

**INDEPENDENT AUDITOR'S REPORT**

**LUGERT-ALTUS  
IRRIGATION DISTRICT**

**DECEMBER 31, 2023**

BY



**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Year Ended December 31, 2023**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Lugert-Altus Irrigation District  
Altus, Oklahoma

### Opinion

We have audited the accompanying financial statements of the business-type activities of the Lugert-Altus Irrigation District as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Lugert-Altus Irrigation District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Lugert-Altus Irrigation District, as of December 31, 2023, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lugert-Altus Irrigation District, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about the Lugert-Altus Irrigation

District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lugert-Altus Irrigation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of all the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lugert-Altus Irrigation District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Management has omitted this budgetary comparison.

Management has omitted the management, discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic

financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Lugert-Altus Irrigation District's basic financial statements. The comparative statement of assets, liabilities, and net assets as of December 31, 2021, and December 31, 2022 and the comparative statement of revenue and expenditures for the years then ended are presented as supplementary information for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the comparative statements and the personnel 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 April 3, 2024 on our consideration of Lugert-Altus Irrigation District'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 District's internal control over financial reporting and compliance.

*Furrh & Associates, PC*

Furrh & Associates, PC  
Lawton, Oklahoma  
April 3, 2024

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Statement of Assets, Liabilities, and Net Assets**  
**December 31, 2023**

**ASSETS**

**Current Assets**

Cash on Hand and in Banks	\$ (36,065)	
Cash - Temporary Investments	4,107,753	
Accounts Receivable - Trade	505,749	
Temporary Investments - Due After 90 Days	3,501,021	
Prepaid Expense	86,559	
Inventory - Pipe for Sale	16,241	
Accrued Interest Receivable	6,914	
	<hr/>	
Total Current Assets		\$ 8,188,172

**Capital Assets**

Irrigation Plant	3,262,188	
Canal Improvements	3,114,786	
Machinery and Equipment	3,041,172	
Autos, Trucks, and Trailers	1,101,526	
Land, Buildings, and Grounds	298,735	
Dam	167,765	
Land - Canal & Lateral In Pipe	118,790	
Furniture and Fixtures	52,071	
Station and Shop Equipment	41,883	
Right-of-Way	1,641	
Accumulated Depreciation	<hr/> (5,496,738)	
Total Capital Assets		<hr/> 5,703,819

<b>Total Assets</b>	<b><u><u>\$ 13,891,991</u></u></b>
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Please see accompanying notes to the financial statements.

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Statement of Assets, Liabilities, and Net Assets**  
**December 31, 2023**

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 5,859	
Accrued Payroll	20,133	
Compensated Absence Liability	<u>51,037</u>	
Total Current Liabilities		\$ 77,029

**Deferred Revenue**

Maintenance Reserve - Ozark Canal	<u>38,000</u>	
Total Deferred Revenue		<u>38,000</u>

Total Liabilities and Deferred Revenue	115,029
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**Net Assets**

City of Altus Equity in Physical Plant	1,080,000	
Invested in Fixed Assets (Net of Related Debt and Altus Equity)	4,623,819	
Unrestricted	<u>8,073,143</u>	
Total Net Assets		<u>13,776,962</u>

<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 13,891,991</u></u></b>
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Please see accompanying notes to the financial statements.

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Statement of Revenue and Expenditures**  
**Year Ended December 31, 2023**

**REVENUE**

**Operating Revenues**

Assessments and Penalties	\$ 1,386,214	
Bureau of Reclamation Reimbursements	185,421	
ARPA Reimbursements	141,910	
Miscellaneous Revenue	<u>74,277</u>	
Total Operating Revenues		\$ 1,787,822

**EXPENDITURES**

**Operating Expenditures**

Operations and Maintenance	1,644,150	
General and Administrative	616,304	
Depreciation and Amortization	<u>360,636</u>	
Total Operating Expenditures		<u>2,621,090</u>

**Net Revenue (Loss) from Operations** (833,268)

**Nonoperating Revenue (Expense)**

Interest Earned	<u>311,106</u>	
Total Nonoperating Revenue (Expense)		<u>311,106</u>

**Net Revenue (Loss)** \$ (522,162)

Please see accompanying notes to the financial statements.



