

**THE CITY OF TUTTLE,
OKLAHOMA
ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

**CITY OF TUTTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2013**

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Tuttle, Oklahoma

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 Tuttle, Oklahoma, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves 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 principles 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 opinion.

Opinions

In our opinion, the financial statements referred to previously 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 of Tuttle, Oklahoma, as of December 31, 2013, and the

respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

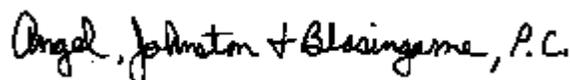
Accounting principles generally accepted in the United States of America require that the management discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the 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 inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tuttle's financial statements. The combining statements and the schedule of federal and state awards are presented for purposes of additional analysis and are not a required part of the financial statements. The combining statements and the schedule of federal and state awards are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and the schedule of federal and state awards information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Audit Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 10, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Chickasha, Oklahoma
July 16, 2014

CITY OF TUTTLE, OKLAHOMA
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The management of the City of Tuttle is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the fiscal year ended December 31, 2013. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts

FINANCIAL HIGHLIGHTS

- As reported on an accrual basis, the City's total net position increased by \$254,840, and the assets of the City exceed its liabilities for the year ended December 31, 2013, by \$10,259,441 (net position).
- For the fiscal year ended December 31, 2013, the City's governmental funds reported combined ending fund balances of \$1,421,822 compared to \$1,082,534 in FY 2012, an increase of \$339,288 or 31.3%.
- For the year ended December 31, 2013, unassigned fund balance for the General Fund was \$487,857 or 15.7% of General Fund revenues.
- For the year ended December 31, 2013, the City has opted to change its financial reporting framework from the modified cash basis to one that complies with generally accepted accounting principles as set by the Governmental Accounting Standards Board. Due to the change in financial reporting framework, comparatives will not be shown in this management's discussion and analysis.

ABOUT THE CITY

- The City of Tuttle is an incorporated municipality with a population of approximately 6,019 located in Grady County in central Oklahoma. The City is a charter city form of government. The City is governed by a five-member Board and operates under state law and City ordinances through the three branches of democratic government:
 - Legislative – the City Board is a five-member governing body elected by the citizens at large
 - Executive – the City Manager is the Chief Executive Officer and is hired by the City Board
 - Judicial – the Municipal Judge is a practicing attorney appointed by the City Board

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and through its Public Works Authority, certain utility services including water, wastewater, gas and sanitation.

The City's Financial Reporting Entity

This annual report includes all activities for which the City of Tuttle City Council is financially accountable. These activities, defined as the City's financial reporting entity, are operated within separate legal entities that make up the primary government.

The City's financial reporting entity includes the following separate legal entities.

- **The City of Tuttle** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City – *reported as the primary government*
- **The Tuttle Public Works Authority (TPWA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, gas and sanitation services of the City, with the City Council members serving as the trustees – *considered part of the primary government presentation for reporting purposes*

In addition, as required by state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City's financial reporting entity. The public trusts do not issue separate annual financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Tuttle (the "City") and the Tuttle Public Works Authority (the "Public Works Authority"). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The governmental-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. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions to ask about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the period's activities?" 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. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's roads, and quality of service to assess the overall health of the City. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting

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used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* - Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's water, sewer, gas and sanitation utilities are reported as business-type activities.

Reporting the City's Most Significant Funds - Fund Financial Statements

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain 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. The City's two kinds of funds - *governmental and proprietary* - use different accounting approaches.

Governmental funds - All 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. Governmental funds presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". 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 you determine (through a review of changes to fund balance) 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, through the Public Works Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on an accrual basis of accounting. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The City's proprietary funds are the Tuttle Public Works Authority that accounts for the operation of the water, sewer, gas and sanitation activities.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 26-45 of this report.

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Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund and Street and Alley Fund.

THE CITY AS A WHOLE

For the fiscal year ended December 31, 2013, net position for the governmental and business-type activities increased by \$254,864.

Following is a summary of net position reported on an accrual basis for the City of Tuttle.

NET ASSETS (In Thousands)

	Governmental Activities	Business-Type Activities	Total
	<u>2013</u>	<u>2013</u>	<u>2013</u>
Current assets	\$ 2,348	\$ 2,566	\$ 4,914
Capital assets, net	4,382	10,781	15,163
Total assets	6,730	13,347	20,077
Current liabilities	243	848	1,091
Non-current liabilities	588	8,174	8,762
Total liabilities	831	9,022	9,853
Net position:			
Net investment in capital assets	3,642	3,547	7,189
Restricted	856	52	908
Unrestricted	1,401	725	2,126
Total net position	\$ 5,899	\$ 4,324	\$ 10,223

The largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. At year end, the net investment in capital assets, amounted to \$7,188,928.

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$908,134, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing needs. The governmental activities funds had unrestricted net position of \$1,401,540 and the business-type activities unrestricted net position was \$724,690.

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CHANGES IN NET POSITION (In Thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	<u>2013</u>	<u>2013</u>	<u>2013</u>
Revenues			
Charges for service	\$ 1,793	\$ 2,606	\$ 4,399
Operating grants and contributions	84	-	84
Capital grants and contributions	112	-	112
Taxes	1,947	-	1,947
Investment income	17	5	22
Miscellaneous	172	99	271
Total revenues	<u>4,125</u>	<u>2,710</u>	<u>6,835</u>
Expenses			
General government	536	-	536
Public safety	1,782	-	1,782
Streets	535	-	535
Culture and recreation	84	-	84
Health and welfare	909	-	909
Cemetery	62	-	62
Community development	93	-	93
Interest on long-term debt	33	-	33
Water	-	1,060	1,060
Wastewater	-	214	214
Sanitation	-	481	481
Gas	-	791	791
Total expenses	<u>4,034</u>	<u>2,546</u>	<u>6,580</u>
Excess (deficiency) before transfers	91	164	255
Transfers	256	(256)	-
Change in net position	347	(92)	255
Beginning net position, restated	<u>5,552</u>	<u>4,416</u>	<u>9,968</u>
Ending net position	<u>\$ 5,899</u>	<u>\$ 4,324</u>	<u>\$ 10,223</u>

Governmental Activities

The City's governmental activities had an increase in net position of \$346,859.

	<u>Total Expense of Services</u>	<u>Net Revenue (Expense) of Services</u>
	<u>2013</u>	<u>2013</u>
General government	\$ 536	(\$515)
Public safety	1,782	(1,506)
Streets	535	(187)
Culture and recreation	84	(17)
Health and welfare	909	199
Cemetery	62	(14)
Community development	93	30
Interest on long-term debt	33	(33)
Total	<u>4,034</u>	<u>(\$2,043)</u>

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Business-type Activities

The business-type activities had a decrease in net position of \$91,995.

**Net Revenue (Expense) of Business-Type Activities
(In Thousands)**

	Total Expense of Services	Net Revenue (Expense) of Services
	<u>2013</u>	<u>2013</u>
Water	\$ 1,060	\$ (218)
Wastewater	214	(30)
Sanitation	481	192
Gas	791	116
Total	\$ 2,546	\$ 60

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its fiscal year ended December 31, 2013, the governmental funds reported a combined fund balance of \$1,421,822. For the year ended December 31, 2013, the General Fund's total fund balance decreased by \$39,238.

Budgetary Highlights

For fiscal year ended December 31, 2013, the General Fund reported revenues above final estimates by \$521,662 or an 18.7% positive variance. General Fund actual expenditures were under final appropriations by \$396,133 or a 12.9% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2013, the City had approximately \$15 million in capital assets (net of accumulated depreciation), as reported on an accrual basis, including land, buildings, machinery and equipment, and park facilities. Below are details regarding the City's capital assets as of December 31, 2013.¹

¹ For more detailed information on capital asset activity please refer to pages 36-37, Note 3. Capital Assets and Depreciation

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Capital Assets

(In Thousands)
(Net of accumulated depreciation)

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Activities</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 569	\$ 569	\$ 65	\$ 65	\$ 634	\$ 634
Buildings and improvements	397	430	3,705	3,236	4,102	3,666
Imp. other than buildings	129	129	855	790	984	919
Machinery, furniture and equipment	4,005	3,676	-	-	4,005	3,676
Infrastructure	13,278	13,168	8,520	8,065	21,798	21,233
Utility property and improvements	-	-	25	13	25	13
Construction in progress	622	495	974	598	1,596	1,093
Totals	<u>19,000</u>	<u>18,467</u>	<u>14,144</u>	<u>12,767</u>	<u>33,144</u>	<u>31,234</u>
Less accumulated depreciation	(14,618)	(14,040)	(3,363)	(2,983)	(17,981)	(17,023)
	<u>\$ 4,382</u>	<u>\$ 4,427</u>	<u>\$ 10,781</u>	<u>\$ 9,784</u>	<u>\$ 15,163</u>	<u>\$ 14,211</u>

This year's more significant capital asset additions include the following:

- EMS Ambulance
- 4th Street Property purchase
- Worley Creek Sewer improvements
- Storm sirens

Debt Administration

At December 31, 2013, the City had \$9.5 million in long-term debt outstanding, which represents approximately a \$96,000 decrease from the prior year.

