

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

**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012**

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ANNUAL FINANCIAL REPORT  
As of and for the Year Ended December 31, 2012**

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## INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
City of Tuttle, Oklahoma

### Report on the Financial Statements

We have audited the accompanying basic financial statements of the City of Tuttle, Oklahoma as of and for the year ended December 31, 2012, and the related notes to the financial, 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.B; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

### 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tuttle, Oklahoma, as of December 31, 2012, and the respective changes in financial position—modified cash basis, and cash flows, where applicable, thereof for the year then ended in accordance with the basis of accounting described in Note 1.B.

**Basis of Accounting**

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

**Disclaimer of Opinion on Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tuttle, Oklahoma basic financial statements. The Management's Discussion and Analysis, and the Other Information as listed in the table of contents, which are the responsibility of management, are presented for the 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 other assurance on it.

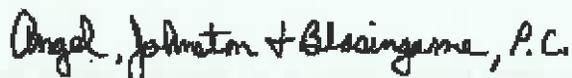
**Schedule of Expenditures of Federal Awards**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Tuttle, Oklahoma basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards are the responsibility of management and were derived from and directly related to the underlying accounting and other records used to prepare the basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Chickasha, Oklahoma  
July 9, 2013

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The management of the City of Tuttle is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the fiscal year ended December 31, 2012. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

### **FINANCIAL HIGHLIGHTS**

- As reported on a modified cash basis, the City's total net position increased by \$1,442,807, and the assets of the City exceed its liabilities for the year ended December 31, 2012, by \$8,911,962 (net position).
- For the fiscal year ended December 31, 2012, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$1,082,534 compared to \$719,183 in FY 2011. An increase of \$363,351 or 50.5%.
- For the year ended December 31, 2012, unassigned fund balance on a modified cash basis for the General Fund was \$238,715 or 10.0% of General Fund revenues.
- The City implemented GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* – GASB 60 addresses issues related to service concession arrangements (SCA's), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. No service concession arrangements were noted or reported in the city's financial statements.
- The City implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*. GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity and also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The Statement is effective for periods beginning after June 15, 2012. The statement has been early implemented for the year ended December 31, 2012.
- The City implemented Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements.
- The City implemented Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous

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financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

- The City implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously recognized as assets and liabilities. The Statement is effective for fiscal years ended June 30, 2014. The City has chosen to early implement Statement No. 65. Implementation of Statement 65 resulted in a prior period restatement for the removal of bond issuance cost from the Statement of Net Position.

## **ABOUT THE CITY**

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

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

### ***The City's Financial Reporting Entity***

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

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

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

In addition, as required by state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial

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accountability and to include the trust within the City's financial reporting entity. The public trusts do not issue separate annual financial statements.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the modified cash basis of accounting. They present governmental activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

### **Reporting the City as a Whole**

#### ***The Statement of Net Position and Statement of Activities***

One of the most important questions to ask about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the period's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities: *Governmental activities* - Most of the City's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* - Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's water, sewer, gas and sanitation utilities are reported as business-type activities.

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

#### ***Fund Financial Statements***

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain

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taxes, grants, and other money. The City's two kinds of funds – *governmental and proprietary* - use different accounting approaches.

*Governmental funds* - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting and current financial resources measurement focus that is different from other funds. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

*Proprietary funds* - When the City, through the Public Works Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The City's proprietary funds are the Tuttle Public Works Authority that accounts for the operation of the water, sewer, gas and sanitation activities.

**Notes to the Financial Statements**

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 27-48 of this report.

**Other Information**

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

**THE CITY AS A WHOLE**

For the fiscal year ended December 31, 2012, net position on a modified cash basis for the governmental and business-type activities increased by \$1,442,807.

**Net Position (Modified Cash Basis)**  
**December 31, 2012**

	Governmental Activities	Business-type Activities	Total
Beginning net position, restated	\$ 4,683,375	\$ 2,785,780	\$ 7,469,155
Increase	12,059	1,430,748	1,442,807
<b>Ending net position</b>	<b>\$ 4,695,434</b>	<b>\$ 4,216,528</b>	<b>\$ 8,911,962</b>

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Following is a summary of net position reported on a modified cash basis for the City of Tuttle.

	Governmental Activities			Business-type Activities			Total		
	2012	Restated 2011	% Inc. (Dec.)	2012	Restated, 2011	% Inc. (Dec.)	2012	Restated 2011	% Inc. (Dec.)
<b>Assets:</b>									
Current and other assets	\$ 1,082,534	\$ 719,481	50%	\$ 3,174,178	\$ 4,607,854	-31%	\$ 4,256,712	\$ 5,327,335	-20%
Capital assets, net	4,427,323	4,692,217	-6%	9,784,120	7,384,636	32%	14,211,443	12,076,853	18%
<b>Total assets</b>	<b>5,509,857</b>	<b>5,411,698</b>	<b>2%</b>	<b>12,958,298</b>	<b>11,992,490</b>	<b>8%</b>	<b>18,468,155</b>	<b>17,404,188</b>	<b>6%</b>
<b>Liabilities:</b>									
Long-term liabilities	814,423	728,026	12%	8,516,890	8,986,132	-5%	9,331,313	9,714,158	-4%
Other liabilities	-	297	100%	224,880	220,578	2%	224,880	220,875	2%
<b>Total liabilities</b>	<b>814,423</b>	<b>728,323</b>	<b>12%</b>	<b>8,741,770</b>	<b>9,206,710</b>	<b>-5%</b>	<b>9,556,193</b>	<b>9,935,033</b>	<b>-4%</b>
<b>Net Position:</b>									
Net investment in capital assets	3,612,900	3,964,191	-9%	3,341,016	1,888,401	77%	6,953,916	5,852,592	19%
Restricted	436,950	177,467	146%	49,502	3,359,803	-99%	486,452	3,537,270	-86%
Unrestricted (deficit)	645,584	541,717	19%	826,010	(2,462,424)	66%	1,471,594	(1,920,707)	-23%
<b>Total net position</b>	<b>\$ 4,695,434</b>	<b>\$ 4,683,375</b>	<b>0%</b>	<b>\$ 4,216,528</b>	<b>\$ 2,785,780</b>	<b>51%</b>	<b>\$ 8,911,962</b>	<b>\$ 7,469,155</b>	<b>19%</b>

The largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. At year end, the net investment in capital assets, amounted to \$6,953,916.

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

Current and other assets of the governmental activities increased approximately \$363,000 or 50% due to a new capital improvement fee being collected and not yet expended.

Restricted net position of the governmental activities increased approximately \$259,000 or 146% due to restricted sales tax that has not yet been expended.

Current and other assets of the business-type activities decreased approximately \$1.4 million due to the use of construction proceeds for the completion of projects.

Capital assets of the business-type activities increased approximately \$2.4 million due to the completion and addition of the City Hall/TPWA administration building and the water and sewer projects.

Net investment in capital assets of the business-type activities increased approximately \$825,000 due to the addition of capital assets and the reduction of related debt.

Restricted net position of the business-type activities decreased approximately \$3.3 million due to the use of construction proceeds.

A portion of the City's net position, \$486,452, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing needs. The governmental activities funds had unrestricted net position of \$645,584 and the Business-type activities unrestricted net position were 1,453,622.

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**Changes in Net Position (Modified Cash Basis)**  
**Year Ended December 31, 2012**

	<b>Governmental Activities</b>			<b>Business-type Activities</b>			<b>Total</b>		
	2012	Restated, 2011	% Inc. (Dec.)	2012	Restated, 2011	% Inc. (Dec.)	2012	Restated, 2011	% Inc. (Dec.)
<b>Revenues:</b>									
<b>Program revenues:</b>									
Charges for Services	\$1,026,448	\$592,697	73%	\$2,483,716	\$2,474,800	0%	\$3,510,164	\$3,067,497	14%
Grants & Contributions	57,651	222,293	-74%	-	-	0%	57,651	222,293	-74%
Capital Grants & Contributions	1,256,669	94,230	1234%	-	-	0%	1,256,669	94,230	1234%
<b>General Revenues:</b>									
Sales & Use Tax	1,683,819	1,476,636	14%	-	-	0%	1,683,819	1,476,636	14%
Other Taxes	213,417	169,099	26%	-	-	0%	213,417	169,099	26%
Other General Revenues	119,063	220,912	-46%	8,389	11,347	-26%	127,452	232,259	-45%
<b>Total Revenues</b>	<b>\$4,357,067</b>	<b>\$2,775,867</b>	<b>57%</b>	<b>\$2,492,105</b>	<b>\$2,486,147</b>	<b>0%</b>	<b>\$6,849,172</b>	<b>\$5,262,014</b>	<b>30%</b>
<b>Program Expenses:</b>									
General Government	\$450,414	\$530,917	-15%	411,489	-	-100%	\$861,903	\$530,917	62%
Public Safety	1,617,325	1,519,534	6%	-	-	0%	1,617,325	1,519,534	6%
Highways and Streets	713,792	704,610	1%	-	-	0%	713,792	704,610	1%
Culture and Recreation	67,184	36,751	83%	-	-	0%	67,184	36,751	83%
Health and Welfare	326,192	324,735	0%	-	-	0%	326,192	324,735	0%
Cemetery	55,137	51,433	7%	-	-	0%	55,137	51,433	7%
Community development	87,935	153,372	-43%	-	-	0%	87,935	153,372	-43%
Water	-	-	0%	712,849	870,389	-18%	712,849	870,389	-18%
Sewer	-	-	0%	161,853	85,026	90%	161,853	85,026	90%
Gas	-	-	0%	431,303	652,117	-34%	431,303	652,117	-34%
Sanitation	-	-	0%	336,697	397,257	-15%	336,697	397,257	-15%
Interest on long-term debt	34,195	32,883	4%	-	-	0%	34,195	32,883	0%
<b>Total Expenses</b>	<b>\$3,352,174</b>	<b>\$3,354,235</b>	<b>0%</b>	<b>2,054,191</b>	<b>2,004,789</b>	<b>2%</b>	<b>\$5,406,365</b>	<b>5,359,024</b>	<b>1%</b>
<b>Excess (Deficiency)</b>	<b>\$1,004,893</b>	<b>(\$578,368)</b>	<b>-274%</b>	<b>437,914</b>	<b>481,358</b>	<b>-9%</b>	<b>\$1,442,807</b>	<b>(\$97,010)</b>	<b>-1587%</b>
<b>Net Transfers</b>	<b>(992,834)</b>	<b>150,286</b>	<b>-761%</b>	<b>992,834</b>	<b>(150,286)</b>	<b>761%</b>	<b>-</b>	<b>-</b>	<b>0%</b>
<b>Increase/(Decrease) Net Position</b>	<b>\$ 12,059</b>	<b>\$ (428,082)</b>	<b>-103%</b>	<b>\$ 1,430,748</b>	<b>\$ 331,072</b>	<b>332%</b>	<b>\$1,442,807</b>	<b>(\$97,010)</b>	<b>-1587%</b>
<b>Beginning Net Position, restated</b>	<b>4,683,375</b>	<b>5,111,457</b>	<b>-8%</b>	<b>2,785,780</b>	<b>2,454,708</b>	<b>13%</b>	<b>7,469,155</b>	<b>7,566,165</b>	<b>-1%</b>
<b>Ending Net Position</b>	<b>\$ 4,695,434</b>	<b>\$ 4,683,375</b>	<b>0%</b>	<b>\$ 4,216,528</b>	<b>\$ 2,785,780</b>	<b>51%</b>	<b>\$8,911,962</b>	<b>\$7,469,155</b>	<b>19%</b>