**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Statement of Operating Expenditures**  
**Year Ended December 31, 2023**

**Operations and Maintenance Expenditures**

Salaries & Payroll Taxes	\$ 635,659	
Repairs and Maintenance - Canals and Laterals	432,575	
Repairs and Maintenance - Dam	284,728	
Repairs and Maintenance - Equipment	128,675	
Fuel, Propane, Gas and Oil	59,627	
Weed Control and Chemicals	33,561	
Repairs and Maintenance - Dike	32,587	
OWRB / USGS	16,375	
Repairs and Maintenance - Trucks and Trailers	12,563	
Repairs and Maintenance - Buildings and Grounds	4,140	
Station, Shop, and Welding Expense	2,169	
Miscellaneous	1,461	
Repairs and Maintenance - Underground Drainage	30	
Total Operations and Maintenance	\$ 1,644,150	

**General and Administrative Expenditures**

Salaries & Payroll Taxes	188,122	
Employee Insurance	154,165	
Insurance and Bonds	135,556	
Consulting	60,000	
Pension Expense	39,838	
Travel and Entertainment	13,074	
Utilities and Telephone	9,416	
Legal and Accounting	9,232	
Dues and Subscriptions	3,843	
Miscellaneous	1,926	
Office Supplies and Expense	1,132	
Total General and Administrative	616,304	

**Miscellaneous Expenditures**

Depreciation and Amortization	360,636
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<b>Total Operating Expense</b>	<b>\$ 2,621,090</b>
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Please see accompanying notes to the financial statements.

# Lugert-Altus Irrigation District

Altus, Oklahoma

## Statement of Changes in Net Assets

Year Ended December 31, 2023

<u>Net Assets, December 31, 2022</u>	\$ 14,299,124
Net Revenue (Loss), Year Ended December 31, 2022	<u>(522,162)</u>
<b>Net Assets, December 31, 2023</b>	<b><u><u>\$ 13,776,962</u></u></b>

Please see accompanying notes to the financial statements.

# Lugert-Altus Irrigation District

Altus, Oklahoma

## Statement of Cash Flows

Year Ended December 31, 2023

### **Cash Flow From Operating Activities**

Cash Receipts from Customers	\$ 1,331,644	
Cash Receipts from Bureau of Reclamation	185,421	
Cash Receipts from ARPA	141,910	
Cash Receipts from Miscellaneous Revenue	74,277	
Cash Paid Out for Salaries and Payroll Taxes	(822,297)	
Cash Paid Out for Employee Benefits	(194,003)	
Cash Paid Out to Suppliers	(1,212,889)	
Net Cash Provided by Operating Activities		\$ (495,937)

### **Cash Flow from Investing Activities**

Interest Earned	311,106	
Cash Invested in CDARS	(3,408,370)	
Net Cash Used by Investing Activities		<u>(3,097,264)</u>

**Net Increase (Decrease) in Cash and Cash Equivalents** (3,593,201)

**Cash and Cash Equivalents, December 31, 2022** 7,664,889

**Cash and Cash Equivalents, December 31, 2023** \$ 4,071,688

### **Adjustments to Reconcile Operating Income to Cash**

#### **Provided (Used) by Operating Activities**

Net Revenue (Loss) from Operations		\$ (833,268)
Add (Deduct) Items Not Providing or Using Cash:		
Depreciation	\$ 360,636	
Decrease in Prepaid Expense	11,395	
Decrease in Inventory	14,320	
Increase in Accounts Receivable	(52,570)	
Increase in Payroll Related Liabilities	1,484	
Decrease in Deferred Income	(2,000)	
Increase in Accounts Payable	4,066	
		<u>337,331</u>
Net Cash Provided by Operating Activities		<u><u>\$ (495,937)</u></u>

Please see accompanying notes to the financial statements.

