

THE CITY OF ALTUS, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

CITY OF ALTUS, OKLAHOMA

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

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**CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

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Independent Auditor's Report

Honorable Mayor and City Council
City of Altus, Oklahoma
Altus, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2017, 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 qualified audit opinions and our unmodified audit opinions.

Honorable Mayor and City Council
City of Altus, Oklahoma

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Qualified
General Fund	Unmodified
Major Enterprise Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinions on the Business-Type Activities and Major Enterprise Fund

We were unable to obtain sufficient appropriate audit evidence regarding the carrying amount of the City’s utility inventory as of June 30, 2017, because the City’s utility inventory records were inadequate and had not been adjusted to interim inventory counts. We did not observe the taking of the physical inventory as of June 30, 2017, since that date was prior to our appointment as auditors for the City, and we were unable to satisfy ourselves regarding inventory quantities by means of other auditing procedures. Inventory amounts as of June 30, 2017, enter into the determination of the changes in net position and cash flows for the year ended June 30, 2017. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinions on the Business-Type Activities and Major Enterprise Fund

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinions on the Business-Type Activities and Major Enterprise Fund* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major enterprise fund of the City as of June 30, 2017, 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 on the Governmental Activities, General Fund and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, general fund and aggregate remaining fund information of the City, as of June 30, 2017, 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.

Emphasis of Matter

The 2016 financial statements, before they were restated for the matters discussed in *Note 6*, were audited by other auditors, and their report thereon, dated September 28, 2017, expressed qualified opinions on the governmental activities, business-type activities and the major proprietary fund of the City because the City could not provide adequate accounting records for infrastructure and utility property capital assets,

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City of Altus, Oklahoma

and expressed unmodified opinions on the major governmental fund and the aggregate remaining fund information. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison, pension and other postemployment 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 schedules, state award information and the debt service coverage information, 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 schedules, state award information and the debt service coverage information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effect of the inadequate inventory records on the combining schedules, as noted in the *Basis for Qualified Opinions on the Business-Type Activities and Major Enterprise Fund* paragraph above, the combining schedules, state award information and the debt service coverage information 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 also have issued our report dated March 8, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of

Honorable Mayor and City Council
City of Altus, Oklahoma

an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BKD, LLP

Oklahoma City, Oklahoma
March 8, 2019

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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, 2017. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2017, the City's total net position, before the restatements referenced in Note 6, increased by approximately \$10.9 million or 9.4% from the prior year. This was largely attributable to the Altus Municipal Authority's (AMA's) sewer, sanitation and electric departments' net operating revenue.
- During the year, the City's expenses for governmental activities were \$18.4 million and were funded by program revenues of \$2 million and further funded with taxes, other general revenues and transfers that totaled \$17 million.
- In the City's business-type activities, such as utilities, program revenues exceed expenses by \$11.5 million.
- At June 30, 2017, the General Fund reported an unassigned fund balance of \$6 million, which is an increase of 40.8% from the prior year unassigned fund balance.
- For budgetary reporting purposes, the General Fund reported revenues over estimates of \$0.2 million or 3.5%, while expenditures were under the final appropriations by \$0.6 million or 4.8%.

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.

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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 \$126 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.)
	2017	2016		2017	2016		2017	2016	
Assets:									
Current assets	\$ 12,373	\$ 11,017	12%	\$ 32,756	\$ 28,557	15%	\$ 45,129	\$ 39,574	14%
Capital assets, net	69,119	11,338	510%	51,368	49,258	4%	120,487	60,596	99%
Total assets	<u>81,492</u>	<u>22,355</u>	265%	<u>84,124</u>	<u>77,815</u>	8%	<u>165,616</u>	<u>100,170</u>	65%
Deferred outflows of resources	<u>2,611</u>	<u>907</u>	188%	<u>799</u>	<u>380</u>	110%	<u>3,410</u>	<u>1,287</u>	165%
Liabilities:									
Current liabilities	698	672	4%	7,269	6,564	11%	7,967	7,236	10%
Non-current liabilities	10,195	8,995	13%	23,013	26,844	-14%	33,208	35,839	-7%
Total liabilities	<u>10,893</u>	<u>9,667</u>	13%	<u>30,282</u>	<u>33,408</u>	-9%	<u>41,175</u>	<u>43,075</u>	-4%
Deferred inflow of resources	<u>1,264</u>	<u>1,255</u>	1%	<u>263</u>	<u>4,128</u>	-94%	<u>1,527</u>	<u>5,383</u>	-72%
Net position									
Net investment in capital assets	67,987	10,069	575%	37,025	33,033	12%	105,012	43,102	144%
Restricted	1,646	1,674	-2%	16,452	14,814	11%	18,098	16,488	10%
Unrestricted (deficit)	2,313	597	-287%	901	(7,188)	113%	3,214	(6,591)	149%
Total net position	<u>\$ 71,946</u>	<u>\$ 12,340</u>	483%	<u>\$ 54,378</u>	<u>\$ 40,659</u>	34%	<u>\$ 126,324</u>	<u>\$ 52,999</u>	138%

* prior year amounts not restated for MD&A purposes

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 2017, this investment in capital assets, net of related debt amounted to \$105 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, \$18.1 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.

The \$2.1 million (165%) increase in deferred outflows is due mainly to increases in pension deferrals for all three defined benefit pension plans.

The \$9.8 million (149%) increase in the unrestricted net position is due mainly to unrestricted revenues exceeding unrestricted expenses and the write-off of unamortized gain on refunding for the Mountain Park contract obligation of \$3.7 million.

The \$61.9 million (144%) increase in net investment in capital assets is mainly the result of a physical inventory of infrastructure assets.

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During fiscal year 2016, the City of Altus performed a physical inventory of capital assets as part of a project to correct the capital asset sub-ledger and to remove assets that were no longer in use or obsolete. As part of the reconciliation process between the capital asset sub-ledger and the general ledger, the City made a prior period adjustment during fiscal year 2017 of approximately \$58 million to add infrastructure assets that had not been added by former management to the governmental activities' capital assets listing. Along with the corrections to capital assets, the City also noted a deferred amount on refunding that originated in 1996. It is the City's belief that with the implementations of new GASB pronouncements since 1996 this deferred amount should have been fully amortized or written off by fiscal year 2017. Therefore, the City also made a prior period adjustment to completely write off this deferred amount on refunding in the amount of approximately \$3.7 million.

Changes in Net Position

For the year ended June 30, 2017, 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.)
	2017	2016		2017	2016		2017	2016	
Revenues									
Charges for service	\$ 1,068	\$ 1,269	-16%	\$ 36,889	\$ 32,754	13%	\$ 37,957	\$ 34,023	12%
Operating grants and contributions	976	1,014	-4%	158	106	49%	1,134	1,120	1%
Capital grants and contributions	-	252	-100%	-	1,040	-100%	-	1,292	-100%
Taxes	10,942	10,801	1%	-	-	-	10,942	10,801	1%
Investment income	28	26	8%	38	25	52%	66	51	29%
Miscellaneous	186	197	-6%	120	79	52%	306	276	11%
Total revenues	13,200	13,559	-3%	37,205	34,004	9%	50,405	47,563	6%
Expenses									
General government	3,546	3,501	1%	-	-	-	3,546	3,501	1%
Public safety	7,894	6,726	17%	-	-	-	7,894	6,726	17%
Public works	4,340	1,268	242%	-	-	-	4,340	1,268	242%
Culture, parks and recreation	1,899	1,584	20%	-	-	-	1,899	1,584	20%
Airport	703	665	6%	-	-	-	703	665	6%
Interest on long-term debt	24	28	-14%	-	-	-	24	28	-14%
Water	-	-	-	4,772	3,273	46%	4,772	3,273	46%
Wastewater	-	-	-	910	813	12%	910	813	12%
Sanitation	-	-	-	1,916	3,923	-51%	1,916	3,923	-51%
Education	-	-	-	819	404	103%	819	404	103%
Electric	-	-	-	17,132	18,379	-7%	17,132	18,379	-7%
Total expenses	18,406	13,772	34%	25,549	26,792	-5%	43,955	40,564	8%
Excess (deficiency) before transfers	(5,206)	(213)	2344%	11,656	7,212	62%	6,450	6,999	-8%
Special item - Court settlement	-	-	-	4,436	-	100%	4,436	-	100%
Transfers	5,909	2,135	177%	(5,909)	(2,135)	177%	-	-	0%
Change in net position	703	1,922	-63%	10,183	5,077	101%	10,886	6,999	56%
Beginning net position, restated (Note 6)	71,243	10,418	584%	44,195	35,582	24%	115,438	46,000	151%
Ending net position	\$ 71,946	\$ 12,340	483%	\$ 54,378	\$ 40,659	34%	\$ 126,324	\$ 52,999	138%

* prior year amounts not restated for MD&A purposes

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

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Governmental Activities:

Public works expenses increased 242% mainly due to depreciation expense from the physical inventory of infrastructure.

Business-type Activities:

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

Sanitation expenses decreased 51% due to decreased landfill closure and postclosure care costs.

Water expenses increased 46% due to increased depreciation related to the physical inventory of infrastructure; Mountain Park District operation and maintenance costs; and increased utilities.

Special item increase 100% due to a court settlement rendered in favor of the city.

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.)
	*			*		
	<u>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>	
General government	\$ 3,546	\$ 3,501	1%	(\$3,268)	(\$3,249)	1%
Public safety	7,894	6,726	17%	(6,955)	(5,610)	24%
Public works	4,340	1,268	242%	(4,175)	(1,091)	283%
Culture and recreation	1,899	1,584	20%	(1,466)	(1,097)	34%
Airport	703	665	6%	(474)	(163)	191%
Interest on long-term debt	24	28	-14%	(24)	(28)	-14%
Total	\$ 18,406	\$ 13,772	34%	(\$16,362)	(\$11,238)	46%

* prior year amounts not restated for MD&A purposes

Explanations for significant changes are explained after Table 2 plus:

Public safety net expense increased 24% due to several factors including police pension, salaries, health insurance expense increases and decreases in fine revenue and fire pension on-behalf payments.

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

	Total Expense		% Inc.	Net Revenue		% Inc.
	of Services			(Expense)		
	2017	2016	Dec.	2017	2016	Dec.
	*	*		*	*	
Water	\$ 4,772	\$ 3,273	46%	\$ 994	\$ 2,723	-63%
Wastewater	910	813	12%	1,256	910	38%
Sanitation	1,916	3,923	-51%	1,654	(642)	-358%
Electric	17,132	18,379	-7%	8,414	4,521	86%
Education	819	404	103%	(819)	(404)	103%
Total	\$25,549	\$26,792	-5%	\$ 11,499	\$ 7,108	62%

* prior year amounts not restated for MD&A purposes

Explanations for significant changes are listed above under Table 2 plus:

Electric net revenue increased 86% due to several factors including decrease in depreciation expense from inventory of infrastructure assets; decrease in purchase of electricity cost; decrease in uncapitalized capital outlay; decrease in contracted services expense; increase in electric revenues and increase in FEMA grant revenue.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2017 fiscal year, the governmental funds reported a combined fund balance of \$11.7 million or a 12.2% increase. The enterprise funds reported combined net position of \$54 million or a 24.2% increase from 2016 due to a net court settlement of \$4.4 million as well as operating revenues that exceeded operating expenses.

Other fund highlights include:

- For the year ended June 30, 2017, the General Fund's total fund balance increased by approximately \$364,000 or 6.1%.
- The Landfill Improvement Fund decreased \$352,000 (or 49.0%) 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 an increase in overall revenue projections of 0.1% or \$9,080 and a decrease in expenditure appropriations of 0.8% or \$110,921. Actual revenues were above estimates by \$226,197 or 3.5%, while expenditures were under final appropriations by \$644,214 or 4.8%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2017, the City had \$120.5 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 \$59.9 million over last year.

