
THE CITY OF TECUMSEH

(Including the Tecumseh Utility Authority and the Tecumseh Growth and Development Authority)

FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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(Including the Tecumseh Utility Authority and the Tecumseh Growth and Development Authority)

FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Tecumseh, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Tecumseh, Oklahoma, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tecumseh, Oklahoma, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 20, 2015, on our consideration of the City of Tecumseh, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Tecumseh, Oklahoma's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma
August 20, 2015

**THE CITY OF TECUMSEH
STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	Governmental Activities	Business-type Activities	Total 2014
ASSETS			
Current assets:			
Cash and demand deposits	453,181	1,085,106	1,538,287
Certificates of deposit	176,068	307,458	483,526
Restricted cash and investments	605,915	1,535,374	2,141,289
Accounts receivable	124,310	956,693	1,081,003
Allowance for doubtful accounts	0	(465,037)	(465,037)
Prepaid expenses	46,404	22,289	68,693
Internal balances	(3,370)	3,370	0
Grants receivable	6,649	0	6,649
Total current assets	1,409,157	3,445,253	4,854,410
Noncurrent assets:			
Capital assets:			
Depreciable capital assets	7,537,030	15,740,491	23,277,521
Accumulated depreciation	(2,952,556)	(5,974,872)	(8,927,428)
Land	242,610	322,212	564,822
Water rights	0	2,624,609	2,624,609
Construction in progress	331,499	3,233,414	3,564,913
Net capital assets	5,158,583	15,945,854	21,104,437
Total assets	6,567,740	19,391,107	25,958,847
LIABILITIES			
Current liabilities:			
Accounts payable	8,307	8,727	17,034
Construction accounts payable	0	2,870	2,870
Payroll payable	40,966	19,319	60,285
Sales tax payable	0	(4,273)	(4,273)
Current portion of notes payable	9,000	750,514	759,514
Bond discount	0	(3,471)	(3,471)
Accrued interest payable	0	44,882	44,882
Total current liabilities	58,273	818,568	876,841
Noncurrent liabilities:			
Compensated absences	103,423	60,068	163,491
Refundable deposits	0	440,900	440,900
Notes payable, less current portion	0	9,234,616	9,234,616
Bond discount	0	(38,179)	(38,179)
Total noncurrent liabilities	103,423	9,697,405	9,800,828
Total liabilities	161,696	10,515,973	10,677,669
DEFERRED INFLOWS OF RESOURCES			
Grant revenues for future periods	500,000	0	500,000
NET POSITION			
Net investment in capital assets	5,149,583	5,960,724	11,110,307
Restricted for:			
Fire department	5,686	0	5,686
Retirement plan	45,941	0	45,941
Streets	179,039	0	179,039
Cemetery	404,315	0	404,315
Debt	0	1,127,214	1,127,214
Refundable deposits	0	40,900	40,900
Unrestricted	121,480	1,746,296	1,867,776
TOTAL NET POSITION	5,906,044	8,875,134	14,781,178

The accompanying notes are an integral part of these financial statements

**THE CITY OF TECUMSEH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total 2014
Governmental activities:							
General government	(424,219)	21,629	29,966	9,250	(363,374)	0	(363,374)
Court	(61,920)	278,307	0	0	216,387	0	216,387
Police	(869,853)	39,370	22,580	0	(807,903)	0	(807,903)
Fire	(374,571)	5,521	55,214	0	(313,836)	0	(313,836)
Code enforcement	(173,831)	35,968	0	0	(137,863)	0	(137,863)
Emergency management	(14,337)	0	0	0	(14,337)	0	(14,337)
Streets	(356,466)	0	26,310	45,000	(285,156)	0	(285,156)
Cemetery	(127,675)	71,088	0	0	(56,587)	0	(56,587)
Park	(214,596)	0	0	0	(214,596)	0	(214,596)
Total governmental activities	(2,617,468)	451,883	134,070	54,250	(1,977,265)	0	(1,977,265)
Business-type activities:							
Sewer *	(815,589)	552,718	0	11,000	0	(251,871)	(251,871)
Electric **	(2,902,458)	3,984,591	20,000	0	0	1,102,133	1,102,133
Water ***	(745,434)	1,138,431	0	0	0	392,997	392,997
Trash	(442,172)	456,149	0	0	0	13,977	13,977
Economic development	(157,499)	0	0	0	0	(157,499)	(157,499)
Total business-type activities	(5,063,152)	6,131,889	20,000	11,000	0	1,099,737	1,099,737
Total all activities	(7,680,620)	6,583,772	154,070	65,250	(1,977,265)	1,099,737	(877,528)
General revenues:							
Taxes:							
					631,552	0	631,552
					310,449	0	310,449
					82,886	0	82,886
					84,682	0	84,682
					48,662	0	48,662
					117,186	0	117,186
					49,422	341,021	390,443
					5,612	10,874	16,486
					227,466	604,613	832,079
					680,780	(680,780)	0
Total general revenues and transfers					2,238,697	275,728	2,514,425
Change in net position					261,432	1,375,465	1,636,897
Beginning net position					5,711,616	7,379,489	13,091,105
Prior period adjustment					(67,004)	120,180	53,176
Ending net position					5,906,044	8,875,134	14,781,178

