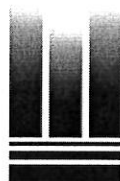


**ACCOUNTANT'S AUDIT REPORT**

**LUGERT-ALTUS  
IRRIGATION DISTRICT**

**DECEMBER 31, 2016**

BY



**FURRH**  
**& ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Year Ended December 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Lugert-Altus Irrigation District  
Altus, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Lugert-Altus Irrigation District as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Lugert-Altus Irrigation District, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lugert-Altus Irrigation District's basic financial statements. The schedules on pages 19 – 26 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules on pages 19 – 26 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit

Of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2017, on our consideration of Lugert-Altus Irrigation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Furrh & Associates, PC*  
Furrh & Associates, PC  
Lawton, Oklahoma  
June 16, 2017

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Statement of Assets, Liabilities, and Net Assets**  
**December 31, 2016**

**ASSETS**

**Current Assets**

Cash on Hand and in Banks	\$ 233,903	
Cash - Temporary Investments	3,076,359	
Accounts Receivable - Trade	702,749	
Temporary Investments - Due After 90 Days	98,000	
Prepaid Expense	45,271	
Inventory - Pipe for Sale	20,795	
Accrued Interest Receivable	751	
Total Current Assets		\$ 4,177,828

**Fixed Assets**

Furniture and Fixtures	\$ 46,395	
Accumulated Depreciation	(45,238)	1,157
Machinery and Equipment	2,243,880	
Accumulated Depreciation	(1,628,350)	615,530
Autos, Trucks, and Trailers	764,379	
Accumulated Depreciation	(740,349)	24,030
Station and Shop Equipment	41,883	
Accumulated Depreciation	(40,813)	1,070
Land, Buildings, and Grounds	298,735	
Accumulated Depreciation	(169,764)	128,971
Canal Improvements	3,076,347	
Accumulated Depreciation	(1,688,393)	1,387,954
Land - Canal & Lateral In Pipe		10,763
Right-of-Way		1,641
Irrigation Plant	3,262,188	
Total Fixed Assets		5,433,304

**Other Assets**

Unamortized Debt Issue Costs	3,575
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<b>Total Assets</b>	<b><u><u>\$ 9,614,707</u></u></b>
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Please see accompanying notes to the financial statements.

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Statement of Assets, Liabilities, and Net Assets**  
**December 31, 2016**

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 4,212	
Compensated Absence Liability	<u>42,380</u>	
Total Current Liabilities		\$ 46,592

**Deferred Revenue**

Maintenance Reserve - Ozark Canal	<u>52,000</u>	
Total Deferred Revenues		<u>52,000</u>

Total Liabilities and Deferred Revenues \$ 98,592

**Net Assets**

City of Altus Equity in Physical Plant	1,080,000	
Invested in Fixed Assets (Net of Related Debt and Altus Equity)	4,353,304	
Unrestricted	<u>4,082,811</u>	
Total Net Assets		<u>9,516,115</u>

Total Liabilities and Net Assets \$ 9,614,707

Please see accompanying notes to the financial statements.

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Statement of Revenue and Expenditures**  
**Year Ended December 31, 2016**

**REVENUE**

**Operating Revenues**

Water Sales	\$ 1,960,870	
Assessments and Penalties	708,869	
Bureau of Reclamation Reimbursements	159,118	
Miscellaneous Revenue	<u>31,206</u>	
 Total Operating Revenues		 \$ 2,860,063

**EXPENDITURES**

**Operating Expenditures**

Operations and Maintenance	958,041	
General and Administrative	473,016	
Depreciation and Amortization	<u>150,694</u>	
 Total Operating Expenditures		 <u>1,581,751</u>
 <b>Net Revenue (Loss) from Operations</b>		 <b>1,278,312</b>

**Nonoperating Revenue (Expense)**

Interest Earned	6,182	
Interest on Long-Term Debt	<u>(1,192)</u>	
 Total Nonoperating Revenue (Expense)		 <u>4,990</u>
 <b>Net Revenue (Loss)</b>		 <b><u><u>\$ 1,283,302</u></u></b>

Please see accompanying notes to the financial statements.