CITY OF ALTUS, OKLAHOMA
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This significant increase results from a complete physical inventory of infrastructure assets and restatement of estimated historical costs.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 1,255	\$ 1,229	\$ 1,305	\$ 1,305	\$ 2,560	\$ 2,534
Buildings and improvements	5,954	5,570	17,744	20,837	23,698	26,407
Infrastructure	56,632	1,383	-	-	56,632	1,383
Machinery and equipment	2,814	2,708	2,055	3,257	4,869	5,965
Water rights	-	-	9,297	9,913	9,297	9,913
Utility property	-	-	15,159	9,607	15,159	9,607
Construction in progress	2,464	448	5,808	4,339	8,272	4,787
Totals	<u>\$ 69,119</u>	<u>\$ 11,338</u>	<u>\$ 51,368</u>	<u>\$ 49,258</u>	<u>\$ 120,487</u>	<u>\$ 60,596</u>

* prior year amounts not restated for MD&A purposes

This year's more significant capital asset additions included:

Additions to construction in progress projects:

Water Treatment Plant	\$3.2 million
Senior Citizens Center	\$1.1 million
Falcon Road Project	\$0.9 million

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

Long- Term Obligations

At year-end, the City had \$27.6 million in long-term obligations outstanding which represents an approximate \$4.1 million or 13% decrease from the prior year. The decrease results mainly from the payment of regular debt service. The City's changes in long-term debt by type of debt are as follows:

TABLE 6
Long-Term Obligations
(In Thousands)

	Governmental		Business-Type		Total		Total Percentage Change
	Activities		Activities				
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	
Notes payable	\$ 1,133	\$ 1,269	\$ 14,996	\$ 18,053	\$ 16,129	\$ 19,322	-16.5%
Accrued compensated absences	611	592	450	580	1,061	1,172	-9.5%
Claims liability	175	27	-	-	175	27	548.1%
Contract obligations payable	-	-	6,374	7,059	6,374	7,059	-9.7%
Landfill closure liability	-	-	2,988	3,268	2,988	3,268	-8.6%
Deposits subject to refund	-	-	855	849	855	849	0.7%
Totals	<u>\$ 1,919</u>	<u>\$ 1,888</u>	<u>\$ 25,663</u>	<u>\$ 29,809</u>	<u>\$ 27,582</u>	<u>\$ 31,697</u>	-13.0%

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

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The Economic Outlook

The City of Altus and the Altus Municipal Authority developed the Fiscal Year 2017-18 budget with defined goals and conservative revenue projections. The adopted Fiscal Year 2018 budget, including all funds and transfers, is \$78,621,678. The City of Altus' primary sources of revenues are sales tax and utility revenues. The Fiscal Year 2018 Budget projects new revenues of \$48,857,484, defined as revenues without the use of prior year fund balances or transfers in from other funds. The goal for FY 2017-2018 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.

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BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF ALTUS, OKLAHOMA
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Statement of Net Position– June 30, 2017

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
ASSETS			
Cash and cash equivalents	\$ 9,485,380	\$ 10,801,923	\$ 20,287,303
Investments	-	13,028,740	13,028,740
Deposit with third party	-	656,417	656,417
Accrued interest receivable	110	-	110
Accounts receivable, net of allowance	80,672	6,627,241	6,707,913
Taxes receivable	42,395	-	42,395
Court fines receivable, net of allowance	66,520	-	66,520
Due from other governments	1,400,845	1,054,501	2,455,346
Internal balances	1,149,141	(1,149,141)	-
Inventory	66,397	1,736,741	1,803,138
Net OPEB asset	81,882	-	81,882
Capital assets:			
Land and other non-depreciable assets	3,718,776	7,112,449	10,831,225
Other capital assets, net of depreciation	65,400,366	44,255,402	109,655,768
Total assets	<u>81,492,484</u>	<u>84,124,273</u>	<u>165,616,757</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows related to pensions	<u>2,611,246</u>	<u>799,222</u>	<u>3,410,468</u>
LIABILITIES			
Accounts payable	129,632	2,256,987	2,386,619
Accrued payroll liabilities	200,902	74,853	275,755
Accrued interest payable	11,838	214,121	225,959
Due to depositors	425	-	425
Payable to other governments	-	80,409	80,409
Other payables	53,533	325,041	378,574
Long-term liabilities:			
Due within one year	302,137	4,317,450	4,619,587
Due in more than one year	1,678,862	21,345,795	23,024,657
Net pension liability	8,516,349	1,667,420	10,183,769
Total liabilities	<u>10,893,678</u>	<u>30,282,076</u>	<u>41,175,754</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>1,263,923</u>	<u>263,346</u>	<u>1,527,269</u>
Total deferred inflows of resources	<u>1,263,923</u>	<u>263,346</u>	<u>1,527,269</u>
NET POSITION			
Net investment in capital assets	67,986,518	37,024,882	105,011,400
Restricted for:			
Capital projects	967,923	4,152,688	5,120,611
Debt service	5	1,333,158	1,333,163
Economic development	107,524	-	107,524
MAPS projects	-	10,955,812	10,955,812
Other purposes	570,498	10,478	580,976
Unrestricted	2,313,661	901,055	3,214,716
Total net position	<u>\$ 71,946,129</u>	<u>\$ 54,378,073</u>	<u>\$ 126,324,202</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, 2017

Statement of Activities –Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 3,545,727	\$ 217,108	\$ 60,425	\$ -	\$ (3,268,194)	\$ -	\$ (3,268,194)
Public Safety	7,893,425	211,551	727,167	-	(6,954,707)	-	(6,954,707)
Public Works	4,339,975	-	165,138	-	(4,174,837)	-	(4,174,837)
Culture and Recreation	1,899,271	409,599	23,364	-	(1,466,308)	-	(1,466,308)
Airport	703,347	229,924	-	-	(473,423)	-	(473,423)
Interest on Long-term debt	24,391	-	-	-	(24,391)	-	(24,391)
Total governmental activities	<u>18,406,136</u>	<u>1,068,182</u>	<u>976,094</u>	<u>-</u>	<u>(16,361,860)</u>	<u>-</u>	<u>(16,361,860)</u>
Business-type activities							
Water	4,771,920	5,750,803	15,000	-	-	993,883	993,883
Wastewater	909,935	2,165,451	-	-	-	1,255,516	1,255,516
Sanitation	1,915,452	3,569,014	-	-	-	1,653,562	1,653,562
Electric	17,132,146	25,403,261	143,222	-	-	8,414,337	8,414,337
Education	819,123	-	-	-	-	(819,123)	(819,123)
Total business-type activities	<u>25,548,576</u>	<u>36,888,529</u>	<u>158,222</u>	<u>-</u>	<u>-</u>	<u>11,498,175</u>	<u>11,498,175</u>
Total primary government	<u>\$ 43,954,712</u>	<u>\$ 37,956,711</u>	<u>\$ 1,134,316</u>	<u>\$ -</u>	<u>(16,361,860)</u>	<u>11,498,175</u>	<u>(4,863,685)</u>
General revenues:							
Taxes:							
Sales and use taxes					10,037,749	-	10,037,749
Franchise taxes and public service taxes					399,631	-	399,631
Hotel/motel taxes					278,280	-	278,280
Intergovernmental, unrestricted					226,160	-	226,160
Investment income					27,886	37,575	65,461
Miscellaneous					186,197	120,316	306,513
Special item - court settlement					-	4,435,999	4,435,999
Transfers - Internal activity					5,908,566	(5,908,566)	-
Total general revenues, special items and transfers					<u>17,064,469</u>	<u>(1,314,676)</u>	<u>15,749,793</u>
Change in net position					702,609	10,183,499	10,886,108
Net position - beginning, as previously reported					12,339,756	40,658,882	52,998,638
Prior period adjustments (Note 6)					58,903,764	3,535,692	62,439,456
Net position - beginning, restated					<u>71,243,520</u>	<u>44,194,574</u>	<u>115,438,094</u>
Net position - ending					<u>\$ 71,946,129</u>	<u>\$ 54,378,073</u>	<u>\$ 126,324,202</u>

See accompanying notes to the basic financial statements.

**CITY OF ALTUS, OKLAHOMA
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As of and for the Year Ended June 30, 2017**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Governmental Funds Balance Sheet – June 30, 2017

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 4,390,751	\$ 4,966,108	\$ 9,356,859
Interest receivable	-	110	110
Receivable from other governments	1,345,787	55,058	1,400,845
Due from other funds	1,625,697	390,099	2,015,796
Taxes receivable, net	42,395	-	42,395
Court fines receivable, net	66,520	-	66,520
Utilities receivable	-	21,286	21,286
Other receivables	15,121	45,924	61,045
Inventories	26,298	40,099	66,397
Total assets	<u>\$ 7,512,569</u>	<u>\$ 5,518,684</u>	<u>\$ 13,031,253</u>
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 54,470	\$ 31,397	\$ 85,867
Accrued payroll payable	246,575	3,072	249,647
Due to other funds	732,517	116,770	849,287
Due to bondholders	425	-	425
Accrued interest payable	11,838	-	11,838
Other payables	57,749	-	57,749
Total liabilities	<u>1,103,574</u>	<u>151,239</u>	<u>1,254,813</u>
 Deferred Inflows of Resources:			
Unavailable revenue	<u>47,289</u>	<u>-</u>	<u>47,289</u>
 Fund balances:			
Nonspendable	26,298	40,099	66,397
Restricted	-	1,645,950	1,645,950
Assigned	319,653	3,681,396	4,001,049
Unassigned	6,015,755	-	6,015,755
Total fund balances	<u>6,361,706</u>	<u>5,367,445</u>	<u>11,729,151</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 7,512,569</u>	<u>\$ 5,518,684</u>	<u>\$ 13,031,253</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, 2017

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2017

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 10,437,380	\$ 278,280	\$ 10,715,660
Intergovernmental	1,000,502	249,221	1,249,723
Charges for services	561,153	417,420	978,573
Fines and forfeitures	255,046	-	255,046
Licenses and permits	84,503	-	84,503
Investment earnings	22,544	4,600	27,144
Miscellaneous	68,149	76,736	144,885
Total revenues	<u>12,429,277</u>	<u>1,026,257</u>	<u>13,455,534</u>
EXPENDITURES			
Current:			
General government	2,655,894	255,595	2,911,489
Public safety	8,007,195	32,394	8,039,589
Public works	1,466,624	-	1,466,624
Culture and recreation	1,766,578	-	1,766,578
Airport	-	462,200	462,200
Capital outlay	333,240	1,794,955	2,128,195
Debt service:			
Principal	136,592	-	136,592
Interest and other charges	24,391	-	24,391
Total expenditures	<u>14,390,514</u>	<u>2,545,144</u>	<u>16,935,658</u>
Excess (deficiency) of revenues over expenditures	<u>(1,961,237)</u>	<u>(1,518,887)</u>	<u>(3,480,124)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	7,647,797	2,432,675	10,080,472
Transfers out	<u>(5,322,581)</u>	<u>-</u>	<u>(5,322,581)</u>
Total other financing sources and uses	<u>2,325,216</u>	<u>2,432,675</u>	<u>4,757,891</u>
Net change in fund balances	363,979	913,788	1,277,767
Fund balances - beginning	5,997,727	4,453,657	10,451,384
Fund balances - ending	<u>\$ 6,361,706</u>	<u>\$ 5,367,445</u>	<u>\$ 11,729,151</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, 2017

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Total fund balance, governmental funds	\$	11,729,151
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		69,119,142
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		3,303
Court fines receivable		43,986
Pension related deferred outflows		2,611,246
Net OPEB asset		81,882
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		(1,132,624)
Accrued compensated absences		(610,961)
Net pension liability		(8,516,349)
Pension related deferred inflows		(1,263,923)
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 are included in the business-type activities in the Statement of Net Position		(365,848)
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 these internal service funds are reported in governmental activities in the Statement of Net Position:		
Internal service funds' net position		247,124
Net Position of Governmental Activities in the Statement of Net Position	\$	<u><u>71,946,129</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, 2017**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Net change in fund balances - total governmental funds: \$ 1,277,767

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	2,509,856
Depreciation expense	(3,573,061)

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	(40,360)
----------------------------	----------

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.

484,277

In the Statement of Activities, the cost of other post-employment benefits earned is reported as an element of insurance expense. The fund financial statements report health insurance premiums as expenditures.

22,732

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	136,592
Proceeds of long-term debt	-

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	(18,515)
--	----------

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

351,834

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

Total change in net position for internal service funds	(448,513)
Change in net position of governmental activities	<u>\$ 702,609</u>

See accompanying notes to the basic financial statements.