* Includes \$166,868 interest

** Includes \$13,535 interest

*** Includes \$13,535 interest

The accompanying notes are an integral part of these financial statements

**THE CITY OF TECUMSEH
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General Fund	Other Funds	Total 2014
ASSETS			
Cash and demand deposits	52,447	400,734	453,181
Certificates of deposit	0	176,068	176,068
Restricted cash and investments	605,915	0	605,915
Revenue receivable	117,758	6,552	124,310
Prepaid expenses	46,404	0	46,404
Grants receivable	6,649	0	6,649
Total assets	829,173	583,354	1,412,527
LIABILITIES			
Accounts payable	8,307	0	8,307
Payroll payable	40,966	0	40,966
Due to other funds	3,370	0	3,370
Total liabilities	52,643	0	52,643
DEFERRED INFLOWS OF RESOURCES			
Grant revenues for future periods	500,000	0	500,000
FUND BALANCE			
Non-Spendable			
Prepaid expenses	46,404	0	46,404
Restricted for:			
Fire department	5,686	0	5,686
Retirement plan	45,941	0	45,941
Streets	0	179,039	179,039
Cemetery	0	404,315	404,315
Unrestricted			
Unassigned	178,499	0	178,499
Total fund balance	276,530	583,354	859,884
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	829,173	583,354	1,412,527
Reconciliation of general fund balance to net position of governmental activities:			
Fund balance	276,530	583,354	859,884
Capital assets	8,111,139	0	8,111,139
Accumulated depreciation	(2,952,556)	0	(2,952,556)
Short-term note payable	(9,000)	0	(9,000)
Compensated absences	(103,423)	0	(103,423)
Net position	5,322,690	583,354	5,906,044

The accompanying notes are an integral part of these financial statements

**THE CITY OF TECUMSEH
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General Fund	Other Funds	Total 2014
REVENUES			
Taxes	1,109,569	48,662	1,158,231
Payments in lieu of taxes	117,186	0	117,186
Intergovernmental	67,011	26,310	93,321
Grants	94,998	0	94,998
Fines and fees	278,307	0	278,307
Licenses and permits	34,968	0	34,968
Rents and royalties	17,579	0	17,579
Cemetery fees	51,960	19,128	71,088
Interest	3,241	2,371	5,612
Other revenues	99,368	0	99,368
TOTAL REVENUES	1,874,187	96,471	1,970,658
EXPENDITURES			
General government	372,138	0	372,138
Court	65,115	0	65,115
Police	832,935	0	832,935
Fire	308,655	0	308,655
Code enforcement	172,442	0	172,442
Emergency management	6,849	0	6,849
Streets	211,197	46,656	257,853
Cemetery	121,011	0	121,011
Park	167,778	0	167,778
Debt service	21,000	0	21,000
Capital outlay	825,697	0	825,697
TOTAL EXPENDITURES	3,104,817	46,656	3,151,473
REVENUES OVER (UNDER) EXPENDITURES	(1,230,630)	49,815	(1,180,815)
OTHER FINANCING SOURCES (USES)			
Loan proceeds	30,000	0	30,000
Interfund transfers	880,931	(200,151)	680,780
NET OTHER FINANCING SOURCES (USES)	910,931	(200,151)	710,780
NET CHANGE IN FUND BALANCES	(319,699)	(150,336)	(470,035)
BEGINNING FUND BALANCE	596,229	733,690	1,329,919
ENDING FUND BALANCE	276,530	583,354	859,884
Reconciliation of the change in the general fund balance to the change in net position of governmental activities:			
Net change in fund balances - total governmental funds	(319,699)	(150,336)	(470,035)
Capital asset purchases capitalized	825,697	0	825,697
Capital contributions	227,466	0	227,466
Depreciation expense	(317,634)	0	(317,634)
Short-term note payable	(9,000)	0	(9,000)
Change in accrued compensated absences	4,939	0	4,939
Change in net position of governmental activities	411,769	(150,336)	261,433

