

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

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

**CITY OF TUTTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2014**

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Tuttle, Oklahoma

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters-Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and budgetary comparison information as listed in the table of contents be

presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

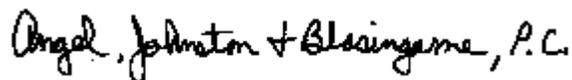
Other Matters-Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tuttle's financial statements. The combining statements for non-major fund financial statements, combining statements for the General Fund accounts, combining statements for Tuttle Public Works Authority accounts, and the debt service coverage information, are presented for purposes of additional analysis and are not a required part of the 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 part of the basic financial statements.

The combining statements for non-major fund financial statements, combining statements for the General Fund accounts, combining statements for Tuttle Public Works Authority accounts, the schedule of expenditures of federal awards and the debt service coverage information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements for non-major fund financial statements, combining statements for the General Fund accounts, combining statements for Tuttle Public Works Authority accounts, the schedule of expenditures of federal awards and the debt service coverage information are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Audit Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Chickasha, Oklahoma
August 27, 2015

**CITY OF TUTTLE, OKLAHOMA
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The management of the City of Tuttle is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the fiscal year ended December 31, 2014. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts

FINANCIAL HIGHLIGHTS

- As reported on an accrual basis, the City's total net position increased by \$399,831, and the assets of the City exceed its liabilities for the year ended December 31, 2014, by \$10,623,124 (net position).
- For the fiscal year ended December 31, 2014, the City's governmental funds reported combined ending fund balances of \$1,132,567 compared to \$1,421,822 in FY 2013, an decrease of \$289,255 or 20.3%.
- For the year ended December 31, 2014, unassigned fund balance for the General Fund was \$371,889 or 9.8% of General Fund revenues.

ABOUT THE CITY

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

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

The City's Financial Reporting Entity

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

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

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

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

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

Fund Financial Statements

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

Governmental funds - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

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

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 26-44 of this report.

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Other Information

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

THE CITY AS A WHOLE

For the fiscal year ended December 31, 2014, net position for the governmental and business-type activities increased by \$399,831.

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

TABLE 1
NET POSITION (In Thousands)

	<u>Governmental Activities</u>		<u>% Inc. (Dec.)</u>	<u>Business-Type Activities</u>		<u>% Inc. (Dec.)</u>	<u>Total</u>		<u>% Inc. (Dec.)</u>
	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>	
Current assets	\$ 1,569	\$2,348	-33%	\$ 1,652	\$ 2,566	-36%	\$ 3,221	\$ 4,914	-34%
Capital assets, net	5,145	4,382	17%	11,748	10,781	9%	16,893	15,163	11%
Total assets	<u>6,714</u>	<u>6,730</u>	0%	<u>13,400</u>	<u>13,347</u>	0%	<u>20,114</u>	<u>20,077</u>	0%
Current liabilities	308	243	27%	936	848	10%	1,244	1,091	14%
Non-current liabilities	488	588	-17%	7,759	8,174	-5%	8,247	8,762	-6%
Total liabilities	<u>796</u>	<u>831</u>	-4%	<u>8,695</u>	<u>9,022</u>	-4%	<u>9,491</u>	<u>9,853</u>	-4%
Net position:									
Net investment in capital assets	4,493	3,642	23%	4,160	3,547	17%	8,653	7,189	20%
Restricted	626	856	-27%	181	52	248%	807	908	-11%
Unrestricted	798	1,401	-43%	365	725	-50%	1,163	2,126	-45%
Total net position	<u>\$ 5,917</u>	<u>\$5,899</u>	0%	<u>\$ 4,706</u>	<u>\$ 4,324</u>	9%	<u>\$ 10,623</u>	<u>\$ 10,223</u>	5%

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 \$8,652,225.

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

A portion of the City's net position, \$807,863, 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 \$798,259 and the business-type activities unrestricted net position was \$364,777.

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**TABLE 2
CHANGES IN NET POSITION (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	2013		2014	2013		2014	2013	
Revenues									
Charges for service	\$ 1,353	\$ 1,793	-25%	\$ 2,930	\$ 2,606	12%	\$ 4,283	\$ 4,399	-3%
Operating grants and contributions	299	84	256%	-	-	-	299	84	256%
Capital grants and contributions	485	112	333%	261	-	100%	746	112	566%
Taxes	2,166	1,947	11%	-	-	-	2,166	1,947	11%
Investment income	15	17	-12%	4	5	-20%	19	22	-14%
Miscellaneous	44	172	-74%	22	99	-78%	66	271	-76%
Total revenues	<u>4,362</u>	<u>4,125</u>	6%	<u>3,217</u>	<u>2,710</u>	19%	<u>7,579</u>	<u>6,835</u>	11%
Expenses									
General government	650	536	22%	-	-	-	650	536	22%
Public safety	1,917	1,782	8%	-	-	-	1,917	1,782	8%
Streets	424	535	-21%	-	-	-	424	535	-21%
Culture and recreation	109	84	30%	-	-	-	109	84	30%
Health and welfare	1,211	909	33%	-	-	-	1,211	909	33%
Cemetery	35	62	-44%	-	-	-	35	62	-44%
Community development	74	93	-20%	-	-	-	74	93	-20%
Interest on long-term debt	26	33	-21%	-	-	-	26	33	-21%
Water	-	-	-	925	1,060	-13%	925	1,060	-13%
Wastewater	-	-	-	215	214	0%	215	214	0%
Sanitation	-	-	-	507	481	5%	507	481	5%
Gas	-	-	-	1,086	791	37%	1,086	791	37%
Total expenses	<u>4,446</u>	<u>4,034</u>	10%	<u>2,733</u>	<u>2,546</u>	7%	<u>7,179</u>	<u>6,580</u>	9%
Excess (deficiency) before transfers	(84)	91	-192%	484	164	195%	400	255	57%
Transfers	102	256	-60%	(102)	(256)	-60%	-	-	0%
Change in net position	18	347	-95%	382	(92)	-515%	400	255	57%
Beginning net position	<u>5,899</u>	<u>5,552</u>	6%	<u>4,324</u>	<u>4,416</u>	-2%	<u>10,223</u>	<u>9,968</u>	3%
Ending net position	<u>\$ 5,917</u>	<u>\$ 5,899</u>	0%	<u>\$ 4,706</u>	<u>\$ 4,324</u>	9%	<u>\$ 10,623</u>	<u>\$ 10,223</u>	4%

Governmental Activities

The City's governmental activities had an increase in net position of \$18,561.

**TABLE 3
Net Revenue (Expense) of Governmental Activities
(In Thousands)**

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2014	2013		2014	2013	
General government	\$ 650	\$ 536	22%	(\$438)	(\$515)	-15%
Public safety	1,917	1,782	8%	(1,600)	(1,506)	6%
Streets	424	535	-21%	236	(187)	-226%
Culture and recreation	109	84	30%	(22)	(17)	29%
Health and welfare	1,211	909	33%	(535)	199	-369%
Cemetery	35	62	-44%	23	(14)	-264%
Community development	74	93	-20%	53	30	77%
Interest on long-term debt	26	33	-21%	(26)	(30)	-13%
Total	<u>4,446</u>	<u>\$ 4,034</u>	10%	<u>(\$2,309)</u>	<u>(\$2,040)</u>	13%

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Business-type Activities

The business-type activities had a increase in net position of \$381,270.

**TABLE 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)**

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2014	2013		2014	2013	
Water	\$ 925	\$1,060	-13%	\$ 113	\$(218)	-152%
Wastewater	215	214	0%	60	(30)	-300%
Sanitation	507	481	5%	219	192	14%
Gas	1,086	791	37%	65	116	-100%
Total	\$ 2,733	\$2,546	7%	\$ 457	\$ 60	662%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its fiscal year ended December 31, 2014, the governmental funds reported a combined fund balance of \$1,132,567. For the year ended December 31, 2014, the General Fund's total fund balance decreased by \$53,750.