The City of Tuttle's Long-term Debt

(In Thousands)

	Governmental		Business-Type		Total		Total Percentage Change
	<u>Activities</u>		<u>Activities</u>		<u>Activities</u>		
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
Notes payable	\$ -	\$ -	\$ 8,510	\$ 8,480	\$ 8,510	\$ 8,480	0.4%
Refundable grant obligation	-	-	30	36	30	36	-16.7%
Capital leases	675	814	-	-	675	814	-17.1%
Deposits subject to refund	-	-	231	220	231	220	5.0%
Accrued compensated absences	66	55	13	16	79	71	11.3%
Totals	<u>\$ 741</u>	<u>\$ 869</u>	<u>\$ 8,784</u>	<u>\$ 8,752</u>	<u>\$ 9,525</u>	<u>\$ 9,621</u>	-1.0%

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ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

The following information outlines significant known factors that will affect subsequent year finances:

- The City expects sales tax revenue to remain consistent.
- The City will continue construction of sewer improvements.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate 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 301 W. Main St., Tuttle, Oklahoma 73089 or telephone at 405-381-2335.

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BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

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Statement of Net Position – December 31, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,015,162	\$ 2,072,577	\$ 3,087,739
Investments	36,026	111,552	147,578
Accounts receivable, net of allowance	999,918	432,500	1,432,418
Internal balances	50,358	(50,358)	-
Due from other governmental agencies	245,881	-	245,881
Capital Assets:			
Land and construction in progress	1,191,280	1,038,840	2,230,120
Other capital assets, net of depreciation	3,191,120	9,741,776	12,932,896
Total Assets	<u>\$ 6,729,745</u>	<u>\$ 13,346,887</u>	<u>\$ 20,076,632</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 90,160	\$ 148,342	\$ 238,502
Due to other governments	-	4,113	4,113
Due to depositors	-	184,870	184,870
Accrued interest payable	-	85,969	85,969
Long-term liabilities			
Due within one year	152,780	424,768	577,548
Due in more than one year	587,981	8,174,357	8,762,338
Total liabilities	<u>830,921</u>	<u>9,022,419</u>	<u>9,853,340</u>
NET POSITION			
Net investment in capital assets	3,641,639	3,547,289	7,188,928
Restricted by:			
Enabling legislation	739,160	-	739,160
Statutory requirements	78,734	-	78,734
Other contracts	221	52,489	52,710
Permanent fund - nonspendable	26,781	-	26,781
Permanent fund - expendable	10,749	-	10,749
Unrestricted	1,401,540	724,690	2,126,230
Total net position	<u>\$ 5,898,824</u>	<u>\$ 4,324,468</u>	<u>\$ 10,223,292</u>

See accompanying notes to the basic financial statements.

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Statement of Activities – Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 535,533	\$ 20,121	\$ -	\$ -	\$ (515,412)	\$ -	\$ (515,412)
Public Safety	1,781,685	229,529	23,007	23,002	(1,506,147)	-	(1,506,147)
Streets	534,972	250,759	60,507	36,425	(187,281)	-	(187,281)
Culture and Recreation	83,963	15,015	-	52,097	(16,851)	-	(16,851)
Health and Welfare	908,148	1,106,666	-	-	198,518	-	198,518
Cemetery	62,199	47,938	-	-	(14,261)	-	(14,261)
Community Development	93,317	123,305	-	-	29,988	-	29,988
Interest on Long-term debt	33,174	-	-	-	(33,174)	-	(33,174)
Total governmental activities	<u>4,032,991</u>	<u>1,793,333</u>	<u>83,514</u>	<u>111,524</u>	<u>(2,044,620)</u>	<u>-</u>	<u>(2,044,620)</u>
Business-Type Activities:							
Water	1,060,370	842,547	-	-	-	(217,823)	(217,823)
Wastewater	213,894	183,721	-	-	-	(30,173)	(30,173)
Sanitation	480,781	672,970	-	-	-	192,189	192,189
Gas	791,162	907,004	-	-	-	115,842	115,842
Total business-type activities	<u>2,546,207</u>	<u>2,606,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,035</u>	<u>60,035</u>
Total primary government	<u>\$ 6,579,198</u>	<u>\$ 4,399,575</u>	<u>\$ 83,514</u>	<u>\$ 111,524</u>	<u>\$ (2,044,620)</u>	<u>\$ 60,035</u>	<u>\$ (1,984,585)</u>
General revenues:							
Taxes:							
Sales and use taxes					\$ 1,723,740	\$ -	\$ 1,723,740
Franchise taxes and public service taxes					222,500	-	222,500
Unrestricted investment earnings					17,037	5,446	22,483
Miscellaneous					172,256	98,470	270,726
Transfers					255,946	(255,946)	-
Total general revenues and transfers					<u>2,391,479</u>	<u>(152,030)</u>	<u>2,239,449</u>
Change in net position					346,859	(91,995)	254,864
Net position - beginning (restated)					5,551,965	4,416,463	9,968,428
Net position - ending					<u>\$ 5,898,824</u>	<u>\$ 4,324,468</u>	<u>\$ 10,223,292</u>

See accompanying notes to the basic financial statements.

**CITY OF TUTTLE, OKLAHOMA
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BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

**CITY OF TUTTLE, OKLAHOMA
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Governmental Funds Balance Sheet – December 31, 2013

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 330,711	\$ 401,721	\$ 281,004	\$ 1,726	\$ 1,015,162
Investments	-	-	-	36,026	36,026
Receivable from other governments	174,991	55,765	15,125	-	245,881
Due from other funds	97,384	995	-	-	98,379
Court fines receivable, net	70,541	-	-	-	70,541
Ambulance receivable, net	811,855	-	-	-	811,855
Accounts receivable, net	-	-	223	-	223
Other receivables	109,083	-	8,216	-	117,299
Total assets	<u>\$ 1,594,565</u>	<u>\$ 458,481</u>	<u>\$ 304,568</u>	<u>\$ 37,752</u>	<u>\$ 2,395,366</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 15,612	\$ 6,838	\$ -	\$ -	\$ 22,450
Accrued payroll payable	65,784	1,926	-	-	67,710
Due to other funds	43,724	-	-	4,297	48,021
Total liabilities	<u>125,120</u>	<u>8,764</u>	<u>-</u>	<u>4,297</u>	<u>138,181</u>
Deferred inflows of resources:					
Deferred revenue	820,238	-	15,125	-	835,363
Fund balances:					
Nonspendable	-	-	-	26,781	26,781
Restricted	78,734	449,717	289,443	10,970	828,864
Assigned	82,616	-	-	-	82,616
Unassigned (deficit)	487,857	-	-	(4,296)	483,561
Total fund balances	<u>649,207</u>	<u>449,717</u>	<u>289,443</u>	<u>33,455</u>	<u>1,421,822</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,594,565</u>	<u>\$ 458,481</u>	<u>\$ 304,568</u>	<u>\$ 37,752</u>	<u>\$ 2,395,366</u>

See accompanying notes to the basic financial statements.

**CITY OF TUTTLE, OKLAHOMA
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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended December 31, 2013

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 1,488,004	\$ 396,539	\$ -	\$ -	\$ 1,884,543
Intergovernmental	229,857	96,932	49,974	-	376,763
Licenses and permits	49,945	-	-	-	49,945
Charges for services	1,005,223	-	188,413	-	1,193,636
Fees and fines	210,563	-	-	-	210,563
Investment earnings	14,102	2,734	-	201	17,037
Miscellaneous	104,320	18,000	174,346	-	296,666
Total revenues	<u>3,102,014</u>	<u>514,205</u>	<u>412,733</u>	<u>201</u>	<u>4,029,153</u>
EXPENDITURES					
Current:					
General government	503,995	-	-	-	503,995
Public safety	1,654,940	-	-	-	1,654,940
Highways and streets	-	288,319	-	-	288,319
Health and sanitation	875,145	-	-	-	875,145
Culture and recreation	65,689	-	-	-	65,689
Economic development	93,681	-	-	-	93,681
Cemetery	55,233	-	-	-	55,233
Capital outlay	58,723	109,691	385,307	-	553,721
Debt service:					
Principal	64,840	26,305	50,923	-	142,068
Interest and other charges	19,006	2,843	9,001	-	30,850
Total expenditures	<u>3,391,252</u>	<u>427,158</u>	<u>445,231</u>	<u>-</u>	<u>4,263,641</u>
Excess (deficiency) of revenues over expenditures	<u>(289,238)</u>	<u>87,047</u>	<u>(32,498)</u>	<u>201</u>	<u>(234,488)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	250,000	-	-	-	250,000
Total other financing sources and uses	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
Net change in fund balances	(39,238)	87,047	(32,498)	201	15,512
Fund balances - beginning (restated)	688,445	362,670	321,941	33,254	1,406,310
Fund balances - ending	<u>\$ 649,207</u>	<u>\$ 449,717</u>	<u>\$ 289,443</u>	<u>\$ 33,455</u>	<u>\$ 1,421,822</u>

See accompanying notes to the basic financial statements.

