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# **THE CITY OF TECUMSEH**

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

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## **FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019**

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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 modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tecumseh, Oklahoma, as of and for the year ended December 31, 2019, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the 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 in the first paragraph present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tecumseh, Oklahoma, as of December 31, 2019, and the respective changes in modified cash basis

financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1C2a.

### **Basis of Accounting**

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

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the City of Tecumseh, Oklahoma's basic financial statements. The budgetary comparison schedules on pages 24 through 27 and the schedules of expenditures of federal awards and state awards on page 28 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2020, 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  
March 23, 2020

**THE CITY OF TECUMSEH  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
DECEMBER 31, 2019**

	Governmental Activities	Business-type Activities	Total 2019
<b>ASSETS</b>			
Current assets:			
Cash and demand deposits	452,411	2,171,997	2,624,408
Certificates of deposit	486,112	1,127,745	1,613,857
Restricted cash and investments	145,089	1,802,266	1,947,355
Internal balances	(201)	201	0
Total current assets	1,083,411	5,102,209	6,185,620
Noncurrent assets:			
Capital assets:			
Depreciable capital assets	14,422,312	19,728,165	34,150,477
Accumulated depreciation	(5,658,814)	(8,764,610)	(14,423,424)
Land	242,610	439,099	681,709
Water rights	0	2,624,609	2,624,609
Construction in progress	23,233	17,489	40,722
Net capital assets	9,029,341	14,044,752	23,074,093
Total assets	10,112,752	19,146,961	29,259,713
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	8,331	6,524	14,855
Current portion of notes payable	0	739,393	739,393
Accrued interest payable	0	43,110	43,110
Total current liabilities	8,331	789,027	797,358
Noncurrent liabilities:			
Refundable deposits	0	530,971	530,971
Notes payable, less current portion	0	6,953,970	6,953,970
Bond discount	0	(24,296)	(24,296)
Total noncurrent liabilities	0	7,460,645	7,460,645
Total liabilities	8,331	8,249,672	8,258,003
<b>NET POSITION</b>			
Net investment in capital assets	9,029,341	6,351,389	15,380,730
Restricted for:			
Fire department	92,706	0	92,706
Retirement plan	2,756	0	2,756
Streets	182,586	0	182,586
Cemetery	491,094	0	491,094
Debt	0	1,802,266	1,802,266
Unrestricted	305,938	2,743,634	3,049,572
<b>TOTAL NET POSITION</b>	<b>\$10,104,421</b>	<b>\$10,897,289</b>	<b>\$21,001,710</b>

The accompanying notes are an integral part of these financial statements

**THE CITY OF TECUMSEH  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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 2019
<b>Governmental activities:</b>							
General government	(448,842)	19,979	4,000	0	(424,863)	0	(424,863)
Court	(73,131)	200,563	0	0	127,432	0	127,432
Police	(975,596)	41,770	104,521	0	(829,305)	0	(829,305)
Fire	(501,592)	1,075	133,921	0	(366,596)	0	(366,596)
Code enforcement	(211,182)	55,847	0	0	(155,335)	0	(155,335)
Emergency management	(15,773)	0	0	0	(15,773)	0	(15,773)
Streets	(593,433)	0	59,326	45,000	(489,107)	0	(489,107)
Cemetery	(183,756)	71,495	0	0	(112,261)	0	(112,261)
Park	(254,956)	0	0	48,000	(206,956)	0	(206,956)
<b>Total governmental activities</b>	<b>(3,258,261)</b>	<b>390,729</b>	<b>301,768</b>	<b>93,000</b>	<b>(2,472,764)</b>	<b>0</b>	<b>(2,472,764)</b>
<b>Business-type activities:</b>							
Sewer *	(935,215)	608,914	0	0	0	(326,301)	(326,301)
Electric **	(2,785,956)	3,627,266	20,000	0	0	861,310	861,310
Water ***	(1,057,065)	1,105,148	0	0	0	48,083	48,083
Trash	(503,496)	588,536	0	0	0	85,040	85,040
Economic development	(53,600)	0	0	0	0	(53,600)	(53,600)
<b>Total business-type activities</b>	<b>(5,335,332)</b>	<b>5,929,864</b>	<b>20,000</b>	<b>0</b>	<b>0</b>	<b>614,532</b>	<b>614,532</b>
<b>Total all activities</b>	<b>(8,593,593)</b>	<b>6,320,593</b>	<b>321,768</b>	<b>93,000</b>	<b>(2,472,764)</b>	<b>614,532</b>	<b>(1,858,232)</b>
<b>General revenues:</b>							
<b>Taxes:</b>							
Sales taxes levied for general purposes					712,754	0	712,754
Sales taxes levied for capital improvements					351,591	0	351,591
Use taxes restricted for streets					153,001	0	153,001
Franchise and public service taxes					66,328	0	66,328
Tax incremental financing					139,680	0	139,680
Payments in lieu of taxes for general purposes					115,812	0	115,812
Fees and miscellaneous					80,852	357,665	438,517
Investment income					17,617	67,931	85,548
Transfers					218,508	(218,508)	0
<b>Total general revenues and transfers</b>					<b>1,856,143</b>	<b>207,088</b>	<b>2,063,231</b>
Change in net position					(616,621)	821,620	204,999
Beginning net position					10,721,042	10,075,669	20,796,711
Prior period adjustments					0	0	0
<b>Ending net position</b>					<b>\$10,104,421</b>	<b>\$10,897,289</b>	<b>\$21,001,710</b>

