

City of Altus, Oklahoma

Annual Financial Statements

June 30, 2020

City of Altus, Oklahoma
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June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the City Commission
City of Altus, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Altus, Oklahoma, as of and for the year ended June 30, 2020, 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*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Altus, Oklahoma, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of the City's proportionate share of net pension liabilities on pages 1-8 and 58-76 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 and other auditors 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 of Altus, Oklahoma's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 8, 2021, on our consideration of the City of Altus, Oklahoma'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 of Altus, Oklahoma's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Altus, Oklahoma's internal control over financial reporting and compliance.

FSW&B CPAs-PLLC

FSW&B CPAs-PLLC

Stillwater, Oklahoma

June 8, 2021

CITY OF ALTUS, OKLAHOMA
Management's Discussion and Analysis
Year Ended June 30, 2020

This management's discussion and analysis of the City of Altus, Oklahoma's (the City) provides a financial performance overview of the City's financial activities for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the City's basic financial statements which follow this section.

Financial Highlights

- For the fiscal year ended June 30, 2020, the City's total net position decreased by approximately \$2.3 million or 2.8% after restatement from the prior year and additional spending on capital projects.
- During the year, the City's expenses for governmental activities were \$22.9 million and were funded by sales and use taxes of \$12.5 million, grants and charges for services of \$1.7 million and further funded by miscellaneous income and transfers that totaled \$7.4 million.
- In the City's business-type activities, which is primarily made up of utility operations, charges for services revenue exceed expenses by \$8.6 million.
- At June 30, 2020, the General Fund reported an unassigned fund balance of \$4.2 million, which is an increase of 44.8% from the prior year unassigned fund balance and largely attributable to the accumulation of investment funds and a restatement of prior year fund balance due to OPEB Liability.
- For budgetary reporting purposes, the General Fund reported revenues over final estimates of \$0.2 million or 1.3%, while expenditures were under the final appropriations by \$0.2 million or 1.0%.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the City and its component units using the integrated approach as prescribed by GASB Statement Nos. 14, 34, 39, 61 and 80. 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 resource 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's financial reporting entity (including infrastructure capital assets) and deferred outflows, as well as all liabilities (including all long-term debt) and deferred inflows.

About the City

The City is an incorporated municipality with a population of approximately 19,000 located in Jackson County in southwestern Oklahoma.

CITY OF ALTUS, OKLAHOMA
Management's Discussion and Analysis
Year Ended June 30, 2020

The City is a Council-Manager form of government and is governed by a nine-member City 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 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, the City of Altus, and its blended component unit, Altus Municipal Authority. The City of Altus provides public safety, health and welfare, streets and highways, parks and recreation, and administrative activities. Altus Municipal Authority operates the electric, water, wastewater 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 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) and the City's funds (a presentation of the City's major and aggregate nonmajor 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** – Provides useful analysis that facilitates a better understanding of the City's financial condition and changes therein
- **Notes to Financial Statements** – Elaborates on the City's accounting principles used in the preparation of the financial statements and further explain financial statement elements
- **Required Supplementary Information** – Provides other information required by GASB, such as budgetary comparisons, pension and other postemployment benefit (OPEB) information
- **Other Supplementary Information** – Provides combining schedules, state awards information and debt service coverage 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

CITY OF ALTUS, OKLAHOMA
Management's Discussion and Analysis
Year Ended June 30, 2020

that helps answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report the City's net position and changes in it from the prior year. You can think of the City's net position—the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources—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 types 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 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 funds.

- **Governmental Funds** – Most of the City's basic services are reported in governmental funds, which focus on how cash 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 net position; and statement of cash flows. In fact, the City's enterprise funds are essentially the same as the business-type activities reported in the government-wide financial statements but provide more detail and additional information, such as cash flows.

CITY OF ALTUS, OKLAHOMA
Management's Discussion and Analysis
Year Ended June 30, 2020

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 2020, this investment in capital assets, net of related debt amounted to \$104.4 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 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 of resources exceeded liabilities and deferred inflows of resources by \$127.0 million at the close of the most recent fiscal year.

The following table presents the City's net position for the primary government (in thousands):

	Governmental Activities			Business-Type Activities			Total		
	2020	2019	% Increase (Decrease)	2020	2019	% Increase (Decrease)	2020	2019	% Increase (Decrease)
Assets									
Current and other assets	\$23,918	\$20,457	16.9%	\$20,595	\$24,777	(16.9)%	\$ 44,513	\$ 45,234	(1.6)%
Capital assets, net	66,608	75,019	(11.2)%	58,146	55,690	4.4%	124,754	130,709	(4.6)%
Total assets	90,526	95,476	(5.2)%	78,741	80,467	(2.1)%	169,267	175,943	(3.8)%
Deferred Outflows of Resources	<u>2,040</u>	<u>2,036</u>	0.2%	<u>510</u>	<u>1,066</u>	(52.2)%	<u>2,550</u>	<u>3,102</u>	(17.8)%
Total assets and deferred outflows of resources	92,566	97,512	(5.1)%	79,251	81,533	(2.8)%	171,817	179,045	(4.0)%
Liabilities									
Current liabilities	722	816	(11.5)%	4,700	9,017	(47.9)%	5,422	9,833	(44.9)%
Noncurrent liabilities	12,298	15,625	(21.3)%	23,199	21,960	5.6%	35,497	37,585	(5.6)%
Total liabilities	13,020	16,441	(20.8)%	27,899	30,977	(9.9)%	40,919	47,418	(13.7)%
Deferred Inflows of Resources	<u>2,307</u>	<u>1,568</u>	47.1%	<u>194</u>	<u>333</u>	(41.7)%	<u>2,501</u>	<u>1,901</u>	31.6%
Total liabilities and deferred inflows of resources	15,327	18,009	(14.9)%	28,093	31,310	(10.3)%	43,420	49,319	(12.0)%
Net Position									
Net investment in capital assets	66,177	74,148	(10.8)%	41,964	33,384	25.7%	108,141	107,532	0.6%
Restricted	10,007	4,405	127.2%	9,058	8,879	2.0%	19,065	13,284	43.5%
Unrestricted	1,055	950	11.1%	136	7,960	(98.3)%	1,191	8,910	(86.6)%
Total net position	<u>\$77,239</u>	<u>\$79,503</u>	(2.8)%	<u>\$51,158</u>	<u>\$50,223</u>	1.9%	<u>\$128,397</u>	<u>\$129,726</u>	(1.0)%

A major portion of the City's net position, \$18.8 million, also represents resources that are subject to restrictions from external groups, such as creditors, grantors, laws and regulations of other governments, that place restrictions on how they may be used. The remaining balance, \$1.2 million, of unrestricted net position includes a committed amount of \$6.5 million for emergency reserves that requires certain criteria be met and a vote of at least six members of the City Council to amend or spend these funds, leaving \$1.2 million of unrestricted net position to meet the government's ongoing obligations to citizens and creditors.

The 0.2% increase in deferred outflows of resources and the 47.1% increase in deferred inflows of resources are due mainly to changes in estimates related to the City's pension and OPEB plans.

CITY OF ALTUS, OKLAHOMA
Management's Discussion and Analysis
Year Ended June 30, 2020

The \$7.7 million or 86.6% decrease in unrestricted net position is due mainly to a prior year adjustments, which are a result of changes to the governmental activities' capital asset correction and adjustments to the OPEB liability.

The \$0.12 million or 0.1% decrease in net investment in capital assets is due mainly to the adjustment made to capital assets.

Changes in Net Position

For the year ended June 30, 2020, net position of the primary government changed as follows (in thousands):

	Governmental Activities			Business-Type Activities			Total		
	2020	2019	% Increase (Decrease)	2020	2019	% Increase (Decrease)	2020	2019	% Increase (Decrease)
Revenues									
Charges for services	\$ 1,770	\$ 1,372	29.0%	\$ 37,543	\$ 35,988	4.3%	\$ 39,313	\$ 37,360	5.2%
Operating grants and contributions	423	764	(44.6)%	-	156	(100.0)%	\$ 423	\$ 920	(54.0)%
Taxes	12,475	10,554	18.2%	-	-	0.0%	\$ 12,475	\$ 10,554	18.2%
Investment income	187	147	27.2%	-	168	(100.0)%	\$ 187	\$ 315	(40.6)%
Miscellaneous	330	966	(65.8)%	530	521	1.7%	\$ 860	\$ 1,487	(42.2)%
Total revenues	<u>15,185</u>	<u>13,803</u>	10.0%	<u>38,073</u>	<u>36,833</u>	3.4%	<u>53,258</u>	<u>50,636</u>	5.2%
Expenses									
General government	4,996	4,010	24.6%	-	-	100.0%	4,996	4,010	24.6%
Public safety	11,028	10,085	9.4%	-	-	0.0%	11,028	10,085	9.4%
Public works	3,655	4,871	(25.0)%	-	-	0.0%	3,655	4,871	(25.0)%
Culture, parks and recreation	2,302	2,686	(14.3)%	-	-	0.0%	2,302	2,686	(14.3)%
Airport	889	766	16.1%	-	-	0.0%	889	766	16.1%
Interest on long-term debt	-	-	0.0%	383	-	100.0%	383	-	100.0%
Water	-	-	0.0%	6,342	4,235	49.8%	6,342	4,235	49.8%
Wastewater	-	-	0.0%	1,557	2,370	(34.3)%	1,557	2,370	(34.3)%
Sanitation	-	-	0.0%	3,645	4,851	(24.9)%	3,645	4,851	(24.9)%
Electric	-	-	0.0%	17,430	17,660	(1.3)%	17,430	17,660	(1.3)%
Intergovernmental	-	-	0.0%	-	-	0.0%	-	-	0.0%
Total expenses	<u>22,870</u>	<u>22,418</u>	2.0%	<u>29,357</u>	<u>29,116</u>	0.8%	<u>52,227</u>	<u>51,534</u>	1.3%
Excess (Deficiency) of Revenues over (Under) Expenses Before Special Items and Transfers	<u>(7,685)</u>	<u>(8,615)</u>	(10.8)%	<u>8,716</u>	<u>7,717</u>	12.9%	<u>1,031</u>	<u>(898)</u>	(214.8)%
Special Items									
Insurance settlement	118	-	100.0%	-	-	0.0%	118	-	100.0%
Total special items	<u>118</u>	<u>-</u>	100.0%	<u>-</u>	<u>-</u>	0.0%	<u>118</u>	<u>-</u>	100.0%
Transfers	<u>7,048</u>	<u>10,306</u>	(31.6)%	<u>(10,451)</u>	<u>(7,028)</u>	48.7%	<u>(3,403)</u>	<u>3,278</u>	0.0%
Change in Net Position	<u>(519)</u>	<u>1,691</u>	(130.7)%	<u>(1,735)</u>	<u>689</u>	(351.8)%	<u>(2,254)</u>	<u>2,380</u>	(194.7)%
Net Position, Beginning of Year	<u>77,758</u>	<u>77,812</u>	(0.1)%	<u>52,009</u>	<u>49,535</u>	5.0%	<u>129,767</u>	<u>127,347</u>	1.9%
Net Position, End of Year	<u>\$ 77,239</u>	<u>\$ 79,503</u>	(2.8)%	<u>\$ 50,274</u>	<u>\$ 50,224</u>	0.1%	<u>\$ 127,513</u>	<u>\$ 129,727</u>	(1.7)%

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

Governmental Activities

- Miscellaneous revenues decreased 65.8% mainly due to insurance recoveries from storm damages that were received in FY 2019.
- Expenditures for general government and public works had a 24.6% increase and a 25.0% decrease, respectively, due to changes in the way certain expenditures were reported.

CITY OF ALTUS, OKLAHOMA
Management's Discussion and Analysis
Year Ended June 30, 2020

Business-Type Activities

- For business-type activities there were no significant changes to revenue other than some small grants terminating in FY 2020.
- Expenses for Water, Wastewater and Sanitation increased by 49.8% and decreased by 34.3% and 24.9% respectively due to reclassifications between accounts, however overall expenses increased by only 0.8%.

Governmental Activities

The statement of activities format is significantly different from a typical statement of revenues, expenditures and changes in fund balances. Expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net revenue (expense). The reason for this 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.

The following table presents the City's net revenue (expense) of governmental activities (in thousands):

	Total Expense of Services			Net Revenue (Expense) of Services		
	2020	2019	% Increase (Decrease)	2020	2019	% Increase (Decrease)
General government	\$ 4,996	\$ 4,011	24.6%	\$ (3,637)	\$ (3,748)	(3.0)%
Public safety	11,028	10,084	9.4%	(10,829)	(9,554)	13.3%
Public works	3,655	4,871	(25.0)%	(3,654)	(4,871)	(25.0)%
Culture, parks and recreation	2,302	2,686	(14.3)%	(2,051)	(2,356)	(12.9)%
Airport	889	766	16.1%	(502)	(518)	(3.1)%
Interest on long-term debt	-	-	0.0%	-	-	0.0%
Total revenues (expense)	\$ 22,870	\$ 22,418	2.0%	\$ (20,673)	\$ (21,047)	(1.8)%

Business-Type Activities

The following table presents the City's net revenue (expense) of business-type activities (in thousands):

Explanations for changes in excess of 20% and \$500,000 are explained previously, in addition to the following:

	Total Expense of Services			Net Revenue (Expense) of Services		
	2020	2019	% Increase (Decrease)	2020	2019	% Increase (Decrease)
Water	\$ 6,342	\$ 4,235	49.8%	\$ 79	\$ 1,465	(94.6)%
Wastewater	1,557	2,370	(34.3)%	872	(138)	(731.9)%
Sanitation	3,645	4,851	(24.9)%	372	(813)	(145.8)%
Electric	17,430	17,660	(1.3)%	7,097	6,514	8.9%
Education	-	-	0.0%	-	-	0.0%
Total revenues (expense)	\$ 28,974	\$ 29,116	(0.5)%	\$ 8,420	\$ 7,028	19.8%

CITY OF ALTUS, OKLAHOMA
Management's Discussion and Analysis
Year Ended June 30, 2020

- Water expenses increased 49.8% and net revenue decreased 94.6% primarily due to the following reasons (in thousands):

Decrease in Wastewater due to construction ending on a large project	\$ (813,000)
Increase in Water expenses partially due to several capital projects	\$ 2,107,000
Decrease in sanitation due to decrease in landfill costs	\$ (1,206,000)

A Financial Analysis of the City's Funds

As the City completed its 2020 fiscal year, the governmental funds reported a combined fund balance of \$22.8 million or a 37.8% increase mainly due to transfers into the capital improvement and emergency funds. The enterprise funds reported combined net position of \$50.2 million or a 0.2% decrease from 2019 mainly due to the use or transfer of restricted net position for MAPS projects and the emergency fund.