# Lugert-Altus Irrigation District

Altus, Oklahoma

## Statement of Operating Expenditures

Year Ended December 31, 2016

### **Operations and Maintenance Expenditures**

Salaries & Payroll Taxes	\$	729,461	
Fuel, Propane, Gas and Oil		56,194	
Weed Control and Chemicals		51,132	
Repairs and Maintenance - Canals and Laterals		37,530	
Repairs and Maintenance - Equipment		23,657	
Repairs and Maintenance - Trucks and Trailers		21,574	
OWRB / USGS		15,950	
Repairs and Maintenance - Dam		13,490	
Station, Shop, and Welding Expense		6,306	
Repairs and Maintenance - Buildings and Grounds		2,730	
Repairs and Maintenance - Pickups and Cars		17	
Total Operations and Maintenance			\$ 958,041

### **General and Administrative Expenditures**

Employee Insurance	201,628	
Salaries & Payroll Taxes	122,773	
Insurance and Bonds	68,821	
Pension Expense	39,615	
Travel and Entertainment	14,116	
Legal and Accounting	6,842	
Utilities and Telephone	6,309	
Office Supplies and Expense	5,845	
Miscellaneous	3,551	
Dues and Subscriptions	3,516	
Total General and Administrative		473,016

### **Miscellaneous Expenditures**

Depreciation and Amortization	150,694
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<b>Total Operating Expense</b>	<b>\$ 1,581,751</b>
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Please see accompanying notes to the financial statements.

# **Lugert-Altus Irrigation District**

**Altus, Oklahoma**

## **Statement of Changes in Net Assets**

**Year Ended December 31, 2016**

<u>Net Assets, December 31, 2015</u>	\$ 8,232,813
Net Revenue (Loss), Year Ended December 31, 2016	<u>1,283,302</u>
<b><u>Net Assets, December 31, 2016</u></b>	<b><u>\$ 9,516,115</u></b>

Please see accompanying notes to the financial statements.

# Lugert-Altus Irrigation District

Altus, Oklahoma

## Statement of Cash Flows

Year Ended December 31, 2016

### Cash Flow From Operating Activities

Cash Receipts from Customers	\$ 2,764,275	
Cash Receipts from Bureau of Reclamation	159,118	
Cash Receipts from Miscellaneous Revenue	29,206	
Cash Paid Out for Salaries and Payroll Taxes	(852,234)	
Cash Paid Out for Employee Benefits	(237,538)	
Cash Paid Out to Suppliers	(332,941)	
Net Cash Provided by Operating Activities		\$ 1,529,886

### Cash Flow from Investing Activities

Interest Earned	6,188	
Purchase of Fixed Assets	(473,145)	
Net Cash Used by Investing Activities		(466,957)

Net Increase (Decrease) in Cash and Cash Equivalents 1,062,929

Cash and Cash Equivalents, December 31, 2015 2,247,333

Cash and Cash Equivalents, December 31, 2016 \$ 3,310,262

### Adjustments to Reconcile Operating Income to Cash

#### Provided (Used) by Operating Activities

Net Revenue (Loss) from Operations		\$ 1,278,312
Add (Deduct) Items Not Providing or Using Cash:		
Depreciation	\$ 150,694	
Deferred Income	(2,000)	
(Increase) Decrease in Current Assets:		
Accounts Receivable	94,536	
Prepaid Expense	125	
Inventory	1,824	
Increase (Decrease) in Current Liabilities:		
Compensated Absence Liability	3,705	
Accounts Payable	2,690	
		251,574

Net Cash Provided by Operating Activities \$ 1,529,886

Please see accompanying notes to the financial statements.

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

**Note 1 - Accounting Policies**

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

The accompanying financial statements include all functions and activities over which the District exercises financial accountability. The District is considered a primary government as defined by the Governmental Accounting Standards Board (GASB) and has no other component units within its reporting entity.