**CITY OF TUTTLE, OKLAHOMA
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Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Fund Balance - Net Position Reconciliation:

Total fund balance, governmental funds	\$ 1,421,822
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 this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	4,382,400
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	835,363
Some liabilities (such as Notes Payable, Capital Lease Contract Payable and Long-term Compensated Absences), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	(740,761)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 5,898,824</u>

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds:	\$ 15,512
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	
Capital asset purchases capitalized	588,919
Depreciation expense	(618,164)
Book value of disposed capital assets	(15,677)
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	248,123
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:	
Principal payments on long-term debt	139,744
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:	
Change in accrued compensated absences	(11,599)
Change in net position of governmental activities	<u>\$ 346,858</u>

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND

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Proprietary Fund Statement of Net Position – December 31, 2013

	<u>Tuttle Public Works Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 560,413
Restricted:	
Cash and cash equivalents	1,512,164
Investments	111,552
Due from other funds	42,729
Accounts receivable, net	<u>432,500</u>
Total current assets	<u>2,659,358</u>
Non-current assets:	
Land and construction in progress	1,038,840
Other capital assets, net of accumulated depreciation	<u>9,741,776</u>
Total non-current assets	<u>10,780,616</u>
Total assets	<u>13,439,974</u>
LIABILITIES	
Current liabilities:	
Accounts payable	135,973
Salaries payable	12,369
Accrued interest payable	85,969
Due to other funds	93,087
Payable to other governments	4,113
Deposits subject to refund	46,218
Compensated absences	1,307
Refundable grant obligations	6,250
Notes payable	<u>370,993</u>
Total current liabilities	<u>756,279</u>
Non-current liabilities:	
Deposits subject to refund	184,870
Compensated absences	11,759
Refundable grant obligations	23,959
Notes payable	<u>8,138,639</u>
Total non-current liabilities	<u>8,359,227</u>
Total liabilities	<u>9,115,506</u>
NET POSITION	
Net investment in capital assets	3,547,289
Restricted for debt service	52,489
Unrestricted	<u>724,690</u>
Total net position	<u>\$ 4,324,468</u>

See accompanying notes to the basic financial statements.

CITY OF TUTTLE, OKLAHOMA
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Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position – Year Ended December 31, 2013

	Tuttle Public Works Authority
REVENUES	
Charges for services:	
Water	\$ 824,380
Sewer	179,760
Gas	887,446
Sanitation	658,459
Rents and royalties	3,000
Miscellaneous	53,197
Total operating revenues	2,606,242
OPERATING EXPENSES	
General government	274,935
Administration	100,792
Water	424,061
Wastewater	38,228
Sanitation	359,441
Gas	609,254
Depreciation	380,325
Total operating expenses	2,187,036
Operating income	419,206
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	5,446
Miscellaneous revenue	98,470
Interest expense	(359,171)
Total non-operating revenue (expenses)	(255,255)
Income before transfers	163,951
Transfers out	(255,946)
Change in net position	(91,995)
Total net position - beginning (restated)	4,416,463
Total net position - ending	\$ 4,324,468

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Cash Flows – Year Ended December 31, 2013

	<u>Tuttle Public Works Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,660,364
Payments to suppliers	(1,369,983)
Payments to employees	(428,339)
Receipts of customer utility deposits	45,770
Refunds of customer utility deposits	(34,498)
Net Cash Provided by Operating Activities	<u>873,314</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(255,946)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(255,946)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(1,376,821)
Debt proceeds	3,926,942
Principal paid on capital debt	(3,903,992)
Interest paid on capital debt	(309,351)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(1,663,222)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	5,446
Purchase of investments	(388)
Net Cash Provided by Investing Activities	<u>5,058</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,040,796)
Balance - beginning of the year	<u>3,113,373</u>
Balance - end of the year	<u>\$2,072,577</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	560,413
Restricted cash and cash equivalents	<u>1,512,164</u>
Total cash and cash equivalents	<u>\$ 2,072,577</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	419,206
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	380,325
Miscellaneous income	98,470
Change in assets and liabilities:	
Receivables	(44,340)
Accounts payable and accrued liabilities	6,073
Accrued payroll payable	5,850
Payable to other governments	(951)
Meter deposit liability	11,272
Accrued compensated absences	<u>(2,591)</u>
Net cash provided by operating activities	<u>\$ 873,314</u>

See accompanying notes to the basic financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the basic financial statements:

1. Financial Reporting Entity

The City's financial reporting entity includes two separate legal entities reported as the primary government as follows:

- **The City of Tuttle** – operates the public safety, streets, health and welfare, culture and recreation, and administrative activities of the City.
- **The Tuttle Public Works Authority (TPWA)** – that operates the water, wastewater, gas and sanitation services of the City. The City of Tuttle is the beneficiary of the trust and the City Council serves as the governing body of the trust.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*" and Statement No. 61, "*The Financial Reporting Entity: Omnibus*" and includes all component units for which 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 Authorities. 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 for 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 a Public Trust is dissolved.

The component unit (Authority) has the City Council as their governing body (trustees) and the City is able to impose its will on the Authority through required approval of all debt obligations issued by these entities.

As required by state law, all debt obligations incurred by the above trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City's financial reporting entity. The public trust does not issue separate annual financial statements and is treated as a blended component unit.

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statements of net position and activities are reported on the accrual basis of accounting and economic resources measurement focus. Under the economic resources focus, all assets, deferred outflows, liabilities and deferred inflows are reported, including current and non-current. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation) are recorded when the liability is incurred or economic asset used.

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Program revenues within the statement of activities are derived directly from each activity or from parties outside the City's taxpayers. The City has the following program revenues in each activity:

- General government: License and permits and inspection fees and capital grants
- Public safety: Fine revenue, fire runs and operating and capital grants
- Streets and highways: Gas excise, commercial vehicle taxes and impact fees and operating grants
- Health and welfare: EMS runs
- Cemetery: Lot sales and interments
- Culture and recreation: capital grants

Governmental Funds:

General Fund – The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

Special Revenue Funds – are used to account for and report the proceeds of specific revenues sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Project Funds – are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Permanent Fund – accounts for and reports resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

Proprietary Fund:

Enterprise Fund – 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 Tuttle Public Works Authority enterprise fund. This fund accounts for activities of the public trust in providing, water, gas, wastewater, and sanitation services to the public.

The City's governmental funds are comprised of the following:

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds, including the activity of the Cemetery account.
- Street and Alley Fund – accounts for state shared gasoline excise and commercial vehicle taxes and sales tax legally restricted for street and alley purpose
- Capital Improvement Fund – accounts for the grant revenue related to the construction of the new city hall

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Non-Major Funds (Reported as Other Governmental Funds):

Special Revenue Funds:

- Jason White Tribute Fund – accounts for all donations for construction of the Jason White water tower
- CDBG Grant Fund – accounts for grant proceeds related to energy efficiency projects

Permanent Fund:

- Cemetery Perpetual Care Fund – accounts for the proceeds received for the upkeep of the Fairview Cemetery and specific lots as required by trust agreement

All governmental funds 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.

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 (within 60 days of period end) to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus and accrual basis of accounting at the government-wide level.

Proprietary Fund:

The City's proprietary fund is comprised of the following:

- Tuttle Public Works Authority (TPWA) – accounts for the operation of the water, wastewater, gas and sanitation activities

All proprietary funds utilize 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.

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

All of the above noted funds are legally required to adopt annual budgets or appropriations. The public trust (or Authority) is not required to adopt legal annual appropriations. While each trust develops an annual budget, it is for financial management purposes and does not constitute legal appropriations.

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3. Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and any short-term investments with an original maturity of three months or less, and open-end government mutual funds. Investments consist of long-term certificates of deposits and are reported at cost.

For the purposes of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents for reporting purposes.

Marketable investments are reported at their fair value, based on quoted market prices.

For the year ended December 31, 2013, the City recognized \$22,483 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

At December 31, 2013, the primary government held the following deposits and investments:

Type	Carrying Value
Deposits:	
Demand deposits	\$ 1,893,703
Cash on hand	800
Time deposit	147,578
Money market mutual funds	1,193,236
	3,235,317
Total deposits	\$ 3,235,317
 Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 3,087,739
Investments	147,578
	\$ 3,235,317

Custody Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of December 31, 2013, the City was exposed to custodial credit risk as defined above. One of the City's accounts was under-collateralized at December 31, 2013, in the amount of \$528,647.

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Investment Interest Rate Risk - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) 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; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of December 31, 2013, the City did not hold any securities with credit ratings since they are all non-negotiable time deposits or money market mutual funds.

Concentration of Investment Credit Risk - the City places no limit on the amount it may invest in any one issuer.

Restricted Cash and Investments – The amounts reported as restricted assets on the statement of net position are comprised of amounts restricted for utility deposits, debt service, debt reserve, or construction purposes. The restricted assets as of December 31, 2013 are as follows:

<u>Type of Restricted Assets</u>	Current	
	Cash and cash equivalents	Investments
Utility Deposits	\$ 144,852	\$ 111,552
CDBG Savings	8,309	-
Debt Service	52,489	-
Ionization Plant Account	165,767	-
Sanitary Sewer Construction Project	1,140,747	-
Total	\$ 1,512,164	\$ 111,552

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4. Receivables

Primary Government Accounts Receivables:

Accounts receivable of the business-type activities consists of customer utilities receivable. Accounts receivable of the governmental activities consists of police fines, ambulance fees, and other receivables. Receivables detail at December 31, 2013, is as follows:

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
<i>Governmental Activities:</i>			
Court fines	\$ 128,256	\$ (57,715)	\$ 70,541
Ambulance fees	2,287,146	(1,475,291)	811,855
Other receivables	117,522	-	117,522
Total Governmental Activities	\$ 2,532,924	\$ (1,533,006)	\$ 999,918
 <i>Business-Type Activities:</i>			
Utilities	\$ 481,927	\$ (49,427)	\$ 432,500

5. Capital Assets and Depreciation

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$1,000 is used to report capital assets. Capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 1996. Prior to July 1, 2000, governmental funds' infrastructure assets, such as streets, bridges, drainage systems, and traffic signal systems were not capitalized. Infrastructure assets acquired with cash since July 1, 2000 are recorded at cost. Donated capital assets are recorded at their fair value at the date of donation.