The accompanying notes are an integral part of these financial statements

**THE CITY OF TECUMSEH
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014**

	Tecumseh Utility Authority	Tecumseh Growth & Development Authority	Total 2014
ASSETS			
Current assets:			
Cash and cash equivalents	797,250	287,856	1,085,106
Certificates of deposit	200,000	107,458	307,458
Restricted cash and investments	1,535,374	0	1,535,374
Accounts receivable	956,693	0	956,693
Allowance for doubtful accounts	(465,037)	0	(465,037)
Due from other funds	0	3,370	3,370
Prepaid expenses	22,289	0	22,289
Total current assets	3,046,569	398,684	3,445,253
Noncurrent assets:			
Capital assets:			
Depreciable property and equipment	15,740,491	0	15,740,491
Accumulated depreciation	(5,974,872)	0	(5,974,872)
Land	109,930	212,282	322,212
Water rights	2,624,609	0	2,624,609
Construction in progress	3,233,414	0	3,233,414
Net capital assets	15,733,572	212,282	15,945,854
Total assets	18,780,141	610,966	19,391,107
LIABILITIES			
Current liabilities:			
Accounts payable	8,727	0	8,727
Construction accounts payable	2,870	0	2,870
Payroll payable	19,319	0	19,319
Sales tax payable	(4,273)	0	(4,273)
Current portion of debt	750,514	0	750,514
Bond discount	(3,471)	0	(3,471)
Accrued interest payable	44,882	0	44,882
Total current liabilities	818,568	0	818,568
Noncurrent liabilities:			
Compensated absences	60,068	0	60,068
Refundable deposits	440,900	0	440,900
Debt, less current portion	9,234,616	0	9,234,616
Bond discount	(38,179)	0	(38,179)
Total noncurrent liabilities	9,697,405	0	9,697,405
Total liabilities	10,515,973	0	10,515,973
NET POSITION			
Net investment in capital assets	5,748,442	212,282	5,960,724
Restricted for:			
Debt service	1,127,214	0	1,127,214
Refundable deposits	40,900	0	40,900
Unrestricted	1,347,612	398,684	1,746,296
Total net position	8,264,168	610,966	8,875,134

The accompanying notes are an integral part of these financial statements

**THE CITY OF TECUMSEH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Tecumseh Utility Authority	Tecumseh Growth & Development Authority	Total 2014
OPERATING REVENUES			
Electric	3,984,591	0	3,984,591
Sewer	552,718	0	552,718
Trash	456,149	0	456,149
Water	1,138,431	0	1,138,431
Connection fees	30,375	0	30,375
Late payment fees	137,782	0	137,782
Other income	203,864	0	203,864
Total operating revenues	6,503,910	0	6,503,910
OPERATING EXPENSES			
Administration	502,356	3,600	505,956
Sewer treatment plant	327,004	0	327,004
Sewer & water lines	385,909	0	385,909
Electric	2,763,334	0	2,763,334
Water treatment plant	412,528	0	412,528
Trash	316,584	0	316,584
Economic development	0	153,899	153,899
Total operating expenses	4,707,715	157,499	4,865,214
OPERATING INCOME (LOSS)	1,796,195	(157,499)	1,638,696
NON-OPERATING REVENUES (EXPENSES)			
Interest income	10,643	231	10,874
Interest expense	(193,938)	0	(193,938)
Trustee fees	(4,000)	0	(4,000)
Total non-operating revenues (expenses)	(187,295)	231	(187,064)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,608,900	(157,268)	1,451,632
Capital contributions	604,613	0	604,613
Interfund transfers	(763,526)	82,746	(680,780)
CHANGE IN NET POSITION	1,449,987	(74,522)	1,375,465
BEGINNING NET POSITION	6,814,181	565,308	7,379,489
Prior period adjustments	0	120,180	120,180
ENDING NET POSITION	8,264,168	610,966	8,875,134

The accompanying notes are an integral part of these financial statements

**THE CITY OF TECUMSEH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Tecumseh Utility Authority	Tecumseh Growth & Development Authority	Total 2014
Cash flows from operations:			
Cash received from:			
Customers	6,287,729	0	6,287,729
Other operating receipts	36,289	0	36,289
Cash payments for:			
Goods and services	(3,937,405)	(112,140)	(4,049,545)
Employees	(570,433)	(3,600)	(574,033)
Net cash provided from operations	1,816,180	(115,740)	1,700,440
Cash flows from capital financing activities:			
Capital grants	771,087	0	771,087
Capital expenditures	(3,990,088)	(92,102)	(4,082,190)
Loan proceeds	2,156,211	0	2,156,211
Principal payments	(100,000)	0	(100,000)
Interest payments	(33,393)	0	(33,393)
Net transfers to restricted accounts	(801,811)	0	(801,811)
Net cash from capital financing activities	(1,997,994)	(92,102)	(2,090,096)
Cash flows from non-capital financing activities:			
Interfund transfers	(601,283)	79,376	(521,907)
Net cash from non-capital financing activities	(601,283)	79,376	(521,907)
Cash flows from investing activities:			
Interest income	6,505	212	6,717
Net cash provided from investing activities	6,505	212	6,717
Net increase (decrease) in cash	(776,592)	(128,254)	(904,846)
Beginning cash	1,573,842	416,110	1,989,952
Ending cash	797,250	287,856	1,085,106
Reconciliation of income from operations to net cash from operations:			
Operating income (loss)	1,796,195	(157,499)	1,638,696
Adjustments to income from operations:			
Depreciation and amortization	458,874	0	458,874
Transfer property to City of Tecumseh	0	41,759	41,759
Change in assets and liabilities:			
(Increase) decrease in receivables	(179,892)	0	(179,892)
(Increase) decrease in interfund receivables	(6,634)	0	(6,634)
(Increase) decrease in prepaid expenses	(1,955)	0	(1,955)
Increase (decrease) in payables	(250,408)	0	(250,408)
Net cash provided by operations	1,816,180	(115,740)	1,700,440
** Activity in debt service accounts:	2012 Bonds	Meter Project	Total
Beginning cash and investments	769,365	317,166	1,086,531
From operating accounts	628,813	172,998	801,811
Principal payments	(460,000)	(105,686)	(565,686)
Interest payments	(164,930)	(27,070)	(192,000)
Bank fees	(3,500)	0	(3,500)
Investment income	58	0	58
Ending cash and investments	769,806	357,408	1,127,214