# **Lugert-Altus Irrigation District**

**Altus, Oklahoma**

**Notes to Financial Statements**

**Year Ended December 31, 2023**

## **Note 1 – Reporting Entity and Summary of Significant Accounting Policies**

### **A. Organization and Operation of the Reporting Entity**

The Lugert-Altus Irrigation District (the “District”) is an irrigation district organized and existing under the laws of the State of Oklahoma and, as such, is a political subdivision of the State of Oklahoma. The principal activities are delivery of irrigation water for agricultural purposes to its members, and flood control. The District operates approximately 300 miles of canals and drainage ditches. The operation of the District is regulated by the policies and standards established by the United States Department of the Interior, Bureau of Reclamation, the Oklahoma Water Resources Board, and other state and federal regulatory agencies.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*. The District is considered a primary government as defined by the Governmental Accounting Standards Board (GASB) and has no other component units within its reporting entity. The accompanying financial statements include all functions and activities over which the District exercises financial accountability.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization’s governing body and; 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

### **B. Basis of Accounting and Measurement Focus**

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants, and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Notes to Financial Statements**  
**Year Ended December 31, 2023**

**C. Financial Reporting**

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

**D. Assets, Liabilities, and Net Position**

**1. Use of Estimates**

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

**2. Cash and Cash Equivalents**

For the purposes of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents include all cash, demand accounts, certificates of deposit and insured cash sweeps with a maturity or availability date of 90 days or less from the end of the fiscal year. Temporary Investments consist of certificates of deposits with a maturity or availability of more than 90 days from the end of the fiscal year.

**3. Investments and Investment Policy**

Investments are reported at cost.

**4. Accounts Receivable**

The District extends credit to customers in the normal course of operations. Accounts receivable are carried at net estimated value. All trade accounts receivable are considered to be fully collectible because unpaid water sales and assessments become liens against the real estate involved.

Accounts receivable and the corresponding revenues are recognized when billed. Assessment charges are billed in advance and billings for these charges and water usage charges are customarily made in the last quarter of the year.

# Lugert-Altus Irrigation District

Altus, Oklahoma

Notes to Financial Statements

Year Ended December 31, 2023

## 5. Operating Expenditures

Parts, materials, and consumable supplies are charged to expense as purchased. The District does not record the inventory of unused parts, materials, and consumable supplies on its financial statements. Such inventory is not considered to be material to the financial statements. Inventory of pipe held for sale is recorded on the financial statements.

## 6. Net Position

Net position reported in the District's financial statements are displayed in three components:

- a. *Net investment in fixed assets* - Consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- 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" or "net investment in capital assets." It is the District'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.

## 7. Capital Assets

Capital assets with a cost of \$500 or more per item are recorded at cost, with depreciation allowances amortized by the straight-line method over the following estimated useful lives of the assets:

Furniture and Fixtures	5-10 years
Computer Equipment	5 years
Vehicles	5-10 years
Earth-moving Equipment	10-15 years
Other Equipment	10 years
Buildings	10-25 years
Canal Improvements	20-40 years

# Lugert-Altus Irrigation District

Altus, Oklahoma

Notes to Financial Statements

Year Ended December 31, 2023

## E. Related Party Transactions

There were no material related party transactions with District officials, employees or other related parties during the year ended December 31, 2023.

## F. Management Evaluation of Subsequent Events

Management has reviewed information to evaluate the necessity for the disclosure of subsequent events through April 3, 2024, which is the issuance date of the financial statements.

## Note 2 – Cash, Cash Equivalents, and Investments

Cash and cash equivalents include the following accounts:

Frazer Bank, Sweep Account #450	\$	1,035,183
Frazer Bank, Payroll Account		99,662
CDARS		3,072,570
Petty Cash		58
Frazer Bank, Checking Account		(135,785)
	\$	<u>4,071,688</u>

The District's cash, deposits, and investments are classified in the following categories:

- A. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- B. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- C. Uncollateralized.

	A	B	C	Total
Cash on Hand	\$ 0	\$ 0	\$ 58	\$ 58
Cash in Bank	<u>(36,123)</u>	<u>4,107,753</u>	<u>0</u>	<u>4,071,630</u>
Total	<u>\$ (36,123)</u>	<u>\$ 4,107,753</u>	<u>\$ 58</u>	<u>\$ 4,071,688</u>

# **Lugert-Altus Irrigation District**

**Altus, Oklahoma**

## **Notes to Financial Statements**

**Year Ended December 31, 2023**

The District has investments in multiple CDARS accounts that exceed a 90 day maturity period. Balances and maturity dates of those accounts are listed in the following schedule:

