
Long-term debt outstanding	25,572,487	27,263,747	6%	65,006	62,497	-4%	25,637,493	27,326,244	6%
Other liabilities	1,201,443	4,692,118	74%	71,884	228,891	69%	1,273,327	4,921,009	74%
Total liabilities	\$ 26,773,930	\$ 31,955,865	16%	\$ 136,890	\$ 291,388	53%	\$ 26,910,820	\$ 32,247,253	17%
Deferred inflows of resources	\$ -	\$ 1,293,632	100%	\$ -	\$ 128,165	100%	\$ -	\$ 1,421,797	100%
Net position									
Net investment in capital assets	2,883,731	3,138,855	8%	18,058,754	18,961,631	5%	20,942,485	22,100,486	5%
Restricted	1,038,504	953,407	-9%	-	-	0%	1,038,504	953,407	-9%
Unrestricted (deficit)	1,429,996	(2,225,118)	-164%	2,559,212	1,875,438	-36%	3,989,208	(349,680)	-1241%
Total net position	\$ 5,352,231	\$ 1,867,144	-187%	\$ 20,617,966	\$ 20,837,069	1%	\$ 25,970,197	\$ 22,704,213	-14%

* prior year not restated for MD&A purposes

The increase in deferred outflows, deferred inflows, other liabilities and the decrease in unrestricted net position reported in the governmental activities are due to the implementation of GASB Pension Statements 68 and 71 in the current year.

CITY OF NICHOLS HILLS, OKLAHOMA
MANAGEMENT'S DISCUSSION & ANALYSIS
For the fiscal year ended June 30, 2015

The decrease in business-type activities current assets is due to the increase in the transfer of revenue to the General Fund. The increase in business-type deferred outflows, deferred inflows, other liabilities and the decrease in unrestricted net position is due to the implementation of GASB Pension Statements 68 and 71 in the current year.

Change in Net Position

For the year ended June 30, 2015, net position of the primary government changed as follows:

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	2015		2014	2015		2014	2015	
Revenues									
Program revenues - Charges for services	\$ 1,172,165	\$ 1,340,968	14%	\$ 3,638,699	\$ 3,587,189	-1%	\$ 4,810,864	\$ 4,928,157	2%
Program revenues - Other	541,135	386,862	-29%	-	-		541,135	386,862	-29%
Taxes and other general revenue									
Taxes	5,989,036	6,482,738	8%	-	-		5,989,036	6,482,738	8%
Intergovernmental	109,746	7,377	-93%	-	-		109,746	7,377	-93%
Investment income	34,497	43,279	25%	5,592	9,734	74%	40,089	53,013	32%
Miscellaneous	718,434	226,812	-68%	15,079	5,249	-65%	733,513	232,061	-68%
Total revenues	<u>8,565,013</u>	<u>8,488,036</u>	-1%	<u>3,659,370</u>	<u>3,602,172</u>	-2%	<u>12,224,383</u>	<u>12,090,208</u>	-1%
Expenses									
General government	1,670,579	1,299,408	-22%	-	-		1,670,579	1,299,408	-22%
Public safety	3,879,299	3,500,180	-10%	-	-		3,879,299	3,500,180	-10%
Highways and streets	1,262,972	749,946	-41%	-	-		1,262,972	749,946	-41%
Culture and recreation	170,469	191,791	13%	-	-		170,469	191,791	13%
Public works	1,149,352	1,044,334	-9%	-	-		1,149,352	1,044,334	-9%
Interest on long-term debt	492,500	870,590	77%	-	-		492,500	870,590	77%
Water	-	-		1,997,610	1,911,554	-4%	1,997,610	1,911,554	-4%
Wastewater	-	-		748,831	697,992	-7%	748,831	697,992	-7%
Total expenses	<u>8,625,171</u>	<u>7,656,249</u>	-11%	<u>2,746,441</u>	<u>2,609,546</u>	-5%	<u>11,371,612</u>	<u>10,265,795</u>	-10%
Excess (deficiency) before transfers	(60,158)	831,787	-1483%	912,929	992,626	9%	852,771	1,824,413	114%
Transfers	83,906	405,456	383%	(83,906)	(405,456)	383%	-	-	
Change in net position	23,748	1,237,243	5110%	829,023	587,170	-29%	852,771	1,824,413	114%
Beginning net position, restated for 2015	5,328,483	629,901		19,788,943	20,249,899		25,117,426	20,879,800	
Ending net position	<u>\$ 5,352,231</u>	<u>\$ 1,867,144</u>		<u>\$ 20,617,966</u>	<u>\$ 20,837,069</u>		<u>\$ 25,970,197</u>	<u>\$ 22,704,213</u>	

* prior year not restated for MD&A purposes

Governmental program revenues decreased due to county resale of property in the prior year. Governmental intergovernmental revenues decreased due to the county resale of property in the prior year. Governmental miscellaneous revenue decreased due to a \$497,527 reimbursement from the City of Oklahoma City related to a street project reimbursement in the prior year. General government, Public safety and Highway and streets expenses decreased in the current year due to a reduction of pension expense caused by GASB 68 and 71 implementation. Interest on long-term debt increased due to a refunding in prior year.

Governmental Activities

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

For the year ended June 30, 2015, total expenses for governmental activities amounted to approximately \$7.7 million. Of these total expenses, the program revenues funded \$1.7 million through service charges and grants and other contributions, while taxpayers, transfers, and other general revenues funded the remainder of \$7.2 million. As a result, governmental activities net position increased by \$1,237,243.

**CITY OF NICHOLS HILLS, OKLAHOMA
MANAGEMENT'S DISCUSSION & ANALYSIS**
For the fiscal year ended June 30, 2015

Net Revenue (Expense) of Governmental Activities

	*	*		
	Total Expense of Services	Net Revenue (Expense) of Services	Total Expense of Services	Net Revenue (Expense) of Services
	2014	2014	2015	2015
General government	\$1,670,579	(\$1,515,155)	\$1,299,408	(\$1,120,537)
Public safety	3,879,299	(3,304,731)	3,500,180	(2,953,507)
Highways and streets	1,262,972	(1,095,463)	749,946	(715,916)
Culture and recreation	170,469	(170,469)	191,791	(191,791)
Public works	1,149,352	(333,553)	1,044,334	(76,078)
Interest on long-term debt	492,500	(492,500)	870,590	(870,590)
Total	\$8,625,171	(\$6,911,871)	\$7,656,249	(\$5,928,419)

* prior year not restated for MD&A purposes

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
	2014	2014	2015	2015
Water	\$1,997,610	\$689,394	\$1,911,554	\$726,518
Wastewater	748,831	202,864	697,992	251,125
Total	\$2,746,441	\$892,258	\$2,609,546	\$977,643

* prior year not restated for MD&A purposes

In the business-type activities, the charges for services in FY2015 were sufficient to cover expenses due to an increase in rates in fiscal year 2015.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2015 fiscal year, the governmental funds reported a combined fund balance of \$15.2 million or a 0.8% increase from the prior year. The enterprise fund reported net position of \$20.8 million or a 2.9% increase from 2014.

At June 30, 2015, the General Fund reported an unassigned fund balance of \$2,114,891, which is an increase from prior year due to the transfer of utility revenue. The Debt Service fund decreased its fund balance by \$107,657 due to regular debt payments. The Capital Improvement Fund had no change in fund balance. The City issued Series 2015 General Obligation Bonds in the amount of \$4,200,000 for capital projects, creating an increase of GO Bond Fund fund balance of \$759,635.

General Fund Budgetary Highlights

Over the course of the year, the City Council made minor budget revisions. The General Fund reported resources available for appropriations over final of estimates of \$162,119 (2.3%) and expenditures under final appropriations by \$465,234 (6.5%).

CITY OF NICHOLS HILLS, OKLAHOMA
MANAGEMENT'S DISCUSSION & ANALYSIS
For the fiscal year ended June 30, 2015

Capital Asset and Debt Administration

Capital Assets

At June 30, 2015, the City had approximately \$36.4 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)					
	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Activities</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Land	\$88,000	\$88,000	\$195,742	\$195,742	\$283,742	\$283,742
Buildings	431,045	395,277	171,710	152,329	602,755	547,606
Imp. other than buildings	32,095	1,809,885	432,482	386,356	464,577	2,196,241
Machinery, furniture and equipment	1,623,747	1,383,917	300,379	238,577	1,924,126	1,622,494
Infrastructure	12,529,570	11,725,159	-	-	12,529,570	11,725,159
Utility improvements	-	-	16,633,370	15,426,058	16,633,370	15,426,058
Water rights	-	-	50,980	48,803	50,980	48,803
Construction in progress	<u>2,472,180</u>	<u>1,982,783</u>	<u>297,018</u>	<u>2,535,193</u>	<u>2,769,198</u>	<u>4,517,976</u>
Totals	<u>\$17,176,637</u>	<u>\$17,385,021</u>	<u>\$18,081,681</u>	<u>\$18,983,058</u>	<u>\$35,258,318</u>	<u>\$36,368,079</u>

This year's more significant capital asset additions are street projects totaling approximately \$1.8 million, while the depreciation expense for all assets totaled \$2.6 million. See Note 3.D. for additional information.

Long-Term Debt Administration

At year-end, the City had approximately \$27.3 million in outstanding long-term debt. (See table below). These debts are further detailed below and excludes any unamortized debt premiums and discounts.

	Primary Government Long-Term Debt						Total	
								Percentage
	Governmental		Business-Type		Total			Change
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014-2015</u>	
G.O. Bonds payable	\$25,270,000	\$26,885,000	\$ -	\$ -	\$25,270,000	\$26,885,000	6.4%	
Water rights	-	-	22,927	21,427	22,927	21,427	-6.5%	
Accrued comp absences	302,487	313,591	21,209	18,550	323,696	332,141	2.6%	
Utility deposits	<u>-</u>	<u>-</u>	<u>20,870</u>	<u>22,520</u>	<u>20,870</u>	<u>22,520</u>	7.9%	
Totals	<u>\$25,572,487</u>	<u>\$27,198,591</u>	<u>\$ 65,006</u>	<u>\$ 62,497</u>	<u>\$25,637,493</u>	<u>\$27,261,088</u>	6.3%	

For the year ended June 30, 2015, the City incurred an additional \$4.2 million of general obligation bonds for capital improvements. See Note 3.E. for additional information.

Economic Factors and Next Year's Budget and Rates

The City of Nichols Hills will continue use of General Obligation Bonds to improve infrastructure. Street repair continues as the main focus. Completion of Pennsylvania street repairs

Declining sales tax continues to be at the forefront of our concern. The Nichols Hills Plaza has added new tenants and two new restaurants in this fiscal year which will impact sales tax revenue. Water and sanitation rates have been raised to increase revenue for the upcoming year.

Contacting the City's Financial Management

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

**City of Nichols Hills
Statement of Net Position
June 30, 2015**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 6,629,166	\$ 22,524	\$ 6,651,690
Investments	8,804,745	1,301,383	10,106,128
Deposits with insurance pool	128,694	-	128,694
Interest receivable	5,802	1,156	6,958
Accounts receivable, net	-	447,449	447,449
Franchise tax receivable	54,330	-	54,330
Court fines receivable, net	189,417	-	189,417
Other receivables	111	-	111
Internal balances	(154,187)	154,187	-
Due from other governments	459,216	-	459,216
Net pension asset	92,320	-	92,320
Prepaid assets	60,478	-	60,478
Capital assets:			
Non-depreciable assets	2,070,783	2,730,935	4,801,718
Depreciable assets, net	15,314,238	16,252,123	31,566,361
Total capital assets	<u>17,385,021</u>	<u>18,983,058</u>	<u>36,368,079</u>
Total assets	<u>33,655,113</u>	<u>20,909,757</u>	<u>54,564,870</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	64,557	-	64,557
Deferred amounts related to pensions	1,396,971	346,865	1,743,836
Total deferred outflows of resources	<u>1,461,528</u>	<u>346,865</u>	<u>1,808,393</u>
LIABILITIES			
Accounts payable and accrued expenses	718,230	105,420	823,650
Unearned revenue	624	-	624
Long-term liabilities			
Due within one year			
Compensated absences	31,359	1,855	33,214
Bonds and notes payable	2,765,000	671	2,765,671
Due in more than one year			
Meter deposit liability	-	22,520	22,520
Bonds and notes payable	24,185,156	20,756	24,205,912
Compensated absences	282,232	16,695	298,927
Net pension liability	3,841,263	123,471	3,964,734
Net OPEB obligation	132,001	-	132,001
Total liabilities	<u>31,955,865</u>	<u>291,388</u>	<u>32,247,253</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts related to pensions	<u>1,293,632</u>	<u>128,165</u>	<u>1,421,797</u>
NET POSITION			
Net investment in capital assets	3,138,855	18,961,631	22,100,486
Restricted for:			
Debt service	804,965	-	804,965
Streets	121,459	-	121,459
Public safety	26,983	-	26,983
Unrestricted (deficit)	(2,225,118)	1,875,438	(349,680)
Total net position	<u>\$ 1,867,144</u>	<u>\$ 20,837,069</u>	<u>\$ 22,704,213</u>