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP) of the United States of America. The District is considered a governmental entity as defined by the GASB and applies all relevant GASB pronouncements. Its operations are considered proprietary in nature and therefore, the District has adopted a reporting framework similar to that of proprietary type funds. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

GAAP for proprietary fund types are generally those applicable to similar businesses in the private sector; the measurement focus is on the determination of net income, financial position, and cash flows. All assets, liabilities, equities, revenues, expenses and transfers relating to the government's business, including fixed assets and debt are accounted for in a single proprietary fund rather than a series of funds and account groups.

The principal sources of revenue for the District are water sales and construction and maintenance assessments to its members.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments are stated at cost.

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

Accounts receivable are carried at net estimated value. All trade accounts receivable are considered to be fully collectible because unpaid water sales and assessments become liens against the real estate involved.

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

Penalties and late payment charges are recorded and recognized at the time of collection.

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

Prepaid expense consists of the unamortized portion of annual insurance premiums.

For the purposes of the Statement of Cash Flows, the District considers all highly liquid investments (not including restricted assets) with a maturity or availability date of 90 days or less when purchased to be cash equivalents.

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

**Note 2 - Cash and Cash Equivalents**

Cash and cash equivalents include the following accounts:

First National Bank, Sweep Account	\$ 2,828,126
Certificate of Deposit (matures Jan. 2017)	248,233
Cash on Hand (deposit in transit)	225,812
First National Bank, Payroll Account	33,013
Petty Cash	201
First National Bank, Checking Account	(25,123)
	<u>\$ 3,310,262</u>

The cash on deposit with the First National Bank of Altus, Oklahoma, is covered by F.D.I.C. insurance (up to \$250,000).

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

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

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

	A	B	C	Total
Cash on Hand	\$ 0	\$ 225,812	\$ 201	\$ 226,013
Cash in Bank	256,123	2,828,126	0	3,084,249
Total	<u>\$ 256,123</u>	<u>\$ 3,053,938</u>	<u>\$ 201</u>	<u>\$ 3,310,262</u>

**Note 3 - Investments**

The District has investments in two CD's. The first is at NBC Oklahoma for \$98,000, with an interest rate of 0.45%, and a maturity date of 7/27/2017.

The second is at Stockman's Bank for \$248,233, with an interest rate of 0.50%, and a maturity date of 1/14/2017. The CD at Stockman's has been included in Cash – Temporary Investments on the Balance Sheet since the maturity date of 90 days or less at year end.

**Note 4 - Fixed Assets**

Consistent with prior year accounting procedures, the financial statements do not include a provision for depreciation on the irrigation plant real estate.

Total depreciation expense for the current year was \$150,694 which was charged to current operations.

# Lugert-Altus Irrigation District

Altus, Oklahoma

Notes to Financial Statements

Year Ended December 31, 2016

Current year changes in fixed assets were as follows:

	12/31/2015	Additions	Disposals	12/31/2016
<b>Fixed Assets</b>				
Furniture & Fixtures	\$ 46,395	\$ 0	\$ 0	\$ 46,395
Machinery & Equipment	1,900,176	343,704	0	2,243,880
Autos, Trucks, & Trailers	739,764	24,615	0	764,379
Station & Shop Equipment	41,883	0	0	41,883
Land, Buildings, & Grounds	298,735	0	0	298,735
Canal Improvements	2,971,521	104,826	0	3,076,347
Land-Canal & Lateral In Pipe	10,763	0	0	10,763
Right of Way	1,641	0	0	1,641
Irrigation Plant	3,262,188	0	0	3,262,188
Total	<u>\$ 9,273,066</u>	<u>\$ 473,145</u>	<u>\$ 0</u>	<u>\$ 9,746,211</u>
<b>Accumulated Depreciation</b>				
Furniture & Fixtures	\$ 44,741	\$ 497	\$ 0	\$ 45,238
Machinery & Equipment	1,579,584	48,766	0	1,628,350
Autos, Trucks, & Trailers	737,260	3,089	0	740,349
Station & Shop Equipment	39,762	1,051	0	40,813
Land, Buildings, & Grounds	163,404	6,360	0	169,764
Canal Improvements	1,597,462	90,931	0	1,688,393
Land-Canal & Lateral In Pipe	0	0	0	0
Right of Way	0	0	0	0
Irrigation Plant	0	0	0	0
Total	<u>\$ 4,162,213</u>	<u>\$ 150,694</u>	<u>\$ 0</u>	<u>\$ 4,312,907</u>