Capital grants and contributions of the governmental activities increased approximately \$1.2 million or 1,234% due to a FEMA grant for to pay for the storm shelter in the new City Hall/TPWA Administration building.

Charges for services in the governmental activities increased \$.4 million due to an increase in oil and gas inspection fees, EMS fees, and capital improvement fees.

Net transfers increased due to the first full year of the restricted sales tax transfer for debt payment from the General fund to the TPWA and due to the movement of capital assets from the CIP fund to the TPWA.

**Governmental Activities**

The City's governmental activities had an increase in net position of \$12,059.

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**Net Revenue (Expense) of Governmental Activities**

	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
	<b>Total Expense of Services</b>	<b>Net Revenue (Expense) of Services</b>	<b>Total Expense of Services</b>	<b>Net Revenue (Expense) of Services</b>
General government	\$450,414	\$831,930	\$530,917	(\$476,350)
Public safety	1,617,325	(1,405,200)	1,519,534	(1,297,761)
Highways and streets	713,792	(472,611)	704,610	(655,140)
Culture and recreation	67,184	(66,294)	36,751	19,082
Health and welfare	326,192	109,091	324,735	155,649
Cemetery	55,137	(5,793)	51,433	(4,240)
Community development	87,935	31,666	153,372	(153,372)
Interest on long-term debt	34,195	(34,195)	32,883	(32,883)
<b>Total</b>	<u>\$3,352,174</u>	<u>(\$1,011,406)</u>	<u>\$3,354,235</u>	<u>(\$2,445,015)</u>

**Business-type Activities**

The business-type activities had an increase in net position of \$1,430,748. The increase is due to transfers in of \$992,834. This represents an increase in transfers in of approximately \$1.1 million, related to the capital assets transferred from the capital improvement fund.

**Net Revenue (Expense) of Business-type Activities**

	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
	<b>Total Expense of Services</b>	<b>Net Revenue (Expense) of Services</b>	<b>Total Expense of Services</b>	<b>Net Revenue (Expense) of Services</b>
Water	\$ 712,849	\$ 259,115	\$ 870,389	\$ 139,430
Sewer	161,853	23,603	85,026	41,614
Gas	431,303	203,801	652,117	83,053
Sanitation	336,697	304,377	397,257	205,914
Administration	411,489	(361,371)	-	-
<b>Total</b>	<u>\$ 2,054,191</u>	<u>\$ 429,525</u>	<u>\$ 2,004,789</u>	<u>\$ 470,011</u>

**A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its fiscal year ended December 31, 2012, the governmental funds reported a combined fund balance of \$1,082,534. For the year ended December 31, 2012, the General Fund's total fund balance decreased by \$99,191 due to an increase in public safety expenditures of approximately \$46,000, an increase in health and welfare expenditures of approximately \$8,000, and an increase in culture and recreation expenditures of approximately \$31,000.

**CITY OF TUTTLE, OKLAHOMA  
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**Budgetary Highlights**

For fiscal year ended December 31, 2012, the General Fund reported actual modified cash basis revenues under final estimates by \$174,700 or a 7.0% negative variance. General Fund actual expenditures were under final appropriations by \$360,601 or a 13.0% positive variance.

**CAPITAL ASSETS & DEBT ADMINISTRATION**

**Capital Assets**

At the end of December 31, 2012, the City had approximately \$14 million in capital assets (net of accumulated depreciation), as reported on a modified cash basis, including land, buildings, machinery and equipment, and park facilities. Below are details regarding the City's capital assets as of December 31, 2012.<sup>1</sup>

	<b>Capital Assets</b>					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2012	2011	2012	2011	2012	2011
Land	\$ 568,700	\$ 568,700	\$ 64,567	\$ 43,217	\$ 633,267	\$ 611,917
Buildings and Improvements	430,132	426,670	3,235,938	34,257	3,666,070	460,927
Machinery and Equipment	3,676,187	3,375,642	790,237	760,908	4,466,424	4,136,550
Improvements other than buildings	129,544	129,544	-	-	129,544	129,544
Infrastructure	13,168,105	13,032,549	8,065,094	7,719,947	21,233,199	20,752,496
Utility Property and improvements	-	-	12,608	6,442	12,608	6,442
Construction-in-progress	494,761	586,638	598,219	1,475,651	1,092,980	2,062,289
Totals	18,467,429	18,119,743	12,766,663	10,040,422	31,234,092	28,160,165
Less Accumulated Depreciation	(14,040,106)	(13,364,526)	(2,982,543)	(2,655,787)	(17,022,649)	(16,020,313)
<b>Totals, Net</b>	<b>\$ 4,427,323</b>	<b>\$ 4,755,217</b>	<b>\$ 9,784,120</b>	<b>\$ 7,384,635</b>	<b>\$ 14,211,443</b>	<b>\$ 12,139,852</b>

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

- City Hall/TPWA Administration Building
- Emergency Radio System
- 7<sup>th</sup> Street Sewer
- 3<sup>rd</sup> Street Overlay

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

**CITY OF TUTTLE, OKLAHOMA  
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**Debt Administration**

At December 31, 2012, the City had \$9,331,313 in long-term debt outstanding, reported on a modified cash basis, which represents a \$382,845 decrease from the prior year.

**The City of Tuttle's Long-term Debt**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	2012	2011	2012	2011	2012	2011
Note Payable	\$ -	\$ -	\$ 8,480,431	\$ 8,943,423	\$ 8,480,431	\$ 8,943,423
Grant Obligation Payable	-	-	36,459	42,709	36,459	42,709
Capital Lease Payable	814,423	728,026	-	-	814,423	728,026
<b>Totals</b>	<b>\$ 814,423</b>	<b>\$ 728,026</b>	<b>\$ 8,516,890</b>	<b>\$ 8,986,132</b>	<b>\$ 9,331,313</b>	<b>\$ 9,714,158</b>

**ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES**

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

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

**Contacting the City's Financial Management**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at 301 W. Main St., Tuttle, Oklahoma 73089 or telephone at 405-381-2335.

**CITY OF TUTTLE, OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES**

**CITY OF TUTTLE, OKLAHOMA**  
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**Statement of Net Position (Modified Cash Basis) – December 31, 2012**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 892,381	\$ 3,113,373	\$ 4,005,754
Investments	139,795	111,163	250,958
Internal balances	50,358	(50,358)	-
Capital Assets:			
Land and construction in progress	1,063,461	662,786	1,726,247
Other capital assets, net of depreciation	3,363,862	9,121,334	12,485,196
Total Assets	<u>\$ 5,509,857</u>	<u>\$ 12,958,298</u>	<u>\$ 18,468,155</u>
<b>LIABILITIES</b>			
Due to other governments	\$ -	\$ 5,064	\$ 5,064
Due to depositors	-	219,816	219,816
Long-term liabilities			
Due within one year	140,563	459,283	599,846
Due in more than one year	673,860	8,057,607	8,731,467
Total liabilities	<u>814,423</u>	<u>8,741,770</u>	<u>9,556,193</u>
<b>NET POSITION</b>			
Net investment in capital assets	3,612,900	3,341,016	6,953,916
Restricted by:			
Enabling legislation	322,963	-	322,963
Statutory requirements	76,707	-	76,707
Other contracts	218	49,502	49,720
Permanent fund - nonspendable	26,781	-	26,781
Permanent fund - expendable	10,281	-	10,281
Unrestricted	645,584	826,010	1,471,594
Total net position	<u>\$ 4,695,434</u>	<u>\$ 4,216,528</u>	<u>\$ 8,911,962</u>

See accompanying notes to the basic financial statements.