For the year ended December 31, 2013, capital assets balances changed as follows:

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	Balance at January 1, 2013	Additions	Disposals	Balance at December 31, 2013
Governmental:				
Capital assets not being depreciated:				
Land	\$ 568,700	\$ -	\$ -	\$ 568,700
Construction in Progress	494,782	230,383	102,585	622,580
Total capital assets not being depreciated	<u>1,063,482</u>	<u>230,383</u>	<u>102,585</u>	<u>1,191,280</u>
Other capital assets:				
Buildings	430,132	-	33,324	396,808
Improvements	129,544	-	-	129,544
Infrastructure	13,168,105	109,610	-	13,277,715
Machinery and Equipment	3,676,187	351,489	22,304	4,005,372
Total other capital assets at historical cost	<u>17,403,968</u>	<u>461,099</u>	<u>55,628</u>	<u>17,809,439</u>
Less accumulated depreciation for:				
Buildings	283,811	10,659	21,922	272,548
Improvements	74,773	8,798	-	83,571
Infrastructure	11,624,259	280,808	-	11,905,067
Machinery and Equipment	2,057,263	317,899	18,029	2,357,133
Total accumulated depreciation	<u>14,040,106</u>	<u>618,164</u>	<u>39,951</u>	<u>14,618,319</u>
Other capital assets, net	<u>3,363,862</u>	<u>(157,065)</u>	<u>15,677</u>	<u>3,191,120</u>
Governmental, net capital assets	<u>\$ 4,427,344</u>	<u>\$ 73,318</u>	<u>\$ 118,262</u>	<u>\$ 4,382,400</u>
Business-Type:				
Capital assets not being depreciated:				
Land	\$ 64,567	\$ -	\$ -	\$ 64,567
Construction in Progress	598,219	848,794	472,740	974,273
Total capital assets not being depreciated	<u>662,786</u>	<u>848,794</u>	<u>472,740</u>	<u>1,038,840</u>
Other capital assets:				
Buildings	3,235,938	468,617	-	3,704,555
Machinery and Equipment	790,237	64,752	-	854,989
Infrastructure	8,065,094	454,898	-	8,519,992
Utility Property and Improvements	12,608	12,500	-	25,108
Total other capital assets at historical cost	<u>12,103,877</u>	<u>1,000,767</u>	<u>-</u>	<u>13,104,644</u>
Less accumulated depreciation for:				
Buildings	33,555	67,512	-	101,067
Machinery and Equipment	552,867	40,219	-	593,086
Infrastructure	2,392,791	271,352	-	2,664,143
Utility Property and Improvements	3,330	1,242	-	4,572
Total accumulated depreciation	<u>2,982,543</u>	<u>380,325</u>	<u>-</u>	<u>3,362,868</u>
Other capital assets, net	<u>9,121,334</u>	<u>620,442</u>	<u>-</u>	<u>9,741,776</u>
Business-Type, net capital assets	<u>\$ 9,784,120</u>	<u>\$ 1,469,236</u>	<u>\$ 472,740</u>	<u>\$ 10,780,616</u>

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives. The range of estimated useful lives by type of asset is as follows:

- Buildings 40 years
- Machinery, furniture and equipment 3-10 years
- Utility property and improvements 40 years
- Infrastructure 20-50 years

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Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

<i>Governmental Activities:</i>		<i>Business-Type Activities:</i>	
General government	\$ 26,832	Water	\$ 307,499
Public safety	228,317	Sewer	54,455
Highways and streets	301,909	Gas	<u>18,371</u>
Culture and recreation	23,055		<u>\$ 380,325</u>
Health and welfare	30,728		
Cemetery	6,507		
Community development	<u>816</u>		
Total accumulated depreciation	<u>\$ 618,164</u>		

The following capital assets were purchased by capital lease. The table discloses the amount capitalized and the related depreciation expense through December 31, 2013.

<u>Date</u>	<u>Capital Asset</u>	<u>Amount</u>	<u>Accumulated Depreciation</u>
<i>Machinery and Equipment:</i>			
12/22/2008	Pumper	\$ 173,769	\$ 59,885
12/22/2008	Pumper	173,769	59,885
12/22/2008	Rescue Truck	168,536	58,081
12/22/2008	Tanker	147,816	50,941
10/28/2010	Schrock Park Lights	134,695	20,706
12/28/2010	Pot Hole Patch Truck	131,769	40,385
9/28/2010	ACO Truck	37,211	21,865
7/27/2012	Radio equipment	200,000	39,719
		<u>\$ 1,167,565</u>	<u>\$ 351,467</u>

6. Long-Term Debt and Debt Service Requirements

For the year ended December 31, 2013, the reporting entity's long-term debt changed as follows:

	<u>Balance</u> <u>January 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31, 2013</u>	<u>Amount Due</u> <u>Within One Year</u>
<i>Governmental:</i>					
Capital lease obligation	\$ 814,423	\$ -	\$ 139,744	\$ 674,679	\$ 146,172
Accrued compensated absences	54,483	11,599	-	66,082	6,608
Total	<u>\$ 868,906</u>	<u>\$ 11,599</u>	<u>\$ 139,744</u>	<u>\$ 740,761</u>	<u>\$ 152,780</u>
<i>Business-Type:</i>					
Notes payable	\$ 8,480,432	\$ 3,926,942	\$ 3,897,742	\$ 8,509,632	\$ 370,993
Grant obligation payable	36,459	-	6,250	30,209	6,250
Deposits subject to refund	219,816	45,770	34,498	231,088	46,218
Accrued compensated absences	<u>15,657</u>	<u>-</u>	<u>2,591</u>	<u>13,066</u>	<u>1,307</u>
Total	<u>\$ 8,752,364</u>	<u>\$ 3,972,712</u>	<u>\$ 3,941,081</u>	<u>\$ 8,783,995</u>	<u>\$ 424,768</u>

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Governmental Activities:

At December 31, 2013, the governmental long-term debt of the financial reporting entity consisted of the following:

Capital Lease Obligation:

Capital lease obligation to Sooner State Bank, payable in monthly installments of \$6,794, including principal and interest at 4.2%, final payment due August 20, 2019.	\$408,871
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Capital lease obligation to First National Bank, payable in monthly installments of \$647, including principal and interest at 4.1273%, final payment due September 28, 2015.	12,476
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Capital lease obligation to First National Bank, payable in monthly installments of \$731, including principal and interest at 4.65%, final payment due October 28, 2020.	51,164
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Capital lease obligation to First National Bank, payable in monthly installments of \$3,616, including principal and interest at 3.25%, final payment due July 27, 2017.	146,509
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Capital lease obligation to Sooner State Bank, payable in monthly installments of \$2,429, including principal and interest at 3.98%, final payment due December 28, 2015.	<u>55,659</u> <u>\$674,679</u>
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Current portion	\$ 146,172
Non-current portion	<u>528,507</u>
Total Notes Payable	<u>\$674,679</u>

Accrued Compensated Absences:

Current portion	\$6,608
Non-current portion	<u>59,475</u>
Total Accrued Compensated Absences	<u>\$66,083</u>

The governmental capital lease obligations are paid by the General Fund. Governmental accrued compensated absences will be liquidated by the General Fund.

Business-Type Activities:

Long-term commitments payable from net revenues generated by the utility resources or other resources pledged to the City's business-type activities at December 31, 2013, includes the following:

Notes Payable:

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Note payable to Bill and Bernice Jefferies, payable in annual installments of \$52,000 to \$42,000, including principal and interest at 6.0%, final payment payment due November 2014. \$40,000

Note payable to Sooner State Bank, original amount \$376,942, payable in monthly installments of \$6,736, including principal and interest at 3.75%, final payment due September 25, 2033. 372,598

Note payable to Oklahoma Department of Transportation, payable in monthly installments, based on an informal repayment agreement of \$2,000 per month. 187,035

2010 Sales Tax Revenue Note dated November 1, 2010, original amount \$2,200,000, due in semi-annual principal installments each April 1 and October 1 beginning April 1, 2011, final installment due October 1, 2030 with interest at 4.0% payable semi-annually based on principal outstanding. The Note is secured by pledged sales tax. 2,165,000

2011 Utility System Revenue Note dated November 15, 2011, original amount \$2,315,000, due in annual principal installments each November 1 beginning November 1, 2013, final installment due November 1, 2031 with interest at 4.26% payable semi-annually each May 1 and November 1 based on principal outstanding. The note is secured by pledged water and sewer net revenues. 2,195,000

Utility System Revenue Note Series 2013 dated July 24, 2013, original amount \$3,550,000, due in semi-annual principal installments each February 1 and August 1, beginning February 2014, final installment due August 1, 2028 with an administration fee of .5% and interest at 3.19% payable semi-annually based on principal outstanding. The note is secured by a pledge of water and sewer revenues. 3,550,000