See accompanying notes to the basic financial statements

**City of Nichols Hills
Statement of Activities
For the Year Ended June 30, 2015**

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	\$ 1,299,408	\$ 178,871	\$ -	\$ -	\$ (1,120,537)	\$ -	\$ (1,120,537)
Public Safety	3,500,180	193,841	352,832	-	(2,953,507)	-	(2,953,507)
Highways and Streets	749,946	-	34,030	-	(715,916)	-	(715,916)
Public Works	1,044,334	968,256	-	-	(76,078)	-	(76,078)
Culture and Recreation	191,791	-	-	-	(191,791)	-	(191,791)
Interest on Long-term debt	870,590	-	-	-	(870,590)	-	(870,590)
Total governmental activities	<u>7,656,249</u>	<u>1,340,968</u>	<u>386,862</u>	<u>-</u>	<u>(5,928,419)</u>	<u>-</u>	<u>(5,928,419)</u>
Business-type Activities							
Water	1,911,554	2,638,072	-	-	-	726,518	726,518
Wastewater	697,992	949,117	-	-	-	251,125	251,125
Total business-type activities	<u>2,609,546</u>	<u>3,587,189</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>977,643</u>	<u>977,643</u>
Total primary government	<u>\$ 10,265,795</u>	<u>\$ 4,928,157</u>	<u>\$ 386,862</u>	<u>\$ -</u>	<u>(5,928,419)</u>	<u>977,643</u>	<u>(4,950,776)</u>
General revenues:							
Taxes:							
Sales tax					2,756,819	-	2,756,819
Property taxes, levied for debt service					3,324,947	-	3,324,947
Franchise taxes					399,654	-	399,654
E911 taxes					1,318	-	1,318
Intergovernment not restricted to specific program:					7,377	-	7,377
Unrestricted investment earnings:					43,279	9,734	53,013
Miscellaneous					226,812	5,249	232,061
Transfers					405,456	(405,456)	-
Total general revenues and transfer					<u>7,165,662</u>	<u>(390,473)</u>	<u>6,775,189</u>
Change in net position					1,237,243	587,170	1,824,413
Net position - beginning, restated					629,901	20,249,899	20,879,800
Net position - ending					<u>\$ 1,867,144</u>	<u>\$ 20,837,069</u>	<u>\$ 22,704,213</u>

See accompanying notes to the basic financial statements

**City of Nichols Hills
Balance Sheet
Governmental Funds
June 30, 2015**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvement Fund</u>	<u>GO Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 1,104,948	\$ 414,132	\$ 245,016	\$ 3,985,103	\$ 129,967	\$ 5,879,166
Investments	500,356	400,658	-	8,653,731	-	9,554,745
Deposits with insurance pool	128,694	-	-	-	-	128,694
Prepaid items	60,478	-	-	-	-	60,478
Receivables:						
Accrued interest receivable	557	572	-	4,673	-	5,802
Due from other funds	750,786	-	10,881	1,065	1,286	764,018
Due from other governments	344,371	111,007	-	-	3,838	459,216
Franchise taxes receivable	54,330	-	-	-	-	54,330
Court fines receivable, net	189,417	-	-	-	-	189,417
Other receivables	-	-	-	-	111	111
Total assets	<u>\$ 3,133,937</u>	<u>\$ 926,369</u>	<u>\$ 255,897</u>	<u>\$ 12,644,572</u>	<u>\$ 135,202</u>	<u>\$ 17,095,977</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 111,717	\$ -	\$ 100,924	\$ 465,902	\$ 333	\$ 678,876
Due to other funds	13,232	-	154,973	750,000	-	918,205
Escrow liabilities	2,320	-	-	-	-	2,320
Due to bondholders	10,176	-	-	-	-	10,176
Retainage payable	-	-	-	26,858	-	26,858
Total liabilities	<u>137,445</u>	<u>-</u>	<u>255,897</u>	<u>1,242,760</u>	<u>333</u>	<u>1,636,435</u>
Deferred inflows of resources:						
Deferred revenue	<u>177,850</u>	<u>85,553</u>	<u>-</u>	<u>4,266</u>	<u>-</u>	<u>267,669</u>
Fund balances:						
Nonspendable	60,478	-	-	-	-	60,478
Restricted for:						
Streets	-	-	-	-	121,459	121,459
Public safety	-	-	-	-	12,404	12,404
Donations	14,579	-	-	-	-	14,579
Debt service	-	804,965	-	-	-	804,965
Capital projects	-	-	-	10,719,626	-	10,719,626
Assigned for:						
Streets	-	-	-	-	1,006	1,006
Economic development	500,000	-	-	-	-	500,000
Insurance premiums	128,694	-	-	-	-	128,694
Debt service	-	35,851	-	-	-	35,851
Capital projects	-	-	-	677,920	-	677,920
Unassigned (deficit)	2,114,891	-	-	-	-	2,114,891
Total fund balances	<u>2,818,642</u>	<u>840,816</u>	<u>-</u>	<u>11,397,546</u>	<u>134,869</u>	<u>15,191,873</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 3,133,937</u>	<u>\$ 926,369</u>	<u>\$ 255,897</u>	<u>\$ 12,644,572</u>	<u>\$ 135,202</u>	<u>\$ 17,095,977</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, 2015

Total fund balance, governmental funds	\$	15,191,873
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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 \$13,302,941.		17,385,021
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Certain other long-term assets are not available to pay current fund liabilities and therefore, are deferred or not reported in the funds:

Net pension asset		92,320
Deferred Outflows:		
Court fines receivable		177,226
Franchise fee receivable		
Investment receivable		4,266
Pension related deferred outflows		1,396,971
Receivable from other governments		85,553
		1,756,336

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		(26,950,156)
Accrued compensated absences		(313,591)
Net pension liability		(3,841,263)
Other postemployment benefits		(132,001)
Deferred amount on refunding		64,557
Pension related deferred inflows		(1,293,632)
		(32,466,086)

Net Position of Governmental Activities in the Statement of Net Position	\$	1,867,144
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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, 2015

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvement Fund</u>	<u>GO Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Property taxes	\$ -	\$ 3,311,071	\$ -	\$ -	\$ -	\$ 3,311,071
Taxes	3,190,243	-	-	-	1,318	3,191,561
Fees and fines	137,548	-	-	-	-	137,548
Licenses and permits	178,871	-	-	-	-	178,871
Intergovernmental	303,017	-	-	-	34,030	337,047
Charges for services	1,025,698	-	-	-	-	1,025,698
Investment earnings	7,861	5,673	-	27,641	-	41,175
Miscellaneous	214,190	-	7,131	-	-	221,321
Total revenues	<u>5,057,428</u>	<u>3,316,744</u>	<u>7,131</u>	<u>27,641</u>	<u>35,348</u>	<u>8,444,292</u>
EXPENDITURES						
Current:						
General government	2,330,729	1,090	-	758	-	2,332,577
Public safety	3,474,571	-	-	-	328	3,474,899
Highways and streets	231,565	-	-	-	8,136	239,701
Public works	755,692	-	-	-	-	755,692
Culture and recreation	203,652	-	-	-	-	203,652
Debt service:						
Principal	-	2,585,000	-	-	-	2,585,000
Interest and other charges	-	838,311	-	-	-	838,311
Bond issuance costs	-	-	-	19,436	-	19,436
Capital outlay	53	-	252,147	3,447,812	-	3,700,012
Total expenditures	<u>6,996,262</u>	<u>3,424,401</u>	<u>252,147</u>	<u>3,468,006</u>	<u>8,464</u>	<u>14,149,280</u>
Excess (deficiency) of revenues over expenditures	<u>(1,938,834)</u>	<u>(107,657)</u>	<u>(245,016)</u>	<u>(3,440,365)</u>	<u>26,884</u>	<u>(5,704,988)</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	4,200,000	-	4,200,000
Transfers in	2,586,050	-	245,016	-	-	2,831,066
Transfers out	(245,016)	-	-	-	-	(245,016)
Total other financing sources and uses	<u>2,341,034</u>	<u>-</u>	<u>245,016</u>	<u>4,200,000</u>	<u>-</u>	<u>6,786,050</u>
Net change in fund balances	402,200	(107,657)	-	759,635	26,884	1,081,062
Fund balances - beginning	2,416,442	948,473	-	10,637,911	107,985	14,110,811
Fund balances - ending	<u>\$ 2,818,642</u>	<u>\$ 840,816</u>	<u>\$ -</u>	<u>\$ 11,397,546</u>	<u>\$ 134,869</u>	<u>\$ 15,191,873</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, 2015

Net change in fund balances - total governmental funds: \$ 1,081,062

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	1,466,557
Book value of disposed capital assets	(26,334)
Depreciation expense	<u>(1,231,839)</u>
	<u>208,384</u>

In the Statement of Activities, the net cost of pension benefits earned is calculated and is reported as pension expense. The fund financial statements report pension contributions as pension expenditures. This amount represents the difference between pension contributions and calculated pension expense.

1,685,313

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

Change in deferred revenue	<u>(13,448)</u>
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities and can also increase deferred amounts in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds; but the repayment reduces long-term liabilities in the Statement of Net Position:

Bond proceeds received	(4,200,000)
General obligation bond principal payments	2,585,000
Change in bond premium	(65,156)
Change in deferred amount of refunding of debt	<u>(32,279)</u>
	<u>(1,712,435)</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Accrued compensated absences	(11,104)
Other postemployment benefits	<u>(529)</u>
	<u>(11,633)</u>

Change in net position of governmental activities \$ 1,237,243

See accompanying notes to the basic financial statements

**City of Nichols Hills
Statement of Net Position
Proprietary Fund
June 30, 2015**

	<u>Enterprise Fund</u>
	<u>Nichols Hills Municipal Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 4
Restricted cash and cash equivalents	22,520
Investments	1,301,383
Accounts receivable, net	447,449
Accrued interest receivable	1,156
Due from other funds	750,000
Total current assets	<u>2,522,512</u>
Capital assets:	
Non-depreciable assets	2,730,935
Depreciable assets, net	16,252,123
Total non-current assets	<u>18,983,058</u>
Total assets	<u>21,505,570</u>
 Deferred outflows of resources:	
Deferred amounts related to pensions	<u>346,865</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	105,420
Due to other funds	595,813
Compensated absences, current portion	1,855
Notes payable, current portion	671
Total current liabilities	<u>703,759</u>
Non-current liabilities:	
Compensated absences	16,695
Meter deposit liability	22,520
Notes payable	20,756
Net pension liability	123,471
Total non-current liabilities	<u>183,442</u>
Total liabilities	<u>887,201</u>
 Deferred inflows of resources:	
Deferred amounts related to pensions	<u>128,165</u>
 NET POSITION	
Net investment in capital assets	18,961,631
Unrestricted	1,875,438
Total net position	<u>\$ 20,837,069</u>

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, 2015

	Enterprise Fund
	Nichols Hills
	Municipal
	Authority
REVENUES	
Charges for services:	
Water charges	\$ 2,599,295
Wastewater charges	949,117
Water taps	18,800
Penalties	19,977
Total operating revenues	3,587,189
OPERATING EXPENSES	
Administrative	504,999
Water and wastewater operations	767,749
Depreciation expense	1,336,798
Total operating expenses	2,609,546
Operating income	977,643
NON-OPERATING REVENUES	
Interest and investment revenue	9,734
Miscellaneous revenue	5,249
Total non-operating revenue	14,983
Income before contributions and transfers	992,626
Capital contributions	2,180,594
Transfers out	(2,586,050)
Change in net position	587,170
Total net position- beginning, restated	20,249,899
Total net position - ending	\$ 20,837,069

See accompanying notes to the basic financial statements

City of Nichols Hills
Statement of Cash Flow
Proprietary Fund
For the Year Ended June 30, 2015

	<u>Enterprise Fund</u>
	<u>Nichols Hills Municipal Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 3,670,979
Payments to suppliers	(381,460)
Payments to employees	(994,022)
Receipts of customer meter deposits	11,700
Refunds of customer meter deposits	(10,050)
Interfund receipts/payments	(247,014)
Net cash provided by operating activities	<u>2,050,133</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(2,586,050)
Net cash provided by (used in) noncapital financing activities	<u>(2,586,050)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(57,581)
Principal paid on debt	(1,500)
Interest and fiscal agent fees paid on debt	(329,685)
Net cash provided by (used in) capital and related financing activities	<u>(388,766)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(200,750)
Interest and dividends	8,960
Net cash provided by (used in) investing activities	<u>(191,790)</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,116,473)</u>
Balances - beginning of year	<u>1,138,997</u>
Balances - end of year	<u>\$ 22,524</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 4
Restricted cash and cash equivalents - current	<u>22,520</u>
Total cash and cash equivalents, end of year	<u>\$ 22,524</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating activities:	\$ 977,643
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,336,798
Miscellaneous revenue	5,249
Change in assets and liabilities:	
Due from other funds	(750,000)
Due to other funds	502,986
Accounts receivable	78,541
Accounts payable	33,536
Pension liability	(133,611)
Deposits subject to refund	1,650
Accrued compensated absences	(2,659)
Net cash provided by operating activities	<u>\$ 2,050,133</u>
Noncash activities:	
Contributed capital assets	<u>\$ 2,180,594</u>

See accompanying notes to the basic financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 3. DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

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

NOTE 4. OTHER NOTES

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.A. FINANCIAL REPORTING ENTITY

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

- Primary Government: City of Nichols Hills

- Blended Component Unit: Nichols Hills Municipal Authority

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

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

BLENDED COMPONENT UNIT

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

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

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

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

1.B. BASIS OF PRESENTATION

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

- a. Total assets plus deferred outflows or liabilities plus deferred inflows or revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets plus deferred outflows or liabilities plus deferred inflows or revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

GOVERNMENTAL FUNDS

General Fund

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

Special Revenue Funds

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

Street and Alley Fund
E-911

Debt Service Fund

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

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

Capital Project Funds

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

Capital Improvement Fund
GO Bond Fund

PROPRIETARY FUNDS

Enterprise Fund

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

Nichols Hills Municipal Authority Fund (Water and Wastewater)

MAJOR AND NON-MAJOR FUNDS

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

Major:

General Fund

Debt Service Fund

Capital Project Funds:

Capital Improvement Fund
GO Bond Fund

Enterprise Fund:

Nichols Hills Municipal Authority

Non-Major:

Special Revenue Funds:

Street and Alley Fund
E-911 Fund

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

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

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

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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

Basis of Accounting

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

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

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

Cash and Cash Equivalents

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

Investments

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

Receivables

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

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

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

Inventories

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

Capital Assets

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

Government-Wide Statements

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

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

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

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

Fund Financial Statements

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

Restricted Assets

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

Deferred Outflows and Inflows

Deferred outflows and inflows are the consumption or acquisition of net position by the City that are applicable to a future reporting period. At June 30, 2015, the City's deferred outflows of resources were comprised of debt refundings and pension related deferrals. The refunding related deferred outflows of resources are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. In addition, as mentioned in Note 1.H., certain pension amounts are deferred, some as outflows and other as inflows, amortized as a component of pension expense in future periods

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

Long-Term Debt

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

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

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

Compensated Absences

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

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

Equity Classification

Government-Wide Financial Statements:

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

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

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

Fund Financial Statements:

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

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

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

formal action of the City's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance.