**CITY OF TUTTLE, OKLAHOMA**  
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**Statement of Activities (Modified Cash Basis) – Year Ended December 31, 2012**

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
<b>Governmental Activities</b>							
General Government	\$ 450,414	\$ 21,852	\$ 3,823	\$ 1,256,669	\$ 831,930	\$ -	\$ 831,930
Public Safety	1,617,325	206,702	5,423	-	(1,405,200)	-	(1,405,200)
Streets	713,792	192,776	48,405	-	(472,611)	-	(472,611)
Culture and Recreation	67,184	890	-	-	(66,294)	-	(66,294)
Health and Welfare	326,192	435,283	-	-	109,091	-	109,091
Cemetery	55,137	49,344	-	-	(5,793)	-	(5,793)
Community Development	87,935	119,601	-	-	31,666	-	31,666
Interest on Long-term debt	34,195	-	-	-	(34,195)	-	(34,195)
<b>Total governmental activities</b>	<u>3,352,174</u>	<u>1,028,448</u>	<u>57,651</u>	<u>1,256,669</u>	<u>(1,011,406)</u>	<u>-</u>	<u>(1,011,406)</u>
<b>Business-Type Activities:</b>							
Water	712,849	971,964	-	-	-	259,115	259,115
Wastewater	161,853	185,456	-	-	-	23,603	23,603
Sanitation	336,697	641,074	-	-	-	304,377	304,377
Gas	431,303	635,104	-	-	-	203,801	203,801
Administration	411,489	50,118	-	-	-	(361,371)	(361,371)
<b>Total business-type activities</b>	<u>2,054,191</u>	<u>2,483,716</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>429,525</u>	<u>429,525</u>
<b>Total primary government</b>	<u>\$ 5,406,365</u>	<u>\$ 3,510,164</u>	<u>\$ 57,651</u>	<u>\$ 1,256,669</u>	<u>\$ (1,011,406)</u>	<u>\$ 429,525</u>	<u>\$ (581,881)</u>
<b>General revenues:</b>							
<b>Taxes:</b>							
Sales and use taxes					\$ 1,683,819	\$ -	\$ 1,683,819
Franchise taxes and public service taxes					213,417	-	213,417
Unrestricted investment earnings					18,827	7,059	25,886
Miscellaneous					100,236	1,330	101,566
<b>Transfers</b>					<u>(992,834)</u>	<u>992,834</u>	<u>-</u>
Total general revenues and transfers					<u>1,023,465</u>	<u>1,001,223</u>	<u>2,024,688</u>
Change in net position					12,059	1,430,748	1,442,807
Net position - beginning (restated)					4,683,375	2,785,780	7,469,155
Net position - ending					<u>\$ 4,695,434</u>	<u>\$ 4,216,528</u>	<u>\$ 8,911,962</u>

See accompanying notes to the basic financial statements.

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

**CITY OF TUTTLE, OKLAHOMA**  
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**Governmental Funds Balance Sheet (Modified Cash Basis) – December 31, 2012**

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 260,780	\$ 313,936	\$ 315,942	\$ 1,723	\$ 892,381
Investments	103,970	-	-	35,825	139,795
Due from other funds	97,383	995	-	-	98,378
Total assets	<u>\$ 462,133</u>	<u>\$ 314,931</u>	<u>\$ 315,942</u>	<u>\$ 37,548</u>	<u>\$ 1,130,554</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Due to other funds	\$ 43,724	\$ -	\$ -	\$ 4,296	\$ 48,020
Total liabilities	<u>43,724</u>	<u>-</u>	<u>-</u>	<u>4,296</u>	<u>48,020</u>
<b>Fund balances:</b>					
Nonspendable	-	-	-	26,781	26,781
Restricted	76,707	314,931	315,942	10,767	718,347
Assigned	102,987	-	-	-	102,987
Unassigned (deficit)	238,715	-	-	(4,296)	234,419
Total fund balances	<u>418,409</u>	<u>314,931</u>	<u>315,942</u>	<u>33,252</u>	<u>1,082,534</u>
Total liabilities and fund balances	<u>\$ 462,133</u>	<u>\$ 314,931</u>	<u>\$ 315,942</u>	<u>\$ 37,548</u>	<u>\$ 1,130,554</u>

See accompanying notes to the basic financial statements.

**CITY OF TUTTLE, OKLAHOMA  
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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances  
(Modified Cash Basis) – Year Ended December 31, 2012**

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes	\$ 1,454,271	\$ 387,873	\$ -	\$ -	\$ 1,842,144
Intergovernmental	60,515	48,405	1,256,669	3,823	1,369,412
Licenses and permits	47,881	-	-	-	47,881
Charges for services	547,932	-	181,976	-	729,908
Fees and fines	204,547	-	-	-	204,547
Investment earnings	15,052	3,507	-	268	18,827
Miscellaneous	50,413	91,253	-	-	141,666
Total revenues	<u>2,380,611</u>	<u>531,038</u>	<u>1,438,645</u>	<u>4,091</u>	<u>4,354,385</u>
<b>EXPENDITURES</b>					
Current:					
General government	422,273	-	-	-	422,273
Public safety	1,433,436	-	-	-	1,433,436
Highways and streets	-	240,773	-	-	240,773
Health and sanitation	304,182	-	-	-	304,182
Culture and recreation	43,526	-	-	-	43,526
Economic development	86,588	-	-	-	86,588
Cemetery	49,539	-	-	-	49,539
Capital outlay	56,218	110,081	2,523,172	495	2,689,966
Debt service:					
Principal	59,871	25,330	28,402	-	113,603
Interest and other charges	24,169	3,818	6,208	-	34,195
Total expenditures	<u>2,479,802</u>	<u>380,002</u>	<u>2,557,782</u>	<u>495</u>	<u>5,418,081</u>
Excess (deficiency) of revenues over expenditures	<u>(99,191)</u>	<u>151,036</u>	<u>(1,119,137)</u>	<u>3,596</u>	<u>(1,063,696)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from capital leases	-	-	200,000	-	200,000
Transfers in	1,163,619	-	1,227,047	-	2,390,666
Transfers out	(1,163,619)	-	-	-	(1,163,619)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>1,427,047</u>	<u>-</u>	<u>1,427,047</u>
Net change in fund balances	(99,191)	151,036	307,910	3,596	363,351
Fund balances - beginning (restated)	517,600	163,895	8,032	29,656	719,183
Fund balances - ending	<u>\$ 418,409</u>	<u>\$ 314,931</u>	<u>\$ 315,942</u>	<u>\$ 33,252</u>	<u>\$ 1,082,534</u>

See accompanying notes to the basic financial statements.

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

**Fund Balance – Net Position Reconciliation:**

Total fund balance, governmental funds	\$	1,082,534
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		4,427,323
Some liabilities (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences and OPEB Liability), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		(814,423)
Net Position of Governmental Activities in the Statement of Net Assets	<u>\$</u>	<u>4,695,434</u>

**Changes in Fund Balances – Changes in Net Position Reconciliation:**

Net change in fund balances - total governmental funds:	\$	363,351
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
Capital asset purchases capitalized		473,197
Depreciation expense		(731,875)
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.		
Book value of disposed capital assets		(6,217)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:		
Principal payments on long-term debt		113,603
Proceeds of long-term debt		(200,000)
Change in net position of governmental activities	<u>\$</u>	<u>12,059</u>

See accompanying notes to the basic financial statements.

**CITY OF TUTTLE, OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND**

**CITY OF TUTTLE, OKLAHOMA**  
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**As of and for the Year Ended December 31, 2012**

**Proprietary Fund Statement of Net Position (Modified Cash Basis) – December 31, 2012**

	<b>Tuttle Public Works Authority</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 850,199
Restricted:	
Cash and cash equivalents	2,263,174
Investments	111,163
Due from other funds	42,729
Total current assets	<u>3,267,265</u>
Non-current assets:	
Land and construction in progress	662,786
Other capital assets, net of accumulated depreciation	9,121,334
Total non-current assets	<u>9,784,120</u>
Total assets	<u>13,051,385</u>
<b>LIABILITIES</b>	
Current liabilities:	
Due to other funds	93,087
Payable to other governments	5,064
Refundable grant obligations	6,250
Notes payable	453,033
Total current liabilities	<u>557,434</u>
Non-current liabilities:	
Refundable grant obligations	30,209
Deposits subject to refund	219,816
Notes payable	8,027,398
Total non-current liabilities	<u>8,277,423</u>
Total liabilities	<u>8,834,857</u>
<b>NET POSITION</b>	
Net investment in capital assets	3,341,016
Restricted for debt service	49,502
Unrestricted	826,010
Total net position	<u>\$ 4,216,528</u>

See accompanying notes to the basic financial statements.

**CITY OF TUTTLE, OKLAHOMA**  
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**Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended December 31, 2012**

	<b>Tuttle Public Works Authority</b>
<b>REVENUES</b>	
Charges for services:	
Water	\$ 964,619
Sewer	185,456
Gas	635,119
Sanitation	641,074
Miscellaneous	50,103
Total operating revenues	2,476,371
<b>OPERATING EXPENSES</b>	
General government	239,874
Administration	76,915
Water	292,503
Wastewater	27,541
Sanitation	336,697
Gas	413,849
Depreciation	326,756
Total operating expenses	1,714,135
Operating income	762,236
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest and investment revenue	7,059
Miscellaneous revenue	8,675
Interest expense	(340,056)
Total non-operating revenue (expenses)	(324,322)
Income before transfers	437,914
Transfers in	3,383,500
Transfers out	(2,390,666)
Change in net position	1,430,748
Total net position - beginning (restated)	2,785,780
Total net position - ending	\$ 4,216,528

See accompanying notes to the basic financial statements.