**CITY OF ALTUS, OKLAHOMA
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BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Proprietary Funds Statement of Net Position – June 30, 2017

	<u>Altus Municipal</u> <u>Authority</u>	<u>Internal Service</u> <u>Funds</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 333,533	\$ 478,703
Investments	4,518,096	-
Restricted:		
Cash and cash equivalents	10,118,208	-
Investments	8,510,644	-
Deposit with third party	656,417	-
Due from other funds	732,517	-
Accounts receivable, net	6,605,955	-
Receivables from other governments	1,054,501	-
Other receivables	-	23,843
Inventories	1,736,741	-
Total current assets	<u>34,266,612</u>	<u>502,546</u>
Non-current assets:		
Capital assets:		
Land and construction in progress	7,112,449	-
Other capital assets, net of accumulated depreciation	44,255,402	-
Total non-current assets	<u>51,367,851</u>	<u>-</u>
Total assets	<u>85,634,463</u>	<u>502,546</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amount related to pension	799,222	-
LIABILITIES		
Current liabilities:		
Accounts payable	2,251,367	640
Accrued payroll payable	74,853	-
Accrued interest payable	214,121	-
Due to other funds	1,881,658	17,368
Payable to other governments	80,409	-
Other accrued expenses	325,041	-
Deposits subject to refund	171,184	-
Compensated absences	45,048	-
Contract obligation payable	708,615	-
Claims liability	-	102,032
Notes payable	3,392,603	-
Total current liabilities	<u>9,144,899</u>	<u>120,040</u>
Non-current liabilities:		
Deposits subject to refund	683,423	-
Compensated absences	405,433	-
Contract obligation payable	5,665,005	-
Landfill closure liability	2,988,253	-
Claims liability	-	135,382
Notes payable	11,603,681	-
Net pension liability	1,667,420	-
Total non-current liabilities	<u>23,013,215</u>	<u>135,382</u>
Total liabilities	<u>32,158,114</u>	<u>255,422</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amount related to pension	263,346	-
Total deferred inflows of resources	<u>263,346</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	37,024,882	-
Restricted for debt service	1,333,158	-
Restricted for capital projects	4,152,688	-
Restricted for MAPS projects	10,955,812	-
Restricted for other purposes	10,478	-
Unrestricted	535,207	247,124
Total net position	<u>\$ 54,012,225</u>	<u>\$ 247,124</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

365,848

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

\$ 54,378,073

See accompanying notes to the basic financial statements.

CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position - Year Ended June 30, 2017

	<u>Altus Municipal</u> <u>Authority</u>	<u>Internal Service</u> <u>Funds</u>
REVENUES		
Water	\$ 5,634,485	\$ -
Sewer	2,121,652	-
Sanitation	3,314,414	-
Electric	24,889,443	-
Rents and royalties	58,146	-
Miscellaneous	742,358	24,179
Total operating revenues	<u>36,760,498</u>	<u>24,179</u>
OPERATING EXPENSES		
General government	-	473,434
Administration	1,159,701	-
Water	2,778,399	-
Sewer	710,316	-
Sanitation	1,483,855	-
Landfill operations (See Note 5)	120,599	-
Electric services	15,337,268	-
Depreciation	2,713,770	-
Total operating expenses	<u>24,303,908</u>	<u>473,434</u>
Operating income (loss)	<u>12,456,590</u>	<u>(449,255)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	37,575	742
Miscellaneous revenue	62,170	-
Noncapital grants	158,222	-
Payments to school - MAPS	(356,786)	-
Capital assets transferred to governmental activities	(1,150,675)	-
Interest expense	(887,882)	-
Total non-operating revenue (expenses)	<u>(2,137,376)</u>	<u>742</u>
Income (loss) before transfers, capital contributions, and special items	10,319,214	(448,513)
Capital contributions	538,011	-
Special item - court settlement	4,435,999	-
Transfers in	4,684,298	-
Transfers out	(9,442,189)	-
Change in net position	<u>10,535,333</u>	<u>(448,513)</u>
Net position, beginning, as previously reported	39,941,200	-
Prior period adjustment (Note 6)	3,535,692	-
Net position - beginning as restated	<u>43,476,892</u>	<u>695,637</u>
Net position, ending	<u>\$ 54,012,225</u>	<u>\$ 247,124</u>
Change in net position per above	\$ 10,535,333	
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	<u>(351,834)</u>	
Change in Business-Type Activities in Net Position per Government-Wide Financial Statements	<u>\$ 10,183,499</u>	

See accompanying notes to the basic financial statements.

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Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2017

	<u>Altus Municipal</u> <u>Authority</u>	<u>Internal Service</u> <u>Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and others	\$ 40,352,344	\$ 47,479
Payments to suppliers	(17,588,721)	(302,816)
Payments to employees	(4,187,321)	-
Receipts of customer meter deposits	219,322	-
Refunds of customer meter deposits	(213,893)	-
Interfund receipts/payments	426,746	17,368
Net cash provided by (used in) operating activities	<u>19,008,477</u>	<u>(237,969)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments to school-MAPS	(356,786)	-
Transfers from other funds	4,684,298	-
Transfers to other funds	(9,442,189)	-
Noncapital grants	158,222	-
Net cash provided by (used in) noncapital financing activities	<u>(4,956,455)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(5,924,733)	-
Proceeds from capital grant	538,011	-
Proceeds from debt	212,796	-
Principal paid on debt	(3,955,142)	-
Interest and fiscal agent fees paid on debt	(917,043)	-
Net cash provided by (used in) capital and related financing activities	<u>(10,046,111)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale (Purchase) of investments	(6,574,249)	-
Deposit from third party	134,826	-
Interest and dividends	37,575	742
Net cash provided by (used in) investing activities	<u>(6,401,848)</u>	<u>742</u>
Net decrease in cash and cash equivalents	(2,395,937)	(237,227)
Balances - beginning of year	<u>12,847,678</u>	<u>715,930</u>
Balances - end of year	<u>\$ 10,451,741</u>	<u>\$ 478,703</u>
Reconciliation to Statement of Net Position:		
Cash and cash equivalents	\$ 333,533	\$ 478,703
Restricted cash and cash equivalents - current	10,118,208	-
Total cash and cash equivalents, end of year	<u>\$ 10,451,741</u>	<u>\$ 478,703</u>

(Continued)

See accompanying notes to the basic financial statements.

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Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2017 (Continued)

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

Operating income (loss)	\$ 12,456,590	\$ (449,255)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	2,713,770	-
Miscellaneous revenue	62,170	-
Special item-court settlement	4,435,999	-
Change in assets and liabilities:		
Due from other funds	(21,113)	-
Due to other funds	447,859	17,368
Accounts receivable	(1,573,819)	-
Due from other governments	667,496	-
Other receivables	-	23,300
Inventory	(74,329)	-
Accounts payable	447,635	(40,143)
Claims liability	-	210,761
Accrued payroll payable	(22,122)	-
Payable to other governments	5,127	-
Landfill closure liability	(279,859)	-
OPEB liability	(1,216,122)	-
Net pension liability	1,667,420	-
Deferred outflows related to pension	(418,933)	-
Deferred inflows related to pension	(165,392)	-
Deposits subject to refund	5,429	-
Accrued compensated absences	(129,329)	-
Net cash provided by (used in) operating activities	<u>\$ 19,008,477</u>	<u>\$ (237,969)</u>
Noncash activities:		
Capital assets transferred from other funds	\$ 538,011	\$ -
Capital assets transferred to other funds	(1,150,675)	-
	<u>\$ (612,664)</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

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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 of 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 for pension on-behalf payments, other grants, and contributions.
- Airport – rental fees, and fuel sales.
- Public works – Commercial vehicle and gasoline excise tax shared by the State.
- Culture and recreation – Golf course revenues, swimming pool fees, and recreation fees; operating grants and contributions from school reimbursements and other contributions.
- General Government – licenses and permits, mowing fees, rentals and CDBG operating grants.
- Water – water sales and operating contributions from the Care program.
- Wastewater – wastewater charges
- Sanitation – sanitation charges
- Electric – electric charges and FEMA operating grant

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.
- 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 and nonnegotiable certificates of deposit. 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 using current replacement cost for infrastructure assets if actual is unavailable, except for donated capital assets which are recorded at their acquisition value at the date of donation. Estimated historical cost using the current replacement cost was used to value the majority of the City's infrastructure assets acquired prior to June 30, 2017 and other capital assets prior to June 30, 1992.

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In the current fiscal year, a complete inventory of infrastructure assets was performed and estimated historical cost was adjusted in accordance with that inventory (also see Note 6).

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has one item related to pensions that qualifies for reporting in this category. More information can be found in Note 9.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The City's deferred inflows of resources are related to pension items. More information can be found in Note 9.

Additionally, as reported in the accompanying governmental funds - balance sheet, there are unavailable revenues attributable to ad valorem taxes not received within the 90-day recognition period.

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.

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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. After recording in the General Fund, sales tax proceeds of 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, 2017, the City did not levy a property tax, and had no general obligation bonded debt or court-assessed judgments outstanding at June 30, 2017.

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.

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.
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.

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2. Cash, Cash Equivalents, and Investments

At June 30, 2017, 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			\$ 18,554,629
Cash on hand			9,726
Time deposits	Less than 1 year		13,028,740
			<u>31,593,095</u>
Investments:			
Trustee accounts money market fund		AAAm	<u>1,722,948</u>
			<u>1,722,948</u>
Total deposits and investments			<u><u>\$ 33,316,043</u></u>
 Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 20,287,303
Investments			<u>13,028,740</u>
			<u><u>\$ 33,316,043</u></u>

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, 2017, the City had one CDAR investment uninsured which exposes the City to approximately \$245,0000 of 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.

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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. At June 30, 2017, the city's investments were not exposed to concentration of investment credit risk.

Fair Value Measurements - The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has money market mutual funds of \$1,722,948, which are Level 1 assets at June 30, 2017.

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, 2017 are as follows:

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	Current	
	Cash and cash equivalents	Investments
Water Treatment Plant	\$ -	\$ 5,024,948
MAPS	7,305,557	3,485,696
Hotel Motel Revenue Tax	10,478	-
OWRB DWSRF Account	224,618	-
Series 2008 Sales Tax Revenue Note	184,051	-
Series 2009 Sales Tax Revenue Note	263,102	-
Series 2011 Sales Tax Revenue Note	84,978	-
2014 Mountain Park Trustee Account	456,542	-
Series 2015 Sales Tax Revenue Note - debt service	333,988	-
Series 2015 Sales Tax Revenue Note - construction	400,287	-
Meter deposits	854,607	-
Total	\$ 10,118,208	\$ 8,510,644

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	\$ 80,672	\$ -	\$ 80,672
Taxes receivable	42,395	-	42,395
Court fines receivable, net	116,384	(49,864)	66,520
Due from other governments	1,400,845	-	1,400,845
Total Governmental Activities	\$ 1,640,296	\$ (49,864)	\$ 1,590,432
Business-Type Activities:			
Utilities	\$ 7,806,558	\$ (1,179,317)	\$ 6,627,241
Due from other governments	1,054,501	-	1,054,501
	\$ 8,861,059	\$ (1,179,317)	\$ 7,681,742

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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 acquisition value at the date of donation. *

For the year ended June 30, 2017, capital assets balances changed as follows:

	Restated Balance at June 30, 2016	Additions	Transfers	Disposals	Balance at June 30, 2017
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,254,778	\$ -	\$ -	\$ -	\$ 1,254,778
Construction in progress	419,150	900,765	1,144,083	-	2,463,998
Total capital assets not being depreciated	<u>1,673,928</u>	<u>900,765</u>	<u>1,144,083</u>	<u>-</u>	<u>3,718,776</u>
Other capital assets:					
Buildings and improvements	13,359,581	12,464	-	195,000	13,177,045
Infrastructure	100,789,686	-	6,592	-	100,796,278
Machinery and equipment	8,326,571	445,952	-	-	8,772,523
Total other capital assets at historical cost	<u>122,475,838</u>	<u>458,416</u>	<u>6,592</u>	<u>195,000</u>	<u>122,745,846</u>
Less accumulated depreciation for:					
Buildings and improvements	7,014,084	403,480	-	195,000	7,222,564
Infrastructure	41,368,911	2,795,137	-	-	44,164,048
Machinery and equipment	5,584,424	374,444	-	-	5,958,868
Total accumulated depreciation	<u>53,967,419</u>	<u>3,573,061</u>	<u>-</u>	<u>195,000</u>	<u>57,345,480</u>
Other capital assets, net	<u>68,508,419</u>	<u>(3,114,645)</u>	<u>6,592</u>	<u>-</u>	<u>65,400,366</u>
Governmental activities capital assets, net	<u>\$ 70,182,347</u>	<u>\$ (2,213,880)</u>	<u>\$ 1,150,675</u>	<u>\$ -</u>	<u>\$ 69,119,142</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 1,304,662	\$ -	\$ -	\$ -	\$ 1,304,662
Construction in progress	1,913,949	5,044,513	(1,150,675)	-	5,807,787
Total capital assets not being depreciated	<u>3,218,611</u>	<u>5,044,513</u>	<u>(1,150,675)</u>	<u>-</u>	<u>7,112,449</u>
Other capital assets:					
Buildings and improvements	27,877,602	20,599	-	-	27,898,201
Water rights	24,647,726	-	-	-	24,647,726
Machinery and equipment	6,177,893	297,627	-	-	6,475,520
Utility property	36,138,359	561,994	-	-	36,700,353
Total other capital assets at historical cost	<u>94,841,580</u>	<u>880,220</u>	<u>-</u>	<u>-</u>	<u>95,721,800</u>
Less accumulated depreciation for:					
Buildings and improvements	9,370,641	783,082	-	-	10,153,723
Water rights	14,734,738	616,193	-	-	15,350,931
Machinery and equipment	4,046,006	375,089	-	-	4,421,095
Utility property improvements	20,601,243	939,406	-	-	21,540,649
Total accumulated depreciation	<u>48,752,628</u>	<u>2,713,770</u>	<u>-</u>	<u>-</u>	<u>51,466,398</u>
Other capital assets, net	<u>46,088,952</u>	<u>(1,833,550)</u>	<u>-</u>	<u>-</u>	<u>44,255,402</u>
Business-type activities capital assets, net	<u>\$ 49,307,563</u>	<u>\$ 3,210,963</u>	<u>\$ (1,150,675)</u>	<u>\$ -</u>	<u>\$ 51,367,851</u>

*Capital asset balances were restated as of June 30, 2016. See Note 6 for additional detail.

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

Governmental Activities:

General government	\$ 114,145
Public safety	184,981
Public works	2,902,814
Culture and recreation	136,752
Airport	234,369
	<u>\$ 3,573,061</u>

Business-Type Activities:

Water	\$1,451,341
Sewer	126,703
Sanitation	191,120
Electric	944,606
	<u>\$2,713,770</u>

5. Long-Term Obligations and Debt Service Requirements

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

For the year ended June 30, 2017, the reporting entity's long-term obligations changed as follows:

<u>Type of Obligation</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Notes payable	\$ 1,269,216	\$ -	\$ 136,592	\$ 1,132,624	\$ 139,009
Accrued compensated absences	592,447	436,522	418,008	610,961	61,096
Claims liability	26,653	266,028	55,267	237,414	102,032
Total Governmental Activities	<u>\$ 1,888,316</u>	<u>\$ 702,550</u>	<u>\$ 609,867</u>	<u>\$ 1,980,999</u>	<u>\$ 302,137</u>
Business-Type Activities:					
Notes Payable	\$ 18,053,505	\$ 212,795	\$ 3,270,016	\$ 14,996,284	\$ 3,392,603
Contract obligations payable	7,058,745	-	685,125	6,373,620	708,615
Accrued compensated absences	579,810	178,882	308,211	450,481	45,048
Landfill closure liability	3,268,112	-	279,859	2,988,253	-
Deposits subject to refund	849,178	219,322	213,893	854,607	171,184
Total Business-Type Activities	<u>29,809,350</u>	<u>610,999</u>	<u>4,757,104</u>	<u>25,663,245</u>	<u>4,317,450</u>
Total Long-Term Obligations	<u>\$ 31,697,666</u>	<u>\$ 1,313,549</u>	<u>\$ 5,366,971</u>	<u>\$ 27,644,244</u>	<u>\$ 4,619,587</u>

Reconciliation to Statement of Net Position:

Governmental Activities:

Due within one year	\$ 302,137
Due in more than one year	1,678,862
Total Governmental Activities Long-Term Liabilities	<u>\$ 1,980,999</u>

Business-Type Activities:

Due within one year	\$ 4,317,450
Due in more than one year	21,345,795
Total Business-Type Activities Long-Term Liabilities	<u>\$ 25,663,245</u>

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Governmental activities long-term obligations:

Governmental activities long-term obligations 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.

	1,132,624
Total Notes Payable	\$ 1,132,624
Current portion	139,009
Noncurrent portion	993,615
Total Notes Payable	\$ 1,132,624

Accrued Compensated Absences:

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

	61,096
Current portion	61,096
Noncurrent portion	549,865
Total Accrued Compensated Absences	\$ 610,961

Estimated Claims Liability:

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

	102,032
Current portion	102,032
Noncurrent portion	135,382
Total Accrued Compensated Absences	\$ 237,414

Business-type activities long-term obligations 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.

\$ 23,215

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\$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, 2008, proceeds to be used by the City and Altus School District for capital improvements. 3,605,000

\$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, 2008, proceeds to be used by the City and Altus School District for capital improvements. 5,140,000

\$4,000,000 Altus Municipal Authority Sales Tax Revenue Note, Series 2011, dated August 1, 2011, due in quarterly installments of \$95,000 to \$130,000 plus interest at 2.94% beginning November 1, 2011, 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, 2008, proceeds to be used by the City and Altus School District for capital improvements. 1,695,000

\$2,300,000 OWRB Drinking Water SRF Loan, dated June 1, 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, 2017 total \$1,095,693, leaving a balance of \$1,204,307 that the City could draw against in future periods. 980,693

\$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. 3,552,376

	3,552,376
Total Notes Payable	\$ 14,996,284
Current portion	3,392,603
Noncurrent portion	11,603,681
Total Notes Payable	\$ 14,996,284

Contract Obligation Payable:

\$7,830,000 contract obligation payable to Mountain Park Master Conservancy District, due in semi-annual installments 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. 6,373,620

	6,373,620
Total Contract Obligation Payable	\$ 6,373,620
Current portion	708,615
Noncurrent portion	5,665,005
Total Contract Obligation Payable	\$ 6,373,620

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Accrued Compensated Absences:

	Current portion	45,048
	Noncurrent portion	405,433
	Total Accrued Compensated Absences	<u>\$ 450,481</u>

Landfill Closure Liability:

	Current portion	\$ -
	Noncurrent portion	2,988,253
	Total Landfill Closure Liability	<u>\$ 2,988,253</u>

Deposits Subject to Refund:

	Current portion	171,184
	Noncurrent portion	683,423
	Total Deposits Subject to Refund	<u>\$ 854,607</u>

Debt Service Requirements to Maturity:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	Notes Payable	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 139,009	\$ 22,952
2019	142,636	20,021
2020	146,262	17,028
2021	149,888	13,945
2022	153,515	10,800
2023-2025	401,314	12,670
Totals	<u>\$ 1,132,624</u>	<u>\$ 97,416</u>

<u>Year Ending June 30,</u>	<u>Business Type Activities</u>			
	Notes Payable		Contract obligation payable	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 3,392,603	\$ 503,907	\$ 708,615	\$ 202,037
2019	3,523,967	377,890	732,105	178,744
2020	3,643,738	246,886	755,595	154,686
2021	2,175,112	118,538	783,000	129,863
2022	596,485	81,819	806,490	104,145
2023-2027	1,833,686	230,703	2,587,815	149,709
2028-2032	575,000	109,704	-	-
2033-2036	460,000	29,254	-	-
Totals	<u>\$ 16,200,591</u>	<u>\$ 1,698,701</u>	<u>\$ 6,373,620</u>	<u>\$ 919,184</u>
Less remaining funds to be drawn down:	<u>(1,204,307)</u>			
	<u>\$ 14,996,284</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 \$2,988,253 reported as accrued landfill closure cost liability at June 30, 2017, represents the cumulative amount of such costs reported to date based on the use of 94% of the estimated capacity of the landfill. The Altus Municipal Authority will recognize the remaining estimated costs of closure and post-closure care in the amount of \$182,761 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 2017. At June 30, 2017, the landfill had a remaining estimated useful life of approximately 2.7 years.

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 \$11,231,014. Total pledged sales taxes received in the current fiscal year were \$4,411,883. Debt service payments for the current fiscal year of \$3,194,865 were 72.4% 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 \$2,787,151. The notes are payable from the above-mentioned utility net revenues. The debt service payments on the note this year were \$142,977 which was 3.4% of pledged net utility revenues of \$4,267,422.

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 \$5,087,952. The notes are payable from the above-mentioned electric net revenues. The debt service payments on the notes this year were \$671,798 which was 7% of pledged net electric revenues of \$9,552,175.

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.
- c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through 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:

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	General Fund	Other Governmental Funds	TOTAL Governmental
Fund Balances:			
Nonspendable for:			
Inventory	\$ 26,298	\$ 40,099	\$ 66,397
Restricted for:			
Street development	-	453,910	453,910
Donor requirements	-	116,588	116,588
Economic development	-	1,034,097	1,034,097
Cemetery improvements	-	41,350	41,350
Debt Service	-	5	5
Sub-total Restricted	-	1,645,950	1,645,950
Assigned to:			
Budget balancing purposes	230,000	-	230,000
CDBG grant purposes	-	37,993	37,993
Street development	-	161,069	161,069
Airport	-	162,860	162,860
Public safety	65,269	-	65,269
Park development	14,382	-	14,382
ARAC	10,002	-	10,002
Capital improvements	-	3,319,474	3,319,474
Sub-total Assigned	319,653	3,681,396	4,001,049
Unassigned	6,015,755	-	6,015,755
TOTAL FUND BALANCES	\$ 6,361,706	\$ 5,367,445	\$ 11,729,151

Net position is displayed in three components:

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

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The restrictions are as follows:

	State Statutes	External Parties Voters/Donors/Grantors	Total
Governmental Activities:			
Capital Projects:			
Economic Development Construction Fund	\$ -	\$ 926,573	\$ 926,573
Cemetery Perpetual Care Fund	41,350	-	41,350
Sub-total Capital Projects	<u>41,350</u>	<u>926,573</u>	<u>967,923</u>
Debt Service:			
Sinking Fund	5	-	5
Economic Development:			
Hotel Motel Tax Fund	-	107,524	107,524
Other			
Altus Donation Fund	-	116,588	116,588
Street and Alley Fund	453,910	-	453,910
Sub-total Other	<u>453,910</u>	<u>116,588</u>	<u>570,498</u>
Total Governmental Activities	<u>495,265</u>	<u>1,150,685</u>	<u>1,645,950</u>
Business-type Activities:			
Capital Projects - Water Treatment Plant	-	4,152,688	4,152,688
Debt Service - Trustee accounts less accrued interest payable	-	1,333,158	1,333,158
MAPS projects	-	10,955,812	10,955,812
Other			
Hotel/Motel Loan Funds	-	10,478	10,478
Sub-total Other	<u>-</u>	<u>10,478</u>	<u>10,478</u>
Total Business-type Activities	<u>-</u>	<u>16,452,136</u>	<u>16,452,136</u>
TOTAL RESTRICTED NET POSITION	<u>\$ 495,265</u>	<u>\$ 17,602,821</u>	<u>\$ 18,098,086</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, 2017, as follows:

	Governmental Activities	Business-type Activities	Enterprise Funds
Beginning fund balance/net position, as previously reported	\$ 12,339,756	\$ 40,658,882	\$ 39,941,200
Restated capital assets from physical infrastructure inventory	58,844,614	49,716	49,716
Understated OPEB asset	59,150	-	-
Overstated gain on refunding	-	3,698,771	3,698,771
Understated accounts payable	<u>-</u>	<u>(212,795)</u>	<u>(212,795)</u>
Beginning fund balance/net position, restated	<u>\$ 71,243,520</u>	<u>\$ 44,194,574</u>	<u>\$ 43,476,892</u>

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This restatement reduced previously reported 2016 change in net position for governmental activities by approximately \$2,451,000 and increased previously reported change in net position for business-type activities and enterprise funds by approximately \$111,000.