** Activity in debt service accounts is presented as supplemental information.

The accompanying notes are an integral part of these financial statements

The City of Tecumseh
Notes to the Financial Statements
As of and for the Year Ended December 31, 2014

1. Summary of Significant Accounting Policies

The City of Tecumseh, Oklahoma, is a Home Rule City under Article 18, Section 3a of the Oklahoma constitution with its charter being approved April 10, 1969. The City operates under a council-manager form of government and provides the following services directly or through its component units: police, fire, streets, general administration, electric, sewer, trash, water, and economic development.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The more significant accounting policies established in GAAP and used by the City are discussed below.

1A. Financial Reporting Entity

In evaluating how to define the City for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criteria for including a potential component unit within the reporting entity are the governing body's ability to exercise oversight control. The most significant manifestation of this ability is financial interdependency. Other considerations include, but are not limited to, selection of the governing authority, designation of management, the ability to significantly influence operations, and accountability for financial matters. The other criterion is the existence of special financing relationships regardless of the ability to exercise control.

1B. Blended Component Units

The Tecumseh Utility Authority (TUA) was established June 4th, 1959, to provide utility services to the citizens of the City. TUA is a legally separate entity established pursuant to the provisions of Title 60, Oklahoma Statutes 1971, section 176 to 180.3 of the Oklahoma Trust Act. The council members of the City are the trustees of the TUA, and the City is the beneficiary of the TUA. For financial reporting purposes, the TUA is reported as if it were part of the City's operations. The TUA does not present separate financial statements.

The Tecumseh Growth and Development Authority (TGDA) was established May 6, 1974, to develop and encourage industry in the City of Tecumseh. TGDA is a legally separate entity established pursuant to the provisions of Title 60, Oklahoma Statutes 1971, section 176 to 180.3 of the Oklahoma Trust Act. The trustees are appointed by the city council, with the mayor always being one trustee. The City is the beneficiary of the TGDA. For financial reporting purposes, the TGDA is reported as if it were part of the City's operations. The TGDA does not present separate financial statements.

**The City of Tecumseh
Notes to the Financial Statements
As of and for the Year Ended December 31, 2014**

1C. Related Organization

The Tecumseh Housing Authority (THA) is excluded from the reporting entity because the City's accountability does not extend beyond appointing the board of trustees. The THA administers federal and/or other funding for improvements in housing conditions in the City. The THA issues separate financial reports, copies of which may be obtained from the THA.

1D. Basic Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police, fire, streets, and general government administration are classified as governmental activities. The City's utility services and economic development are classified as business-type activities.

1E. Government-wide Financial Statements

In the government wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (sales and use taxes, certain intergovernmental revenues, permits, and charges, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

1F. Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. GASB Cod. sec. 1100.102 defines a fund as follows: ... a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

An emphasis is placed on major funds within governmental and enterprise fund types. The town's *main operating fund*, or general fund, is always considered major. In addition to the general fund,

**The City of Tecumseh
Notes to the Financial Statements
As of and for the Year Ended December 31, 2014**

individual governmental or enterprise funds are required to be reported as major if they meet each of the two following criteria:

- a. Total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding element total for all funds of that type;
- b. The same element that met the 10% criterion in a. is at least 5% of the corresponding element total for all governmental and enterprise funds combined.

Other governmental or enterprise funds that a government considers important may be classified as major even though they do not meet this test.

The City considers the general fund as a major governmental fund; and the TUA as a major enterprise fund. The general fund accounts for all activities not accounted for in the street and alley fund or the cemetery funds. The TUA accounts for the utility services provided to the citizens of Tecumseh – electric, sewer, trash, and water services.

The various funds are reported by generic classification within the financial statements. The following fund types are used by the City:

Governmental Funds

The measurement focus of governmental funds in the fund statements is current financial resources. Generally, only current financial assets and liabilities are included on their balance sheets and only sources and uses of available spendable resources are presented on their operating statements. Fund balance is used as their measure of available spendable resources at the end of the period.