\* Includes \$117,918 interest

\*\* Includes \$2,665 interest

\*\*\* Includes \$93,105 interest

The accompanying notes are an integral part of these financial statements

**THE CITY OF TECUMSEH  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	General Fund	Other Funds	Total 2019
<b>ASSETS</b>			
Cash and demand deposits	64,843	387,568	452,411
Certificates of deposit	200,000	286,112	486,112
Restricted cash and investments	145,089	0	145,089
<b>Total assets</b>	<b>409,932</b>	<b>673,680</b>	<b>1,083,612</b>
<b>LIABILITIES</b>			
Accounts payable	8,331	0	8,331
Due to other funds	201	0	201
<b>Total liabilities</b>	<b>8,532</b>	<b>0</b>	<b>8,532</b>
<b>FUND BALANCE</b>			
Restricted for:			
Fire department	92,706	0	92,706
Retirement plan	2,756	0	2,756
Streets	0	182,586	182,586
Cemetery	0	491,094	491,094
Unrestricted			
Unassigned	305,938	0	305,938
<b>Total fund balance</b>	<b>401,400</b>	<b>673,680</b>	<b>1,075,080</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$409,932</b>	<b>\$673,680</b>	<b>\$1,083,612</b>
<b>Reconciliation of general fund balance to net position of governmental activities:</b>			
Fund balance	401,400	673,680	1,075,080
Capital assets	14,688,155	0	14,688,155
Accumulated depreciation	(5,658,814)	0	(5,658,814)
<b>Net position</b>	<b>\$9,430,741</b>	<b>\$673,680</b>	<b>\$10,104,421</b>

The accompanying notes are an integral part of these financial statements

**THE CITY OF TECUMSEH  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General Fund	Other Funds	Total 2019
<b>REVENUES</b>			
Taxes	779,083	153,001	932,084
Restricted taxes	491,271	0	491,271
Payments in lieu of taxes	115,812	0	115,812
Intergovernmental	85,049	59,326	144,375
Grants	133,399	0	133,399
Fines and fees	200,563	0	200,563
Licenses and permits	48,846	0	48,846
Rents and royalties	19,979	0	19,979
Cemetery fees	55,285	16,211	71,496
Interest	5,860	11,757	17,617
Other revenues	254,824	0	254,824
<b>TOTAL REVENUES</b>	<b>2,189,971</b>	<b>240,295</b>	<b>2,430,266</b>
<b>EXPENDITURES</b>			
General government	387,616	0	387,616
Court	72,331	0	72,331
Police	911,866	0	911,866
Fire	408,295	0	408,295
Code enforcement	205,116	0	205,116
Emergency management	8,985	0	8,985
Streets	218,671	0	218,671
Cemetery	178,395	0	178,395
Park	182,500	0	182,500
Capital outlay	410,909	0	410,909
<b>TOTAL EXPENDITURES</b>	<b>2,984,684</b>	<b>0</b>	<b>2,984,684</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(794,713)</b>	<b>240,295</b>	<b>(554,418)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund transfers	393,508	(175,000)	218,508
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>393,508</b>	<b>(175,000)</b>	<b>218,508</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(401,205)</b>	<b>65,295</b>	<b>(335,910)</b>
<b>BEGINNING FUND BALANCE</b>	<b>802,605</b>	<b>608,385</b>	<b>1,410,990</b>
<b>ENDING FUND BALANCE</b>	<b>\$401,400</b>	<b>\$673,680</b>	<b>\$1,075,080</b>
<b>Reconciliation of the change in the general fund balance to the change in net position of governmental activities:</b>			
Net change in fund balances - total governmental funds	(401,205)	65,295	(335,910)
Capital asset purchases capitalized	410,909	0	410,909
Sale of capital assets	(13,725)	0	(13,725)
Gain on disposal of capital assets	11,335	0	11,335
Depreciation expense	(689,230)	0	(689,230)
<b>Change in net position of governmental activities</b>	<b>(\$681,916)</b>	<b>\$65,295</b>	<b>(\$616,621)</b>

The accompanying notes are an integral part of these financial statements



**THE CITY OF TECUMSEH  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2019**

	Tecumseh Utility Authority	Tecumseh Growth & Development Authority	Total 2019
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	1,623,091	548,906	2,171,997
Certificates of deposit	1,019,818	107,927	1,127,745
Cash and investments restricted for debt	1,802,266	0	1,802,266
Due from other funds	0	201	201
Total current assets	4,445,175	657,034	5,102,209
Noncurrent assets:			
Capital assets:			
Depreciable property and equipment	19,728,165	0	19,728,165
Accumulated depreciation	(8,764,610)	0	(8,764,610)
Land	151,339	287,760	439,099
Water rights	2,624,609	0	2,624,609
Construction in progress	17,489	0	17,489
Net capital assets	13,756,992	287,760	14,044,752
Total assets	18,202,167	944,794	19,146,961
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	6,524	0	6,524
Current portion of debt	739,393	0	739,393
Accrued interest payable	43,110	0	43,110
Total current liabilities	789,027	0	789,027
Noncurrent liabilities:			
Refundable deposits	530,971	0	530,971
Debt, less current portion	6,953,970	0	6,953,970
Bond discount	(24,296)	0	(24,296)
Total noncurrent liabilities	7,460,645	0	7,460,645
Total liabilities	8,249,672	0	8,249,672
<b>NET POSITION</b>			
Net investment in capital assets	6,063,629	287,760	6,351,389
Restricted for:			
Debt service	1,802,266	0	1,802,266
Unrestricted	2,086,600	657,034	2,743,634
Total net position	\$9,952,495	\$944,794	\$10,897,289