Budgetary Highlights

For fiscal year ended December 31, 2014, the General Fund reported revenues below final estimates by \$151,279 or a 5% negative variance. General Fund actual expenditures were under final appropriations by \$285,322 or an 8.6% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2014, the City had approximately \$17 million in capital assets (net of accumulated depreciation), as reported on an accrual basis, including land, buildings, machinery and equipment, and park facilities. Below are details regarding the City's capital assets as of December 31, 2014.¹

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

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Capital Assets

(In Thousands)
(Net of accumulated depreciation)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Land	\$ 569	\$ 569	\$ 350	\$ 65	\$ 919	\$ 634
Buildings and improvements	397	397	3,704	3,705	4,101	4,102
Imp. other than buildings	156	129	-	-	156	129
Machinery, furniture and equipment	4,237	4,005	866	855	5,103	4,860
Infrastructure	13,643	13,278	9,378	8,520	23,021	21,798
Utility property and improvements	-	-	30	25	30	25
Construction in progress	1,110	622	1,188	974	2,298	1,596
Totals	<u>20,112</u>	<u>19,000</u>	<u>15,516</u>	<u>14,144</u>	<u>35,628</u>	<u>33,144</u>
Less accumulated depreciation	(14,967)	(14,618)	(3,768)	(3,363)	(18,735)	(17,981)
	<u>\$ 5,145</u>	<u>\$ 4,382</u>	<u>\$ 11,748</u>	<u>\$ 10,781</u>	<u>\$ 16,893</u>	<u>\$ 15,163</u>

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

- Jefferies property
- SW 4th street sewer rehab
- Morgan Road waterline
- E SCR waterline project
- Safe routes sidewalks
- Whispering Lakes streets

Debt Administration

At December 31, 2014, the City had \$9 million in long-term debt outstanding, which represents approximately a \$440,000 decrease from the prior year.

The City of Tuttle's Long-term Debt

(In Thousands)

	Governmental		Business-Type		Total		Total Percentage Change
	Activities		Activities				
	2014	2013	2014	2013	2014	2013	
Notes payable	\$ -	\$ -	\$ 8,138	\$ 8,510	\$ 8,138	\$ 8,510	-4.4%
Refundable grant obligation	-	-	24	30	24	30	-20.0%
Capital leases	557	675	-	-	557	675	-17.5%
Deposits subject to refund	-	-	244	231	244	231	5.6%
Accrued compensated absences	95	66	27	13	122	79	54.4%
Totals	<u>\$ 652</u>	<u>\$ 741</u>	<u>\$ 8,433</u>	<u>\$ 8,784</u>	<u>\$ 9,085</u>	<u>\$ 9,525</u>	-4.6%

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ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- For fiscal year 2015, the City expects a 5% increase in sales tax revenue from 2014 with strong housing growth and new businesses opening during the upcoming year.
- The City is planning the construction of a new recreation trail with new soccer fields at a 40 acre park.

Contacting the City's Financial Management

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

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BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

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Statement of Net Position – December 31, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 702,836	\$ 1,133,727	\$ 1,836,563
Investments	3,849	111,831	115,680
Accounts receivable, net of allowance	365,718	420,714	786,432
Internal balances	14,071	(14,071)	-
Due from other governmental agencies	482,534	-	482,534
Capital Assets:			
Land and construction in progress	1,678,561	1,538,150	3,216,711
Other capital assets, net of depreciation	3,466,385	10,209,952	13,676,337
Total Assets	<u>\$ 6,713,954</u>	<u>\$ 13,400,303</u>	<u>\$ 20,114,257</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 114,146	\$ 176,535	\$ 290,681
Due to other governments	-	3,691	3,691
Due to depositors	30,000	195,360	225,360
Accrued interest payable	-	80,770	80,770
Unearned income	-	72	72
Long-term liabilities			
Due within one year	164,252	479,451	643,703
Due in more than one year	488,160	7,758,686	8,246,846
Total liabilities	<u>796,558</u>	<u>8,694,565</u>	<u>9,491,123</u>
NET POSITION			
Net investment in capital assets	4,492,534	4,159,691	8,652,225
Restricted by:			
Enabling legislation	500,632	-	500,632
Statutory requirements	85,187	-	85,187
Other contracts	223	181,270	181,493
Permanent fund - nonspendable	26,781	-	26,781
Permanent fund - expendable	13,770	-	13,770
Unrestricted	798,269	364,777	1,163,046
Total net position	<u>\$ 5,917,396</u>	<u>\$ 4,705,738</u>	<u>\$ 10,623,134</u>

See accompanying notes to the basic financial statements.

CITY OF TUTTLE, OKLAHOMA
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Statement of Activities – Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 649,708	\$ 22,442	\$ 93,490	\$ 96,196	\$ (437,580)	\$ -	\$ (437,580)
Public Safety	1,917,419	181,400	132,971	2,935	(1,600,113)	-	(1,600,113)
Streets	424,950	269,151	56,311	335,471	235,983	-	235,983
Culture and Recreation	109,248	23,072	13,400	50,653	(22,123)	-	(22,123)
Health and Welfare	1,210,557	675,629	-	-	(534,928)	-	(534,928)
Cemetery	34,725	54,598	3,000	-	22,873	-	22,873
Community Development	74,034	126,648	-	-	52,614	-	52,614
Interest on Long-term debt	25,701	-	-	-	(25,701)	-	(25,701)
Total governmental activities	<u>4,446,342</u>	<u>1,352,940</u>	<u>299,172</u>	<u>485,255</u>	<u>(2,308,975)</u>	<u>-</u>	<u>(2,308,975)</u>
Business-Type Activities:							
Water	925,236	859,136	-	179,009	-	112,909	112,909
Wastewater	215,356	194,248	-	81,579	-	60,471	60,471
Sanitation	507,493	726,090	-	-	-	218,597	218,597
Gas	1,086,087	1,150,717	-	-	-	64,630	64,630
Total business-type activities	<u>2,734,172</u>	<u>2,930,191</u>	<u>-</u>	<u>260,588</u>	<u>-</u>	<u>456,607</u>	<u>456,607</u>
Total primary government	<u>\$ 7,180,514</u>	<u>\$ 4,283,131</u>	<u>\$ 299,172</u>	<u>\$ 745,843</u>	<u>\$ (2,308,975)</u>	<u>\$ 456,607</u>	<u>\$ (1,852,368)</u>
General revenues:							
Taxes:							
Sales and use taxes					\$ 1,932,255	\$ -	\$ 1,932,255
Franchise taxes and public service taxes					233,672	-	233,672
Unrestricted investment earnings					15,055	4,349	19,404
Miscellaneous					44,580	22,288	66,868
Transfers					101,974	(101,974)	-
Total general revenues and transfers					<u>2,327,536</u>	<u>(75,337)</u>	<u>2,252,199</u>
Change in net position					18,561	381,270	399,831
Net position - beginning					5,898,835	4,324,468	10,223,303
Net position - ending					<u>\$ 5,917,396</u>	<u>\$ 4,705,738</u>	<u>\$ 10,623,134</u>

See accompanying notes to the basic financial statements.

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

CITY OF TUTTLE, OKLAHOMA
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Governmental Funds Balance Sheet – December 31, 2014

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 225,079	\$ 79,453	\$ 361,378	\$ 36,926	\$ 702,836
Investments	-	-	-	3,849	3,849
Receivable from other governments	292,618	135,285	54,631	-	482,534
Due from other funds	93,087	1,827	-	-	94,914
Court fines receivable, net	79,466	-	-	-	79,466
Ambulance receivable, net	150,597	-	-	-	150,597
Other receivables	116,644	9,064	9,947	-	135,655
Total assets	<u>\$ 957,491</u>	<u>\$ 225,629</u>	<u>\$ 425,956</u>	<u>\$ 40,775</u>	<u>\$ 1,649,851</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 32,453	\$ 6,261	\$ -	\$ -	\$ 38,714
Accrued payroll payable	70,552	4,880	-	-	75,432
Due to other funds	76,546	-	-	4,297	80,843
Refundable deposits	30,000	-	-	-	30,000
Total liabilities	<u>209,551</u>	<u>11,141</u>	<u>-</u>	<u>4,297</u>	<u>224,989</u>
Deferred inflows of resources:					
Deferred revenue	152,483	85,180	54,632	-	292,295
Fund balances:					
Nonspendable	-	-	-	26,781	26,781
Restricted	85,187	129,308	371,324	13,993	599,812
Assigned	138,381	-	-	-	138,381
Unassigned (deficit)	371,889	-	-	(4,296)	367,593
Total fund balances	<u>595,457</u>	<u>129,308</u>	<u>371,324</u>	<u>36,478</u>	<u>1,132,567</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 957,491</u>	<u>\$ 225,629</u>	<u>\$ 425,956</u>	<u>\$ 40,775</u>	<u>\$ 1,649,851</u>

See accompanying notes to the basic financial statements.