- d. Assigned – includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process. City management currently has the authority to assign fund balance.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund, or represents deficit fund balances in non-general fund governmental funds.

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

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

1.E. REVENUES, EXPENDITURES AND EXPENSES

Sales Tax

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

Property Tax

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

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

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

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

For the year ended June 30, 2015, the City's net assessed valuation of taxable property was \$134,672,745. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2015 were \$28.38.

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

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

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

Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

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

Proprietary Funds - By Operating and Non-Operating

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

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

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

Fund Financial Statements:

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

1. Interfund loans - amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services - sales or purchases of goods and services between funds are reported as revenues and

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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.

1.H. PENSIONS

For purposes of measuring the net pension asset, 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 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.

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.

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

<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, 2015, the City complied with the legal debt limit. Of the \$26,885,000 outstanding general obligation bonded debt, all but \$2,857,736 is utility and street related.

2.D. FUND EQUITY / NET POSITION RESTRICTIONS

Restricted Net Position

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

NOTE 3. DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

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

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

3.A. CASH AND INVESTMENTS

The City of Nichols Hills held the following deposits and investments at June 30, 2015:

<u>Type of Deposits and Investments</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ 5,101,690
Time deposits	11,656,128
Total Deposits and Investments	<u>\$ 16,757,818</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 6,651,690
Investments	10,106,128
	<u>\$ 16,757,818</u>

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

At June 30, 2015, 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.
- 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

CITY OF NICHOLS HILLS, OKLAHOMA
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governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2015, 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, 2015, the City had no concentration of credit risk as defined above.

3.B. RESTRICTED ASSETS

The amounts reported as restricted assets in the proprietary fund financial statements are comprised of cash and cash equivalents held by the trustee bank on behalf of the public trust (Authority) related to utility deposits held for refund. The restricted assets as of June 30, 2015 were as follows:

<u>Type of Restricted Assets</u>	<u>Current Assets</u>
Cash and Cash Equivalents:	
Utility Deposits	<u>\$22,520</u>
Total Restricted Assets	<u>\$22,520</u>

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consists of customer utilities. Receivables detail at June 30, 2015 is as follows:

	<u>Business-Type</u>		<u>Governmental</u>
Service receivables	\$475,429	Court receivable	\$898,322
Allowance for doubtful accounts	<u>(27,980)</u>	Allowance for doubtful accounts	<u>(708,905)</u>
Total accounts receivable	<u>\$447,449</u>	Total accounts receivable	<u>\$189,417</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, 2015, was as follows:

	Balance at July 1, 2014	Additions	Disposals	Balance at June 30, 2015
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$88,000	-	-	\$88,000
Construction in progress	2,472,180	\$1,291,048	\$1,780,445	1,982,783
Total capital assets not being depreciated	<u>2,560,180</u>	<u>1,291,048</u>	<u>1,780,445</u>	<u>2,070,783</u>
Other capital assets:				
Buildings	914,427	-	-	914,427
Improvements	141,587	1,780,445	-	1,922,032
Machinery, furniture and equipment	4,594,644	175,509	69,884	4,700,269
Infrastructure	21,080,452	-	-	21,080,452
Total other capital assets at historical cost	<u>26,731,110</u>	<u>1,955,954</u>	<u>69,884</u>	<u>28,617,180</u>
Less accumulated depreciation for:				
Buildings	483,382	35,768	-	519,150
Improvements	109,492	2,655	-	112,147
Machinery, furniture and equipment	2,970,897	389,005	43,550	3,316,352
Infrastructure	8,550,882	804,411	-	9,355,293
Total accumulated depreciation	<u>12,114,653</u>	<u>1,231,839</u>	<u>43,550</u>	<u>13,302,942</u>
Other capital assets, net	<u>14,616,457</u>	<u>724,115</u>	<u>26,334</u>	<u>15,314,238</u>
Governmental activities capital assets, net	<u>\$17,176,637</u>	<u>\$2,015,163</u>	<u>\$1,806,779</u>	<u>\$17,385,021</u>
	Balance at July 1, 2014	Additions	Disposals	Balance at June 30, 2015
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$195,742	-	-	\$195,742
Construction in progress	297,018	\$2,238,175	-	2,535,193
Total capital assets not being depreciated	<u>492,760</u>	<u>2,238,175</u>	<u>-</u>	<u>2,730,935</u>
Other capital assets:				
Buildings	564,061	-	-	564,061
Improvements	924,618	-	-	924,618
Machinery, furniture and equipment	1,136,071	-	-	1,136,071
Utility improvements	32,233,856	-	-	32,233,856
Water rights	54,427	-	-	54,427
Total other capital assets at historical cost	<u>34,913,033</u>	<u>-</u>	<u>-</u>	<u>34,913,033</u>
Less accumulated depreciation for:				
Buildings	392,351	19,381	-	411,732
Improvements	492,136	46,126	-	538,262
Machinery, furniture and equipment	835,692	61,802	-	897,494
Utility improvements	15,600,486	1,207,312	-	16,807,798
Water rights	3,447	2,177	-	5,624
Total accumulated depreciation	<u>17,324,112</u>	<u>1,336,798</u>	<u>-</u>	<u>18,660,910</u>
Other capital assets, net	<u>17,588,921</u>	<u>(1,336,798)</u>	<u>-</u>	<u>16,252,123</u>
Business-type activities capital assets, net	<u>\$18,081,681</u>	<u>\$901,377</u>	<u>-</u>	<u>\$18,983,058</u>

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

Governmental Activities:	
General Government	\$95,138
Public Safety	248,249
Highways and Streets	530,202
Culture and Recreation	2,928
Public Works	<u>355,322</u>
Total depreciation expense for governmental activities	<u>\$ 1,231,839</u>
Business-Type Activities:	
Water	\$979,236
Wastewater	<u>357,562</u>
Total depreciation expense for business-type activities	<u>\$ 1,336,798</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, 2015, the governmental long-term debt of the financial reporting entity consisted of the following:

General Obligation Bonds:

\$2,800,000 General Obligation Bonds, Series 2009, due in annual installments of \$230,000 through July 1, 2021, with interest at 1.95% to 3.5% with final payment of \$270,000 due July 1, 2022, with interest at 3.5%.	1,650,000
\$2,400,000 General Obligation Bonds, Series 2010, due in annual installments of \$200,000 through July 1, 2022, with interest at 2.25% to 5.0% with final payment of \$200,000 due July 1, 2022, with interest at 3.15%.	1,600,000
\$5,400,000 General Obligation Bonds, Series 2011, due in annual installments of \$450,000 through July 30, 2025, with interest at 2.00% to 3.4% with final payment of \$450,000 due July 1, 2025, with interest at 3.40%.	4,500,000
\$2,500,000 General Obligation Bonds, Series 2012, due in annual installments of \$205,000 through July 1, 2024, with interest at 1.10% to 3.1% with final payment of \$245,000 due July 1, 2025, with interest at 2.40%.	2,090,000
\$4,000,000 General Obligation Bonds, Series 2013, due in annual installments of \$330,000 through June 30, 2027, with interest at 0.60% to 2.0% with final payment of \$370,000 due June 30, 2027, with interest at 2.00%.	4,000,000
\$9,175,000 General Obligation Refunding Bonds, Series 2012, due in annual installments of \$270,000 to 1,500,000 through July 1, 2021, with interest at 0.50% to 1.75% with final payment of \$270,000 due July 1, 2021, with interest at 1.75%.	4,945,000
\$3,900,000 General Obligation Refunding Bonds, Series 2014, due in annual installments of \$329,875 to 409,256 through June 30, 2028, with interest at 1.50% to 3.0% with final payment of \$329,875 due June 30, 2028, with interest at 3.0%.	3,900,000
\$4,200,000 General Obligation Refunding Bonds, Series 2015, due in annual installments of \$147,875 to 435,225 through June 30, 2028, with interest at 2.00% to 2.55% with final payment	

CITY OF NICHOLS HILLS, OKLAHOMA
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of \$354,462 due June 30, 2028, with interest at 3.0%.	4,200,000
Total General Obligation Bonds Payable	<u>\$26,885,000</u>
Current portion	\$2,765,000
Non-current portion	<u>24,120,000</u>
General Obligation Bonds Payable	<u>\$26,885,000</u>

Accrued Compensated Absences:

Current portion	\$31,359
Non-current portion	<u>282,232</u>
Total Accrued Compensated Absences	<u>\$313,591</u>

Business-Type Activities

At June 30, 2015, the long-term debt payable from enterprise fund resources consisted of the following:

Water Rights:

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

Current portion	\$671
Non-current portion	<u>20,756</u>
Water Rights Payable	<u>\$21,427</u>

Accrued Compensated Absences:

Current portion	\$1,855
Non-current portion	<u>16,695</u>
Total Accrued Compensated Absences	<u>\$18,550</u>

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

<u>Type of Debt</u>	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>	<u>Amount Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds Payable	\$ 25,270,000	\$ 4,200,000	\$ 2,585,000	\$ 26,885,000	\$ 2,765,000
Accrued Compensated Absences	<u>302,487</u>	<u>240,980</u>	<u>229,876</u>	<u>313,591</u>	<u>31,359</u>
Total Governmental Activities	<u>\$ 25,572,487</u>	<u>\$ 4,440,980</u>	<u>\$ 2,814,876</u>	<u>\$ 27,198,591</u>	<u>\$ 2,796,359</u>
Business-Type Activities:					
Water Rights	\$ 22,927	\$ -	\$ 1,500	\$ 21,427	\$ 671
Accrued Compensated Absences	<u>21,209</u>	<u>29,528</u>	<u>32,187</u>	<u>18,550</u>	<u>1,855</u>
Total Business-Type Activities	<u>\$ 44,136</u>	<u>\$ 29,528</u>	<u>\$ 33,687</u>	<u>\$ 39,977</u>	<u>\$ 2,526</u>

CITY OF NICHOLS HILLS, OKLAHOMA
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Governmental accrued compensated absences are liquidated by the general fund.

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2015, are as follows:

Year Ended June 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>G.O. Bonds Payable</u>		<u>Water Rights</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$2,765,000	\$1,037,014	671	829
2017	3,280,000	917,788	696	804
2018	3,025,000	862,759	722	778
2019	2,800,000	810,401	749	751
2020	2,580,000	757,435	777	723
2021-2025	9,710,000	1,961,233	4,341	3,159
2026-2030	2,725,000	56,891	5,211	2,289
2031-2035	-	-	6,255	1,245
2036-2038	-	-	2,005	202
Totals	<u>\$26,885,000</u>	<u>\$6,403,521</u>	<u>\$21,427</u>	<u>\$10,780</u>

3.F. INTERFUND TRANSACTIONS AND BALANCES

Interfund receivables and payables at June 30, 2015 were as follows:

<u>Payable To</u>	<u>Receivable From</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Municipal Authority	\$ 78,720	Sanitation revenues to be transferred to General Fund
Municipal Authority	GO Bond Fund	750,000	Loan for capital projects
General Fund	Capital Improvement Fund	97,414	Expenditures paid by other fund
Capital Improvement Fund	General Fund	10,881	Expenditures paid by other fund
Street and Alley Fund	General Fund	1,286	Expenditures paid by other fund
GO Bond Fund	General Fund	1,065	Expenditures paid by other fund
General Fund	Municipal Authority	481,213	to cover negative cash balance
General Fund	Capital Improvement Fund	57,559	to cover negative cash balance
General Fund	Municipal Authority	22,438	to cover negative cash balance
General Fund	Municipal Authority	13,442	Expenditures paid by other fund
		<u>\$ 1,514,018</u>	

Reconciliation to Fund Financial Statements:

	<u>Due To</u>	<u>Due From</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 764,018	\$ (918,205)	\$ (154,187)
Proprietary Funds	750,000	(595,813)	154,187
	<u>\$ 1,514,018</u>	<u>\$ (1,514,018)</u>	<u>-</u>

CITY OF NICHOLS HILLS, OKLAHOMA
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Interfund transfers for the year ended June 30, 2015, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
Municipal Authority Fund	General Fund	\$ 2,586,050	Trust indenture requirement of net profits
General Fund	Capital Improvement Fund	245,016	Reimbursement of capital projects
		<u>\$ 2,831,066</u>	

Reconciliation to Fund Financial Statements/Statement of Activities:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Contributed Capital Transfer</u>	<u>Net Transfers</u>
Governmental Funds	\$ 2,831,066	\$ (245,016)	\$ (2,180,594)	\$ 405,456
Proprietary Funds	-	(2,586,050)	2,180,594	(405,456)
	<u>\$ 2,831,066</u>	<u>\$ (2,831,066)</u>	<u>\$ -</u>	<u>\$ -</u>

3.G. PRIOR PERIOD ADJUSTMENTS

Prior Period Adjustments:

Beginning net position was restated as of June 30, 2015 as follows:

	<u>Government-Wide</u>		<u>Fund-Level</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Nichols Hills Municipal Authority</u>
Beginning net position, as previously reported	\$ 5,352,231	\$ 20,617,966	\$ 20,617,966
Implementation of GASB Pension Statements 68 & 71, recognition of beginning net pension liability (asset), deferred inflows and deferred outflows	<u>(4,722,330)</u>	<u>(368,067)</u>	<u>(368,067)</u>
Beginning net position, restated	<u>\$ 629,901</u>	<u>\$ 20,249,899</u>	<u>\$ 20,249,899</u>

NOTE 4. OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

The City participates in three employee pension systems as follows:

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

Oklahoma Police and Firefighter's Pension and Retirement Systems

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

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 \$94,066. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$90,270 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 \$85,904. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Net Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City reported an asset of \$92,320 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2014. 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, 2014. Based upon this information, the City's proportion was 0.2742%.