The accompanying notes are an integral part of these financial statements

**THE CITY OF TECUMSEH  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Tecumseh Utility Authority	Tecumseh Growth & Development Authority	Total 2019
<b>OPERATING REVENUES</b>			
Electric	3,627,266	0	3,627,266
Sewer	608,914	0	608,914
Trash	588,536	0	588,536
Water	1,105,148	0	1,105,148
Connection fees	34,463	0	34,463
Late payment fees	118,022	0	118,022
Other income	225,181	0	225,181
Total operating revenues	<u>6,307,530</u>	<u>0</u>	<u>6,307,530</u>
<b>OPERATING EXPENSES</b>			
Administration	731,226	3,600	734,826
Sewer treatment plant	399,028	0	399,028
Sewer & water lines	470,926	0	470,926
Electric	2,598,484	0	2,598,484
Water treatment plant	543,691	0	543,691
Trash	320,690	0	320,690
Economic development	0	50,000	50,000
Total operating expenses	<u>5,064,045</u>	<u>53,600</u>	<u>5,117,645</u>
<b>OPERATING INCOME (LOSS)</b>	1,243,485	(53,600)	1,189,885
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	64,802	3,129	67,931
Interest expense	(213,688)	0	(213,688)
Trustee fees	(4,000)	0	(4,000)
Total non-operating revenues (expenses)	<u>(152,886)</u>	<u>3,129</u>	<u>(149,757)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	1,090,599	(50,471)	1,040,128
Interfund transfers	(358,389)	139,881	(218,508)
<b>CHANGE IN NET POSITION</b>	<u>732,210</u>	<u>89,410</u>	<u>821,620</u>
<b>BEGINNING NET POSITION</b>	9,220,285	855,384	10,075,669
<b>ENDING NET POSITION</b>	<u>\$9,952,495</u>	<u>\$944,794</u>	<u>\$10,897,289</u>

The accompanying notes are an integral part of these financial statements

**THE CITY OF TECUMSEH  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Tecumseh Utility Authority	Tecumseh Growth & Development Authority	Total 2019
Cash flows from operations:			
Cash received from:			
Customers	6,287,530	0	6,287,530
Other operating receipts	20,000	0	20,000
Cash payments for:			
Goods and services	(3,584,275)	(50,000)	(3,634,275)
Employees	(759,980)	(3,600)	(763,580)
Net cash provided from operations	1,963,275	(53,600)	1,909,675
Cash flows from capital financing activities:			
Capital expenditures	(74,350)	0	(74,350)
Net transfers to restricted accounts	(1,577,122)	0	(1,577,122)
Net cash from capital financing activities	(1,651,472)	0	(1,651,472)
Cash flows from non-capital financing activities:			
Interfund transfers	(358,389)	139,680	(218,709)
Net cash from non-capital financing activities	(358,389)	139,680	(218,709)
Cash flows from investing activities:			
Redeem certificates of deposit	0	0	0
Purchase certificates of deposit	(800,000)	0	(800,000)
Interest income	10,808	2,941	13,749
Net cash provided from investing activities	(789,192)	2,941	(786,251)
Net increase (decrease) in cash	(835,778)	89,021	(746,757)
Beginning cash	2,458,869	459,885	2,918,754
Ending cash	<u>\$1,623,091</u>	<u>\$548,906</u>	<u>\$2,171,997</u>
Reconciliation of income from operations to net cash from operations:			
Operating income (loss)	1,243,485	(53,600)	1,189,885
Adjustments to income from operations:			
Depreciation and amortization	605,034	0	605,034
Change in assets and liabilities:			
(Increase) decrease in interfund receivables	75,207	0	75,207
(Increase) decrease in prepaid expenses	5,000	0	5,000
Increase (decrease) in payables	11,523	0	11,523
Increase (decrease) in refundable deposits	23,026	0	23,026
Net cash provided by operations	<u>\$1,963,275</u>	<u>(\$53,600)</u>	<u>\$1,909,675</u>
** Activity in debt service accounts:	<u>Total</u>		
Beginning cash and investments	1,126,969		
From operating accounts	1,577,122		
Principal payments	(713,635)		
Interest payments	(213,367)		
Bank fees	(3,500)		
Correction of bank error	1,724		
Investment income	26,953		
Ending cash and investments	<u>\$1,802,266</u>		

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

The accompanying notes are an integral part of these financial statements

**City of Tecumseh**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2019**

**1. Summary of Significant Accounting Policies**

**1A. Introduction**

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 using the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP in substance but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting. Generally, that means that only items arising from cash transactions are recorded. Accounts receivable and accounts payable, for instance, are not recorded.

