

THE CITY OF
ALTUS,
OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

**THE CITY OF ALTUS,
OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

**CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

To Honorable Mayor and Members of the City Council
City of Altus, Oklahoma

Report on the Financial Statements

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 Altus, Oklahoma (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinions

Because of the inadequacy of capital asset accounting records for the City, we were unable to form an opinion regarding the amounts at which infrastructure, utility property and accumulated depreciation are reported in the accompanying financial statements at June 30, 2016, or the amount of depreciation expense for the year then ended. The amount by which this departure would affect the infrastructure, utility property, accumulated depreciation, and depreciation expense has not been determined.

Qualified Opinions

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major proprietary fund of the City, as of June 30, 2016, 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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the City, as of June 30, 2016, 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’s discussion and analysis, budgetary comparison information, and post-employment benefit 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The combining and individual nonmajor fund financial statements, state awards information and debt service coverage schedule, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and fund accounts combining schedules, state awards information and debt service coverage schedule 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 and individual nonmajor fund financial statements, state awards information and debt service coverage schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2017, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Arlidge & Associates, P.C.

September 28, 2017

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MANAGEMENT DISCUSSION AND ANALYSIS

**CITY OF ALTUS, OKLAHOMA
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Our discussion and analysis of the City of Altus' financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2016, the City's total net position increased by approximately \$7 million or 15.2% from the prior year. This was largely attributable to the AMA's water, sewer, sanitation and electric departments' net operating revenue.
- During the year, the City's expenses for governmental activities were \$13.7 million and were funded by program revenues of \$2.5 million and further funded with taxes, other general revenues and transfers that totaled \$13.2 million.
- In the City's business-type activities, such as utilities, program revenues exceed expenses by \$7.1 million.
- At June 30, 2016, the General Fund reported an unassigned fund balance of \$4.3 million, which is a decrease of 19.4% from the prior year unassigned fund balance.
- For budgetary reporting purposes, the General Fund reported revenues over estimates of \$0.9 million or 14.2%, while expenditures were under the final appropriations by \$1.1 million or 8.4%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Altus (the "City") and its component units using the integrated approach as prescribed by GASB Statements No. 14, 34, 39, and 61. Included in this report are government-wide statements for each of two categories of activities – governmental and business-type. The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately and combined. These statements include all assets of the City (including infrastructure capital assets) as well as all liabilities (including all long-term debt), deferred inflows and deferred outflows.

About the City

The City of Altus is an incorporated municipality with a population of approximately 19,813 located in Jackson County in southwestern Oklahoma. The City is a Council-Manager form of government and is governed by a nine-member Council and operates under state law, City charter and City ordinances through three branches of government:

- Legislative – the City Council is a nine-member governing body elected by the citizens
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and certain utility services including electric, water, wastewater, and sanitation.

The City's Financial Reporting Entity

This annual report includes all activities for which the City of Altus City Council is fiscally responsible. 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 primary government (City of Altus) and a blended component unit as follows.

- **The City of Altus** – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities
- **The Altus Municipal Authority** – that operates the electric, water, sewer, and sanitation services of the City

Using This Annual Report

This annual report is presented in a format that substantially meets the presentation requirements of the Governmental Accounting Standards Board (GASB) in accordance with generally accepted accounting principles. The presentation includes financial statements that communicate the City's financial condition and changes therein at two distinct levels:

- **The City as a Whole** (a government-wide presentation)
- **The City's Funds** (a presentation of the City's major and aggregate non-major funds)

The City's various government-wide and fund financial statements are presented throughout this annual report and are accompanied by:

- **Management's Discussion and Analysis** – that provides useful analysis that facilitates a better understanding of the City's financial condition and changes therein.
- **Footnotes** - that elaborate on the City's accounting principles used in the preparation of the financial statements and further explain financial statement elements.
- **Supplemental Information** – that provides additional information about specified elements of the financial statements, such as budgetary comparison information.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?" 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. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report the City's net position and changes in them from the prior year. You can think of the City's net position – the difference between assets, deferred outflows, liabilities and deferred inflows – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

As mentioned above, 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, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- **Business-type activities** -- The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's electric, water, wastewater, and sanitation activities are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many 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.

Governmental funds -- Most 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. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps determine 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 charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds, either as enterprise funds or as internal service funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Fund Net Position and Statement of Cash Flows. In fact, the City's enterprise funds are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

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A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the primary government, assets and deferred outflows exceeded liabilities and deferred inflows by approximately \$53 million at the close of the most recent fiscal year.

TABLE 1
NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2016	Restated 2015		2016	Restated 2015		2016	Restated 2015	
Assets:									
Current assets	\$ 11,017	\$ 11,440	-4%	\$ 28,557	\$ 26,527	8%	\$ 39,574	\$ 37,967	4%
Capital assets, net	11,338	10,189	11%	49,258	45,639	8%	60,596	55,828	9%
Total assets	22,355	21,629	3%	77,815	72,166	8%	100,170	93,795	7%
Deferred outflows of resources	907	898	1%	380	314	21%	1,287	1,212	6%
Liabilities:									
Current liabilities	672	778	-14%	6,564	6,372	3%	7,236	7,150	1%
Non-current liabilities	8,995	8,948	1%	26,844	25,840	4%	35,839	34,788	3%
Total liabilities	9,667	9,726	-1%	33,408	32,212	4%	43,075	41,938	3%
Deferred inflow of resources	1,255	2,382	-47%	4,128	4,686	-12%	5,383	7,068	-24%
Net position									
Net investment in capital assets	10,069	8,650	16%	33,033	30,988	7%	43,102	39,638	9%
Restricted	1,674	1,815	-8%	14,814	14,142	5%	16,488	15,957	3%
Unrestricted (deficit)	597	(47)	1370%	(7,188)	(9,548)	25%	(6,591)	(9,595)	31%
Total net position	\$ 12,340	\$ 10,418	18%	\$ 40,659	\$ 35,582	14%	\$ 52,999	\$ 46,000	15%

The largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. For 2016, this investment in capital assets, net of related debt amounted to \$43.1 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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 major portion of the City's net position, \$16.5 million, also represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is available to meet the government's ongoing obligations to citizens and creditors, however, that component is currently in a deficit position.

The \$1.7 million (24%) decrease in deferred inflows is due mainly to decreases in pension deferrals for all three defined benefit pension plans.

The \$3 million (31%) decrease in the unrestricted net position deficit is due mainly to unrestricted revenues exceeding unrestricted expenses.

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Changes in Net Position

For the year ended June 30, 2016, net position of the primary government changed as follows:

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

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2016	Restated 2015		2016	Restated 2015		2016	Restated 2015	
	Revenues								
Charges for service	\$ 1,269	\$ 1,239	2%	\$ 32,754	\$ 32,646	0%	\$ 34,023	\$ 33,885	0%
Operating grants and contributions	1,014	1,030	-2%	106	586	-82%	1,120	1,616	-31%
Capital grants and contributions	252	1,078	-77%	1,040	-	100%	1,292	1,078	20%
Taxes	10,801	10,953	-1%	-	-	-	10,801	10,953	-1%
Investment income	26	16	63%	25	30	-17%	51	46	11%
Miscellaneous	197	246	-20%	79	6	100%	276	252	10%
Total revenues	13,559	14,562	-7%	34,004	33,268	2%	47,563	47,830	-1%
Expenses									
General government	3,501	3,221	9%	-	-	-	3,501	3,221	9%
Public safety	6,726	6,404	5%	-	-	-	6,726	6,404	5%
Public works	1,268	1,155	10%	-	-	-	1,268	1,155	10%
Culture, parks and recreation	1,584	1,415	12%	-	-	-	1,584	1,415	12%
Airport	665	791	-16%	-	-	-	665	791	-16%
Interest on long-term debt	28	34	-18%	-	-	-	28	34	-18%
Water	-	-	-	3,273	3,213	2%	3,273	3,213	2%
Wastewater	-	-	-	813	795	2%	813	795	2%
Sanitation	-	-	-	3,923	1,738	126%	3,923	1,738	126%
Education	-	-	-	404	1,126	-64%	404	1,126	-64%
Electric	-	-	-	18,379	17,960	2%	18,379	17,960	2%
Total expenses	13,772	13,020	6%	26,792	24,832	8%	40,564	37,852	7%
Excess (deficiency) before transfers	(213)	1,542	-114%	7,212	8,436	-15%	6,999	9,978	-30%
Transfers	2,135	582	267%	(2,135)	(582)	267%	-	-	0%
Change in net position	1,922	2,124	-10%	5,077	7,854	-35%	6,999	9,978	-30%
Beginning net position, restated	10,418	8,294	26%	35,582	27,728	28%	46,000	36,022	28%
Ending net position	\$ 12,340	\$ 10,418	18%	\$ 40,659	\$ 35,582	14%	\$ 52,999	\$ 46,000	15%

Explanations for changes in excess of 20% and \$500,000 are as follows:

Business-type Activities:

Capital grants and contributions increased 100% due to a \$847,000 ODOT grant and \$193,000 Strategic Military Planning Grant in the current year.

Sanitation expenses increased 126% due to increased landfill closure and postclosure care costs.

Education expenses decreased 64% due to decrease in school MAPS payments.

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Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	Restated			Restated		
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>		
General government	\$ 3,501	\$ 3,221	9%	(\$3,249)	(\$2,829)	15%
Public safety	6,726	6,404	5%	(5,610)	(5,498)	2%
Public works	1,268	1,155	10%	(1,091)	(538)	103%
Culture and recreation	1,584	1,415	12%	(1,097)	(870)	26%
Airport	665	791	-16%	(163)	97	-268%
Interest on long-term debt	28	34	-18%	(28)	(34)	-18%
Total	\$ 13,772	\$ 13,020	6%	(\$11,238)	(\$9,672)	16%

Public works net expense increased 103% due to prior year ODOT and Strategic Military Planning grants of \$418,000.

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	Restated			Restated		
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>		
Water	\$ 3,273	\$ 3,213	2%	\$ 2,723	\$ 2,228	22%
Wastewater	813	794	2%	910	880	3%
Sanitation	3,923	1,738	126%	(642)	869	-174%
Electric	18,379	17,960	2%	4,521	5,549	-19%
Education	404	1,126	-64%	(404)	(1,126)	-64%
Total	\$ 26,792	\$ 24,831	8%	\$ 7,108	\$ 8,400	-15%

Explanations for significant changes are listed above under Table 2.

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A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2016 fiscal year, the governmental funds reported a combined fund balance of \$10.5 million or a 1.8% decrease. The enterprise funds reported combined net position of \$39.9 million or a 15.9% increase from 2015 due to capital contributions from ODOT and Strategic Military Planning Grants as well as operating revenues that exceeded operating expenses.

Other fund highlights include:

- For the year ended June 30, 2016, the General Fund's total fund balance increased by approximately \$366,000 or 6.5%.
- The Landfill Improvement Fund decreased \$394,000 (or 35.5%) due to capital expenditures for the new landfill cell.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the General Fund budget various times. The revised budget included a decrease in overall revenue projections of 3.2% or \$208,219 and an increase in expenditure appropriations of 6.0% or \$752,114. Actual revenues were above estimates by \$908,639 or 14.2%, while expenditures were under final appropriations by \$1,124,138 or 8.4%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2016, the City had \$60.6 million invested in capital assets, net of accumulated depreciation, including police and fire equipment, buildings, park facilities, streets, and water lines and sewer lines. (See Table 5). This represents a net increase of approximately \$4,983,000 over last year.

TABLE 5
Capital Assets
(In Thousands)
(Net of accumulated depreciation)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 1,229	\$ 1,217	\$ 1,305	\$ 1,305	\$ 2,534	\$ 2,522
Buildings and improvements	5,570	5,685	20,837	21,670	26,407	27,355
Infrastructure	1,383	1,140	-	-	1,383	1,140
Machinery and equipment	2,708	1,857	3,257	2,070	5,965	3,927
Water rights	-	-	9,913	10,529	9,913	10,529
Utility property	-	-	9,607	6,459	9,607	6,459
Construction in progress	448	75	4,339	3,606	4,787	3,681
Totals	<u>\$ 11,338</u>	<u>\$ 9,974</u>	<u>\$ 49,258</u>	<u>\$ 45,639</u>	<u>\$ 60,596</u>	<u>\$ 55,613</u>

This year's more significant capital asset additions included:

Water well field rehabilitation project	\$1,398,575
Hwy 283 12" parallel waterline DWSRF	1,362,349
Hwy 283 waterline relocate project	917,248

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See Note 4 to the financial statements for more detail information on the City's capital assets and changes therein.

Long-Term Debt

At year-end, the City had \$31.7 million in long-term debt outstanding which represents an approximate \$858,000 or 2.8% increase from the prior year. The City's changes in long-term debt by type of debt are as follows:

**TABLE 6
Long-Term Debt
(In Thousands)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2015-2016</u>
Notes payable	\$ 1,269	\$ 1,324	\$ 18,053	\$ 17,915	\$ 19,322	\$ 19,239	0.4%
Accrued compensated absence:	592	650	580	481	1,172	1,131	3.6%
Claims liability	27	84	-	-	27	84	-67.9%
Capital lease payable	-	-	-	353	-	353	-100.0%
Contract obligations payable	-	-	7,059	7,724	7,059	7,724	-8.6%
Landfill closure liability	-	-	3,268	1,464	3,268	1,464	123.2%
Deposits subject to refund	-	-	849	844	849	844	0.6%
Totals	\$ 1,888	\$ 2,058	\$ 29,809	\$ 28,781	\$ 31,697	\$ 30,839	2.8%

See Note 5 to the financial statements for more detail information on the City's long-term debt and changes therein.

The Economic Outlook

The City of Altus and the Altus Municipal Authority developed the Fiscal Year 2016-17 budget with defined goals and conservative revenue projections. The adopted Fiscal Year 2017 budget, including all funds and transfers, is \$86,545,023. The City of Altus' primary sources of revenues are sales tax and utility revenues. The Fiscal Year 2017 Budget projects new revenues of \$52,601,112, defined as revenues without the use of prior year fund balances or transfers in from other funds. The goal for FY 2016-2017 is to have the revenues exceed the expenses.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with an understanding of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the City's Chief Financial Officer at 509 South Main, Altus, Oklahoma 73521 or the website at www.cityofaltus.org.

**CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Statement of Net Position– June 30, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 8,563,009	\$ 13,599,343	\$ 22,162,352
Investments	-	6,454,491	6,454,491
Deposit with third party	-	791,243	791,243
Accrued interest receivable	110	-	110
Accounts receivable, net of allowance	120,141	5,049,486	5,169,627
Taxes receivable	42,172	-	42,172
Court fines receivable, net of allowance	109,456	-	109,456
Due from other governments	1,390,133	1,721,997	3,112,130
Internal balances	722,395	(722,395)	-
Inventory	69,454	1,662,412	1,731,866
Capital assets:			
Land and other non-depreciable assets	1,677,553	5,644,183	7,321,736
Other capital assets, net of depreciation	9,660,201	43,613,663	53,273,864
Total assets	<u>22,354,624</u>	<u>77,814,423</u>	<u>100,169,047</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows related to pensions	<u>907,227</u>	<u>380,289</u>	<u>1,287,516</u>
LIABILITIES			
Accounts payable	115,516	1,967,808	2,083,324
Accrued payroll liabilities	249,165	96,478	345,643
Accrued interest payable	13,266	243,281	256,547
Due to depositors	350	-	350
Payable to other governments	-	75,282	75,282
Other payables	94,932	-	94,932
Long-term liabilities:			
Due within one year	198,645	4,181,457	4,380,102
Due in more than one year	1,689,671	25,627,893	27,317,564
Net pension liability	7,305,707	1,216,122	8,521,829
Total liabilities	<u>9,667,252</u>	<u>33,408,321</u>	<u>43,075,573</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,254,843	428,738	1,683,581
Deferred inflows on long-term debt refunding	-	3,698,771	3,698,771
Total deferred inflows of resources	<u>1,254,843</u>	<u>4,127,509</u>	<u>5,382,352</u>
NET POSITION			
Net investment in capital assets	10,068,538	33,033,275	43,101,813
Restricted for:			
Capital projects	964,724	2,383,374	3,348,098
Debt service	5	1,305,194	1,305,199
Economic development	84,839	-	84,839
MAPS projects	-	10,958,347	10,958,347
Other purposes	624,401	166,921	791,322
Unrestricted (deficit)	597,249	(7,188,229)	(6,590,980)
Total net position	<u>\$ 12,339,756</u>	<u>\$ 40,658,882</u>	<u>\$ 52,998,638</u>

See accompanying notes to the basic financial statements.

**CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

Statement of Activities –Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 3,500,962	\$ 215,474	\$ 36,900	\$ -	\$ (3,248,588)	\$ -	\$ (3,248,588)
Public Safety	6,726,074	317,407	798,304	-	(5,610,363)	-	(5,610,363)
Public Works	1,268,541	-	178,034	-	(1,090,507)	-	(1,090,507)
Culture and Recreation	1,583,798	486,503	-	-	(1,097,295)	-	(1,097,295)
Airport	665,035	249,357	-	252,110	(163,568)	-	(163,568)
Interest on Long-term debt	27,540	-	-	-	(27,540)	-	(27,540)
Total governmental activities	<u>13,771,950</u>	<u>1,268,741</u>	<u>1,013,238</u>	<u>252,110</u>	<u>(11,237,861)</u>	<u>-</u>	<u>(11,237,861)</u>
Business-type activities							
Water	3,272,800	4,945,642	10,000	1,039,673	-	2,722,515	2,722,515
Wastewater	813,535	1,626,036	97,113	-	-	909,614	909,614
Sanitation	3,922,837	3,281,312	-	-	-	(641,525)	(641,525)
Electric	18,379,124	22,900,787	-	-	-	4,521,663	4,521,663
Education	403,991	-	-	-	-	(403,991)	(403,991)
Total business-type activities	<u>26,792,287</u>	<u>32,753,777</u>	<u>107,113</u>	<u>1,039,673</u>	<u>-</u>	<u>7,108,276</u>	<u>7,108,276</u>
Total primary government	<u>\$ 40,564,237</u>	<u>\$ 34,022,518</u>	<u>\$ 1,120,351</u>	<u>\$ 1,291,783</u>	<u>(11,237,861)</u>	<u>7,108,276</u>	<u>(4,129,585)</u>
General revenues:							
Taxes:							
Sales and use taxes					9,948,263	-	9,948,263
Franchise taxes and public service taxes					348,262	-	348,262
Hotel/motel taxes					285,085	-	285,085
Intergovernmental, unrestricted					219,176	-	219,176
Investment income					26,088	24,850	50,938
Miscellaneous					197,161	78,970	276,131
Transfers - Internal activity					2,135,082	(2,135,082)	-
Total general revenues and transfers					<u>13,159,117</u>	<u>(2,031,262)</u>	<u>11,127,855</u>
Change in net position					1,921,256	5,077,014	6,998,270
Net position - beginning, restated					10,418,500	35,581,868	46,000,368
Net position - ending					<u>\$ 12,339,756</u>	<u>\$ 40,658,882</u>	<u>\$ 52,998,638</u>

See accompanying notes to the basic financial statements.

**CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Governmental Funds Balance Sheet - June 30, 2016

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 4,489,255	\$ 4,109,489	\$ 8,598,744
Interest receivable	-	110	110
Receivable from other governments	1,305,668	84,465	1,390,133
Due from other funds	1,223,198	390,099	1,613,297
Taxes receivable, net	42,172	-	42,172
Court fines receivable, net	109,456	-	109,456
Utilities receivable	-	17,350	17,350
Other receivables	19,220	53,778	72,998
Inventories	26,298	43,156	69,454
Total assets	<u>\$ 7,215,267</u>	<u>\$ 4,698,447</u>	<u>\$ 11,913,714</u>
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 100,457	\$ 60,977	\$ 161,434
Accrued payroll payable	244,850	4,315	249,165
Due to other funds	711,404	179,498	890,902
Due to bondholders	350	-	350
Accrued interest payable	13,266	-	13,266
Other payables	59,564	-	59,564
Total liabilities	<u>1,129,891</u>	<u>244,790</u>	<u>1,374,681</u>
 Deferred Inflows of Resources:			
Deferred revenue	<u>87,649</u>	<u>-</u>	<u>87,649</u>
 Fund balances:			
Nonspendable	26,298	43,156	69,454
Restricted	-	1,830,410	1,830,410
Assigned	1,699,090	2,607,172	4,306,262
Unassigned (deficit)	4,272,339	(27,081)	4,245,258
Total fund balances	<u>5,997,727</u>	<u>4,453,657</u>	<u>10,451,384</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 7,215,267</u>	<u>\$ 4,698,447</u>	<u>\$ 11,913,714</u>

See accompanying notes to the basic financial statements.

CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2016

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 10,746,327	\$ 285,283	\$ 11,031,610
Intergovernmental	972,061	475,146	1,447,207
Charges for services	613,330	407,628	1,020,958
Fines and forfeitures	236,385	-	236,385
Licenses and permits	115,515	-	115,515
Investment earnings	21,310	3,929	25,239
Miscellaneous	127,551	56,191	183,742
Total revenues	<u>12,832,479</u>	<u>1,228,177</u>	<u>14,060,656</u>
EXPENDITURES			
Current:			
General government	2,950,869	307,755	3,258,624
Public safety	7,078,303	6,997	7,085,300
Public works	1,229,374	12,001	1,241,375
Culture and recreation	1,494,758	-	1,494,758
Airport	-	447,676	447,676
Capital outlay	861,191	1,263,453	2,124,644
Debt service:			
Principal	1,391,459	-	1,391,459
Interest and other charges	27,540	-	27,540
Total expenditures	<u>15,033,494</u>	<u>2,037,882</u>	<u>17,071,376</u>
Excess (deficiency) of revenues over expenditures	<u>(2,201,015)</u>	<u>(809,705)</u>	<u>(3,010,720)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt	1,336,908	-	1,336,908
Transfers in	6,572,777	250,000	6,822,777
Transfers out	<u>(5,342,439)</u>	<u>-</u>	<u>(5,342,439)</u>
Total other financing sources and uses	<u>2,567,246</u>	<u>250,000</u>	<u>2,817,246</u>
Net change in fund balances	366,231	(559,705)	(193,474)
Fund balances - beginning	5,631,496	5,013,362	10,644,858
Fund balances - ending	<u>\$ 5,997,727</u>	<u>\$ 4,453,657</u>	<u>\$ 10,451,384</u>

See accompanying notes to the basic financial statements.

**CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Total fund balance, governmental funds	\$	10,451,384
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$12,872,392		11,337,754
Certain other long-term assets and deferred outflows are not available to pay current period expenditures and, therefore, are deferred in the funds:		
Grants receivable		10,000
Court fines receivable		77,649
Pension related deferred outflows		907,227
Certain long-term liabilities and related accounts and deferred inflows are not due and payable from current financial resources and, therefore, are not reported in the funds:		
Notes payable		(1,269,216)
Accrued compensated absences		(592,447)
Net pension liability		(7,305,707)
Pension related deferred inflows		(1,254,843)
Capital project funds are used by management to purchase or construct certain capital assets for the City. The assets and liabilities of the Landfill Improvement Fund is included in the business-type activities in the Statement of Net Position		(717,682)
Internal service funds are used by management to charge costs of certain activities that benefit multiple funds, such as self-insurance costs, to individual funds. The assets and liabilities of certain of these internal service funds are reported in governmental activities in the Statement of Net Position:		
Internal service funds' net position		695,637
Net Position of Governmental Activities in the Statement of Net Position	\$	<u><u>12,339,756</u></u>

See accompanying notes to the basic financial statements.

CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Net change in fund balances - total governmental funds: \$ (193,474)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	2,071,883
Depreciation expense	(708,307)

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	(397,676)
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In the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension contributions as expenditures.

769,297

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	1,391,459
Proceeds of long-term debt	(1,336,908)

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	57,467
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Capital project funds are used by management to purchase or construct certain capital assets for the City. The net change in fund balances of the Landfill Improvement Fund is included in the business-type activities column of the Statement of Activities

393,510

Internal service fund activity is reported as a proprietary fund in the fund financial statements, but certain net revenues are reported in governmental activities on the Statement of Activities:

Total change in net position for internal service funds	(125,995)
Change in net position of governmental activities	<u>\$ 1,921,256</u>

See accompanying notes to the basic financial statements.

**CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

**CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

Proprietary Funds Statement of Net Position - June 30, 2016

	<u>Altus Municipal Authority</u>	<u>Internal Service Funds</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,142,067	\$ 715,930
Restricted:		
Cash and cash equivalents	9,705,611	-
Investments	6,454,491	-
Deposit with third party	791,243	-
Due from other funds	711,404	-
Accounts receivable, net	5,032,136	-
Receivables from other governments	1,721,997	-
Other receivables	-	47,143
Inventories	1,662,412	-
Total current assets	<u>29,221,361</u>	<u>763,073</u>
Non-current assets:		
Capital assets:		
Land and construction in progress	5,644,183	-
Other capital assets, net of accumulated depreciation	43,613,663	-
Total non-current assets	<u>49,257,846</u>	<u>-</u>
Total assets	<u>78,479,207</u>	<u>763,073</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amount related to pension	<u>380,289</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	1,916,475	5,415
Accrued payroll payable	96,478	-
Accrued interest payable	243,281	-
Due to other funds	1,433,799	-
Payable to other governments	75,282	-
Other accrued expenses	-	35,368
Deposits subject to refund	168,331	-
Compensated absences	57,981	-
Contract obligation payable	685,125	-
Claims liability	-	2,808
Notes payable	3,270,020	-
Total current liabilities	<u>7,946,772</u>	<u>43,591</u>
Non-current liabilities:		
Deposits subject to refund	680,847	-
Compensated absences	521,829	-
Contract obligation payable	6,373,620	-
Landfill closure liability	3,268,112	-
Claims liability	-	23,845
Notes payable	14,783,485	-
Net pension liability	1,216,122	-
Total non-current liabilities	<u>26,844,015</u>	<u>23,845</u>
Total liabilities	<u>34,790,787</u>	<u>67,436</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amount related to pension	428,738	-
Deferred amount on long-term debt refunding	3,698,771	-
Total deferred inflows of resources	<u>4,127,509</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	33,033,275	-
Restricted for debt service	1,305,194	-
Restricted for capital projects	2,383,374	-
Restricted for MAPS projects	10,958,347	-
Restricted for other purposes	10,480	-
Unrestricted (deficit)	(7,749,470)	695,637
Total net position	<u>\$ 39,941,200</u>	<u>\$ 695,637</u>

Capital project funds are used by management to purchase or construct certain capital assets for the City. The assets and liabilities of the Landfill Improvement Fund is included in the business-type activities in the Statement of Net Position

717,682

Total net position per the Government-Wide Statement of Net Position

\$ 40,658,882

See accompanying notes to the basic financial statements.

**CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position - Year Ended June 30, 2016

	<u>Altus Municipal Authority</u>	<u>Internal Service Funds</u>
REVENUES		
Water	\$ 4,811,633	\$ -
Sewer	1,581,976	-
Sanitation	3,040,199	-
Electric	22,280,261	-
Miscellaneous	883,267	4,699
Total operating revenues	<u>32,597,336</u>	<u>4,699</u>
OPERATING EXPENSES		
General government	-	132,962
Administration	1,496,344	-
Water	2,196,286	-
Sewer	636,599	-
Sanitation	1,343,894	-
Landfill operations	2,172,844	-
Electric services	16,007,834	-
Depreciation	2,333,726	-
Total operating expenses	<u>26,187,527</u>	<u>132,962</u>
Operating income (loss)	<u>6,409,809</u>	<u>(128,263)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	24,850	849
Miscellaneous revenue	78,970	1,419
Noncapital grants	107,113	-
Payments to school - MAPS	(66,551)	-
Capital assets transferred to governmental activities	(654,744)	-
Interest expense	(538,209)	-
Total non-operating revenue (expenses)	<u>(1,048,571)</u>	<u>2,268</u>
Income (loss) before transfers and capital contributions	5,361,238	(125,995)
Capital contributions	1,589,624	-
Transfers in	5,092,439	-
Transfers out	(6,572,777)	-
Change in net position	5,470,524	(125,995)
Total net position - beginning, restated	34,470,676	821,632
Total net position - ending	<u>\$ 39,941,200</u>	<u>\$ 695,637</u>
Change in net position per above	\$ 5,470,524	
Capital project funds are used by management to purchase or construct certain capital assets for the City. The activities of the Landfill Improvement Fund are included in the business-type activities in the Statement of Activities	(393,510)	
Change in Business-Type Activities in Net Position per Government-Wide Financial Statements	<u>\$ 5,077,014</u>	

See accompanying notes to the basic financial statements.

**CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2016

	<u>Altus Municipal Authority</u>	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and others	\$ 32,267,031	\$ (28,641)
Payments to suppliers	(18,317,972)	(208,143)
Payments to employees	(3,970,558)	-
Receipts of customer meter deposits	209,104	-
Refunds of customer meter deposits	(204,143)	-
Interfund receipts/payments	(133,867)	-
Net cash provided by (used in) operating activities	<u>9,849,595</u>	<u>(236,784)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	5,092,439	-
Transfers to other funds	(6,572,777)	-
Net cash provided by (used in) noncapital financing activities	<u>(1,480,338)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(5,952,676)	-
Purchases of capital assets transferred to governmental activities	(654,744)	-
Proceeds from capital grant	1,589,624	-
Proceeds from debt	4,693,070	-
Principal paid on debt	(5,572,788)	-
Interest and fiscal agent fees paid on debt	(888,397)	-
Net cash provided by (used in) capital and related financing activities	<u>(6,785,911)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	734,852	-
Deposit with third party	44,581	-
Interest and dividends	24,850	849
Net cash provided by investing activities	<u>804,283</u>	<u>849</u>
Net increase (decrease) in cash and cash equivalents	2,387,629	(235,935)
Balances - beginning of year	<u>10,460,049</u>	<u>951,865</u>
Balances - end of year	<u>\$ 12,847,678</u>	<u>\$ 715,930</u>
Reconciliation to Statement of Net Position:		
Cash and cash equivalents	\$ 3,142,067	\$ 715,930
Restricted cash and cash equivalents - current	9,705,611	-
Total cash and cash equivalents, end of year	<u>\$ 12,847,678</u>	<u>\$ 715,930</u>

See accompanying notes to the basic financial statements.

CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2016, (Continued)

**Reconciliation of operating income (loss) to net cash provided by
(used in) Operating Activities:**

Operating income (loss)	\$ 6,409,809	\$ (128,263)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	2,333,726	-
Payments to school-MAPS	(66,551)	-
Non-capital grants	107,113	-
Miscellaneous revenue	78,970	1,419
Change in assets and liabilities:		
Due from other funds	(133,867)	-
Accounts receivable	(315,841)	-
Due from other governments	(860,547)	-
Other receivables	-	(34,759)
Notes receivable	660,000	-
Inventory	(113,565)	-
Accounts payable	27,395	(32,563)
Claims liability	-	(57,596)
Accrued payroll payable	(7,604)	-
Payable to other governments	3,094	-
Other accrued expenses	-	14,978
Landfill closure liability	1,803,657	-
OPEB liability	(1,135,820)	-
Pension liability & related accounts	955,521	-
Deposits subject to refund	4,961	-
Accrued compensated absences	99,144	-
Net cash provided by (used in) operating activities	<u>\$ 9,849,595</u>	<u>\$ (236,784)</u>

See accompanying notes to the basic financial statements.

**CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of Altus) and a blended component unit as noted below

- **The City of Altus** – that provides the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities.
- **The City of Altus Municipal Authority** – that operates the electric, water, sewer, and sanitation services of the City.

The City provides typical municipal services such as general government, public safety, public works, culture and recreation, community, and economic development, and, through its public trust, certain utility services including electric, water, wastewater, and sanitation.

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 this entity.

In determining the financial reporting entity, the City fully 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 – An Amendment of GASB Statements No. 14 and No. 34*" that requires all component units of which the City is financially accountable be included in the financial report.

The component unit listed above is a Public Trust established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are 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 Authority. The Authorities generally retain 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 Authorities 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.

Related Organizations:

A related organization is one for which the City is not financially accountable. Such organizations include:

- Altus/Southwest Area Economic Development Corporation
- Downtown Altus Redevelopment Trust Authority
- Mountain Park Master Conservancy District (the District)

Related organizations are not included within the City's reporting entity financial statements.

B. 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 accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

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

- Public Safety – Fire and Police – fines and forfeitures, animal control revenues and operating grants and contributions.
- Airport – rental fees, fuel sales and capital grants.
- Public works – Commercial vehicle and gasoline excise tax shared by the State and other restricted operating grants, as well as capital grants.
- Culture and recreation – Golf course revenues, swimming pool fees, and recreation fees.
- General Government – licenses and permits, mowing fees, rentals and operating grants.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Governmental Funds:

The City's governmental funds include:

Major Fund:

General Fund (for reporting purposes, the Park Development, Emergency 911, ARAC, and Flex Spending accounts are included with the General Fund)

Aggregated Non-Major Funds (reported as Other Governmental Funds):

Special Revenue Funds:

- ODOC Grant Fund – accounts for grant monies received for flood and drainage projects.
- Altus Donation Fund – accounts for donations received to be used for specific projects.
- Airport Fund – accounts for operating revenues and expenditures of the municipal airport.
- Hotel/Motel Tax Fund – accounts for hotel/motel tax revenues to be used in economic development and promotion of tourism.
- Street and Alley Fund - accounts for commercial vehicle tax and gasoline excise tax legally restricted for street and alley repairs and maintenance.

Capital Project Funds:

- Capital Improvement Fund – accounts for transfers from other funds and grant monies to be used for major capital improvements.
- Economic Development Construction Fund – accounts for loan monies and sales tax restricted for use in economic development projects.

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- ODOT Grant Fund – accounts for grant monies received for construction of industrial development access road.
- Landfill Improvement Fund – accounts for monies set aside for use in landfill improvements.
- Cemetery Perpetual Care Fund – accounts for a portion of cemetery revenue restricted by State law for cemetery capital improvements.
- Drainage Improvement Fund – accounts for monies set aside for drainage improvement projects.

Debt Service Fund:

- Debt Service Fund – accounts for ad valorem taxes levied by the City for use in retiring court assessed judgments, general obligation bonds, and their related expenditures.

The governmental funds are reported on the modified accrual basis of accounting. With the modified accrual basis of accounting, revenues are recorded when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and payable from current financial resources. The City defines revenue availability as collected within 60 days of period end.

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 accrual basis of accounting and economic resources measurement focus at the government-wide level.

Proprietary Funds:

The City's proprietary funds include:

Enterprise Fund

- Altus Municipal Authority Fund – accounts for the activities of the public trust in providing electric, water, sewer, and sanitation services to the public. For reporting purposes the Water Treatment Plant, MAPS Sales Tax, and Meter Deposit accounts are included with the AMA.

Internal Service Funds (combined for reporting purposes)

- Workers Compensation Fund – accounts for charges to the operating funds of the City used to pay worker's compensation claims.
- Assurance Fund – accounts for charges to the operating funds of the City used to pay the expenses of the City's group health and life insurance plans.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. 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.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities both governmental and business-type activities are presented using 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. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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.

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.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity

Cash and Investments

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, and certificates of deposits or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines, and ambulance fees. Business-type activities report utilities as its major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 1992.

Prior to June 30, 1992, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$2,500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

- Buildings and Improvements	15-50 years
- Machinery and Equipment	2-40 years
- Utility System	25-50 years
- Infrastructure	25-100 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to promissory note trustee accounts and utility meter deposits.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of notes payable, capital leases, contract obligations payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

Under terms of union contracts and City personnel policies, City employees are granted comp time, vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation and comp time. Police and Fire employees also receive a portion of sick leave upon termination based upon union contract. The estimated liabilities for vested benefits also include salary-related payments such as employment taxes. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Equity Classifications

Government-Wide Statements:

Equity is classified as net position and displayed in three components:

- a. *Net investment in capital assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.

- 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.
- c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted.”

Fund Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned and unassigned.

Proprietary fund equity is classified the same as in the government-wide statements.

E. Revenues, Expenditures, and Expenses

Sales Tax

The City presently levies a three and three quarter (3.75) cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. Sales tax proceeds, after recording in the General Fund, 1.75 cent tax is transferred to the MAPS Sales Tax Account of the Altus Municipal Authority for the following projects and/or related debt service: (1) 50% is used for (a) city hall construction and senior citizen center, (b) fire station renovation, and (c) economic development purposes; and (2) the remaining 50% is used for the construction of a high school, which was approved by the majority of voters in August 2008.

Property Tax

Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments.

For the year ended June 30, 2016, the City did not levy a property tax, and had no general obligation bonded debt or court-assessed judgments outstanding at June 30, 2016.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

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In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character: Current (further classified by function)
 Debt Service
 Capital Outlay

Proprietary Fund - By Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements:

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans - amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services - sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements - repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers - flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government-Wide Financial Statements:

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances - amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.

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2. Internal activities - amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers - Internal Activities. The effect of interfund services between funds, if any, are not eliminated in the Statement of Activities.

G. 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.

2. Cash, Cash Equivalents, and Investments

At June 30, 2016, the reporting entity held the following deposits and investments:

Primary Government:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 20,291,736
Cash on hand			9,726
Time deposits	Less than 1 year		6,454,491
			<u>26,755,953</u>
Investments:			
Trustee accounts money market fund		AAAm	1,860,890
			<u>1,860,890</u>
Total deposits and investments			<u><u>\$ 28,616,843</u></u>
 Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 22,162,352
Investments			6,454,491
			<u><u>\$ 28,616,843</u></u>

See accompanying footnotes to this schedule.

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Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City’s name: or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City’s name.

The City’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 110% of the uninsured deposits and accrued interest thereon. Collateral will be held by the City Clerk-Treasurer of the City of Altus or by an independent third party with whom the entity has a current custodial agreement. The City's policy limits acceptable collateral to U.S. Treasury securities, federal mortgage debt guaranteed by the Federal Government to include: VA, FHA, GNMA, FNMA, FHLMC, and Federal Home Loan Bank Letters of Credit. In addition, collateral is limited to direct debt obligations of municipalities or counties in Oklahoma which hold an "A" rating or better. Also, as required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. At June 30, 2016 the City had \$398,420 of deposits that were exposed to custodial credit risk.

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’s investment policy limits investments, excluding retirement trust fund investments, to the following:

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U. S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. 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.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

Concentration of Investment Credit Risk - Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City's investment policy requires diversification of investments and indicates that, with the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single financial institution.

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Restricted Cash and Investments – The amounts reported as restricted assets of the proprietary fund statement of net position are comprised of amounts restricted for debt service, capital projects, MAPS projects or other purposes. The restricted assets as of June 30, 2016 are as follows:

	Current	
	Cash and cash equivalents	Investments
Water Treatment Plant	\$ -	\$ 2,975,869
MAPS	6,770,010	3,478,622
Hotel Motel Revenue Tax	10,480	-
OWRB DWSRF Account	224,618	-
Series 2008 Sales Tax Revenue Note	183,634	-
Series 2009 Sales Tax Revenue Note	265,871	-
Series 2011 Sales Tax Revenue Note	83,790	-
2014 Mountain Park Trustee Account	455,697	-
Series 2015 Sales Tax Revenue Note - debt service	334,865	-
Series 2015 Sales Tax Revenue Note - construction	527,468	-
Meter deposits	849,178	-
Total	\$ 9,705,611	\$ 6,454,491

3. Receivables

Accounts Receivable - Accounts receivable of the business-type activities consist of customers utilities services provided, both billed and unbilled, due at year end, reported net of allowance for uncollectible amounts. The governmental activities receivables include miscellaneous accounts receivable, taxes receivable, court fines receivable and due from other governments.

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental Activities:			
Other accounts receivable	\$ 120,141	\$ -	\$ 120,141
Taxes receivable	42,172	-	42,172
Court fines receivable, net	159,002	(49,546)	109,456
Due from other governments	1,390,133	-	1,390,133
Total Governmental Activities	\$ 1,711,448	\$ (49,546)	\$ 1,661,902
Business-Type Activities:			
Utilities	\$ 5,867,790	\$ (818,304)	\$ 5,049,486

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Notes Receivable – The Altus Municipal Authority entered into a \$3.5 million loan agreement with Altus Flight Academy (AFA) dated February 1, 2013. The loan had an interest rate of 4% and matures on March 1, 2034. The proceeds of the loan, provided by MAPS sales taxes, were used to improve, construct and equip a flight training facility owned by the City of Altus and leased by the Altus Municipal Authority with a sub-lease to Altus Flight Academy. Interest only payments on the outstanding balance are due on March 1, 2014 and March 1, 2015 with principal payments beginning on March 1, 2016. The loan is secured with the building improvements as collateral. In accordance with an Economic Development Assistance Agreement, if the AFA provides full-time equivalent jobs, they can receive credit to apply to the payments as they become due. However, during fiscal year 2014, the AFA stopped construction on the project and vacated the flight training facility. No payments have been made on the note and the AFA is in technical default. Therefore, an allowance for an uncollectible loan receivable was recorded during fiscal year 2014. A lawsuit has been filed by the Altus Municipal Authority to try to recover certain fire suppression equipment and security system purchased with the loan proceeds as well as recovery of unpaid lease payments, other improvements made to the building, and financial compensation for lost jobs. The lawsuit was settled as of July 10, 2015 in the amount of \$660,000 and the related note receivable was liquidated.

	Balance 7/1/2015	Additions	Deductions	Balance 6/30/2016	Due Within One Year
Business-Type Activities:					
Altus Flight Academy	\$ 660,000	\$ -	\$ (660,000)	\$ -	\$ -
Total Business-Type Activities	<u>\$ 660,000</u>	<u>\$ -</u>	<u>\$ (660,000)</u>	<u>\$ -</u>	<u>\$ -</u>

4. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, construction in progress, buildings and building improvements, machinery and equipment, utility property and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation.

For the year ended June 30, 2016, capital assets balances changed as follows:

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	Restated Balance at June 30, 2015	Additions/ Transfers	Disposals	Balance at June 30, 2016
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,217,403	\$ 12,000	\$ -	\$ 1,229,403
Construction in progress	75,375	678,702	305,927	448,150
Total capital assets not being depreciated	<u>1,292,778</u>	<u>690,702</u>	<u>305,927</u>	<u>1,677,553</u>
Other capital assets:				
Buildings and improvements	12,739,710	279,828	-	13,019,538
Infrastructure	1,457,392	305,927	-	1,763,319
Machinery and equipment	6,648,383	1,101,353	-	7,749,736
Total other capital assets at historical cost	<u>20,845,485</u>	<u>1,687,108</u>	<u>-</u>	<u>22,532,593</u>
Less accumulated depreciation for:				
Buildings and improvements	7,054,412	395,335	-	7,449,747
Infrastructure	317,640	62,274	-	379,914
Machinery and equipment	4,792,033	250,698	-	5,042,731
Total accumulated depreciation	<u>12,164,085</u>	<u>708,307</u>	<u>-</u>	<u>12,872,392</u>
Other capital assets, net	<u>8,681,400</u>	<u>978,801</u>	<u>-</u>	<u>9,660,201</u>
Governmental activities capital assets, net	<u>\$ 9,974,178</u>	<u>\$ 1,669,503</u>	<u>\$ 305,927</u>	<u>\$ 11,337,754</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,304,662	\$ -	\$ -	\$ 1,304,662
Construction in progress	3,606,256	4,394,512	3,661,247	4,339,521
Total capital assets not being depreciated	<u>4,910,918</u>	<u>4,394,512</u>	<u>3,661,247</u>	<u>5,644,183</u>
Other capital assets:				
Buildings and improvements	32,626,464	51,561	-	32,678,025
Water rights	24,647,726	-	-	24,647,726
Machinery and equipment	6,394,624	1,558,164	-	7,952,788
Utility property	25,123,825	3,609,686	-	28,733,511
Total other capital assets at historical cost	<u>88,792,639</u>	<u>5,219,411</u>	<u>-</u>	<u>94,012,050</u>
Less accumulated depreciation for:				
Buildings and improvements	10,956,073	884,605	-	11,840,678
Water rights	14,118,545	616,193	-	14,734,738
Machinery and equipment	4,325,010	371,271	-	4,696,281
Utility property improvements	18,665,033	461,657	-	19,126,690
Total accumulated depreciation	<u>48,064,661</u>	<u>2,333,726</u>	<u>-</u>	<u>50,398,387</u>
Other capital assets, net	<u>40,727,978</u>	<u>2,885,685</u>	<u>-</u>	<u>43,613,663</u>
Business-type activities capital assets, net	<u>\$ 45,638,896</u>	<u>\$ 7,280,197</u>	<u>\$ 3,661,247</u>	<u>\$ 49,257,846</u>

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:

Governmental Activities:		Business-Type Activities:	
General government	\$ 198,738	Water	\$ 911,769
Public safety	167,719	Sewer	97,940
Public works	42,407	Sanitation	193,751
Culture and recreation	85,010	Electric	1,130,266
Airport	214,433		
Depreciation expense	<u>\$ 708,307</u>		<u>\$2,333,726</u>

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5. Long-Term Debt and Debt Service Requirements

The City's long-term debt is segregated by the amounts involving governmental activities and business-type activities.

For the year ended June 30, 2016, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance 6/30/2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Governmental Activities:					
Notes payable	\$ 1,323,767	\$ 1,336,908	\$ 1,391,459	\$ 1,269,216	\$ 136,592
Accrued compensated absences	649,914	434,933	492,400	592,447	59,245
Claims liability	84,249	-	57,596	26,653	2,808
Total Governmental Activities	<u>\$ 2,057,930</u>	<u>\$ 1,771,841</u>	<u>\$ 1,941,455</u>	<u>\$ 1,888,316</u>	<u>\$ 198,645</u>
Business-Type Activities:					
Notes Payable	\$ 17,914,585	\$ 4,693,070	\$ 4,554,150	\$ 18,053,505	3,270,020
Capital lease payable	353,088	-	353,088	-	-
Contract obligations payable	7,724,295	-	665,550	7,058,745	685,125
Accrued compensated absences	480,666	338,290	239,146	579,810	57,981
Landfill closure liability	1,464,455	1,803,657	-	3,268,112	-
Deposits subject to refund	844,217	209,104	204,143	849,178	168,331
Total Business-Type Activities	<u>28,781,306</u>	<u>7,044,121</u>	<u>6,016,077</u>	<u>29,809,350</u>	<u>4,181,457</u>
Total Long-Term Debt	<u>\$ 30,839,236</u>	<u>\$ 8,815,962</u>	<u>\$ 7,957,532</u>	<u>\$ 31,697,666</u>	<u>\$ 4,380,102</u>

Reconciliation to Statement of Net Position:

Governmental Activities:

Due within one year	\$ 198,645
Due in more than one year	1,689,671
Total Governmental Activities Long-Term Liabilities	<u>\$ 1,888,316</u>

Business-Type Activities:

Due within one year	\$ 4,181,457
Due in more than one year	25,627,893
Total Business-Type Activities Long-Term Liabilities	<u>\$ 29,809,350</u>

Governmental activities long-term debt:

Governmental activities long-term debt payables from net revenues include the following:

Notes Payable:

\$5,530,000 Altus Municipal Authority Electric System Utility Revenue Note, Series 2015A, dated July 21, 2015, due in various annual principal installments between \$280,000 and \$340,000 plus interest at 2.09% beginning January 1, 2016, with final payment due July 1, 2024, secured by electric revenues. Proceeds of note were used to refund the 2013A Junior Lien Utility Revenue Note (used to purchase fire equipment); Promissory Note to NBC Oklahoma dated July 31, 2014 (used to purchase fire equipment); Veterans Substation Lease Purchase Agreement dated October 20, 2009 (used to purchase electric infrastructure); Series 2012 Note to OMPA dated March 1, 2012 (used to purchase sewer infrastructure); Series 2014 Note to OMPA dated May 20, 2014 (used to purchase sewer infrastructure); remainder used to purchase various utility equipment. This note was allocated 24.17555% to governmental activities for the payoff of debt related to fire activities. The remainder of 75.82445% was allocated to business-type activities.