<u>Account Description</u>	<u>Maturity Date</u>	<u>Balance on 12/31/2023</u>
Cattlemens CDARS	4/4/2024	\$ 1,047,145
Frazer CDARS #7903	1/4/2024	1,045,466
Cattlemens CDARS #4173	4/4/2024	1,045,319
Cattlemens CDARS #3126	1/22/2024	228,501
NBC Jumbo CD #5113	7/25/2024	98,000
Cattlemens CDARS #5434	1/25/2024	25,558
Cattlemens CDARS #5903	1/18/2024	11,032
		<u>\$ 3,501,021</u>

### **Note 3 – Prepaid Expenses**

Prepaid expenses consist of the unamortized portion of annual insurance premiums in the total amount of \$86,558 as of December 31, 2023.

### **Note 4 – Accounts Receivable**

Accounts Receivable is made of the billed amounts for prior year services. Management believes that all bills sent will be collected, therefore, no allowance for doubtful accounts was calculated. The balance as of December 31, 2023 for their accounts receivables totaled \$505,749.

### **Note 5 – Inventories**

Inventories consist of various pipes available for sale and are carried at cost using the physical count method. As of December 31, 2023 the total value of the inventory available for sale was \$16,241.



# Lugert-Altus Irrigation District

Altus, Oklahoma

Notes to Financial Statements

Year Ended December 31, 2023

## **Note 6 – Capital Assets and Depreciation**

Current year changes in capital assets were as follows:

	<u>12/31/2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/2023</u>
<b><u>Capital Assets</u></b>				
Irrigation Plant	\$ 3,262,188	\$ 0	\$ 0	\$ 3,262,188
Canal Improvements	3,114,787	0	0	3,114,787
Machinery & Equipment	3,041,172	0	0	3,041,172
Autos, Trucks, & Trailers	1,101,526	0	0	1,101,526
Land, Buildings, & Grounds	298,735	0	0	298,735
Dam	167,765	0	0	167,765
Land-Canal & Lateral In Pipe	118,789	0	0	118,789
Furniture & Fixtures	52,071	0	0	52,071
Station & Shop Equipment	41,884	0	0	41,884
Right of Way	1,641	0	0	1,641
Total	<u>\$ 11,200,558</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,200,558</u>
<b><u>Accumulated Depreciation</u></b>				
Irrigation Plant	\$ 0	\$ 0	\$ 0	\$ 0
Canal Improvements	2,233,841	128,703	0	2,362,544
Machinery & Equipment	1,875,195	94,665	0	1,969,860
Autos, Trucks, & Trailers	699,515	130,080	0	829,595
Land, Buildings, & Grounds	201,812	150	0	201,962
Dam	36,305	6,103	0	42,408
Land-Canal & Lateral In Pipe	0	0	0	0
Furniture & Fixtures	47,551	935	0	48,486
Station & Shop Equipment	41,884	0	0	41,884
Right of Way	0	0	0	0
Total	<u>\$ 5,136,103</u>	<u>\$ 360,636</u>	<u>\$ 0</u>	<u>\$ 5,496,739</u>

Total depreciation expense for the current year was \$360,636, which was charged to current operations. Consistent with prior year accounting procedures, the financial statements do not include a provision for depreciation on the irrigation plant real estate.

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Notes to Financial Statements**  
**Year Ended December 31, 2023**

**Note 7 – Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses include the following:

Compensated Absence Liability	\$	51,037
Accrued Payroll		20,133
Accounts Payable - Trade		<u>5,859</u>
Total	\$	<u><u>77,029</u></u>

Accrued expenses include the accrued liability for compensated employee absences in the amount of \$51,037, which includes earned but unpaid annual leave, vacation pay and compensatory wages as of December 31, 2023. Accrued expenses also include the accrued payroll liability in the amount of \$20,133, which is the portion of the payroll paid on January 3, 2023, for the days worked until December 31, 2023.

**Note 8 – Operating Revenue**

The principal sources of revenue for the District are construction and maintenance assessments to its members, water sales and related penalties and late payment charges. Penalties and late payment charges are recorded and recognized at the time of collection.