**1B. 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 GASB-61. 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.

**1B1. Blended Component Units**

The Tecumseh Utility Authority (TUA) was established June 4<sup>th</sup>, 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

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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.

**1B2. 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.

**1C. Basis of Presentation**

**1C1. Fund Accounting**

The City uses fund accounting to maintain its financial records. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses. The City's funds are organized into two categories: governmental and proprietary. Within these categories, funds are further defined as major or non-major. The emphasis in fund financial statements is on major funds in either the governmental or business-type activities categories as defined by GASB 34. The City has five governmental funds and two business-type funds.

**1C2. Basis of Accounting and Measurement Focus**

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. Measurement focus is a term used to describe which transactions are recorded.

**1C2a. Modified Cash Basis of Accounting**

The modified cash basis of accounting is a comprehensive basis of accounting other than GAAP and is a modification of the pure cash basis of accounting. Professional standards define the cash basis of accounting as *a basis of accounting an entity uses to record cash receipts and disbursements, and modifications of the cash basis having substantial support (for example, recording depreciation on fixed assets.)* Although the modified cash basis of accounting is not separately defined by professional standards, the modifications to the cash basis have evolved over time through common practice, and generally result when cash receipts or disbursements provide a benefit or obligation covering multiple reporting periods, and the reporting of the cash transaction would be more meaningful to financial statement users if spread over those multiple periods.

For modifications to be considered to have substantial support, they should:

1. be made as a result of cash receipts or disbursements;

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2. have substantial support in GAAP or other accounting literature; and
3. be logical.

**1C3. Government-wide Financial Statements**

The government-wide financial statements are highly aggregated financial statements that present financial information for all assets, deferred outflows, liabilities, deferred inflows, and net assets using the economic resources measurement focus within the limitations of the modified cash basis of accounting. This means that revenues are recorded when received and expenses, with the exception of capitalizing and depreciating capital assets, are recorded when paid. The government-wide financial statements required are the statement of net assets and the statement of activities. These financial statements are designed to help users assess the finances of a government in its entirety, including the year's operating results; determine whether the government's overall financial position improved or deteriorated; and evaluate whether the government's current-year revenues were sufficient to pay for current year services. They are also designed to help users assess the cost of providing services to its citizenry; determine how the government finances its programs; understand the extent to which the government has invested in capital assets; and make better comparisons between governments.

**1C4. Governmental Fund Financial Statements**

The governmental fund financial statements focus primarily on the sources, uses, and balances of current financial resources. They are presented using the current financial resources measurement focus and the modified cash basis of accounting. Revenues are recognized when they are received and expenditures are recorded when paid. The financial statements required for governmental funds are the balance sheet and the statement of revenues, expenditures, and changes in fund balance. The governmental fund balance sheet does not present capital assets or long-term liabilities. Instead, the statement of revenues, expenditures and changes in fund balance reports the financial resource inflows and outflows arising from the disposition and acquisition of capital assets, the issuance and repayment of long-term debt, and maturation of non-debt long-term liabilities. Capital assets and long-term liabilities associated with and generally arising from activities reported in governmental funds are reported only in the government-wide financial statements.

**1C5. Proprietary Fund Financial Statements**

The proprietary funds utilize an economic resources measurement focus within the limitations of the modified cash basis of accounting, the objectives of which involves the determination of operating income, changes in net position, net position, and cash flows. The accounting principles applicable are those similar to businesses in the private sector. The City maintains two proprietary funds, 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.

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**1D. 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.

**1E. 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.

**1F. 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.

**1G. 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.

**1H. Equity Classifications**

In the government-wide statements, equity is classified as net position and reported in three components as follows:

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1. Net investment in capital assets – Capital assets, net of accumulated depreciation, are reduced by the outstanding balances of any debt attributable to their acquisition, construction, or improvement.
2. Restricted – Net assets that have had constraints placed upon them either by external sources such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.
3. Unrestricted – All other net assets that do not meet the definition of the previous two classifications.

In the fund financial statements, governmental fund equity is classified as fund balance and reported as needed in five components as follows:

1. Nonspendable – amounts not in a spendable form, or legally or contractually required to be maintained intact.
2. Restricted – constraints placed on fund balance are externally imposed by creditors, grantors, or other governments; or are imposed by law through constitutional provisions or enabling legislation.
3. Committed – amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the individual government's highest level of decision-making authority.
4. Assigned – constraints placed on fund balance are imposed by the government's intent that it be used for specific purposes but are neither restricted nor committed. An individual government must define and disclose how it expresses its intent for purposes of making assignments. For the Town, this intent is expressed by the use of purchase orders encumbering amounts for assigned purposes as approved by the board of trustees.
5. Unassigned – remaining fund balance in excess of all other classifications.

**11. Revenues and Expenditures**

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



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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.

**1J. Use of Restricted Resources**

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. When both assigned and unassigned resources are available for use, it is the government's policy to use assigned resources first, and then unassigned resources as needed.

**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.

**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 \$4,575,513 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. The City had deposits of \$854,117 that were not insured or collateralized, but were trust accounts invested in treasury deposits that met the requirements of legal collateral .

**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 \$95,481, \$31,977, and \$664,627 respectively, for a total of \$792,086. 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 \$948,150.