**CITY OF TUTTLE, OKLAHOMA
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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended December 31, 2014

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 1,658,956	\$ 449,096	\$ -	\$ -	\$ 2,108,052
Intergovernmental	352,763	165,666	208,305	-	726,734
Licenses and permits	53,648	-	-	-	53,648
Charges for services	1,501,430	-	198,795	-	1,700,225
Fees and fines	148,484	-	-	-	148,484
Investment earnings	12,919	2,113	-	23	15,055
Miscellaneous	79,918	24,872	52,606	3,000	160,396
Total revenues	<u>3,808,118</u>	<u>641,747</u>	<u>459,706</u>	<u>3,023</u>	<u>4,912,594</u>
EXPENDITURES					
Current:					
General government	612,812	-	-	-	612,812
Public safety	1,852,841	-	-	-	1,852,841
Highways and streets	-	311,559	-	-	311,559
Health and sanitation	1,183,828	-	-	-	1,183,828
Culture and recreation	85,188	-	3,030	-	88,218
Economic development	95,167	-	-	-	95,167
Cemetery	31,249	-	-	-	31,249
Capital outlay	39,260	621,449	425,223	-	1,085,932
Debt service:					
Principal	66,741	27,523	53,177	-	147,441
Interest and other charges	14,782	1,625	6,747	-	23,154
Total expenditures	<u>3,981,868</u>	<u>962,156</u>	<u>488,177</u>	<u>-</u>	<u>5,432,201</u>
Excess (deficiency) of revenues over expenditures	<u>(173,750)</u>	<u>(320,409)</u>	<u>(28,471)</u>	<u>3,023</u>	<u>(519,607)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from capital leases	-	-	30,352	-	30,352
Transfers in	200,000	-	80,000	-	280,000
Transfers out	(80,000)	-	-	-	(80,000)
Total other financing sources and uses	<u>120,000</u>	<u>-</u>	<u>110,352</u>	<u>-</u>	<u>230,352</u>
Net change in fund balances	(53,750)	(320,409)	81,881	3,023	(289,255)
Fund balances - beginning	649,207	449,717	289,443	33,455	1,421,822
Fund balances - ending	<u>\$ 595,457</u>	<u>\$ 129,308</u>	<u>\$ 371,324</u>	<u>\$ 36,478</u>	<u>\$ 1,132,567</u>

See accompanying notes to the basic financial statements.

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

Fund Balance – Net Position Reconciliation:

Fund Balance - Net Position Reconciliation:

Total fund balance, governmental funds	\$	1,132,567
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.		5,144,946
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		292,295
Some liabilities (such as Notes Payable, Capital Lease Contract Payable and Long-term Compensated Absences), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		(652,412)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$</u>	<u>5,917,396</u>

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds:	\$	(289,255)
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		1,223,205
Depreciation expense		(460,659)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in Deferred revenue		(543,081)
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		147,441
Proceeds of long-term debt		(30,352)
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Change in accrued compensated absences		(28,738)
Change in net position of governmental activities	<u>\$</u>	<u>18,561</u>

See accompanying notes to the basic financial statements.

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

CITY OF TUTTLE, OKLAHOMA
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Proprietary Fund Statement of Net Position – December 31, 2014

	Tuttle Public Works Authority
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 212,827
Restricted:	
Cash and cash equivalents	920,900
Investments	111,831
Due from other funds	79,016
Accounts receivable, net	420,411
Other receivables	303
Total current assets	1,745,288
Non-current assets:	
Land and construction in progress	1,538,150
Other capital assets, net of accumulated depreciation	10,209,952
Total non-current assets	11,748,102
Total assets	13,493,390
LIABILITIES	
Current liabilities:	
Accounts payable	158,456
Salaries payable	18,079
Accrued interest payable	80,770
Due to other funds	93,087
Payable to other governments	3,691
Deferred revenue	72
Deposits subject to refund	48,840
Compensated absences	2,705
Refundable grant obligations	6,250
Notes payable	421,656
Total current liabilities	833,606
Non-current liabilities:	
Deposits subject to refund	195,360
Compensated absences	24,343
Refundable grant obligations	17,709
Notes payable	7,716,634
Total non-current liabilities	7,954,046
Total liabilities	8,787,652
NET POSITION	
Net investment in capital assets	4,159,731
Restricted for debt service	181,270
Unrestricted	364,737
Total net position	\$ 4,705,738

See accompanying notes to the basic financial statements.

CITY OF TUTTLE, OKLAHOMA
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Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position – Year Ended December 31, 2014

	Tuttle Public Works Authority
REVENUES	
Charges for services:	
Water	\$ 844,970
Sewer	191,045
Gas	1,131,744
Sanitation	714,118
Rents and royalties	5,000
Miscellaneous	43,314
Total operating revenues	2,930,191
OPERATING EXPENSES	
General government	315,209
Administration	92,109
Water	336,730
Wastewater	30,731
Sanitation	380,625
Gas	861,689
Depreciation	421,330
Total operating expenses	2,438,423
Operating income	491,768
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	4,349
Miscellaneous revenue	22,288
Interest expense	(295,749)
Total non-operating revenue (expenses)	(269,112)
Income before transfers and contributions	222,656
Capital contributions	358,614
Transfers out	(200,000)
Change in net position	381,270
Total net position - beginning	4,324,468
Total net position - ending	\$ 4,705,738

See accompanying notes to the basic financial statements.

CITY OF TUTTLE, OKLAHOMA
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Proprietary Fund Statement of Cash Flows – Year Ended December 31, 2014

	<u>Tuttle Public Works Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,964,337
Payments to suppliers	(1,455,060)
Payments to employees	(520,280)
Receipts of customer utility deposits	41,517
Refunds of customer utility deposits	(28,405)
Interfund receipts/payments	(36,287)
Net Cash Provided by Operating Activities	<u>965,822</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(200,000)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(200,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(1,111,781)
Principal paid on capital debt	(377,592)
Interest paid on capital debt	(300,948)
Grant funding from federal government	81,579
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(1,708,742)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	4,349
Purchase of investments	(279)
Net Cash Provided by Investing Activities	<u>4,070</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(938,850)
Balance - beginning of the year	<u>2,072,577</u>
Balance - end of the year	<u>\$1,133,727</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	212,827
Restricted cash and cash equivalents	<u>920,900</u>
Total cash and cash equivalents	<u>\$ 1,133,727</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	491,768
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	421,330
Miscellaneous income	22,288
Change in assets and liabilities:	
Receivables	11,786
Deferred revenue	72
Interfund receipts/payments	(36,287)
Accounts payable and accrued liabilities	22,483
Accrued payroll payable	5,710
Payable to other governments	(422)
Meter deposit liability	13,112
Accrued compensated absences	<u>13,982</u>
Net cash provided by operating activities	<u>\$ 965,822</u>
Non-cash activity:	
Capital contributions	<u>\$ 277,035</u>

See accompanying notes to the basic financial statements.