Proprietary Funds

The measurement focus of proprietary funds is economic resources, the objectives of which involves the determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The City maintains three proprietary funds, all of which are enterprise funds. Enterprise funds are used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues; has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges; or establishes fees and charges based on a pricing policy designed to recover similar costs.

1G. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**The City of Tecumseh
Notes to the Financial Statements
As of and for the Year Ended December 31, 2014**

Accrual Basis

Both governmental and business-type activities in the government-wide financial statements and proprietary fund financial statements are presented using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual Basis

The governmental fund financial statements are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (both measurable and available). Available means collectible within the current period or within 30 days after year end. Expenditures are generally recognized when the related liability is incurred.

1H. Cash and Cash Equivalents

The City has defined cash and cash equivalents to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

1I. Investments

Investments are accounted for in accordance with GASB-31, *Accounting and Financial Reporting for Certain Investments*, which states that investments held at year end with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

1J. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowances for uncollectible accounts are based on historical trends and periodic aging.

1K. Interfund Activity

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other Interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**The City of Tecumseh
Notes to the Financial Statements
As of and for the Year Ended December 31, 2014**

1L. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Depreciation on these assets is provided on the straight-line basis over the following estimated useful lives:

Land improvements	5 years
Buildings and equipment	25 to 40 years
Vehicles and equipment	5 to 15 years
Infrastructure	40 years

GASB-34 required the City to report and depreciate new infrastructure assets effective with the 2004 year. Infrastructure assets include roads, sidewalks, bridges, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has been reported in the financial statements. Retroactive reporting is not required.

1M. Compensated Absences

Employees are entitled to certain compensated absences based on their length of employment and subject to certain limitations. These compensated absences are expensed as earned.

1N. Revenues and Expenditures

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as needed. Program revenues in the government-wide statements include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. In proprietary funds, operating revenues and expenses result from providing the goods or services that are the funds principal ongoing operations. Revenues and expenses not meeting this definition are non-operating revenues and expenses. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB-33. In applying GASB-33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

2. Deposits and Investments

The State of Oklahoma allows municipalities to invest in the following: direct obligations of the U.S. Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; and county, municipal or school district direct debt.

**The City of Tecumseh
Notes to the Financial Statements
As of and for the Year Ended December 31, 2014**

Custodial Credit Risk

Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City's name; or collateralized without a written or approved collateral agreement. At year end, the City had deposits of \$2,980,678 that were collateralized with securities held by the pledging financial institution, or its trust department, but not in the City's name, in accordance with the City's policy for excess deposits.

3. Restricted Cash and Investments

The TUA 2012 bond indenture requires the TUA to maintain a principal fund, an interest fund, and a sinking fund reserve for debt service at a trustee bank. Balances in these accounts at December 31 were \$77,658, \$27,556, and \$664,592 respectively, for a total of \$769,806. These investments consist of short-term treasury funds and are not insured or collateralized, but are invested in the same types of securities that would be used for collateral.

The 2008 meter project lease-purchase equipment surcharge of \$6 per meter per month is deposited into a revenue fund account from which the lease payments are drafted. At year end the balance of that account was \$357,408.

Meter deposits of \$440,900 are secured by \$408,160 of certificates of deposit.

4. Risk Management

The City is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages this risk through the purchase of commercial insurance policies. Risk management activities are accounted for by fund, and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For the year just ended, claims of \$13,990 were made.

5. Long-term and Short-term Debt

Long-term Debt

Business-type	Interest	Maturity	Amount		Security
	Rate	Date	Issued	Outstanding	
Sewer system	1.75 - 2.35%	11/01/2026	8,141,408	7,315,000	utility revenues - 1cent sales tax
Water/Electric	3.95%	06/01/2023	1,138,661	613,920	utility fee
Water system	3.14%	03/15/2034	3,604,457	3,504,457 *	utility revenues - 1cent sales tax

**The City of Tecumseh
Notes to the Financial Statements
As of and for the Year Ended December 31, 2014**

Long-term debt activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Sewer system bonds payable	7,775,000	0	(460,000)	7,315,000	475,000
OWRB water system note	0	2,156,211	(100,000)	2,056,211 *	165,488
Meter project note payable	821,123	0	(101,517)	719,606	110,026
	<u>8,596,123</u>	<u>2,156,211</u>	<u>(661,517)</u>	<u>10,090,817</u>	<u>750,514</u>

* An additional \$1,448,246 was drawn down in February 2015, for a total balance of \$3,504,457

October 17, 2013, the TUA executed a \$4,000,000 note payable with the Oklahoma Water Resources Board for water system improvements. The note carries an annual interest rate of 2.64%, an annual administrative fee of 0.5%, and matures March 15, 2034. Interest of \$52,320 was capitalized during the year.