Reserves for payment of the Oklahoma Water Resources Board loan are deposited in a debt service account which is drafted semi-annually for the principal and interest payments. The balance at December 31 is \$62,030.

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Meter deposits of \$530,971 are secured by \$200,000 of certificates of deposit and operating cash.

**4. Restricted Sales Taxes**

A 1% sales tax amended by the city in 1993 is restricted “to make capital improvements to the water, sanitary sewer and electric systems and streets, public safety, parks and recreation properties of the City of Tecumseh, Oklahoma, and to pay the principal or the interest on indebtedness incurred for said purposes on behalf of said city”. It is currently pledged to the 2012 bonds.

**5. County Fire Department Sales Tax Funds**

County sales taxes restricted for the city’s fire department are reported in the city’s financial statements for accountability and control purposes. The county spends the funds for city operations at the city’s request and title for all equipment purchased with these funds resides with the city. Balances reflected in the financial statements are: cash - \$92,706; intergovernmental revenues - \$44,140; expenditures: \$20,210.

**6. 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 \$65,101 were made for building and equipment damages.

**7. Capital Assets**

Depreciation for the year just ended was as follows:

<b>Governmental Activities</b>		<b>Business-type Activities</b>	
General government	61,225	Administration	17,952
Court department	800	Sewer treatment plant	112,321
Police department	63,730	Sewer & water lines	230,350
Fire department	93,297	Electric department	150,680
Code enforcement	6,066	Water treatment plant	93,731
Emergency management	6,788	Economic development	0
Street department	379,504		<u>605,034</u>
Cemetery department	5,361		
Park department	72,458		
	<u>689,230</u>		

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

	Beginning Balance	Additions	Disposals	Ending Balance	Beginning Depreciation	Additions	Disposals	Ending Depreciation	Book Value
<b>Governmental Activities</b>									
Non-depreciable									
Construction in progress	14,233	9,000	0	23,233	0	0	0	0	23,233
Land	242,610	0	0	242,610	0	0	0	0	242,610
<b>Total non-depreciable</b>	<b>256,843</b>	<b>9,000</b>	<b>0</b>	<b>265,843</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>265,843</b>
Depreciable									
Land improvements	106,030	0	0	106,030	64,513	1,170	0	65,682	40,348
Buildings & bldg equipment	2,783,131	23,839	0	2,806,970	1,473,808	86,548	0	1,560,357	1,246,614
Equipment	3,215,479	238,956	(23,899)	3,430,535	1,915,721	202,914	(21,509)	2,097,126	1,333,410
Roads, bridges, sidewalks	7,939,663	139,114	0	8,078,777	1,537,052	398,598	0	1,935,650	6,143,127
<b>Total depreciable</b>	<b>14,044,303</b>	<b>401,909</b>	<b>(23,899)</b>	<b>14,422,313</b>	<b>4,991,094</b>	<b>689,230</b>	<b>(21,509)</b>	<b>5,658,815</b>	<b>8,763,498</b>
<b>Total governmental</b>	<b>14,301,146</b>	<b>410,909</b>	<b>(23,899)</b>	<b>14,688,156</b>	<b>4,991,094</b>	<b>689,230</b>	<b>(21,509)</b>	<b>5,658,815</b>	<b>9,029,341</b>
<b>Business-type Activities</b>									
Non-depreciable									
Construction in progress	54,935	5,459	(42,905)	17,489	0	0	0	0	17,489
Water rights	2,624,609	0	0	2,624,609	0	0	0	0	2,624,609
Land	439,099	0	0	439,099	0	0	0	0	439,099
<b>Total non-depreciable</b>	<b>3,118,644</b>	<b>5,459</b>	<b>(42,905)</b>	<b>3,081,197</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,081,197</b>
Depreciable									
Buildings & bldg equipment	175,417	52,105	0	227,522	90,890	8,155	0	99,045	128,476
Equipment	1,139,918	59,691	0	1,199,609	821,963	74,671	0	896,634	302,975
Equipment - capital lease	1,125,265	0	0	1,125,265	712,668	75,018	0	787,685	337,579
Utility systems	17,175,770	0	0	17,175,770	6,534,055	447,191	0	6,981,245	10,194,525
<b>Total depreciable</b>	<b>19,616,369</b>	<b>111,796</b>	<b>0</b>	<b>19,728,165</b>	<b>8,159,576</b>	<b>605,034</b>	<b>0</b>	<b>8,764,610</b>	<b>10,963,555</b>
<b>Total business-type</b>	<b>22,735,013</b>	<b>117,255</b>	<b>(42,905)</b>	<b>22,809,362</b>	<b>8,159,576</b>	<b>605,034</b>	<b>0</b>	<b>8,764,610</b>	<b>14,044,753</b>

**8. 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 treats the water, retains its share, and the TUA's 15% share is available as needed.

**9. Long-term Debt**

Business-type	Interest Rate	Maturity Date	Amount Issued	Outstanding	Security
Sewer system	1.75 - 2.35%	11/1/26	8,141,408	4,805,000	utility revenues - 1cent sales tax
Water system	3.14%	3/15/34	3,604,457	2,772,596	utility revenues - 1cent sales tax
Water/Electric	3.95%	6/1/23	1,138,661	115,767	utility fee

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Long-term debt activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Sewer system bonds payable	5,340,000	0	(535,000)	4,805,000	555,000
OWRB water system note	2,921,042	0	(148,446)	2,772,596	152,963
Meter project note payable	145,957	0	(30,190)	115,767	31,430
	<u>\$8,406,999</u>	<u>\$0</u>	<u>(\$713,636)</u>	<u>\$7,693,363</u>	<u>\$739,393</u>

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.