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

Footnotes to the basic financial statements:

1. Financial Reporting Entity

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

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

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

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

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

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

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

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

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

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

Governmental Funds:

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

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

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

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

Proprietary Fund:

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

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

Major Funds:

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

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

Special Revenue Funds:

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

Permanent Fund:

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

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

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter (within 60 days of period end) to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

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

Proprietary Fund:

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

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

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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

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

**CITY OF TUTTLE, OKLAHOMA
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3. Cash, Cash Equivalents, and Investments

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

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

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

For the year ended December 31, 2014, the City recognized \$19,404 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, 2014, the primary government held the following deposits and investments:

Type	Credit Rating	Carrying Value
Deposits:		
Demand deposits		\$ 1,246,423
Cash on hand		800
Time deposit		115,680
Money market mutual funds	AAAm	589,340
		1,952,243
Total deposits		\$ 1,952,243
 Reconciliation to Statement of Net Position:		
Cash and cash equivalents		\$ 1,836,563
Investments		115,680
		\$ 1,952,243

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, 2014, the City's accounts were fully collateralized.

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

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

As of December 31, 2014, the City's money market mutual fund had a credit rating of AAAM given by Standard and Poor's.

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, 2014 are as follows:

<u>Type of Restricted Assets</u>	Current	
	Cash and cash equivalents	Investments
Utility Deposits	\$ 157,423	\$ 111,831
CDBG Savings	8,329	-
Debt Service	181,270	-
Ionization Plant Account	165,807	-
Sanitary Sewer Construction Project	408,071	-
Total	\$ 920,900	\$ 111,831

CITY OF TUTTLE, OKLAHOMA
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4. Receivables

Primary Government Accounts Receivables:

Accounts receivable of the business-type activities consists of customer utilities receivable. Accounts receivable of the governmental activities consists of police fines, ambulance fees, and other receivables. Receivables detail at December 31, 2014, is as follows:

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
<i>Governmental Activities:</i>			
Court fines	\$ 144,483	\$ (65,017)	\$ 79,466
Ambulance fees	2,456,027	(2,305,430)	150,597
Other receivables	135,655	-	135,655
Total Governmental Activities	\$ 2,736,165	\$ (2,370,447)	\$ 365,718
 <i>Business-Type Activities:</i>			
Utilities	\$ 492,887	\$ (72,476)	\$ 420,411
Other receivables	303	-	303
	\$ 493,190	\$ (72,476)	\$ 420,714

5. Capital Assets and Depreciation

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

For the year ended December 31, 2014, capital assets balances changed as follows:

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	Balance at January 1, 2014	Additions	Disposals	Balance at December 31, 2014
Governmental:				
Capital assets not being depreciated:				
Land	\$ 568,700	\$ -	\$ -	\$ 568,700
Construction in Progress	622,580	731,810	244,529	1,109,861
Total capital assets not being depreciated	1,191,280	731,810	244,529	1,678,561
Other capital assets:				
Buildings	396,808	-	-	396,808
Improvements	129,544	26,446	-	155,990
Infrastructure	13,277,715	365,061	-	13,642,776
Machinery and Equipment	4,005,372	344,417	112,312	4,237,477
Total other capital assets at historical cost	17,809,439	735,924	112,312	18,433,051
Less accumulated depreciation for:				
Buildings	272,548	10,441	-	282,989
Improvements	83,571	9,464	-	93,035
Infrastructure	11,905,067	120,424	-	12,025,491
Machinery and Equipment	2,357,133	320,330	112,312	2,565,151
Total accumulated depreciation	14,618,319	460,659	112,312	14,966,666
Other capital assets, net	3,191,120	275,265	-	3,466,385
Governmental, net capital assets	<u>\$ 4,382,400</u>	<u>\$ 1,007,075</u>	<u>\$ 244,529</u>	<u>\$ 5,144,946</u>
Business-Type:				
Capital assets not being depreciated:				
Land	\$ 64,567	\$ 286,000	\$ -	\$ 350,567
Construction in Progress	974,273	1,133,137	919,827	1,187,583
Total capital assets not being depreciated	1,038,840	1,419,137	919,827	1,538,150
Other capital assets:				
Buildings	3,704,555	-	-	3,704,555
Machinery and Equipment	854,989	27,158	16,293	865,854
Infrastructure	8,519,992	857,729	-	9,377,721
Utility Property and Improvements	25,108	4,618	-	29,726
Total other capital assets at historical cost	13,104,644	889,505	16,293	13,977,856
Less accumulated depreciation for:				
Buildings	101,067	74,438	-	175,505
Machinery and Equipment	593,086	46,629	16,293	623,422
Infrastructure	2,664,143	296,555	-	2,960,698
Utility Property and Improvements	4,572	3,707	-	8,279
Total accumulated depreciation	3,362,868	421,329	16,293	3,767,904
Other capital assets, net	9,741,776	468,176	-	10,209,952
Business-Type, net capital assets	<u>\$ 10,780,616</u>	<u>\$ 1,887,313</u>	<u>\$ 919,827</u>	<u>\$ 11,748,102</u>

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

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

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

<i>Governmental Activities:</i>		<i>Business-Type Activities:</i>	
General government	\$ 25,409	Water	\$ 330,457
Public safety	232,582	Sewer	67,536
Highways and streets	143,073	Gas	<u>23,336</u>
Culture and recreation	23,218		<u>\$ 421,329</u>
Health and welfare	27,743		
Cemetery	7,552		
Community development	<u>1,082</u>		
Total accumulated depreciation	<u>\$ 460,659</u>		

The following capital assets were purchased by capital lease. The table discloses the amount capitalized and the related depreciation expense through December 31, 2014.

<u>Date</u>	<u>Capital Asset</u>	<u>Amount</u>	<u>Accumulated Depreciation</u>
Machinery and Equipment:			
12/22/2008	Pumper	\$ 173,769	\$ 79,691
12/22/2008	Pumper	173,769	79,691
12/22/2008	Rescue Truck	168,536	77,290
12/22/2008	Tanker	147,816	67,789
10/28/2010	Schrock Park Lights	134,695	27,411
12/28/2010	Pot Hole Patch Truck	131,769	53,440
9/28/2010	ACO Truck	37,211	28,395
7/27/2012	Radio equipment	200,000	79,438
3/4/2014	2014 Chevrolet Tahoe	<u>30,352</u>	<u>4,553</u>
		<u>\$ 1,197,917</u>	<u>\$ 497,698</u>

6. Long-Term Debt and Debt Service Requirements

For the year ended December 31, 2014, the reporting entity's long-term debt changed as follows:

	<u>Balance January 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2014</u>	<u>Amount Due Within One Year</u>
<i>Governmental:</i>					
Capital lease obligation	\$ 674,679	\$ 30,352	\$ 147,439	\$ 557,592	\$ 154,770
Accrued compensated absences	<u>66,082</u>	<u>28,738</u>	<u>-</u>	<u>94,820</u>	<u>9,482</u>
Total	<u>\$ 740,761</u>	<u>\$ 59,090</u>	<u>\$ 147,439</u>	<u>\$ 652,412</u>	<u>\$ 164,252</u>
<i>Business-Type:</i>					
Notes payable	\$ 8,509,632	\$ -	\$ 371,342	\$ 8,138,290	\$ 421,656
Grant obligation payable	30,209	-	6,250	23,959	6,250
Deposits subject to refund	231,088	41,517	28,405	244,200	48,840
Accrued compensated absences	<u>13,066</u>	<u>13,982</u>	<u>-</u>	<u>27,048</u>	<u>2,705</u>
Total	<u>\$ 8,783,995</u>	<u>\$ 55,499</u>	<u>\$ 405,997</u>	<u>\$ 8,433,497</u>	<u>\$ 479,451</u>

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Governmental Activities:

At December 31, 2014, 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.	\$342,131
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Capital lease obligation to First National Bank, payable in monthly installments of \$647, including principal and interest at 4.1273%, final payment due September 28, 2015.	5,101
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Capital lease obligation to First National Bank, payable in monthly installments of \$731, including principal and interest at 4.65%, final payment due October 28, 2020.	44,625
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Capital lease obligation to First National Bank, payable in monthly installments of \$3,616, including principal and interest at 3.25%, final payment due July 27, 2017.	107,247
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Capital lease obligation to Sooner State Bank, payable in monthly installments of \$2,429, including principal and interest at 3.98%, final payment due December 28, 2015.	28,136
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Capital lease obligation to Liberty National Bank, payable in annual installments of \$6,607, including principal and interest at 2.89%, final payment due March 4, 2019.	<u>30,352</u>
	<u>\$557,592</u>