Other fund highlights include:

- At June 30, 2020, the General Fund reported an unassigned fund balance of \$4.1 million, which is a increase of 44.8% from the prior year unassigned fund balance. The increase is primarily due to the city council's approving a separate fund for the emergency reserve of the City.
- For the year ended June 30, 2020, the General Fund's total fund balance increased by approximately \$2.4 million or 27.5%
- The capital improvement fund's total fund balance increased by approximately \$0.7 million or 8.5% due to various capital projects that were finalized in FY 2020.

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 1.8% or \$192,500 and an increase in expenditure appropriations of 1.2% or \$172,604. Actual revenues were above the estimate by \$0.3 million or 2.6%, while expenditures were under final appropriations by \$0.2 million or 1.1%.

Capital Asset and Debt Administration

Capital Assets

At the end of June 30, 2020, the City had \$124.7 million invested in capital assets, net of accumulated depreciation, including police and fire equipment, buildings, park facilities, streets and water and wastewater lines. This represents a net decrease of approximately \$6.0 million over 2019. This significant decrease was partially due to a correction to the prior year's capital assets and to transfers out of completed projects for MAPS.

The following table presents a summary of the City's capital assets, net of accumulated depreciation (in thousands):

CITY OF ALTUS, OKLAHOMA
Management's Discussion and Analysis
Year Ended June 30, 2020

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,244	\$ 1,244	\$ 1,305	\$ 1,305	\$ 2,549	\$ 2,549
Buildings and improvements	18,069	22,142	28,123	34,063	46,192	56,205
Infrastructure	101,632	100,923			101,632	100,923
Machinery and equipment	13,112	10,531	8,340	7,854	21,452	18,385
Water rights			24,647	24,647	24,647	24,647
Utility property			42,795	36,781	42,795	36,781
Construction in progress	913	4,518	11,938	7,088	12,851	11,606
Less: Accum Depreciation	(68,361)	(64,339)	(59,004)	(56,049)	(127,365)	(120,388)
Total	<u>\$ 66,609</u>	<u>\$ 75,019</u>	<u>\$ 58,144</u>	<u>\$ 55,689</u>	<u>\$ 124,753</u>	<u>\$ 130,708</u>

This year's more significant capital asset additions included:

Additions to Construction in Progress:
Water treatment plant

\$4.9 million

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

Long-Term Debt

At June 30, 2020, the City had \$19.6 million in total debt outstanding, which represents an approximate \$0.8 million or 4.1% decrease from 2019. The decrease results mainly from regular payments on notes payable.

The City's changes in long-term debt by type of debt are as follows (in thousands):

	Governmental Activities		Business-Type Activities		Total		Total
	2020	2019	2020	2019	2020	2019	Percentage Change
Notes payable	\$ -	\$ 851	\$ 14,692	\$ 14,676	\$ 14,692	\$ 15,527	(5.4)%
Contract obligations payable	-	-	4,177	4,933	4,177	4,933	(15.3)%
Total	<u>\$ -</u>	<u>\$ 851</u>	<u>\$ 18,869</u>	<u>\$ 19,609</u>	<u>\$ 18,869</u>	<u>\$ 20,460</u>	(7.8)%

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

The Economic Outlook

The City and the Altus Municipal Authority developed the fiscal year 2019–2020 budget with defined goals and conservative revenue projections. The adopted fiscal year 2020 budget, including all funds and transfers, is \$104,389,673 which will include \$11,304,000 of capital improvements. The City's primary sources of revenue are sales tax and utility revenues. The fiscal year 2020 budget projects a slight increase in established revenues due to a slight increase in the population over 2019. The goal for fiscal year 2019–2020 is to have the revenues exceed the expenses.

CITY OF ALTUS, OKLAHOMA
Management's Discussion and Analysis
Year Ended June 30, 2020

Contacting the City's Financial Management

This report is designed to provide the City's 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 fiscal officer at 509 South Main, Altus, Oklahoma 73521 or the website at www.altusok.gov.

BASIC FINANCIAL STATEMENTS

City of Altus, Oklahoma
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and Cash Equivalents	\$ 11,866,159	\$ 5,431,963	\$ 17,298,122
Investments	10,409,781	5,046,262	15,456,043
Restricted Cash and Cash Equivalents	-	2,909,641	2,909,641
Deposit with Third Party	-	639,396	639,396
Accrued Interest Receivable	-	-	-
Accounts Receivable, Net of Allowance	270,434	5,441,040	5,711,474
Taxes Receivable	154,971	-	154,971
Court Fines Receivable, Net of Allowance	161,046	-	161,046
Due from Other Governments	975,745	-	975,745
Internal Balances	-	-	-
Inventory	42,311	1,126,804	1,169,115
Net Pension Asset	37,125	-	37,125
Capital Assets			-
Land and Other Nondepreciable Assets	2,157,716	13,242,600	15,400,316
Other Capital Assets, Net of Depreciation	64,450,701	44,902,511	109,353,212
Total Assets	90,525,989	78,740,217	169,266,206
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions	1,862,348	510,074	2,372,422
Deferred Outflows Related to OPEB	177,989	-	177,989
	2,040,337	510,074	2,550,411
Total Assets and Deferred Outflows of Resources	92,566,326	79,250,291	171,638,628
Liabilities and Deferred Inflows of Resources			
Liabilities			
Accounts Payable	431,086	722,562	1,153,648
Accrued Payroll Liabilities	112,084	138,982	251,066
Accrued Interest Payable	-	171,793	171,793
Due to Depositors	-	-	-
Payable to Other Governments	-	134,312	134,312
Other Payables	-	130,143	130,143
Long-term Liabilities			-
Due within One Year	178,978	3,402,277	3,581,255
Due in More than One Year	12,298,004	23,199,470	35,497,474
Total Liabilities	13,020,152	27,899,539	40,919,691
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	2,130,799	192,599	2,323,398
Deferred Inflows Related to OPEB	176,154	-	176,154
Total Deferred Inflows of Resources	2,306,953	192,599	2,499,552
Total Liabilities and Deferred Inflows of Resources	15,327,105	28,092,138	43,419,243
Net Position			
Net Investment in Capital Assets	66,177,331	41,964,105	108,141,436
Restricted for			
Capital Projects	10,007,003	4,614,887	14,621,890
Debt Service	-	2,682,525	2,682,525.00
Economic Development	-	-	-
MAPS Projects	-	1,940,868	1,940,868
Other Purposes	-	-	-
Unrestricted	1,054,887	(44,231)	1,010,656
Total Net Position	\$ 77,239,221	\$ 51,158,154	\$ 128,397,375

City of Altus, Oklahoma
Statement of Activities
June 30, 2020

Functions/Programs	Program Revenue				Net Revenue (Expense) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental Activities							
General Government	\$ 4,995,615	\$ 1,037,907	\$ 53,927	\$ 267,213	\$ (3,636,568)	\$ -	\$ (3,636,568)
Public Safety	11,028,385	198,936	-	-	(10,829,449)	-	(10,829,449)
Public Works	3,654,625	-	-	-	(3,654,625)	-	(3,654,625)
Culture, Parks and Recreation	2,302,181	200,747	-	50,000	(2,051,434)	-	(2,051,434)
Airport	889,411	332,088	55,482	-	(501,841)	-	(501,841)
Total Governmental Activities	<u>22,870,217</u>	<u>1,769,678</u>	<u>109,409</u>	<u>317,213</u>	<u>(20,673,917)</u>	<u>-</u>	<u>(20,673,917)</u>
Business-Type Activities							
Water	6,067,020	6,478,420	-	-	-	411,400	411,400
Wastewater	1,554,667	2,458,357	-	-	-	903,690	903,690
Sanitation	4,832,666	4,966,901	-	-	-	134,235	134,235
Electric	17,422,392	24,526,793	-	-	-	7,104,401	7,104,401
Total Business-Type Activities	<u>29,876,745</u>	<u>38,430,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,553,726</u>	<u>8,553,726</u>
Total Primary Government	<u>\$ 52,746,962</u>	<u>\$ 40,200,149</u>	<u>\$ 109,409</u>	<u>\$ 317,213</u>	<u>\$ (20,673,917)</u>	<u>\$ 8,553,726</u>	<u>\$ (12,120,191)</u>
General Revenues							
Taxes					11,462,504	-	11,462,504
Insurance Recoveries					118,374	-	118,374
Intergovernmental					1,008,302	(3,539,681)	(2,531,379)
Investment Income (Expense)					187,555	(327,893)	(140,338)
Miscellaneous					330,327	532,670	862,997
Transfers –Internal Activity					7,048,057	(7,008,025)	40,032
Total General Revenues and Transfers					<u>20,155,119</u>	<u>(10,342,929)</u>	<u>9,812,190</u>
Change in Net Position					<u>(518,798)</u>	<u>(1,789,203)</u>	<u>(2,308,001)</u>
Net Position, Beginning of Year, as Previously Reported					<u>79,503,080</u>	<u>50,223,791</u>	<u>129,726,871</u>
Prior Period Adjustments (see Note 1)					<u>(1,745,061)</u>	<u>2,723,566</u>	<u>978,505</u>
Net Position, Beginning of Year, as Restated					<u>77,758,019</u>	<u>52,947,357</u>	<u>130,705,376</u>
Net Position, End of Year					<u>\$ 77,239,221</u>	<u>\$ 51,158,154</u>	<u>\$ 128,397,375</u>

City of Altus, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Government Funds
Assets				
Cash and Cash Equivalents	\$ 4,646,630	\$ 4,294,326	\$ 2,702,847	\$ 11,643,803
Investments	5,157,842	4,706,222	-	9,864,064
Interest Receivable	975,745	-	110	975,855
Taxes Receivable, Net	127,484	-	95,777	223,261
Court Fines Receivable, Net	161,046	-	-	161,046
Utilities Receivable, Net	188,102	-	-	188,102
Other Receivables	-	-	-	-
Inventories	-	-	42,311	42,311
Total Assets	<u>11,256,849</u>	<u>9,000,548</u>	<u>2,841,045</u>	<u>23,098,442</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts Payable	125,007	-	9,731	134,738
Accrued Payroll	219,580	-	4,911	224,491
Deferred Revenue	-	-	237,113	237,113
Due to Other Funds	-	-	-	-
Accrued Interest Payable	-	-	-	-
Other Payables	24,442	-	-	24,442
Total Liabilities	<u>369,029</u>	<u>-</u>	<u>251,755</u>	<u>620,784</u>
Deferred Inflows of Resources				
Unavailable Revenue	-	-	-	-
Fund Balances				
Nonspendable	-	-	42,311	42,311
Restricted	-	9,000,548	792,320	9,792,868
Committed	6,591,525	-	-	6,591,525
Assigned	249,178	-	1,754,659	2,003,837
Unassigned	4,047,117	-	-	4,047,117
Total Fund Balances	<u>10,887,820</u>	<u>9,000,548</u>	<u>2,589,290</u>	<u>22,477,658</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 11,256,849</u>	<u>\$ 9,000,548</u>	<u>\$ 2,841,045</u>	<u>\$ 23,098,442</u>

City of Altus, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2020

	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Government Funds
Revenues				
Taxes	\$ 9,892,529	1,037,480	\$ 472,761	\$ 11,402,770
Intergovernmental	1,111,575	-	85,582	1,197,157
Charges for Services	325,052	-	523,701	848,753
Fines and Forfeitures	194,632	-	-	194,632
Licenses and Permits	220,284	-	-	220,284
Investment Earnings	162,359	194,285	4,085	360,729
Miscellaneous	329,489	13,184	33	342,706
Total Revenues	<u>12,235,920</u>	<u>1,244,949</u>	<u>1,086,162</u>	<u>14,567,031</u>
Expenditures				
Current				
General Government	3,111,454	-	293,423	3,404,877
Public Safety	8,563,285	-	-	8,563,285
Public Works	1,393,620	-	-	1,393,620
Culture, Parks and Recreation	2,017,331	-	-	2,017,331
Airport	-	-	599,602	599,602
Capital Outlay	286,306	2,656,913	736,582	3,679,801
Total Expenditures	<u>15,371,996</u>	<u>2,656,913</u>	<u>1,629,607</u>	<u>19,658,516</u>
Excess (Deficiency) of Revenues Over(Under) Expenditures	<u>(3,136,076)</u>	<u>(1,411,964)</u>	<u>(543,445)</u>	<u>(5,091,485)</u>
Other Financing Sources (Uses)				
Insurance Recoveries	-	118,374	-	118,374
Sale of Property	-	-	-	-
Transfers In	9,378,655	2,000,000	645,936	12,024,591
Transfers Out	(4,579,423)	-	(150,652)	(4,730,075)
Total Other Financing Sources (Uses)	<u>4,799,232</u>	<u>2,118,374</u>	<u>495,284</u>	<u>7,412,890</u>
Net Changes in Fund Balances	<u>1,663,156</u>	<u>706,410</u>	<u>(48,161)</u>	<u>2,321,405</u>
Fund Balances, June 30, 2019	8,614,303	8,294,138	2,640,701	19,549,142
Prior Period Adjustment	610,361	-	(3,250)	607,111
Fund Balance, July 1, 2019	9,224,664	8,294,138	2,637,451	20,156,253
Fund Balances, End of Year	<u>\$ 10,887,820</u>	<u>\$ 9,000,548</u>	<u>\$ 2,589,290</u>	<u>\$ 22,477,658</u>

City of Altus, Oklahoma
Reconciliation of the Balance Sheet - Governmental Funds to
the Statement of Net Position
June 30, 2020