Total Notes Payable \$8,509,632

Current portion \$370,993

Non-current portion 8,138,639

Total Notes Payable \$8,509,632

Refundable Grant Obligation:

Refundable Grant Obligation, interest free, to Oklahoma Dept. of Commerce, payable in monthly installments of \$521, final payment due October 1, 2018. \$30,209

Current portion \$6,250

Non-current portion 23,959

Total Refundable Grant Obligation \$30,209

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Deposits Subject to Refund:

Current portion	\$46,218
Non-current portion	<u>184,870</u>
Total Deposits Subject to Refund	<u>\$231,088</u>

Accrued Compensated Absences:

Current portion	\$1,307
Non-current portion	<u>11,759</u>
Total Accrued Compensated Absences	<u>\$13,066</u>

Payment Requirements to Maturity:

Year Ended December 31,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>			
	<u>Capital Lease Obligations</u>		<u>Grant Obligation Payable</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$146,172	\$24,420	\$6,250	-	\$370,993	\$311,211
2015	149,077	18,592	6,250	-	421,656	294,193
2016	120,396	13,290	6,250	-	427,177	279,218
2017	106,701	8,612	6,250	-	439,718	264,547
2018	85,495	4,796	5,209	-	456,279	249,219
2019-2023	66,838	1,443	-	-	2,501,631	993,688
2024-2028	-	-	-	-	2,938,219	507,968
2029-2033	-	-	-	-	<u>953,958</u>	<u>70,179</u>
Total	<u>\$674,679</u>	<u>\$71,153</u>	<u>\$30,209</u>	<u>-</u>	<u>\$8,509,631</u>	<u>\$2,970,223</u>

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

Business-type activities:

Water	\$109,195
Wastewater	85,085
Administration	<u>94,293</u>
Total	<u>\$288,573</u>

Pledge of Future Revenues

Utility Net Revenues Pledge

The City has pledged future water and sewer net utility revenues to repay the OWRB 2013 Utility System Revenue Note of \$3,550,000. Proceeds from the note are to refund the 2008 OWRB Series Promissory Note that was used for construction of a new water treatment plant and tower. The note is payable from pledged water and sewer utility revenues of the TPWA and is payable through 2028. The total principal and interest payable for the remainder of the life of this note is \$4,493,555. The note was issued July 2013 and there were no debt service payments for fiscal year 2013.

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The Authority pledged water and sanitary sewer revenues to repay the 2011 Utility System Revenue Note issued by the Authority of \$2,315,000. Proceeds from the note will be used to construct new sewer force main, a new gravity sewer line, and emergency repair to certain existing sewer mains, along with related improvements. The notes are payable from revenues of the TPWA and are payable through 2031. The total principal and interest payable for the remainder of the life of this note is \$3,184,811. Pledged water and sewer net utility revenues for the current year were \$526,981. Debt service payments in the current year totaled \$165,085 and were 31.3% of pledged water and sewer net utility revenues.

Sales Tax Pledge

The City has pledged one cent of the sales tax to repay the 2010 Sales Tax Revenue Note issued by the Authority of \$2,200,000. Proceeds from the note will be used to construct a new city hall and related improvements. The notes are payable from revenues of the TPWA and pledged sales tax if needed and are payable through 2030. The total principal and interest payable for the remainder of the life of this note is \$3,043,600. Pledged sales tax revenue for the current year was \$396,539. Debt service payments of \$102,100 for the current fiscal year were 25.7% of the pledged sales tax.

7. Net Position and Fund Balances

Net Position:

Net position as reported in the government-wide and proprietary fund financial statements is displayed in three components:

- a. *Net investment in capital assets* - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets, net of unexpended debt proceeds.
- b. *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 and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

The following table shows restricted net position by enabling legislation as shown on the Statement of Net Position for Governmental Activities:

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Street & Alley Fund	Enabling legislation - Sales tax ordinance	<u>\$ 449,717</u>
Capital Improvement Fund	Enabling legislation - Capital improvement fee ordinance	<u>\$ 289,443</u>

- c. *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 is available.

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Fund Balances:

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 (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- 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. It is the City’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance 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.

The following tables show the fund balance classifications as shown in the Governmental Funds Balance Sheet and the Proprietary Fund Statement of Net Position:

	General Fund	Street & Alley Fund	Capital Improvement Fund	Other Governmental Fund	Total
Fund Balance:					
Nonspendable:					
Cemetery Perpetual Care	\$ -	\$ -	\$ -	\$ 26,781	\$ 26,781
Restricted For:					
Street Sales Tax	-	449,717	-	-	449,717
Cemetery capital	78,734	-	-	-	78,734
Capital Improvement	-	-	289,443	-	289,443
Cemetery Perpetual Care Interest	-	-	-	10,749	10,749
Jason White Donation	-	-	-	221	221
Sub-total Restricted	78,734	449,717	289,443	10,970	828,864
Assigned to:					
Cemetery Capital	82,616	-	-	-	82,616
Sub-total Assigned	82,616	-	-	-	82,616
Unassigned (deficit)	487,857	-	-	(4,296)	483,561
Total Fund Balance	\$ 649,207	\$ 449,717	\$ 289,443	\$ 33,455	\$ 1,421,822

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Enterprise Funds:

Restricted For Debt Service	\$	52,489
Total Enterprise Fund Restrictions	\$	<u>52,489</u>

8. Sales Tax Revenue

Sales tax revenue represents a four cent tax on each dollar of taxable sales within the City. Three cents is received and recorded in the General Fund and one cent is received and recorded in the Street and Alley Fund for operations and capital per Ordinance 176 passed by voters effective on and after October 15, 1981.

9. Internal and Interfund Balances and Transfers

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances and then offset in the total column in the government-wide statements. Interfund transfers and balances between funds are not eliminated in the fund financial statements.

Transfers:

Internal transfers between funds and activities for the year ended December 30, 2013 were as follows:

Transfer From	Transfer To	Amount	Purpose of Transfer
TPWA	General Fund	250,000	Operating transfer
Total		<u>\$ 250,000</u>	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 250,000	\$ -	\$ 250,000
Proprietary Funds	-	(255,946)	(255,946)
	<u>\$ 250,000</u>	<u>\$ (255,946)</u>	<u>(5,946)</u>

Reconciliation to Statement of Activities:

Net transfers	\$ 250,000
Transfer of capital asset to general fund	5,946
	<u>\$ 255,946</u>

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Balances:

Interfund receivable and payables at June 30, 2013 were comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Internal Balance</u>
CDBG Grant Fund	General Fund	4,296	Negative cash
General Fund	TPWA	93,087	To reclassify EMS collections
General Fund	Jason White Tribute Fund	1	Negative cash
General Fund	Street and Alley Fund	995	To correct posting error
General Fund	TPWA	42,729	To cover negative cash
Total		<u>\$ 141,108</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 98,379	\$ (48,021)	\$ 50,358
Proprietary Funds	42,729	(93,087)	(50,358)
Total	<u>\$ 141,108</u>	<u>\$ (141,108)</u>	<u>\$ -</u>

10. Risk Management

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

- General Liability, Fleet Coverage, and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool.
- Fire Department Vehicles – Covered through participation in the Risk Management Division of the Department of Central Services, State of Oklahoma self-insurance pool.
- Workers' Compensation – Workers' compensation is covered through purchase of commercial insurance – CompSource Oklahoma.
- Employee's Group Health and Life – Covered through participation in the Oklahoma Municipal Assurance Group risk entity pool.

The City's risk is transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claims reserves and other purposes for the benefit of the city. Management believes such insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City, and such claims have not exceeded the coverage over the past three fiscal years.

11. Contingencies

The City and its public trusts are parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a Sinking Fund for the payment of any court assessed judgment rendered against the City. (This provision is not available to public trusts.) While the outcome of the above noted proceedings or threatened litigation cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

12. Employee Retirement Plan Participation

The City participates in five employee retirement plans:

OFPRS:

Plan Summary Information. The City of Tuttle, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter’s Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ full-time or volunteer firefighters. The City has no responsibility or authority for the operation or administration of the pension program nor has it any related liability, except for the current contribution requirements.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

Funding Policy. The City is required by state law to contribute 13% of covered payroll per year for each fulltime firefighter. Employees contribute 8% of covered payroll. For volunteer firefighters, the City is required to contribute \$60 per year per volunteer, while there is no required contribution by the volunteer. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The state made on-behalf payments for the fire pension in the amount of \$96,525 for the current fiscal year.

Schedule of Retirement Plan Contributions OFPRS Cost-Sharing Plan

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
12/31/11	\$36,339	\$36,339
12/31/12	\$40,091	\$40,091
12/31/13	\$41,896	\$41,896

OPPRS:

Plan Summary Information. The City of Tuttle, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS). The OPPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ a certain number of fulltime police officers. The City has no responsibility or authority for the operation or administration of the pension program nor has it any related liability, except for the current contribution requirements.

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The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OPPRS
1001 N.W. 63rd St., Suite 305
Oklahoma City, OK 73116-7335

Funding Policy. The City is required by state law to contribute 13% of covered payroll per year for each police officer. Employees contribute 8% of covered payroll. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The state made on-behalf payments for the police pension in the amount of \$40,926 for the current fiscal year.