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.

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.

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

	Principal	Interest
2020	739,393	193,882
2021	755,838	177,413
2022	777,256	159,406
2023	775,981	139,977
2024	778,644	120,929
2025-2029	2,866,345	303,575
2030-2034	999,906	72,027
	<u>7,693,363</u>	<u>1,167,209</u>

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**10. 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. Employee contributions over 4% are optional. The payroll for city employees for the year was \$1,967,327. The payroll for city employees covered by the OMRF for the year was \$1,158,452. Actual city and employee contributions for the year were \$69,507, and \$46,338 respectively, equal to the required contributions for the year.

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 10%. City manager contributions over 7.5% are optional. Covered payroll for the city manager for the year was \$91,825. Actual city and city manager contributions for the year were \$9,183 and \$6,887 respectively, equal to the required contributions for the year.

**Defined Benefit Pension Plans**

**Oklahoma Firefighters Pension and Retirement System (OFPRS)**

*Plan description.* The city contributes to the Oklahoma Firefighters Pension and Retirement System (OFPRS), a state-wide 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 OFPRS is a component unit of the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained at [www.ok.gov/fprs](http://www.ok.gov/fprs).

*Benefits provided.* OFPRS provides retirement, disability, and death benefits to members of the plan. A paid firefighter with 20 years of credited service is entitled to 50% or 2.5% of final average salary. "Final average salary" means the highest 30 consecutive months of the last 60 months of credited service. A paid firefighter with more than 20 years of service will receive an additional 2.5% for each year of credited service not to exceed 30 years or 75%.

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A disability in line of duty pension for a paid firefighter is 50% of the average monthly salary which was paid to the firefighter during the last 30 months of service. For a paid firefighter with over 20 years of service, the pension is the same as a regular service pension.

A disability not in the line of duty pension is 50% of the average monthly salary which was paid to the firefighter during the last 60 months of service if the firefighter has less than 20 years of credited service. Firefighters with over 20 years of service do not qualify.

Volunteer firefighters retiring after 20 years of service receive a pension in the amount retired volunteers are receiving at the time the volunteer begins to receive a pension for each year of credited service not to exceed 30 years. The amount is subject to change each year and shall not be less than what retired volunteers were receiving on July 1, 2008. A copy of the payment schedule is available from OFPRS.

A disability in line of duty pension for volunteer firefighters is paid the same as a 20-year volunteer service pension unless the volunteer has more than 20 years of credited service, in which case the benefit would be the same as a volunteer retiring after 20 years of service.

A firefighter is not entitled to a pension benefit unless the firefighter has completed 10 years of credited service, except for a line of duty disability benefit. A firefighter with 10 or more years of credited service who terminates service with less than 20 years of credited service may apply for a vested benefit. A vested benefit entitles a firefighter to receive a monthly retirement annuity once the firefighter reaches 50 years of age or the date the firefighter would have completed 20 years of uninterrupted employment, whichever is later. A vested benefit for a paid firefighter is 2.5% of the final average salary multiplied by the number of years of credited service. A vested benefit for a volunteer is a flat amount determined by the OFPRS for each year of service.

A \$5,000 lump sum death benefit is payable to a qualified beneficiary upon a firefighters death, except for those receiving a vested benefit.

Contributions. The contribution requirements of the OFPRS are determined by Oklahoma Statutes and are not based on actuarial calculations. Paid firefighters are required to contribute 9% of covered compensation to the Plan while the City is required to contribute 14%. Since the City also has volunteer firefighters, the City is required to contribute \$60 per volunteer per year. Volunteers are not required to contribute. The City's actual contributions to OFPRS for the year ended December 31, 2019 were \$24,889 and employee contributions were \$16,000. Contributions for 15 volunteer firefighters were \$900.

**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 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

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available financial report that includes financial statements and required supplementary information for the plan and may be obtained at [www.ok.gov/opprs](http://www.ok.gov/opprs).

**Benefits provided.** OPPRS provides retirement, disability, and death benefits to members of the plan. Normal retirement begins at age 50, or after 20 years of service, whichever is later. Benefits are 2.5% of the highest average salary multiplied by the years of credited service. Highest average salary is the highest consecutive 30 months of salary from the last 60 months of employment.

Members are vested after 10 years of service. Member contributions are refundable without interest upon termination prior to normal retirement. Members who have completed 10 years of service may elect a vested benefit in lieu of having their contributions refunded. A vested benefit begins when a member reaches the age of 50, or the date the member would have had 20 years of credited service, whichever is later.

Duty disability does not have a minimum service requirement and is paid at 50%, 75%, or 100% of a normal 20-year retirement benefit based on an impairment rating. Non-duty disability requires a minimum 10 years of service and is paid at 25%, 50%, 75%, 90%, or 100% based on an impairment rating.