Total Fund Balance, Governmental Funds	\$	22,477,658
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		66,608,418
<p>Certain other long-term assets and deferred outflows of resources are not available to pay current period expenditures and, therefore, are deferred in the funds:</p>		
Court Fines Receivable		
Net Pension Asset		37,125
Pension Related Deferred Outflows		1,892,348
OPEB Related Deferred Outflows		177,989
<p>Certain long-term liabilities and related accounts and deferred inflows of resources are due and payable from current financial resources and, therefore, are not reported in the funds</p>		
Accrued compensated absences		(1,710,272)
Net pension liability		(7,535,725)
OPEB liability		(3,161,918)
Pension-related deferred inflows		(2,130,799)
OPEB-related deferred inflows		(176,154)
<p>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 assets for the City. However, they are included in the business-type activities in the statement of net position</p>		
		(347,624)
<p>Internal service funds are used by management to charge costs of certain activities that benefit multiple funds to individual funds. The assets and liabilities of the internal service funds are reported in multiple governmental funds. However for financial statement purposes, the assets and liabilities of certain internal service funds are reported in governmental activities in the statement of net position</p>		
		653,022
<p>The inclusion of internal services funds in governmental activities in the statement of net position creates interfund assets and liabilities. Certain balances are due to or from business-type activities after the consolidation process</p>		
		(151,746)
Net prior period adjustments related to capital assets and pension adjustments		606,899
Net position of governmental activities in the statement of net position	\$	<u><u>77,239,221</u></u>

City of Altus, Oklahoma
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year Ended June 30, 2020

Net Change in Fund Balances – Total Governmental Funds	\$ 2,321,405
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	3,512,716
Depreciation expense	(3,817,349)
Net capital asset contributed from business-type activities	360,613
In the statement of activities, the cost of pension and OPEB benefits earned, net of employee contributions is reported as an element of pension and OPEB expense. The fund financial statements report pension and OPEB contributions as expenditures	
	1,124,747
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	(247,789)
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 in the business-type activities column of the statement of activities.	
	58,232
Internal service fund activity is reported as a proprietary fund in the fund financial statements, but certain net revenues are reported in governmental activities on the statement of activities	
	65,358
The inclusion of internal service funds in governmental activities in the statement of activities creates interfund revenues or expenses. Certain balances are recorded as transfer revenue or expense after the consolidation process	
	65,359
Net prior period adjustments related to capital assets and pension adjustments	<u>(1,955,303)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 1,487,989</u></u>

City of Altus, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2020

	Altus Municipal Authority	Internal Service Funds
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and Cash Equivalents	\$ 5,431,963	\$ 768,072
Investments	5,046,262	243,127
Restricted Cash and Cash Equivalents	2,909,641	-
Deposit with Third Party	639,396	-
Accounts Receivable, Net	5,429,243	-
Other Receivables	11,797	-
Inventories	1,126,804	-
Total Current Assets	20,595,106	1,011,199
Noncurrent Assets		
Land and Construction in Progress	13,242,600	-
Other Capital Assets, Net of Accumulated Depreciation	44,902,511	-
Total Noncurrent Assets	58,145,111	-
Total Assets	78,740,217	1,011,199
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	510,074	-
Total Assets and Deferred Outflows of Resources	\$ 79,250,291	\$ 1,011,199
Liabilities and Deferred Inflows of Resources		
Current Liabilities		
Accounts Payable	722,561	-
Accrued Payroll	138,982	-
Accrued Interest Payable	171,793	-
Payable to Other Governments	134,312	-
Other Accrued Expenses	130,143	-
Deposits Subject to Refund	224,375	-
Compensated Absences	59,902	-
Contract Obligation Payable	783,000	-
Claims Liability	-	321,815
Notes Payable	2,335,000	-
Total Current Liabilities	4,700,068	321,815
Noncurrent Liabilities		
Deposits Subject to Refund	755,915	-
Compensated Absences	539,122	-
Contract Obligation Payable	3,394,305	-
Landfill Closure Liability	4,148,852	-
Claims Liability	-	36,362
Notes Payable	12,357,989	-
Net Pension Liability	2,003,287	-
Total Noncurrent Liabilities	23,199,470	36,362
Total Liabilities	27,899,538	358,177
Deferred Inflows of Resources		
Deferred Inflows Related to Pensions	192,599	-
Total Deferred Inflows of Resources	192,599	-
Total Liabilities and Deferred Inflows of Resources	28,092,137	358,177
Net Position		
Net Investment in Capital Assets	41,964,105	-
Restricted for Debt Service	-	-
Restricted for Capital Projects	4,614,887	-
Restricted for MAPS pProjects	1,940,868	-
Unrestricted	2,638,294	653,023
Total Net Position	\$ 51,158,154	\$ 653,023

City of Altus, Oklahoma
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2020

	Altus Municipal Authority	Internal Service Funds
Operating Revenues		
Water	\$ 6,478,420	\$ -
Wastewater	2,458,357	-
Sanitation	4,966,901	-
Electric	24,526,793	-
Miscellaneous	532,670	90,515
	<hr/>	<hr/>
Total Operating Revenues	38,963,141	90,515
	<hr/>	<hr/>
Operating Expenses		
General Government	-	25,156
Administration	3,700,746	-
Water	3,450,450	-
Wastewater	1,190,230	-
Sanitation	2,378,863	-
Landfill Operations (see Note 5)	1,623,631	-
Electric Services	14,480,692	-
Depreciation	2,955,497	-
	<hr/>	<hr/>
Total Operating Expenses	29,780,109	25,156
	<hr/>	<hr/>
Operating Income	9,183,032	65,359
	<hr/>	<hr/>
Nonoperating Revenues (Expenses)		
Interest and Investment Revenue	189,757	-
Payments to School – MAPS	(3,539,681)	-
Interest Expense	(517,650)	-
	<hr/>	<hr/>
Total Nonoperating Revenues (Expenses)	(3,867,574)	-
	<hr/>	<hr/>
Income Before Transfers	5,315,458	65,359
	<hr/>	<hr/>
Transfers		
Transfers In	4,874,698	-
Transfers Out	(11,882,723)	-
	<hr/>	<hr/>
	(7,008,025)	-
	<hr/>	<hr/>
Change in Net Position	(1,692,567)	65,359
	<hr/>	<hr/>
Net Position, Beginning of Year, as Restated	52,850,721	587,664
	<hr/>	<hr/>
Net Position, End of Year	\$ 51,158,154	\$ 653,023
	<hr/> <hr/>	<hr/> <hr/>

City of Altus, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2020

	Altus Municipal Authority	Internal Service Funds
Operating Activities		
Receipts from Customers and Others	\$ 36,954,895	\$ 123,155
Payments to Suppliers	(21,868,000)	(167,292)
Payments to Employees	(4,262,861)	-
	10,824,034	(44,137)
Noncapital Financing Activities		
Transfers from Other Funds	4,929,301	-
Transfers to Other Funds	(11,882,723)	-
	(6,953,422)	-
Capital and Related Financing Activities		
Purchases of Capital Assets	(5,410,977)	-
Capital Payments on Behalf of Other Governments	(3,539,683)	-
Prior Period Correction to Capital Assets	1,785,034	-
Increase in Contract Obligation	(755,595)	289,111
Principal Paid on Debt	185,588	-
Interest and Fiscal Agent Fees Paid on Debt	(548,286)	-
	(8,283,919)	289,111
Investing Activities		
Sale of Investments	3,660,586	-
Interest and Dividends	169,407	-
	3,829,993	-
Net Decrease in Cash and Cash Equivalents	(583,314)	244,974
Cash and Cash Equivalents, Beginning of Year	9,564,314	523,098
Cash and Cash Equivalents, End of Year	\$ 8,981,000	\$ 768,072
 Reconciliation to Statement of Net Position		
Cash and Cash Equivalents	5,431,963	768,072
Restricted Cash and Cash Equivalents – Current	3,549,037	-
	8,981,000	768,072
 Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities		
Operating Income	9,183,032	65,359
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities		
Depreciation Expense	2,955,497	-
Changes in Assets and Liabilities		
Due from Other Funds	(2,046,148)	-
Accounts Receivable	(605,036)	-
Deferred Outflows	555,806	-
Other Receivables	31,846	32,641
Inventory	598,144	-
Accounts Payable	557,366	-
Accrued Payroll Payable	37,552	-
Deferred Inflows	(140,921)	-
Other Accrued Expenses	-	(142,137)
Landfill Closure Liability	(636,164)	-
Pension and OPEB Liabilities and Related Accounts	281,129	-
Deposits Subject to Refund	60,831	-
Accrued Compensated Absences	(8,900)	-
	10,824,034	(44,137)

NOTES TO FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Altus, Oklahoma's (the City) financial reporting entity includes the primary government (City of Altus) and its blended component unit, Altus Municipal Authority (the Authority). The City of Altus provides municipal services, such as general government, public safety, health and welfare, streets and highways, parks and recreation, and administrative activities. The Authority operates the electric, water, wastewater and sanitation services of the City.

The Authority is governed by the City Council (the Trustees), and the City is able to impose its will on the Authority through required approval of all debt obligations issued by the Authority. In determining the financial reporting entity, the City fully complies with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*; GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, that require all component units of which the City is financially accountable be included in the financial report.

The Authority, as the component unit of the City, is a public trust established pursuant to Title 60 of Oklahoma state law. Public trusts have no taxing power. Public trusts are generally created to finance city services through issuance of revenue bonds or other non-general obligation debt and to enable the public trusts to delegate certain functions to the governing body of the Authority. Public trusts generally retain title to assets that are acquired or constructed with Authority debt or other Authority-generated resources. The City, as beneficiary of the public trusts, 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 financial statements. The City does have a contract obligation payable to the District. More information can be found in *Note 5*.

Basis of Presentation and Accounting

Government-Wide Financial Statements

The accompanying 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 accompanying 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, parks 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 Community Development Block Grants (CDBG) operating grants.
- Water – Water sales and operating contributions from the care program.
- Wastewater – Wastewater charges.
- Sanitation – Sanitation charges.
- Electric – Electric charges and Federal Emergency Management Agency 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 and Altus Recreational Advisory Committee (ARAC) accounts are included with the General Fund).
- Major Fund – Capital Improvement Fund – Accounts for transfers from other funds and grant monies to be used for major capital improvements.
- Aggregated Nonmajor Funds (reported as Nonmajor 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.
- 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 – 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 fund 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 (AMA Fund) – Accounts for the activities of the public trust in providing electric, water, wastewater and sanitation services to the public. For reporting purposes, the Water Treatment Plant, MAPS Sales Tax and Meter Deposit accounts are included with the Authority
- Internal Service Funds (combined for reporting purposes)
 - Workers' Compensation Fund – Accounts for charges to the operating funds of the City used to pay workers' 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

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 statements of net position and activities, both governmental and business- type activities are presented using the economic resources measurement focus as defined below.

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

- All governmental funds utilize the 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.
- The proprietary fund utilizes the 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 statements of net position and 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 deferred outflows of resources and liabilities and deferred inflows of resources 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 the 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.

Assets and Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources and Equity

Cash, Cash Equivalents and Investments

For the purposes of the accompanying government-wide statement of net position, balance sheet – governmental funds, statement of net position – proprietary funds and statement of cash flows – proprietary funds, cash and cash equivalents include all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

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

Receivables

In the government-wide financial 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. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. 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 for 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.

In the government-wide financial statements, all capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their acquisition value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 1992. Prior to June 30, 1992, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the accompanying government-wide statement of activities, with accumulated depreciation reflected in the accompanying

government-wide statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 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

In the accompanying 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 accompanying government-wide financial statements.

Restricted Assets

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

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial 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 (uses) and payment of principal and interest reported as expenditures. The accounting for the proprietary funds is the same in the fund financial statements as it is in the government-wide financial statements.

Cost-Sharing and Agent Multiple-Employer Defined Benefit Pension Plans

The City participates in two cost-sharing multiple-employer defined benefit pension plans, the Oklahoma Firefighters Pension & Retirement System and the Oklahoma Police Pension & Retirement System, and one agent multiple-employer defined benefit pension plan, the Oklahoma Municipal Retirement Fund (collectively, the Plans). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to the pensions and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Defined Benefit Other Postemployment Benefit Plan

The City has a single employer defined benefit OPEB plan (the OPEB Plan). For purposes of measuring the total OPEB liability and deferred inflows of resources related to OPEB and OPEB expense, these line items have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources, which represent a consumption of net position that applies to a future reporting period and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until that time. 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, which represent an acquisition of net position that applies to a future reporting period and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The City currently has three items related to pensions, OPEB and a debt refunding that qualify for reporting in this category. More information can be found in *Notes 9 and 10*.

Additionally, as reported in the accompanying balance sheet – governmental funds, there are unavailable revenues attributable to court fines not received within the 60-day recognition period.

Compensated Absences

Under terms of union contracts and city personnel policies, city employees are granted compensatory time, vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation and compensatory 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 financial 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

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- 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
- 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
- Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets

In the fund financial 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 financial statements.

Revenues, Expenditures and Expenses

Sales Tax

The City presently levies a 3.75 cent sales tax. The sales tax is collected by the Oklahoma Tax Commission (OTC) and remitted to the City in the month following receipt by the OTC. After recording in the General Fund, sales tax proceeds of 1.75 cent tax is transferred to the MAPS Sales Tax Account of the 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, 2020, the City did not levy a property tax and had no general obligation-bonded debt or court-assessed judgments outstanding at June 30, 2020.

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, governmental fund expenditures are classified as current, debt service and capital outlay. Proprietary fund expenses are classified as operating or nonoperating.