**CITY OF TUTTLE, OKLAHOMA  
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As of and for the Year Ended December 31, 2012**

**Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended December 31, 2012**

	<u>Tuttle Public Works Authority</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$2,474,904
Payments to suppliers	(1,036,427)
Payments to employees	(348,794)
Receipts of customer utility deposits	31,839
Refunds of customer utility deposits	(28,228)
Interfund receipts/payments	6,566
Other income	8,675
Net Cash Provided by Operating Activities	<u>1,108,535</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	1,163,619
Transfers to other funds	(2,390,666)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(1,227,047)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	(506,369)
Principal paid on capital debt	(469,242)
Interest paid on capital debt	(340,056)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(1,315,667)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	7,059
Purchase of investments	(417)
Net Cash Provided by Investing Activities	<u>6,642</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,427,537)
Balance - beginning of the year	<u>4,540,910</u>
Balance - end of the year	<u>\$3,113,373</u>
<b>Reconciliation to Statement of Net Position:</b>	
Cash and cash equivalents	\$850,199
Restricted cash and cash equivalents	<u>2,263,174</u>
Total cash and cash equivalents	<u>\$3,113,373</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income	\$762,236
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	326,756
Miscellaneous income	8,675
Unearned revenue	(1,467)
Change in assets and liabilities:	
Change in sales tax payable	2,158
Due to other funds	6,566
Meter deposit liability	<u>3,611</u>
Net cash provided by operating activities	<u>\$1,108,535</u>
Non-cash activity:	
Capital assets constructed by governmental funds	<u>\$ 2,219,881</u>

See accompanying notes to the basic financial statements.

**CITY OF TUTTLE, OKLAHOMA  
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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

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

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

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

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

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

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

**B. Basis of Presentation and Accounting**

*Government-Wide Financial Statements:*

The statements of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in

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generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

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

*Governmental Funds:*

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

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

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

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

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*Proprietary Fund:*

Enterprise Fund – are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Tuttle Public Works Authority enterprise fund. This fund accounts for activities of the public trust in providing, water, gas, wastewater, and sanitation services to the public.

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

**Major Funds:**

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

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

**Special Revenue Funds:**

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

**Permanent Fund:**

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

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities resulting from cash transactions are included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period. The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus at the government-wide level.

*Proprietary Funds:*

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

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

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

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

**C. Cash, Cash Equivalents, and Investments**

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

**D. Capital Assets and Depreciation**

Reported capital assets are limited to those acquired with cash and cash equivalents consistent with the modified cash basis of accounting. The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the government-wide and proprietary fund financial statements, property, plant and equipment are accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

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

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

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

**E. Long-Term Debt**

Reported long-term debt is limited to debt arising from cash transactions consistent with the modified cash basis of accounting. Accounting treatment of long-term debt varies depending upon whether source of repayment is from governmental fund types or proprietary fund type resources and whether they are reported in the government-wide or fund financial statements. All long-term debt resulting from cash transactions to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

**F. Compensated Absences**

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 11.

**G. Fund Balances and Net Position**

*Fund Statements:*

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

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the city's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City's policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The only exception to this policy is for assigned interest income in governmental funds other than the General Fund to be spent prior to restricted fund balance.

*Net Position:*

Net position is displayed in three components:

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

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

**H. Internal and Interfund Balances and Transfers**

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

**I. Use of Estimates**

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

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**2. Deposits and Investments**

For the year ended December 31, 2012, the City recognized \$25,886 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

At December 31, 2012, the primary government held the following deposits and investments:

Type	<u>Carrying Value</u>
<b><u>Deposits:</u></b>	
Demand deposits	\$2,047,394
Time deposits	250,958
Money market mutual funds	1,957,560
Cash on hand	800
Total	<u><u>\$4,256,712</u></u>

**Reconciliation to the Statement of Net Position:**

Cash and cash equivalents	\$4,005,754
Investments	250,958
	<u><u>\$4,256,712</u></u>

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

As of December 31, 2012, the City was exposed to custodial credit risk as defined above. The money market mutual funds are not insured or guaranteed by the FDIC or any other government agency. The other City's accounts were fully collateralized at December 31, 2012.

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

*Investment Credit Risk* - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit,

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prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of December 31, 2012, the City did not hold any securities with credit ratings since they are all non-negotiable time deposits or money market mutual funds.

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

*Restricted Cash and Investments* – The amounts reported as restricted assets on the statement of net position are comprised of amounts restricted for utility deposits, debt service, debt reserve, or construction purposes. The restricted assets as of December 31, 2012 are as follows:

<u>Type of Restricted Assets</u>	<u>Cash and Cash</u>		<u>Total</u>
	<u>Equivalents</u>	<u>Investments</u>	
Utility Deposits	\$ 131,598	\$ 111,163	\$ 242,761
CDBG Savings	8,288	-	8,288
Debt Service	49,502	-	49,502
City Hall Construction Project	-	-	-
Ionization Plant Account	165,729	-	165,729
Sanitary Sewer Construction Project	1,908,057	-	1,908,057
<b>Total Restricted Assets</b>	<b><u>\$ 2,263,174</u></b>	<b><u>\$ 111,163</u></b>	<b><u>\$ 2,374,337</u></b>

**3. Capital Assets and Depreciation**

For the year ended December 31, 2012, capital assets balances changed as follows:

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	Restated, Balance at January 1, 2012	Additions	Disposals	Balance at December 31, 2012
<b>Governmental:</b>				
Capital assets not being depreciated:				
Land	\$ 568,700	\$ -	\$ -	\$ 568,700
Construction in Progress	523,618	100,862	129,719	494,761
Total capital assets not being depreciated	<u>1,092,318</u>	<u>100,862</u>	<u>129,719</u>	<u>1,063,461</u>
Other capital assets:				
Buildings	426,670	3,462	-	430,132
Improvements	129,544	-	-	129,544
Infrastructure	13,032,549	135,556	-	13,168,105
Machinery and Equipment	3,375,642	363,057	62,512	3,676,187
Total other capital assets at historical cost	<u>16,964,405</u>	<u>502,075</u>	<u>62,512</u>	<u>17,403,968</u>
Less accumulated depreciation for:				
Buildings	272,080	11,731	-	283,811
Improvements	65,975	8,798	-	74,773
Infrastructure	11,176,978	447,281	-	11,624,259
Machinery and Equipment	1,849,493	264,065	56,295	2,057,263
Total accumulated depreciation	<u>13,364,526</u>	<u>731,875</u>	<u>56,295</u>	<u>14,040,106</u>
Other capital assets, net	<u>3,599,879</u>	<u>(229,800)</u>	<u>6,217</u>	<u>3,363,862</u>
Governmental, net capital assets	<u>\$ 4,692,197</u>	<u>\$ (128,938)</u>	<u>\$ 135,936</u>	<u>\$ 4,427,323</u>
<b>Business-Type:</b>				
Capital assets not being depreciated:				
Land	\$ 43,217	\$ 21,350	\$ -	\$ 64,567
Construction in Progress	1,475,651	2,641,867	3,519,299	598,219
Total capital assets not being depreciated	<u>1,518,868</u>	<u>2,663,217</u>	<u>3,519,299</u>	<u>662,786</u>
Other capital assets:				
Buildings	34,257	3,201,681	-	3,235,938
Machinery and Equipment	760,908	29,329	-	790,237
Infrastructure	7,719,947	345,147	-	8,065,094
Utility Property and Improvements	6,442	6,166	-	12,608
Total other capital assets at historical cost	<u>8,521,554</u>	<u>3,582,323</u>	<u>-</u>	<u>12,103,877</u>
Less accumulated depreciation for:				
Buildings	27,159	6,396	-	33,555
Machinery and Equipment	496,636	56,231	-	552,867
Infrastructure	2,129,182	263,609	-	2,392,791
Utility Property and Improvements	2,810	520	-	3,330
Total accumulated depreciation	<u>2,655,787</u>	<u>326,756</u>	<u>-</u>	<u>2,982,543</u>
Other capital assets, net	<u>5,865,767</u>	<u>3,255,567</u>	<u>-</u>	<u>9,121,334</u>
Business-Type, net capital assets	<u>\$ 7,384,635</u>	<u>\$ 5,918,784</u>	<u>\$ 3,519,299</u>	<u>\$ 9,784,120</u>

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

<i>Governmental Activities:</i>		<i>Business-type Activities:</i>	
General government	\$ 26,892	Gas	\$ 17,454
Public safety	178,916	Sewer	49,098
Highways and streets	472,821	Water	260,204
Culture and recreation	23,658		
Health and welfare	22,643		
Cemetery	5,598		
Community Development	1,347		
<b>Total depreciation</b>	<b><u>\$ 731,875</u></b>	<b>Total depreciation</b>	<b><u>\$ 326,756</u></b>

The following capital assets were purchased by capital lease. The table discloses the amount capitalized and the related depreciation expense through December 31, 2012.