Current portion	\$154,770
Non-current portion	<u>402,822</u>
Total Notes Payable	<u>\$557,592</u>

Accrued Compensated Absences:

Current portion	\$9,482
Non-current portion	<u>85,338</u>
Total Accrued Compensated Absences	<u>\$94,820</u>

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

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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, 2014, includes the following:

Notes Payable:

Note payable to Sooner State Bank, original amount \$376,942, payable in monthly installments of \$6,736, including principal and interest at 3.75%, final payment due September 25, 2033.	360,256
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Note payable to Oklahoma Department of Transportation, payable in monthly installments, based on an informal repayment agreement of \$2,000 per month.	163,034
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2010 Sales Tax Revenue Note dated November 1, 2010, original amount \$2,200,000, due in semi-annual principal installments each April 1 and October 1 beginning April 1, 2011, final installment due October 1, 2030 with interest at 4.0% payable semi-annually based on principal outstanding. The Note is secured by pledged sales tax.	2,155,000
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2011 Utility System Revenue Note dated November 15, 2011, original amount \$2,315,000, due in annual principal installments each November 1 beginning November 1, 2013, final installment due November 1, 2031 with interest at 4.26% payable semi-annually each May 1 and November 1 based on principal outstanding. The note is secured by pledged water and sewer net revenues.	2,110,000
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Utility System Revenue Note Series 2013 dated July 24, 2013, original amount \$3,550,000, due in semi-annual principal installments each February 1 and August 1, beginning February 2014, final installment due August 1, 2028 with an administration fee of .5% and interest at 3.19% payable semi-annually based on principal outstanding. The note is secured by a pledge of water and sewer revenues.	3,350,000
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Total Notes Payable	<u>\$8,138,290</u>
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Current portion	\$421,656
Non-current portion	<u>7,716,634</u>
Total Notes Payable	<u>\$8,138,290</u>

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>\$23,959</u>
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Current portion	\$6,250
Non-current portion	<u>17,709</u>
Total Refundable Grant Obligation	<u>\$23,959</u>

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Deposits Subject to Refund:

Current portion	\$48,840
Non-current portion	<u>195,360</u>
Total Deposits Subject to Refund	<u>\$244,200</u>

Accrued Compensated Absences:

Current portion	\$2,705
Non-current portion	<u>24,343</u>
Total Accrued Compensated Absences	<u>\$27,048</u>

Payment Requirements to Maturity:

Year Ended December 31,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>			
	<u>Capital Lease Obligations</u>		<u>Grant Obligation Payable</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	154,770	19,469	6,250	-	421,656	294,193
2016	126,291	14,002	6,250	-	427,177	279,218
2017	112,915	9,153	6,250	-	439,718	264,547
2018	91,736	5,162	5,209	-	456,279	249,219
2019	64,827	1,476			473,862	233,350
2020-2024	7,053	153	-	-	2,568,897	903,772
2025-2029	-	-	-	-	2,750,158	401,576
2030-2033	-	-	-	-	<u>600,543</u>	<u>33,137</u>
Total	<u>\$557,592</u>	<u>\$49,415</u>	<u>\$23,959</u>	<u>-</u>	<u>\$8,138,290</u>	<u>\$2,659,012</u>

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

Business-type activities:

Water	\$165,604
Wastewater	<u>130,145</u>
Total	<u>\$295,749</u>

Pledge of Future Revenues

Utility Net Revenues Pledge

The City has pledged future water and sewer net utility revenues to repay the OWRB 2013 Utility System Revenue Note of \$3,550,000. Proceeds from the note are to refund the 2008 OWRB Series Promissory Note that was used for construction of a new water treatment plant and tower. The note is payable from pledged water and sewer utility revenues of the TPWA and is payable through 2028. The total principal and interest payable for the remainder of the life of this note is \$4,179,703. Pledged water and sewer net utility revenues for the current year were \$655,318. Debt service payments in the current year totaled \$313,852 and were 47.9% of pledged water and sewer net 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 new gravity sewer line, and emergency repair to certain existing sewer mains, along with related improvements. The notes are payable from revenues of the TPWA and are payable through 2031. The total principal and interest payable for the remainder of the life of this note is \$3,006,304. Pledged water and sewer net utility revenues for the current year were \$655,318. Debt service payments in the current year totaled \$167,093 and were 25.5% of pledged water and sewer net utility revenues.

Sales Tax Pledge

The City has pledged one cent of the sales tax to repay the 2010 Sales Tax Revenue Note issued by the Authority of \$2,200,000. Proceeds from the note will be used to construct a new city hall and related improvements. The notes are payable from revenues of the TPWA and pledged sales tax if needed and are payable through 2030. The total principal and interest payable for the remainder of the life of this note is \$2,947,100. Pledged sales tax revenue for the current year was \$449,095. Debt service payments of \$96,500 for the current fiscal year were 21.5% of the pledged sales tax.

7. Net Position and Fund Balances

Net Position:

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

- a. *Net investment in capital assets* - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets, net of unexpended debt proceeds.
- b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

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

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Street & Alley Fund	Enabling legislation - Sales tax ordinance	<u>\$ 129,308</u>
Capital Improvement Fund	Enabling legislation - Capital improvement fee ordinance	<u>\$ 371,324</u>

- c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

Fund Balances:

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

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

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

	General Fund	Street & Alley Fund	Capital Improvement Fund	Other Governmental Fund	Total
Fund Balance:					
Nonspendable:					
Cemetery Perpetual Care	\$ -	\$ -	\$ -	\$ 26,781	\$ 26,781
Restricted For:					
Street Sales Tax	-	129,308	-	-	129,308
Cemetery capital	85,187	-	-	-	85,187
Capital Improvement	-	-	371,324	-	371,324
Cemetery Perpetual Care Interest	-	-	-	13,770	13,770
Jason White Donation	-	-	-	223	223
Sub-total Restricted	85,187	129,308	371,324	13,993	599,812
Assigned to:					
Cemetery Capital	138,381	-	-	-	138,381
Sub-total Assigned	138,381	-	-	-	138,381
Unassigned (deficit)	371,889	-	-	(4,296)	367,593
Total Fund Balance	\$ 595,457	\$ 129,308	\$ 371,324	\$ 36,478	\$ 1,132,567

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Enterprise Funds:

Restricted For Debt Service	\$	181,270
Total Enterprise Fund Restrictions	<u>\$</u>	<u>181,270</u>

8. Sales Tax Revenue

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

9. Internal and Interfund Balances and Transfers

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

Transfers:

Internal transfers between funds and activities for the year ended December 30, 2014 were as follows:

Transfer From	Transfer To	Amount	Purpose of Transfer
TPWA	General Fund	200,000	Operating transfer
General Fund	Capital Improvement Fund	80,000	Sales tax transfer
Total		<u>\$ 280,000</u>	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 280,000	\$ (80,000)	\$ 200,000
Proprietary Funds	-	(200,000)	(200,000)
	<u>\$ 280,000</u>	<u>\$ (280,000)</u>	<u>-</u>

Reconciliation to Statement of Activities:

Net transfers	\$ 200,000
Transfer of capital asset	(98,026)
	<u>\$ 101,974</u>

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Balances:

Interfund receivable and payables at June 30, 2014 were comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Internal Balance</u>
General Fund	TPWA	22,331	To correct posting error
General Fund	TPWA	93,087	To reclassify EMS collections
CDBG Fund	TPWA	4,296	To cover negative cash
General Fund	Street and Alley Fund	1,827	To correct posting error
General Fund	TPWA	52,389	To cover negative cash
Total		<u>\$ 173,930</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 94,914	\$ (80,843)	\$ 14,071
Proprietary Funds	79,016	(93,087)	(14,071)
Total	<u>\$ 173,930</u>	<u>\$ (173,930)</u>	<u>\$ -</u>

10. Risk Management

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

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

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

11. Contingencies

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

12. Employee Retirement Plan Participation

The City participates in five employee retirement plans:

OFPRS:

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

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

Funding Policy. The City is required by state law to contribute 14% of covered payroll per year for each fulltime firefighter. Employees contribute 8% of covered payroll. For volunteer firefighters, the City is required to contribute \$60 per year per volunteer, while there is no required contribution by the volunteer. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The state made on-behalf payments for the fire pension in the amount of \$105,904 for the current fiscal year.