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

Internal and Interfund Balances and Activities

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

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

- Interfund loans – Amounts provided with a requirement for repayment are reported as interfund receivables and payables
- Interfund services – Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses
- 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

- Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

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

- 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.
- 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 2: Cash, Cash Equivalents and Investments

At June 30, 2020, the City held the following deposits and investments:

Type	Maturities	Credit Rating	Carrying Value
Deposits			
Demand Deposits	N/A	N/A	\$ 20,840,209
Cash on Hand	N/A	N/A	6,950
Time Deposits	Less than one year	N/A	8,207,107
			<u>29,054,266</u>
Investments			
Money Market Mutual Funds	Less than one year	AAA	7,248,936
Total Deposits and Investments			<u>36,303,202</u>
Reconciliation to Statement of Net Position			
Cash and Cash Equivalents			24,926,538
Restricted Cash and Cash Equivalents			4,127,728
Investments			7,248,936
			<u>\$ 36,303,202</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 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 Veterans Affairs, Federal Housing Administration, Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation; and Federal Home Loan Bank letters of credit. In addition, collateral is limited to direct debt obligations of municipalities or counties in Oklahoma that hold an "A" rating or better. Also, as required by Federal Section 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 financial institution's board of directors or loan committee.

At June 30, 2020, none of the City's bank balances of \$20,815,522 were exposed to custodial credit risk.

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.

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 Administration and debentures issued by the Federal Housing Administration and in obligations of the Federal National Mortgage Association and Government National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a, b, c and d.

Concentration of Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percentage (more than 5%) of total investments of the City. 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, 2020, the City's investments were not exposed to concentration of credit risk.

Investments Measured at Fair Value

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; U.S. treasuries, agencies, money market, and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical securities.

Level 2 inputs; Governmental bonds, corporate bonds, other fixed income instruments, and international bonds classified in Level 2 of the fair value hierarchy are valued based on significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates), or other market corroborated inputs.

Level 3 inputs; Securities valued at Level 3 are based on significant unobservable outputs based on all information available in the circumstances to the extent observable outputs are not available. The fair value of commingled U.S. debt, commingled equity funds, and related short-term investments classified in Level 3 represent the value of unit positions in funds that are not publicly traded on an exchange. Fair value of these securities can be impacted by redemption restrictions imposed by the fund managers. Real estate, commingled real estate funds, and infrastructure investment funds are valued using discounted cash flow techniques.

The following is a summary of assets held at fair value at June 30, 2020:

Description	Investments	Investments Measured by Fair Value			
	Measured at Cost	Fair Value	Level 1	Level 2	Level 3
Mutual Fund (s)	\$ -	\$ 7,248,936	\$ 7,248,936	\$ -	\$ -
Certificates of Deposit Registry	8,207,107	-	-	-	-
Total	<u>\$ 8,207,107</u>	<u>\$ 7,248,936</u>	<u>\$ 7,248,936</u>	<u>\$ -</u>	<u>\$ -</u>

Restricted Cash and Investments

The amounts reported as restricted assets on the accompanying statement of net position – proprietary funds are comprised of amounts restricted for debt service, capital projects, MAPS projects or other purposes.

The restricted assets as of June 30, 2020, are as follows:

	Current	
	Cash and Cash Equivalents	Investments
MAPS projects	\$ 1,728,616	\$ -
OWRB DWSRF Account	24,897	-
Series 2008 Sales Tax Revenue Note	184,910	-
Series 2009 Sales Tax Revenue Note	264,293	-
Series 2011 Sales Tax Revenue Note	86,384	-
2014 Mountain Park Trustee Account	1,097,187	-
Series 2015 Sales Tax Revenue Note – debt service	338,903	-
Series 2015 Sales Tax Revenue Note – construction	402,538	-
	\$ 4,127,728	\$ -

Note 3: Receivables

Accounts Receivable

Accounts receivable of the business-type activities consist of customer 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.

The balance of accounts receivables as of June 30, 2020, are as follows:

	Accounts Receivable	Less Allowance for Uncollectable Accounts	Net Accounts Receivable
Governmental activities			
Other accounts receivable	\$ 270,434	\$ -	\$ 270,434
Taxes receivable	154,971	-	154,971
Court fines receivable, net	195,661	(34,371)	161,290
Due from other governments	975,745	-	975,745
Total governmental activities	\$ 1,596,811	\$ (34,371)	\$ 1,562,440
Business-type activities:			
Utilities	\$ 6,845,136	\$ (1,404,096)	\$ 5,441,040
Total business-type activities	\$ 6,845,136	\$ (1,404,096)	\$ 5,441,040

Note 4: Capital Assets and Depreciation

Capital Assets

Capital assets consist of land, construction in progress, buildings and improvements, machinery and equipment, utility property and infrastructure. Purchased capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation. For the year ended June 30, 2020, capital asset balances changed as follows:

Governmental Activities	Balance, July 1, 2019	Additions	Transfers	Disposals	Balance, June 30, 2020
Capital assets not being depreciated:					
Land	\$ 1,244,402	\$ -	\$ -	\$ -	\$ 1,244,402
Construction in progress	4,518,135	913,314	(4,518,135)	-	913,314
Total capital assets not being depreciated:	<u>5,762,537</u>	<u>913,314</u>	<u>(4,518,135)</u>	<u>-</u>	<u>2,157,716</u>
Other capital assets					
Buildings and improvements	22,142,656	222,440	(4,296,595)	-	18,068,501
Infrastructure	100,922,521	-	709,087	-	101,631,608
Machinery and equipment	10,530,671	2,742,584	-	(161,395)	13,111,860
Total other capital assets at historical cost:	<u>133,595,848</u>	<u>2,965,024</u>	<u>(3,587,508)</u>	<u>(161,395)</u>	<u>132,811,969</u>
Less accumulated depreciation:					
Buildings and improvements	7,976,306	359,221	142,327	-	8,477,854
Infrastructure	49,646,740	2,841,485	(135,828)	-	52,352,397
Machinery and equipment	6,715,887	616,643	198,487	-	7,531,017
Total accumulated depreciation:	<u>64,338,933</u>	<u>3,817,349</u>	<u>204,986</u>	<u>-</u>	<u>68,361,268</u>
Other capital assets, net:	<u>69,256,915</u>	<u>(852,325)</u>	<u>(3,792,494)</u>	<u>(161,395)</u>	<u>64,450,701</u>
Governmental activities capital assets, net:	<u>\$ 75,019,452</u>	<u>\$ 60,989</u>	<u>\$ (8,310,629)</u>	<u>\$ (161,395)</u>	<u>\$ 66,608,417</u>

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset.

Depreciation was charged to the following functions as listed below:

General government	\$ 101,764
Public safety	492,499
Public works	2,838,345
Culture, parks and recreation	176,259
Airport	208,482
Total:	<u>\$ 3,817,349</u>

Business-Type Activities

	Balance July 1, 2019	Additions	Transfers	Disposals	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 1,304,662	\$ -	\$ -	\$ -	\$ 1,304,662
Construction in progress	7,592,674	4,345,224	-	-	11,937,898
Total capital assets not being depreciated:	8,392,254	4,345,224	-	-	13,242,560
Other capital assets:					
Buildings and improvements	34,063,012	90,239	(6,029,964)	-	28,123,287
Water rights	24,647,726	-	-	-	24,647,726
Machinery and equipment	7,854,393	852,787	(366,081)	-	8,341,099
Utility property	36,781,186	902,730	5,111,436	-	42,795,352
Total other capital assets at historical cost:	103,346,317	1,845,756	(1,284,609)	-	103,907,464
Less accumulated depreciation:					
Buildings and improvements	11,758,693	591,545	-	-	12,350,238
Water rights	16,583,317	616,193	-	-	17,199,510
Machinery and equipment	4,846,824	550,582	-	-	5,397,406
Utility property	22,860,104	1,197,179	-	-	24,057,283
Total accumulated depreciation:	56,048,938	2,955,499	-	-	59,004,437
Other capital assets, net:	47,297,379	(1,109,743)	(1,284,609)	-	44,903,027
Business-type activities capital assets, net:	\$ 55,689,633	\$ 3,235,481	\$ (1,284,609)	\$ -	\$ 58,145,111

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 was charged to the following functions as listed below:

Water	\$ 1,736,752
Wastewater	148,374
Sanitation	324,352
Electric	523,163
Admin	217,533
Golf	5,325
Total:	<u>\$ 2,955,499</u>

Note 5: Long-Term Liabilities

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

For the year ended June 30, 2020, the City's long-term liabilities changed as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Current Portion
Governmental Activities					
Notes payable	\$ 851,761	\$ -	\$ (851,761)	\$ -	\$ -
Accrued compensated absences	1,435,565	1,004,316	(729,609)	1,710,272	146,273
Net OPEB liability	1,185,999	1,975,919	-	3,161,918	-
Net pension liability	8,451,143	-	(915,418)	7,535,725	-
Claims liability	69,067	-	-	69,067	32,705
Total governmental activities:	<u>11,993,535</u>	<u>2,980,235</u>	<u>(2,496,788)</u>	<u>12,476,982</u>	<u>178,978</u>
Business-Type Activities					
Notes payable	16,271,762	2,972,142	(4,550,916)	14,692,989	2,335,000
Contract obligations payable	4,932,900	-	(755,595)	4,177,305	783,000
Accrued compensated absences	634,761	351,763	(387,499)	599,025	59,902
Net pension liability	1,865,104	138,183	-	2,003,287	-
Landfill closure liability	4,424,585	-	(275,733)	4,148,852	-
Deposits subject to refund	887,199	93,090	-	980,289	181,650
Total business-type activities:	<u>29,016,311</u>	<u>3,555,178</u>	<u>(5,969,743)</u>	<u>26,601,747</u>	<u>3,359,552</u>
Total long-term debt	<u>\$ 41,009,846</u>	<u>\$ 6,535,413</u>	<u>\$ (8,466,531)</u>	<u>\$ 39,078,728</u>	<u>\$ 3,538,530</u>

Reconciliation to Statement of Net Position

Governmental activities:

Due within one year	\$ 178,978
Due in more than one year	<u>12,298,004</u>
Total governmental activities long-term liabilities:	<u>12,476,982</u>

Business-type activities:

Due within one year	3,359,552
Due in more than one year	<u>23,242,195</u>
Total business-type activities long-term liabilities:	<u>\$26,601,747</u>

Governmental Activities Long-Term Debt

Accrued Compensated Absences

Accrued compensated absences reported in the governmental activities are comprised of accrued vacation leave, sick leave and compensatory time. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The City's General Fund is responsible for liquidation of the liability.

Current Portion	\$ 206,175
Noncurrent Portion	<u>2,103,122</u>
Total accrued compensated absences:	<u>\$ 2,309,297</u>

Estimated Claims Liability

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

Current Portion	\$ 55,254
Noncurrent Portion	13,813
Total estimated claims liability:	<u>\$ 69,067</u>

Business-Type Activities Long-Term Debt

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

As of June 30, 2020, the long-term debt from proprietary fund resources consisted of the following:

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

\$14,285,000, Altus Municipal Authority Sales Tax Revenue Note, Series 2009, dated March 25, 2009, due in quarterly installments of \$145,000 to \$395,000 plus interest at 4.25% beginning August 1, 2009, with final payment due November 1, 2020, secured by sales tax revenues from a special sales tax of 1.75% as approved by voters of the City on August 26, 2009, proceeds to be used by the City and Altus School District for capital improvements. \$ 785,000

\$4,000,000, Altus Municipal Authority Sales Tax Revenue Note, Series 2011, dated March 25, 2009, due in quarterly installments of \$95,000 to \$130,000 plus interest at 2.94% beginning August 1, 2009, with final payment due November 1, 2020, secured by sales tax revenues from a special sales tax of 1.75% as approved by voters of the City on August 26, 2009, proceeds to be used by the City and Altus School District for capital improvements. \$ 260,000

\$2,300,000, OWRB 2015 Series Drinking Water SRF Promissory Note, dated April 28, 2015, due in semi-annual installments of \$57,500 plus interest at 2.81% beginning September 15, 2016, with final payment due March 15, 2036, secured by a pledge of revenues generated from water and wastewater, proceeds to be used by the City for water system improvements. \$ 641,030

\$5,530,000, Series 2015A Altus Municipal Authority Electric System Utility Revenue Note, 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 the note were used to refund the 2013A Junior Lien Utility Revenue Note (used to purchase fire equipment); Promissory Note to NBC Oklahoma 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 wastewater infrastructure); Series 2014 Note to OMPA dated May 20, 2014 (used to purchase wastewater infrastructure); remainder used to purchase various utility equipment. The fire equipment portion of the note was paid in full during fiscal year 2019 so the note is no longer allocated between the governmental activities and the business activities.

\$ 2,915,000

\$11,000,000, OWRB 2017 Series Clean Water SRF Promissory Note, dated November 3, 2017, due in semi-annual installments of \$5,000 to \$754,000 plus interest beginning March 15, 2018, with final payment due September 15, 2032, secured by a pledge of revenues generated from water and wastewater, proceeds to be used by the City to construct wastewater and meter infrastructure improvements.

\$ 9,546,959

Total Notes Payable, proprietary fund

\$ 14,692,989

Current Portion

\$ 2,335,000

Noncurrent Portion

12,357,989

Total Notes Payable:

\$ 14,692,989

Contract Obligation Payable

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.