For the year ended June 30, 2015, the City recognized pension expense of \$35,955. At June 30, 2015, 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	\$ -	\$ 41,477
Net difference between projected and actual earnings on pension plan investments	-	324,490
City contributions subsequent to the measurement date	94,066	-
Total	\$ 94,066	\$ 365,967

In the year ended June 30, 2016, \$94,066 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset. 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:

2016	\$ (89,710)
2017	(89,710)
2018	(89,710)
2019	(89,708)
2020	(7,129)
	\$ (365,967)

Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	4.5% to 17% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
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) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA.
	Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

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

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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, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	2.83%
Domestic equity	6.47%
International equity	6.98%
Real estate	5.50%
Private Equity	5.96%
Commodities	3.08%

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% 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 Asset to Changes in the Discount Rate-The following presents the net pension asset of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension 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 (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability (asset)	\$ 549,290	\$ (92,320)	\$ (633,054)

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 retirement, disability, and death benefits to members of the plan. Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation

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times the employee's years of service and have reached the age of 50 or have complete 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more of service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have complete 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more of service.

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-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-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 \$123,760. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$205,370 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 \$266,928. 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, 2015, the City reported a liability of \$3,450,800 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The City's proportion of 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, 2014. Based upon this information, the City's proportion was 0.335567%.

For the year ended June 30, 2015, the City recognized pension expense of \$314,516. At June 30, 2015, 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	\$ 82,220	\$ -
Net difference between projected and actual earnings on pension plan investments	-	522,356
City contributions subsequent to the measurement date	123,760	-
Total	\$ 205,980	\$ 522,356

In the year ended June 30, 2016, \$123,760 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. 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:

2016	\$	(115,278)
2017		(115,278)
2018		(115,278)
2019		(115,278)
2020		15,311
Thereafter		5,665
Total	\$	(440,136)

Actuarial Assumptions- The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%	
Salary increases:	3.5% to 9.0% average, including inflation	
Investment rate of return:	7.5% net of pension plan investment expense	

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

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, 2014, are summarized in the following table:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real estate	10%	7.76%
Other assets	13%	6.88%

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	\$ 4,506,016	\$ 3,450,800	\$ 2,566,117

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 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.

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C. Eligibility Factors and Benefit Provisions

<u>Provision</u>	<u>As of 07/01/14</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 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	-1.875% 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.

D. Employees Covered by Benefit Terms

Active Employees	37
Deferred Vested Former Employees	3
Retirees or Retiree Beneficiaries	<u>18</u>
Total	<u>58</u>

E. Contribution Requirements

The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined

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benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 14.11% of covered payroll as of July 1, 2014; however, management elected to contribute 20.04% of covered payroll as of July 1, 2014 and also an additional one time contribution of \$1,093,160. The City recognized \$1,443,790 of employer contributions to the plan which exceeds the actuarially determined amount based on covered payroll of \$1,718,775. Employees' contribution is 11% of covered payroll as of July 1, 2014.

F. Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2014
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.75%
c. Projected Salary Increase	Varies between 7.42% and 4% based on age
d. Post Retirement cost-of-Living Increase	None
e. Inflation Rate	3%
f. Mortality Table	UP 1994, 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: 215 Year 2: 140 Year 3: 95 Year 4: 65 Year 5: 40
j. Date of last experience study	September 2012 for fiscal years 2007 thru 2011

G. Discount Rate – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.75% 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, 2014 are summarized in the following table:

	Target Allocation	Real Return	Weighted Return
Large cap stocks S&P 500	25%	5.40%	1.35%
Small/mid cap stocks Russell 2500	10%	7.50%	0.75%
Long/short equity MSCI ACWI	10%	6.10%	0.61%
International stocks MSCI EAFE	20%	5.10%	1.02%
Fixed income bonds Barclay's Capital Aggregate	30%	2.60%	0.78%
Real estate NCREIF	5%	4.80%	0.24%
Cash equivalents 3 month Treasury	0%	0.00%	0.00%
TOTAL	100%		
Average Real Return			4.75%
Inflation			3.00%
Long-term expected return			7.75%

H. Changes in Net Pension Liability – The total pension liability was determined based on an actuarial valuation performed as of July 1, 2014 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, 2014 and the City's report ending date of June 30, 2015, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

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SCHEDULE OF CHANGES IN NET PENSION LIABILITY			
Increase (Decrease)			
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) - (b)
Balances Beginning of Year	\$ 8,710,792	\$ 6,824,578	\$ 1,886,214
Changes for the Year:			
Service cost	231,823	-	231,823
Interest expense	661,978	-	661,978
Contributions--City	-	358,053	(358,053)
Contributions--members	-	196,536	(196,536)
Net investment income	-	1,102,303	(1,102,303)
Benefits paid	(817,173)	(817,173)	-
Benefit changes due to plan amendments	(625,513)	-	(625,513)
Plan administrative expenses	-	(16,324)	16,324
Net Changes	<u>(548,885)</u>	<u>823,395</u>	<u>(1,372,280)</u>
Balances End of Year	<u>\$ 8,161,907</u>	<u>\$ 7,647,973</u>	<u>\$ 513,934</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net Pension Liability (Asset)	\$ 1,288,029	\$ 513,934	\$ (140,094)

The City reported a negative \$480,754 in pension expense for the year ended June 30, 2015. At June 30, 2015, 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
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 533,474.0
City contributions subsequent to the measurement date	1,443,790	-
Total	<u>\$ 1,443,790</u>	<u>\$ 533,474</u>

Amortization of Pension Deferrals: \$1,443,790 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 year ended June 30, 2016. 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:	
2016	\$ (133,368)
2017	(133,368)
2018	(133,368)
2019	<u>(133,370)</u>
	<u>\$ (533,474)</u>

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I. Related Party Investments

As of June 30, 2014, the Systems held no related-party investments of the City or of its related entities.

J. Annual OPEB Cost and Net OPEB Obligation.

Plan Description: The City provides post-retirement benefit options for health care, and prescription drug benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the city and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs. Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the City. As of June 30, 2015, 2 retired employees are receiving benefits under this plan.

Funding Policy. The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree.

The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. For fiscal year 2015, the City contributed \$11,869 to the plan. Plan members receiving benefits contributed \$11,869, or 100 percent of the total premiums, through their required contribution of \$498.09 per month for retiree-only coverage and \$1,095.85 for retiree and spouse medical coverage.

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the year ended June 30, 2015:

Annual required contribution	\$ 58,153
Interest on OPEB obligation	5,916
Adjustment to annual required contribution	(51,671)
Annual OPEB cost (expense)	12,398
Contributions made	(11,869)
Increase in net OPEB obligation	529
Net OPEB obligation—beginning of year	131,472
Net OPEB obligation—end of year	\$ 132,001

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The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the unfunded OPEB obligation for 2015 was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/10	\$43,197	25%	\$32,593
6/30/11	\$45,322	23%	\$67,311
6/30/12	\$38,586	35%	\$92,213
6/30/13	\$44,095	26%	\$130,966
6/30/14	\$12,375	96%	\$131,472
6/30/15	\$12,398	96%	\$132,001

Funded Status and Funding Progress. As of August 8, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$479,731, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$479,731. The covered payroll (annual payroll of active employees covered by the plan) was \$3.5 million, and the ratio of the UAAL to the covered payroll was 14 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the August 8, 2014, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.35 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.35 percent initially, reduced by decrements to an ultimate rate of 4.87 percent in 2060, based upon dependent rates. Separate Inflation rate not available; inflation included in annual healthcare cost trend rate. There were no assets to determine the actuarial value of assets. The UAAL is being amortized over 30 year closed period as a level percentage of payroll. The remaining amortization period at June 30, 2015, was twenty-four years.

4.B. RISK MANAGEMENT

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

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

CITY OF NICHOLS HILLS, OKLAHOMA
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June 30, 2015

b. Worker's Compensation - Employee injuries	Participates in Oklahoma Municipal Assurance Group (OMAG) risk entity pool. Participant fee includes an actuarially determined amount held by OMAG as the loss reserve fund, to pay claims incurred. Claims are administered by the State Insurance Fund.	(1) Specific aggregate stop loss coverage is provided by the State Insurance Fund and covers all claims above the loss reserve fund.
c. Health and Life: - Medical - Life	Purchased commercial insurance	None

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

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

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

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

The Plan's worker's compensation coverage is reinsured for losses in excess of respective retention levels. The 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, 2015:

	<u>Payable Fund</u>	<u>Original Contract</u>	<u>Outstanding Balance at June 30, 2015</u>
Wilshire Boulevard	GO Bond Fund	\$1,582,535	\$23,603
City-Wide Sanitary Sewer Rehab	GO Bond Fund	\$1,013,307	\$93,340
Water Well #26	GO Bond Fund	\$557,975	\$16,760
Water Well #26	GO Bond Fund	\$44,881	\$44,881
City-Wide Water Line Replacement	GO Bond Fund	\$640,735	\$495,490
Water Wells #5 & #8	GO Bond Fund	\$1,400,924	\$1,400,924
63 rd & Grand Paving	GO Bond Fund	\$1,861,781	\$1,861,781
PW Facility Expansion	GO Bond Fund	\$1,027,100	\$804,223

Contingencies:

Litigation

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

4.D. FUTURE ACCOUNTING PRONOUNCEMENTS

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

Statement No. 72, Fair Value Measurement and Application – GASB No. 72 was issued in February 2015, and addresses issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Statement is effective for financial statements for period beginning after June 15, 2015. At this time the impact to the city is unknown.

Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 – GASB No. 73 was issued in June 2015 and establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. At this time the impact to the city is unknown.

Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans - GASB No. 74 was issued in June 2015, and replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. At this time the impact to the city is unknown.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – GASB No., 75 was issued in June 2015, and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For a defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for fiscal years beginning after June 15, 2017. The City has not yet determined the impact that implementation of GASB 75 will have on its net position, although it may be

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments – GASB No. 76 was issued in June 2015, and was issued to identify the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. At this time the impact to the city is unknown.

GASB Statement No. 77, Tax Abatement Disclosures - GASB 77 was issued in August 2015, and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government’s tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. At this time the impact to the city is unknown.

CITY OF NICHOLS HILLS, OKLAHOMA
**BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS) -
GENERAL FUND**
For the year ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance:	\$1,202,000	\$1,202,000	\$3,950,502	\$2,748,502
Resources (Inflows):				
Taxes:				
Sales and use tax	2,514,870	2,514,870	2,784,159	269,289
Franchise tax	400,000	400,000	400,078	78
Total Taxes	<u>2,914,870</u>	<u>2,914,870</u>	<u>3,184,237</u>	<u>269,367</u>
Intergovernmental:				
Alcoholic beverage tax	6,000	6,000	7,434	1,434
Resale of property	9,290.00	9,290.00	0	(9,290)
Total Intergovernmental	<u>15,290</u>	<u>15,290</u>	<u>7,434</u>	<u>(7,856)</u>
Charges for services:				
Garbage charges	750,830	750,830	974,412	223,582
Ambulance charges	51,900	51,900	51,951	51
Total Charges for Services	<u>802,730</u>	<u>802,730</u>	<u>1,026,363</u>	<u>223,633</u>
Fines and Forfeitures	149,200	149,200	134,382	(14,818)
Licenses and Permits:				
Building permits	61,740	61,740	91,021	29,281
Plumbing permits	19,460	19,460	20,042	582
Plumbing licenses	13,060	13,060	27,772	14,712
Animal licenses	630	630	1,640	1,010
Electrical licenses	5,930	5,930	11,471	5,541
Electrical permits	14,130	14,130	14,333	203
Alcoholic beverage licenses and permits	190	190	4,208	4,018
Miscellaneous	9,280	9,280	8,384	(896)
Total Licenses and Permits	<u>124,420</u>	<u>124,420</u>	<u>178,871</u>	<u>54,451</u>
Investment Income	5,290	5,290	6,228	938
Miscellaneous:				
Lease revenue	142,420	142,420	183,852	41,432
Other	55,125	55,125	26,317	(28,808)
Total Miscellaneous	<u>197,545</u>	<u>197,545</u>	<u>210,169</u>	<u>12,624</u>
Other Financing Sources:				
Transfers from other funds	1,975,270	2,962,270	2,586,050	(376,220)
Total Other Financing Sources	<u>1,975,270</u>	<u>2,962,270</u>	<u>2,586,050</u>	<u>(376,220)</u>
Total Resources (Inflows)	<u>6,184,615</u>	<u>7,171,615</u>	<u>7,333,734</u>	<u>162,119</u>
Amounts available for appropriation	<u>7,386,615</u>	<u>8,373,615</u>	<u>11,284,236</u>	<u>2,910,621</u>

(Continued)

CITY OF NICHOLS HILLS, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS) -
 GENERAL FUND
 For the year ended June 30, 2015

(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to Appropriations (Outflows):				
GENERAL GOVERNMENT:				
Council	790	790	780	10
Manager/Clerk	450,420	1,306,442	1,265,360	41,082
Treasurer	1,320	1,320	1,301	19
Attorney	200,000	200,000	178,149	21,851
Engineer	30,000	37,850	37,829	21
Building and Code Division	109,550	116,021	108,106	7,915
Safety/Risk	120,000	121,635	158,661	(37,026)
General Government	480,410	521,927	467,397	54,530
Information Systems	152,720	163,670	115,573	48,097
TOTAL GENERAL GOVERNMENT	<u>1,545,210</u>	<u>2,469,655</u>	<u>2,333,156</u>	<u>136,499</u>
PUBLIC SAFETY:				
Court	88,080	92,680	82,249	10,431
Police	1,882,780	1,893,455	1,736,143	157,312
Fire	1,386,310	1,396,860	1,355,749	41,111
TOTAL PUBLIC SAFETY	<u>3,357,170</u>	<u>3,382,995</u>	<u>3,174,141</u>	<u>208,854</u>
HIGHWAYS AND STREETS	<u>264,420</u>	<u>267,725</u>	<u>231,017</u>	<u>36,708</u>
PUBLIC WORKS:				
Sanitation	677,130	685,540	632,590	52,950
Public Works	137,065	154,875	131,555	23,320
TOTAL PUBLIC WORKS	<u>814,195</u>	<u>840,415</u>	<u>764,145</u>	<u>76,270</u>
PARKS AND RECREATION	<u>203,620</u>	<u>210,825</u>	<u>203,922</u>	<u>6,903</u>
Total Charges to Appropriations	<u>6,184,615</u>	<u>7,171,615</u>	<u>6,706,381</u>	<u>465,234</u>
Ending Budgetary Fund Balance	<u>\$1,202,000</u>	<u>\$1,202,000</u>	<u>\$4,577,855</u>	<u>\$3,375,855</u>

See the accompanying footnotes to the budgetary comparison schedules

**CITY OF NICHOLS HILLS, OKLAHOMA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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	\$7,333,734
Differences – budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(2,586,050)
State payments made on-behalf of police and fire pension not considered a budgetary resource	295,640
Revenues not considered a budgetary resource	<u>14,104</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – general fund	<u>\$5,057,428</u>

CITY OF NICHOLS HILLS, OKLAHOMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule \$6,706,381

Differences – budget to GAAP:

State payments made on-behalf of police and fire pensions	295,640
Expenses not reported as outflows for budgetary purposes	<u>(5,759)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance – general fund	<u>\$6,996,262</u>

Transfers

Transfer out from budgetary comparison	\$ -
Transfer not reported for budgetary purposes	<u>245,016</u>
Total transfer out reported on statement of revenue, expenditures, and changes in fund balance – general fund	<u>\$245,016</u>

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

	<u>2015</u>
City's proportion of the net pension liability (asset)	0.2742%
City's proportionate share of the net pension liability (asset)	\$ (92,320)
City's covered-employee payroll	\$ 766,046
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-12.05%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.53%

Notes to Schedule:

Only the current fiscal year is 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

	<u>2015</u>
Statutorially required contribution	\$ 94,066
Contributions in relation to the statutorially required contribution	<u>94,066</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
City's covered-employee payroll	\$ 723,585
Contributions as a percentage of covered- employee payroll	13.00%

Notes to Schedule:

Only the current fiscal year is 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

	<u>2015</u>
City's proportion of the net pension liability	0.335567%
City's proportionate share of the net pension liability	\$ 3,450,800
City's covered-employee payroll	\$ 898,150
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	384%
Plan fiduciary net position as a percentage of the total pension liability	68.12%

Notes to Schedule:

Only the current fiscal year is 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

	<u>2015</u>
Statutorially required contribution	\$ 123,760
Contributions in relation to the statutorially required contribution	<u>123,760</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
City's covered-employee payroll	\$ 884,000
Contributions as a percentage of covered- employee payroll	14.00%

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.