The OPPRS contributions are as follows:

Schedule of Retirement Plan Contributions OPPRS Cost-Sharing Plan

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
12/31/11	\$41,148	\$41,148
12/31/12	\$42,311	\$42,311
12/31/13	\$45,088	\$45,088

City of Tuttle Defined Contribution Plan

The City has provided effective February 1, 2004, a money purchase pension plan and trust known as the City of Tuttle Pension Plan (the "Plan"). The Plan is administered by the City and plan assets are supervised by Ameritas Retirement Plans. The defined contribution plan is available to all full-time employees who are not already participating in the fire or police pension plan. If an employee terminates before becoming fully vested, the employer's contributions are forfeited and may be used to reduce the City's current period contribution requirements. The authority to establish and amend the provisions of the Plan rests with the City Council. The City contributes 6% of the employee's gross wages. Employees cannot contribute to this plan.

Schedule of Retirement Plan Contributions – Defined Contribution Plan

<u>Fiscal Year</u>	<u>Employer Contribution</u>
12/31/11	\$45,728
12/31/12	\$45,093
12/31/13	\$50,692

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City of Tuttle Deferred Compensation Plan (457)

The City has provided effective July 1, 2001 a deferred compensation plan known as the City of Tuttle Deferred Compensation Plan (457) (the “Plan”). The Plan is administered by the City and the plan assets are supervised by Ameritas Retirement Plans. The deferred compensation plan is available to all employees. The City does not contribute to this plan, only participating employees can make contributions. The authority to establish and amend the provisions of the Plan rests with the City Council.

Schedule of Retirement Plan Contributions – Defined Contribution Plan

<u>Fiscal Year</u>	<u>Employee Contributed</u>
12/31/11	\$11,852
12/31/12	\$ 9,686
12/31/13	\$8,495

City of Tuttle City Manager Defined Contribution Plan

The City has provided effective January 12, 2009, a money purchase plan and trust to be known as the City of Tuttle City Manager Retirement Plan (the “Plan”) in the form of the ICMA Retirement Corporation Government Money Purchase Plan and Trust available only to the city manager. The Plan is administered by ICMA Retirement Corporation. According to the Plan, the City is required to contribute 13% of earnings while the city manager is required to contribute 8% of earnings for the Plan year. The Plan administrator notifies the City of any amendments to the Plan.

Schedule of Retirement Plan Contributions – Defined Contribution Plan

<u>Fiscal Year</u>	<u>Employer Contribution</u>	<u>Employee Contributed</u>
12/31/11	\$10,525	\$6,477
12/31/12	\$10,525	\$6,477
12/31/13	\$10,755	\$6,619

13. 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.

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14. Prior Period Adjustment

Due to a change in the financial reporting framework from a modified cash framework to a framework consistent with generally accepted accounting principles issued by the Governmental Accounting Standards Board, the following adjustments to beginning fund balance and net position were made:

	General Fund	Street and Alley Fund	Capital Improvement Fund	TPWA	Government-Wide	
					Governmental Activities	Business-type Activities
Beginning fund balance/net position, as previously reported	\$ 418,409	\$ 314,931	\$ 315,942	\$ 4,216,528	\$ 4,695,434	\$ 4,216,528
Understatement of accrued compensated absences	-	-	-	(15,657)	(54,483)	(15,657)
Understatement of accrued payroll	(66,160)	(4,821)	-	(6,519)	(70,981)	(6,519)
Understatement of utility accounts receivable	-	-	-	218,158	-	218,158
Understatement of accounts receivable	3,616	-	7,633	170,002	11,249	170,002
Understatement of taxes receivable	196,544	58,023	-	-	254,567	-
Understatement of franchise fee receivable	98,721	-	-	-	98,721	-
Understatement of court receivable	55,842	-	-	-	55,842	-
Understatement of grants receivable	922	-	-	-	922	-
Understatement of ambulance receivable	8,850	-	-	-	8,850	-
Understatement of accounts payable	(28,299)	(5,463)	(1,634)	(129,900)	(35,396)	(129,900)
Understatement of accrued interest payable	-	-	-	(36,149)	-	(36,149)
Understatement of ambulance deferral	-	-	-	-	587,240	-
Beginning fund balance/net position, restated	<u>\$ 688,445</u>	<u>\$ 362,670</u>	<u>\$ 321,941</u>	<u>\$ 4,416,463</u>	<u>\$ 5,551,965</u>	<u>\$ 4,416,463</u>

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF TUTTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2013**

Budgetary Comparison Schedules – Year Ended December 31, 2013

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 280,000	\$ 280,000	\$473,077	\$193,077
Resources (Inflows):				
Taxes	1,525,000	1,525,000	1,503,591	(21,409)
Intergovernmental	53,000	71,392	93,094	21,702
Charges for services	657,000	657,000	437,913	(219,087)
Fines and forfeitures	185,000	185,000	213,166	28,166
Licenses and permits	43,000	43,000	49,945	6,945
Investment Income	7,000	7,000	7,688	688
Miscellaneous	23,500	37,608	94,412	56,804
Transfers In	250,000	250,000	250,000	-
Total Resources (Inflows)	<u>2,743,500</u>	<u>2,776,000</u>	<u>2,649,809</u>	<u>(126,191)</u>
Amounts available for appropriation	<u>\$3,023,500</u>	<u>\$3,056,000</u>	<u>\$3,122,886</u>	<u>\$66,886</u>
Charges to Appropriations (Outflows):				
Finance	115,000	115,000	86,577	28,423
Administration	186,500	186,500	181,702	4,798
General government	371,000	371,000	251,495	119,505
Emergency medical services	322,000	361,039	353,237	7,802
Police	741,000	750,454	719,465	30,989
Parks	61,000	73,000	71,333	1,667
Fire	700,000	670,046	651,937	18,109
Community development	130,000	130,000	83,362	46,638
Animal Welfare	30,000	30,000	9,931	20,069
Emergency management	75,000	75,000	72,940	2,060
E911	174,000	174,000	156,395	17,605
Municipal Court	32,500	32,500	26,879	5,621
Transfers out	80,000	80,000	-	80,000
Total Charges to Appropriations	<u>3,018,000</u>	<u>3,048,539</u>	<u>2,665,253</u>	<u>383,286</u>
Ending Budgetary Fund Balance	<u>\$ 5,500</u>	<u>\$ 7,461</u>	<u>\$ 457,633</u>	<u>\$450,172</u>

**CITY OF TUTTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2013**

Budgetary Comparison Schedules – Year Ended December 31, 2013 (Cont.)

	STREET & ALLEY FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 250,000	\$ 250,000	\$362,670	\$112,670
Resources (Inflows):				
Taxes	413,000	413,000	396,539	(16,461)
Intergovernmental	42,000	78,425	96,932	18,507
Investment income	3,000	3,000	2,734	(266)
Miscellaneous	10,000	10,000	18,000	8,000
Transfers in	75,000	75,000	-	(75,000)
Total Resources (Inflows)	<u>543,000</u>	<u>579,425</u>	<u>514,205</u>	<u>(65,220)</u>
Amounts available for appropriation	<u>793,000</u>	<u>829,425</u>	<u>876,875</u>	<u>47,450</u>
Charges to Appropriations (Outflows):				
Streets	793,000	793,000	427,158	365,842
Total Charges to Appropriations	<u>793,000</u>	<u>793,000</u>	<u>427,158</u>	<u>365,842</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ 36,425</u>	<u>\$449,717</u>	<u>\$413,292</u>

Footnotes to Budgetary Comparison Schedules:

1. The City prepares its budgets for all funds on the modified accrual basis of accounting with the exception of certain expenditures and revenues related to on-behalf payments for police and fire pensions and capital leases. For budgetary purposes expenditures are recorded in the period the invoice is received. All unexpended encumbrances lapse at year-end and therefore are not recorded as expenditures for budgetary purposes. The Capital Improvement Fund, even though it is considered a major fund, is a capital project fund and is not required to have a budget vs. actual presented.

2. The legal level of appropriation control is the department level within a fund. Transfer appropriations require the Mayor's approval and supplemental appropriations require City Council's approval.