<u>Date</u>	<u>Capital Asset</u>	<u>Amount</u>	<u>Accumulated Depreciation</u>
<b>Machinery and Equipment:</b>			
9/30/2008	2009 Impala Police Car	\$ 22,304	\$ 18,029
9/30/2008	Impala Police Car	22,304	18,029
9/30/2008	Impala Police Car	22,304	18,029
9/30/2008	Impala Police Car	22,304	18,029
9/30/2008	Impala Police Car	22,304	18,029
9/30/2008	Impala Police Car	22,304	18,029
12/22/2008	Pumper	173,769	40,079
12/22/2008	Pumper	173,769	40,079
12/22/2008	Rescue Truck	168,536	38,872
12/22/2008	Tanker	147,816	34,093
10/28/2010	Schrock Park Lights	134,695	14,001
12/28/2010	Pot Hole Patch Truck	131,769	27,330
9/28/2010	ACO Truck	37,211	15,335
7/27/2012	Radio equipment	200,000	-
		<b><u>\$ 1,301,389</u></b>	<b><u>\$ 317,963</u></b>

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**4. Long-Term Debt and Debt Service Requirements**

For the year ended December 31, 2012, the reporting entity's long-term debt changed as follows:

	<u>Balance</u> <u>January 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31, 2012</u>	<u>Amount Due</u> <u>Within One Year</u>
<i>Governmental:</i>					
Capital lease obligation	\$ 728,026	\$ 200,000	\$ 113,603	\$ 814,423	\$ 140,563
<b>Total</b>	<u>\$ 728,026</u>	<u>\$ 200,000</u>	<u>\$ 113,603</u>	<u>\$ 814,423</u>	<u>\$ 140,563</u>
<i>Business-Type:</i>					
Notes payable	\$ 8,943,423	\$ -	\$ 462,992	\$ 8,480,431	\$ 453,033
Grant obligation payable	<u>42,709</u>	<u>-</u>	<u>6,250</u>	<u>36,459</u>	<u>6,250</u>
<b>Total</b>	<u>\$ 8,986,132</u>	<u>\$ -</u>	<u>\$ 469,242</u>	<u>\$ 8,516,890</u>	<u>\$ 459,283</u>

*Governmental Activities:*

At December 31, 2012, the governmental long-term debt of the financial reporting entity consisted of the following:

*Capital Lease Obligation:*

Capital lease obligation to Sooner State Bank, payable in monthly installments of \$6,794, including principal and interest at 4.2%, final payment due August 20, 2019.	\$471,388
Capital lease obligation to First National Bank, payable in monthly installments of \$647, including principal and interest at 4.1273%, final payment due September 28, 2015.	19,512
Capital lease obligation to First National Bank, payable in monthly installments of \$731, including principal and interest at 4.65%, final payment due October 28, 2020.	57,289
Capital lease obligation to First National Bank, payable in monthly installments of \$3,616, including principal and interest at 3.25%, final payment due July 27, 2017.	184,271
Capital lease obligation to Sooner State Bank, payable in monthly installments of \$2,429, including principal and interest at 3.98%, final payment due December 28, 2015.	81,963
	<u>\$814,423</u>
Current portion	\$ 140,563
Non-current portion	673,860
<b>Total Notes Payable</b>	<u><b>\$814,423</b></u>

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*Business-Type Activities:*

Long-term commitments payable from net revenues generated by the utility resources or other resources pledged to the City's business-type activities at December 31, 2012, includes the following:

*Notes Payable:*

Note payable to Bill and Bernice Jefferies, payable in annual installments of \$52,000 to \$42,000, including principal and interest at 6.0%, final payment due November 2014. \$80,000

Note payable to Sooner State Bank, original amount \$1,000,000, payable in monthly installments of \$11,895, including principal and interest at 5.05%, final payment due December 18, 2013. Note is secured by a pledge of water, sewer and gas revenues and a mortgage on the facilities. 141,749

Note payable to Oklahoma Department of Transportation, payable in monthly installments, based on an informal repayment agreement of \$2,000 per month. 211,034

2010 Sales Tax Revenue Note dated November 1, 2010, original amount \$2,200,00, due in semi-annual principal installments each April 1 and October 1 beginning April 1, 2011, final installment due October 1, 2030 with interest at 4.0% payable semi-annually based on principal outstanding. The Note is secured by pledged sales tax. 2,180,000

2011 Sales Tax Revenue Note dated November 15, 2011, original amount \$2,315,000, due in annual principal installments each November 1 beginning November 1, 2012, final installment due November 1, 2031 with interest at 4.26% payable semi-annually each May 1 and November 1 based on principal outstanding. The Note is secured by pledged sales tax. 2,275,000

OWRB Promissory Note dated March 15, 2008, original amount \$4,345,000, due in semi-annual principal installments each March 15 and September 15, beginning March 2010, final installment due September 15, 2029 with an administration fee of .5% and interest at 3.36% payable semi-annually based on principal outstanding. Note is secured by a pledge of water and sewer revenues. 3,592,648

Total Notes Payable \$8,480,431

Current portion \$453,033

Non-current portion 8,027,398

Total Notes Payable \$8,480,431

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*Refundable Grant Obligation:*

Refundable Grant Obligation, interest free, to Oklahoma Dept. of Commerce, payable in monthly installments of \$521, final payment due October 1, 2018.	<u>\$36,459</u>
Current portion	\$6,250
Non-current portion	<u>30,209</u>
<b>Total Refundable Grant Payable</b>	<b><u>\$36,459</u></b>

*Payment Requirements to Maturity:*

Year Ended December 31,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>			
	<u>Capital Lease Obligations</u>		<u>Grant Obligation Payable</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$140,563	\$30,030	\$6,250	-	\$453,033	\$310,950
2014	146,172	24,420	6,250	-	317,301	315,492
2015	149,077	18,592	6,250	-	378,557	302,416
2016	120,396	13,290	6,250	-	384,719	288,019
2017	106,701	8,611	6,250	-	396,807	273,198
2018-2022	151,514	6,239	5,209	-	2,220,907	1,125,226
2023-2027	-	-	-	-	2,613,781	654,523
2028-2031	-	-	-	-	1,715,326	133,757
<b>Total</b>	<u>\$814,423</u>	<u>\$101,182</u>	<u>\$36,459</u>	<u>-</u>	<u>\$8,480,431</u>	<u>\$3,403,581</u>

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

*Business-type activities:*

Water	\$160,142
Wastewater	85,214
Administration	<u>94,700</u>
<b>Total</b>	<b><u>\$340,056</u></b>

**Pledge of Future Revenues**

*Utility Net Revenues Pledge*

The City has pledged future water and sewer net utility revenues to repay the OWRB 2008 series promissory note of \$4,345,000. Proceeds from the note are for construction of a new water treatment plant and tower. The bonds and notes are payable from pledged water and sewer utility revenues of the TPWA and are payable through 2029. The total principal and interest payable for the remainder of the life of these bonds is \$4,932,656. Pledged water and sewer net utility revenues for the current year were \$824,336. Debt service payments in the current year totaled \$364,459 and were 44.21% of pledged water and sewer net utility revenues.

The City has pledged future water, sewer and gas net utility revenues to repay the 1998 series revenue note of \$1,000,000. Proceeds from the note were for refinancing water and sanitary sewer indebtedness and sanitary sewer system improvements. The bonds and notes are payable from pledged water, sewer and gas utility revenues of the TPWA and are payable through 2013. The total principal and interest payable for the remainder of the life of these bonds is \$145,697. Net water, sewer and gas utility revenues for the current year were \$1,182,184. Debt service payments of \$142,740 for the current fiscal year were 12.07% of net water, sewer and gas utility revenues.

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The Authority pledged water and sanitary sewer revenues to repay the 2011 Utility System Revenue Note issued by the Authority of \$2,315,000. Proceeds from the note will be used to construct new sewer force main, a dew gravity sewer line, and emergency repair to certain existing sewer mains, along with related improvements. The notes are payable from revenues of the TPWA and are payable through 2031. The total principal and interest payable for the remainder of the life of this note is \$3,361,726. Pledged water and sewer net utility revenues for the current year were \$824,336. Debt service payments in the current year totaled \$123,214 and were 14.9% of pledged water and sewer net utility revenues.

**Sales Tax Pledge**

The City has pledged one cent of the sales tax in the General Fund to repay the 2010 Sales Tax Revenue Note issued by the Authority of \$2,200,000. Proceeds from the note will be used to construct a new city hall and related improvements. The notes are payable from revenues of the TPWA and pledged sales tax if needed and are payable through 2030. The total principal and interest payable for the remainder of the life of this note is \$3,145,700. Pledged sales tax revenue for the current year was \$1,163,619. Debt service payments of \$97,500 for the current fiscal year were 8.4% of the pledged sales tax.

**5. Sales Tax Revenue**

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

**6. Property Tax Levy**

The City presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City.

**7. Schedule of Transfers Between Funds and Legal Entities**

Internal balances between funds and legal entities are comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Internal Balance</u>
TPWA	General Fund	\$42,729	To correct posting error
Street & Alley	General Fund	995	To correct posting error
General Fund	TPWA	93,087	To reclassify EMS collections
CDBG Grant	General Fund	4,296	Negative cash
		\$141,107	

Reconciliation to Fund Financial statements:

	<u>Due From</u>	<u>Due To</u>	
Governmental Funds	\$ 98,378	\$ (48,020)	\$ 50,358
Proprietary Funds	42,729	(93,087)	(50,358)
Total	\$ 141,107	\$ (141,107)	\$ -

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Transfers between legal entities are comprised of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Nature of Transfer</u>
General Fund	TPWA	\$1,163,619	Sales tax transfer in accordance with bond indenture
TPWA	Capital Improvement Fund	1,227,047	Budgeted transfer for capital projects
TPWA	General Fund	1,163,619	Refund of sales tax transfer
		\$3,554,285	

**Reconciliation to Fund Financials:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Activities	\$2,390,666	(\$1,163,619)	\$1,227,047
Business-Type Activities	3,383,500	(2,390,666)	992,834
Total	\$5,774,166	(\$3,554,285)	\$2,219,881

**Reconciliation to Statement of Activities:**

Net transfers	\$1,227,047
Business-type assets bought by governmental activities	(2,219,881)
Transfers - internal activity	(\$992,834)

**8. Fund Equity**

The following tables show the fund balance classifications as shown in the Governmental Funds Balance Sheet in accordance with GASB Statement 54 and Proprietary Fund Statement of Net Position:

	<u>General Fund</u>	<u>Street &amp; Alley Fund</u>	<u>Other Governmental Fund</u>	<u>Total</u>
<b>Fund Balance:</b>				
<b>Nonspendable:</b>				
Cemetery Perpetual Care	\$ -	\$ -	\$ 26,781	\$ 26,781
<b>Restricted For:</b>				
Street Sales Tax	-	314,931	-	314,931
Cemetery capital	76,707	-	-	76,707
Capital Improvement	-	-	315,942	315,942
Cemetery Perpetual Care Interest	-	-	10,549	10,549
Jason White Donation	-	-	218	218
Sub-total Restricted	76,707	314,931	326,709	718,347
<b>Assigned to:</b>				
Cemetery Capital	102,987	-	-	102,987
Sub-total Assigned	102,987	-	-	102,987
<b>Unassigned</b>	238,715	-	303,614	542,329
<b>Total Fund Balance</b>	\$ 418,409	\$ 314,931	\$ 657,104	\$ 1,390,444

**Enterprise Funds:**

Restricted For Debt Service	\$ 49,502
Total Enterprise Fund Restrictions	\$ 49,502

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**Restricted Net Position – Governmental Activities:**

The following table shows the net position restricted by enabling legislation as shown in the Statement of Net Position:

Fund	Restricted By	Amount
Street & Alley Fund	Enabling legislation - Sales tax ordinance	\$ 314,931
Capital Improvement Fund	Enabling legislation - Capital improvement fee ordinance	\$ 315,942

**Net Position and Fund Balances Restatement**

Beginning net position and fund balances have been restated as follows due to write off of outstanding checks that were several years old:

	Government-Wide		
	TPWA	Governmental Activities	Business-type Activities
Beginning fund balance/net position, as previously reported	\$ 1,958,179	\$ 5,664,398	\$ 1,958,179
Removal of bond issue cost with implementation of GASB 65	(153,422)	-	(153,422)
Restatement of capital assets for recording of Cityhall/TPWA administration building	981,023	(981,023)	981,023
Beginning fund balance/net position, restated	<u>\$ 2,785,780</u>	<u>\$4,683,375</u>	<u>\$2,785,780</u>

**9. Risk Management**

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

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

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- Employee's Group Health and Life – Covered through participation in the Oklahoma Municipal Assurance Group risk entity pool.

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

#### **10. Employee Retirement Plan Participation**

The City participates in five employee retirement plans:

*OFPRS:*

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

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

*Funding Policy.* The City is required by state law to contribute 13% of covered payroll per year for each fulltime firefighter. Employees contribute 8% of covered payroll. For volunteer firefighters, the City is required to contribute \$60 per year per volunteer, while there is no required contribution by the volunteer. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

#### **Schedule of Retirement Plan Contributions OFPRS Cost-Sharing Plan**

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
12/31/10	\$ 7,494	\$ 7,494
12/31/11	\$36,339	\$36,339
12/31/12	\$40,091	\$40,091

*OPPRS:*

*Plan Summary Information.* The City of Tuttle, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and

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

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

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

*Funding Policy.* The City is required by state law to contribute 13% of covered payroll per year for each police officer. Employees contribute 8% of covered payroll. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS contributions are as follows:

**Schedule of Retirement Plan Contributions OPPRS Cost-Sharing Plan**

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
12/31/10	\$39,066	\$39,066
12/31/11	\$41,148	\$41,148
12/31/12	\$42,311	\$42,311

*City of Tuttle Defined Contribution Plan*

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

**Schedule of Retirement Plan Contributions – Defined Contribution Plan**

<u>Fiscal Year</u>	<u>Employer Contribution</u>
12/31/10	\$51,869
12/31/11	\$45,728

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12/31/12            \$45,093

*City of Tuttle Deferred Compensation Plan (457)*

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

**Schedule of Retirement Plan Contributions – Defined Contribution Plan**

<u>Fiscal Year</u>	<u>Employee Contributed</u>
12/31/10	\$12,573
12/31/11	\$11,852
12/31/12	\$ 9,686

*City of Tuttle City Manager Defined Contribution Plan*

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

**Schedule of Retirement Plan Contributions – Defined Contribution Plan**

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

**11. Commitments and Contingencies**

*Compensated Absences:*

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at December 31, 2012 is \$54,483 for governmental activities and \$15,657 for business-type activities.

*Litigation:*

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

*Federal and State Award Programs:*

The City of Tuttle participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

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**OTHER INFORMATION**

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**Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended December 31, 2012**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance:</b>	\$ 200,000	\$ 200,000	\$294,609	\$94,609
<b>Resources (Inflows):</b>				
Taxes	1,321,000	1,321,000	1,454,271	133,271
Intergovernmental	176,000	177,835	60,515	(117,320)
Charges for services	341,000	341,000	508,050	167,050
Fines and forfeitures	160,000	160,000	204,547	44,547
Licenses and permits	112,000	112,000	47,881	(64,119)
Investment Income	10,000	10,000	8,921	(1,079)
Miscellaneous	126,000	128,001	40,951	(87,050)
Transfers In	250,000	250,000	-	(250,000)
<b>Total Resources (Inflows)</b>	<u>2,496,000</u>	<u>2,499,836</u>	<u>2,325,136</u>	<u>(174,700)</u>
<b>Amounts available for appropriation</b>	<u>\$2,696,000</u>	<u>\$2,699,836</u>	<u>\$2,619,745</u>	<u>(\$80,091)</u>
<b>Charges to Appropriations (Outflows):</b>				
Finance	111,500	111,500	110,340	1,160
Administration	166,000	199,500	148,790	50,710
General government	259,000	309,000	165,079	143,921
Emergency medical services	282,400	315,800	315,144	656
Police	650,000	676,700	662,990	13,710
Parks	19,000	50,010	43,526	6,484
Fire	673,100	656,035	638,985	17,050
Community development	109,000	42,000	28,662	13,338
Animal Welfare	69,000	71,800	57,925	13,875
Emergency management	68,000	68,000	67,497	503
E911	182,000	171,300	152,632	18,668
Municipal Court	27,000	27,000	26,474	526
Transfers out	80,000	80,000	-	80,000
<b>Total Charges to Appropriations</b>	<u>2,696,000</u>	<u>2,778,645</u>	<u>2,418,044</u>	<u>360,601</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ (78,809)</u>	<u>\$ 201,701</u>	<u>\$280,510</u>
<b>Reconciliation to Statement of Revenues, Expenditures, and Change in Fund Balance:</b>				
<b>Cemetery account fund balance</b>			<u>216,708</u>	
<b>Total General Fund Fund Balance</b>			<u>\$ 418,409</u>	

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**Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended December 31, 2012**  
**(Cont.)**

	STREET & ALLEY FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance:</b>	\$ 100,000	\$ 100,000	\$163,895	\$63,895
<b>Resources (Inflows):</b>				
Taxes	346,000	346,000	387,873	41,873
Intergovernmental	42,000	42,000	48,405	6,405
Investment income	5,000	5,000	3,507	(1,493)
Miscellaneous	7,000	7,000	91,253	84,253
<b>Total Resources (Inflows)</b>	<b>400,000</b>	<b>400,000</b>	<b>531,038</b>	<b>131,038</b>
<b>Amounts available for appropriation</b>	<b>500,000</b>	<b>500,000</b>	<b>694,933</b>	<b>194,933</b>
<b>Charges to Appropriations (Outflows):</b>				
Streets	500,000	503,200	380,002	123,198
<b>Total Charges to Appropriations</b>	<b>500,000</b>	<b>503,200</b>	<b>380,002</b>	<b>123,198</b>
<b>Ending Budgetary Fund Balance</b>	<b>\$ -</b>	<b>\$ (3,200)</b>	<b>\$314,931</b>	<b>\$318,131</b>

**Footnotes to Budgetary Comparison Schedules:**

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements. For budgetary comparison purposes, the City considers all encumbrances to lapse at year-end; therefore encumbrances are not considered expenditures for budgetary comparison purposes. However, the City will re-appropriate these lapsed encumbrances in the subsequent year budget.

2. The legal level of appropriation control is the department level within a fund. Transfer appropriations require the Mayor's approval and supplemental appropriations require City Council's approval. The City exceeded the legal level of budgetary control in the General Fund in the Transfers Out by \$1,083,619.

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**Combining Balance Sheet – Nonmajor Governmental Funds (Modified Cash Basis) – December 31, 2012**

	<u>CDBG Grant Fund</u>	<u>Jason White Tribute Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 219	\$ 1,504	\$ 1,723
Investments	-	-	35,825	35,825
Total assets	<u>\$ -</u>	<u>\$ 219</u>	<u>\$ 37,329</u>	<u>\$ 37,548</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ 4,296	-	-	\$ 4,296
Total liabilities	<u>4,296</u>	<u>-</u>	<u>-</u>	<u>4,296</u>
Fund balances:				
Nonspendable	-	-	26,781	26,781
Restricted	-	219	10,548	10,767
Unassigned (deficit)	(4,296)	-	-	(4,296)
Total fund balances (deficits)	<u>(4,296)</u>	<u>219</u>	<u>37,329</u>	<u>33,252</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 219</u>	<u>\$ 37,329</u>	<u>\$ 37,548</u>

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**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds (Modified Cash Basis) – Year Ended December 31, 2012**

	<b>CDBG Grant Fund</b>	<b>Jason White Tribute Fund</b>	<b>Cemetery Perpetual Care Fund</b>	<b>Total-Other Governmental Funds</b>
<b>REVENUES</b>				
Intergovernmental	\$ 3,823	\$ -	\$ -	\$ 3,823
Investment earnings	-	1	267	268
<b>Total revenues</b>	<b>3,823</b>	<b>1</b>	<b>267</b>	<b>4,091</b>
<b>EXPENDITURES</b>				
Current:				
Capital Outlay	495	-	-	495
<b>Total Expenditures</b>	<b>495</b>	<b>-</b>	<b>-</b>	<b>495</b>
Excess (deficiency) of revenues over expenditures	3,328	1	267	3,596
 Net change in fund balances	 3,328	 1	 267	 3,596
Fund balances (deficits) - beginning	(7,624)	218	37,062	29,656
<b>Fund balances (deficits) - ending</b>	<b>\$ (4,296)</b>	<b>\$ 219</b>	<b>\$ 37,329</b>	<b>\$ 33,252</b>