December 18, 2012, the TUA issued \$8,190,000 in revenue bonds with a variable interest rates from 1.75% to 2.35% and maturing November 1, 2026. The bonds were issued with a discount of \$48,592 which is being amortized over the life of the bonds beginning in 2013. Proceeds from the bonds were used to refund \$8,160,000 of bonds issued in 2004 with interest rates of 3% to 4.75%, resulting in interest savings in excess of \$1,000,000. The TUA is required to maintain sufficient utility rates so that net revenues meet or exceed 1.25 times the maximum annual debt service of \$655,740, which is \$819,675. For the year just ended, the TUA did meet these requirements.

June 30, 2008, the TUA entered into a lease purchase agreement for a new metering system for its electrical and water utility systems. The lease is for a maximum of \$1.2 million, with \$800,000 due over 10 years and \$400,000 due over 15 years. The lease carries an annual interest rate of 3.95% with a .05% administration fee. A monthly fee of \$6 per meter was established to retire the debt. Such fees are transferred to a debt service fund monthly and must be sufficient to maintain 120% of the annual lease payments. For the year just ended, the TUA did meet these requirements.

Debt service requirements to maturity for all debt are as follows:

	Principal	Interest
2015	750,514	279,637
2016	734,283	267,098
2017	758,606	247,982
2018	782,975	228,522
2019	713,636	210,217
2020-2024	3,827,112	791,607
2025-2029	2,866,345	303,575
2030-2034	999,906	72,027
	<u>11,433,377</u>	<u>2,400,665</u>

**The City of Tecumseh
Notes to the Financial Statements
As of and for the Year Ended December 31, 2014**

Short-term Debt

In May of 2014, the fire department received a \$30,000 loan of county fire tax funds from another fire department for the purchase of a fire truck. The loan is interest-free and is being repaid over 10 months using county fire tax funds.

Governmental Activities	Interest Rate	Maturity Date	Amount Issued	Outstanding	Security
Fire department	0.00%	03/31/2015	30,000	9,000	county fire taxes

6. Capital Assets

Capital asset activity for the year just ended is summarized as follows:

Governmental Activities	Beginning			Ending	Beginning			Ending	Book Value
	Balance	Additions	Disposals	Balance	Depreciation	Additions	Disposals	Depreciation	
Non-depreciable									
Construction in progress	26,620	304,879	0	331,499	0	0	0	0	331,499
Land	228,350	14,260	0	242,610	0	0	0	0	242,610
Total non-depreciable	254,970	319,139	0	574,109	0	0	0	0	574,109
Depreciable									
Land improvements	59,250	46,780	0	106,030	59,250	585	0	59,835	46,195
Buildings & bldg equipment	2,557,829	173,761	(90,853)	2,640,737	1,072,924	80,050	(23,849)	1,129,125	1,511,612
Equipment	2,196,026	255,494	(152,554)	2,298,966	1,354,837	126,782	(152,554)	1,329,065	969,901
Roads, bridges, sidewalks	2,233,309	257,989	0	2,491,298	324,315	110,216	0	434,531	2,056,767
Total depreciable	7,046,414	734,024	(243,407)	7,537,031	2,811,326	317,634	(176,403)	2,952,556	4,584,474
Total governmental	7,301,384	1,053,162	(243,407)	8,111,140	2,811,326	317,634	(176,403)	2,952,556	5,158,583
Business-type Activities									
Non-depreciable									
Construction in progress	1,306,615	3,226,134	(1,299,335)	3,233,414	0	0	0	0	3,233,414
Water rights	2,624,609	0	0	2,624,609	0	0	0	0	2,624,609
Land	241,369	122,603	(41,759)	322,212	0	0	0	0	322,212
Total non-depreciable	4,172,593	3,348,736	(1,341,094)	6,180,235	0	0	0	0	6,180,235
Depreciable									
Buildings & bldg equipment	101,000	0	0	101,000	68,100	2,440	0	70,540	30,460
Equipment	909,455	35,713	(5,000)	940,168	627,266	47,034	(5,000)	669,300	270,868
Equipment - capital lease	1,125,265	0	0	1,125,265	337,579	75,018	0	412,597	712,668
Utility systems	12,016,322	1,557,737	0	13,574,058	4,491,523	330,911	0	4,822,434	8,751,624
Total depreciable	14,152,042	1,593,450	(5,000)	15,740,491	5,524,469	455,403	(5,000)	5,974,872	9,765,620
Total business-type	18,324,635	4,942,186	(1,346,094)	21,920,726	5,524,469	455,403	(5,000)	5,974,872	15,945,855

**The City of Tecumseh
Notes to the Financial Statements
As of and for the Year Ended December 31, 2014**

Depreciation for the year just ended was as follows:

Governmental Activities		Business-type Activities	
General government	52,867	Administration	3,711
Police department	42,503	Sewer treatment plant	112,821
Fire department	64,896	Sewer & water lines	194,983
Code enforcement	0	Electric department	125,002
Emergency management	7,488	Water treatment plant	18,885
Street department	98,509	Economic development	0
Cemetery department	6,033		<u>455,403</u>
Park department	45,338		
	<u>317,634</u>		

7. Water Rights

The Pottawatomie County Development Authority (PCDA), Shawnee Municipal Authority (SMA), and TUA, entered into an agreement dated July 1, 1990, for construction of a reservoir for flood prevention, municipal water supply, and water-based recreation. The PCDA holds title to the reservoir and the SMA operates the reservoir and public raw water supply system. The SMA owns 85% of the water rights and the TUA owns 15% of the water rights. The project was financed with a grant of approximately \$3,267,840 from the Soil Conservation Service of the United States Department of Agriculture and by tax-exempt public purpose bonds of \$18,180,000. The SMA was to treat the water, retain its share, and deliver the TUA's 15% share to the TUA. To date, the TUA has not received any of the water.