3. The budgetary basis differs from the modified accrual basis as shown below:

	General Fund
Total revenue - budgetary basis	\$ 2,649,809
Total expenses - budgetary basis	<u>(2,665,253)</u>
Change in fund balance - budgetary basis	(15,444)
Revenue accruals	648,775
Expenditure accruals	<u>(654,213)</u>
Change in fund balance - GAAP basis	<u>\$ (20,882)</u>

**CITY OF TUTTLE, OKLAHOMA
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OTHER SUPPLEMENTARY INFORMATION

**CITY OF TUTTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2013**

Combining Balance Sheet – Nonmajor Governmental Funds – December 31, 2013

	<u>CDBG Grant Fund</u>	<u>Jason White Tribute Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 222	\$ 1,504	\$ 1,726
Investments	-	-	36,026	36,026
Total assets	<u>\$ -</u>	<u>\$ 222</u>	<u>\$ 37,530</u>	<u>\$ 37,752</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 4,296	\$ 1	\$ -	\$ 4,297
Total liabilities	<u>4,296</u>	<u>1</u>	<u>-</u>	<u>4,297</u>
Fund balances:				
Nonspendable	-	-	26,781	26,781
Restricted	-	221	10,749	10,970
Unassigned (deficit)	(4,296)	-	-	(4,296)
Total fund balances (deficits)	<u>(4,296)</u>	<u>221</u>	<u>37,530</u>	<u>33,455</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 222</u>	<u>\$ 37,530</u>	<u>\$ 37,752</u>

**CITY OF TUTTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2013**

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended December 31, 2013

	CDBG Grant Fund	Jason White Tribute Fund	Cemetery Perpetual Care Fund	Total-Other Governmental Funds
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	1	200	201
Total revenues	<u>-</u>	<u>1</u>	<u>200</u>	<u>201</u>
EXPENDITURES				
Capital Outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>1</u>	<u>200</u>	<u>201</u>
Net change in fund balances	-	1	200	201
Fund balances (deficits) - beginning	(4,296)	220	37,330	33,254
Fund balances (deficits) - ending	<u>\$ (4,296)</u>	<u>\$ 221</u>	<u>\$ 37,530</u>	<u>\$ 33,455</u>

CITY OF TUTTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2013

Combining Balance Sheet – General Fund Accounts – December 31, 2013

	<u>General Fund Account</u>	<u>Cemetery Account</u>	<u>Total General Fund Accounts</u>
ASSETS			
Cash and cash equivalents	\$ 132,493	\$ 198,218	\$ 330,711
Receivable from other governments	174,991	-	174,991
Due from other funds	97,384	-	97,384
Court fines receivable, net	70,541	-	70,541
Ambulance receivable, net	811,855	-	811,855
Other receivables	109,083	-	109,083
Total assets	<u>\$ 1,396,347</u>	<u>\$ 198,218</u>	<u>\$ 1,594,565</u>
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 15,590	\$ 22	\$ 15,612
Accrued payroll payable	64,600	1,184	65,784
Due to other funds	43,724	-	43,724
Total liabilities	<u>123,914</u>	<u>1,206</u>	<u>125,120</u>
Deferred inflows of resources:			
Deferred revenue	<u>820,238</u>	<u>-</u>	<u>820,238</u>
Fund balances:			
Restricted	-	78,734	78,734
Assigned	-	82,616	82,616
Unassigned	452,195	35,662	487,857
Total fund balances	<u>452,195</u>	<u>197,012</u>	<u>649,207</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,396,347</u>	<u>\$ 198,218</u>	<u>\$ 1,594,565</u>

CITY OF TUTTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2013

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts – Year Ended December 31, 2013

	<u>General Fund Account</u>	<u>Cemetery Account</u>	<u>Total General Fund Accounts</u>
REVENUES			
Taxes	\$ 1,488,004	\$ -	\$ 1,488,004
Intergovernmental	229,857	-	229,857
Licenses and permits	49,945	-	49,945
Charges for services	967,225	37,998	1,005,223
Fees and fines	210,563	-	210,563
Investment earnings	7,688	6,414	14,102
Miscellaneous	94,380	9,940	104,320
Total revenues	<u>3,047,662</u>	<u>54,352</u>	<u>3,102,014</u>
EXPENDITURES			
Current:			
General government	503,995	-	503,995
Public safety	1,654,940	-	1,654,940
Health and welfare	875,145	-	875,145
Culture and recreation	65,689	-	65,689
Community development	93,681	-	93,681
Cemetery	-	55,233	55,233
Capital outlay	41,248	17,475	58,723
Debt service:			
Principal	64,840	-	64,840
Interest and other charges	19,006	-	19,006
Total expenditures	<u>3,318,544</u>	<u>72,708</u>	<u>3,391,252</u>
Excess (deficiency) of revenues over expenditures	<u>(270,882)</u>	<u>(18,356)</u>	<u>(289,238)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	250,000	-	250,000
Total other financing sources and uses	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Net change in fund balances	(20,882)	(18,356)	(39,238)
Fund balances - beginning (restated)	473,077	215,368	688,445
Fund balances - ending	<u>\$ 452,195</u>	<u>\$ 197,012</u>	<u>\$ 649,207</u>

CITY OF TUTTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2013

Combining Schedule of Net Position – Tuttle Public Works Authority Accounts – December 31, 2013

	<u>TPWA</u>	<u>TPWA Wastewater Account</u>	<u>TPWA Springwood Acres</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 541,508	\$ -	\$ 18,905	\$ 560,413
Restricted:				
Cash and cash equivalents	1,346,397	165,767	-	1,512,164
Investments	111,552	-	-	111,552
Due from other funds	42,729	-	-	42,729
Accounts receivable, net	430,861	-	1,639	432,500
Total current assets	<u>2,473,047</u>	<u>165,767</u>	<u>20,544</u>	<u>2,659,358</u>
Non-current assets:				
Capital assets:				
Land and construction in progress	1,038,840	-	-	1,038,840
Other capital assets, net of accumulated depreciation	5,717,245	4,024,531	-	9,741,776
Total non-current assets	<u>6,756,085</u>	<u>4,024,531</u>	<u>-</u>	<u>10,780,616</u>
Total assets	<u>9,229,132</u>	<u>4,190,298</u>	<u>20,544</u>	<u>13,439,974</u>
LIABILITIES				
Current liabilities:				
Accounts payable	135,792	-	181	135,973
Salaries payable	12,369	-	-	12,369
Accrued interest payable	85,969	-	-	85,969
Due to other funds	93,087	-	-	93,087
Payable to other governments	4,113	-	-	4,113
Deposits subject to refund	46,218	-	-	46,218
Compensated absences	1,307	-	-	1,307
Refundable grant obligations	6,250	-	-	6,250
Notes payable	370,993	-	-	370,993
Total current liabilities	<u>756,098</u>	<u>-</u>	<u>181</u>	<u>756,279</u>
Non-current liabilities:				
Deposits subject to refund	184,870	-	-	184,870
Compensated absences	11,759	-	-	11,759
Refundable grant obligations	23,959	-	-	23,959
Notes payable	8,138,639	-	-	8,138,639
Total non-current liabilities	<u>8,359,227</u>	<u>-</u>	<u>-</u>	<u>8,359,227</u>
Total liabilities	<u>9,115,325</u>	<u>-</u>	<u>181</u>	<u>9,115,506</u>
NET POSITION				
Net investment in capital assets	(643,009)	4,190,298	-	3,547,289
Restricted for debt service	52,489	-	-	52,489
Unrestricted	704,327	-	20,363	724,690
Total net position	<u>\$ 113,807</u>	<u>\$ 4,190,298</u>	<u>\$ 20,363</u>	<u>\$ 4,324,468</u>

CITY OF TUTTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2013

Combining Schedule of Revenues, Expenses and Changes in Net Position - Tuttle Public Works
Authority Accounts – Fiscal Year Ended December 31, 2013

	<u>TPWA</u>	<u>TPWA Wastewater Account</u>	<u>TPWA Springwood Acres</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services:				
Water	\$ 802,829	\$ -	\$ 21,551	\$ 824,380
Sewer	179,760	-	-	179,760
Gas	887,446	-	-	887,446
Sanitation	658,459	-	-	658,459
Rents and royalties	3,000	-	-	3,000
Miscellaneous	53,197	-	-	53,197
Total operating revenues	<u>2,584,691</u>	<u>-</u>	<u>21,551</u>	<u>2,606,242</u>
OPERATING EXPENSES				
General government	274,935	-	-	274,935
Administration	100,792	-	-	100,792
Water	417,380	-	6,681	424,061
Wastewater	38,228	-	-	38,228
Sanitation	359,441	-	-	359,441
Gas	609,254	-	-	609,254
Depreciation	380,325	-	-	380,325
Total operating expenses	<u>2,180,355</u>	<u>-</u>	<u>6,681</u>	<u>2,187,036</u>
Operating income	<u>404,336</u>	<u>-</u>	<u>14,870</u>	<u>419,206</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	5,408	38	-	5,446
Miscellaneous revenue	98,462	8	-	98,470
Interest expense	(359,171)	-	-	(359,171)
Total non-operating revenue (expenses)	<u>(255,301)</u>	<u>46</u>	<u>-</u>	<u>(255,255)</u>
Income before transfers	<u>149,035</u>	<u>46</u>	<u>14,870</u>	<u>163,951</u>
Transfers out	(255,946)	-	-	(255,946)
Transfers in - interaccount	-	3,592,640	-	3,592,640
Transfers out - interaccount	(3,592,640)	-	-	(3,592,640)
Change in net position	<u>(3,699,551)</u>	<u>3,592,686</u>	<u>14,870</u>	<u>(91,995)</u>
Total net position - beginning, restated	<u>3,813,358</u>	<u>597,612</u>	<u>5,493</u>	<u>4,416,463</u>
Total net position - ending	<u>\$ 113,807</u>	<u>\$ 4,190,298</u>	<u>\$ 20,363</u>	<u>\$ 4,324,468</u>