Schedule of Retirement Plan Contributions OFPRS Cost-Sharing Plan

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
12/31/12	\$40,091	\$40,091
12/31/13	\$41,896	\$41,896
12/31/14	\$49,422	\$49,422

OPPRS:

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

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

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OPPRS

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

Funding Policy. The City is required by state law to contribute 13% of covered payroll per year for each police officer. Employees contribute 8% of covered payroll. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The state made on-behalf payments for the police pension in the amount of \$44,956 for the current fiscal year.

The OPPER contributions are as follows:

Schedule of Retirement Plan Contributions OPPER Cost-Sharing Plan

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
12/31/12	\$42,311	\$42,311
12/31/13	\$45,088	\$45,088
12/31/14	\$57,934	\$57,934

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>
12/31/12	\$45,093
12/31/13	\$50,692
12/31/14	\$50,836

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.

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Schedule of Retirement Plan Contributions – Defined Contribution Plan

<u>Fiscal Year</u>	<u>Employee Contributed</u>
12/31/12	\$ 9,686
12/31/13	\$8,495
12/31/14	\$8,088

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>
12/31/12	\$10,525	\$6,477
12/31/13	\$10,755	\$6,619
12/31/14	\$10,434	\$6,421

13. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

**CITY OF TUTTLE, OKLAHOMA
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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF TUTTLE, OKLAHOMA
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Budgetary Comparison Schedules – Year Ended December 31, 2014

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 280,000	\$ 280,000	\$452,195	\$172,195
Resources (Inflows):				
Taxes	1,582,500	1,582,500	1,658,260	75,760
Intergovernmental	63,000	90,291	93,114	2,823
Charges for services	669,000	673,132	641,710	(31,422)
Fines and forfeitures	252,000	252,000	166,547	(85,453)
Licenses and permits	55,000	55,000	53,712	(1,288)
Investment Income	7,500	7,500	6,712	(788)
Miscellaneous	24,500	24,500	70,483	45,983
Transfers In	350,000	350,000	200,000	(150,000)
Total Resources (Inflows)	<u>3,003,500</u>	<u>3,034,923</u>	<u>2,890,538</u>	<u>(144,385)</u>
Amounts available for appropriation	<u>\$3,283,500</u>	<u>\$3,314,923</u>	<u>\$3,342,733</u>	<u>\$27,810</u>
Charges to Appropriations (Outflows):				
Finance	116,000	116,000	114,547	1,453
Administration	197,500	197,500	173,196	24,304
General government	398,500	396,500	315,878	80,622
Emergency medical services	334,000	353,610	311,708	41,902
Police	833,000	833,000	818,534	14,466
Parks	93,000	97,132	86,303	10,829
Fire	764,000	751,681	699,674	52,007
Community development	131,000	133,000	78,794	54,206
Animal Welfare	30,000	30,000	14,020	15,980
Emergency management	80,500	100,500	90,178	10,322
E911	192,500	192,500	170,432	22,068
Municipal Court	32,500	32,500	24,997	7,503
Transfers out	80,000	80,000	80,000	-
Total Charges to Appropriations	<u>3,282,500</u>	<u>3,313,923</u>	<u>2,978,261</u>	<u>335,662</u>
Ending Budgetary Fund Balance	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 364,472</u>	<u>\$363,472</u>

**CITY OF TUTTLE, OKLAHOMA
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Budgetary Comparison Schedules – Year Ended December 31, 2014 (Cont.)

	STREET & ALLEY FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 384,000	\$ 384,000	\$449,717	\$65,717
Resources (Inflows):				
Taxes	423,000	423,000	449,096	26,096
Intergovernmental	252,000	252,000	165,666	(86,334)
Investment income	2,500	2,500	2,113	(387)
Miscellaneous	15,000	19,532	24,872	5,340
Total Resources (Inflows)	<u>692,500</u>	<u>697,032</u>	<u>641,747</u>	<u>(55,285)</u>
Amounts available for appropriation	<u>1,076,500</u>	<u>1,081,032</u>	<u>1,091,464</u>	<u>10,432</u>
Charges to Appropriations (Outflows):				
Streets	975,000	998,222	962,156	36,066
Transfers out	100,000	100,000	-	100,000
Total Charges to Appropriations	<u>1,075,000</u>	<u>1,098,222</u>	<u>962,156</u>	<u>136,066</u>
Ending Budgetary Fund Balance	<u>\$ 1,500</u>	<u>\$ (17,190)</u>	<u>\$129,308</u>	<u>\$146,498</u>

Footnotes to Budgetary Comparison Schedules:

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

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

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

	General Fund
Total revenue - budgetary basis	\$ 2,890,538
Total expenses - budgetary basis	(2,978,261)
Change in fund balance - budgetary basis	(87,723)
Revenue accruals	1,056,775
Expenditure accruals	(1,049,358)
Change in fund balance - GAAP basis	<u>\$ (80,306)</u>

**CITY OF TUTTLE, OKLAHOMA
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OTHER SUPPLEMENTARY INFORMATION

**CITY OF TUTTLE, OKLAHOMA
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Combining Balance Sheet – Nonmajor Governmental Funds – December 31, 2014

	<u>CDBG Grant Fund</u>	<u>Jason White Tribute Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 224	\$ 36,702	\$ 36,926
Investments	-	-	3,849	3,849
Total assets	<u>\$ -</u>	<u>\$ 224</u>	<u>\$ 40,551</u>	<u>\$ 40,775</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 4,296	\$ 1	\$ -	\$ 4,297
Total liabilities	<u>4,296</u>	<u>1</u>	<u>-</u>	<u>4,297</u>
Fund balances:				
Nonspendable	-	-	26,781	26,781
Restricted	-	223	13,770	13,993
Unassigned (deficit)	(4,296)	-	-	(4,296)
Total fund balances	<u>(4,296)</u>	<u>223</u>	<u>40,551</u>	<u>36,478</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 224</u>	<u>\$ 40,551</u>	<u>\$ 40,775</u>

**CITY OF TUTTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2014**

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended December 31, 2014

	<u>CDBG Grant Fund</u>	<u>Jason White Tribute Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Total-Other Governmental Funds</u>
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	2	21	23
Miscellaneous	-	-	3,000	3,000
Total revenues	<u>-</u>	<u>2</u>	<u>3,021</u>	<u>3,023</u>
EXPENDITURES				
Capital Outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>2</u>	<u>3,021</u>	<u>3,023</u>
Net change in fund balances	-	2	3,021	3,023
Fund balances - beginning	(4,296)	221	37,530	33,455
Fund balances - ending	<u>\$ (4,296)</u>	<u>\$ 223</u>	<u>\$ 40,551</u>	<u>\$ 36,478</u>

**CITY OF TUTTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2014**

Combining Balance Sheet – General Fund Accounts – December 31, 2014

	General Fund Account	Cemetery Account	Total General Fund Accounts
ASSETS			
Cash and cash equivalents	\$ 500	\$ 224,579	\$ 225,079
Receivable from other governments	292,618	-	292,618
Due from other funds	93,087	-	93,087
Court fines receivable, net	79,466	-	79,466
Ambulance receivable, net	150,597	-	150,597
Other receivables	116,644	-	116,644
Total assets	\$ 732,912	\$ 224,579	\$ 957,491
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 32,175	\$ 278	\$ 32,453
Accrued payroll payable	69,819	733	70,552
Due to other funds	76,546	-	76,546
Refundable deposits	30,000	-	30,000
Total liabilities	208,540	1,011	209,551
 Deferred inflows of resources:			
Deferred revenue	152,483	-	152,483
 Fund balances:			
Restricted	-	85,187	85,187
Assigned	-	138,381	138,381
Unassigned	371,889	-	371,889
Total fund balances	371,889	223,568	595,457
Total liabilities, deferred inflows and fund balances	\$ 732,912	\$ 224,579	\$ 957,491