\$ 4,177,305

Current Portion

\$ 783,000

Noncurrent portion

3,394,305

Total contract obligations payable:

\$ 4,177,305

Accrued Compensated Absences

Government:

Current Portion	\$ 146,273
Noncurrent Portion	<u>1,563,999</u>
Total accrued compensated absences:	<u><u>\$ 1,710,272</u></u>

Business:

Current Portion	\$ 59,902
Noncurrent Portion	<u>539,123</u>
Total accrued compensated absences:	<u><u>\$ 599,025</u></u>

Landfill Closure Liability

Current Portion	\$ -
Noncurrent Portion	<u>4,148,852</u>
Total landfill closure liability:	<u><u>\$ 4,148,852</u></u>

Deposits Subject to Refund

Current Portion	\$ 181,650
Noncurrent Portion	<u>798,639</u>
Total Deposits Subject to Refund:	<u><u>\$ 980,289</u></u>

Debt Service Requirements to Maturity

For the Year Ended 06/30/2020	Business-Type Activities			
	Note Payable		Contract Obligation Payable	
	Prin	Int	Prin	Int
2021	2,335,000	301,046	783,000	129,863
2022	760,000	261,612	806,490	104,145
2023	780,000	245,418	833,895	77,598
2024	790,000	228,857	861,300	50,222
2025	887,000	211,955	892,620	21,888
2026-2030	7,395,000	724,095	-	-
2031-2035	3,587,805	86,207	-	-
2036-2040	115,000	1,992	-	-
	<u>\$ 16,649,805</u>	<u>\$ 2,061,182</u>	<u>\$ 4,177,305</u>	<u>\$ 383,716</u>
Less remaining funds to be drawn down.	<u>(1,956,816)</u>			
Total	<u><u>\$ 14,692,989</u></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 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 \$2,256,016 reported as accrued landfill closure cost liability at June 30, 2020, represents the cumulative amount of such costs reported to date based on the use of 73% of the estimated capacity of the landfill. The Authority will recognize the remaining estimated costs of closure and post-closure care in the amount of \$851,444 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 2019. At June 30, 2020, the landfill had a remaining estimated useful life of 3.98 years. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

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

Pledge of Future Revenues

Sales Tax Pledge – The City has pledged one and $\frac{3}{4}$ cents of each dollar of future sales tax revenues (as approved by voters on 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 \$4,822,640. Total pledged sales taxes received for the year ended June 30, 2020, were \$4,515,314. Debt service payments for the current fiscal year of \$3,089,036 were 68.4% of the pledged sales taxes.

Utility Net Revenues Pledge – The City has also pledged future water and wastewater net revenues to repay \$2,300,000 and \$11,000,000 of the OWRB 2015 Series Drinking Water SRF Promissory Note and OWRB 2017 Series Clean Water SRF Promissory Note, respectively. Proceeds from the notes provided financing for utility system capital assets. The notes are payable through 2036 and 2032, respectively. The total principal and interest payable for the remainder of the life of these notes is \$7,346,732. The notes are payable from the above-mentioned utility net revenues. The debt service payments on the notes for the year ended June 30, 2020, were \$257,337, which was 6.7% of pledged net utility revenues of \$3,771,405.

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 Utility Revenue Note. Proceeds from the note 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 this note is \$3,745,198. The note is payable from the above-mentioned electric net revenues. The debt service payments on the note for the year ended June 30, 2020, were \$748,470, which was 9.7% of pledged net electric revenues of \$7,724,678.

Note 6: Net Position and Fund Balances

Fund Statements

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

Nonspendable – Includes amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact.

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.

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.

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.

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 requires 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 accompanying balance sheet, governmental funds:

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable				
Inventory	\$ -	\$ -	\$ 42,311	\$ 42,311
Restricted:				
Capital Projects	-	9,000,548	-	9,000,548
MAPS Projects	-	-	-	-
Donor Requirements	-	-	-	-
Economic Development	-	-	730,218	730,218
Cemetery Improvements	-	-	37,031	37,031
Juvenile Court Fund	-	-	25,071	25,071
Total Restricted	-	9,000,548	792,320	9,792,868
Committed:				
Emergency Reserves	6,591,525	-	-	6,591,525
Assigned:				
ODOC Grant Purposes	-	-	64,119	64,119
Landfill Improvements	-	-	347,624	347,624
Street Development	-	-	397,635	397,635
Airport	-	-	515,933	515,933
Public Safety	223,274	-	-	223,274
Park Development	25,904	-	-	25,904
Capital Improvements	-	-	429,348	429,348
Total Assigned	249,178	-	1,754,659	2,003,837
Unassigned	4,047,117	-	-	4,047,117
Total Fund Balances	\$ 10,887,820	\$ 9,000,548	\$ 2,589,290	\$ 22,477,658

The City has adopted Ordinance No. 27-1, which established the Emergency Fund. It was created for the purpose of receiving, holding and accounting for amounts designated as emergency reserves. Contributions are required to be made by the General Fund, the Authority and other funds and accounts as deemed appropriate by the City Council as shown by approval of the annual budget or by resolution. Amounts held in the Emergency Fund may only be expended when certain specific circumstances exist that are not expected to recur on a routine basis as outlined in the ordinance. Further, the existence of the specific circumstances must be declared by the affirmative vote of at least six members of the City Council. These funds are classified as committed and totaled \$6,591,525.

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. The restrictions are as follows:

	State Statutes	External Parties Voters/Donors Grantors	Total
Governmental Activities			
Capital Projects:			
Economic Development Construction Fund	\$ -	\$ 546,718	\$ 546,718
Capital Projects	-	9,000,548	9,000,548
Cemetery Perpetual Care Fund	37,031	-	37,031
Total Capital Projects	37,031	9,547,266	9,584,297
Economic Development:			
Hotel/Motel Tax Fund	-	183,500	183,500
Other:			
Juvenile Court Fund	-	25,071	25,071
Street and Alley Fund	397,635	-	397,635
Total Other:	397,635	25,071	422,706
Total Governmental Activities:	434,666	9,755,837	10,190,503
Business-Type Activities			
Capital Projects			
Water Treatment Plant	-	4,614,887	4,614,887
Debt Service			
Trustee Accounts less Accrued Interest Payable	-	2,682,525	2,682,525
MAPS Projects	-	1,940,868	1,940,868
Total Business-Type Activities	-	9,238,280	9,238,280
Total Restricted Net Position	\$ 434,666	\$ 18,994,117	\$ 19,428,783

Note 7: Internal and Interfund Balances and Transfers

The City's policy is to eliminate interfund transfers and balances in the accompanying statements of net position and activities 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 financial 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, 2020, were as follows:

Transfer from	Transfer to	Amount	Purpose of Transfer
General Fund	AMA Fund (MAPS Sales Tax Account)	\$ 4,579,423	MAPS sales and use tax transfer
General Fund	Cemetery Perpetual Care Fund	4,349	Operating transfer
AMA Fund	General Fund	8,000,000	Operating transfer
AMA Fund	Airport Fund	432,723	Operating transfer
AMA Fund	Capital Improvement Fund	2,000,000	Capital projects
AMA Fund	Emergency Fund	1,000,000	Emergency reserve funding
AMA Fund	Emergency 911 Fund	350,000	Operating transfer
AMA Fund	Landfill Improvement Fund	100,000	Operating transfer
Drainage Improvement Fund	Military Capital Project Fund	108,863	Operating transfer
Non-major Funds	General Fund	28,655	Operating transfer
Juvenile Fund	AMA Fund	41,789	Capital transfer
		<u>\$ 16,645,802</u>	

	Transfers In	Transfers Out	Net Transfers
Reconciliation to Fund Financial Statements:			
Governmental Funds	\$ 12,024,590	\$ (4,976,289)	\$ 7,048,301
Proprietary Funds	4,971,089	(11,882,723)	(6,911,634)
	<u>\$ 16,995,679</u>	<u>\$ (16,859,012)</u>	<u>\$ 136,667 **</u>

** Net transfers do not zero out because of transfers of capital assets from enterprise funds to governmental funds.

Balances

Interfund receivables and payables at June 30, 2020, were zero.

Note 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.
- Workers' Compensation – Effective January 2012, covered through purchased insurance. Prior to that, the workers' 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.

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 claim's liability for the City from July 1, 2018 to June 30, 2020, are as follows:

	Total Claims Liability
Claims liability, June 30, 2018	111,509
Claims and changes in estimates	807
Claims paid	(43,249)
Claims liability, June 30, 2019	69,067
Claims and changes in estimates	-
Claims paid	-
Claims liability, June 30, 2020	<u>\$ 69,067</u>

Note 9: Pension and Other Benefit Plan Participation

The City participates in five pension or retirement plans:

- Oklahoma Firefighters Pension & Retirement System (OFPRS) – A statewide cost-sharing multiple-employer defined benefit pension plan
- Oklahoma Police Pension & Retirement System (OPPRS) – A statewide cost-sharing multiple employer defined benefit pension plans
- Oklahoma Municipal Retirement Fund (OkMRF)
 - An agent multiple employer defined benefit pension plan
 - A defined contribution plan
 - A defined contribution plan – City Manager plan

The aggregate total for all pension-related items for three defined benefit plans is as follows:

	Governmental Activities	Business-Type Activities	Plan Total
Pension Expense			
Employee Retirement System	\$ 562,315	\$ 517,566	\$ 1,079,881
Police	441,345	-	441,345
Firefighters	841,277	-	841,277
	<u>\$ 1,844,937</u>	<u>\$ 517,566</u>	<u>\$ 2,362,503</u>
Net Pension Liability (Asset)			
Employee Retirement System	\$ 2,176,490	\$ 2,003,287	\$ 4,179,777
Police	(37,125)	-	(37,125)
Firefighters	5,359,235	-	5,359,235
	<u>\$ 7,498,600</u>	<u>\$ 2,003,287</u>	<u>\$ 9,501,887</u>

Defined benefit plans, continued:

Deferred Outflows of Resources			
Employee Retirement System	\$ 949,335	\$ 861,261	\$ 1,810,596
Police	990,196	-	990,196
Firefighters	1,328,762	-	1,328,762
	<u>\$ 3,268,293</u>	<u>\$ 861,261</u>	<u>\$ 4,129,554</u>
Deferred Inflows of Resources			
Employee Retirement System	\$ 209,251	\$ 192,599	\$ 401,850
Police	454,183	-	454,183
Firefighters	840,476	-	840,476
	<u>\$ 1,503,910</u>	<u>\$ 192,599</u>	<u>\$ 1,696,509</u>

Oklahoma Firefighters Pension & Retirement System

Plan Description

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

Benefits Provided

OFPRS 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% of the member's final average compensation times the member's years of service and the member has reached the age of 50 or has completed 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% of the member's final average compensation times the member's years of service and the member has reached the age of 50 or has 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 more than 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-the-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-the-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 determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% 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 \$25,515 during the year ended June 30, 2020. The State of Oklahoma also made on-behalf contributions to OFPRS in the amount of \$477,111; these on-behalf payments did not meet the criteria of a special funding situation but have been recorded as both revenues and expenses in the City's financial statements.

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

At June 30, 2020, the City reported a net pension liability of \$5,359,235 for its proportionate share of the total OFPRS net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. 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 the pension plan for all participating employers as of June 30, 2020. Based upon this information, the City's proportion was 0.507183%.

For the year ended June 30, 2020, the City recognized pension expense of \$841,277. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the OFPRS pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 897,402	\$ 109,009
Change of assumption	-	137,676
Net difference between projected and actual earnings on pension plan investments	-	593,791
Change in proportion	205,845	-
City contributions subsequent to the measurement date	225,515	
	<u>\$ 1,328,762</u>	<u>\$ 840,476</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OFPRS pension plan will be recognized in pension expense as follows:

Year ending June 30,	
2021	\$ 375,088
2022	(17,354)
2023	107,756
2024	41,597
2025	(18,801)
Thereafter	-
	<u>\$ 488,286</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	3.00%
Salary increases	2.5 % to 10.5% on average, including inflation
Ad hoc cost of living adjustment	Half of the dollar amount of a 3.00% assumed increase in base pay for retirees with 20 years of service as of May 26, 1983
Investment rate of return	7.5%, net of pension plan investment expense, including an inflation rate of 3.00%
Mortality rates	Based on the Pub-2010 Public Safety Table with generational improvement using MP-2018

The actuarial assumptions used in the July 1, 2019, valuation was based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

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, 2018, are summarized in the following table:

	Target	Long-Term
	Allocation	Expected Real Rate of Return
Fixed income	25%	4.90%
Domestic equity	40%	7.09%
International equity	20%	9.19%
Real estate	10%	7.99%
Other assets	5%	5.57%

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% lower (6.5%) or 1% higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers’ net pension liability	\$ 6,920,276	\$ 5,359,230	\$ 3,645,053

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 OFPRS, which can be located at www.ok.gov/fprs.

Oklahoma Police Pension & Retirement System

Plan Description

The City, as the employer, participates in the Oklahoma Police Pension & Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by the 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. Participant 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. Survivors’ 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 determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% 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 \$245,968 during the year ended June 30, 2020. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$235,349 during the fiscal year, and this is reported as both a revenue and an expenditure in the General Fund on the accompanying statement of revenues, expenditures and changes in fund balances – governmental funds. In the accompanying government-wide statement of activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$235,349. These on-behalf payments did not meet the criteria of a special funding situation but have been recorded as both revenues and expenses in the City's financial statements.

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

At June 30, 2020, the City reported a net pension asset of \$37,125 for its proportionate share of the total OPPRS net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. 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 the pension plan for all participating employers as of June 30, 2019. Based upon this information, the City's proportion was 0.005815%.

For the year ended June 30, 2020, the City recognized pension expense of \$441,345. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the OPPRS pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	_____	_____
Differences between expected and actual experience	\$ 22,280	\$ 175,286
Change of assumption	94,796	-
Net difference between projected and actual earnings on pension plan investments	618,152	278,897
City contributions subsequent to the measurement date	254,968	-
	<u>\$ 990,196</u>	<u>\$ 454,183</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPPRS pension plan will be recognized in pension expense as follows:

Year ending June 30,	
2021	\$ 416,054
2022	(49,472)
2023	54,076
2024	111,648
2025	3,707
	<u>\$ 536,013</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all prior periods included in the measurement:

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

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.

Inflation	3.50%
Salary increases	3.5% to 12% on average, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense
Cost of living adjustment	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 of 3.5% (wage inflation).
Mortality rates	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back four 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 mortality improvement using Scale AA. Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward four years with fully generational mortality improvement using Scale AA.

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, 2019, are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	25%	4.79%
Domestic equity	35%	5.74%
International equity	15%	9.19%
Real estate	10%	7.99%
Private Equity	10%	10.20%
Other assets	5%	3.50%

The plan requires approximately 60% of assets be invested in equity instruments, including public equity, long-short hedge, venture capital and private equity strategies; approximately 25% of assets be invested 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 be invested in real assets to include real estate, commodities and other strategies.

Discount Rate

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

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) 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% lower (6.5%) or 1% higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' Net Pension Liability	\$ 1,581,526	\$ (37,125)	\$ (1,405,715)

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 Benefit Pension Plan – Oklahoma Municipal Retirement Fund

Plan Description

The City contributes to the OkMRF for all eligible employees except for those covered by OFPRS and OPPRS. The plan is an agent multiple-employer defined benefit pension 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.