**CITY OF TUTTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2013**

Schedule of Expenditures of Federal Awards – For Year Ended December 31, 2013

Federal/State Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA Number	Grant #	Award Amount	Awards Expended
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Passed through Oklahoma Highway Safety Office:				
Occupant Protection Incentive Grants	20.602	OP-14-03-13-102	\$ 10,000	\$ 985
 <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>				
Passed through Oklahoma State Department of Health:				
Hospital Preparedness Program	93.074	BP2 (2013-2014)	\$ 4,240	\$ 4,240
 <u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Department of Transportation:				
Transportation Enhancement Project Agreement - Safe Routes	20.205	STP-126E(122)EM or 24572(04)	\$ 36,425	\$ 36,425
Passed through Oklahoma Highway Safety Office:				
National Highway Traffic Safety Administration - Discretionary Safety Grant	20.614	CE-13-03-44-01	4,000	6,570
Total U.S. Department of Transportation			\$ 40,425	\$ 42,995
 <u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
Passed through Oklahoma Emergency Management:				
Assistance to firefighters grant	97.044	EMW-2012-FO-00470	\$ 14,250	\$ 8,762
Passed through District Attorney's Council:				
Edward Byrne Memorial Justice Assistance Grant	16.738	JAG - A3L-2012-CI-00023	5,962	5,962
Total U.S. Department of Homeland Security			\$ 20,212	\$ 14,724
 <u>U.S. DEPARTMENT OF INTERIOR NATIONAL PARK SERVICE:</u>				
Passed through Oklahoma Department of Tourism:				
Land and Water Conservation Fund	15.916	40-01191	\$ 137,500	\$ 52,086
Total Federal Awards			<u>\$ 212,377</u>	<u>\$ 115,030</u>

CITY OF TUTTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2013

Debt Service Coverage Schedule – December 31, 2013

	2013 OWRB NOTE
Gross Revenue Available for Debt Service:	
Operating revenues :	
Water	\$802,829
Sewer	179,760
Total gross revenues available	\$982,589
Authority operating expenses (1):	
Water	417,380
Sewer	38,228
Total operating expenses	455,608
Net Revenues Available for Debt Service	\$526,981
Average Annual Debt Service Requirements for Term:	
Maximum annual debt service requirements-OWRB	\$291,386
Total maximum annual debt service	\$291,386
Computed Coverage	1.81
Coverage Requirement - Revenue Bond Indenture	1.25

(1) Excludes amortization and depreciation.

**CITY OF TUTTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2013**

INTERNAL CONTROL AND COMPLIANCE INFORMATION

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

Members of the City Council
City of Tuttle, Oklahoma

We have audited 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, 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 Tuttle, Oklahoma, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 16, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies: 13-1, 13-2, 13-3, 13-4, 13-5 and 13-6.

Compliance and Other Matters

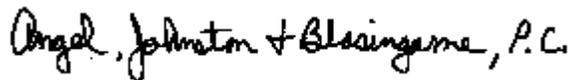
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 13-2, 13-4, and 13-6.

City of Tuttle's Responses to Findings

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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



Chickasha, Oklahoma
July 16, 2014

CITY OF TUTTLE, OKLAHOMA
SCHEDULE OF FINDINGS AND RECOMMENDATION
Year Ended December 31, 2013

13-1. Criteria – Police (court) fines and ambulance accounts receivable should be reconciled on a monthly basis. The reconciliation should account for all the activity in the accounts.

Condition – Billing accounts receivable balance is not being reconciled on a monthly basis to ensure all billings, collections and adjustments are properly accounted for within the billing accounting system.

Cause – A lack of proper procedures, controls and monitoring.

Effect – Without sufficient reconciliation procedures in place, the risk of errors and fraud significantly increases and may not be detected timely.

Recommendation – Management should implement procedures for someone that is independent of the billing processes to reconcile beginning and ending accounts receivable balance on a monthly basis by using monthly billing reports, daily collection records, penalties, deposits applied, and adjustment authorization forms.

Management response – Staffing issues have posed significant challenges to getting the reconciliations completed in a timely and meaningful manner. Management is working with the Finance Director to better organize the finance and billing offices to be more focused on the actual functions of those offices, and to hold the departments more accountable for their work product. This will require shifting other responsibilities to other staff members and departments. Some of this reorganization, along with the possible need for additional labor resources, may require additional financial appropriations from the City Council. The City is using a third party billing company for ambulance services that will be providing monthly activity reports including, billing, payment, and adjustments that can be used for reconciliations.

13-2. Criteria – The City is to pay compensation in compliance with authorized pay rates or contracts.

Condition – The City Manager’s technology allowance was raised to \$200 per month. In the payroll system it was entered as \$200 per pay period.

Cause – Lack of crosschecking procedures to identify input errors on a timely basis.

Effect – Over ten month the City overpaid the allowance in the amount of approximately \$2,000.

Recommendation – On payroll changes independent crosschecking procedures should be established.

Management response – The City will have someone, separate from the payroll clerk, verify changes to the payroll system to ensure all amounts/changes are entered accurately.

13-3. Criteria – All utility billing adjustments should be documented and approved by a person outside the billing process. This documentation needs to be retained.

Condition – It was noted that not all of the utility adjustment documentation was retained.

Cause – There is no independent monitoring of appropriate documentation of adjustments for completeness.

Effect – Invalid adjustments could be made and not detected on a timely basis.

CITY OF TUTTLE, OKLAHOMA
SCHEDULE OF FINDINGS AND RECOMMENDATION
Year Ended December 31, 2013

Recommendation – Monitoring of monthly adjustments for appropriateness and completeness needs to be performed.

Management response – Staffing has been a significant issue for EMS billing for several years. This will be addressed as a part of the reorganization of the finance and billing departments. Formal policies will also be presented to the City Council regarding the approval of adjustments and other financial operating procedures.

- 13-4. Criteria – The deposits at financial institutions are required to be collateralized or insured by the FDIC.

Condition – The City’s deposits at Sooner State Bank exceeded insurance and collateral at yearend in the amount of \$528,646.

Cause – There was a lack of monitoring procedures related to the bank deposit collateral and insurance. However, this was corrected by the City prior to our audit work.

Effect – At yearend the deposits of the City were exposed to credit risk.

Recommendation – Establish a billing validation procedure when rates are changed.

Management response – The City will begin monitoring collateral on a monthly basis and request increases when balances are close to the amount pledged.

- 13-5. Criteria – All cash accounts need to be reconciled on a monthly basis. Any differences need to be located and adjusted in the accounting records.

Condition – At yearend there was an unlocated difference of \$4,658. Also there were several old outstanding items that need to be resolved.

Cause – This appears to be an old issue and it is anticipated it is going to take considerable effort to resolve. The time required has not been allocated to fully investigate the difference.

Effect – Cash balances may have some errors that remain outstanding.

Recommendation – As soon as possible investigate the unlocated differences and old outstanding items.

Management response – Staffing issues have posed significant challenges to getting the reconciliations completed in a timely and meaningful manner. Management is working with the Finance Director to better organize the finance and billing offices to be more focused on the actual functions of those offices, and to hold the departments more accountable for their work product. This will require shifting other responsibilities to other staff members and departments. Some of this reorganization, along with the possible need for additional labor resources, may require additional financial appropriations from the City Council. The City will work with Incode to determine what is causing the difference and correct any differences.

- 13-6. Criteria – The 2013 Revenue Note requires monthly deposits to debt service fund to ensure funds are on hand when the semi-annual payments are due.

Condition – Payments for the first six months were not made creating a large payment when the semi-annual payment was due.

CITY OF TUTTLE, OKLAHOMA
SCHEDULE OF FINDINGS AND RECOMMENDATION
Year Ended December 31, 2013

Cause – There was a miscommunication as to when the monthly payments were to begin.

Effect – The City was not in compliance with the note indenture funding requirements. The semi-annual payment was made, but this caused a large cash outflow.

Recommendation – The monthly payments need to be caught up in order to get in compliance with funding requirements. The City also needs to establish appropriate documentation and monitoring procedures.

Management response – Management agrees.

CITY OF TUTTLE, OKLAHOMA
SCHEDULE OF FINDINGS AND RECOMMENDATION
Year Ended December 31, 2013

- 12-1. Criteria – Police (court) fines and ambulance accounts receivable should be reconciled on a monthly basis. The reconciliation should account for all the activity in the accounts.
- Condition – Billing accounts receivable balance is not being reconciled on a monthly basis to ensure all billings, collections and adjustments are properly accounted for within the billing accounting system.
- Disposition – There is a procedure in place that requires documentation to be independently authorized and documented. Our testing found no deviation from this procedure. However, there is no procedure in place to insure no adjustments are made without going through the appropriate approval process.
- 12-2. Criteria – The City policy states the maximum amount that can be paid out for vacation rather than taking vacation is 40 hours per year. Also all adjustments to vacation accruals should be documented.
- Condition – There were several instances noted when more than 40 hours was paid out during the year. Also the adjustments were frequently not documented.
- Disposition - This was not noted in the current year.
- 12-3. Criteria – All utility, EMS and police billing adjustments should be documented and approved by a person outside the billing process. This documentation needs to be retained.
- Condition – During filed work City staff was unable to locate documentation for several of our selected adjustments.
- Disposition – This was still noted as an issue on some of the utility adjustments.
- 12-4. Criteria – In order to appropriately bill and collect EMS revenue the billing process needs to be timely.
- Condition – Since August of 2011, the EMS collections dramatically declined. Since January to the time we were in the field for the audit (May 1) no EMS billings had been performed.
- Disposition - EMS billings were still behind in the 2013 year.
- 12-5. Criteria – Utility customers should be billed in compliance with ordinances.
- Condition – There was a change in sewer rates that was incorrectly setup in the billing system.
- Disposition - This was not noted as an issue in the 2013 year.