CITY OF TUTTLE, OKLAHOMA
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As of and for the Year Ended December 31, 2014

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts – Year Ended December 31, 2014

	General Fund Account	Cemetery Account	Total General Fund Accounts
REVENUES			
Taxes	\$ 1,658,956	\$ -	\$ 1,658,956
Intergovernmental	352,763	-	352,763
Licenses and permits	53,648	-	53,648
Charges for services	1,456,279	45,151	1,501,430
Fees and fines	148,484	-	148,484
Investment earnings	6,712	6,207	12,919
Miscellaneous	70,471	9,447	79,918
Total revenues	<u>3,747,313</u>	<u>60,805</u>	<u>3,808,118</u>
EXPENDITURES			
Current:			
General government	612,812	-	612,812
Public safety	1,852,841	-	1,852,841
Health and welfare	1,183,828	-	1,183,828
Culture and recreation	85,188	-	85,188
Community development	95,167	-	95,167
Cemetery	-	31,249	31,249
Capital outlay	36,260	3,000	39,260
Debt service:			
Principal	66,741	-	66,741
Interest and other charges	14,782	-	14,782
Total expenditures	<u>3,947,619</u>	<u>34,249</u>	<u>3,981,868</u>
Excess (deficiency) of revenues over expenditures	<u>(200,306)</u>	<u>26,556</u>	<u>(173,750)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	200,000	-	200,000
Transfers out	<u>(80,000)</u>	<u>-</u>	<u>(80,000)</u>
Total other financing sources and uses	<u>120,000</u>	<u>-</u>	<u>120,000</u>
Net change in fund balances	(80,306)	26,556	(53,750)
Fund balances - beginning	452,195	197,012	649,207
Fund balances - ending	<u>\$ 371,889</u>	<u>\$ 223,568</u>	<u>\$ 595,457</u>

CITY OF TUTTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Combining Schedule of Net Position – Tuttle Public Works Authority Accounts – December 31, 2014

	<u>TPWA</u>	<u>TPWA Wastewater Account</u>	<u>TPWA Springwood Acres</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 189,188	\$ -	\$ 23,639	\$ 212,827
Restricted:				
Cash and cash equivalents	755,093	165,807	-	920,900
Investments	111,831	-	-	111,831
Due from other funds	79,016	-	-	79,016
Accounts receivable, net	418,386	-	2,025	420,411
Other receivables	303	-	-	303
Total current assets	<u>1,553,817</u>	<u>165,807</u>	<u>25,664</u>	<u>1,745,288</u>
Non-current assets:				
Capital assets:				
Land and construction in progress	1,538,150	-	-	1,538,150
Other capital assets, net of accumulated depreciation	6,185,421	4,024,531	-	10,209,952
Total non-current assets	<u>7,723,571</u>	<u>4,024,531</u>	<u>-</u>	<u>11,748,102</u>
Total assets	<u>9,277,388</u>	<u>4,190,338</u>	<u>25,664</u>	<u>13,493,390</u>
LIABILITIES				
Current liabilities:				
Accounts payable	158,456	-	-	158,456
Salaries payable	18,079	-	-	18,079
Accrued interest payable	80,770	-	-	80,770
Due to other funds	93,087	-	-	93,087
Payable to other governments	3,691	-	-	3,691
Deferred revenue	72	-	-	72
Deposits subject to refund	48,840	-	-	48,840
Compensated absences	2,705	-	-	2,705
Refundable grant obligations	6,250	-	-	6,250
Notes payable	421,656	-	-	421,656
Total current liabilities	<u>833,606</u>	<u>-</u>	<u>-</u>	<u>833,606</u>
Non-current liabilities:				
Deposits subject to refund	195,360	-	-	195,360
Compensated absences	24,343	-	-	24,343
Refundable grant obligations	17,709	-	-	17,709
Notes payable	7,716,634	-	-	7,716,634
Total non-current liabilities	<u>7,954,046</u>	<u>-</u>	<u>-</u>	<u>7,954,046</u>
Total liabilities	<u>8,787,652</u>	<u>-</u>	<u>-</u>	<u>8,787,652</u>
NET POSITION				
Net investment in capital assets	(30,607)	4,190,338	-	4,159,731
Restricted for debt service	181,270	-	-	181,270
Unrestricted	339,073	-	25,664	364,737
Total net position	<u>\$ 489,736</u>	<u>\$ 4,190,338</u>	<u>\$ 25,664</u>	<u>\$ 4,705,738</u>

**CITY OF TUTTLE, OKLAHOMA
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**Combining Schedule of Revenues, Expenses and Changes in Net Position - Tuttle Public Works
Authority Accounts – Fiscal Year Ended December 31, 2014**

	<u>TPWA</u>	<u>TPWA Wastewater Account</u>	<u>TPWA Springwood Acres</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services:				
Water	\$ 820,011	\$ -	\$ 24,959	\$ 844,970
Sewer	191,045	-	-	191,045
Gas	1,131,744	-	-	1,131,744
Sanitation	714,118	-	-	714,118
Rents and royalties	5,000	-	-	5,000
Miscellaneous	43,314	-	-	43,314
Total operating revenues	<u>2,905,232</u>	<u>-</u>	<u>24,959</u>	<u>2,930,191</u>
OPERATING EXPENSES				
General government	315,209	-	-	315,209
Administration	92,109	-	-	92,109
Water	317,072	-	19,658	336,730
Wastewater	30,731	-	-	30,731
Sanitation	380,625	-	-	380,625
Gas	861,689	-	-	861,689
Depreciation	421,330	-	-	421,330
Total operating expenses	<u>2,418,765</u>	<u>-</u>	<u>19,658</u>	<u>2,438,423</u>
Operating income	<u>486,467</u>	<u>-</u>	<u>5,301</u>	<u>491,768</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	4,309	40	-	4,349
Miscellaneous revenue	22,288	-	-	22,288
Interest expense	(295,749)	-	-	(295,749)
Total non-operating revenue (expenses)	<u>(269,152)</u>	<u>40</u>	<u>-</u>	<u>(269,112)</u>
Income before transfers	<u>217,315</u>	<u>40</u>	<u>5,301</u>	<u>222,656</u>
Capital contributions	358,614	-	-	358,614
Transfers out	(200,000)	-	-	(200,000)
Change in net position	<u>375,929</u>	<u>40</u>	<u>5,301</u>	<u>381,270</u>
Total net position - beginning	113,807	4,190,298	20,363	4,324,468
Total net position - ending	<u>\$ 489,736</u>	<u>\$ 4,190,338</u>	<u>\$ 25,664</u>	<u>\$ 4,705,738</u>

**CITY OF TUTTLE, OKLAHOMA
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Schedule of Expenditures of Federal Awards – For Year Ended December 31, 2014