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 plan's fiduciary net position is available in the separately issued OkMRF financial report.

Eligibility Factors, Contribution Methods and Benefit Provisions (as of July 1, 2019)

Eligible to Participate	Full-time employees 6 months probation if less than age 60 and not participating in another retirement plan set up by state statutes
Contribution requirements:	
Authorization	By city ordinance
Actuarially Determined	Yes
Employer Rate	11.34% of covered payroll, the City contributed 13.83%
Employee Rate	4.00% of covered payroll
Period Required to Vest	10 years of credited service
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
Benefit Determination Base	Final average salary – the average of the five highest consecutive annual salaries out of the last 10 years of service
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 five years certain.

Eligibility factors, continued:

Prior years service	Return of employee contributions with interest
Form of benefit payment	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with the City's consent, optional form based on actuarial equivalent.

Employees Covered by Benefit Terms

Active Employees	134
Terminated Vested Employees	9
Retirees or Retiree Beneficiaries	83
	<hr/> 226

Contribution Requirements

The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit pension 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 11.34% of covered payroll as of July 1, 2019, but the City contributed 13.83% of covered payroll. For the year ended June 30, 2019, the City recognized \$796,724 of employer contributions to the plan, which is the City's contributed rate amount based on covered payroll of \$5,380,354. Employees' contributions were 4% of covered payroll as of July 1, 2019.

Actuarial Assumptions

Actuarial Assumptions	
Date of last actuarial valuation	July 1, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.25%
Projected salary increase	Varies between 3.02% to 7.50% based on age
Inflation rate	2.75%
Mortality table	UP 1994, with projected mortality improvement
Percent of married employees	100%
Turnover	Select and ultimate rates Ultimate rates are age-related as shown Additional rates per thousand are: Added during the first five years Year 1: 225 Year 2: 140 Year 3: 100 Year 4: 70 Year 5: 40 September 2012 for fiscal years 2007 through 2011

Discount Rate

The discount rate used to value benefits, 7.5%, was the long-term expected rate of return on plan investments 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 (2.75%).

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, 2019, are summarized in the following table:

	Target Allocation	Real Return	Weighted Return
Large cap stocks			
S&P 500	25%	5.80%	1.45%
Small/mid cap stocks			
Russell 2500	10%	6.40%	0.64%
Long/short equity			
MSCI ACWI	10%	5.00%	0.50%
International stocks			
MSCI EAFE	20%	6.20%	1.24%
Fixed income bonds			
Barclay's Capital Aggregate	30%	2.30%	0.69%
Real estate NCREIF			
	5%	4.60%	0.23%
Total	100%		
Average real return			4.75%
Inflation			2.75%
Long-term expected return			7.50%

Changes in Net Pension Liability

The total pension liability was determined based on an actuarial valuation performed as of July 1, 2019, which is also the measurement date. There was a change in assumption, which increased the net pension liability by \$506,591. There were also no changes between the measurement date of July 1, 2019, and the City's report ending date of June 30, 2020, 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)
Balance, Beginning of Year:	\$ 24,205,433	\$ 20,545,473	\$ 3,659,960
Changes for the Year			
Service Cost	558,136	-	558,136
Interest	1,757,793	-	1,757,793
Difference Between Expected and Actual Experience	62,476	-	62,476
Assumption Changes	506,591	-	506,591
Employer Contributions	-	796,724	(796,724)
Employee Contributions	-	224,053	(224,053)
Net Investment Income	-	1,386,351	(1,386,351)
Benefit Payments	(1,564,676)	(1,564,676)	-
Benefit Changes Due to Plan Amendments	-	-	-
Plan Administrative Expenses	-	(41,949)	41,949
Net Changes	1,320,320	800,503	519,817
Balance, End of Year:	\$ 25,525,753	\$ 21,345,976	\$ 4,179,777

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 7.5%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability	\$ 6,976,529	\$ 4,179,777	\$ 1,827,447

The City reported \$1,079,88 in pension expense for the year ended June 30, 2020. At June 30, 2020, 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 Differences	\$ 158,944	\$ 51,938
Changes in Assumptions	548,802	-
Change in Proportion	356,502	349,912
City Contributions Subsequent to the Measurement Date	746,348	-
	<u>\$ 1,810,596</u>	<u>\$ 401,850</u>

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 ending June 30,	
2021	\$ 1,156,436
2022	19,494
2023	147,526
2024	85,290
2025	-
	\$ 1,408,746

City Manager Plan (the CMO Plan) – Oklahoma Municipal Retirement Fund

Plan Description

The City provides 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. 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, 2020, for the employees and employer were \$0, and \$10,782, respectively, on a covered payroll of \$77,015.

Note 10: Other Postemployment Benefit Plan

The City provides postemployment health care benefits to eligible retired employees and their qualifying dependents through a single-employer defined benefit OPEB Plan covering all eligible employees. The OPEB Plan is administered by the City Council and benefits are provided in accordance with state law, police and firefighters union contracts and the *Consolidated Omnibus Budget Reconciliation Act of 1985* (COBRA). Benefit provisions are not formalized in a plan document but are included in a section of the City’s employees’ policies and procedures manual. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. Benefits are provided through a third-party insurer and cover substantially all employees.

Benefits Provided

The OPEB Plan provides postemployment benefit options for medical and prescription drug benefits for retired employees and their dependents that elect to make their required contributions.

These benefits are considered for accounting purposes to be provided in accordance with a 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, 2020, approximately 31 retired employees are receiving benefits under this plan.

The employees covered by the benefit terms at June 30, 2020, are:

Retirees or beneficiaries currently receiving benefits	45
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>101</u>
	146

Total OPEB Liability

The City’s total OPEB liability of \$3,407,267 was measured as of and for the year ended June 30, 2020, and was determined by an actuarial valuation as of that date.

The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	2.05% in both current and prior year
Inflation rate	2.50% per year
Cost method	Entry Age Normal Level % of Salary
Mortality	RP-2014 Mortality Table with Improvement Scale MP-2017
Health care cost trend rates	7.00% declining to 4.00% in 2021 and later years

The discount rate was based on the Bond Buyer 11-Bond GO Index. This is an index of 11 highly rated, 20-year general obligation municipal bonds with an average rating of AA/Aa2 or higher (or equivalent quality on another rating scale).

No actuarial experience study has been performed.

Changes in the Total OPEB Liability

Changes in the total OPEB liability are:

Total OPEB Liability at Beginning of Year	3,407,267
Changes for the Year	
Service Cost	31,999
Interest Cost	66,993
Differences between Expected and Actual Experience	-
Changes of Assumptions or Other Inputs	-
Benefit Payments	<u>(344,341)</u>
Net Changes	<u>(245,349)</u>
Balance, End of Year, June 30, 2020	<u><u>\$ 3,161,918</u></u>

Sensitivity of the City's Total OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

The total OPEB liability of the City has been calculated using a discount rate of 2.05%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

	1% Decrease (1.05%)	Current Discount Rate (2.05%)	1% Increase (3.05%)
Employers' net pension liability	\$ 2,931,004	\$ 3,161,918	\$ 3,414,521

The total OPEB liability of the City has been calculated using current health care cost trend rates that start at an initial rate of 7.0%, decreasing to an ultimate rate of 4.0%. The following presents the total OPEB liability using health care cost trend rates 1% higher and 1% lower than the current health care cost trend rates.

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
City's total OPEB liability	\$ 2,920,531	\$ 3,161,918	\$ 3,433,017

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the City recognized OPEB expense of \$48,745. At June 30, 2020, the City reported deferred inflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 177,990	\$ 176,154
Total	<u>\$ 177,990</u>	<u>\$ 176,154</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized as an increase (reduction) in OPEB expense as follows:

Year ending June 30,	
2021	\$ 43
2022	43
2023	43
2024	43
2025	43
Thereafter	<u>1,620</u>
	<u>\$ 1,835</u>

Note 11: Commitments, Contingencies and Uncertainties

Litigation

The City is a party to various legal proceedings, which normally occur in the course of governmental operations. The accompanying 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 statutes 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 participates in various federal or state grant/loan programs from year to year. In 2020, 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 that 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.

During March 2020, the World Health Organization declared a pandemic with the outbreak of the COVID-19 and declared a “Public Health Emergency of International Concern”. The U.S. Government and local governmental authorities implemented procedures to attempt to contain the virus and lessen its impact. The spread of this virus has caused business interruptions that are expected to continue for the foreseeable future. The extent of the impact of COVID-19 on the City’s operational and financial performance has not yet been determined. As such, these financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Note 12: New Accounting Pronouncements

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:

GASB Statement No. 84, *Fiduciary Activities*, will be effective for the City beginning with its fiscal year ending June 30, 2021. GASB 84 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 84 will have on its net position.

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the City beginning with its fiscal year ending June 30, 2021. The primary objective of GASB 87 is to increase the usefulness of a government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, 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 a government's leasing activities. The City has not yet determined the impact that implementation of GASB 87 will have on its net position.

GASB Statement No. 90, *Majority Equity Interest – an amendment of GASB Statements No. 14 and No. 61* will be effective for the City beginning with its fiscal year ending June 30, 2021. The primary objective of this statement is to improve the consistency and comparability of reporting on a government's major equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

GASB Statement No. 91, *Conduit Debt Obligations* – issued May 2019, will be effective for the City beginning with its fiscal year ending June 30, 2022. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definitions of a conduit debt obligations; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Those governments and funds should measure the majority equity interest at fair value.

GASB Statement No. 92, *Omnibus 2020* – The objective of this statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during the implementation and application of certain GASB Statements. This Statement addresses a variety of topics including leases, intra-entity transfers related to pensions and OPEB plans, asset retirement obligations and reporting of reinsurance amounts. This Statement will become effective for the City in the fiscal year ended June 30, 2022.

The effect of these statements on the City has not been determined but could have a significant impact on its overall net position.

* * * * *

REQUIRED SUPPLEMENTAL SCHEDULES

Budgetary Comparison Schedule
General Fund Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final	(Budgetary)	
			Basis	
Budgetary Fund Balance, Beginning of Year	\$ 3,399,759	\$ 3,519,760	\$ 6,270,628	\$ 2,750,868
Resources (inflows)				
Taxes	5,451,500	5,451,500	5,719,645	268,145
Intergovernmental	220,000	220,000	367,585	147,585
Charges for services	347,250	347,250	373,329	26,079
Fines and forfeitures	244,000	260,150	237,630	(22,520)
Licenses and permits	80,000	80,000	75,348	(4,652)
Investment income	-	-	29,514	29,514
Miscellaneous	12,500	100,070	115,946	15,876
Total resources (inflows)	6,355,250	6,458,970	6,918,997	460,027
Amounts available for appropriations	9,755,009	9,978,730	13,189,625	3,210,895
Charges to appropriations (outflows)				
General government				
City Council	56,000	56,000	22,012	33,988
Administrative services	783,641	823,942	683,377	140,565
Law	319,898	235,013	190,884	44,129
Municipal court	185,347	185,347	162,748	22,599
Cemetery	193,118	193,118	188,729	4,389
Planning	384,254	384,554	230,556	153,998
Information services	401,096	401,096	376,951	24,145
Finance	482,490	482,490	478,196	4,294
Human resources	288,725	288,725	204,004	84,721
City Clerk – treasurer	198,744	200,406	202,031	(1,625)
Public safety				
Code enforcement	145,900	124,214	101,790	22,424
Police	4,010,805	4,011,052	4,243,646	(232,594)
Police – animal control	310,212	331,589	346,663	(15,074)
Fire	2,743,484	2,784,971	3,227,661	(442,690)
Emergency services	149,048	155,139	104,818	50,321
Public works				
Street	851,128	817,298	795,108	22,190
Building maintenance	314,153	348,071	330,247	17,824
Fleet maintenance	344,442	344,208	234,738	109,470
Culture, parks and recreation				
Parks and recreation	1,712,392	1,708,192	1,654,882	53,310
Pool	370,723	370,723	346,929	23,794
Public golf course	336,818	336,818	342,253	(5,435)
Total charges to appropriations (outflows)	14,582,418	14,582,966	14,468,223	114,743
Other Financing Sources (Uses)				
Transfers in	7,500,000	8,000,000	8,000,000	-
Transfers out	(162,333)	4,624,867	4,510,972	113,895
Total other financing sources (uses)	7,337,667	12,624,867	12,510,972	113,895
Budgetary Fund Balance, End of Year	\$ 2,510,258	\$ 8,020,631	\$ 11,232,374	\$ 3,210,047

City of Altus, Oklahoma
Notes to Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2020

Notes to Schedule

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 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:

Sources/Inflows of Resources

Actual amounts – budgetary basis “available for appropriations” from the budgetary comparison schedule	\$ 19,081,648
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	(7,957,727)
The City reports on-behalf payments made by the state to the General Fund in the fund financial statements, but the payments are not budgeted	740,992
The City reports sales and use tax revenue related to MAPS in the General Fund in the fund financial statements, but the revenue is budgeted in a separate MAPS sales tax account of the Authority	4,576,818
The City reports the Park Development, Emergency 911 and Emergency accounts as part of the General Fund in the fund financial statements, but these accounts are not included in the budget to actual	(1,637,844)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds	\$ 14,803,887

City of Altus, Oklahoma
Notes to Budgetary Comparison Schedule – General Fund, Cont.
Year Ended June 30, 2020

Sources/Outflows of Resources

Actual amounts – budgetary basis “total charges to appropriations” from the budgetary comparison schedule	\$ 14,881,092
Differences – budget to GAAP	
Certain expenditures for insurance and OPEB costs are charged to other departments in the City and would not be included in the budget for the General Fund.	\$ (358,522)
The City reports on-behalf payments made by the state to the General Fund in the fund financial statements, but these payments are not budgeted	740,992
The City reports the Park Development, Emergency 911 and Emergency accounts as part of the General Fund in the fund financial statements, but these accounts are not included in the budget to actual	438,279
The City reports expenditures for capital outlay in governmental funds, however, for budgetary purposes these expenditures are budgeted in another area of the budget.	3,566,486
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds	<u>\$ 19,268,327</u>