Benefits for a duty related death include a \$5,000 death benefit and a normal 20-year retirement benefit. Non-duty related death benefits require a minimum 10 years of service and include a \$5,000 death benefit and accrued retirement benefits. Members with less than 10 years' service will receive a refund of member contributions and a \$5,000 death benefit. The beneficiary of a retired member will receive a \$5,000 death benefit.

**Contributions.** The contribution requirements of the OPPRS are determined by Oklahoma Statutes and are not based on actuarial calculations. Participants are required to contribute 8% of covered compensation to the Plan while the City is required to contribute 13%. The City's actual contributions to OPPRS for the year ended December 31, 2019 were \$47,763 and employee contributions were \$29,393.

**City of Tecumseh Retiree Only Plan (Plan)**

**Plan description.** The city contributes to the City of Tecumseh Retiree Only Plan, an agent defined benefit pension plan administered by the Oklahoma Municipal Retirement Fund (OkMRF). OkMRF issues a publicly available financial report that includes financial statements and required supplementary information for the Plan and may be obtained at [www.okmrf.org/reports.html](http://www.okmrf.org/reports.html).

**Plan benefits.** The Plan provides retirement benefits to 8 retirees, with a minimum benefit of 60 monthly payments calculated at 2.25% of average monthly compensation multiplied by years of service. No cost of living option is provided. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101 et seq.

**City of Tecumseh**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2019**

Contributions. The Plan is closed to new entrants and no additional employee contributions are required or allowed. Actuarially determined City contributions for the year were \$8,839.

**11. 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.

**12. Budgets and Budgetary Accounting**

The board of trustees adopts legally required annual operating budgets each year for each fund. The same modified cash basis of accounting used for fund financial reporting purposes is used for budgetary purposes. At the fund level, actual expenditures cannot 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. There were 4 general fund amendments during the year; 2 street and alley fund amendments; and none for the cemetery funds.

**13. Inter-fund Activity**

Inter-fund Transfers	General Fund	Street & Alley Fund	Utility Fund	TGDA Fund	Net Transfers
General operations	343,750	0	(343,750)	0	0
TIF taxes	(139,881)	0	0	139,881	0
Sales taxes for debt	(351,591)	0	351,591	0	0
Sales taxes for debt	351,591	0	(351,591)	0	0
Capital assets	175,000	(175,000)	0	0	0
Capital assets	14,639	0	(14,639)	0	0
	<u>393,508</u>	<u>(175,000)</u>	<u>(358,389)</u>	<u>139,881</u>	<u>0</u>

Interfund Receivables and Payables	General Fund	Street & Alley Fund	Utility Fund	TGDA Fund	Net Internal Balances
TIF taxes	(201)	0	0	201	0



**City of Tecumseh**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2019**

**14. Subsequent Events**

Management performed an evaluation of the City's activity through March 12, 2020, 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.

**THE CITY OF TECUMSEH  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Budget	Budget Basis Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	777,000	777,000	779,083	2,083
Restricted taxes	450,000	450,000	491,271	41,271
Payments in lieu of taxes	90,000	90,000	115,812	25,812
Shared taxes	69,500	69,500	85,049	15,549
Grants	165,000	165,000	133,399	(31,601)
Fines and fees	254,000	254,000	200,563	(53,437)
Licenses and permits	39,000	39,000	48,846	9,846
Rents and royalties	10,000	10,000	19,979	9,979
Cemetery fees	50,000	50,000	55,285	5,285
Interest	2,500	2,500	5,860	3,360
Other revenues	296,000	309,725	254,824	(54,901)
<b>TOTAL REVENUES</b>	<b>2,203,000</b>	<b>2,216,725</b>	<b>2,189,971</b>	<b>(26,754)</b>
<b>EXPENDITURES</b>				
General government	377,000	457,000	387,616	69,384
Court	84,000	90,900	72,331	18,569
Police	1,105,000	1,111,800	911,866	199,934
Fire	419,000	420,900	408,295	12,605
Code enforcement	199,000	229,000	205,116	23,884
Emergency management	9,000	9,000	8,985	15
Streets	293,700	293,700	218,671	75,029
Cemetery	206,000	222,900	178,395	44,505
Park	189,320	189,320	182,500	6,820
Capital outlay	342,700	735,400	410,909	324,491
<b>TOTAL EXPENDITURES</b>	<b>3,224,720</b>	<b>3,759,920</b>	<b>2,984,684</b>	<b>775,236</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,021,720)</b>	<b>(1,543,195)</b>	<b>(794,713)</b>	<b>748,482</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers-in (out)	1,100,000	1,100,000	393,508	706,492
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>1,100,000</b>	<b>1,100,000</b>	<b>393,508</b>	<b>706,492</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>78,280</b>	<b>(443,195)</b>	<b>(401,205)</b>	<b>41,990</b>
<b>BEGINNING FUND BALANCE</b>	<b>339,500</b>	<b>339,500</b>	<b>802,605</b>	<b>463,105</b>
<b>ENDING FUND BALANCE</b>	<b>\$417,780</b>	<b>(\$103,695)</b>	<b>\$401,400</b>	<b>\$505,095</b>