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**Combining Balance Sheet – General Fund Accounts**

	<u>General Fund Account</u>	<u>Cemetery Account</u>	<u>Total General Fund Accounts</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 148,042	\$ 112,738	\$ 260,780
Investments	-	103,970	103,970
Due from other funds	97,383	-	97,383
Total assets	<u>\$ 245,425</u>	<u>\$ 216,708</u>	<u>\$ 462,133</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Due to other funds	<u>\$ 43,724</u>	<u>\$ -</u>	<u>\$ 43,724</u>
Total liabilities	<u>43,724</u>	<u>-</u>	<u>43,724</u>
Fund balances:			
Restricted	-	76,707	76,707
Assigned	-	102,987	102,987
Unassigned	201,701	37,014	238,715
Total fund balances	<u>201,701</u>	<u>216,708</u>	<u>418,409</u>
Total liabilities and fund balances	<u>\$ 245,425</u>	<u>\$ 216,708</u>	<u>\$ 462,133</u>

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**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts (Modified Cash Basis) – Year Ended December 31, 2012**

	<b>General Fund Account</b>	<b>Cemetery Account</b>	<b>Total General Fund Accounts</b>
<b>REVENUES</b>			
Taxes	\$ 1,454,271	\$ -	\$ 1,454,271
Intergovernmental	60,515	-	60,515
Licenses and permits	47,881	-	47,881
Charges for services	508,050	39,882	547,932
Fees and fines	204,547	-	204,547
Investment earnings	8,921	6,131	15,052
Miscellaneous	40,951	9,462	50,413
Total revenues	<u>2,325,136</u>	<u>55,475</u>	<u>2,380,611</u>
<b>EXPENDITURES</b>			
Current:			
General government	422,273	-	422,273
Public safety	1,433,436	-	1,433,436
Health and welfare	304,182	-	304,182
Culture and recreation	43,526	-	43,526
Community development	86,588	-	86,588
Cemetery	-	49,539	49,539
Capital outlay	43,999	12,219	56,218
Debt service:			
Principal	59,871	-	59,871
Interest and other charges	24,169	-	24,169
Total expenditures	<u>2,418,044</u>	<u>61,758</u>	<u>2,479,802</u>
Excess (deficiency) of revenues over expenditures	<u>(92,908)</u>	<u>(6,283)</u>	<u>(99,191)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,163,619	-	1,163,619
Transfers out	<u>(1,163,619)</u>	<u>-</u>	<u>(1,163,619)</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(92,908)	(6,283)	(99,191)
Fund balances (deficit) - beginning	294,609	222,991	517,600
Fund balances - ending	<u>\$ 201,701</u>	<u>\$ 216,708</u>	<u>\$ 418,409</u>

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**Combining Statement of Net Position – Tuttle Public Works Authority (Modified Cash Basis) –  
December 31, 2012**

	<u>TPWA</u>	<u>TPWA Wastewater Account</u>	<u>TPWA Springwood Acres</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 844,504	\$ -	\$ 5,695	\$ 850,199
<b>Restricted:</b>				
Cash and cash equivalents	2,097,445	165,729	-	2,263,174
Investments	111,163	-	-	111,163
Due from other funds	42,729	-	-	42,729
<b>Total current assets</b>	<b>3,095,841</b>	<b>165,729</b>	<b>5,695</b>	<b>3,267,265</b>
<b>Non-current assets:</b>				
<b>Restricted:</b>				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Notes receivable	-	-	-	-
<b>Capital assets:</b>				
Land and construction in progress	662,786	-	-	662,786
Other capital assets, net of accumulated depreciation	5,096,803	4,024,531	-	9,121,334
<b>Total non-current assets</b>	<b>5,759,589</b>	<b>4,024,531</b>	<b>-</b>	<b>9,784,120</b>
<b>Total assets</b>	<b>8,855,430</b>	<b>4,190,260</b>	<b>5,695</b>	<b>13,051,385</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Due to other funds	93,087	-	-	93,087
Payable to other governments	5,064	-	-	5,064
Refundable grant obligations	6,250	-	-	6,250
Notes payable	300,750	152,283	-	453,033
<b>Total current liabilities</b>	<b>405,151</b>	<b>152,283</b>	<b>-</b>	<b>557,434</b>
<b>Non-current liabilities:</b>				
Refundable grant obligations	30,209	-	-	30,209
Deposits subject to refund	219,816	-	-	219,816
Notes payable	4,587,033	3,440,365	-	8,027,398
<b>Total non-current liabilities</b>	<b>4,837,058</b>	<b>3,440,365</b>	<b>-</b>	<b>8,277,423</b>
<b>Total liabilities</b>	<b>5,242,209</b>	<b>3,592,648</b>	<b>-</b>	<b>8,834,857</b>
<b>NET POSITION</b>				
Net investment in capital assets	2,743,404	597,612	-	3,341,016
Restricted for debt service	49,502	-	-	49,502
Unrestricted	820,315	-	5,695	826,010
<b>Total net position</b>	<b>\$ 3,613,221</b>	<b>\$ 597,612</b>	<b>\$ 5,695</b>	<b>\$ 4,216,528</b>

**CITY OF TUTTLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended December 31, 2012**

**Combining Statement of Revenues, Expenses and Changes in Net Position - Tuttle Public Works  
Authority Accounts (Modified Cash Basis) – Fiscal Year Ended December 31, 2012**

	TPWA	TPWA Wastewater Account	TPWA Springwood Acres	Total
<b>REVENUES</b>				
Charges for services:				
Water	\$ 953,897	\$ -	\$ 10,722	\$ 964,619
Sewer	185,456	-	-	185,456
Gas	635,119	-	-	635,119
Sanitation	641,074	-	-	641,074
Miscellaneous	50,103	-	-	50,103
Total operating revenues	<u>2,465,649</u>	<u>-</u>	<u>10,722</u>	<u>2,476,371</u>
<b>OPERATING EXPENSES</b>				
General government	239,874	-	-	239,874
Administration	76,915	-	-	76,915
Water	287,476	-	5,027	292,503
Wastewater	27,541	-	-	27,541
Sanitation	336,697	-	-	336,697
Gas	413,849	-	-	413,849
Depreciation	326,756	-	-	326,756
Total operating expenses	<u>1,709,108</u>	<u>-</u>	<u>5,027</u>	<u>1,714,135</u>
Operating income	<u>756,541</u>	<u>-</u>	<u>5,695</u>	<u>762,236</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest and investment revenue	7,028	31	-	7,059
Miscellaneous revenue	8,675	-	-	8,675
Interest expense	(340,056)	-	-	(340,056)
Total non-operating revenue (expenses)	<u>(324,353)</u>	<u>31</u>	<u>-</u>	<u>(324,322)</u>
Income before transfers	<u>432,188</u>	<u>31</u>	<u>5,695</u>	<u>437,914</u>
Transfers in	3,383,500	-	-	3,383,500
Transfers out	(2,390,666)	-	-	(2,390,666)
Transfers in - interaccount	-	217,250	-	217,250
Transfers out - interaccount	(217,250)	-	-	(217,250)
Change in net position	<u>1,207,772</u>	<u>217,281</u>	<u>5,695</u>	<u>1,430,748</u>
Total net position - beginning, restated	2,405,449	380,331	-	2,785,780
Total net position - ending	<u>\$ 3,613,221</u>	<u>\$ 597,612</u>	<u>\$ 5,695</u>	<u>\$ 4,216,528</u>

**CITY OF TUTTLE, OKLAHOMA  
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**Debt Service Coverage Schedule – December 31, 2012**

	<b>OWRB NOTE</b>
<b>Gross Revenue Available for Debt Service:</b>	
Operating revenues :	
Water	\$953,897
Sewer	185,456
<b>Total gross revenues available</b>	<b>\$1,139,353</b>
Authority operating expenses (1):	
Water	287,476
Sewer	27,541
<b>Total operating expenses</b>	<b>315,017</b>
<b>Net Revenues Available for Debt Service</b>	<b>\$824,336</b>
<b>Average Annual Debt Service Requirements for Term:</b>	
Maximum annual debt service requirements-OWRB	\$291,386
Maximum annual debt service requirements-SSB Revenue Note	145,670
<b>Total maximum annual debt service</b>	<b>\$437,056</b>
<b>Computed Coverage</b>	<b>1.89</b>
<b>Coverage Requirement - Revenue Bond Indenture</b>	<b>1.25</b>

(1) Excludes amortization and depreciation.

**CITY OF TUTTLE, OKLAHOMA  
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**CITY OF TUTTLE, OKLAHOMA  
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**SINGLE AUDIT AND INTERNAL CONTROL AND COMPLIANCE INFORMATION**

**CITY OF TUTTLE, OKLAHOMA  
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As of and for the Year Ended December 31, 2012**

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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 THE ACCOMPANYING FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Members of the City Council  
City of Tuttle, Oklahoma

We have audited audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying 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 Tuttle, Oklahoma, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 9, 2013. The report was a special report on the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 12-4 and 12-5.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 12-1, 12-2, and 12-3.

**Compliance and Other Matters**

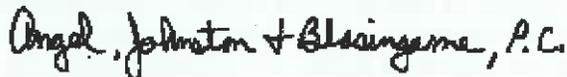
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 12-4 and 12-5.