The City has early implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. As a result, the City will no longer include capitalized interest costs in proprietary fund capital assets. In accordance with the standard, any capitalized interest costs included in capital assets placed in service prior to July 1, 2016, have not been removed or restated.

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, 2017 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)	\$ 4,684,298	MAPS sales and use tax transfer
General Fund	ODOC Grant Fund	127,343	Grant match
General Fund	Capital Improvement Fund	510,940	Capital purchases
AMA	Capital Improvement Fund	1,390,500	Capital purchases
AMA	General Fund	834,000	Emergency reserve funding
AMA	Airport Fund	403,892	Operating transfer
AMA	Emergency 911 Fund	318,386	Operating transfer
AMA	General Fund	6,333,000	Operating transfer
AMA	General Fund	162,411	Debt service
Total		<u>\$ 14,764,770</u>	
Reconciliation to Fund Financial Statements:			
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 10,080,472	\$ (5,322,581)	\$ 4,757,891
Proprietary Funds	4,684,298	(9,442,189)	(4,757,891)
	<u>\$ 14,764,770</u>	<u>\$ (14,764,770)</u>	<u>-</u>
Reconciliation to Statement of Activities:			
		<u>Governmental</u>	<u>Business-Type</u>
Net transfers		\$ 4,757,891	\$ (4,757,891)
Reclassification of capital asset purchases between activities		1,150,675	(1,150,675)
		<u>\$ 5,908,566</u>	<u>\$ (5,908,566)</u>

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Balances:

Interfund receivable and payables at June 30, 2017 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)	\$ 732,517	MAPS sales tax accrual
Assurance Fund	General Fund	17,368	Negative share of pooled cash
AMA	General Fund	447,859	Negative share of pooled cash
AMA	General Fund	127,377	MAPS Sales tax correction
Street & Alley Fund	General Fund	1,330	County taxes deposited in wrong fund
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>\$ 2,748,313</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 2,015,796	\$ (849,287)	\$ 1,166,509
Enterprise Funds	732,517	(1,881,658)	(1,149,141)
Internal Service Funds	-	(17,368)	(17,368)
Total	<u>\$ 2,748,313</u>	<u>\$ (2,748,313)</u>	<u>\$ -</u>

Reconciliation to Government-Wide Financial Statements:

Governmental Funds and Internal Service Funds:		
Due From - Governmental Funds	\$ 2,015,796	
Due to - Governmental Funds	(849,287)	
Due to - Internal Service Funds	(17,368)	
Internal Balances - Governmental Activities	<u>\$ 1,149,141</u>	
Enterprise Funds:		
Due From	\$ 732,517	
Due To	(1,881,658)	
Internal Balances - Business-Type Activities	<u>\$ (1,149,141)</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 – Effective January 2012, covered through purchased insurance. Prior to that, the worker’s compensation is covered through self-insurance using a third party processor to process claims.
- 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.

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Claims Liability Analysis

The claims liabilities related to the above noted risks of loss are 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, 2014 to June 30, 2017 are as follows:

	Total Claims Liability
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
Claims and changes in estimates	204,045
Claims paid	(55,267)
Claims liability, June 30, 2017	\$ 175,431

9. Pension and Other Benefit 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.

The aggregate total for all pension related items for the defined benefit plans are as follows:

	Governmental Activities	Business-type Activities	Plan Totals
Pension Expense:			
Employee Retirement System	\$ 206,733	\$ 222,012	\$ 428,745
Police	310,502	-	310,502
Firefighters	454,422	-	454,422
	\$ 971,657	\$ 222,012	\$ 1,193,669
Net Pension Liability:			
Employee Retirement System	\$ 1,615,291	\$ 1,667,420	\$ 3,282,711
Police	886,739	-	886,739
Firefighters	6,014,319	-	6,014,319
	\$ 8,516,349	\$ 1,667,420	\$ 10,183,769
Deferred Outflow:			
Employee Retirement System	\$ 768,880	\$ 799,222	\$ 1,568,102
Police	1,102,670	-	1,102,670
Firefighters	739,696	-	739,696
	\$ 2,611,246	\$ 799,222	\$ 3,410,468
Deferred Inflow:			
Employee Retirement System	\$ 266,775	\$ 263,346	\$ 530,121
Police	133,162	-	133,162
Firefighters	863,986	-	863,986
	\$ 1,263,923	\$ 263,346	\$ 1,527,269

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 completed 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 contribution 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 \$204,092. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$502,940 (modified-accrual) during the fiscal year and this is reported as both a revenue and expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the Government-wide Statement of Activities, Public Safety Operating Grants and Contributions recognize the State's on-behalf contributions on an accrual basis amount of \$454,528. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the City reported a net pension liability of \$6,014,319 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportion of

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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, 2016. Based upon this information, the City's proportion was 0.492285 percent.

For the year ended June 30, 2017, the City recognized pension expense of \$454,422. At June 30, 2017, 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	\$ 161,227	\$ -
Net difference between projected and actual earnings on pension plan investments	367,984	-
Change in proportion	-	862,709
Difference in contributions during measurement period	6,393	1,277
City contributions subsequent to the measurement date	204,092	-
Total	\$ 739,696	\$ 863,986

The \$204,092 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, 2018. 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:		
2018	\$	(119,959)
2019		(119,959)
2020		71,619
2021		11,159
2022		(137,120)
Thereafter		(34,122)
Total	\$	(328,382)

Actuarial Assumptions- The total pension liability was determined by an actuarial valuation as of July 1, 2016, 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, 2016, 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, 2016, are summarized in the following table:

Asset	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	5.18%
Domestic equity	47%	8.70%
International equity	15%	10.87%
Real estate	10%	7.23%
Other assets	8%	6.24%

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	\$ 7,613,624	\$ 6,014,319	\$ 4,673,434

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 contribution 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 \$241,008. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$211,974 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, Public Safety Operating Grants and Contributions recognize revenue for the state's on-behalf contributions on an accrual basis of \$207,956. 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, 2017, the City reported a net pension liability of \$886,739 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2016. Based upon this information, the City's proportion was 0.57902 percent.

For the year ended June 30, 2017, the City recognized pension expense of \$310,502. At June 30, 2017, 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	\$ 2,845	\$ 99,607
Net difference between projected and actual earnings on pension plan investments	852,005	-
Change in proportion	-	31,505
Difference in contributions during measurement period	6,812	2,050
City contributions subsequent to the measurement date	241,008	-
Total	\$ 1,102,670	\$ 133,162

The \$241,008 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, 2018. 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:		
2018	\$	116,395
2019		116,395
2020		290,782
2021		204,608
2022		320
Total	\$	728,500

Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of July 1, 2016, 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

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Investment rate of return: 7.5% net of pension plan investment expense

Cost-of-living adjustments: Police officers eligible to receive increased benefits according to Repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary.

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, 2016, 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, 2016, are summarized in the following table:

Asset	Long-Term Expected Real Rate of Return
Fixed income	3.27%
Domestic equity	5.16%
International equity	8.61%
Real estate	4.97%
Private equity	8.32%
Commodities	2.42%

The current allocation policy is 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.

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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 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)	\$ 2,326,514	\$ 886,739	\$ (328,931)

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, 2017, the following amounts related to the defined contribution plan:

Payroll for covered employees	\$5,064,293
Employer (City) contributions made	\$ 75,458
Employee contributions made	\$ 61,448

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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, 2017, for employees and employer were \$3,295 and \$26,769, respectively, on a covered payroll of \$186,014.

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>	As of 07/01/16 <u>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	11.88% of covered payroll, city contributed 13.84%
-Employee Rate	4.00% of covered payroll
c. Period Required to Vest	10 years of credited service

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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
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	116
Terminated Vested Employees	13
Retirees or Retiree Beneficiaries	<u>68</u>
Total	<u>197</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 11.88% of covered payroll as of 7-1-16 but the city contributed 13.84% of covered payroll. For the year ended June 30, 2017 the City recognized \$703,408 of employer contributions to the plan which is the city contributed rate amount based on covered payroll of \$5,082,426. Employees' contribution is 4% of covered payroll as of 7-1-16.

F. Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2016
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.50%
c. Projected Salary Increase	Varies between 7.42% and 4% based on age

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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
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, 2016 are summarized in the following table:

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	Long-Term Expected 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	<u>100%</u>		
Average Real Return			4.75%
Inflation			<u>3.00%</u>
Long-term expected return			<u>7.75%</u>

H. Changes in Net Pension Liability

The total pension liability was determined based on an actuarial valuation performed as of July 1, 2016 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, 2016 and the City's report ending date of June 30, 2017, 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	\$ 21,534,109	\$ 19,139,884	\$ 2,394,225
Changes for the Year:			
Service Cost	481,258	-	481,258
Interest	1,602,907	-	1,602,907
Difference between expected and actual experience	(185,051)	-	(185,051)
Contributions - Employer	-	694,586	(694,586)
Contributions - Employee	-	200,692	(200,692)
Net investment income	-	152,627	(152,627)
Benefit payments	(1,735,260)	(1,735,260)	-
Plan administrative expenses	-	(37,277)	37,277
Net Changes	<u>163,854</u>	<u>(724,632)</u>	<u>888,486</u>
Ending Balance	<u>\$ 21,697,963</u>	<u>\$ 18,415,252</u>	<u>\$ 3,282,711</u>

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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	\$ 5,680,538	\$ 3,282,711	\$ 1,197,100

The City reported \$428,745 in pension expense for the year ended June 30, 2017. At June 30, 2017, 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
Net difference between projected and actual earnings on pension plan investments	\$ 833,791	\$ -
Difference between expected and actual experience	-	518,459
Difference in contributions during measurement period	20,803	1,562
Change in proportion	10,100	10,100
City contributions subsequent to the measurement date	703,408	-
Total	\$ 1,568,102	\$ 530,121

The \$703,408 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, 2018. 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:		
	2018	\$ (88,816)
	2019	(88,815)
	2020	284,548
	2021	227,656
	2022	-
		\$ 334,573

Other Post-Employment Benefits

Plan Description: City provides post-retirement benefit options for medical and prescription drug benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a section in the city's employees' policies and procedures manual. These benefits are considered for accounting purposes to be provided in accordance with a

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single employer substantive plan. A substantive plan is one in which the plan terms are understood by the city and plan members. This understanding is based on communications between the employer and plan members and the historical pattern of practice with regard to the sharing of benefit costs. Employees hired before January 1, 2015 are allowed to continue health coverage until Medicare eligible provided they pay the required percentage of premium. The city currently pays 45% of the premiums and the retiree pays 55%. The total premiums are the same amount as active employees. Employees hired after January 1, 2015 are allowed to continue health coverage until Medicare eligible provided they pay 102% of premium amount for active employees. As of June 30, 2017, approximately 31 retired employees are receiving benefits under this plan.

Funding Policy. The contribution requirement of the City includes an implicit subsidy. Also, the city contributes 45% of the retiree’s premium until Medicare eligible for employees hired before January 1, 2015. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost as retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree. The amount required to fund the implicit rate and the city contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2017, the City contributed \$142,906 to the plan. Plan members receiving benefits contributed \$174,663, or approximately 55 percent of the total premiums, through their required contribution of \$364 per month for retiree-only coverage, \$728 per month for retiree and spouse, \$698 per month for retiree and child, and \$1,081 per month for retiree and family.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation for the year ended June 30, 2017:

Annual required contribution	\$ 118,931
Interest on net OPEB asset	(1,775)
Adjustment to annual required contribution	3,018
Annual OPEB cost (expense)	120,174
Contributions made	(142,906)
Decrease (Increase) in net OPEB asset	(22,732)
Net OPEB asset—beginning of year	(59,150)
Net OPEB asset—end of year	\$ (81,882)

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The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the last two years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/16	\$116,954	122.00%	\$(59,150)
6/30/17	\$120,174	119.00%	\$(81,882)

Funded Status and Funding Progress. As of June 30, 2017, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability (AAL) for benefits was \$1,827,124, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,827,124. The covered payroll (annual payroll of active employees covered by the plan) is \$9,058,573, and the ratio of the UAAL to the covered payroll was 20.17 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2017, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.00 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7 percent in year one graded downward 1% per year to 4% in year 4 and later. There were no assets to determine the actuarial value of assets. The UAAL is being amortized over an open 30 year period as level-dollar payments.