4. For the year ended June 30, 2020, the City complied, in all material respects, with the applicable budget laws.

City of Altus, Oklahoma
Schedule of the City's Proportionate Share of the Net Pension Liability –
Oklahoma Firefighters Pension & Retirement System

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.507183%	0.511532%	0.492285%	0.575002%	0.585682%
City's proportionate share of the net pension liability	\$5,359,235	\$6,433,656	\$6,014,319	\$6,103,124	\$6,022,844
City's covered-employee payroll	\$1,613,627	\$1,457,797	\$1,431,814	\$1,547,037	\$1,466,136
City's proportionate share of the percentage of its covered-employee payroll	332%	441%	420%	395%	411%
Plan fiduciary net position as a percentage of the total pension liability	72.85%	66.61%	64.87%	68.27%	68.12%

City of Altus, Oklahoma
Schedule of the City's Contributions
Oklahoma Firefighters Pension & Retirement System

	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 198,003	\$ 205,911	\$ 204,092	\$ 200,454	\$ 221,668
Contributions in relation to the statutorily required contribution	198,003	205,911	204,092	200,454	221,668
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 1,613,627	\$ 1,470,791	\$ 1,457,797	\$ 1,431,814	\$ 1,547,037
Contributions as a percentage of covered-employee payroll	12.27%	13.00%	14.00%	12.97%	13.12%

City of Altus, Oklahoma
Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)
Oklahoma Police Pension & Retirement System

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.581500%	0.622100%	0.579000%	0.600400%	0.585682%
City's proportionate share of the net pension liability	\$ (37,125)	\$ 47,398	\$ 886,739	\$ 24,480	\$ (214,564)
City's covered-employee payroll	\$ 1,962,236	\$ 1,853,914	\$ 1,783,982	\$ 1,681,039	\$ 1,702,136
City's proportionate share of the percentage of its covered-employee payroll	-2%	3%	50%	1%	-13%
Plan fiduciary net position as a percentage of the total pension liability	100.24%	99.68%	93.50%	99.82%	101.53%

City of Altus, Oklahoma
Schedule of the City's Contributions
Oklahoma Police Pension & Retirement System

	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 245,842	\$ 247,349	\$ 241,008	\$ 231,383	\$ 220,570
Contributions in relation to the statutorily required contribution	245,842	247,349	241,008	231,383	220,570
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 1,962,236	\$ 1,902,682	\$ 1,853,914	\$ 1,783,982	\$ 1,681,039
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	12.97%	13.12%

City of Altus, Oklahoma
Schedule of Changes in Net Pension Liability and Related Ratios
Oklahoma Municipal Retirement Fund

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	558,136	\$ 552,041	\$ 481,258	\$ 483,967	\$ 440,674
Interest	1,757,793	1,635,659	1,602,907	1,609,715	1,578,994
Differences between expected and actual experience	62,476	379,928	(185,051)	(663,485)	-
Benefit changes due to plan amendments	-	585,286	-	-	-
Assumption changes	506,591	535,786	-	-	-
Benefit payments, including refunds of members contributions	(1,564,676)	(1,207,910)	(1,735,260)	(1,308,780)	(1,061,024)
Net change in total pension liability	1,320,320	2,480,790	163,854	121,417	958,644
Total pension liability – beginning	24,178,753	21,697,963	21,534,109	21,412,692	20,454,048
Total pension liability – ending (a)	25,499,073	24,178,753	21,697,963	21,534,109	21,412,692
Plan fiduciary net position					
Contributions – employer	796,724	703,894	694,586	628,869	627,063
Contributions – member	224,053	203,438	200,692	181,678	192,278
Net investment income	1,386,351	2,269,790	152,627	530,947	2,728,622
Benefit payments, including refunds of members contributions	(1,564,676)	(1,207,910)	(1,735,260)	(1,308,780)	(1,061,024)
Administrative expense	(41,949)	(40,904)	(37,277)	(39,417)	(40,333)
Net change in plan fiduciary net position	800,503	1,928,308	(724,632)	(6,703)	2,446,606
Plan fiduciary net position – beginning	20,343,560	18,415,252	19,139,884	19,146,587	16,699,981
Plan fiduciary net position – ending (b)	\$ 21,144,063	\$ 20,343,560	\$ 18,415,252	\$ 19,139,884	\$ 19,146,587
Net pension liability – ending (a)-(b)	\$ 4,355,010	\$ 3,835,193	\$ 3,282,711	\$ 2,394,225	\$ 2,266,105
Plan fiduciary net position as a percentage of the total pension liability	82.92%	84.14%	84.87%	88.88%	89.42%
Covered-employee payroll	\$ 5,839,470	\$ 5,126,648	\$ 5,177,683	\$ 4,523,779	\$ 4,713,305
Net pension liability as a percentage of covered-employee payroll	74.58%	74.81%	63.40%	52.93%	48.08%

Note to Schedule

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

City of Altus, Oklahoma
Schedule of Employer Contributions
Oklahoma Municipal Retirement Fund

	2019	2018	2017	2016	2015
Actuarially determined contributions	\$ 519,817	\$ 581,362	\$ 603,792	\$ 673,617	\$ 626,091
Contributions in relation to the actuarially determined contributions	746,348	709,213	703,408	721,073	626,091
Contribution excess	<u>\$ (226,531)</u>	<u>\$ (127,851)</u>	<u>\$ (99,616)</u>	<u>\$ (47,456)</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 5,839,470</u>	<u>\$ 5,126,648</u>	<u>\$ 5,082,426</u>	<u>\$ 5,177,683</u>	<u>\$ 4,523,779</u>
Contributions as a percentage of covered-employee payroll	<u>12.78%</u>	<u>13.83%</u>	<u>13.84%</u>	<u>13.93%</u>	<u>13.84%</u>

Latest valuation date: July 1, 2019

Actuarially determined contribution rate is calculated as of July 1, 2019

Fiscal year 2019–2020 actuarially determined contributions are set at a rate of 16.85%

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry age normal

Amortization method: Level percent of payroll, closed

Remaining amortization period: 30 years

Asset valuation method: Actuarial

Smoothing period: 5 years

Recognition method: Non-asymptotic

Corridor: 70% to 130%

Salary increases: 4.50% to 7.50% (varies by attained age)

Investment rate of return: 7.50%

Notes to Schedule

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

Changes in Assumptions - The plan was amended effective January 1, 2017 to adopt an early retirement incentive program for a limited time for eligible employees

City of Altus, Oklahoma
Schedule of Changes in Total OPEB Liability and Related
Ratios Other Post-Employment Benefits

	2019	2018
Total OPEB liability		
Service Cost	\$ 33,157	\$ 18,464
Interest on total OPEB liability	75,125	35,897
Difference between expected and actual experience	(167,505)	(58,964)
Effect of assumptions, changes, or inputs	219,865	1,990
Benefit payments	(328,272)	(70,869)
Net change in total OPEB liability	(167,630)	(73,482)
City's total OPEB liability, beginning	3,574,897	1,259,511
City's total OPEB liability, ending	\$ 3,407,267	\$ 1,855,999
Covered-employee payroll	\$ 10,564,826	\$ 9,822,674
The City's total OPEB Liability as a percentage of covered payroll.	32.25%	12.07%

Notes to Schedule

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

Changes in Assupmtions - The mortality table improvement scale changed from MP-2015 to MP-2017.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

* For the July 1, 2019 valuation for the OPEB Liability, the City changed actuaries because the July 1, 2018 report was prepared incorrectly by the former actuary. The current actuary made a \$2,388,898 adjustment to the beginning balance for their recalculation using the correct assumptions and discount rate.

OTHER SUPPLEMENTAL SCHEDULES

City of Altus, Oklahoma
Combining Balance Sheet
Nonmajor Government Funds
June 30, 2020

	Special Revenue Funds					Capital Project Funds					Total Nonmajor Governmental Funds
	ODOC Grant Fund	Juvenile Court Fund	Airport Fund	Hotel/Motel Tax Fund	Street and Alley Fund	Economic Development Construction Fund	Landfill Improvement Fund	Cemetery Perpetual Care Fund	Drainage Improvement Fund	Military Capital Project Fund	
Assets											
Cash and Cash Equivalents	\$ 64,119	\$ 25,071	\$ 508,026	\$ 154,106	\$ 377,371	\$ 546,718	\$ 323,944	\$ 37,031	\$ -	\$ 666,461	\$ 2,702,847
Interest Receivable	-	-	-	-	110	-	-	-	-	-	110
Receivable from Other Government	-	-	-	-	-	-	-	-	-	-	-
Utilities Receivable, Net	-	-	-	-	-	-	-	-	-	-	-
Other Receivables	-	-	15,216	29,394	27,487	-	23,680	-	-	-	95,777
Inventories	-	-	42,311	-	-	-	-	-	-	-	42,311
Total Assets	\$ 64,119	\$ 25,071	\$ 565,553	\$ 183,500	\$ 404,968	\$ 546,718	\$ 347,624	\$ 37,031	\$ -	\$ 666,461	\$ 2,841,045
Liabilities and Fund Balance											
Liabilities											
Accounts Payable	\$ -	\$ -	\$ 2,398	\$ -	\$ 7,333	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,731
Accrued Payroll	-	-	4,911	-	-	-	-	-	-	-	4,911
Deferred Revenue	-	-	-	-	-	-	-	-	-	237,113	237,113
Due to Other Funds	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	7,309	-	7,333	-	-	-	-	237,113	251,755
Fund Balances											
Nonspendable	-	-	42,311	-	-	-	-	-	-	-	42,311
Restricted	-	25,071	-	183,500	-	546,718	-	37,031	-	-	792,320
Assigned	64,119	-	515,933	-	397,635	-	347,624	-	-	429,348	1,754,659
Total Fund Balances	64,119	25,071	558,244	183,500	397,635	546,718	347,624	37,031	-	429,348	2,589,290
Total Liabilities and Fund Balances	\$ 64,119	\$ 25,071	\$ 565,553	\$ 183,500	\$ 404,968	\$ 546,718	\$ 347,624	\$ 37,031	\$ -	\$ 666,461	\$ 2,841,045

City of Altus, Oklahoma
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Funds
Year Ended June 30, 2020

	<u>Special Revenue Funds</u>					<u>Capital Project Funds</u>					Total Nonmajor Governmental Funds
	ODOC Grant Fund	Juvenile Court Fund	Airport Fund	Hotel/Motel Tax Fund	Street and Alley Fund	Economic Development Construction Fund	Landfill Improvement Fund	Cemetery Perpetual Care Fund	Drainage Improvement Fund	Military Capital Projects Fund	
Revenues											
Taxes	\$ -	\$ -	\$ -	\$ 280,906	190,330	\$ -	\$ -	1,525	\$ -	\$ -	\$ 472,761
Intergovernmental	-	-	55,482	-	-	-	-	-	30,100	-	85,582
Charges for Services	-	-	332,055	-	-	-	191,646	-	-	-	523,701
Investment Earnings	-	-	-	-	-	4,085	-	-	-	-	4,085
Miscellaneous	-	-	33	-	-	-	-	-	-	-	33
Total Revenues	\$ -	\$ -	\$ 387,570	\$ 280,906	\$ 190,330	\$ 4,085	\$ 191,646	\$ 1,525	\$ -	\$ 30,100	\$ 1,086,162
Expenditures											
Current											
General Government	\$ -	\$ -	\$ -	\$ 227,569	\$ 23,688	\$ -	\$ -	\$ -	\$ -	\$ 42,166	\$ 293,423
Public Safety	-	-	-	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-	-	-	-
Airport	-	-	599,602	-	-	-	-	-	-	-	599,602
Capital Outlay	-	-	74,583	-	304,421	-	349,878	7,700	-	-	736,582
Total Expenditures	-	-	674,185	227,569	328,109	-	349,878	7,700	-	42,166	1,629,607
Excess (Deficiency) of Revenues over (Under) Expenditures	-	-	(286,615)	53,337	(137,779)	4,085	(158,232)	(6,175)	-	(12,066)	(543,445)
Other Financing Sources											
Transfers In	-	-	432,723	-	-	-	100,000	4,350	-	108,863	645,936
Transfers Out	-	(41,789)	-	-	-	-	-	(108,863)	-	-	(150,652)
Total Other Financing Sources (Uses)	-	(41,789)	432,723	-	-	-	100,000	4,350	(108,863)	108,863	495,284
Net Changes in Fund Balance	-	(41,789)	146,108	53,337	(137,779)	4,085	(58,232)	(1,825)	(108,863)	96,797	(48,161)
Fund Balances, 6/30/2019	67,369	66,860	412,136	130,163	535,414	542,633	405,856	38,856	108,863	332,551	2,640,701
Prior period adjustment	(3,250)	-	-	-	-	-	-	-	-	-	(3,250)
Fund balances, 7/1/2019	64,119	66,860	412,136	130,163	535,414	542,633	405,856	38,856	108,863	332,551	2,637,451
Fund Balances, End of Year	\$ 64,119	\$ 25,071	\$ 558,244	\$ 183,500	\$ 397,635	\$ 546,718	\$ 347,624	\$ 37,031	\$ -	\$ 429,348	\$ 2,589,290

City of Altus, Oklahoma
Combining Balance Sheet
General Fund Accounts
June 30, 2020