**Note 9 – Bureau of Reclamation Reimbursements**

The District receives a reimbursement from the United States Department of Interior, Bureau of Reclamation, for a portion of the cost of operating the Altus Dam and Reservoir. This reimbursement is recorded on the books and recognized as revenue in the accounting period in which funds or credits are received. During the year, the District received \$185,421 for reimbursements of expenses paid in 2023.

On October 4, 1993, the District entered into a contract with the Department of the Interior, Bureau of Reclamation, and the Army Corps of Engineers whereby Lugert-Altus Irrigation District will maintain the canal over which the runways and taxiways cross at Altus Air Force Base for a period of 50 years. For this service, the District received \$98,397. The earned revenue will be amortized over the contract period of 50 years. Amortization of this reserve for the current year was \$2,000. The unamortized balance on December 31, 2023 was \$38,000.

**Note 10 – Income Taxes**

As an Oklahoma political subdivision, the District is exempt from federal and state income taxes.

# **Lugert-Altus Irrigation District**

**Altus, Oklahoma**

**Notes to Financial Statements**

**Year Ended December 31, 2023**

## **Note 11 – Pension Expense**

The District sponsors a defined contribution retirement plan for its employees. The plan covers all full-time employees with 90 days employment on the anniversary date of the plan, which is April 1 of each year.

The District contributes 5% of the employee's gross earnings and each employee may voluntarily contribute up to 5% of the employee's gross salary. Employee contributions are not required. The plan contributions are invested in individual insurance annuity contracts on behalf of the employees. All required contributions were paid by December 31, 2023.

Contributions and costs for the current year and two previous years were as follows:

	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>12/31/2021</u>
Employer Contributions	\$ 38,038	\$ 37,705	\$ 43,544
Employee Contributions	25,088	24,788	21,345
Administration Costs	<u>1,800</u>	<u>1,830</u>	<u>1,479</u>
Total	<u>\$ 64,926</u>	<u>\$ 64,323</u>	<u>\$ 66,368</u>

Employer contributions of \$38,038 represent approximately 5% of the total covered payroll of \$760,760.

The plan is administered by:

Qualified Retirement Plan Services  
2217 Silver Crest Drive  
Edmond, Oklahoma 73025

The plan funds are maintained by:

New York Life Insurance Company  
51 Madison Avenue  
New York, New York 10016

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Notes to Financial Statements**  
**Year Ended December 31, 2023**

**Note 12 – Insurance Coverage**

The District maintains the following commercial insurance coverage as protection against possible loss contingencies:

- Commercial Automobile Coverage
- Workers Compensation
- Employer Liability Coverage
- Commercial Property Insurance
- Commercial Inland Marine
- Commercial General Liability
- Public Employee Position Schedule Bond
- Dwelling and Personal Property Coverage

**Note 13 – Comparative Data**

The financial information included herein as of and for the year ended December 31, 2022, is presented for comparative purposes only, and is not intended to be a complete financial statement presentation.

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Comparative Statement of Assets, Liabilities, and Net Assets**  
**December 31, 2023**

	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>Increase (Decrease)</u>
<b><u>ASSETS</u></b>			
Cash on Hand and in Banks	\$ (36,065)	\$ 52,083	\$ (88,148)
Cash - Temporary Investments	4,107,753	7,612,806	(3,505,053)
Accounts Receivable (Net)	505,749	453,179	52,570
Temp Investments - Due after 90 Days	3,501,021	98,000	3,403,021
Prepaid Expense	86,559	97,954	(11,395)
Inventory - Pipe for Sale	16,241	30,561	(14,320)
Accrued Interest Receivable	6,914	1,575	5,339
Right-of-Way	1,641	1,641	0
Furniture and Fixtures (Net)	3,585	4,520	(935)
Land, Buildings and Grounds (Net)	96,773	96,923	(150)
Land - Canal & Lateral In Pipe	118,789	118,789	0
Dam	125,357	131,461	(6,104)
Autos, Trucks, and Trailers (Net)	271,931	402,011	(130,080)
Canal Improvements (Net)	752,243	880,944	(128,701)
Machinery and Equipment (Net)	1,071,312	1,165,977	(94,665)
Irrigation Plant	3,262,188	3,262,188	0
Total Assets	<u>\$ 13,891,991</u>	<u>\$ 14,410,612</u>	<u>\$ (518,621)</u>
<b><u>LIABILITIES AND DEFERRED REVENUE</u></b>			
Accounts Payable	\$ 5,859	\$ 1,793	\$ 4,066
Accrued Payroll	20,133	19,910	223
Compensated Absence Liability	51,037	49,776	1,261
Deferred Revenue	38,000	40,000	(2,000)
Total Liabilities and Deferred Revenue	<u>115,029</u>	<u>111,479</u>	<u>3,550</u>
<b><u>Net Assets</u></b>			
City of Altus Equity in Plant	1,080,000	1,080,000	0
Net Assets	<u>12,696,962</u>	<u>13,219,133</u>	<u>(522,171)</u>
Total Net Assets	<u>13,776,962</u>	<u>14,299,133</u>	<u>(522,171)</u>
Total Liabilities and Net Assets	<u>\$ 13,891,991</u>	<u>\$ 14,410,612</u>	<u>\$ (518,621)</u>