10. Commitments and Contingencies

Construction Commitments:

The City had the following construction commitments outstanding at June 30, 2017 with balances left on the contract:

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1. Senior Citizens Center building remodel – Contractors – Joe D. Hall; original contract \$2,554,321, remaining contract \$1,795,876
2. Falcon Road Project – reconstruction; Contractors – Oklahoma Department of Transportation; original contract - \$2,526,050; remaining contract - \$1,645,375
3. Construction of a new fire station – Contractors – Joe D. Hall; original contract - \$8,001,946; remaining contract - \$24,338.
4. New cell construction for landfill; - Contractors – Fox, Dreschler & Brickley, original contract - \$1,000,000; remaining contract - \$87,963
5. Water Treatment Plant Rehabilitation; Contractors – Stephen Cesar and HCCCo, LLC, original contract - \$4,577,681, remaining contract \$211,887.

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 2017, the City's involvement in federal and state award programs was not 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. 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.

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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.

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 increase 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

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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.

GASB Statement 88, *Certain Disclosures related to Debt, including Direct Borrowings and Direct Placements*, issued April 2018, will be effective for the City beginning with its fiscal year ending June 30, 2019. The primary objective of this Statement is to improve the information disclosed in notes to financial statements related to debt. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of this Statement will not have an impact on the City's net position.

GASB Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, issued June 2018, has been early implemented during the current fiscal year.

GASB Statement 90, *Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61*, issued August 2018, will be effective for the City beginning with its fiscal year ending June 30, 2020. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The City has not yet determined the impact that implementation of this Statement will have on its net position.

12. Subsequent Events

In November 2017, the Altus Municipal Authority was awarded an \$11,000,000 CWSRF loan from Oklahoma Water Resources Board. The loan matures in September 2032 and carries an interest rate of 2.50%. Payments range from \$148,445 to \$763,877 semi-annually. The loan proceeds will be used for wastewater improvements and automated metering infrastructure for both water and electric.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2017

	<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:	\$ 3,848,977	\$ 3,848,977	\$ 5,798,637	\$ 1,949,660
Resources (Inflows):				
Taxes	5,442,500	5,442,500	5,605,701	163,201
Intergovernmental	205,000	205,000	250,591	45,591
Charges for services	379,391	379,391	315,131	(64,260)
Fines and forfeitures	233,000	233,000	224,946	(8,054)
Licenses and permits	95,000	95,000	84,503	(10,497)
Investment income	10,000	10,000	22,533	12,533
Miscellaneous	21,000	30,080	117,763	87,683
Total resources (inflows)	<u>6,385,891</u>	<u>6,394,971</u>	<u>6,621,168</u>	<u>226,197</u>
Amounts available for appropriation	<u>10,234,868</u>	<u>10,243,948</u>	<u>12,419,805</u>	<u>2,175,857</u>
Charges to Appropriations (Outflows):				
Departmental:				
General government:				
City Council	75,253	75,253	49,581	25,672
Administrative services	721,639	753,639	752,293	1,346
Law	168,366	168,366	140,566	27,800
Municipal court	152,511	165,511	164,844	667
Cemetery	147,098	147,098	130,841	16,257
Planning	381,177	359,177	337,436	21,741
Information Services	493,741	493,741	313,321	180,420
Finance	407,625	407,625	384,131	23,494
Human Resources	253,367	213,367	181,540	31,827
City Clerk-Treasurer	216,739	216,739	212,785	3,954
Public safety:				
Police-Traffic	2,778,548	2,648,548	2,614,087	34,461
Code Enforcement	124,646	124,646	91,651	32,995
Police-Detective	824,081	841,580	792,664	48,916
Police-Administration	388,278	478,778	478,065	713
Police-Animal Control	208,921	278,501	273,664	4,837
Fire	2,687,476	2,626,976	2,617,037	9,939
Emergency Services	119,011	119,011	111,689	7,322
Public works:				
Street	897,597	857,597	794,970	62,627
Building Maintenance	473,177	433,177	417,294	15,883
Fleet Maintenance	294,671	294,671	282,972	11,699
Culture and recreation:				
Parks-Grounds Maintenance	424,796	463,296	433,806	29,490
Recreation	474,343	424,343	402,908	21,435
Pool	384,545	384,545	357,835	26,710
Public Golf Course	335,423	345,923	341,914	4,009
Total Charges to Appropriations	<u>13,433,029</u>	<u>13,322,108</u>	<u>12,677,894</u>	<u>644,214</u>
Other Financing Sources (Uses):				
Transfers in	7,378,783	7,378,783	7,378,783	-
Transfers out	(780,863)	(780,863)	(850,066)	(69,203)
Total other financing sources (uses)	<u>6,597,920</u>	<u>6,597,920</u>	<u>6,528,717</u>	<u>(69,203)</u>
Ending Budgetary Fund Balance	<u>\$ 3,399,759</u>	<u>\$ 3,519,760</u>	<u>\$ 6,270,628</u>	<u>\$ 2,750,868</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	\$ 12,419,805
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.	(5,798,637)
The City reports on-behalf payments made by state in the General Fund in the fund financial statements, but are not budgeted	714,914
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.	4,684,295
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.	408,900
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds	\$ 12,429,277
Uses/Outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 12,677,894
Differences - budget to GAAP:	
The City reports debt-related activity in the fund financial statements, but are not budgeted.	160,983
The City reports on-behalf payments made by state in the General Fund in the fund financial statements, but are not budgeted	714,914
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.	836,723
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds	\$ 14,390,514

4. For the year ended June 30, 2017, the City complied, in all material respects, with the applicable budget laws.

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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>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.492285%	0.575002%	0.585682%
City's proportionate share of the net pension liability	\$ 6,014,319	\$ 6,103,124	\$ 6,022,844
City's covered-employee payroll	\$ 1,431,814	\$ 1,547,037	\$ 1,466,136
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	420%	395%	411%
Plan fiduciary net position as a percentage of the total pension liability	64.87%	68.27%	68.12%

*The amounts present for each fiscal year were determined as of 6/30 for the measurement period.

Notes to Schedule:

Only the three 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>2017</u>	<u>2016</u>	<u>2015</u>
Statutorially required contribution	\$ 204,092	\$ 200,454	\$ 221,668
Contributions in relation to the statutorially required contribution	<u>204,092</u>	<u>200,454</u>	<u>221,668</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,457,797	\$ 1,431,814	\$ 1,547,037
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.33%

Notes to Schedule:

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

*The amounts present for each fiscal year were determined as of 6/30 for the reporting period.

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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>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.5790%	0.6004%	0.6373%
City's proportionate share of the net pension liability (asset)	\$ 886,739	\$ 24,480	\$ (214,564)
City's covered-employee payroll	\$ 1,783,982	\$ 1,681,039	\$ 1,702,136
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	49.71%	1.46%	12.61%
Plan fiduciary net position as a percentage of the total pension liability (asset)	93.50%	99.82%	101.53%

*The amounts present for each fiscal year were determined as of 6/30 for the measurement period.

Notes to Schedule:

Only three 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>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 241,008	\$ 231,383	\$ 220,570
Contributions in relation to the statutorily required contribution	<u>241,008</u>	<u>231,383</u>	<u>220,570</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,853,914	\$ 1,783,982	\$ 1,681,039
Contributions as a percentage of covered-employee payroll	13.00%	12.97%	13.12%

Notes to Schedule:

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

*The amounts present for each fiscal year were determined as of 6/30 for the reporting period.

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Required Supplementary Information
Oklahoma Municipal Retirement Fund

Schedule of Changes in Net Pension Liability and Related Ratios

Last Three Fiscal Years

	2017	2016	2015
Total pension liability			
Service cost	\$ 481,258	\$ 483,967	\$ 440,674
Interest	1,602,907	1,609,715	1,578,994
Difference between expected and actual experience	(185,051)	(663,485)	-
Benefit payments, including refunds of member contributions	<u>(1,735,260)</u>	<u>(1,308,780)</u>	<u>(1,061,024)</u>
Net change in total pension liability	163,854	121,417	958,644
Total pension liability - beginning	<u>21,534,109</u>	<u>21,412,692</u>	<u>20,454,048</u>
Total pension liability - ending (a)	<u>\$ 21,697,963</u>	<u>\$ 21,534,109</u>	<u>\$ 21,412,692</u>
Plan fiduciary net position			
Contributions - employer	\$ 694,586	\$ 628,869	\$ 627,063
Contributions - member	200,692	181,678	192,278
Net investment income	152,627	530,947	2,728,622
Benefit payments, including refunds of member contributions	(1,735,260)	(1,308,780)	(1,061,024)
Administrative expense	<u>(37,277)</u>	<u>(39,417)</u>	<u>(40,333)</u>
Net change in plan fiduciary net position	(724,632)	(6,703)	2,446,606
Plan fiduciary net position - beginning	<u>19,139,884</u>	<u>19,146,587</u>	<u>16,699,980</u>
Plan fiduciary net position - ending (b)	<u>\$ 18,415,252</u>	<u>\$ 19,139,884</u>	<u>\$ 19,146,586</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ 3,282,711</u>	<u>\$ 2,394,225</u>	<u>\$ 2,266,106</u>
Plan fiduciary net position as a percentage of the total pension liability	84.87%	88.88%	89.42%
Covered employee payroll	\$ 5,177,683	\$ 4,523,779	\$ 4,713,305
Net pension liability as a percentage of covered-employee payroll	63.40%	52.93%	48.08%

Notes to Schedule:

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

*The amounts present for each fiscal year were determined as of 6/30 for the measurement period.

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**Required Supplementary Information
Oklahoma Municipal Retirement Fund**

Schedule of Employer Contributions

Last Three Fiscal Years

		2017		2016		2015
Actuarially determined contribution	\$	603,792	\$	673,617	\$	626,091
Contributions in relation to the actuarially determined contribution		703,408		721,073		626,091
Contribution deficiency (excess)	\$	(99,616)	\$	(47,456)	\$	-
Covered employee payroll	\$	5,082,426	\$	5,177,683	\$	4,523,779
Contributions as a percentage of covered-employee payroll		13.84%		13.93%		13.84%

Notes to Schedule:

1. Only three fiscal years are presented because 10-year data is not yet available.
The amounts present for each fiscal year were determined as of 6/30 for the reporting period.
2. Latest Valuation Date: July 1, 2016
3. Actuarially determined contribution rate is calculated as of July 1, 2016
Fiscal year 2016-2017 actuarially determined contributions are set at a rate of 11.88%.
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 - 27 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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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS
LAST FISCAL YEAR

OPEB Actuarial Information

The funded status and funding progress of the City's defined benefit OPEB plan for the last fiscal year actuarial valuation is as follows:

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Projected Unit Credit (b)	Unfunded Actuarial Accrued Liability (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll [(b) - (a)] / (c)
June 30, 2017	\$ -	\$ 1,827,124	\$ 1,827,124	0.00%	\$ 9,058,573	20.17%

Only one year is presented because three years data is not yet available.