**BUDGETARY COMPARISON SCHEDULE  
STREET AND ALLEY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Budget	Budget Basis Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	50,000	50,000	153,001	103,001
Shared taxes	62,000	62,000	59,326	(2,674)
Interest	0	0	3,410	3,410
<b>TOTAL REVENUES</b>	<b>112,000</b>	<b>112,000</b>	<b>215,737</b>	<b>103,737</b>
<b>EXPENDITURES</b>				
Streets	0	0	0	0
Capital outlay	0	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>112,000</b>	<b>112,000</b>	<b>215,737</b>	<b>103,737</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers-in (out)	(175,000)	(175,000)	(175,000)	0
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>(175,000)</b>	<b>(175,000)</b>	<b>(175,000)</b>	<b>0</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(63,000)</b>	<b>(63,000)</b>	<b>40,737</b>	<b>103,737</b>
<b>BEGINNING FUND BALANCE</b>	<b>151,101</b>	<b>151,101</b>	<b>141,849</b>	<b>(9,252)</b>
<b>ENDING FUND BALANCE</b>	<b>88,101</b>	<b>88,101</b>	<b>182,586</b>	<b>94,485</b>

**THE CITY OF TECUMSEH  
 BUDGETARY COMPARISON SCHEDULE  
 CEMETERY TRUST FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Budget	Budget Basis Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Interest	45	45	646	601
<b>TOTAL REVENUES</b>	<b>45</b>	<b>45</b>	<b>646</b>	<b>601</b>
<b>EXPENDITURES</b>				
Cemetery	0	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>45</b>	<b>45</b>	<b>646</b>	<b>601</b>
<b>BEGINNING FUND BALANCE</b>	<b>31,878</b>	<b>31,878</b>	<b>32,120</b>	<b>242</b>
<b>ENDING FUND BALANCE</b>	<b>31,923</b>	<b>31,923</b>	<b>32,766</b>	<b>843</b>

**THE CITY OF TECUMSEH  
 BUDGETARY COMPARISON SCHEDULE  
 CEMETERY PERPETUAL CARE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Budget	Budget Basis Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Monument sales	500	500	38	(462)
Interest	350	350	2,400	2,050
<b>TOTAL REVENUES</b>	<b>850</b>	<b>850</b>	<b>2,438</b>	<b>1,588</b>
<b>EXPENDITURES</b>				
Cemetery	0	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>850</b>	<b>850</b>	<b>2,438</b>	<b>1,588</b>
<b>BEGINNING FUND BALANCE</b>	<b>114,227</b>	<b>114,227</b>	<b>115,858</b>	<b>1,631</b>
<b>ENDING FUND BALANCE</b>	<b>115,077</b>	<b>115,077</b>	<b>118,296</b>	<b>3,219</b>

**THE CITY OF TECUMSEH  
 BUDGETARY COMPARISON SCHEDULE  
 CEMETERY CARE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Budget	Budget Basis Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Lot sales and interments	18,500	18,500	16,173	(2,327)
Interest	775	775	5,301	4,526
Other income	0	0	0	0
<b>TOTAL REVENUES</b>	<b>19,275</b>	<b>19,275</b>	<b>21,474</b>	<b>2,199</b>
<b>EXPENDITURES</b>				
Cemetery	15,000	15,000	0	15,000
<b>TOTAL EXPENDITURES</b>	<b>15,000</b>	<b>15,000</b>	<b>0</b>	<b>15,000</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>4,275</b>	<b>4,275</b>	<b>21,474</b>	<b>17,199</b>
<b>BEGINNING FUND BALANCE</b>	<b>278,061</b>	<b>278,061</b>	<b>318,558</b>	<b>40,497</b>
<b>ENDING FUND BALANCE</b>	<b>282,336</b>	<b>282,336</b>	<b>340,032</b>	<b>57,696</b>

**CITY OF TECUMSEH  
SCHEDULE OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Modified Cash Basis)**

<b>FEDERAL GRANTOR/  PASS-THROUGH GRANTOR/  PROGRAM TITLE</b>	<b>FEDERAL  CFDA  NUMBER</b>	<b>PASS-THROUGH  GRANTOR'S  NUMBER</b>	<b>RECEIPTS</b>
U.S. Department of Transportation <i>Oklahoma Highway Safety Office</i> NHTSA Discretionary Safety Grants	20.600	PT-19-03-10-09	23,198
<b>TOTAL FEDERAL AWARDS</b>			<b><u>23,198</u></b>

**CITY OF TECUMSEH  
SCHEDULE OF STATE AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Modified Cash Basis)**

<b>STATE GRANTOR/  PASS-THROUGH GRANTOR/  PROGRAM TITLE</b>	<b>GRANTOR'S  NUMBER</b>	<b>RECEIPTS</b>
Oklahoma Department of Commerce <i>Central Oklahoma Economic Development District</i> Community Expansion of Nutrition Assistance (CENA) Rural Economic Action Plan Total Oklahoma Department of Commerce	2018-2019 CENA Fund 021 2019-2019 REAP Fund 25	4,000 45,000 <u>49,000</u>
Oklahoma Department of Agriculture, Food, and Forestry <i>N/A</i> Rural Fire Defense	None	6,642
<b>TOTAL STATE AWARDS</b>		<b><u>55,642</u></b>

## Russell & Williams CPAs, PC

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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, 2019, 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 March 23, 2020.

#### 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.

A handwritten signature in black ink that reads "Gerald & Williams CPAs PC". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma  
March 23, 2020