**Required Supplementary Information
Oklahoma Municipal Retirement Fund**

Schedule of Changes in Net Pension Liability and Related Ratios

Last Fiscal Year

	2015
Total pension liability	
Service cost	\$ 231,823
Interest	661,978
Changes of benefit terms	(625,513)
Benefit payments, including refunds of member contributions	(817,173)
Net change in total pension liability	<u>(548,885)</u>
Total pension liability - beginning	8,710,792
Total pension liability - ending (a)	<u><u>\$ 8,161,907</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 358,053
Contributions - member	196,536
Net investment income	1,102,303
Benefit payments, including refunds of member contributions	(817,173)
Administrative expense	(16,324)
Net change in plan fiduciary net position	<u>823,395</u>
Plan fiduciary net position - beginning	6,824,578
Plan fiduciary net position - ending (b)	<u><u>\$ 7,647,973</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 513,934</u></u>
Plan fiduciary net position as a percentage of the total pension liability	93.70%
Covered employee payroll	\$ 1,766,759
Net pension liability as a percentage of covered-employee payroll	29.09%

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.

**Required Supplementary Information
Oklahoma Municipal Retirement Fund**

Schedule of Employer Contributions	Last Fiscal Year
	<u>2015</u>
Actuarially determined contribution	\$ 242,519
Contributions in relation to the actuarially determined contribution	1,443,790
Contribution deficiency (excess)	<u>\$ (1,201,271)</u>
Covered employee payroll	\$ 1,718,775
Contributions as a percentage of covered-employee payroll	84.00%

Notes to Schedule:

1. Only the current fiscal year is presented because 10-year data is not yet available.
2. Latest Valuation Date: July 1, 2014
3. Actuarially determined contribution rate is calculated as of July 1, 2013 and July 1, 2014
 January 2014 through June 2014 contributions were at a rate of 9.28%.
 July 2014 through December 2014 contributions were at a rate of 9.26%
4. Methods and assumptions used to determine contribution rates:
 - Actuarial cost method - Entry age normal
 - Amortization method - Level percent of payroll, closed
 - Remaining amortization period - 29 years
 - Asset valuation method - Actuarial:
 - Smoothing period - 4 years
 - Recognition method - Non-asymptotic
 - Corridor - 70% - 130%
 - Salary increases - 4.00% to 7.42% (varies by attained age)
 - Investment rate of return - 7.50%

CITY OF NICHOLS HILLS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF OPEB STATUS AND FUNDING PROGRESS
JUNE 30, 2015

Required Supplementary Information

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

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

Notes to Schedule:

The City, for fiscal year 2015, elected to begin biennial valuations.

**City of Nichols Hills
Combining Balance Sheet Accounts
General Fund Accounts
June 30, 2015**

	<u>General Fund</u>	<u>Designated Accounts Fund</u>	<u>Total General Fund</u>
ASSETS			
Cash and cash equivalents	\$ 1,090,200	\$ 14,748	\$ 1,104,948
Investments	500,356	-	500,356
Deposits with insurance pool	128,694	-	128,694
Prepaid expenses	60,478	-	60,478
Receivables:			
Accrued interest receivable	557	-	557
Due from other funds	750,786	-	750,786
Due from other governments	344,371	-	344,371
Franchise tax receivable	54,330	-	54,330
Court fines receivable, net	189,417	-	189,417
Total assets	<u>\$ 3,119,189</u>	<u>\$ 14,748</u>	<u>\$ 3,133,937</u>
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 111,548	\$ 169	\$ 111,717
Due to other funds	13,232	-	13,232
Escrow liabilities	2,320	-	2,320
Due to bondholders	10,176	-	10,176
Total liabilities	<u>137,276</u>	<u>169</u>	<u>137,445</u>
Deferred inflows of resources:			
Deferred revenue	<u>177,850</u>	<u>-</u>	<u>177,850</u>
Fund balances:			
Nonspendable	60,478	-	60,478
Restricted for:			
Donations	-	14,579	14,579
Assigned for:			
Economic development	500,000	-	500,000
Insurance premiums	128,694	-	128,694
Unassigned	2,114,891	-	2,114,891
Total fund balances	<u>2,804,063</u>	<u>14,579</u>	<u>2,818,642</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 3,119,189</u>	<u>\$ 14,748</u>	<u>\$ 3,133,937</u>

City of Nichols Hills
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
General Fund Accounts
For the Year Ended June 30, 2015

	<u>General Fund</u>	<u>Designated Accounts Fund</u>	<u>Total General Fund</u>
REVENUES			
Taxes	\$ 3,190,243	\$ -	\$ 3,190,243
Fees and fines	137,548	-	137,548
Licenses and permits	178,871	-	178,871
Intergovernmental	303,017	-	303,017
Charges for services	1,025,698	-	1,025,698
Investment earnings	7,861	-	7,861
Miscellaneous	210,464	3,726	214,190
Total revenues	<u>5,053,702</u>	<u>3,726</u>	<u>5,057,428</u>
EXPENDITURES			
Current:			
General government	2,330,684	45	2,330,729
Public safety	3,472,474	2,097	3,474,571
Highways and roads	231,565	-	231,565
Public works	755,507	185	755,692
Culture and recreation	203,652	-	203,652
Capital Outlay	-	53	53
Total Expenditures	<u>6,993,882</u>	<u>2,380</u>	<u>6,996,262</u>
Excess (deficiency) of revenues over expenditures	<u>(1,940,180)</u>	<u>1,346</u>	<u>(1,938,834)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,586,050	-	2,586,050
Transfers out	(245,016)	-	(245,016)
Total other financing sources and uses	<u>2,341,034</u>	<u>-</u>	<u>2,341,034</u>
FUND BALANCE			
Net change in fund balances	400,854	1,346	402,200
Fund balances - beginning	2,403,209	13,233	2,416,442
Fund balances - ending	<u>\$ 2,804,063</u>	<u>\$ 14,579</u>	<u>\$ 2,818,642</u>

**City of Nichols Hills
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015**

	<u>Street and Alley</u> <u>Fund</u>	<u>E-911 Fund</u>	<u>Total Nonmajor</u> <u>Governmental</u> <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 117,674	\$ 12,293	\$ 129,967
Due from other funds	1,286	-	1,286
Due from other governments	3,838	-	3,838
Other receivables	-	111	111
Total assets	<u>\$ 122,798</u>	<u>\$ 12,404</u>	<u>\$ 135,202</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 333	\$ -	\$ 333
Total liabilities	<u>333</u>	<u>-</u>	<u>333</u>
Fund balances:			
Restricted for:			
Streets	121,459	-	121,459
Public safety	-	12,404	12,404
Assigned for:			
Streets	1,006	-	1,006
Total fund balances	<u>122,465</u>	<u>12,404</u>	<u>134,869</u>
Total liabilities and fund balances	<u>\$ 122,798</u>	<u>\$ 12,404</u>	<u>\$ 135,202</u>

City of Nichols Hills
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	<u>Street and Alley</u> <u>Fund</u>	<u>E-911 Fund</u>	<u>Total Nonmajor</u> <u>Governmental</u> <u>Funds</u>
REVENUES			
Taxes	\$ -	\$ 1,318	\$ 1,318
Intergovernmental	34,030	-	34,030
Total revenues	<u>34,030</u>	<u>1,318</u>	<u>35,348</u>
EXPENDITURES			
Current:			
Public safety	-	328	328
Highways and roads	8,136	-	8,136
Total Expenditures	<u>8,136</u>	<u>328</u>	<u>8,464</u>
Excess (deficiency) of revenues over expenditures	<u>25,894</u>	<u>990</u>	<u>26,884</u>
Net change in fund balances	25,894	990	26,884
Fund balances - beginning	96,571	11,414	107,985
Fund balances - ending	<u>\$ 122,465</u>	<u>\$ 12,404</u>	<u>\$ 134,869</u>

CITY OF NICHOLS HILLS, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS
 For the fiscal year ended June 30, 2015

	SPECIAL REVENUE - STREET & ALLEY FUND				SPECIAL REVENUE - E-911 FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues:								
Taxes	-	-	-	-	\$ 30,300	\$ 30,300	\$ 1,322	\$ (28,978)
Intergovernmental	\$ 112,118	\$ 112,118	\$ 33,987	\$ (78,131)	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Total Revenues	<u>112,118</u>	<u>112,118</u>	<u>33,987</u>	<u>(78,131)</u>	<u>30,300</u>	<u>30,300</u>	<u>1,322</u>	<u>(28,978)</u>
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	30,300	30,300	328	29,972
Highways and streets	112,118	112,118	8,595	103,523	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Total Expenditures	<u>112,118</u>	<u>112,118</u>	<u>8,595</u>	<u>103,523</u>	<u>30,300</u>	<u>30,300</u>	<u>328</u>	<u>29,972</u>
Excess (deficiency) of revenues over expenditures	-	-	25,392	25,392	-	-	994	994
Net change in fund balances	-	-	25,392	25,392	-	-	994	994
Fund Balance - beginning of year	-	-	96,770	96,770	-	-	11,661	11,661
Fund Balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,162</u>	<u>\$ 122,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,655</u>	<u>\$ 12,655</u>

CITY OF NICHOLS HILLS, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 MAJOR GOVERNMENTAL FUNDS
 For the fiscal year ended June 30, 2015

	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	-	-	\$ 541,609	\$ 541,609	\$ -	\$ -	\$ (894,338)	\$ (894,338)
Resources (Inflows):								
Taxes	\$ 3,254,306	\$ 3,254,306	3,300,923	46,617	-	-	-	-
Investment income	-	-	5,798	5,798	-	-	-	-
Miscellaneous income	-	-	-	-	473,300	473,300	7,131	(466,169)
Amounts available for appropriation	<u>3,254,306</u>	<u>3,254,306</u>	<u>3,848,330</u>	<u>594,024</u>	<u>473,300</u>	<u>473,300</u>	<u>(887,207)</u>	<u>(1,360,507)</u>
Charges to appropriations (outflows):								
General government	-	-	1,090	(1,090)	-	-	-	-
Capital outlay	-	-	-	-	473,300	473,300	252,147	221,153
Debt service	3,254,306	3,254,306	3,423,311	(169,005)	-	-	-	-
Total Charges to Appropriations	<u>3,254,306</u>	<u>3,254,306</u>	<u>3,424,401</u>	<u>(170,095)</u>	<u>473,300</u>	<u>473,300</u>	<u>252,147</u>	<u>221,153</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 423,929</u>	<u>\$ 423,929</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,139,354)</u>	<u>\$ (1,139,354)</u>

**City of Nichols Hills
Combining Schedule of Net Position
Enterprise Fund Accounts
June 30, 2015**

	<u>Nichols Hills Municipal Authority</u>	<u>Nichols Hills Municipal Authority CIF Account</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4	\$ -	\$ 4
Restricted cash and cash equivalents	22,520	-	22,520
Investments	1,301,383	-	1,301,383
Accounts receivable, net	447,449	-	447,449
Accrued interest receivable	1,156	-	1,156
Due from other funds	775,781	-	775,781
Total current assets	<u>2,548,293</u>	<u>-</u>	<u>2,548,293</u>
Non-current assets:			
Capital Assets:			
Non-depreciable assets	2,730,935	-	2,730,935
Other capital assets, net of depreciation	16,020,721	231,402	16,252,123
Total non-current assets	<u>18,751,656</u>	<u>231,402</u>	<u>18,983,058</u>
Total assets	<u>21,299,949</u>	<u>231,402</u>	<u>21,531,351</u>
Deferred outflows of resources:			
Deferred amounts related to pensions	<u>346,865</u>	<u>-</u>	<u>346,865</u>
LIABILITIES			
Current liabilities:			
Accounts payable	98,050	7,370	105,420
Due to other funds	559,933	61,661	621,594
Compensated absences, current portion	1,855	-	1,855
Note payable, current portion	671	-	671
Total current liabilities	<u>660,509</u>	<u>69,031</u>	<u>729,540</u>
Non-current liabilities:			
Compensated absences	16,695	-	16,695
Meter deposit liability	22,520	-	22,520
Note payable	20,756	-	20,756
Net pension liability	123,471	-	123,471
Total non-current liabilities	<u>183,442</u>	<u>-</u>	<u>183,442</u>
Total liabilities	<u>843,951</u>	<u>69,031</u>	<u>912,982</u>
Deferred inflows of resources:			
Deferred amounts related to pensions	<u>128,165</u>	<u>-</u>	<u>128,165</u>
NET POSITION			
Net investment in capital assets	18,961,631	-	18,961,631
Unrestricted	1,713,067	162,371	1,875,438
Total net position	<u>\$ 20,674,698</u>	<u>\$ 162,371</u>	<u>\$ 20,837,069</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, 2015