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OTHER SUPPLEMENTARY INFORMATION

CITY OF ALTUS, OKLAHOMA
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Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2017

	Special Revenue Funds				
	<u>ODOC Grant</u>	<u>Altus Donation</u>		<u>Hotel/Motel Tax</u>	<u>Street and Alley</u>
	<u>Fund</u>	<u>Fund</u>	<u>Airport Fund</u>	<u>Fund</u>	<u>Fund</u>
ASSETS					
Cash and cash equivalents	\$ 25,343	\$ 117,353	\$ 167,621	\$ 80,925	\$ 577,789
Interest receivable	-	-	-	-	110
Receivable from other governments	12,650	-	-	-	42,408
Due from other funds	-	-	-	-	-
Utilities receivable, net	-	-	-	-	-
Other receivables	-	-	19,325	26,599	-
Inventories	-	-	40,099	-	-
Total assets	<u>\$ 37,993</u>	<u>\$ 117,353</u>	<u>\$ 227,045</u>	<u>\$ 107,524</u>	<u>\$ 620,307</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 765	\$ 21,014	\$ -	\$ 3,998
Accrued payroll payable	-	-	3,072	-	-
Due to other funds	-	-	-	-	1,330
Total liabilities	<u>-</u>	<u>765</u>	<u>24,086</u>	<u>-</u>	<u>5,328</u>
Fund balances:					
Nonspendable	-	-	40,099	-	-
Restricted	-	116,588	-	107,524	453,910
Assigned	37,993	-	162,860	-	161,069
Total fund balances	<u>37,993</u>	<u>116,588</u>	<u>202,959</u>	<u>107,524</u>	<u>614,979</u>
Total liabilities and fund balances	<u>\$ 37,993</u>	<u>\$ 117,353</u>	<u>\$ 227,045</u>	<u>\$ 107,524</u>	<u>\$ 620,307</u>

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As of and for the Year Ended June 30, 2017

Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2017 (Continued)

	<u>Capital Project Funds</u>						<u>Total Governmental Funds</u>
	<u>Capital Improvement Fund</u>	<u>Economic Development Constuction Fund</u>	<u>Landfill Improvement Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Drainage Improvement Fund</u>	<u>Debt Service</u>	
ASSETS							
Cash and cash equivalents	\$ 2,960,203	\$ 536,474	\$ 350,182	\$ 41,350	\$ 108,863	\$ 5	\$ 4,966,108
Interest receivable	-	-	-	-	-	-	110
Receivable from other governments	-	-	-	-	-	-	55,058
Due from other funds	-	390,099	-	-	-	-	390,099
Utilities receivable, net	-	-	21,286	-	-	-	21,286
Other receivables	-	-	-	-	-	-	45,924
Inventories	-	-	-	-	-	-	40,099
Total assets	<u>\$ 2,960,203</u>	<u>\$ 926,573</u>	<u>\$ 371,468</u>	<u>\$ 41,350</u>	<u>\$ 108,863</u>	<u>\$ 5</u>	<u>\$ 5,518,684</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 5,620	\$ -	\$ -	\$ -	\$ 31,397
Accrued payroll payable	-	-	-	-	-	-	3,072
Due to other funds	115,440	-	-	-	-	-	116,770
Total liabilities	<u>115,440</u>	<u>-</u>	<u>5,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,239</u>
Fund balances:							
Nonspendable	-	-	-	-	-	-	40,099
Restricted	-	926,573	-	41,350	-	5	1,645,950
Assigned	2,844,763	-	365,848	-	108,863	-	3,681,396
Total fund balances	<u>2,844,763</u>	<u>926,573</u>	<u>365,848</u>	<u>41,350</u>	<u>108,863</u>	<u>5</u>	<u>5,367,445</u>
Total liabilities and fund balances	<u>\$ 2,960,203</u>	<u>\$ 926,573</u>	<u>\$ 371,468</u>	<u>\$ 41,350</u>	<u>\$ 108,863</u>	<u>\$ 5</u>	<u>\$ 5,518,684</u>

CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended June 30, 2017

	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>
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 278,280	\$ -
Intergovernmental	60,425	23,658	-	-	165,138
Charges for services	-	-	229,924	-	-
Investment earnings	6	-	-	-	-
Miscellaneous	-	2,654	2,998	-	-
Total revenues	<u>60,431</u>	<u>26,312</u>	<u>232,922</u>	<u>278,280</u>	<u>165,138</u>
EXPENDITURES					
Current:					
General government	-	-	-	255,595	-
Public Safety	-	32,394	-	-	-
Airport	-	-	462,200	-	-
Capital Outlay	122,700	-	40,610	-	212,959
Total Expenditures	<u>122,700</u>	<u>32,394</u>	<u>502,810</u>	<u>255,595</u>	<u>212,959</u>
Excess (deficiency) of revenues over expenditures	<u>(62,269)</u>	<u>(6,082)</u>	<u>(269,888)</u>	<u>22,685</u>	<u>(47,821)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	127,343	-	403,892	-	-
Total other financing sources and uses	<u>127,343</u>	<u>-</u>	<u>403,892</u>	<u>-</u>	<u>-</u>
Net change in fund balances	65,074	(6,082)	134,004	22,685	(47,821)
Fund balances (deficit) - beginning	(27,081)	122,670	68,955	84,839	662,800
Fund balances - ending	<u>\$ 37,993</u>	<u>\$ 116,588</u>	<u>\$ 202,959</u>	<u>\$ 107,524</u>	<u>\$ 614,979</u>

CITY OF ALTUS, OKLAHOMA
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As of and for the Year Ended June 30, 2017

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended June 30, 2017 (Continued)

	<u>Capital Project Funds</u>						<u>Total-Other Governmental Funds</u>
	<u>Capital Improvement Fund</u>	<u>Economic Development Constuction Fund</u>	<u>Landfill Improvement Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Drainage Improvement Fund</u>	<u>Debt Service</u>	
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 278,280
Intergovernmental	-	-	-	-	-	-	249,221
Charges for services	-	-	186,177	1,319	-	-	417,420
Investment earnings	2,739	1,855	-	-	-	-	4,600
Miscellaneous	71,059	-	-	25	-	-	76,736
Total revenues	<u>73,798</u>	<u>1,855</u>	<u>186,177</u>	<u>1,344</u>	<u>-</u>	<u>-</u>	<u>1,026,257</u>
EXPENDITURES							
Current:							
General government	-	-	-	-	-	-	255,595
Public Safety	-	-	-	-	-	-	32,394
Airport	-	-	-	-	-	-	462,200
Capital Outlay	880,675	-	538,011	-	-	-	1,794,955
Total Expenditures	<u>880,675</u>	<u>-</u>	<u>538,011</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,545,144</u>
Excess (deficiency) of revenues over expenditures	<u>(806,877)</u>	<u>1,855</u>	<u>(351,834)</u>	<u>1,344</u>	<u>-</u>	<u>-</u>	<u>(1,518,887)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	1,901,440	-	-	-	-	-	2,432,675
Total other financing sources and uses	<u>1,901,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,432,675</u>
Net change in fund balances	1,094,563	1,855	(351,834)	1,344	-	-	913,788
Fund balances (deficit) - beginning	1,750,200	924,718	717,682	40,006	108,863	5	4,453,657
Fund balances - ending	<u>\$ 2,844,763</u>	<u>\$ 926,573</u>	<u>\$ 365,848</u>	<u>\$ 41,350</u>	<u>\$ 108,863</u>	<u>\$ 5</u>	<u>\$ 5,367,445</u>

**CITY OF ALTUS, OKLAHOMA
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Combining Balance Sheet – General Fund Accounts – June 30, 2017

	<u>General Fund</u>	<u>Park</u>		<u>ARAC</u>	<u>Flex Spending</u>	<u>Total General</u>
		<u>Development</u>	<u>Emergency 911</u>			
		<u>Account</u>	<u>Fund</u>		<u>Account</u>	<u>Fund Accounts</u>
ASSETS						
Cash and cash equivalents	\$ 4,263,031	\$ 11,167	\$ 41,925	\$ 24,058	\$ 50,570	\$ 4,390,751
Receivable from other governments	1,345,787	-	-	-	-	1,345,787
Due from other funds	1,625,697	-	-	-	-	1,625,697
Due from other accounts	-	3,215	-	-	-	3,215
Taxes receivable, net	6,802	-	35,593	-	-	42,395
Court fines receivable, net	66,520	-	-	-	-	66,520
Other receivables	15,069	-	-	-	52	15,121
Inventories	26,298	-	-	-	-	26,298
Total assets	<u>\$ 7,349,204</u>	<u>\$ 14,382</u>	<u>\$ 77,518</u>	<u>\$ 24,058</u>	<u>\$ 50,622</u>	<u>\$ 7,515,784</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 37,523	\$ -	\$ 2,891	\$ 14,056	\$ -	\$ 54,470
Accrued payroll payable	237,217	-	9,358	-	-	246,575
Due to other funds	732,517	-	-	-	-	732,517
Due to other accounts	3,215	-	-	-	-	3,215
Due to bondholders	425	-	-	-	-	425
Accrued interest payable	11,838	-	-	-	-	11,838
Other payables	7,127	-	-	-	50,622	57,749
Total liabilities	<u>1,029,862</u>	<u>-</u>	<u>12,249</u>	<u>14,056</u>	<u>50,622</u>	<u>1,106,789</u>
Deferred inflows of resources:						
Unavailable revenue	47,289	-	-	-	-	47,289
Fund balances:						
Nonspendable	26,298	-	-	-	-	26,298
Assigned	230,000	14,382	65,269	10,002	-	319,653
Unassigned	6,015,755	-	-	-	-	6,015,755
Total fund balances	<u>6,272,053</u>	<u>14,382</u>	<u>65,269</u>	<u>10,002</u>	<u>-</u>	<u>6,361,706</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 7,349,204</u>	<u>\$ 14,382</u>	<u>\$ 77,518</u>	<u>\$ 24,058</u>	<u>\$ 50,622</u>	<u>\$ 7,515,784</u>

CITY OF ALTUS, OKLAHOMA
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Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund Accounts – For the Year Ended June 30, 2017

	<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	\$ 10,289,999	\$ -	\$ 147,381	\$ -	\$ -	\$ 10,437,380
Intergovernmental	985,502	-	-	15,000	-	1,000,502
Charges for services	315,131	-	-	246,022	-	561,153
Fines and forfeitures	255,046	-	-	-	-	255,046
Licenses and permits	84,503	-	-	-	-	84,503
Investment income	22,533	11	-	-	-	22,544
Miscellaneous	67,663	-	-	486	-	68,149
Total revenues	<u>12,020,377</u>	<u>11</u>	<u>147,381</u>	<u>261,508</u>	<u>-</u>	<u>12,429,277</u>
EXPENDITURES						
Current:						
General government	2,655,894	-	-	-	-	2,655,894
Public safety	7,504,920	-	502,275	-	-	8,007,195
Public works	1,466,624	-	-	-	-	1,466,624
Culture and recreation	1,448,296	-	-	318,282	-	1,766,578
Capital outlay	317,074	-	16,166	-	-	333,240
Debt service:						
Principal retirement	136,592	-	-	-	-	136,592
Interest and fiscal charges	24,391	-	-	-	-	24,391
Total expenditures	<u>13,553,791</u>	<u>-</u>	<u>518,441</u>	<u>318,282</u>	<u>-</u>	<u>14,390,514</u>
Excess (deficiency) of revenues over expenditures	<u>(1,533,414)</u>	<u>11</u>	<u>(371,060)</u>	<u>(56,774)</u>	<u>-</u>	<u>(1,961,237)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	7,329,411	-	318,386	-	-	7,647,797
Transfers out	(5,322,581)	-	-	-	-	(5,322,581)
Total other financing sources and uses	<u>2,006,830</u>	<u>-</u>	<u>318,386</u>	<u>-</u>	<u>-</u>	<u>2,325,216</u>
Net change in fund balances	473,416	11	(52,674)	(56,774)	-	363,979
Fund balances - beginning	5,798,637	14,371	117,943	66,776	-	5,997,727
Fund balances - ending	<u>\$ 6,272,053</u>	<u>\$ 14,382</u>	<u>\$ 65,269</u>	<u>\$ 10,002</u>	<u>\$ -</u>	<u>\$ 6,361,706</u>

**CITY OF ALTUS, OKLAHOMA
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Combining Schedule of Net Position – Enterprise Fund Accounts – June 30, 2017