	<u>1,269,216</u>
Total Notes Payable	<u>\$ 1,269,216</u>
Current portion	136,592
Noncurrent portion	1,132,624
Total Notes Payable	<u>\$ 1,269,216</u>

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Accrued Compensated Absences:

Accrued compensated absences reported in the governmental activities are comprised of accrued vacation leave, sick leave, and compensatory time.

	Current portion	59,245
	Noncurrent portion	533,202
Total Accrued Compensated Absences	<u>\$</u>	<u>592,447</u>

Estimated Claims Liability:

Estimated claims liability reported in the governmental activities are comprised of accrued payables and liabilities incurred but not reported.

	Current portion	2,808
	Noncurrent portion	23,845
Total Accrued Compensated Absences	<u>\$</u>	<u>26,653</u>

Business-type activities long-term debt payable from net revenues generated by and taxes pledged to the City's business-type activities include the following:

Notes Payable:

\$232,183 Oklahoma Department of Commerce CDBG Note, dated October 2, 1998, issued by Altus Municipal Authority, monthly installments of \$967, secured by available utility revenues, with no interest, final maturity September 1, 2018. \$ 34,824

\$10,000,000 Altus Municipal Authority Sales Tax Revenue Note, Series 2008, dated December 24, 2008, due in quarterly installments of \$175,000 to \$275,000 plus interest at 4.00% beginning August 1, 2009, with final payment due November 1, 2020, secured by sales tax revenues from a special sales tax of 1.75% as approved by voters of the City on August 26, 2009, proceeds to be used by the City and Altus School District for capital improvements. 4,545,000

\$14,285,000 Altus Municipal Authority Sales Tax Revenue Note, Series 2009, dated March 25, 2009, due in quarterly installments of \$145,000 to \$395,000 plus interest at 4.25% beginning August 1, 2009, with final payment due November 1, 2020, secured by sales tax revenues from a special sales tax of 1.75% as approved by voters of the City on August 26, 2009, proceeds to be used by the City and Altus School District for capital improvements. 6,475,000

\$4,000,000 Altus Municipal Authority Sales Tax Revenue Note, Series 2011, dated March 25, 2009, due in quarterly installments of \$95,000 to \$130,000 plus interest at 2.94% beginning August 1, 2009, with final payment due November 1, 2020, secured by sales tax revenues from a special sales tax of 1.75% as approved by voters of the City on August 26, 2009, proceeds to be used by the City and Altus School District for capital improvements. 2,135,000

\$2,300,000 OWRB Drinking Water SRF Loan, dated April 28, 2015, due in semi-annual installments of \$57,500 plus interest at 2.81% beginning September 15, 2016, with final payment due March 15, 2036, secured by a pledge of revenues generated from water and sewer, proceeds to be used by the City of Altus for water system improvements. Total drawdowns as of June 30, 2016 total \$882,898. 882,898

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\$5,530,000 Altus Municipal Authority Electric System Utility Revenue Note, Series 2015A, dated July 21, 2015, due in various annual principal installments between \$280,000 and \$340,000 plus interest at 2.09% beginning January 1, 2016, with final payment due July 1, 2024, secured by electric revenues. Proceeds of note were used to refund the 2013A Junior Lien Utility Revenue Note (used to purchase fire equipment); Promissory Note to NBC Oklahoma dated July 31, 2014 (used to purchase fire equipment); Veterans Substation Lease Purchase Agreement dated October 20, 2009 (used to purchase electric infrastructure); Series 2012 Note to OMPA dated March 1, 2012 (used to purchase sewer infrastructure); Series 2014 Note to OMPA dated May 20, 2014 (used to purchase sewer infrastructure); remainder used to purchase various utility equipment. This note was allocated 24.17555% to governmental activities for the payoff of debt related to fire activities. The remainder of 75.82445% was allocated to business-type activities.

		<u>3,980,783</u>
Total Notes Payable	\$	<u><u>18,053,505</u></u>
Current portion		3,270,020
Noncurrent portion		<u>14,783,485</u>
Total Notes Payable	\$	<u><u>18,053,505</u></u>

Contract Obligation Payable:

\$7,830,000 contract obligation payable to Mountain Park Master Conservancy District, due in semi-annual installments of of \$328,860 to \$450,225 plus interest at 3.26%, with final payment due October 1, 2025, secured by a pledge of gross revenues of water as approved by voters.

		<u>7,058,745</u>
Total Contract Obligation Payable	\$	<u><u>7,058,745</u></u>
Current portion		685,125
Noncurrent portion		<u>6,373,620</u>
Total Contract Obligation Payable	\$	<u><u>7,058,745</u></u>

Accrued Compensated Absences:

		57,981
Current portion		57,981
Noncurrent portion		<u>521,829</u>
Total Accrued Compensated Absences	\$	<u><u>579,810</u></u>

Landfill Closure Liability:

		-
Current portion	\$	-
Noncurrent portion		<u>3,268,112</u>
Total Landfill Closure Liability	\$	<u><u>3,268,112</u></u>

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Deposits Subject to Refund:

	Current portion	168,331
	Noncurrent portion	680,847
Total Deposits Subject to Refund	<u>\$</u>	<u>849,178</u>

Debt Service Requirements to Maturity:

<u>Year Ending June 30,</u>	Governmental Activities	
	Notes Payable	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 136,592	\$ 25,819
2018	139,009	22,952
2019	142,636	20,021
2020	146,262	17,028
2021	149,888	13,945
2022-2025	554,829	23,470
Totals	<u>\$ 1,269,216</u>	<u>\$ 123,235</u>

<u>Year Ending June 30,</u>	Business Type Activities			
	Notes Payable		Contract obligation payable	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 3,270,020	\$ 625,042	\$ 685,125	\$ 224,563
2018	3,392,600	503,907	708,615	202,037
2019	3,523,973	377,890	732,105	178,744
2020	3,643,738	246,886	755,595	154,686
2021	2,175,109	118,538	783,000	129,863
2022-2026	2,315,168	280,830	3,394,305	253,854
2027-2031	575,000	125,956	-	-
2032-2036	575,000	44,694	-	-
Totals	<u>\$ 19,470,608</u>	<u>\$ 2,323,743</u>	<u>\$ 7,058,745</u>	<u>\$ 1,143,747</u>
Less remaining funds to be drawn down:	<u>(1,417,103)</u>			
	<u>\$ 18,053,505</u>			

Landfill Closure Liability

State and federal laws and regulations require the City to place a final cover on its construction and demolition landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. Although the closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these costs as an operating expense of the Altus Municipal Authority in each fiscal year. The current period expense amount is based upon the amount of landfill capacity used as of each fiscal year end.

The \$3,268,112 reported as accrued landfill closure cost liability at June 30, 2016, represents the cumulative amount of such costs reported to date based on the use of 98% of the estimated capacity of the landfill. The Altus Municipal Authority will recognize the remaining estimated costs of closure and post-

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closure care in the amount of \$65,362 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2016. At June 30, 2016, the landfill had a remaining estimated useful life of approximately one year.

The City has qualified under the State of Oklahoma Department of Environmental Quality (DEQ) financial assurance test relating to these future closure and post-closure costs, whereby the City's overall financial condition and other submitted information serves as evidence of the City's ability to pay for the closure and post-closure care costs when the landfill is actually closed. As such, the City is not required to fund an escrow trust account for costs.

Pledge of Future Revenues

Sales Tax Pledge - The City has pledged one and ¾ cents (or 1.75%) of future sales tax revenues (as approved on by voters August 26, 2009) to repay \$10,000,000, \$14,285,000, and \$4,000,000 of Series 2008, 2009, and 2011 Sales Tax Revenue Bonds, respectively. Proceeds from the bonds provided financing for utility, governmental and public school capital assets. The bonds are all payable through 2020. The total principal and interest payable for the remainder of the life of these bonds is \$14,425,879. Total pledged sales taxes received in the current fiscal year were \$4,445,211. Debt service payments for the current fiscal year of \$3,184,214 were 71.6% of the pledged sales taxes.

Utility Net Revenues Pledge – The City has also pledged future water and sewer net revenues to repay \$2,300,000 of the OWRB 2015 Series Drinking Water SRF Promissory Note. Proceeds from the bonds and notes provided financing for utility system capital assets. The note is payable through 2036. The total principal and interest payable for the remainder of the life of these notes is \$2,966,348. The notes are payable from the above-mentioned utility net revenues. The debt service interest payment on the note this year was \$12,919 which was 0.4% of pledged net utility revenues of \$3,560,724.

Utility Net Revenues Pledge – The City has also pledged future electric net revenues to repay \$5,530,000 of the Series 2015A Altus Municipal Authority Electric System Revenue Note. Proceeds from the bonds and notes provided financing for utility system capital assets. The note is payable through 2024. The total principal and interest payable for the remainder of the life of these notes is \$5,759,751. The notes are payable from the above-mentioned electric net revenues. The debt service payments on the notes this year were \$331,368 which was 5.3% of pledged net electric revenues of \$6,272,427.

6. Net Position and Fund Balances

Fund Statements:

Fund balance is 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.

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- c. Committed – included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The following table shows the fund balance classifications as shown on the Governmental Funds Balance Sheet:

	General Fund	Other Governmental Funds	TOTAL Governmental
Fund Balances:			
Nonspendable for:			
Inventory	\$ 26,298	\$ 43,156	\$ 69,454
Restricted for:			
Street development	-	501,731	501,731
Purchase of trash trucks	-	156,441	156,441
Donor requirements	-	122,670	122,670
Economic development	-	1,009,557	1,009,557
Cemetery improvements	-	40,006	40,006
Debt Service	-	5	5
Sub-total Restricted	-	1,830,410	1,830,410
Assigned to:			
Budget balancing purposes	1,500,000	-	1,500,000
Street development	-	161,069	161,069
Airport	-	25,799	25,799
Public safety	117,943	-	117,943
Park development	14,371	-	14,371
ARAC	66,776	-	66,776
Capital improvements	-	2,420,304	2,420,304
Sub-total Assigned	1,699,090	2,607,172	4,306,262
Unassigned (deficit)	4,272,339	(27,081)	4,245,258
TOTAL FUND BALANCES	\$ 5,997,727	\$ 4,453,657	\$ 10,451,384

Net position is displayed in three components:

- a. *Net investment in capital assets*- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

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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 restrictions are as follows:

	State Statutes	External Parties Voters/Donors/Grantors	Enabling Legislation	Total
Governmental Activities:				
Capital Projects:				
ODOC Grant Fund	\$ -	\$ -	\$ -	\$ -
Economic Development Construction Fund	-	924,718	-	924,718
Cemetery Perpetual Fund	40,006	-	-	40,006
Sub-total Capital Projects	<u>40,006</u>	<u>924,718</u>	<u>-</u>	<u>964,724</u>
Debt Service:				
Sinking Fund	5	-	-	5
Economic Development:				
Hotel Motel Tax Fund	-	84,839	-	84,839
Other				
Altus Donation Fund	-	122,670	-	122,670
Street and Alley Fund	501,731	-	-	501,731
Sub-total Other	<u>501,731</u>	<u>122,670</u>	<u>-</u>	<u>624,401</u>
Total Governmental Activities	<u>541,742</u>	<u>1,132,227</u>	<u>-</u>	<u>1,673,969</u>
Business-type Activities:				
Capital Projects - Water Treatment Plant	-	2,383,374	-	2,383,374
Debt Service - Trustee accounts less accrued interest payable	-	1,305,194	-	1,305,194
MAPS projects	-	10,958,347	-	10,958,347
Other				
Sanitation Truck Purchases	-	-	156,441	156,441
Hotel/Motel Loan Funds	-	10,480	-	10,480
Sub-total Other	<u>-</u>	<u>10,480</u>	<u>156,441</u>	<u>166,921</u>
Total Business-type Activities	<u>-</u>	<u>14,657,395</u>	<u>156,441</u>	<u>14,813,836</u>
TOTAL RESTRICTED NET POSITION	<u>\$ 541,742</u>	<u>\$ 15,789,622</u>	<u>\$ 156,441</u>	<u>\$ 16,487,805</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 are available.

Prior period adjustments

Beginning fund balance and net position were restated as of June 30, 2016, as follows:

	Governmental Activities	Business-type Activities	Enterprise Funds
Beginning fund balance/net position, as previously reported	\$ 11,529,692	\$ 34,574,820	\$ 34,574,820
Reclassified Landfill Improvement Fund as business-type	(1,111,192)	1,111,192	-
Overstated grant accrual	<u>-</u>	<u>(104,144)</u>	<u>(104,144)</u>
Beginning fund balance/net position, restated	<u>\$ 10,418,500</u>	<u>\$ 35,581,868</u>	<u>\$ 34,470,676</u>

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7. Internal and Interfund Balances and Transfers

The City's policy is to eliminate interfund transfers and balances in the statements 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 June 30, 2016 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	AMA (MAPS Sales Tax Account)	\$ 5,092,439	MAPS transfer
General Fund	General Fund	250,000	Emergency reserve funding
AMA	General Fund	65,000	Emergency reserve funding
AMA	Airport Fund	250,000	Operating transfer
AMA	Emergency 911 Fund	311,000	Operating transfer
AMA	General Fund	5,866,667	Operating transfer
AMA	General Fund	80,110	Debt service
Total		<u>\$ 11,915,216</u>	
Reconciliation to Fund Financial Statements:			
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 6,822,777	\$ (5,342,439)	\$ 1,480,338
Proprietary Funds	5,092,439	(6,572,777)	(1,480,338)
	<u>\$ 11,915,216</u>	<u>\$ (11,915,216)</u>	<u>-</u>
Reconciliation to Statement of Activities:			
		<u>Governmental</u>	<u>Business-Type</u>
Net transfers		\$ 1,480,338	\$ (1,480,338)
Reclassification of capital asset purchases between activities		654,744	(654,744)
		<u>\$ 2,135,082</u>	<u>\$ (2,135,082)</u>

Balances:

Interfund receivable and payables at June 30, 2016 were comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	AMA (MAPS Sales Tax Account)	\$ 121,044	Operating
General Fund	AMA (MAPS Sales Tax Account)	590,360	MAPS sales tax accrual
ODOC Grant Fund	General Fund	64,058	Negative share of pooled cash
AMA	General Fund	127,377	MAPS Sales tax correction
AMA	Economic Development Construction Fund	390,099	Construction payable
AMA	Emergency Reserve Fund	916,323	Emergency reserves
Capital Improvement Fund	Emergency Reserve Fund	115,440	Emergency reserves
Total		<u>\$ 2,324,701</u>	
Reconciliation to Fund Financial Statements:			
	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 1,613,297	\$ (890,902)	\$ 722,395
Proprietary Funds	711,404	(1,433,799)	(722,395)
Total	<u>\$ 2,324,701</u>	<u>\$ (2,324,701)</u>	<u>-</u>

8. 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 and Physical Property – Covered through insurance provider with a \$10,000 deductible
- Worker’s Compensation – Worker’s compensation is covered through self-insurance using a third party processor to process claims from July 2011 through December 2011. Effective January 2012, the City converted to a policy held with an insurance provider.
- Employee’s Group Medical – Covered through purchased insurance.