	<u>Nichols Hills Municipal Authority</u>	<u>Nichols Hills Municipal Authority CIF Account</u>	<u>Total</u>
REVENUES			
Charges for Service:			
Water charges	\$ 2,599,295	\$ -	\$ 2,599,295
Wastewater charges	949,117	-	949,117
Water taps	18,800	-	18,800
Penalties	19,977	-	19,977
Total operating revenues	<u>3,587,189</u>	<u>-</u>	<u>3,587,189</u>
OPERATING EXPENSES			
Administrative	504,999	-	504,999
Water and wastewater operations	767,749	-	767,749
Depreciation expense	1,336,798	-	1,336,798
Total operating expenses	<u>2,609,546</u>	<u>-</u>	<u>2,609,546</u>
Operating income	<u>977,643</u>	<u>-</u>	<u>977,643</u>
NON-OPERATING REVENUES			
Interest and investment revenue	9,734	-	9,734
Miscellaneous revenue	5,249	-	5,249
Total non-operating revenue	<u>14,983</u>	<u>-</u>	<u>14,983</u>
Income before contributions and transfers	<u>992,626</u>	<u>-</u>	<u>992,626</u>
Capital contributions	2,180,594	-	2,180,594
Transfers in	57,581	-	57,581
Transfers out	(2,586,050)	(57,581)	(2,643,631)
Change in net position	<u>644,751</u>	<u>(57,581)</u>	<u>587,170</u>
Total net position - beginning, restated	<u>20,029,947</u>	<u>219,952</u>	<u>20,249,899</u>
Total net position - ending	<u>\$ 20,674,698</u>	<u>\$ 162,371</u>	<u>\$ 20,837,069</u>

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STATISTICAL SECTION

STATISTICAL SECTION

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

Such statistical information includes:

- Financial Trends – These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time
- Revenue Capacity – These schedules contain information to help the reader assess the city's most significant local revenue sources, gas and sales tax revenues.
- Debt Capacity – These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.
- Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place
- Operating Information – These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities							
Invested in capital assets, net of related debt	\$ (4,417,209)	\$ (3,606,626)	\$ (3,334,232)	\$ (3,868,818)	\$ (2,302,260)	\$ 289,096	\$ 840,899
Restricted	1,881,569	2,300,109	2,461,157	2,778,396	363,430	482,303	1,118,194
Unrestricted	<u>3,020,362</u>	<u>2,914,171</u>	<u>3,027,138</u>	<u>2,914,631</u>	<u>4,438,157</u>	<u>2,486,245</u>	<u>3,073,332</u>
Total governmental activities net assets	<u>\$ 484,722</u>	<u>\$ 1,607,654</u>	<u>\$ 2,154,063</u>	<u>\$ 1,824,209</u>	<u>\$ 2,499,327</u>	<u>\$ 3,257,644</u>	<u>\$ 5,032,425</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ 14,700,332	\$ 15,266,365	\$ 16,610,548	\$ 18,211,920	\$ 18,266,928	\$ 18,952,874	\$ 18,405,462
Restricted	401,029	398,113	413,729	424,620	437,468	450,593	-
Unrestricted	<u>1,401,449</u>	<u>1,126,460</u>	<u>472,552</u>	<u>364,174</u>	<u>57,709</u>	<u>832,137</u>	<u>1,556,365</u>
Total business-type activities net assets	<u>\$ 16,502,810</u>	<u>\$ 16,790,938</u>	<u>\$ 17,496,829</u>	<u>\$ 19,000,714</u>	<u>\$ 18,762,105</u>	<u>\$ 20,235,604</u>	<u>\$ 19,961,827</u>
Primary government							
Invested in capital assets, net of related debt	\$ 10,283,123	\$ 11,659,739	\$ 13,276,316	\$ 14,343,102	\$ 15,964,668	\$ 19,241,970	\$ 19,246,361
Restricted	2,282,598	2,698,222	2,874,886	3,203,016	800,898	932,896	1,118,194
Unrestricted	<u>4,421,811</u>	<u>4,040,631</u>	<u>3,499,690</u>	<u>3,278,805</u>	<u>4,495,866</u>	<u>3,318,382</u>	<u>4,629,697</u>
Total primary government net assets	<u>\$ 16,987,532</u>	<u>\$ 18,398,592</u>	<u>\$ 19,650,892</u>	<u>\$ 20,824,923</u>	<u>\$ 21,261,432</u>	<u>\$ 23,493,248</u>	<u>\$ 24,994,252</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>				
Governmental activities							
Net investment in capital assets	\$ 2,425,122	\$ 2,883,731	\$ 3,138,855				
Restricted	1,360,343	1,038,504	953,407				
Unrestricted	<u>1,543,022</u>	<u>1,429,996</u>	<u>(2,225,118)</u>				
Total governmental activities net position	<u>\$ 5,328,487</u>	<u>\$ 5,352,231</u>	<u>\$ 1,867,144</u>				
Business-type activities							
Net investment in capital assets	\$ 18,118,659	\$ 18,058,754	\$ 18,961,631				
Restricted	-	-	-				
Unrestricted	<u>1,670,285</u>	<u>2,559,212</u>	<u>1,875,438</u>				
Total business-type activities net position	<u>\$ 19,788,944</u>	<u>\$ 20,617,966</u>	<u>\$ 20,837,069</u>				
Primary government							
Net investment in capital assets	\$ 20,543,781	\$ 20,942,485	\$ 22,100,486				
Restricted	1,360,343	1,038,504	953,407				
Unrestricted	<u>3,213,307</u>	<u>3,989,208</u>	<u>(349,680)</u>				
Total primary government net position	<u>\$ 25,117,431</u>	<u>\$ 25,970,197</u>	<u>\$ 22,704,213</u>				

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Expenses										
Government activities:										
General government	\$ 1,260,679	\$ 1,473,741	\$ 1,756,081	\$ 1,399,829	\$ 1,689,504	\$ 1,615,627	\$ 1,758,978	\$ 2,103,433	\$ 1,670,579	\$ 1,299,408
Public safety	2,487,770	3,087,682	3,131,510	3,179,578	3,351,398	3,273,946	3,503,460	3,761,553	3,879,299	3,500,180
Highways and streets	327,157	410,147	358,041	490,454	592,325	387,524	543,226	592,671	1,262,972	749,946
Culture and recreation	111,325	79,739	182,347	185,370	161,284	155,427	160,337	157,684	170,469	191,791
Public works	705,876	747,004	832,490	687,172	716,987	936,069	1,093,181	1,107,820	1,149,352	1,044,334
Interest on long-term debt	<u>557,462</u>	<u>585,234</u>	<u>636,140</u>	<u>657,163</u>	<u>662,507</u>	<u>671,031</u>	<u>558,094</u>	<u>692,362</u>	<u>492,500</u>	<u>870,590</u>
Total governmental activities expenses	<u>5,450,269</u>	<u>6,383,547</u>	<u>6,896,609</u>	<u>6,599,566</u>	<u>7,174,005</u>	<u>7,039,624</u>	<u>7,617,276</u>	<u>8,415,523</u>	<u>8,625,171</u>	<u>7,656,249</u>
Business-type activities:										
Water	1,360,410	1,204,821	1,565,768	1,091,412	1,513,517	1,980,153	2,457,147	2,534,168	1,997,610	1,911,554
Wastewater	<u>1,125,170</u>	<u>1,189,103</u>	<u>639,539</u>	<u>1,167,338</u>	<u>872,318</u>	<u>430,552</u>	<u>345,992</u>	<u>371,186</u>	<u>748,831</u>	<u>697,992</u>
Total business-type activities expenses	<u>2,485,580</u>	<u>2,393,924</u>	<u>2,205,307</u>	<u>2,258,750</u>	<u>2,385,835</u>	<u>2,410,705</u>	<u>2,803,139</u>	<u>2,905,354</u>	<u>2,746,441</u>	<u>2,609,546</u>
Total primary government expenses	<u>\$ 7,935,849</u>	<u>\$ 8,777,471</u>	<u>\$ 9,101,916</u>	<u>\$ 8,858,316</u>	<u>\$ 9,559,840</u>	<u>\$ 9,450,329</u>	<u>\$ 10,420,415</u>	<u>\$ 11,320,877</u>	<u>\$ 11,371,612</u>	<u>\$ 10,265,795</u>
Program Revenues										
Government activities:										
Charges for services:										
General government	\$ 214,180	\$ 190,946	\$ 203,505	\$ 148,153	\$ 315,054	\$ 218,627	\$ 187,040	\$ 215,828	\$ 148,175	\$ 178,871
Public safety	207,128	193,188	233,155	169,205	87,573	256,913	197,582	209,502	208,191	193,841
Highways and streets	-	36,944	-	-	-	-	-	-	-	-
Public works	571,897	559,695	497,180	511,577	553,778	540,393	596,500	579,539	815,799	968,256
Operating grants and contributions	-	392,756	434,077	313,607	296,861	324,872	338,569	398,871	402,891	386,862
Capital grants and contributions	<u>169,653</u>	<u>-</u>	<u>6,500</u>	<u>270,099</u>	<u>6,568</u>	<u>60,627</u>	<u>-</u>	<u>-</u>	<u>138,244</u>	<u>-</u>
Total governmental activities program revenues	<u>1,162,858</u>	<u>1,373,529</u>	<u>1,374,417</u>	<u>1,412,641</u>	<u>1,259,834</u>	<u>1,401,432</u>	<u>1,319,691</u>	<u>1,403,740</u>	<u>1,713,300</u>	<u>1,727,830</u>

(Continued)

TABLE 2
(Continued)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Business-type activities:										
Charges for services:										
Water	2,061,573	1,739,445	1,928,996	1,870,309	1,699,316	2,678,055	2,591,760	2,404,897	2,687,004	2,638,072
Wastewater	888,503	796,957	775,849	771,974	727,055	939,504	974,134	929,784	951,695	949,117
Total business-type activities program revenues	<u>2,950,076</u>	<u>2,536,402</u>	<u>2,704,845</u>	<u>2,642,283</u>	<u>2,426,371</u>	<u>3,617,559</u>	<u>3,565,894</u>	<u>3,334,681</u>	<u>3,638,699</u>	<u>3,587,189</u>
Total primary government program revenues	<u>\$ 4,112,934</u>	<u>\$ 3,909,931</u>	<u>\$ 4,079,262</u>	<u>\$ 4,054,924</u>	<u>\$ 3,686,205</u>	<u>\$ 5,018,991</u>	<u>\$ 4,885,585</u>	<u>\$ 4,738,421</u>	<u>\$ 5,351,999</u>	<u>\$ 5,315,019</u>
Net (Expense)/Revenue										
Government activities	\$ (4,287,411)	\$ (5,010,018)	\$ (5,522,192)	\$ (5,186,925)	\$ (5,914,171)	\$ (5,638,192)	\$ (6,297,585)	\$ (7,011,783)	\$ (6,911,871)	\$ (5,928,419)
Business-type activities	<u>464,496</u>	<u>142,478</u>	<u>499,538</u>	<u>383,533</u>	<u>40,536</u>	<u>1,206,854</u>	<u>762,755</u>	<u>429,327</u>	<u>892,258</u>	<u>977,643</u>
Total primary government net expense	<u>\$ (3,822,915)</u>	<u>\$ (4,867,540)</u>	<u>\$ (5,022,654)</u>	<u>\$ (4,803,392)</u>	<u>\$ (5,873,635)</u>	<u>\$ (4,431,338)</u>	<u>\$ (5,534,830)</u>	<u>\$ (6,582,456)</u>	<u>\$ (6,019,613)</u>	<u>\$ (4,950,776)</u>
General Revenues and Other Changes in Net Assets/Net Position										
Government activities:										
Taxes:										
Sales and use taxes	\$ 2,717,331	\$ 2,658,081	\$ 2,668,337	\$ 2,738,897	\$ 2,598,246	\$ 2,926,222	\$ 2,457,370	\$ 2,780,618	\$ 2,560,439	\$ 2,756,819
Property taxes	2,332,307	2,517,460	2,401,835	2,289,388	2,849,982	2,920,432	3,330,068	3,033,854	2,883,034	3,324,947
Franchise and public service taxes	273,384	278,452	306,846	288,909	347,501	359,748	384,005	412,394	544,309	399,654
Other taxes	2,841	3,201	3,233	3,070	2,996	4,334	1,989	1,710	1,254	1,318
Unrestricted grants and contributions	87,660	56,046	42,599	42,274	42,143	47,100	43,199	82,808	109,746	7,377
Investment earnings	295,372	414,480	475,180	225,520	109,460	77,156	64,080	42,872	34,497	43,279
Miscellaneous	234,001	243,164	303,749	369,517	401,393	314,997	703,268	525,752	718,434	226,812
Transfers	<u>(795,317)</u>	<u>(37,934)</u>	<u>(133,178)</u>	<u>(1,100,502)</u>	<u>153,410</u>	<u>(253,478)</u>	<u>1,088,387</u>	<u>629,941</u>	<u>83,906</u>	<u>405,456</u>
Total governmental activities	<u>5,147,579</u>	<u>6,132,950</u>	<u>6,068,601</u>	<u>4,857,073</u>	<u>6,505,131</u>	<u>6,396,511</u>	<u>8,072,366</u>	<u>7,509,949</u>	<u>6,935,619</u>	<u>7,165,662</u>
Business-type activities:										
Investment earnings	77,767	101,300	57,125	13,317	4,145	3,797	8,507	6,805	5,592	9,734
Miscellaneous	11,823	6,416	16,050	6,533	-	9,369	43,348	20,926	15,079	5,249
Transfers	<u>795,317</u>	<u>37,934</u>	<u>133,178</u>	<u>1,100,502</u>	<u>(153,410)</u>	<u>253,478</u>	<u>(1,088,387)</u>	<u>(629,941)</u>	<u>(83,906)</u>	<u>(405,456)</u>
Total business-type activities	<u>884,907</u>	<u>145,650</u>	<u>206,353</u>	<u>1,120,352</u>	<u>(149,265)</u>	<u>266,644</u>	<u>(1,036,532)</u>	<u>(602,210)</u>	<u>(63,235)</u>	<u>(390,473)</u>
Total primary government	<u>\$ 6,032,486</u>	<u>\$ 6,278,600</u>	<u>\$ 6,274,954</u>	<u>\$ 5,977,425</u>	<u>\$ 6,355,866</u>	<u>\$ 6,663,155</u>	<u>\$ 7,035,834</u>	<u>\$ 6,907,739</u>	<u>\$ 6,872,384</u>	<u>\$ 6,775,189</u>
Change in Net Assets/Net Position										
Government activities	\$ 860,168	\$ 1,122,932	\$ 546,409	\$ (329,852)	\$ 590,960	\$ 758,319	\$ 1,774,781	\$ 498,166	\$ 23,748	\$ 1,237,243
Business-type activities	<u>1,349,403</u>	<u>288,128</u>	<u>705,891</u>	<u>1,503,885</u>	<u>(108,729)</u>	<u>1,473,498</u>	<u>(273,777)</u>	<u>(172,883)</u>	<u>829,023</u>	<u>587,170</u>
Total primary government	<u>\$ 2,209,571</u>	<u>\$ 1,411,060</u>	<u>\$ 1,252,300</u>	<u>\$ 1,174,033</u>	<u>\$ 482,231</u>	<u>\$ 2,231,817</u>	<u>\$ 1,501,004</u>	<u>\$ 325,283</u>	<u>\$ 852,771</u>	<u>\$ 1,824,413</u>