Federal/State Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA Number	Grant #	Award Amount	Awards Expended
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Passed through Oklahoma Highway Safety Office:				
Occupant Protection Incentive Grants	20.600	OP-14-03-13-102	\$ 10,000	\$ 6,861
Occupant Protection Incentive Grants	20.600	AL-15-03-08-03	<u>13,000</u>	<u>2,802</u>
Total U.S. Department of Justice			<u>\$ 23,000</u>	<u>\$ 9,663</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through Oklahoma Department of Commerce:				
Community Development Block Grant	14.230	15182 CDBG 12	<u>\$ 159,999</u>	<u>\$ 159,999</u>
<u>U.S. DEPARTMENT OF ENERGY:</u>				
Passed through Oklahoma Department of Commerce:				
Energy Efficiency Community Block Grant - ARRA	81.041	15836 SEECBG 09	<u>\$ 28,903</u>	<u>\$ 21,053</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Department of Transportation:				
Sidewalks - Safe Routes	20.205	SRS-126D(194)ST or 28470(05)	<u>\$ 200,000</u>	<u>\$ 168,871</u>
<u>U.S. DEPARTMENT OK HOMELAND SECURITY:</u>				
Passed through Oklahoma Emergency Management:				
Assistance to firefighters grant	97.044	EMW-2012-FO-00470	\$ 14,250	\$ 3,946
Assistance to firefighters grant	97.044	EMW-2013-FO-06986	152,298	108,516
Emergency Management Performance (SLA)	97.042	EMPG 13	10,000	10,000
Emergency Management Performance (SLA)	97.040	EMPG 14	10,000	10,000
Hazard mitigation grant program - storm shelter	97.040	FEMA 4064 DR OK	<u>117,125</u>	<u>92,309</u>
Total U.S. Department of Homeland Security			<u>\$ 303,673</u>	<u>\$ 224,771</u>
<u>U.S. DEPARTMENT OF INTERIOR NATIONAL PARK SERVICE:</u>				
Passed through Oklahoma Department of Tourism:				
Land and Water Conservation Fund	15.916	40-01191	<u>\$ 137,500</u>	<u>\$ 52,698</u>
Total Federal Awards			<u>\$ 853,075</u>	<u>\$ 637,055</u>

**CITY OF TUTTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2014**

Footnotes to Schedule of Expenditures of Federal Awards:

1. The Schedule of Expenditures of Federal Awards is prepared on a modified accrual basis of accounting. The expenditures are recorded when the liability is incurred regardless of when the award proceeds are received.
2. The City has not been notified of any noncompliance with the federal or state award requirements. Any liability for reimbursement which may arise as a result of these audit cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

CITY OF TUTTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2014

Debt Service Coverage Schedule – December 31, 2014

	2013 OWRB NOTE
Gross Revenue Available for Debt Service:	
Operating revenues :	
Water	\$820,011
Sewer	191,045
Total gross revenues available	\$1,011,056
Authority operating expenses (1):	
Water	317,072
Sewer	30,731
Total operating expenses	347,803
Net Revenues Available for Debt Service	\$663,253
Average Annual Debt Service Requirements for Term:	
Maximum annual debt service requirements-OWRB	\$291,386
Total maximum annual debt service	\$291,386
Computed Coverage	2.28
Coverage Requirement - Revenue Bond Indenture	1.25

(1) Excludes amortization and depreciation.

**CITY OF TUTTLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2014**

SINGLE AUDIT AND INTERNAL CONTROL AND COMPLIANCE INFORMATION

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

Members of the City Council
City of Tuttle, Oklahoma

We have audited audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tuttle, Oklahoma, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 27, 2015.

Internal Control Over Financial Reporting

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

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

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

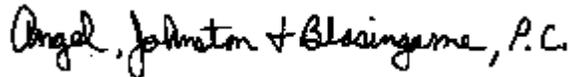
Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



Chickasha, Oklahoma
August 27, 2015

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, 2014. 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.

Basis for Qualified Opinion on the Safe Routes to School Program

As described in the accompanying schedule of findings and questioned costs, the City of Tuttle did not comply with requirements regarding the Safe Routes to School Program as identified in the finding number 14-2. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to this program.

Qualified Opinion on the Safe Routes to School Program

In our opinion, except for the noncompliance described in the Basis of Qualified Opinion paragraph, the City of Tuttle complied, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on the Safe Routes to School Program for the year ended December 31, 2014.

Unmodified Opinion on the Community Development Block Grant

In our opinion, the City of Tuttle, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Community Development Block Grant for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 14-1. Our opinion on each major federal program is not modified with respect to these matters.

City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies over internal control over compliance that we consider to be material weaknesses or significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 14-2 to be material deficiencies.

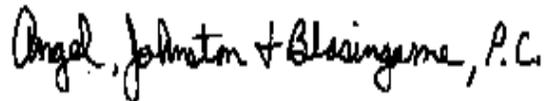
A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 14-1 to be a significant deficiency.

City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

A handwritten signature in black ink that reads "Angel Johnston & Blasingame, P.C." The signature is written in a cursive, slightly slanted style.

Chickasha, Oklahoma
August 27, 2015

**CITY OF TUTTLE, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2014**

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? | No |
| b. Significant deficiency identified? | No |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|----------|
| 1. Internal control over major program: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiency identified not considered to be material weaknesses? | Yes |
| 2. Type of auditor's report issued on compliance for major program: | Modified |
| 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

Name of Federal Program

20.205

Safe Routes to School

14.228

Community Development Block 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, 2014

Section 2

Findings-Financial Statement Audit

SIGNIFICANT DEFICIENCY

No financial statement audit findings

Section 3

Findings and Question Costs-Major Federal Award Programs Audit

14-1. Criteria – Contractors on federal grant programs are to comply with the Davis Bacon Act.

Condition – On the CDBG grant there was one employee that for a two week period was shown to be paid below the prevailing wage rate for his classification of work. Also one employee interviewed was shown to be paid below the prevailing wage based on his job classification. Both of these instances were not caught in the City’s monitoring procedures. On the Safe Routes to School (SRTS) program there were no contractor employee interviews performed.

Cause – The contractor did not fully understand its responsibility. Also despite the contractor submitting payroll detail for each pay period the monitoring processes did not catch the underpayment.

Effect – The employees were underpaid only a very small amount.

Recommendation – Establish clear communication with contractors of the details of their responsibilities. Reinforce monitoring efforts to diligently review for compliance.

Management response – Management agrees and the employees have been paid for the amounts they were under paid.

14-2. Criteria – The SRTS grant requires compliance with the “Reporting under the Transparency Act”.

Condition – The City of Tuttle did none of the reporting required under the “Transparency Act”.

Cause – The City was not aware of this requirement under the special provisions of the SRTS grant.

Effect – There was no compliance with the “Transparency Act”.

Recommendation – Establish clear understandings of all grant requirements. Establish procedures to ensure compliance and establish proper monitoring procedures.

Management response – Management agrees.

**CITY OF TUTTLE, OKLAHOMA
DISPOSITION OF PRIOR YEAR FINDINGS
Year Ended December 31, 2014**

Deficiencies of Internal Control, Compliance and Other Matters

- 13-1. Criteria – Police (court) fines and ambulance accounts receivable should be reconciled on a monthly basis. The reconciliation should account for all the activity in the accounts.
- Condition – Billing accounts receivable balance is not being reconciled on a monthly basis to ensure all billings, collections and adjustments are properly accounted for within the billing accounting system.
- Disposition - This was not noted in the current year as the City is using a third party billing company for ambulance services that provide monthly activity reports including, billing, payment, and adjustments that are used for reconciliations.
- 13-2. Criteria – The City is to pay compensation in compliance with authorized pay rates or contracts.
- Condition – The City Manager’s technology allowance was raised to \$200 per month. In the payroll system it was entered as \$200 per pay period.
- Disposition - This was not noted in the current year.
- 13-3. Criteria – All utility billing adjustments should be documented and approved by a person outside the billing process. This documentation needs to be retained.
- Condition – It was noted that not all of the utility adjustment documentation was retained.
- Disposition - This was not noted in the current year.
- 13-4. Criteria – The deposits at financial institutions are required to be collateralized or insured by the FDIC.
- Condition – The City’s deposits at Sooner State Bank exceeded insurance and collateral at yearend in the amount of \$528,646.
- Disposition - This was not noted in the current year.
- 13-5. Criteria – All cash accounts need to be reconciled on a monthly basis. Any differences need to be located and adjusted in the accounting records.
- Condition – At yearend there was an unlocated difference of \$4,658. Also there were several old outstanding items that need to be resolved.
- Disposition - This was not noted in the current year.
- 13-6. Criteria – The 2013 Revenue Note requires monthly deposits to debt service fund to ensure funds are on hand when the semi-annual payments are due.
- Condition – Payments for the first six months were not made creating a large payment when the semi-annual payment was due.
- Disposition - This was not noted in the current year.