During 2013, the TUA began purchasing easements for a raw water line from the reservoir to Tecumseh's water plant. Construction of the line was completed during 2014.

8. Pension Plans

Defined Contribution Pension Plans

Eligible city employees participate in the City of Tecumseh defined contribution pension plan in the form of the Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OMRF), administered by Bank One of Oklahoma City. Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. assigns the authority to establish and amend the benefit provisions of the plans that participate in the OMRF to the respective employer entities. All full-time regular employees of the city, other than the city manager, who are not covered by another plan, are eligible to participate in the OMRF and are fully vested after 10 years. Covered employees are required to contribute 4% of their gross payroll which the city pays for them. City contributions are variable and were 6% for the current year. Required employee contributions are 4%, with contributions over 4% optional. The payroll for city employees for the year was \$1,726,623. The payroll for city employees covered by the OMRF for the year was \$1,033,967. Actual city and employee contributions for the year were \$62,038 and \$41,359 respectively, equal to the required contributions for the year.

The City of Tecumseh
Notes to the Financial Statements
As of and for the Year Ended December 31, 2014

The city manager participates in the City of Tecumseh defined contribution pension plan in the form of the Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OMRF CMO), administered by Bank One of Oklahoma City. Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. assigns the authority to establish and amend the benefit provisions of the plans that participate in the OMRF CMO to the respective employer entities. The city manager is required to contribute 7.5% of his gross payroll which the city pays for him. City contributions are variable and are currently 7.5%. City manager contributions over 7.5% are optional. Covered payroll for the city manager for the year was \$81,238. Actual city and city manager contributions for the year were \$6,093 each, equal to the required contributions for the year.

Defined Benefit Pension Plans

Oklahoma Firefighters Pension and Retirement System (OFFPRS)

Plan Description. The city contributes to the Oklahoma Firefighters Pension and Retirement System (OFFPRS), a cost-sharing multiple-employer defined benefit pension plan administered by a 13-member board which acts as fiduciary for investment of funds and the application of plan interpretations. The OFFPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The OFFPRS is a component unit of the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. The OFFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained from their offices at 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105, or by calling 1-800-525-7461.

Funding Policy. Volunteer firefighters are not required to contribute, but the city is required to contribute \$60 per volunteer per year. The contribution requirement of the OFFPRS is an established rate determined by Oklahoma Statute and is not based on actuarial calculations. The city's contribution to the OFFPRS for the year ended December 31, 2014, 2013 and 2012 was \$960, \$1,080 and \$960 respectively, equal to the required contribution for each year.

Funding Policy. Paid firefighters are required to contribute 8% of eligible salary, while the city is required to contribute 13%. The contribution requirement of the OFFPRS is an established rate determined by Oklahoma Statute and is not based on actuarial calculations. The city and employee contributions for the year were \$21,880 and \$14,066 respectively, equal to the required contributions for the year. Eligible payroll was \$156,284.

Oklahoma Police Pension and Retirement System (OPPRS)

Plan Description. The city contributes to the Oklahoma Police Pension and Retirement System (OPPRS), a cost-sharing multiple-employer defined benefit pension plan administered by a 13-member board which acts as fiduciary for investment of funds and the application of plan interpretations. The OPPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The OPPRS is a component unit of the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, sections 50-103.1 et. seq. The OPPRS issues a publicly available financial report that includes financial statements and required

The City of Tecumseh
Notes to the Financial Statements
As of and for the Year Ended December 31, 2014

supplementary information for the plan and may be obtained from their offices at 1001 NW 63rd St., Suite 305, Oklahoma City, OK 73116, or by calling 1-800-347-6552.

Funding Policy. Police are required to contribute 8% of eligible salary, while the city is required to contribute 13%. The contribution requirement of the OPPRS is an established rate determined by Oklahoma Statute and is not based on actuarial calculations. The city and employee contributions for the year were \$38,693 and \$23,811 respectively, equal to the required contributions for the year. Eligible payroll was \$297,636.

9. Deferred Compensation Plan

The City provides a deferred compensation plan for its employees in accordance with Section 457 of the Internal Revenue Code that allows any employee to voluntarily defer receipt of up to 33 1/3% of gross compensation, not to exceed \$7,500 per year. Such deferred amount may be distributed to the employee upon retirement or other termination of employment, disability, death, or certain defined instances of financial hardship. All amounts of deferred compensation, property rights, and income attributable to such deferred compensation is the property of the City until paid to the employee or other beneficiary.