Management believes the insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Claims Liability Analysis

The claims liabilities related to the above notes risks of loss that are retained are determined in accordance with the requirements of Statement of Financial Accounting Standard No. 5, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. For workers’ compensation, changes in the claims liability for the City from July 1, 2013 to June 30, 2016 are as follows:

	Total Claims Liability
Claims liability, June 30, 2013	\$ 200,058
Claims and changes in estimates	-
Claims paid	(86,821)
Claims liability, June 30, 2014	\$ 113,237
Claims and changes in estimates	-
Claims paid	(28,988)
Claims liability, June 30, 2015	\$ 84,249
Claims and changes in estimates	-
Claims paid	(57,596)
Claims liability, June 30, 2016	\$ 26,653

9. Pension Plan Participation

The City of Altus participates in five pension or retirement plans:

- Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan.
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan.
- Oklahoma Municipal Retirement Fund – an agent multiple-employer defined benefit plan.
- Oklahoma Municipal Retirement Fund – a defined contribution plan.
- Oklahoma Municipal Retirement Fund – a defined contribution plan – CMO plan.

Oklahoma Firefighters Pension and Retirement System

Plan description - The City of Altus, as the employer, participates in the Firefighters Pension & retirement—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs.

Benefits provided - FPRS provides retirement, disability, and death benefits to members of the plan. Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have complete 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more of service

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have complete 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more of service

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$200,454. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$493,976 (modified-accrual); these on-behalf payments did not meet the criteria of a special funding situation. For full-accrual reporting the amount of on-behalf payments made were \$524,608.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a net pension liability of \$6,103,124 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the City's proportion was 0.5750021 percent.

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For the year ended June 30, 2016, the City recognized pension expense of \$498,503. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 120,579	\$ -
Net difference between projected and actual earnings on pension plan investments		454,945
Change in proportion	-	104,198
Difference in contributions during measurement period	-	1,573
City contributions subsequent to the measurement date	200,454	-
Total	\$ 321,033	\$ 560,716

The \$200,454 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (161,095)
2018	(161,095)
2019	(161,095)
2020	62,673
2021	(13,695)
Thereafter	(5,830)
Total	\$ (440,137)

Actuarial Assumptions- The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

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Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

Asset	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	5.13%
Domestic equity	42%	8.02%
International equity	15%	9.94%
Real estate	10%	7.47%
Other assets	13%	6.25%

Discount Rate- The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate-The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability	\$ 7,924,262	\$ 6,103,124	\$ 4,575,721

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS which can be located at www.ok.gov/FPRS.

Oklahoma Police Pension and Retirement System

Plan description - The City of Altus, as the employer, participates in the Oklahoma Police Pension and Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at www.ok.gov/OPPRS.

Benefits provided - OPPRS provides retirement, disability, and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

Contributions - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$231,383. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$206,390 during the fiscal year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$213,074. These on-behalf payments did not meet the criteria of a special funding situation.

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

- At June 30, 2016, the City reported a net pension liability of \$24,480 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the City's proportion was 0.60038 percent.

For the year ended June 30, 2016, the City recognized pension expense of \$84,728. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 135,365
Net difference between projected and actual earnings on pension plan investments	-	94,197
Change in proportion	-	30,441
Difference in contributions during measurement period	-	2,593
City contributions subsequent to the measurement date	231,383	-
Total	\$ 231,383	\$ 262,596

The \$231,383 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	\$	(106,965)
2017		(106,965)
2018		(106,965)
2019		73,854
2020		(15,555)
Total		(262,596)

Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

- Inflation: 3%
- Salary increases: 4.5% to 17% average, including inflation
- Investment rate of return: 7.5% net of pension plan investment expense

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Mortality rates: Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.

Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA.

Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

Asset	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	25%	2.24%
Domestic equity	40%	4.87%
International equity	10%	7.68%
Real estate	10%	5.47%
Private equity	10%	5.80%
Commodities	5%	2.96%

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

Discount Rate-The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate-The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the

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Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability (asset)	\$ 1,470,934	\$ 24,480	\$ (1,194,981)

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPPRS; which can be located at www.ok.gov/OPPRS.

Defined Contribution Plans - Oklahoma Municipal Retirement Fund

The City has also provided effective March 1, 1992, a defined contribution plan with the Oklahoma Municipal Retirement Fund. The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions rests with the city council. The defined contribution plan is available to all full-time employees not already participating in another plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account. Employees are eligible to participate after six months of employment and voluntarily select their before-tax percentage of contribution up to 15% of covered payroll. By City ordinance, the City is required to make variable contributions to the Plan based on availability of funds. As of July 2002, City contributions were 1.49% of covered payroll. Benefits vest after 10 years of service. City contributions for, and interest forfeited by, employees who leave employment prior to fully vesting are allocated back to remaining eligible participants. The authority to establish and amend the provisions of the Plan rests with the City Council.

For the year ended June 30, 2016, the following amounts related to the defined contribution plan:

Payroll for covered employees	\$5,091,153
Employer (City) contributions made	\$ 76,251

City Manager Plan (the CMO Plan)

Plan Description – Effective December 1, 2007, the City has also provided a defined contribution plan and trust known as the Oklahoma Municipal Retirement Fund Customized Manager Option Plan Retirement Plan and Trust (the CMO Plan) in the form of The Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OkMRF). The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. The defined contribution plan is available to any person who is in the position of City Manager. Separate audited GAAP – basis financial statements are not available.

Funding Policy – Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon employment, and voluntarily elect their percentage of contribution with a minimum contribution of 3% of compensation. The City makes contributions to the CMO Plan based on the employment agreement with the employee and employer contributions are immediately vested. The authority to establish and amend the provisions of the plan rests with the City Council. Contributions to the plan for the year ended June 30, 2016, for employees and employer were \$242 and \$727, respectively, on a covered payroll of \$6,056.

Defined Benefit Plan - Oklahoma Municipal Retirement Fund

A. Plan Description

The City contributes to the OkMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: www.okmrf.org/reports.html. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

B. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plans' fiduciary net position is available in the separately issued OkMRF financial report.

C. Eligibility Factors, Contribution Methods and Benefit Provisions

<u>Provision</u>	<u>As of 07/01/15 OkMRF Plan</u>
a. Eligible to participate	Full-time employees upon hire if less than age 60 and not participating in another retirement plan set up by state statutes.
b. Contribution Requirements:	
-Authorization	By City ordinance
-Actuarially Determined	Yes
-Employer Rate	13.01% of covered payroll, city contributed 13.93%
-Employee Rate	4.00% of covered payroll
c. Period Required to Vest	10 years of credited service
d. Eligibility for Distribution	-Normal retirement at the earlier of age 65 with 10 years of service or age 62 with 25 years of service -Early retirement at age 55 with 10 years of service -Disability retirement upon disability with 10 years of service -Death benefit with 10 years of service
e. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 years of service
f. Benefit Determination Methods:	
Normal Retirement	-2.625% of final average salary multiplied by credited years of service
Early Retirement	-Actuarially reduced benefit based upon age, final average salary, and years of service at termination
Disability Retirement	-Same as normal retirement

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Death Benefit	-50% of married employee's accrued benefit, but terminates upon spouse re-marriage or death; -50% of accrued benefit for all other vested employees for 5 years certain
Prior to 10 Years Service	-Return of employee contributions with interest
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, optional form based on actuarial equivalent

D. Employees Covered by Benefit Terms

Active Employees	114
Terminated Vested Employees	9
Retirees or Retiree Beneficiaries	<u>68</u>
Total	<u>191</u>

E. Contribution Requirements

The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in excess of an actuarially determined rate. The actuarially determined rate is 13.01% of covered payroll as of 7-1-15 but the city contributed 13.93% of covered payroll. For the year ended June 30, 2016 the City recognized \$721,073 of employer contributions to the plan which is the city contributed rate amount based on covered payroll of \$5,177,683. Employees' contribution is 4% of covered payroll as of 7-1-15.

F. Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2015
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.75%
c. Projected Salary Increase	Varies between 7.42% and 4% based on age
d. Inflation Rate	3%
e. Mortality Table	UP 1994, with projected mortality improvement
f. Percent of married employees	100%
g. Spouse age difference	3 years (female spouses younger)
h. Turnover	Select and ultimate rates Ultimate rates are age-related as shown Additional rates per thousand are Added during the first 5 years: Year 1: 215 Year 2: 140 Year 3: 95 Year 4: 65 Year 5: 40

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i. Date of last experience study

September 2012 for fiscal years 2007 thru 2011

G. Discount Rate

The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.75% since the plan's net fiduciary position is projected to be sufficient to make projected benefit payments.

The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2015 are summarized in the following table:

	Target Allocation	Real Return	Weighted Return
Large cap stocks S&P 500	25%	5.40%	1.35%
Small/mid cap stocks Russell 2500	10%	7.50%	0.75%
Long/short equity MSCI ACWI	10%	6.10%	0.61%
International stocks MSCI EAFE	20%	5.10%	1.02%
Fixed income bonds Barclay's Capital Aggregate	30%	2.60%	0.78%
Real estate NCREIF	5%	4.80%	0.24%
Cash equivalents 3 month Treasury	0%	0.00%	0.00%
TOTAL	100%		
Average Real Return			4.75%
Inflation			3.00%
Long-term expected return			7.75%

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H. Changes in Net Pension Liability

The total pension liability was determined based on an actuarial valuation performed as of July 1, 2015 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2015 and the City's report ending date of June 30, 2016, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

Schedule of Changes in Net Pension Liability			
Increase (Decrease)			
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a)-(b)
Beginning Balance	\$ 21,412,692	\$ 19,146,586	\$ 2,266,106
Changes for the Year:			
Service Cost	483,967	-	483,967
Interest	1,609,715	-	1,609,715
Difference between expected and actual experience	(663,485)	-	(663,485)
Contributions - Employer	-	628,869	(628,869)
Contributions - Employee	-	181,678	(181,678)
Net investment income	-	530,947	(530,947)
Benefit payments	(1,308,780)	(1,308,780)	-
Plan administrative expenses	-	(39,416)	39,416
Net Changes	121,417	(6,702)	128,119
Ending Balance	\$ 21,534,109	\$ 19,139,884	\$ 2,394,225

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's Net Pension Liability	\$ 4,835,171	\$ 2,394,225	\$ 327,501

The City reported \$358,375 in pension expense for the year ended June 30, 2016. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 325,770
Difference between expected and actual experience	-	518,302
Difference in contributions during measurement period	-	2,170
Change in proportion	14,027	14,027
City contributions subsequent to the measurement date	721,073	-
Total	\$ 735,100	\$ 860,269

The \$721,073 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:			
2017	\$	(304,901)	
2018		(304,901)	
2019		(304,901)	
2020		68,460	
2021		1	
	\$	(846,242)	

10. Commitments and Contingencies

Litigation:

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

Federal and State Award Programs:

The City of Altus participates in various federal or state grant/loan programs from year to year. In 2015, the City's involvement in federal and state award programs was material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

11. New Accounting Pronouncements

The GASB has issued several new accounting pronouncements, which will be effective in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the City's consideration of the impact of these pronouncements are described below:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* was issued in June 2015, and replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for the City beginning with its fiscal year ending June 30, 2017.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was issued in June 2015, and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For a defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for the City beginning with its fiscal year ending June 30, 2018. The City has not yet determined the impact that implementation of GASB 75 will have on its net position.

GASB Statement No. 77, *Tax Abatement Disclosures* was issued in August 2015, and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the City beginning with its fiscal year ending June 30, 2017.

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GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans* – GASB 78 was issued in December 2015, and amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers, and (3) has no predominant state or local governmental employer. The requirements of this Statement are effective for the City beginning with its fiscal year ending June 30, 2017. The City has not yet determined the impact that implementation of GASB 78 will have on its net position.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* – GASB 79 was issued in December 2015, and establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the criteria. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. The City has not yet determined the impact that implementation of GASB 79 will have on its net position.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* – GASB 80 was issued January 2016, and amends the blending requirements for the financial statement presentation of component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for the City beginning with its fiscal year ending June 30, 2017. The City has not yet determined the impact that implementation of GASB 80 will have on its net position.

GASB Statement No. 81, *Irrevocable Split Interest Agreements* – GASB 81 was issued March 2016, and provides accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. The requirements of this Statement are effective for the City beginning with its fiscal year ending June 30, 2018. The City has not yet determined the impact that implementation of GASB 81 will have on its net position.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued December 2016, will be effective for the City beginning with its fiscal year ending June 30, 2019. Under Statement No. 83, a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. The Statement identifies the circumstances that trigger the recognition of these transactions. The Statement also requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred while the deferred outflow of resources associated with the asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. The Statement requires disclosures including a general description of the asset retirement obligation and associated tangible capital assets; the source of the obligation to retire the assets; the methods and assumptions used to measure the liability; and other relevant information. The City has not yet determined the impact implementation will have on its net position.

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GASB Statement 84, *Fiduciary Activities*, issued January 2017, will be effective for the City beginning with its fiscal year ending June 30, 2020. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The City has not yet determined the impact that implementation of GASB 80 will have on its net position.

GASB Statement 85, *Omnibus 2017*, issued March 2017, will be effective for the City beginning with its fiscal year ending June 30, 2018. This Statement address a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The City has not yet determined the impact that implementation of GASB 85 will have on its net position.

GASB Statement 86, *Certain Debt Extinguishment Issues*, issued May 2017, will be effective for the City beginning with its fiscal year ending June 30, 2018. The primary objective of this Statement is to improve the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The City has not yet determined the impact that implementation of GASB 86 will have on its net position.

GASB Statement 87, *Leases*, issued June 2017, will be effective for the City beginning with its fiscal year ending June 30, 2021. The primary objective of this Statement is to increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City has not yet determined the impact that implementation of GASB 87 will have on its net position.