	<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	\$ 333,533	\$ -	\$ -	\$ -	\$ 333,533
Investments	4,518,096	-	-	-	4,518,096
Restricted:					
Cash and cash equivalents	1,958,044	-	7,305,557	854,607	10,118,208
Investments	-	5,024,948	3,485,696	-	8,510,644
Deposit with third party	656,417	-	-	-	656,417
Due from other funds	-	-	732,517	-	732,517
Due from other accounts	660,373	-	-	-	660,373
Accounts receivable, net	6,605,955	-	-	-	6,605,955
Receivables from other governments	1,054,501	-	-	-	1,054,501
Inventories	1,736,741	-	-	-	1,736,741
Total current assets	<u>17,523,660</u>	<u>5,024,948</u>	<u>11,523,770</u>	<u>854,607</u>	<u>34,926,985</u>
Non-current assets:					
Capital assets:					
Land and construction in progress	2,518,224	4,594,225	-	-	7,112,449
Other capital assets, net of accumulated depreciation	44,255,402	-	-	-	44,255,402
Total non-current assets	<u>46,773,626</u>	<u>4,594,225</u>	<u>-</u>	<u>-</u>	<u>51,367,851</u>
Total assets	<u>64,297,286</u>	<u>9,619,173</u>	<u>11,523,770</u>	<u>854,607</u>	<u>86,294,836</u>
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred amount related to pension	<u>799,222</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>799,222</u>
LIABILITIES					
Current liabilities:					
Accounts payable	1,796,563	-	454,804	-	2,251,367
Accrued payroll payable	74,853	-	-	-	74,853
Accrued interest payable	214,121	-	-	-	214,121
Due to other funds	1,881,658	-	-	-	1,881,658
Due to other accounts	-	660,373	-	-	660,373
Payable to other governments	80,409	-	-	-	80,409
Other accrued expenses	-	211,887	113,154	-	325,041
Deposits subject to refund	-	-	-	171,184	171,184
Compensated absences	45,048	-	-	-	45,048
Contract obligation payable	708,615	-	-	-	708,615
Notes payable	3,392,603	-	-	-	3,392,603
Total current liabilities	<u>8,193,870</u>	<u>872,260</u>	<u>567,958</u>	<u>171,184</u>	<u>9,805,272</u>
Non-current liabilities:					
Deposits subject to refund	-	-	-	683,423	683,423
Compensated absences	405,433	-	-	-	405,433
Contract obligation payable	5,665,005	-	-	-	5,665,005
Landfill closure liability	2,988,253	-	-	-	2,988,253
Notes payable	11,603,681	-	-	-	11,603,681
Net pension liability	1,667,420	-	-	-	1,667,420
Total non-current liabilities	<u>22,329,792</u>	<u>-</u>	<u>-</u>	<u>683,423</u>	<u>23,013,215</u>
Total liabilities	<u>30,523,662</u>	<u>872,260</u>	<u>567,958</u>	<u>854,607</u>	<u>32,818,487</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred amount related to pension	263,346	-	-	-	263,346
Deferred amount on long-term debt refunding	-	-	-	-	-
Total deferred inflows of resources	<u>263,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>263,346</u>
NET POSITION					
Invested in capital assets, net of related debt	32,430,657	4,594,225	-	-	37,024,882
Restricted for debt service	1,333,158	-	-	-	1,333,158
Restricted for capital projects	-	4,152,688	-	-	4,152,688
Restricted for MAPS projects	-	-	10,955,812	-	10,955,812
Restricted for other purposes	10,478	-	-	-	10,478
Unrestricted	535,207	-	-	-	535,207
Total net position	<u>\$ 34,309,500</u>	<u>\$ 8,746,913</u>	<u>\$ 10,955,812</u>	<u>\$ -</u>	<u>\$ 54,012,225</u>

CITY OF ALTUS, OKLAHOMA
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Combining Schedule of Revenues, Expenses, and Changes in Net Position – Enterprise Fund
Accounts – Year Ended June 30, 2017

	<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	\$ 5,634,485	\$ -	\$ -	\$ -	\$ 5,634,485
Sewer	2,121,652	-	-	-	2,121,652
Sanitation	3,314,414	-	-	-	3,314,414
Electric	24,889,443	-	-	-	24,889,443
Rents and royalties	58,146	-	-	-	58,146
Miscellaneous	742,358	-	-	-	742,358
Total operating revenues	<u>36,760,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,760,498</u>
OPERATING EXPENSES					
Administration	1,159,701	-	-	-	1,159,701
Water	2,778,399	-	-	-	2,778,399
Sewer	710,316	-	-	-	710,316
Sanitation	1,483,855	-	-	-	1,483,855
Landfill operations (See Note 5)	120,599	-	-	-	120,599
Electric services	15,337,268	-	-	-	15,337,268
Depreciation	2,713,770	-	-	-	2,713,770
Total operating expenses	<u>24,303,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,303,908</u>
Operating income	<u>12,456,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,456,590</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue	20,297	9,244	8,034	-	37,575
Miscellaneous revenue	62,170	-	-	-	62,170
Noncapital grants	158,222	-	-	-	158,222
Payments to school - MAPS	-	-	(356,786)	-	(356,786)
Capital assets transferred out	(6,592)	-	(1,144,083)	-	(1,150,675)
Interest expense	(887,882)	-	-	-	(887,882)
Total non-operating revenue (expenses)	<u>(653,785)</u>	<u>9,244</u>	<u>(1,492,835)</u>	<u>-</u>	<u>(2,137,376)</u>
Income (loss) before transfers, capital contributions, and special items	<u>11,802,805</u>	<u>9,244</u>	<u>(1,492,835)</u>	<u>-</u>	<u>10,319,214</u>
Capital contributions	538,011	-	-	-	538,011
Special item - court settlement	-	4,435,999	-	-	4,435,999
Interaccount transfers In (out)	2,656,244	537,754	(3,193,998)	-	-
Transfers in	-	-	4,684,298	-	4,684,298
Transfers out	(9,442,189)	-	-	-	(9,442,189)
Change in net position	5,554,871	4,982,997	(2,535)	-	10,535,333
Total net position - beginning, restated (See Note 6)	<u>28,754,629</u>	<u>3,763,916</u>	<u>10,958,347</u>	<u>-</u>	<u>43,476,892</u>
Total net position - ending	<u>\$ 34,309,500</u>	<u>\$ 8,746,913</u>	<u>\$ 10,955,812</u>	<u>\$ -</u>	<u>\$ 54,012,225</u>

CITY OF ALTUS, OKLAHOMA
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As of and for the Year Ended June 30, 2017

Combining Statement of Net Position – Internal Service Funds – June 30, 2017

	<u>Workers</u> <u>Comp Fund</u>	<u>Assurance</u> <u>Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 175,431	\$ 303,272	\$ 478,703
Other receivables	-	23,843	23,843
Total assets	<u>175,431</u>	<u>327,115</u>	<u>502,546</u>
LIABILITIES			
Current liabilities:			
Accounts payable	3,961	(3,321)	640
Due to other funds	-	17,368	17,368
Claims liability	102,032	-	102,032
Total current liabilities	<u>105,993</u>	<u>14,047</u>	<u>120,040</u>
Non-current liabilities:			
Claims liability	135,382	-	135,382
Total non-current liabilities	<u>135,382</u>	<u>-</u>	<u>135,382</u>
Total liabilities	<u>241,375</u>	<u>14,047</u>	<u>255,422</u>
NET POSITION			
Unrestricted (deficit)	(65,944)	313,068	247,124
Total net position (deficit)	<u>\$ (65,944)</u>	<u>\$ 313,068</u>	<u>\$ 247,124</u>

Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds – June 30, 2017

	<u>Workers Comp</u> <u>Fund</u>	<u>Assurance</u> <u>Fund</u>	<u>Total</u>
REVENUES			
Charges for services:			
Miscellaneous	\$ -	\$ 24,179	\$ 24,179
Total operating revenues	<u>-</u>	<u>24,179</u>	<u>24,179</u>
OPERATING EXPENSES			
General government	266,028	207,406	473,434
Total operating expenses	<u>266,028</u>	<u>207,406</u>	<u>473,434</u>
Operating income	<u>(266,028)</u>	<u>(183,227)</u>	<u>(449,255)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	272	470	742
Miscellaneous revenue	-	-	-
Total non-operating revenue (expenses)	<u>272</u>	<u>470</u>	<u>742</u>
Change in net position	(265,756)	(182,757)	(448,513)
Total net position - beginning	199,812	495,825	695,637
Total net position (deficit) - ending	<u>\$ (65,944)</u>	<u>\$ 313,068</u>	<u>\$ 247,124</u>

**CITY OF ALTUS, OKLAHOMA
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As of and for the Year Ended June 30, 2017**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

State Grantor/Pass Through Agency		Award	Awards
Grantor/Program Title	Grant #	Amount	Expended
STATE AWARDS:			
Southwestern Oklahoma Development Authority:			
Community Expansion of Nutrition Assistance	260 CENA 17	\$ 1,800	\$ 1,800
Oklahoma Department of Emergency Management:			
2015 Ice Storm - Disaster Assistance	PA State Disaster DR-4256	20,932	20,932
TOTAL STATE AWARDS		\$22,732	\$22,732

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.

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As of and for the Year Ended June 30, 2017

Debt Service Coverage Schedule

	<u>Series 2015 OWRB Drinking Water SRF</u>	<u>Series 2015A AMA Electric Revenue Note</u>
GROSS REVENUE AVAILABLE:		
Pledged operating revenues (electric system)	\$ -	\$ 24,889,443
Pledged operating revenues (water and sewer systems)	<u>7,756,137</u>	<u>-</u>
Total Gross Revenue Available	<u>7,756,137</u>	<u>24,889,443</u>
OPERATING EXPENDITURES:		
Total Operating Expenses (electric systems)	-	15,337,268
Total Operating Expenses (water and sewer systems)	<u>3,488,715</u>	<u>-</u>
Total Operating Expenses	<u>3,488,715</u>	<u>15,337,268</u>
Net Revenue Available for Debt Service	<u>\$ 4,267,422</u>	<u>\$ 9,552,175</u>
Annual Debt Service:		
2015A AMA Electric Revenue Note annual debt service	\$ -	\$ 671,798
2015 OWRB DWSRF Loan Payable maximum annual debt service	<u>175,946</u>	<u>-</u>
Computed Coverage	<u>2425%</u>	<u>1422%</u>
Coverage Requirement	<u>125%</u>	<u>125%</u>

**CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

INTERNAL CONTROL AND COMPLAINE

**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**

Independent Auditor's Report

Honorable Mayor and City Council
City of Altus, Oklahoma
Altus, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and aggregate remaining fund information of the City of Altus, Oklahoma (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 8, 2019, which expressed qualified opinions on the business-type activities and major enterprise fund because of a lack of sufficient competent evidential matter and unmodified opinions on the governmental activities, general fund and aggregate remaining fund information as well as contained an *Emphasis of Matter* paragraph regarding restatements of previously issued financial statements audited by other auditors.

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.

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 and, therefore, material weaknesses or significant deficiencies may

Honorable Mayor and City Council
City of Altus, Oklahoma

exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-01 and 2017-02, that we consider to be material weaknesses.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Responses to the Findings

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

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.

BKD, LLP

Oklahoma City, Oklahoma
March 8, 2019

City of Altus, Oklahoma
Schedule of Findings and Responses
Year Ended June 30, 2017

Reference Number	Finding
2017-01	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control to promote accurate recording of accounting transactions.</p> <p>Condition – Management’s procedures for recording and monitoring inventory balances did not prevent inaccurate recording of transactions.</p> <p>Context – Support could not be provided for inventory balances recorded in the general ledger, and inventory counts had not been performed during the year or at the end of the fiscal year.</p> <p>Effect – Potentially material misstatements in the financial statements or material misappropriation of assets due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p>Cause – Recording and monitoring of detailed inventory records were not being properly maintained by management.</p> <p>Recommendation – Management should consider implementation of policies and procedures around inventory control, including, at a minimum, an annual inventory count and adjustment of inventory balances within the accounting system on a timely basis.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and recommendation. Management will take steps to evaluate the current internal controls over the recording and monitoring of inventory transactions, including ensuring annual inventory counts are completed and accounting records are updated.</p>

City of Altus, Oklahoma
Schedule of Findings and Responses
Year Ended June 30, 2017

Reference Number	Finding
2017-02	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal controls to promote accurate recording and classification of accounting transactions.</p> <p>Condition – Management’s procedures for classifying, recording and monitoring capital assets and deferred inflows of resources did not prevent inaccurate recording of transactions.</p> <p>Context – Material journal entries were required to correct misstatements to capital asset and deferred inflows of resources balances.</p> <p>Effect – Potentially material misstatements in the financial statements or material misappropriation of assets due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p>Cause – Classifying, recording and monitoring of detailed capital asset ledgers were not being properly maintained by management. Additionally, support for a gain on the refunding of debt recorded as a deferred inflow of resources in previous years could not be provided by management and appeared to be incorrectly stated.</p> <p>Recommendation – Management should ensure that controls are adequate to properly record accounting entries. This should include maintenance of detailed listings of capital assets and ensuring any assets disposed of are removed from the detailed listing and the general ledger. Management should also ensure that adequate support is maintained for amounts recorded in the general ledger.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and recommendation. Management will take steps to evaluate the current internal controls over the classifying, recording and monitoring of accounting transactions in these areas.</p>