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund										
Nondisposable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,409	\$ 60,478
Reserved	338,007	1,355,916	1,378,003	1,146,000	1,170,464	-	-	-	-	-
Unreserved	2,788,466	1,928,968	1,949,328	2,236,868	2,245,765	-	-	-	-	-
Restricted	-	-	-	-	-	22,168	15,594	14,667	13,233	14,579
Assigned	-	-	-	-	-	1,192,485	1,202,661	1,123,633	1,134,066	628,694
Unassigned	-	-	-	-	-	2,545,242	2,540,825	2,744,790	1,209,735	2,114,891
Total general fund	<u>\$ 3,126,473</u>	<u>\$ 3,284,884</u>	<u>\$ 3,327,331</u>	<u>\$ 3,382,868</u>	<u>\$ 3,416,229</u>	<u>\$ 3,759,895</u>	<u>\$ 3,759,080</u>	<u>\$ 3,883,090</u>	<u>\$ 2,416,443</u>	<u>\$ 2,818,642</u>
All Other Governmental Funds										
Reserved	\$ 445,666	\$ 790,769	\$ 1,877,895	\$ 482,823	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	103,819	117,500	123,415	148,854	6,046,564	-	-	-	-	-
Debt service funds	2,100,478	2,530,271	2,717,154	2,657,453	341,776	-	-	-	-	-
Capital project funds	5,274,878	6,389,537	5,734,944	5,947,052	-	-	-	-	-	-
Restricted	-	-	-	-	-	8,050,758	9,477,310	11,078,552	11,012,902	11,658,454
Assigned	-	-	-	-	-	54,081	118,003	156,344	681,463	714,777
Unassigned (deficit)	-	-	-	-	-	(616,688)	(503,188)	(1,115,209)	-	-
Total all other governmental funds	<u>\$ 7,924,841</u>	<u>\$ 9,828,077</u>	<u>\$10,453,408</u>	<u>\$ 9,236,182</u>	<u>\$ 6,388,340</u>	<u>\$ 7,488,151</u>	<u>\$ 9,092,125</u>	<u>\$10,119,687</u>	<u>\$ 11,694,365</u>	<u>\$ 12,373,231</u>
 GRAND TOTAL	 <u>\$11,051,314</u>	 <u>\$ 13,112,961</u>	 <u>\$13,780,739</u>	 <u>\$12,619,050</u>	 <u>\$ 9,804,569</u>	 <u>\$ 11,248,046</u>	 <u>\$12,851,205</u>	 <u>\$14,002,777</u>	 <u>\$ 14,110,808</u>	 <u>\$ 15,191,873</u>

NOTE: The City implemented GASB 54 in fiscal year 2011.

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues:										
Taxes	\$ 5,316,040	\$ 5,476,963	\$ 5,372,130	\$ 5,310,285	\$ 5,731,377	\$ 6,209,685	\$ 6,194,312	\$ 6,195,626	\$ 5,964,058	\$ 6,502,632
Intergovernmental	257,313	485,746	476,559	625,980	345,572	432,599	381,768	478,681	1,015,743	337,047
Charges for services	615,577	603,154	550,017	555,078	640,755	633,173	692,504	659,340	873,065	1,025,698
Fines and forfeitures	177,213	176,345	193,197	185,055	170,123	184,079	132,172	138,262	141,016	137,548
Licences and permits	171,605	147,487	203,505	148,153	174,055	218,627	187,040	215,828	148,175	178,871
Investment Income	266,247	425,373	496,645	231,588	107,240	67,139	76,675	44,658	32,852	41,175
Miscellaneous	234,001	243,164	248,991	326,516	569,914	270,381	659,892	544,196	213,012	221,321
Total Revenues	<u>7,037,996</u>	<u>7,558,232</u>	<u>7,541,044</u>	<u>7,382,655</u>	<u>7,739,036</u>	<u>8,015,683</u>	<u>8,324,363</u>	<u>8,276,591</u>	<u>8,387,921</u>	<u>8,444,292</u>
Expenditures:										
General government	1,111,324	1,468,607	1,730,852	1,350,096	1,481,626	2,197,460	1,506,891	1,467,916	1,475,621	2,332,577
Public safety	2,388,313	2,928,988	3,004,978	3,034,185	3,177,877	3,108,507	3,175,902	3,442,058	3,603,369	3,474,899
Highways and streets	188,190	203,345	250,475	208,236	297,729	221,666	212,937	266,964	241,294	239,701
Culture and recreation	105,221	150,913	176,054	183,896	160,077	152,025	155,975	153,604	166,235	203,652
Public works	579,606	617,334	612,239	668,750	693,681	718,743	738,362	779,180	799,558	755,692
Capital outlay	2,237,443	1,712,519	2,744,531	2,364,436	3,046,084	3,678,242	2,462,204	3,983,169	4,028,762	3,700,012
Debt service										
Principal	1,718,952	1,645,000	1,680,000	1,740,000	4,085,000	2,270,000	2,100,000	2,240,000	2,745,000	2,585,000
Interest	526,384	539,083	588,117	623,545	1,029,443	656,019	558,094	551,393	460,221	838,311
Payment of issue costs	34,969	28,939	29,875	30,237	29,660	49,741	552	191,802	37,627	19,436
Total Expenditures	<u>8,890,402</u>	<u>9,294,728</u>	<u>10,817,121</u>	<u>10,203,381</u>	<u>14,001,177</u>	<u>13,052,403</u>	<u>10,910,917</u>	<u>13,076,086</u>	<u>13,557,687</u>	<u>14,149,280</u>
Excess of revenues over(under) expenditures	<u>(1,852,406)</u>	<u>(1,736,496)</u>	<u>(3,276,077)</u>	<u>(2,820,726)</u>	<u>(6,262,141)</u>	<u>(5,036,720)</u>	<u>(2,586,554)</u>	<u>(4,799,495)</u>	<u>(5,169,766)</u>	<u>(5,704,988)</u>
Other financing sources(uses)										
Transfers in	1,511,216	1,711,443	1,355,585	1,634,672	1,047,660	1,219,001	2,338,759	1,346,151	2,911,025	2,831,066
Transfers out	(199,141)	(413,300)	(211,730)	(2,775,635)	-	(134,732)	(649,045)	-	(1,533,225)	(245,016)
Other use	-	-	-	-	-	-	-	(8,570,084)	-	-
Bond proceeds	2,500,000	2,500,000	2,800,000	2,800,000	2,400,000	5,400,000	2,500,000	13,175,000	3,900,000	4,200,000
Total other financing sources(uses)	<u>\$ 3,812,075</u>	<u>\$ 3,798,143</u>	<u>\$ 3,943,855</u>	<u>\$ 1,659,037</u>	<u>\$ 3,447,660</u>	<u>\$ 6,484,269</u>	<u>\$ 4,189,714</u>	<u>\$ 5,951,067</u>	<u>\$ 5,277,800</u>	<u>\$ 6,786,050</u>
Net change in fund balances	<u>\$ 1,959,669</u>	<u>\$ 2,061,647</u>	<u>\$ 667,778</u>	<u>\$ (1,161,689)</u>	<u>\$ (2,814,481)</u>	<u>\$ 1,447,549</u>	<u>\$ 1,603,160</u>	<u>\$ 1,151,572</u>	<u>\$ 108,034</u>	<u>\$ 1,081,062</u>
Debt service as a percentage of noncapital expenditures	33.7%	28.8%	28.1%	30.2%	46.7%	29.2%	28.8%	27.5%	28.1%	27.0%

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
2006	2,322,484	2,717,331	273,384	2,841	5,316,040
2007	2,537,229	2,658,081	278,452	3,201	5,476,963
2008	2,393,714	2,668,337	306,846	3,233	5,372,130
2009	2,279,409	2,738,897	288,909	3,070	5,310,285
2010	2,782,634	2,598,246	347,501	2,996	5,731,377
2011	2,919,381	2,926,222	48,649	4,334	5,898,586
2012	3,330,068	2,457,370	384,005	1,989	6,173,432
2013	3,034,674	2,780,618	378,624	1,710	6,195,626
2014	2,858,056	3,106,002	544,309	1,254	6,509,621
2015	3,311,071	2,726,186	433,424	1,318	6,471,999

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

Fiscal Year	Real Property	Personal Property	Public Service Property	Total Assessed Value	Homestead Exemption	Net Total Assessed Value	Total Direct Tax Rate	Estimated Actual Value
2006	74,874,146	1,191,626	1,114,211	77,179,983	1,205,000	75,974,983	30.79	701,636,209
2007	81,315,083	1,527,659	1,083,530	83,926,272	1,329,550	82,596,722	30.75	762,966,109
2008	88,060,162	1,681,144	994,474	90,735,780	1,395,223	89,340,557	26.97	824,870,727
2009	95,001,606	1,502,443	1,026,979	97,531,028	1,360,466	96,170,562	23.81	886,645,709
2010	102,481,956	1,693,498	1,194,004	105,369,458	1,348,594	104,020,864	26.99	957,904,164
2011	111,131,220	2,007,817	1,317,677	114,456,714	1,099,000	113,357,714	29.37	1,040,515,582
2012	114,218,989	1,754,755	1,228,414	117,202,158	1,087,000	116,115,158	29.37	1,065,474,164
2013	118,937,793	1,655,979	1,212,225	121,805,997	1,072,000	120,733,997	23.70	1,107,327,245
2014	124,654,042	1,689,260	1,135,752	127,479,054	1,042,000	126,437,054	26.27	1,158,900,491
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

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

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Overlapping Rates</u>		<u>Total Nichols Hills City Resident</u>
	<u>Debt Service Fund*</u>	<u>Independent School District (1)</u>	<u>Oklahoma County</u>	
2006	30.79	73.47	10.97	115.23
2007	30.75	72.52	22.81	126.08
2008	26.97	72.18	10.36	109.51
2009	23.81	67.93	11.25	102.99
2010	26.99	73.88	12.86	113.73
2011	29.37	74.15	24.27	124.96
2012	29.37	77.54	24.06	130.97
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

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

2016	28.38	75.16	23.72	127.26
------	-------	-------	-------	--------

Source: County Excise Board

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

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

* Direct rate is solely for General Obligation Debt

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

Taxpayer	Type of Business	2015			2006		
		Rank	Taxable Assessed Value	Percentage of Net Total Assessed Value	Rank	Taxable Assessed Value	Percentage of Net Total Assessed Value
OKC NHP LLC	Retail	1	\$ 1,129,177	0.94%		-	-
Oklahoma City Golf & Country Club	Recreation	2	1,123,853	0.93%	4	\$ 437,439	0.06%
Oklahoma Gas & Electric	Utility	3	770,242	0.64%	3	535,628	0.07%
TG NHOB LLC	Banking	4	628,100	0.52%	2	544,271	0.07%
Chesapeake Land Co LLC	Residential & CommercialProperty	5	540,664	0.45%	1	772,118	0.10%
Crutchmer Clyde V	Resident	6	492,656	0.41%		-	-
Albers Leigh Ann & Paul W	Resident	7	437,821	0.36%		-	-
Liddell Mike Trust	Resident	8	407,000	0.34%		-	-
Oliver Michael & Deborah Trust	Resident	9	405,996	0.34%		-	-
Greythorn LLC	Resident	10	387,575	0.32%		-	-
Southwestern Bell Telephone LP	Telephone		-	-	5	375,246	0.05%
Plaza North Limited	Retail		-	-			
Talton Brooks mims III & Tiffany	Trust		-	-	6	292,718	0.04%
Hudiburg David R Trust	Trust		-	-	7	266,264	0.04%
NB Properties LLC	Banking		-	-	8	265,310	0.04%
The Number 8 Trust	Trust		-	-	9	248,590	0.03%
Dussek, Steven & Annie	Trust		-	-	10	236,597	0.03%
Totals			<u>\$ 6,323,084</u>	<u>5.24%</u>		<u>\$ 3,974,181</u>	<u>0.53%</u>