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Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2016

City of Altus Budget and Actual (with Variances) - Budgetary Basis General Fund				
	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget -</u> <u>Positive (Negative)</u>
Beginning Budgetary Fund Balance:	\$ 1,500,000	\$ 1,500,000	\$ 5,517,114	\$ 4,017,114
Resources (Inflows):				
Taxes	5,425,500	5,425,500	6,162,242	736,742
Intergovernmental	191,500	191,500	285,125	93,625
Charges for services	600,400	351,400	362,857	11,457
Fines and forfeitures	285,200	307,650	251,361	(56,289)
Licenses and permits	71,800	81,800	115,515	33,715
Investment income	1,000	1,000	20,830	19,830
Miscellaneous	24,600	32,931	102,490	69,559
Total resources (inflows)	<u>6,600,000</u>	<u>6,391,781</u>	<u>7,300,420</u>	<u>908,639</u>
Amounts available for appropriation	<u>8,100,000</u>	<u>7,891,781</u>	<u>12,817,534</u>	<u>4,925,753</u>
Charges to Appropriations (Outflows):				
Departmental:				
General government:				
City Council	65,513	55,288	49,823	5,465
Administrative services	801,200	810,482	712,732	97,750
Administration	432,656	422,956	412,635	10,321
Law	152,412	158,112	146,993	11,119
Municipal court	172,022	164,122	150,908	13,214
Cemetery	155,891	181,101	151,605	29,496
Planning	369,728	453,078	419,723	33,355
Information Services	351,522	376,922	354,803	22,119
Finance	393,305	395,305	322,374	72,931
Human Resources	194,201	183,201	169,872	13,329
City Clerk-Treasurer	223,515	221,214	213,293	7,921
Capital contingency	350,000	350,000	-	350,000
Public safety:				
Police-Traffic Division	2,351,700	2,554,560	2,447,277	107,283
Police-Detective Division	577,151	635,351	619,184	16,167
Police-Administration	320,024	401,624	395,929	5,695
Police-Animal Control	254,944	320,894	242,590	78,304
Fire	2,556,024	2,479,116	2,364,356	114,760
Emergency Services	117,931	120,631	108,840	11,791
Public works:				
Street	694,742	869,942	834,647	35,295
Building Maintenance	322,332	354,412	336,937	17,475
Fleet Maintenance	302,252	306,202	286,385	19,817
Culture and recreation:				
Parks	423,944	543,844	530,539	13,305
Parks/Recreation Administration	48,149	41,399	36,340	5,059
Recreation	398,503	319,330	319,397	(67)
Pool	313,860	271,385	254,907	16,478
Public Golf Course	269,687	374,851	359,095	15,756
Total Charges to Appropriations	<u>12,613,208</u>	<u>13,365,322</u>	<u>12,241,184</u>	<u>1,124,138</u>
Other Financing Sources (Uses):				
Transfers in	6,400,000	6,400,000	6,261,777	(138,223)
Transfers out	(577,343)	(631,493)	(304,150)	327,343
Total other financing sources (uses)	<u>5,822,657</u>	<u>5,768,507</u>	<u>5,957,627</u>	<u>189,120</u>
Ending Budgetary Fund Balance	<u>\$ 1,309,449</u>	<u>\$ 294,966</u>	<u>\$ 6,533,977</u>	<u>\$ 6,239,011</u>

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Footnotes to Budgetary Comparison Schedules:

1. The City prepares its budgets for all funds on the modified accrual basis of accounting for all revenues and expenditures except for on-behalf payments made and certain debt related transactions. The City utilizes encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. Encumbrances outstanding and their related appropriations are lapsed at year end and are re-appropriated and re-encumbered in the subsequent fiscal year.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the approval of the City Manager. All supplemental appropriations require the approval of the City Council. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.
3. The budgetary basis differs from the modified accrual basis as shown in the schedule below:

	General Fund
Sources/Inflows of resources	
Actual amounts (budgetary basis) "available appropriation" from the budgetary comparison schedule	\$ 12,817,534
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(5,517,114)
The City reports on-behalf payments made by state in the General Fund in the fund financial statements, but are not budgeted	700,366
The City reports sales and use tax revenue related to MAPS in the General Fund in the fund financial statements, but are budgeted in a separate MAPS sales tax account of the Altus Municipal Authority.	4,439,190
The City reports the Park Development Account, Emergency 911, Flex Spending, and ARAC accounts as part of the General Fund in the fund financials statements, but are not included in the budget to actual.	392,503
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds	\$ 12,832,479
Uses/Outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 12,241,184
Differences - budget to GAAP:	
The City reports debt-related activity in the fund financial statements, but are not budgeted.	1,418,999
The City reports on-behalf payments made by state in the General Fund in the fund financial statements, but are not budgeted	700,366
The City reports the Park Development Account, Emergency 911, Flex Spending, and ARAC accounts as part of the General Fund in the fund financials statements, but are not included in the budget to actual.	672,945
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds	\$ 15,033,494

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4. For the year ended June 30, 2016, the City complied, in all material respects, with the applicable budget laws, except as noted below:

Expenditures exceeded appropriations in the following departments:

Recreation	\$ 67
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Schedules of Required Supplementary Information

**SCHEDULE OF THE CITY OF ALTUS'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM**

Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.575002%	0.585682%
City's proportionate share of the net pension liability	\$ 6,103,124	\$ 6,022,844
City's covered-employee payroll	\$ 1,547,037	\$ 1,466,136
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	395%	411%
Plan fiduciary net position as a percentage of the total pension liability	68.27%	68.12%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only the two fiscal years are presented because 10-year data is not yet available.

**SCHEDULE OF CITY CONTRIBUTIONS
OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years**

	<u>2016</u>	<u>2015</u>
Statutorially required contribution	\$ 200,454	\$ 221,668
Contributions in relation to the statutorially required contribution	<u>200,454</u>	<u>221,668</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,431,814	\$ 1,547,037
Contributions as a percentage of covered-employee payroll	14.00%	14.33%

Notes to Schedule:

Only two fiscal years are presented because 10-year data is not yet available.

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Schedules of Required Supplementary Information
**SCHEDULE OF THE CITY OF ALTUS'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
 OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM
 Last 10 Fiscal Years***

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.6004%	0.6373%
City's proportionate share of the net pension liability (asset)	\$ 24,480	\$ (214,564)
City's covered-employee payroll	\$ 1,681,039	\$ 1,702,136
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	1.46%	12.61%
Plan fiduciary net position as a percentage of the total pension liability	99.82%	101.53%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only two fiscal years are presented because 10-year data is not yet available.

**SCHEDULE OF CITY CONTRIBUTIONS
 OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM
 Last 10 Fiscal Years**

	<u>2016</u>	<u>2015</u>
Statutorially required contribution	\$ 231,383	\$ 220,570
Contributions in relation to the statutorially required contribution	<u>231,383</u>	<u>220,570</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,783,982	\$ 1,681,039
Contributions as a percentage of covered-employee payroll	12.97%	13.12%

Notes to Schedule:

Only two fiscal years are presented because 10-year data is not yet available.

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Required Supplementary Information
Oklahoma Municipal Retirement Fund

Schedule of Changes in Net Pension Liability and Related Ratios

Last Fiscal Year

	2016	2015
Total pension liability		
Service cost	\$ 483,967	\$ 440,674
Interest	1,609,715	1,578,994
Difference between expected and actual experience	(663,485)	-
Benefit payments, including refunds of member contributions	(1,308,780)	(1,061,024)
Net change in total pension liability	<u>121,417</u>	<u>958,644</u>
Total pension liability - beginning	<u>21,412,692</u>	<u>20,454,048</u>
Total pension liability - ending (a)	<u>\$ 21,534,109</u>	<u>\$ 21,412,692</u>
Plan fiduciary net position		
Contributions - employer	\$ 628,869	\$ 627,063
Contributions - member	181,678	192,278
Net investment income	530,947	2,728,622
Benefit payments, including refunds of member contributions	(1,308,780)	(1,061,024)
Administrative expense	(39,417)	(40,333)
Net change in plan fiduciary net position	<u>(6,703)</u>	<u>2,446,606</u>
Plan fiduciary net position - beginning	<u>19,146,587</u>	<u>16,699,980</u>
Plan fiduciary net position - ending (b)	<u>\$ 19,139,884</u>	<u>\$ 19,146,586</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ 2,394,225</u>	<u>\$ 2,266,106</u>
Plan fiduciary net position as a percentage of the total pension liability	88.88%	89.42%
Covered employee payroll	\$ 4,523,779	\$ 4,713,305
Net pension liability as a percentage of covered-employee payroll	52.93%	48.08%

Notes to Schedule:

Only two fiscal years are presented because 10-year data is not yet available.

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**Required Supplementary Information
Oklahoma Municipal Retirement Fund**

Schedule of Employer Contributions	Last Fiscal Year	
	2016	2015
Actuarially determined contribution	\$ 673,617	\$ 626,091
Contributions in relation to the actuarially determined contribution	721,073	626,091
Contribution deficiency (excess)	<u>\$ (47,456)</u>	<u>\$ -</u>
Covered employee payroll	\$ 5,177,683	\$ 4,523,779
Contributions as a percentage of covered-employee payroll	13.93%	13.84%

Notes to Schedule:

1. Only two fiscal years are presented because 10-year data is not yet available.
2. Latest Valuation Date: July 1, 2016
3. Actuarially determined contribution rate is calculated as of July 1, 2015
Fiscal year 2015-2016 contributions are set at a rate of 13.01%.
4. Methods and assumptions used to determine contribution rates:
 - Actuarial cost method - Entry age normal
 - Amortization method - Level percent of payroll, closed
 - Remaining amortization period - 28 years
 - Asset valuation method - Actuarial:
 - Smoothing period - 4 years
 - Recognition method - Non-asymptotic
 - Corridor - 70% - 130%
 - Salary increases - 4.00% to 7.42% (varies by attained age)
 - Investment rate of return - 7.50%

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OTHER SUPPLEMENTARY INFORMATION

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Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2016

	Special Revenue Funds				
	<u>ODOC Grant</u>	<u>Altus Donation</u>	<u>Airport Fund</u>	<u>Hotel/Motel Tax</u>	<u>Street and Alley</u>
	<u>Fund</u>	<u>Fund</u>		<u>Fund</u>	<u>Fund</u>
ASSETS					
Cash and cash equivalents	\$ 77	\$ 118,208	\$ 10,964	\$ 53,140	\$ 626,302
Interest receivable	-	-	-	-	110
Receivable from other governments	36,900	4,462	-	-	43,103
Due from other funds	-	-	-	-	-
Utilities receivable, net	-	-	-	-	-
Other receivables	-	-	22,079	31,699	-
Inventories	-	-	43,156	-	-
Total assets	<u>\$ 36,977</u>	<u>\$ 122,670</u>	<u>\$ 76,199</u>	<u>\$ 84,839</u>	<u>\$ 669,515</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 2,929	\$ -	\$ 6,715
Accrued payroll payable	-	-	4,315	-	-
Due to other funds	64,058	-	-	-	-
Total liabilities	<u>64,058</u>	<u>-</u>	<u>7,244</u>	<u>-</u>	<u>6,715</u>
Fund balances:					
Nonspendable	-	-	43,156	-	-
Restricted	-	122,670	-	84,839	501,731
Assigned	-	-	25,799	-	161,069
Unassigned (deficit)	(27,081)	-	-	-	-
Total fund balances	<u>(27,081)</u>	<u>122,670</u>	<u>68,955</u>	<u>84,839</u>	<u>662,800</u>
Total liabilities and fund balances	<u>\$ 36,977</u>	<u>\$ 122,670</u>	<u>\$ 76,199</u>	<u>\$ 84,839</u>	<u>\$ 669,515</u>

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Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2016, (Continued)

	<u>Capital Project Funds</u>							<u>Total Governmental Funds</u>
	<u>Capital Improvement Fund</u>	<u>Economic Development Constuction Fund</u>	<u>ODOT Grant Fund</u>	<u>Landfill Improvement Fund</u>	<u>Cemetery Perpetual Fund</u>	<u>Drainage Improvement Fund</u>	<u>Debt Service</u>	
ASSETS								
Cash and cash equivalents	\$ 1,865,640	\$ 534,619	\$ -	\$ 751,665	\$ 40,006	\$ 108,863	\$ 5	\$ 4,109,489
Interest receivable	-	-	-	-	-	-	-	110
Receivable from other governments	-	-	-	-	-	-	-	84,465
Due from other funds	-	390,099	-	-	-	-	-	390,099
Utilities receivable, net	-	-	-	17,350	-	-	-	17,350
Other receivables	-	-	-	-	-	-	-	53,778
Inventories	-	-	-	-	-	-	-	43,156
Total assets	<u>\$ 1,865,640</u>	<u>\$ 924,718</u>	<u>\$ -</u>	<u>\$ 769,015</u>	<u>\$ 40,006</u>	<u>\$ 108,863</u>	<u>\$ 5</u>	<u>\$ 4,698,447</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ 51,333	\$ -	\$ -	\$ -	\$ 60,977
Accrued payroll payable	-	-	-	-	-	-	-	4,315
Due to other funds	115,440	-	-	-	-	-	-	179,498
Total liabilities	<u>115,440</u>	<u>-</u>	<u>-</u>	<u>51,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>244,790</u>
Fund balances:								
Nonspendable	-	-	-	-	-	-	-	43,156
Restricted	-	924,718	-	156,441	40,006	-	5	1,830,410
Assigned	1,750,200	-	-	561,241	-	108,863	-	2,607,172
Unassigned (deficit)	-	-	-	-	-	-	-	(27,081)
Total fund balances	<u>1,750,200</u>	<u>924,718</u>	<u>-</u>	<u>717,682</u>	<u>40,006</u>	<u>108,863</u>	<u>5</u>	<u>4,453,657</u>
Total liabilities and fund balances	<u>\$ 1,865,640</u>	<u>\$ 924,718</u>	<u>\$ -</u>	<u>\$ 769,015</u>	<u>\$ 40,006</u>	<u>\$ 108,863</u>	<u>\$ 5</u>	<u>\$ 4,698,447</u>

CITY OF ALTUS, OKLAHOMA
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Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended June 30, 2016

	<u>Special Revenue Funds</u>				
	<u>ODOC Grant</u> <u>Fund</u>	<u>Altus Donation</u> <u>Fund</u>	<u>Airport Fund</u>	<u>Hotel/Motel Tax</u> <u>Fund</u>	<u>Street and Alley</u> <u>Fund</u>
REVENUES					
Taxes	\$ -	\$ -	\$ 198	\$ 285,085	\$ -
Intergovernmental	36,900	8,102	252,110	-	178,034
Charges for services	-	-	249,357	-	-
Investment earnings	-	-	-	-	-
Miscellaneous	-	22,201	33,435	-	-
Total revenues	<u>36,900</u>	<u>30,303</u>	<u>535,100</u>	<u>285,085</u>	<u>178,034</u>
EXPENDITURES					
Current:					
General government	-	-	-	307,755	-
Public Safety	-	6,997	-	-	-
Public Works	-	-	-	-	12,001
Airport	-	-	447,676	-	-
Capital Outlay	75,800	-	337,593	-	300,109
Total Expenditures	<u>75,800</u>	<u>6,997</u>	<u>785,269</u>	<u>307,755</u>	<u>312,110</u>
Excess (deficiency) of revenues over expenditures	<u>(38,900)</u>	<u>23,306</u>	<u>(250,169)</u>	<u>(22,670)</u>	<u>(134,076)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	250,000	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(38,900)	23,306	(169)	(22,670)	(134,076)
Fund balances - beginning	11,819	99,364	69,124	107,509	796,876
Fund balances - ending	<u>\$ (27,081)</u>	<u>\$ 122,670</u>	<u>\$ 68,955</u>	<u>\$ 84,839</u>	<u>\$ 662,800</u>

CITY OF ALTUS, OKLAHOMA
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Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended June 30, 2016, (Continued)

	Capital Project Funds							Total-Other Governmental Funds
	Capital Improvement Fund	Economic Development Constuction Fund	ODOT Grant Fund	Landfill Improvement Fund	Cemetery Perpetual Fund	Drainage Improvement Fund	Debt Service	
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 285,283
Intergovernmental	-	-	-	-	-	-	-	475,146
Charges for services	-	-	-	156,441	1,830	-	-	407,628
Investment earnings	2,327	1,602	-	-	-	-	-	3,929
Miscellaneous	-	-	-	-	555	-	-	56,191
Total revenues	<u>2,327</u>	<u>1,602</u>	<u>-</u>	<u>156,441</u>	<u>2,385</u>	<u>-</u>	<u>-</u>	<u>1,228,177</u>
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	-	307,755
Public Safety	-	-	-	-	-	-	-	6,997
Public Works	-	-	-	-	-	-	-	12,001
Airport	-	-	-	-	-	-	-	447,676
Capital Outlay	-	-	-	549,951	-	-	-	1,263,453
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>549,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,037,882</u>
Excess (deficiency) of revenues over expenditures	<u>2,327</u>	<u>1,602</u>	<u>-</u>	<u>(393,510)</u>	<u>2,385</u>	<u>-</u>	<u>-</u>	<u>(809,705)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	250,000
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
Net change in fund balances	2,327	1,602	-	(393,510)	2,385	-	-	(559,705)
Fund balances - beginning	1,747,873	923,116	-	1,111,192	37,621	108,863	5	5,013,362
Fund balances - ending	<u>\$ 1,750,200</u>	<u>\$ 924,718</u>	<u>\$ -</u>	<u>\$ 717,682</u>	<u>\$ 40,006</u>	<u>\$ 108,863</u>	<u>\$ 5</u>	<u>\$ 4,453,657</u>