10. Workers' Compensation Plan

The City participates in the Oklahoma Municipal Assurance Group (OMAG) Workers' Compensation Plan (the Plan). The Plan became effective October 1, 1984. The purpose of the Plan is to provide workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year. A plan year normally begins at 12:01 am July 1 in any year and ends at midnight June 30 of the following year. The Plan, or its designated agent, has a right to audit at all reasonable times such books and records of the participant as necessary to determine the monies owed for benefits provided to the municipality or its employees.

Plan participants have the responsibility to pay fees set by the Plan and to pay those fees from funds appropriated for that purpose according to the established payment schedule. In addition, participants are responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. Participants have the right to the return of any Loss Funds set aside for claims which have not been paid out as benefits. Losses are limited to amounts set aside by the plan. City funds on deposit with OMAG at year end were \$54,288.

11. Budgets and Budgetary Accounting

The board of trustees adopts legally required annual operating budgets each year for each fund. The same generally accepted accounting principles basis of accounting used for fund financial reporting purposes is used for budgetary purposes. At the fund level, actual expenditures cannot

**The City of Tecumseh
Notes to the Financial Statements
As of and for the Year Ended December 31, 2014**

exceed budgeted appropriations at the department level. Budgetary transfers between departments of the same fund are approved by the board when required. Supplemental appropriations, if needed, are approved by the board and submitted to the state auditor's office as required by state statutes. All appropriations lapse at the end of the fiscal year. Encumbrance accounting is not used.

12. Inter-fund Activity

	General Fund	Street & Alley Fund	Utility Fund	TGDA Fund	Net Transfers
General operations	450,000	0	(450,000)	0	0
TIF taxes	(82,745)	0	0	82,745	0
Capital assets	200,151	(200,151)	0	0	0
Capital grants	313,526	0	(313,526)	0	0
	<u>880,932</u>	<u>(200,151)</u>	<u>(763,526)</u>	<u>82,745</u>	<u>0</u>

	General Fund	Street & Alley Fund	Utility Fund	TGDA Fund	Net Internal Balances
TIF taxes	(3,370)	0	0	3,370	0

13. Subsequent Events

Management performed an evaluation of the City's activity through August 20, 2015, the date the audit report was available to be released, and has concluded that there are no significant subsequent events requiring disclosure through that date.

14. Prior Period Adjustments

The following prior period adjustments were made to the financial statements:

	General Fund	TGDA Fund
Medical clinic sold in prior year	67,004	
Correction of property sold in prior year - only 25% of the property was sold		120,180

CITY OF TECUMSEH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Accrual Basis)

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	REVENUES	EXPENSES
U.S. Department of Housing and Urban Development <i>Oklahoma Department of Commerce</i>				
Community Development Block Grants/State's Program	14.228	15663 CDBG 13	9,250	9,250
Total U.S. Department of Housing and Urban Development			<u>9,250</u>	<u>9,250</u>
U.S. Department of Transportation <i>Oklahoma Highway Safety Office</i>				
State and Community Highway Safety	20.600	OP-14-03-18-04	3,999	3,999
NHTSA Discretionary Safety Grants	20.600	SE-15-03-06-05	9,688	9,688
Total 20.600			<u>13,687</u>	<u>13,687</u>
Impaired Driving Enforcement	20.608	164AL-14-03-07-04	8,892	8,892
Total U.S. Department of Transportation			<u>22,579</u>	<u>22,579</u>
U.S. Department of Homeland Security <i>Oklahoma Department of Civil Emergency Management</i>				
Assistance to Firefighters Grant - FF equipment	97.044	EMW-2009-FO-00535	3,735	3,735
TOTAL FEDERAL AWARDS			<u><u>35,564</u></u>	<u><u>35,564</u></u>

**CITY OF TECUMSEH
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (Accrual Basis)**

STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	GRANTOR'S NUMBER	REVENUES	EXPENSES
Oklahoma Department of Commerce <i>Central Oklahoma Economic Development District</i> Community Expansion of Nutrition Assistance (CENA)	2013-2014 CENA	4,950	4,950
Rural Economic Action Plan	13-14 REAP 30	45,000	45,000
Total Oklahoma Department of Commerce		<u>49,950</u>	<u>49,950</u>
 Oklahoma Department of Agriculture N/A			
Rural Fire Defense		4,484	4,484
 TOTAL STATE AWARDS		<u><u>54,434</u></u>	<u><u>54,434</u></u>

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

To the City Council
City of Tecumseh, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Tecumseh, Oklahoma, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise City of Tecumseh, Oklahoma's basic financial statements, and have issued our report thereon dated August 20, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Small & Williams CPAs, PC

Oklahoma City, Oklahoma
August 20, 2015