Source: County Assessors Office

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

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percentage of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percentage of Total Collected to Total Levy</u>	<u>Net Assessed Value</u>	<u>Mill Levy</u>
2006	2,339,954	2,315,228	98.94%	24,726	2,339,954	100.00%	75,974,983	30.79
2007	2,539,966	2,466,453	97.11%	63,378	2,529,831	99.60%	82,596,722	30.75
2008	2,409,918	2,393,714	99.33%	8,095	2,401,809	99.66%	89,340,557	26.97
2009	2,289,836	2,279,409	99.54%	10,427	2,289,836	100.00%	96,170,562	23.81
2010	2,808,007	2,711,838	96.58%	96,169	2,808,007	100.00%	104,020,864	26.99
2011	2,923,866	2,827,500	96.70%	21,662	2,849,162	97.45%	113,357,714	29.37
2012	3,321,020	3,251,542	97.91%	67,690	3,319,232	99.95%	115,810,084	26.09
2013	3,021,644	2,925,990	96.83%	77,044	3,003,034	99.38%	120,733,997	23.70
2014	2,853,369	2,766,386	96.95%	57,200	2,823,586	98.96%	126,437,054	26.27
2015	3,316,335	3,205,328	96.65%	-	3,205,328	96.65%	133,638,745	28.38

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
	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 Nine Fiscal Years

June 30, 2014

TABLE 11

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Agriculture, forestry, and fishing	\$ 1,898	\$ 2,373	\$ 3,044	\$ 2,835	\$ 2,955	\$ 2,613	\$ 2,199	\$ 1,465	\$ 956
Mining	29	62	10	-	-	(3)	7	-	16
Construction	2,741	3,053	2,919	3,073	3,251	7,612	2,017	824	1,344
Manufacturing	46,726	54,880	60,386	38,955	38,887	48,483	73,634	99,250	97,363
Transportation	51	227	227	(39)	87	40	250,650	533,399	604,289
Communications and utilities:									
Communications	254,176	273,926	290,330	304,055	166,347	135,595	127,123	120,751	114,695
Electric, gas, and sanitary services	322,934	307,298	327,071	332,872	313,775	333,304	312,031	312,233	313,243
Wholesale trade	30,672	29,109	32,068	20,758	93,866	33,878	52,158	81,800	70,254
Retail trade:									
Building materials, hardware, garden supply and mobile home dealer	117,186	163,202	200,466	124,284	536,892	171,040	313,591	238,472	192,625
General merchandise stores	4,059	2,358	1,945	2,315	4,983	2,707	563	18,356	-
Food stores	179,582	193,625	185,175	175,913	172,155	67,873	11,855	22,709	41,680
Automotive dealers and gasoline service stations	15,418	8,978	20,593	31,297	32,037	96	233	1,000	820
Apparel and accessory stores	372,184	383,607	343,972	358,713	391,039	365,685	381,062	371,704	531,637
Furniture, home furnishings and equipment stores	382,430	341,511	342,269	229,535	207,781	293,989	206,491	97,512	324,891
Eating and drinking places	171,972	166,391	172,546	189,193	208,418	195,456	225,035	221,614	239,450
Miscellaneous retail	225,124	145,248	181,795	179,726	180,303	209,191	178,242	23,858	13,396
Finance, insurance, and real estate	135	454	207	5,209	6,417	9,323	11,134	16,237	14,476
Services:									
Hotels and motels	-	-	-	-	-	-	-	-	-
Personal services	5,682	6,148	7,769	5,510	4,419	3,442	6,921	5,043	205
Business services	103,924	97,815	94,814	86,104	39,412	40,749	14,730	120,751	7,334
Automotive repair services and garages	128	675	698	672	1,450	279	77	625	2,162
Miscellaneous repair services	1,155	855	126	27	60	78	19	103	120
Motion pictures	203	816	856	1,146	1,781	1,757	915	-	-
Other services	399,901	423,186	412,970	434,457	460,302	471,676	251,942	169,808	114,695
Nonclassifiable establishments	2,556	15,358	4,500	12,851	32,901	23,101	-	47,681	15,798
	<u>\$ 2,640,866</u>	<u>\$ 2,621,155</u>	<u>\$ 2,686,756</u>	<u>\$ 2,539,461</u>	<u>\$ 2,899,518</u>	<u>\$ 2,417,964</u>	<u>\$ 2,422,629</u>	<u>\$ 2,505,195</u>	<u>\$ 2,701,449</u>

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

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

Fiscal Year	Governmental Activities		Business-Type Activities	Total Primary Government	Per Capita	Per Estimated Actual Property Values
	General Obligation Bonds	Judgment Payable	Notes Payable			
2006	16,600,000	-	1,200,000	17,800,000	4,389	0.03
2007	17,455,000	-	1,030,000	18,485,000	4,557	0.02
2008	18,575,000	-	850,000	19,425,000	4,789	0.02
2009	19,635,000	-	660,000	20,295,000	5,004	0.02
2010	17,950,000	-	455,000	18,405,000	4,538	0.02
2011	21,080,000	-	235,000	21,315,000	5,745	0.02
2012	21,480,000	-	-	21,480,000	5,790	0.02
2013	24,115,000	-	24,427	24,139,427	6,507	0.02
2014	25,270,000	-	22,927	25,292,927	6,818	0.02
2015	26,885,000	-	21,427	26,906,427	7,252	0.02

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

Fiscal Year	Population	Net Assessed Value	Gross Bonded Debt (1)	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2006	4,056	75,974,983	16,600,000	2,100,478	14,499,522	19.08%	3,575
2007	4,056	82,596,722	17,455,000	2,530,271	14,924,729	18.07%	3,680
2008	4,056	89,340,557	18,575,000	2,717,154	15,857,846	17.75%	3,910
2009	4,056	96,170,562	19,635,000	2,713,515	16,921,485	17.60%	4,172
2010	4,056	104,020,864	17,950,000	409,167	17,540,833	16.86%	4,325
2011	3,710	113,357,714	21,080,000	412,472	20,667,528	18.23%	5,571
2012	3,710	116,115,158	21,480,000	1,027,078	20,452,922	17.61%	5,513
2013	3,710	120,733,997	24,115,000	1,267,176	22,847,824	18.92%	6,158
2014	3,710	126,437,054	25,270,000	918,294	24,351,706	19.26%	6,564
2015	3,710	134,672,745	26,885,000	814,790	26,070,210	19.36%	7,027

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, 2015
TABLE 14

Jurisdiction	Net (1) Debt Outstanding	Percentage (2) Applicable to City of Nichols Hills	Amount Applicable to City of Nichols Hills
City of Nichols Hills	\$26,070,210	100.00%	\$26,070,210

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

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

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

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 7,597,498	\$ 8,259,672	\$ 8,934,056	\$ 9,617,056	\$ 10,402,086	\$ 11,335,771	\$ 11,611,516	\$ 12,073,400	\$ 12,643,705	\$ 13,363,875
Total net debt applicable to limit	<u>150,000</u>	<u>150,000</u>	<u>137,700</u>	<u>125,400</u>	<u>950,800</u>	<u>938,500</u>	<u>855,367</u>	<u>773,737</u>	<u>691,027</u>	<u>2,857,736</u>
Legal debt margin	<u>\$ 7,447,498</u>	<u>\$ 8,109,672</u>	<u>\$ 8,796,356</u>	<u>\$ 9,491,656</u>	<u>\$ 9,451,286</u>	<u>\$ 10,397,271</u>	<u>\$ 10,756,149</u>	<u>\$ 11,299,663</u>	<u>\$ 11,952,678</u>	<u>\$ 10,506,139</u>
Total net debt applicable to the limit as a percentage of debt limit	1.97%	1.82%	1.54%	1.30%	9.14%	8.28%	7.37%	6.41%	5.47%	21.38%

Legal Debt Margin Calculation for Fiscal Year 2015

Net assessed valuation	\$ 133,638,745
Debt limit (10% of total assessed value)	13,363,875
Debt applicable to limit:	
General obligation bonds	26,885,000
Less: Street and public utility bonds outstanding	<u>(24,027,264)</u>
Total net debt applicable to limit	<u>2,857,736</u>
Legal debt margin	<u>\$ 10,506,139</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

Fiscal Year	Gross Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Maximum Annual Debt Service (1)	Debt Service Coverage
2006	3,027,843	1,293,512	1,734,331	249,230	6.96
2007	2,637,702	1,369,987	1,267,715	249,230	5.09
2008	2,764,660	1,286,620	1,478,040	249,230	5.93
2009	2,655,600	1,275,427	1,380,173	249,230	5.54
2010	2,430,516	1,426,155	1,004,361	249,230	4.03
2011	3,630,725	1,478,840	2,151,885	249,230	8.63
2012	3,617,749	1,528,564	2,089,185	-	0.00
2013	3,342,704	1,592,871	1,749,833	-	0.00
2014	3,659,370	1,377,254	2,282,116	-	0.00
2015	3,602,172	1,272,748	2,329,424	-	0.00

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

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

Calendar Year	Number of Building Permits	Construction Values			Estimated Actual Value of Taxable Property
		Residential	Commercial	Total	
2006	159	14,832,016	1,155,656	15,987,672	701,636,209
2007	148	19,592,037	-	19,592,037	762,966,109
2008	153	27,824,574	-	27,824,574	824,870,727
2009	123	17,347,175	300,100.00	17,647,275	886,645,709
2010	110	13,487,136	63,400	13,550,536	957,904,164
2011	133	12,358,584	1,177,000	13,535,584	1,040,515,582
2012	152	20,510,423	4,620,080	25,130,503	1,065,474,164
2013	185	20,676,740	305,138	20,981,878	1,107,327,245
2014	165	15,729,647	382,000	16,111,647	850,211,612
2015	115	18,725,690	4,142,400	22,868,090	1,055,415,642

**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>
2006	4,056	44.2	35	4.1%
2007	4,056	44.2	35	4.1%
2008	4,056	44.2	35	4.1%
2009	4,083	44.2	35	4.1%
2010	4,099	44.2	41	6.9%
2011	3,710	49.8	43	6.9%
2012	3,710	49.8	43	6.9%
2013	3,710	49.8	43	5.2%
2014	3,710	49.8	45	4.5%
2015	3,710	49.8	46	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

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

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

<u>Employer</u>	<u>Product/Business</u>	<u>2015</u>		<u>2006</u>	
		<u>Rank</u>	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>
Oklahoma City Golf & Country Club	Private Club	1	220	1	178
Christ the King School & Church	Private School	2	110	3	27
City of Nichols Hills	Municipal Government	3	68	2	70
All Soul's Episcopal Church	Church/Daycare	4	40	10	11
Mamasita's Restaurant	Restaurant	5	30	5	25
Cool Greens	Restaurant	6	30		
Coach House Restaurant	Restaurant	7	22	4	25
Saturn Grill	Restaurant	8	18		
CK & Co.	Retail	9	15		
Ruth Meyers	Retail	10	14		
Starbucks	Retail			6	24
Crescent Market	Grocery			7	24
Bank of America	Bank			8	20
Christ the King Church	Church			9	11
Totals			<u>567</u>		<u>415</u>

NOTE: Information obtained from businesses above.

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

Function/Program	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
General Government									
Buildings	1	1	1	1	1	1	1	1	1
Police									
Stations	1	1	1	1	1	1	1	1	1
Patrol units	4	4	4	4	4	4	4	4	5
Unmarked Units									4
Motorcycles	1	0	0	0	0	0	0	0	0
Fire									
Stations	1	1	1	1	1	1	1	1	1
Trucks	2	2	2	2	2	2	2	2	2
Streets									
Street miles	29	29	29	29	29	29	29	29	29
Traffic signals	1	1	1	1	1	1	1	1	1
Parks and recreation									
Parks	34	34	34	34	34	34	34	34	34
Playgrounds	2	2	2	2	2	2	2	2	2
Baseball/softball diamonds	2	2	2	2	2	2	2	2	2
Soccer/football fields	1	1	1	1	1	1	1	1	1
Water									
Water mains (miles)	31	31	31	31	31	31	31	31	31
Fire hydrants	236	236	236	236	236	236	236	236	246
Storage capacity	5,500,000	5,500,000	5,500,000	5,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000
Wastewater									
Sanitary sewers (miles)	52	52	52	52	52	52	52	52	52

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

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

<u>Function/Program</u>	<u>Fiscal Year 2006</u>	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2008</u>	<u>Fiscal Year 2009</u>	<u>Fiscal Year 2010</u>	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2013</u>	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2015</u>
General Government:										
City clerk	1	1	1	1	1	1	1	1	1	1
City treasurer	-	-	-	-	-	-	-	-	-	-
General government	6	6	6	6	5	5	6	6	6	6
Total General Government	7	7	7	7	6	6	7	7	7	7
Public Safety and Judiciary:										
City attorney	1	1	1	1	1	1	1	1	1	1
Police	21	21	21	21	21	21	21	21	22	21
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							
Transportation:										
Streets	2	2	2	2	2	2	2	2	2	1
Total Transportation	2	1								
Cultural, Parks and Recreation:										
Parks	2	2	2	2	2	2	1	1	1	2
Total Cultural, Parks and Recreation	2	2	2	2	2	2	1	1	1	2
Public Works:										
Water and Sewer	11	11	11	10	10	10	10	10	10	8
Sanitation				9	9	9	10	10	10	10
Building and Code	2	2	2	2	2	2	2	2	1	2
Total Public Works	13	13	13	21	21	21	22	22	21	20

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

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

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Police										
Number of Violations (Citations)	3,249	2,902	3,288	3,094	2,985	2,508	1,976	2,473	2,552	2,028
Fire										
Call Responses	613	678	633	444	438	589	528	539	544	588
Highways and Streets										
Asphalt Repairs (tons)	30	130	336	42	846	116	37	48	36	40
Culture and Recreation										
Acreage	40	40	40	40	40	40	40	40	40	40
Water and Wastewater Operations										
Number of Water Consumers	1,869	1,878	1,844	1,863	1,871	1,870	1,885	1,944	1,879	2,009
Average Daily Water Consumption (millions of gallons)	2	1	1	1	2	2	2	1	1	1
Number of Sewer Consumers	1,850	1,855	1,844	1,844	1,851	1,849	1,865	1,944	1,863	2,009
Solid Waste Operations										
Refuse collected (cubic yards per day)	30	25	22	25	25	22	15	21	26	27
Active Refuse Accounts	1,877	1,891	1,953	1,954	1,879	1,828	1,885	1,944	1,838	2,009

Source: City Departments