**City of Tuttle's Responses to Findings**

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

**Purpose of This Report**

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



Chickasha, Oklahoma  
July 9, 2013



CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the City Council  
City of Tuttle, Oklahoma

**Report on Compliance for Each Major Federal Program**

We have audited City of Tuttle's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the City's major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on the compliance for each major program. Our audit does not provide a legal determination of the City's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

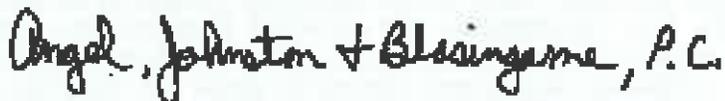
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Angel Johnston, & Blasingame, PC



Chickasha, Oklahoma  
July 9, 2013

**CITY OF TUTTLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
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**Schedule of Expenditures of Federal Awards (Modified Cash Basis) – For Year Ended December 31, 2012**

<b>Federal/State Grantor/Pass Through Agency Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant #</b>	<b>Award Amount</b>	<b>Awards Expended</b>
<b>FEDERAL AWARDS:</b>				
<b><u>U.S. DEPARTMENT OF JUSTICE:</u></b>				
Passed through Oklahoma Highway Safety Office:				
Police Traffic Services	20.614	CE-13-03-44-01	\$ 4,000	\$ 1,003
Total U.S. Department of Justice			<u>\$ 4,000</u>	<u>\$ 1,003</u>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u></b>				
Passed through Oklahoma Emergency Management:				
Hazard Mitigation Grant	97.039	HMPG 1678	\$1,256,669	\$ 709,291
Total U.S. Department of Homeland Security			<u>\$1,256,669</u>	<u>\$ 709,291</u>
Total Federal Awards			<u>\$1,260,669</u>	<u>\$ 710,294</u>

**CITY OF TUTTLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended December 31, 2012**

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**CITY OF TUTTLE, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2012**

**Section 1**

**Summary of Auditor's Results**

Financial Statements

- |  |            |
|--|------------|
| 1. Type of auditor's report issued                           | Unmodified |
| 2. Internal control over financial reporting:                |            |
| a. Material weaknesses identified?                           | Yes        |
| b. Significant deficiency identified?                        | Yes        |
| c. Noncompliance material to the financial statements noted? | Yes        |

Federal Awards

- |   |            |
|---|------------|
| 1. Internal control over major program:   |            |
| a. Material weaknesses identified?  | No         |
| b. Significant deficiency identified not considered to be material weaknesses?  | No         |
| 2. Type of auditor's report issued on compliance for major program:   | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No         |
| 4. Identification of major programs:  |            |

CFDA Number  
97.039

Name of Federal Program  
Hazard Mitigation Grant

Dollar threshold used to distinguish between Type A or Type B programs:	\$300,000
---	-----------

- |   |    |
|---|----|
| 5. Auditee qualified as low-risk auditee? | No |
|---|----|

**CITY OF TUTTLE, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2012**

**Section 2**

*Findings-Financial Statement Audit*

**SIGNIFICANT DEFIECIENCY**

- 12-1. Criteria – Police (court) fines and ambulance accounts receivable should be reconciled on a monthly basis. The reconciliation should account for all the activity in the accounts.

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

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

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

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

Management response – Staffing issues have posed significant challenges to getting the reconciliations completed in a timely and meaningful manner. Management is working with the Finance Director to better organize the finance and billing offices to be more focused on the actual functions of those offices, and to hold the departments more accountable for their work product. This will require shifting other responsibilities to other staff members and departments. Some of this reorganization, along with the possible need for additional labor resources, may require additional financial appropriations from the City Council. In addition, staff has been working with Tyler Technologies, the accounting software provider, to correct balances in the system that did not carry correctly during conversion. In the past month Tyler Technologies has proposed entries to correct these conversion differences. Staff has been provided a list of reports needed each month to perform the reconciliation. As some of the reports are date sensitive, they will be printed on September 30 to begin the reconciliation process in October. As staff begins the reconciliation process they will focus on utility, meter deposit, ambulance and court reconciliations.

- 12-2. Criteria – The City policy states the maximum amount that can be paid out for vacation rather than taking vacation is 40 hours per year. Also all adjustments to vacation accruals should be documented.

Condition – There were several instances noted when more than 40 hours was paid out during the year. Also the adjustments were frequently not documented.

Cause – Lack of emphasis of the need to follow policy or lack of established adjustment procedures.

Effect – Paying vacation in a manner contrary to policy could cause cash flow problems as well as lack of compliance. Lack of documentation of adjustments to vacation accrual could cause inappropriate adjustments not to be identified.

**CITY OF TUTTLE, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2012**

Recommendation – Reemphasize the need to follow policy or change the policy to the practice the City wants to follow. Also establish appropriate documentation and monitoring procedures.

Management response – Management agrees.

- 12-3. Criteria – All utility, EMS and police billing adjustments should be documented and approved by a person outside the billing process. This documentation needs to be retained.

Condition – During filed work City staff was unable to locate documentation for several of our selected adjustments.

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

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

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

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

**MATERIAL WEAKNESS AND NONCOMPLIANCE OR OTHER MATTERS**

- 12-4. Criteria – In order to appropriately bill and collect EMS revenue the billing process needs to be timely.

Condition – Since August of 2011, the EMS collections dramatically declined. Since January to the time we were in the field for the audit (May 1) no EMS billings had been performed.

Cause – The EMS billing clerk discontinued billing because she claimed not to have time to perform the billing along with her other duties. However, the fact the billing was not being done was not communicated to management.

Effect – The EMS billings were not being done and so cash flow declined.

Recommendation – Duties need to be clearly defined and management needs to establish procedures to monitor the workflow and the revenue of the City.

Management response – This problem has been addressed and will be monitored for future compliance. Billing is now caught up and initial bills are sent within one week of the delivery of the run reports from the Fire/EMS Department.

**CITY OF TUTTLE, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2012**

12-5. Criteria – Utility customers should be billed in compliance with ordinances.

Condition – There was a change in sewer rates that was incorrectly setup in the billing system.

Cause – There is a lack of validation procedures when utility rates changes have been changed in the billing system.

Effect – We noted several sewer customers that were under billed. Most of the under billing amounts that we located were about \$12 per customer per month.

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

Management response – Management agrees.

**Section 3**

*Findings and Question Costs-Major Federal Award Programs Audit*

There were no findings in this section.

**CITY OF TUTTLE, OKLAHOMA**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2012**

- 11-1. Criteria – Utility, meter deposits, police (court) fines and ambulance accounts receivable should be reconciled on a monthly basis. The reconciliation should account for all the activity in the accounts.

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

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

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

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

Current Status – This continued to be a finding in the police (court) fines and ambulance billings.

- 11-2. Criteria – Water volumes pumped and sold should be tracked as a part of management of the water system.

Condition – Water volumes pumped and sold are not tracked and compared.

Cause – Established procedures to benefit from these procedures have not been established.

Effect – Possible problems might be identified with this procedure. In particular large leaks or large accounting irregularities might be identified.

Recommendation – Establish a monthly procedure and have someone in management be responsible for reviewing the report.

Current Status – This was not a finding in the current year.

- 11-3. Criteria – All grants should be monitored to be sure all available reimbursements have been received.

Condition – On the ODOC grant there still appears to be about \$3,823 of funds available for reimbursement.

Cause – The grant has not received the detailed monitoring necessary to claim funds appropriately.

Effect – Funding can be lost or inappropriately claimed.

Recommendation – Establish appropriate monitoring procedures to track expenses and funding status.

Current Status – This was not a finding in the current year.

**CITY OF TUTTLE, OKLAHOMA**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2012**

11-4. Criteria – All budget supplements need to be record in the computerized budget monitoring system.

Condition – We located one supplement in the General Fund in the amount of \$3,000 that was not record in the computer monitoring system.

Cause – The approved budget supplement was not added to the computer to allow for proper monitoring.

Effect – Without proper monitoring of budget adjustments the budget monitoring process is not effective.

Recommendation – Have an independent check of the budget adjustments to the computerize approval.

Current Status – This was not a finding in the current year.

11-5. Criteria – All utility, EMS and police billing adjustments should be documented and approved by a person outside the billing process. This documentation needs to be retained.

Condition – During filed work City staff was unable to locate documentation for several of our selected adjustments.

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

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

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

Management response – This has not been corrected.

11-6. Criteria – In order to appropriately bill and collect EMS revenue the billing process needs to be timely.

Condition – Since August of 2011, the EMS collections dramatically declined. Since January to the time we were in the field for the audit (May 1) no EMS billings had been performed.

Cause – The EMS billing clerk discontinued billing because she claimed not to have time to perform the billing along with her other duties. However, the fact the billing was not being done was not communicated to management.

Effect – The EMS billings were not being done and so cash flow declined.

Recommendation – Duties need to be clearly defined and management needs to establish procedures to monitor the workflow and the revenue of the City.

Management response – This Continued to be a problem in the current year.

**CITY OF TUTTLE, OKLAHOMA**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2012**

11-7. Material Weakness – Hazard Mitigation Grant

Criteria – All grants should be prepared from detailed documentation that supports each individual item claimed for reimbursement. Only allowable expenses should be claimed.

Condition – The first claim for the FEMA Saferoom Grant was for 100% of the expenditures on the saferoom/city hall project through December, 2011 in the amount of \$811,404. However, some of expenses were for the nonfederal award portion of the project.

Questioned Cost – The claim included \$264,026 in non-federal expenses.

Cause – The project management company prepared the claim for the City and did not consider the need for an allocation. Also the claim was not reviewed for appropriateness at the City's management level.

Effect – An inappropriate claim was made. This caused funding to be received in excess of eligible expenses through the December, 2011.

Recommendation – Make sure consultants are aware of the grant claim requirements. Also management needs to establish at least broad review requirements prior to signing claims.

Management response – This was not a finding in the current year.