	General Fund	Emergency Fund	Park Development Fund	Emergency 911 Fund	Total General Fund Accounts
Assets					
Cash and Cash Equivalents	2,954,222	\$ 1,433,683	\$ 24,473	\$ 234,252	\$ 4,646,630
Investments	-	5,157,842	-	-	5,157,842
Receivable from Other Governments	975,745	-	-	-	975,745
Due from Other Funds	-	-	-	-	-
Due from (to) Other Accounts	-	-	-	-	-
Taxes Receivable, Net	114,886	-	-	12,598	127,484
Court Fines Receivable, Net	161,046	-	-	-	161,046
Other Receivables	188,102	-	-	-	188,102
	<u>4,394,001</u>	<u>6,591,525</u>	<u>24,473</u>	<u>246,850</u>	<u>11,256,849</u>
Total Assets	\$ 4,394,001	\$ 6,591,525	\$ 24,473	\$ 246,850	\$ 11,256,849
Liabilities and Fund Balance					
Liabilities					
Accounts Payable	114,019	-	-	10,988	125,007
Accrued Payroll	208,423	-	-	11,157	219,580
Due to Other Funds	-	-	-	-	-
Accrued Interest Payable	-	-	-	-	-
Other Payables	24,442	-	-	-	24,442
	<u>346,884</u>	<u>-</u>	<u>-</u>	<u>22,145</u>	<u>369,029</u>
Total Liabilities	346,884	-	-	22,145	369,029
Fund Balances					
Committed	-	6,591,525	-	-	6,591,525
Assigned	-	-	24,473	224,705	249,178
Unassigned	4,047,117	-	-	-	4,047,117
	<u>4,047,117</u>	<u>6,591,525</u>	<u>24,473</u>	<u>224,705</u>	<u>10,887,820</u>
Total Fund Balances	4,047,117	6,591,525	24,473	224,705	10,887,820
Total Liabilities and Fund Balances	\$ 4,394,001	\$ 6,591,525	\$ 24,473	\$ 246,850	\$ 11,256,849

City of Altus, Oklahoma
Combining Statements of Revenues, Expenditures and Changes in Fund Balance
General Fund Accounts
Year Ended June 30, 2020

	<u>General Fund</u>	<u>Emergency Fund</u>	<u>Park Development Fund</u>	<u>Emergency 911 Fund</u>	<u>Total General Fund Accounts</u>
Revenues					
Taxes	\$ 9,731,157	\$ -	\$ -	161,372	\$ 9,892,529
Intergovernmental	1,111,575	-	-	-	1,111,575
Charges for Services	325,052	-	-	-	325,052
Fines and Forfeitures	194,632	-	-	-	194,632
Licenses and Permits	220,284	-	-	-	220,284
Investment Earnings	35,888	126,471	-	-	162,359
Miscellaneous	329,489	-	-	-	329,489
Total Revenues	<u>11,948,077</u>	<u>126,471</u>	<u>-</u>	<u>161,372</u>	<u>12,235,920</u>
Expenditures					
Current					
General Government	3,111,454	-	-	-	3,111,454
Public Safety	8,126,437	-	-	436,848	8,563,285
Public Works	1,393,620	-	-	-	1,393,620
Culture, Parks and Recreation	2,017,331	-	-	-	2,017,331
Capital Outlay	286,306	-	-	-	286,306
Total Expenditures	<u>14,935,148</u>	<u>-</u>	<u>-</u>	<u>436,848</u>	<u>15,371,996</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>(2,987,071)</u>	<u>126,471</u>	<u>-</u>	<u>(275,476)</u>	<u>(3,136,076)</u>
Other Financing Sources					
Transfers In	8,028,655	1,000,000	-	350,000	9,378,655
Transfers Out	(4,579,423)	-	-	-	(4,579,423)
Total Other Financing Sources (Uses)	<u>3,449,232</u>	<u>1,000,000</u>	<u>-</u>	<u>350,000</u>	<u>4,799,232</u>
Net Changes in Fund Balance	<u>462,161</u>	<u>1,126,471</u>	<u>-</u>	<u>74,524</u>	<u>1,663,156</u>
Fund Balances, 6/30/2019	2,974,595	5,465,054	24,473	150,181	8,614,303
Prior Period Adjustment	610,361	-	-	-	610,361
Fund Balances, 7/1/2019	<u>3,584,956</u>	<u>5,465,054</u>	<u>24,473</u>	<u>150,181</u>	<u>9,224,664</u>
Fund Balances, end of year	<u>\$ 4,047,117</u>	<u>\$ 6,591,525</u>	<u>\$ 24,473</u>	<u>\$ 224,705</u>	<u>\$ 10,887,820</u>

City of Altus, Oklahoma
Combining Statement of Net Position
Enterprise Fund Accounts
June 30, 2020

	Altus Municipal Authority	Water Treatment Plant Account	MAPS Sales Tax Account	Meter Deposit Account	Total
Assets and Deferred Outflows of Resources					
Current Assets					
Cash and Cash Equivalents	\$ 1,308,090	\$ 2,395,257	\$ 1,728,616	\$ -	\$ 5,431,963
Investments	3,548,510	978,031	-	519,721	5,046,262
Restricted Cash and Cash Equivalents	1,784,402	-	688,395	436,844	2,909,641
Deposit with Third Party	639,396	-	-	-	639,396
Due from Other Funds	-	-	-	-	-
Accounts Receivable, Net	5,429,243	-	-	-	5,429,243
Other Receivables	11,797	-	-	-	11,797
Inventories	1,126,804	-	-	-	1,126,804
Total Current Assets	13,848,242	3,373,288	2,417,011	956,565	20,595,106
Noncurrent Assets					
Land and Construction in Progress	12,001,001	1,241,599	-	-	13,242,600
Other Capital Assets, Net of Accumulated Depreciation	44,902,511	-	-	-	44,902,511
Total Noncurrent Assets	56,903,512	1,241,599	-	-	58,145,111
Total Assets	70,751,754	4,614,887	2,417,011	956,565	78,740,217
Deferred Outflows of Resources					
Deferred Outflows Related to Pensions	510,074	-	-	-	510,074
Total Assets and Deferred Outflows of Resources	71,261,828	4,614,887	2,417,011	956,565	79,250,291
Liabilities and Deferred Inflows of Resources					
Current Liabilities					
Accounts Payable	246,418	-	476,143	-	722,561
Accrued Payroll	138,982	-	-	-	138,982
Accrued Interest Payable	171,793	-	-	-	171,793
Due to Other Funds	-	-	-	-	-
Payable to Other Governments	134,312	-	-	-	134,312
Other Accrued Expenses	130,143	-	-	-	130,143
Deposits Subject to Refund	720	-	-	223,655	224,375
Compensated Absences	59,902	-	-	-	59,902
Contract Obligation Payable	783,000	-	-	-	783,000
Claims Liability	-	-	-	-	-
Current Portion Notes Payable	2,335,000	-	-	-	2,335,000
Total Current Liabilities	4,000,270	-	476,143	223,655	4,700,068
Noncurrent Liabilities					
Deposits Subject to Refund	-	-	-	755,915	755,915
Compensated Absences	539,122	-	-	-	539,122
Contract Obligation Payable	3,394,305	-	-	-	3,394,305
Landfill Closure Liability	4,148,852	-	-	-	4,148,852
Claims Liability	-	-	-	-	-
Notes Payable	12,357,989	-	-	-	12,357,989
Net Pension Liability	2,003,287	-	-	-	2,003,287
Total Noncurrent Liabilities	22,443,555	-	-	755,915	23,199,470
Total Liabilities	26,443,825	-	476,143	979,570	27,899,538
Deferred Inflows of Resources					
Deferred Inflows Related to Pensions	192,599	-	-	-	192,599
Total Deferred Inflows of Resources	192,599	-	-	-	192,599
Total Liabilities and Deferred Inflows of Resource	26,636,424	-	476,143	979,570	28,092,137
Net Position					
Net Investment in Capital Assets	41,964,105	-	-	-	41,964,105
Restricted for Debt Service	-	-	-	-	-
Restricted for Capital Projects	-	4,614,887	-	-	4,614,887
Restricted for MAPS Projects	-	-	1,940,868	-	1,940,868
Unrestricted	2,661,299	-	-	(23,005)	2,638,294
Total Net Position	\$ 44,625,404	\$ 4,614,887	\$ 1,940,868	\$ (23,005)	\$ 51,158,154

City of Altus, Oklahoma
Combining Statement of Statement of Revenues, Expenses and Changes in Net Position
Enterprise Fund Accounts
Year Ended June 30, 2020

	Altus Municipal Authority	Water Treatment Plant Account	MAPS Sales Tax Account	Meter Deposit Account	Total
Operating Revenues					
Water	\$ 6,478,420	\$ -	\$ -	\$ -	\$ 6,478,420
Wastewater	2,458,357	-	-	-	2,458,357
Sanitation	4,966,901	-	-	-	4,966,901
Electric	24,526,793	-	-	-	24,526,793
Miscellaneous	532,670	-	-	-	532,670
Total Operating Revenues	38,963,141	-	-	-	38,963,141
Operating Expenses					
Administration	3,700,270	-	-	476	3,700,746
Water	3,450,450	-	-	-	3,450,450
Wastewater	1,190,230	-	-	-	1,190,230
Sanitation	2,378,863	-	-	-	2,378,863
Landfill Operations (see Note 5)	1,623,631	-	-	-	1,623,631
Electric Services	14,480,692	-	-	-	14,480,692
Depreciation and Amortization	2,955,497	-	-	-	2,955,497
Total Operating Expenses	29,779,633	-	-	476	29,780,109
Operating Income	9,183,508	-	-	(476)	9,183,032
Nonoperating Revenues (Expenses)					
Interest and Investment Revenue	83,273	80,213	16,053	10,218	189,757
Payments to School – MAPS	-	-	(3,539,681)	-	(3,539,681)
Interest Expense	(517,650)	-	-	-	(517,650)
Total Nonoperating Revenues (Expenses)	(434,377)	80,213	(3,523,628)	10,218	(3,867,574)
Income Before Transfers	8,749,131	80,213	(3,523,628)	9,742	5,315,458
Interaccount Transfers In (Out)	3,212,145	-	(3,266,747)	-	(54,602)
Transfers					
Transfers In	349,878	-	4,579,422	-	4,929,300
Transfers Out	(11,882,723)	-	-	-	(11,882,723)
	(11,532,845)	-	4,579,422	-	(6,953,423)
Change in Net Position	428,431	80,213	(2,210,953)	9,742	(1,692,567)
Net Position, Beginning of Year	41,568,023	4,322,787	3,875,495	9,978	49,776,283
Prior Period Adjustment (Capital Assets & AP)	2,628,950	211,887	276,326	(42,725)	3,074,438
Net Position, End of Year	\$ 44,625,404	\$ 4,614,887	\$ 1,940,868	\$ (23,005)	\$ 51,158,154

City of Altus, Oklahoma
Combining Statement of Net Position
Internal Service Fund
June 30, 2020

Assets	Workers' Compensation Fund	Assurance Fund	Total
Cash and Cash Equivalents	\$ 703	\$ 767,369	\$ 768,072
Other Receivables	-	243,127	243,127
Total Assets	703	1,010,496	1,011,199
 Liabilities and Fund Balance			
Current Liabilities			
Other Accrued Liabilities	-	-	-
Due to General Fund	-	-	-
Claims Liability	32,705	289,110	321,815
Total Current Liabilities	32,705	289,110	321,815
Noncurrent Liabilities			
Claims Liability	36,362	-	36,362
Total Liabilities	69,067	289,110	358,177
Net Position			
Unrestricted	(68,364)	721,387	653,023
Total Net Position	\$ (68,364)	\$ 721,387	\$ 653,023

City of Altus, Oklahoma
Combining Statement of Revenues, Expenses and Changes in Fund Balance
Internal Service Fund
June 30, 2020

	Workers' Compensation Fund	Assurance Fund	Total
Operating Revenues			
Charges for Services			
Miscellaneous	\$ -	\$ 90,515	\$ 90,515
	<u>-</u>	<u>90,515</u>	<u>90,515</u>
Total Operating Revenues			
Operating Expenses			
General Government	156	25,000	25,156
	<u>156</u>	<u>25,000</u>	<u>25,156</u>
Total Operating Expenses			
	<u>(156)</u>	<u>65,515</u>	<u>65,359</u>
Operating Income (Loss)			
Nonoperating Revenues			
Interest and Investment Revenue	-	-	-
Miscellaneous Revenue	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Nonoperating Revenues			
	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	(156)	65,515	65,359
Net Position, Beginning of Year	(68,208)	655,872	587,664
	<u>(68,208)</u>	<u>655,872</u>	<u>587,664</u>
Net Position, End of Year	\$ (68,364)	\$ 721,387	\$ 653,023
	<u>\$ (68,364)</u>	<u>\$ 721,387</u>	<u>\$ 653,023</u>

**City of Altus, Oklahoma
Debt Service Coverage Schedule
Year Ended June 30, 2020**

	OWRB 2015 Series Drinking Water SRF Promissory Note	OWRB 2017 Series Clean Water SRF Promissory Note	Total Water and Wastewater Notes	Series 2015 Altus Municipal Authority Electric System Utility Revenue Note
Gross Revenue Available				
Pledged operating revenues (electric system)	\$ -	\$ -	\$ -	\$ 24,526,793
Pledged operating revenues (water and wastewater systems)	8,849,528	8,849,528	-	-
Total gross revenue available	<u>8,849,528</u>	<u>8,849,528</u>	<u>-</u>	<u>24,526,793</u>
Operating Expenses				
Total operating expenses (electric system)	-	-	-	17,430,080
Total operating expenses (water and wastewater systems)	7,897,868	7,897,868	-	-
Total operating expenses	<u>7,897,868</u>	<u>7,897,868</u>	<u>-</u>	<u>17,430,080</u>
Net Revenue Available for Debt Service	<u>\$ 951,660</u>	<u>\$ 951,660</u>	<u>\$ 951,660</u>	<u>\$ 7,096,713</u>
Annual Debt Service	<u>\$ 136,419</u>	<u>\$ 65,987</u>	<u>\$ 202,406</u>	<u>\$ 662,684</u>
Computed Coverage	<u>698%</u>	<u>1442%</u>	<u>470%</u>	<u>1071%</u>
Coverage Requirement	<u>125%</u>	<u>125%</u>	<u>125%</u>	<u>125%</u>



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

To the City Commission
City of Altus, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Altus, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Altus, Oklahoma's basic financial statements, and have issued our report thereon dated June 8, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Altus, Oklahoma'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 of Altus, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Altus, Oklahoma's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses as noted on the following page as Finding 2020-001.

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.

Compliance and Other Matters

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

Purpose of this Report

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

FSW&B CPAs-PLLC

FSW&B CPAs-PLLC

Stillwater, Oklahoma

June 8, 2021