**CITY OF ALTUS, OKLAHOMA
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Combining Balance Sheet – General Fund Accounts – June 30, 2016

	<u>General Fund</u>	<u>Park Development Account</u>	<u>Emergency 911 Fund</u>	<u>ARAC</u>	<u>Flex Spending Account</u>	<u>Total General Fund Accounts</u>
ASSETS						
Cash and cash equivalents	\$ 4,255,136	\$ 11,156	\$ 93,705	\$ 80,348	\$ 48,910	\$ 4,489,255
Receivable from other governments	1,305,668	-	-	-	-	1,305,668
Due from other funds	1,223,198	-	-	-	-	1,223,198
Due from other accounts	-	3,215	-	-	-	3,215
Taxes receivable, net	6,579	-	35,593	-	-	42,172
Court fines receivable, net	109,456	-	-	-	-	109,456
Other receivables	19,168	-	-	-	52	19,220
Inventories	26,298	-	-	-	-	26,298
Total assets	<u>\$ 6,945,503</u>	<u>\$ 14,371</u>	<u>\$ 129,298</u>	<u>\$ 80,348</u>	<u>\$ 48,962</u>	<u>\$ 7,218,482</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 86,885	\$ -	\$ -	\$ 13,572	\$ -	\$ 100,457
Accrued payroll payable	233,495	-	11,355	-	-	244,850
Due to other funds	711,404	-	-	-	-	711,404
Due to other accounts	3,215	-	-	-	-	3,215
Due to bondholders	350	-	-	-	-	350
Payable to other governments	-	-	-	-	-	-
Accrued interest payable	13,266	-	-	-	-	13,266
Other payables	10,602	-	-	-	48,962	59,564
Total liabilities	<u>1,059,217</u>	<u>-</u>	<u>11,355</u>	<u>13,572</u>	<u>48,962</u>	<u>1,133,106</u>
Deferred inflows of resources:						
Deferred revenue	<u>87,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,649</u>
Fund balances:						
Nonspendable	26,298	-	-	-	-	26,298
Restricted	-	-	-	-	-	-
Assigned	1,500,000	14,371	117,943	66,776	-	1,699,090
Unassigned	4,272,339	-	-	-	-	4,272,339
Total fund balances	<u>5,798,637</u>	<u>14,371</u>	<u>117,943</u>	<u>66,776</u>	<u>-</u>	<u>5,997,727</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,945,503</u>	<u>\$ 14,371</u>	<u>\$ 129,298</u>	<u>\$ 80,348</u>	<u>\$ 48,962</u>	<u>\$ 7,218,482</u>

CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund
Accounts – For the Year Ended June 30, 2016

	<u>General Fund</u>	<u>Park Development Account</u>	<u>Emergency 911 Fund</u>	<u>ARAC</u>	<u>Flex Spending Account</u>	<u>Total General Fund Accounts</u>
REVENUES						
Taxes	\$ 10,601,432	\$ -	\$ 144,895	\$ -	\$ -	\$ 10,746,327
Intergovernmental	972,061	-	-	-	-	972,061
Charges for services	366,352	-	-	246,978	-	613,330
Fines and forfeitures	236,385	-	-	-	-	236,385
Licenses and permits	115,515	-	-	-	-	115,515
Investment income	20,830	11	-	469	-	21,310
Miscellaneous	127,401	-	-	150	-	127,551
Total revenues	<u>12,439,976</u>	<u>11</u>	<u>144,895</u>	<u>247,597</u>	<u>-</u>	<u>12,832,479</u>
EXPENDITURES						
Current:						
General government	2,950,869	-	-	-	-	2,950,869
Public safety	6,640,329	-	437,974	-	-	7,078,303
Public works	1,229,374	-	-	-	-	1,229,374
Culture and recreation	1,259,787	-	-	234,971	-	1,494,758
Capital outlay	861,191	-	-	-	-	861,191
Debt service:						
Principal retirement	1,391,459	-	-	-	-	1,391,459
Interest and fiscal charges	27,540	-	-	-	-	27,540
Total expenditures	<u>14,360,549</u>	<u>-</u>	<u>437,974</u>	<u>234,971</u>	<u>-</u>	<u>15,033,494</u>
Excess (deficiency) of revenues over expenditures	<u>(1,920,573)</u>	<u>11</u>	<u>(293,079)</u>	<u>12,626</u>	<u>-</u>	<u>(2,201,015)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt	1,336,908	-	-	-	-	1,336,908
Intraaccount transfers	(54,150)	-	-	54,150	-	-
Transfers in	6,261,777	-	311,000	-	-	6,572,777
Transfers out	(5,342,439)	-	-	-	-	(5,342,439)
Total other financing sources and uses	<u>2,202,096</u>	<u>-</u>	<u>311,000</u>	<u>54,150</u>	<u>-</u>	<u>2,567,246</u>
Net change in fund balances	281,523	11	17,921	66,776	-	366,231
Fund balances - beginning	5,517,114	14,360	100,022	-	-	5,631,496
Fund balances - ending	<u>\$ 5,798,637</u>	<u>\$ 14,371</u>	<u>\$ 117,943</u>	<u>\$ 66,776</u>	<u>\$ -</u>	<u>\$ 5,997,727</u>

CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Combining Schedule of Net Position – Enterprise Fund Accounts – June 30, 2016

	<u>AMA</u>	<u>Water Treatment Plant Account</u>	<u>Maps Sales Tax Account</u>	<u>Meter Deposit Account</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 3,142,067	\$ -	\$ -	\$ -	\$ 3,142,067
Restricted:					
Cash and cash equivalents	2,086,423	-	6,770,010	849,178	9,705,611
Investments	-	2,975,869	3,478,622	-	6,454,491
Deposit with third party	791,243	-	-	-	791,243
Due from other funds	-	-	711,404	-	711,404
Due from other accounts	441,413	-	-	-	441,413
Accounts receivable, net	5,032,136	-	-	-	5,032,136
Receivables from other governments	1,721,997	-	-	-	1,721,997
Inventories	1,662,412	-	-	-	1,662,412
Total current assets	<u>14,877,691</u>	<u>2,975,869</u>	<u>10,960,036</u>	<u>849,178</u>	<u>29,662,774</u>
Non-current assets:					
Capital assets:					
Land and construction in progress	4,263,641	1,380,542	-	-	5,644,183
Other capital assets, net of accumulated depreciation	43,613,663	-	-	-	43,613,663
Total non-current assets	<u>47,877,304</u>	<u>1,380,542</u>	<u>-</u>	<u>-</u>	<u>49,257,846</u>
Total assets	<u>62,754,995</u>	<u>4,356,411</u>	<u>10,960,036</u>	<u>849,178</u>	<u>78,920,620</u>
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred amount related to pension	380,289	-	-	-	380,289
LIABILITIES					
Current liabilities:					
Accounts payable	1,763,704	151,082	1,689	-	1,916,475
Accrued payroll payable	96,478	-	-	-	96,478
Accrued interest payable	243,281	-	-	-	243,281
Due to other funds	1,433,799	-	-	-	1,433,799
Due to other accounts	-	441,413	-	-	441,413
Payable to other governments	75,282	-	-	-	75,282
Deposits subject to refund	-	-	-	168,331	168,331
Compensated absences	57,981	-	-	-	57,981
Contract obligation payable	685,125	-	-	-	685,125
Notes payable	3,270,020	-	-	-	3,270,020
Total current liabilities	<u>7,625,670</u>	<u>592,495</u>	<u>1,689</u>	<u>168,331</u>	<u>8,388,185</u>
Non-current liabilities:					
Deposits subject to refund	-	-	-	680,847	680,847
Compensated absences	521,829	-	-	-	521,829
Contract obligation payable	6,373,620	-	-	-	6,373,620
Landfill closure liability	3,268,112	-	-	-	3,268,112
Notes payable	14,783,485	-	-	-	14,783,485
Net pension liability	1,216,122	-	-	-	1,216,122
Total non-current liabilities	<u>26,163,168</u>	<u>-</u>	<u>-</u>	<u>680,847</u>	<u>26,844,015</u>
Total liabilities	<u>33,788,838</u>	<u>592,495</u>	<u>1,689</u>	<u>849,178</u>	<u>35,232,200</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred amount related to pension	428,738	-	-	-	428,738
Deferred amount on long-term debt refunding	3,698,771	-	-	-	3,698,771
Total deferred inflows of resources	<u>4,127,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,127,509</u>
NET POSITION					
Invested in capital assets, net of related debt	31,652,733	1,380,542	-	-	33,033,275
Restricted for debt service	1,305,194	-	-	-	1,305,194
Restricted for capital projects	-	2,383,374	-	-	2,383,374
Restricted for MAPS projects	-	-	10,958,347	-	10,958,347
Restricted for other purposes	10,480	-	-	-	10,480
Unrestricted (deficit)	(7,749,470)	-	-	-	(7,749,470)
Total net position	<u>\$ 25,218,937</u>	<u>\$ 3,763,916</u>	<u>\$ 10,958,347</u>	<u>\$ -</u>	<u>\$ 39,941,200</u>

CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Combining Schedule of Revenues, Expenses, and Changes in Net Position – Enterprise Fund
Accounts – Year Ended June 30, 2016

	<u>AMA</u>	<u>Water Treatment Plant Account</u>	<u>Maps Sales Tax Account</u>	<u>Meter Deposit Account</u>	<u>Total</u>
REVENUES					
Charges for services:					
Water	\$ 4,811,633	\$ -	\$ -	\$ -	\$ 4,811,633
Sewer	1,581,976	-	-	-	1,581,976
Sanitation	3,040,199	-	-	-	3,040,199
Electric	22,280,261	-	-	-	22,280,261
Miscellaneous	883,267	-	-	-	883,267
Total operating revenues	<u>32,597,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,597,336</u>
OPERATING EXPENSES					
Administration	1,337,364	-	158,980	-	1,496,344
Water	2,196,286	-	-	-	2,196,286
Sewer	636,599	-	-	-	636,599
Sanitation	1,343,894	-	-	-	1,343,894
Landfill operations	2,172,844	-	-	-	2,172,844
Electric services	16,007,834	-	-	-	16,007,834
Depreciation	2,333,726	-	-	-	2,333,726
Total operating expenses	<u>26,028,547</u>	<u>-</u>	<u>158,980</u>	<u>-</u>	<u>26,187,527</u>
Operating income	<u>6,568,789</u>	<u>-</u>	<u>(158,980)</u>	<u>-</u>	<u>6,409,809</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue	435	11,883	12,532	-	24,850
Miscellaneous revenue	78,970	-	-	-	78,970
Noncapital grants	107,113	-	-	-	107,113
Payments to school - MAPS	-	-	(66,551)	-	(66,551)
Capital assets transferred out	(304,575)	-	(350,169)	-	(654,744)
Interest expense	(538,209)	-	-	-	(538,209)
Total non-operating revenue (expenses)	<u>(656,266)</u>	<u>11,883</u>	<u>(404,188)</u>	<u>-</u>	<u>(1,048,571)</u>
Income before transfers	<u>5,912,523</u>	<u>11,883</u>	<u>(563,168)</u>	<u>-</u>	<u>5,361,238</u>
Capital contributions	1,589,624	-	-	-	1,589,624
Interaccount transfers In (out)	2,527,114	-	(2,527,114)	-	-
Transfers in	450,000	-	4,642,439	-	5,092,439
Transfers out	(6,572,777)	-	-	-	(6,572,777)
Change in net position	<u>3,906,484</u>	<u>11,883</u>	<u>1,552,157</u>	<u>-</u>	<u>5,470,524</u>
Total net position - beginning, restated	21,312,453	3,752,033	9,406,190	-	34,470,676
Total net position - ending	<u>\$ 25,218,937</u>	<u>\$ 3,763,916</u>	<u>\$ 10,958,347</u>	<u>\$ -</u>	<u>\$ 39,941,200</u>

CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Combining Statement of Net Position – Internal Service Funds – June 30, 2016

	<u>Workers Comp Fund</u>	<u>Assurance Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 231,192	\$ 484,738	\$ 715,930
Other receivables	-	47,143	47,143
Total assets	<u>231,192</u>	<u>531,881</u>	<u>763,073</u>
LIABILITIES			
Current liabilities:			
Accounts payable	4,726	689	5,415
Other accrued expenses	-	35,368	35,368
Claims liability	2,808	-	2,808
Total current liabilities	<u>7,534</u>	<u>36,057</u>	<u>43,591</u>
Non-current liabilities:			
Claims liability	23,845	-	23,845
Total non-current liabilities	<u>23,845</u>	<u>-</u>	<u>23,845</u>
Total liabilities	<u>31,379</u>	<u>36,057</u>	<u>67,436</u>
NET POSITION			
Unrestricted	199,813	495,824	695,637
Total net position	<u>\$ 199,813</u>	<u>\$ 495,824</u>	<u>\$ 695,637</u>

Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds – June 30, 2016

	<u>Workers Comp Fund</u>	<u>Assurance Fund</u>	<u>Total</u>
REVENUES			
Charges for services:			
Miscellaneous	\$ -	\$ 4,699	\$ 4,699
Total operating revenues	<u>-</u>	<u>4,699</u>	<u>4,699</u>
OPERATING EXPENSES			
General government	652	132,310	132,962
Total operating expenses	<u>652</u>	<u>132,310</u>	<u>132,962</u>
Operating income	<u>(652)</u>	<u>(127,611)</u>	<u>(128,263)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	246	603	849
Miscellaneous revenue	1,419	-	1,419
Total non-operating revenue (expenses)	<u>1,665</u>	<u>603</u>	<u>2,268</u>
Change in net position	1,013	(127,008)	(125,995)
Total net position - beginning	198,800	622,832	821,632
Total net position - ending	<u>\$ 199,813</u>	<u>\$ 495,824</u>	<u>\$ 695,637</u>

**CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

State Grantor/Pass Through Agency Grantor/Program Title	Grant #	Award Amount	Awards Expended
STATE AWARDS:			
Oklahoma Department of Commerce:			
Oklahoma Strategic Military Planning Commission Grant	N/A	\$216,000	\$206,550
Oklahoma Strategic Military Planning Commission Grant	N/A	133,000	17,570
Oklahoma Strategic Military Planning Commission Grant	N/A	100,000	324
Oklahoma Strategic Military Planning Commission Grant	N/A	100,000	-
Oklahoma Strategic Military Planning Commission Grant	N/A	193,000	-
Oklahoma Water Resources Board:			
Emergency Drought Relief Fund	N/A	575,000	347,566
Southwestern Oklahoma Development Authority:			
Community Expansion of Nutrition Assistance	260 CENA 16	1,700	1,700
Oklahoma Department of Emergency Management:			
2015 Tornado - Disaster Assistance	PA State Disaster DR-4222	13,873	13,873
TOTAL STATE AWARDS		<u>\$1,332,573</u>	<u>\$587,583</u>

Footnotes to Schedule of Expenditures of State Awards:

1. The Schedule of Expenditures of State Awards is prepared on an 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 state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Debt Service Coverage Schedule

	Series 2015
	OWRB Drinking
	Water SRF
	<hr/>
GROSS REVENUE AVAILABLE:	
Pledged operating revenues (water and sewer systems)	\$ 6,393,609
Investment income	24,850
	<hr/>
Total Gross Revenue Available	6,418,459
	<hr/>
OPERATING EXPENDITURES:	
Total Operating Expenses (water and sewer systems)	2,832,885
	<hr/>
Net Revenue Available for Debt Service	\$3,585,574
	<hr/> <hr/>
Annual Debt Service:	
2015 OWRB DWSRF Loan Payable maximum annual debt service	179,197
	<hr/> <hr/>
Computed Coverage	2001%
	<hr/> <hr/>
Coverage Requirement	125%
	<hr/> <hr/>

CITY OF ALTUS, OKLAHOMA
SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES

June 30, 2016

CITY OF ALTUS, OKLAHOMA

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

To the Honorable Mayor and Members of the City Council
City of Altus, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Altus, Oklahoma (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 28, 2017. Our report on the governmental activities, business-type activities, and each major proprietary fund of the City was qualified because prior year records concerning its infrastructure and utility property and the related accumulated depreciation are not adequate. Except as described in the preceding sentence, 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. See findings 2016-01, 2016-02 and 2016-04.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and questioned costs to be a significant deficiency. See finding 2016-03.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as findings 2016-05 and 2016-06.