Please see accompanying notes to the financial statements.

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Comparative Statement of Revenue and Expenditures**  
**Year ended December 31, 2023**

	<u>Year Ended</u> <u>12/31/2023</u>	<u>Year Ended</u> <u>12/31/2022</u>	<u>Increase</u> <u>(Decrease)</u>
<b><u>REVENUE</u></b>			
Water Sales and Penalties	\$ 0	\$ 7,389	\$ (7,389)
Assessments and Penalties	1,386,214	1,383,078	3,136
Bureau of Reclamation Reimbursements	185,421	35,523	149,898
ARPA Reimbursements	141,910	0	141,910
Other Revenue	<u>74,277</u>	<u>61,161</u>	<u>13,116</u>
 Total Revenue	 <u>1,787,822</u>	 <u>1,487,151</u>	 <u>300,671</u>
<b><u>EXPENDITURES</u></b>			
Operations and Maintenance	1,644,150	1,620,089	24,061
General and Administrative	616,304	704,831	(88,527)
Depreciation and Amortization	<u>360,636</u>	<u>383,993</u>	<u>(23,357)</u>
 Total Operating Expenditures	 <u>2,621,090</u>	 <u>2,708,913</u>	 <u>(87,823)</u>
 Net Revenue (Loss) from Operations	 (833,268)	 (1,221,762)	 388,494
 Nonoperating Revenue and Expense (Net)	 <u>311,106</u>	 <u>98,695</u>	 <u>212,411</u>
 <b>Net Revenue (Loss)</b>	 <b><u><u>\$ (522,162)</u></u></b>	 <b><u><u>\$ (1,123,067)</u></u></b>	 <b><u><u>\$ 600,905</u></u></b>

Please see accompanying notes to the financial statements.



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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***

Board of Directors  
Lugert-Altus Irrigation District  
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 business-type activities of Lugert-Altus Irrigation District as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Lugert-Altus Irrigation District’s basic financial statements, and have issued our report thereon dated April 3, 2024.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lugert-Altus Irrigation District’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 Lugert-Altus Irrigation District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Lugert-Altus Irrigation District’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did identify a deficiency in internal control that we consider to be a material weakness. It is denoted

in the following schedule as Finding 2023-1. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Furrh & Associates, PC*

Furrh and Associates, PC

Lawton, Oklahoma

April 3, 2024



**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Schedule of Findings and Responses**  
**For the Year Ended December 31, 2023**

**Reportable Conditions of Internal Control, Compliance and Other Matters**

**2023-1     Lack of Segregation of Duties**

Condition – The entity had limited personnel performing accounting functions during the year.

Effect – The lack of proper segregation of duties could allow for the improper authorization of transactions.

Cause – Only one person is performing accounting functions.

Criteria – Prudent financial reporting requires the proper separation of financial responsibilities and duties between multiple layers of trained staff.

Recommendation – We recommend that the entity implement policies and procedures to increase involvement of others in the accounting functions.

Management response – We are not a big enough company to be able to hire more people so in the future we can have our back up accounting person come in once a week or so and look over the financial reports as needed. The board of directors currently review and discuss the financial status monthly at the board meetings. The board is kept informed about our finances and future financial obligations that will be coming up.