The City's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 28, 2017



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and Members of the City Council
City of Altus, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the City of Altus, Oklahoma's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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 of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the

circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 in internal control over compliance that we consider to be material weaknesses and 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2016-02 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2016-03 to be a significant deficiency.

The 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. The 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.

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 based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated September 28, 2017, which contained modified opinions on the governmental activities, the business type activities, and each major proprietary fund, and an unmodified opinion on each major governmental fund and the aggregate remaining fund information. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

September 28, 2017

CITY OF ALTUS, OKLAHOMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
U.S. Department of Housing and Urban Development			
Passed through Oklahoma Department of Commerce:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	16432 CDBG 15	\$ 36,900
<i>Total U.S. Department of Housing and Urban Development</i>			<u>36,900</u>
U.S. Department of Justice			
Bullet Proof Vest Program	16.607		1,803
Passed through Oklahoma District Attorney's Council:			
Edward Bryne Memorial Justice Assistance Grant	16.738	JAG-LLE-2014-ALTUS CI-00026	9,016
<i>Total U.S. Department of Justice</i>			<u>10,819</u>
U.S. Department of Transportation			
Airport Improvement Program	20.106		252,110
Passed through Oklahoma Department of Transportation:			
Highway Planning and Construction	20.205	STPY-133B(098) UT JP 24379(09)	846,673
Passed through Oklahoma Department of Emergency Management:			
Interagency Hazardous Materials Public Sector Training	20.703		5,461
<i>Total U.S. Department of Transportation</i>			<u>1,104,244</u>
Environmental Protection Agency			
Passed-through Oklahoma Water Resources Board:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	ORF-15-0005-DW	245,306
<i>Total Environmental Protection Agency</i>			<u>245,306</u>
U.S. Department of Homeland Security			
Passed through Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance	97.036	DR-4222	83,240
Emergency Management Performance Grants	97.042	FY 15	10,000
Emergency Management Performance Grants	97.042	FY 16	30,000
<i>Total U.S. Department of Homeland Security</i>			<u>123,240</u>
Total Expenditures of Federal Awards			<u>\$ 1,520,509</u>

See notes to the schedule of expenditures of federal awards.

CITY OF ALTUS, OKLAHOMA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2016. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C—SUBRECIPIENTS

During the year ended June 30, 2016, the City did not provide any federal awards to subrecipients.

CITY OF ALTUS, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified: Each major governmental fund and aggregate remaining fund information

Qualified: Governmental activities, business type activities and each major proprietary fund

Internal control over financial reporting:
Material weakness(es) identified?

X yes no

Significant deficiency(ies) identified?

X yes none reported

Noncompliance material to financial statements noted?

 yes X no

Federal Awards

Internal Control over major federal programs:
Material weakness(es) identified?

X yes no

Significant Deficiency(es) identified?

X yes none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 yes X no

Identification of major federal programs:

CFDA Number(s)
20.205

Name of Federal Program or Cluster
Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 yes X no

CITY OF ALTUS, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd.)
Year Ended June 30, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

2016-05, 2016-06

Internal Control Findings

2016-01, 2016-02, 2016-03, 2016-04

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

None

Internal Control Findings

2016-02, 2016-03

CITY OF ALTUS, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd.)
Year Ended June 30, 2016

Finding 2016-01 - Payroll

Repeat Finding

Criteria: One component of an effective internal control system is proper supervisory review and approval of payroll to ensure employees are accurately paid each pay period.

Condition: While testing a payroll sample of 21 city employees, we recalculated the amount of overtime per the employee's time records. We noted that four police officers and one public works – electric employee had their overtime calculated inaccurately.

Cause and Effect: Inadequate controls over the payroll process and failure to have appropriate supervisory level of management review of payroll calculations resulted in inaccurate payroll with one employee being overpaid. Additionally, proper supervisory review and approval of timesheets by the department head is essential for accurate reporting of actual hours worked.

Recommendation: We recommend the City review and update the policies and procedures relating to the payroll process for proper approval and payroll record retention to help deter payroll calculation inaccuracies. Further, the City should enforce its procedures where the department head must approve timesheets and payroll calculations are reviewed by the appropriate supervisory level to ensure proper segregation of duties and proper payroll calculations. Specifically, the Human Resource Department should be responsible for updating wage and salary amounts approved by the City Council, while the finance department should be responsible for processing and issuing payroll checks and direct deposits.

City's response: Management is working with the Human Resource Director to identify where these weakness are occurring. Either it be at the employee/supervisor level or proper account setup to address issues in certain things occur that create a change in pay. i.e. Collective Bargaining Agreement language regarding when certain things should change at the salary change level. HR is looking to identify those issues along with the proper training with the supervisor level to identify when pay changes should occur.

CITY OF ALTUS, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd.)
Year Ended June 30, 2016

Finding 2016-02 - Controls over Financial Reporting

Repeat Finding

Criteria: The City's management is responsible for ensuring the accuracy, completeness and timeliness of financial records, related information, and annual reports. Internal controls are a set of standards, processes and structures that provide the basis for carrying out procedures across the City. According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the City should demonstrate a commitment to integrity and ethical values, specifically the "tone at the top".

Condition: The City missed key reporting deadlines, i.e., filing the SA&I Form 2643 and audit report with the Oklahoma State Auditor and Inspector by December 31, 2016 and filing the Single Audit Report with the Federal Audit Clearinghouse by the March 31, 2017 deadline.

Cause and Effect: The City of Altus has experienced a great deal of turn-over with their City Manager and other key positions in the City such as the finance director or financial managers. As a result, key internal control processes have not been developed and/or enforced and some functions have not been well maintained. The City continues to correct errors from previous accounting periods. While the City has engaged a consultant to assist with the process, and has been able to segregate duties in more critical areas, the City still has not been able to completely implement new procedures to ensure timely closing and year end reconciliation processes and has not placed a strong emphasis on maintaining strong internal controls. The City could lose federal funding if deadlines are not met and controls are not strengthened.

Recommendation: The City should increase controls over financial reporting by requiring the Chief Financial Officer to implement policies and procedures to ensure internal control best practices are followed by the City. Additional competent staff, additional training for existing staff and/or increased use of outside consultants within the Finance Department are required to ensure proper controls are implemented, monitored, and maintained. Further, training regarding financial reporting requirements should be provided for all supervisors, managers, and governing bodies for the entire reporting entity. Finally, elected officials, governing boards, and senior management should adopt an expectation of stringent compliance with controls over financial reporting and other appropriate internal controls based on the COSO standards.

City's Response: The City Manager continues to provide oversight to the needed organizational issues being addressed in the Finance Department during the year July 1, 2016 through June 30, 2017 (change of City manager began mid-July 2016). Hopefully, these improvements will be recognized during the next year's audit. The management team and the elected officials are working to review the financial reporting and the financial needs of the city. I believe the City is on the right course in showing transparency in our financial reporting. We continue to identify weaknesses within our organization and seek to improvement and provide the necessary training. The finance staff continues to learn the abilities of our financial reporting software, Tyler Technologies, which will only improve our internal controls and reporting.

CITY OF ALTUS, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd.)
Year Ended June 30, 2016

Finding 2016-03 – Controls Over Procurement

Federal Program: CFDA #20.205 – Highway Planning and Construction

Criteria: “The non-Federal entity must use its own documented procurement procedures that reflect applicable State, local and tribal laws and regulations, provided the procurements conform to the applicable Federal law and the standards...” (§200.318 (a) of the Uniform Guidance). The City’s Ordinances, Article V. Purchases Sec. 2-94. Purchase orders generally. “Upon determination of a successful vendor, the purchasing agent shall prepare a purchase order and submit it to said vendor.”

Condition: During our review of construction expenditures for the U.S. Highway 283 waterline relocation project, we noted that purchase order #16-0752 for the project was dated September 11, 2015 which is after the date of the first invoice dated August 10, 2015.

Cause and Effect: The City did not issue a purchase order as required in their ordinance. Expenditures could have been made without the proper approval as evidenced by the timely completion of the purchase order.

Recommendation: We recommend the City review and update their procedures to comply with the purchasing ordinances and require that a properly approved purchase order is completed prior to the start of a construction project.

City’s response: City Management and finance have identified the weakness and lack of training in this area. With some staffing changes and training, I feel we are moving to be more aware of the standards in purchasing and the purchase order procedures.

CITY OF ALTUS, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd.)
Year Ended June 30, 2016

Finding 2016-04 – Controls over Capital Assets

Criteria: A component of effective internal control is to periodically reconcile the capital asset control account to the capital asset listing by performing a physical inventory and inspection, reconciling any differences.

Condition: During fiscal 2016, the City performed a physical inventory of its fixed assets. The City determined that several buildings were not included on the fixed asset listing and that the infrastructure assets were inaccurate.

Cause and Effect: Since the City determined that several fixed assets were not included on the fixed asset listing and in the general ledger, capital assets are not properly reported in the City's financial statements.

Recommendation: We recommend the City review and correct its fixed assets inventory.

City's response: The Chief Financial Officer has worked to reconcile the capital assess control account listing. The capital assets was not maintained for several years. With changes in staffing this year, it was identified that some areas were not done correctly or kept updated. The Chief Financial Officer has reviewed the procedures and the city feels we are on the right course for improvement in this area.

CITY OF ALTUS, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd.)
Year Ended June 30, 2016

Finding 2016-05 – Use of Public Funds

Criteria: Article 10, §15 of the Oklahoma Constitution states that a municipality may not make a donation or gift in any way to any company, association or corporation.

Condition: We noted that the City of Altus makes donations to the “Care Program”, a non-profit that assists low income individuals with paying their utility bills.

Cause and Effect: The City has allowed the donation to the Care Program and, consequently, is not in compliance with the Oklahoma State Constitution.

Recommendation: We recommend the City halt all contributions to outside non-governmental entities.

City's response: This has been corrected in the 2017-2018 audit year.

CITY OF ALTUS, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd.)
Year Ended June 30, 2016

Finding 2016-06 – Negative Fund Balance

Criteria: Oklahoma law prescribes that the City may not have a negative fund balance.

Condition: One of the City's funds, the ODOC Grant Fund, reports a negative fund balance of \$ 27,081.

Cause and Effect: Controls were not sufficient to ensure that proceeds were placed in the ODOC Grant Fund prior to the incurrence of liabilities in accordance with State Law.

Recommendation: We recommend the City put procedures in place to ensure that restricted or assigned funds be spent only for their intended purposes and that negative fund balances be monitored and spending constrained or that the City reimburse this fund from other sources.

City's response: The proper internal transfer was not done until the end of year. The funds were available but staff did not make the transfer timely to meet budgeting reporting requirements. This type of accounting needs will and is being met timely.

CITY OF ALTUS, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

Finding 2015-01 Payroll

Repeat Finding

Criteria: One component of an effective internal control system is proper supervisory review and approval of payroll to ensure employees are accurately paid each pay period.

Condition: While testing a payroll sample of 25, the following conditions were identified:

1. Fourteen employees' timesheets were incorrectly approved by an employee other than the direct supervisor of the department.
2. One employee was paid 7.5 hours more than what was agreed to on the timesheet due to misapplying the actual timesheet hours to the payroll entry calculation.

Cause and Effect: Inadequate controls over the payroll process and failure to have appropriate supervisory level of management review of payroll calculations resulted in inaccurate payroll with one employee being overpaid. Additionally, proper supervisory review and approval of timesheets by the department head is essential for accurate reporting of actual hours worked.

Recommendation: We recommend the City review and update the policies and procedures relating to the payroll process for proper approval and payroll record retention to help deter payroll calculation inaccuracies. Further, the City should enforce its procedures where the department head must approve timesheets and payroll calculations are reviewed by the appropriate supervisory level to ensure proper segregation of duties and proper payroll calculations. Specifically, the Human Resource Department should be responsible for updating wage and salary amounts approved by the City Council, while the finance department should be responsible for processing and issuing payroll checks and direct deposits.

City's response: The City of Altus has implemented a "Payroll Separation of Duties" Procedure whereby HR will set up employees and send a copy of the Personnel Action (PA) Sheet to Finance for verification. Preparation of PA sheets after initial set-up will be done by HR and input by Finance, except for PA sheets making any adjustments to leave which will be input by HR. Both departments will verify correct entry of PA sheets. Payroll will be processed completely in Finance with one person responsible for the processing, one person responsible for the distribution, the CFO being responsible for the approval and a separate person being responsible for bank reconciliation. Finance will also be responsible for reconciliation of Payroll A/P.

Current year status: Partially corrected, will repeat portion of finding as 2016-01.

CITY OF ALTUS, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS (Cont'd.)
Year Ended June 30, 2016

Finding 2015-02 Controls over Financial Reporting

Repeat Finding

Criteria: The City's management is responsible for ensuring the accuracy, completeness and timeliness of financial records, related information, and annual reports. Internal controls are a set of standards, processes and structures that provide the basis for carrying out procedures across the City. According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the City should demonstrate a commitment to integrity and ethical values, specifically the "tone at the top".

Condition: The City missed key reporting deadlines, i.e., filing the SA&I Form 2643 and audit report with the Oklahoma State Auditor and Inspector by December 31, 2015 and filing the Single Audit Report with the Federal Audit Clearinghouse by the March 31, 2016 deadline.

Cause and Effect: The City of Altus has experienced a great deal of turn-over with their City Manager, and other key positions in the City such as the finance director or financial managers. As a result, key internal control processes have not been developed and/or enforced and proper segregation of duties or functions has not been well maintained. The City continues to correct errors from previous accounting periods. While the City has engaged a consultant to assist with the process, the City still has not been able to completely implement new procedures to ensure timely closing and year end reconciliation processes and has not placed a strong emphasis on maintaining strong internal controls. The City could lose federal funding if deadlines are not met and controls are not strengthened.

Recommendation: The City should increase controls over financial reporting by requiring the Chief Financial Officer to implement policies and procedures to ensure internal control best practices are followed by the City. Additional competent staff, additional training for existing staff and/or increased use of outside consultants within the Finance Department are required to ensure proper controls are implemented, monitored, and maintained. Further, training regarding financial reporting requirements should be provided for all supervisors, managers, and governing bodies for the entire reporting entity. Finally, elected officials, governing boards, and senior management should adopt an expectation of stringent compliance with controls over financial reporting and other appropriate internal controls based on the COSO standards.

City's Response: The City of Altus concurs with the auditor's recommendation and has filled the Staff Accountant position and has increased training for all Finance employees. Additionally, we are continuing to implement policies and procedures to ensure that internal controls and best practices are followed.

Current year status: This finding will be repeated as finding 2016-02.