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

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

# **Lugert-Altus Irrigation District**

**Altus, Oklahoma**

**Notes to Financial Statements**

**Year Ended December 31, 2016**

## **Note 5 - Bureau of Reclamation Reimbursements**

The District receives a reimbursement from the United States Department of Interior, Bureau of Reclamation, for a portion of the cost of operating the Altus Dam and Reservoir. This reimbursement is recorded on the books and recognized as revenue in the accounting period in which funds or credits are received. During the year, the District received \$159,118 for reimbursements for expenses paid in 2016.

On October 4, 1993, the District entered into a contract with the Department of the Interior, Bureau of Reclamation, and the Army Corps of Engineers whereby Lugert-Altus Irrigation District will maintain the canal over which the runways and taxiways cross at Altus Air Force Base for a period of 50 years. For this service, the District received \$98,397. The earned revenue will be amortized over the contract period of 50 years. Amortization of this reserve for the current year was \$2,000. The unamortized balance at December 31, 2016 was \$52,000.

## **Note 6 - Accounts Payable**

Accounts payable and accrued expenses include the following:

Compensated Absence Liability	\$ 42,380
Accounts Payable - Trade	<u>4,212</u>
Total	<u>\$ 46,592</u>

Accrued expenses include the accrued liability for compensated employee absences in the amount of \$42,380 which includes earned but unpaid annual leave, vacation pay and compensatory wages.

## **Note 7 - Pension Expense**

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

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



**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

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

	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>
Employer Contributions	\$ 38,707	\$ 32,440	\$ 32,554
Employee Contributions	11,229	5,514	5,117
Administration Costs	<u>1,630</u>	<u>1,604</u>	<u>1,500</u>
Total	<u>\$ 51,566</u>	<u>\$ 39,558</u>	<u>\$ 39,171</u>

Employer contributions of \$38,707 represent approximately 5% of the total covered payroll of \$774,138. Total gross payroll (excluding accrued compensated absence payroll) was \$785,238.

The plan is administered by:

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

The plan funds are maintained by:

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

**Note 8 - Comparative Data**

The financial information included herein as of and for the year ended December 31, 2016, is presented for comparative purposes only, and is not intended to be a complete financial statement presentation.

**Note 9 – Management Evaluation of Subsequent Events**

Management has reviewed information to evaluate the necessity for the disclosure of subsequent events through June 16, 2017, which is the issuance date of the financial statements.

# **Lugert-Altus Irrigation District**

**Altus, Oklahoma**

**Notes to Financial Statements**

**Year Ended December 31, 2016**

## **Note 10 - Insurance Coverage**

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

Commercial Automobile Coverage

Liability

Uninsured Motorists

Comprehensive and Collision

Workers Compensation

Employer Liability

Property Insurance

Construction Equipment

Mobile Home

Computer Equipment

Radio Equipment

Dwelling

Office, Shops, Warehouse

Personal Property

Bonds

Manager

Secretary-Treasurer

Bookkeeper

Field Superintendent

6 Directors (Each)

Pension Plan Compliance



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

Board of Directors  
Lugert-Altus Irrigation District  
Altus, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Lugert-Altus Irrigation District as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Lugert-Altus Irrigation District's basic financial statements, and have issued our report thereon dated June 16, 2017.

**Internal Control Over Financial Reporting**

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

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

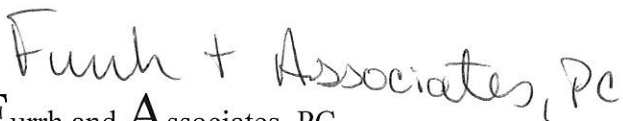
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

  
Furrh and Associates, PC  
Lawton, Oklahoma  
June 16, 2017

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Revenue and Expenditures Compared with Budget**  
**Year Ended December 31, 2016**

	<u>Budget</u>	<u>Current Year Actual</u>	<u>Over (Under) Budget</u>
<b><u>REVENUE</u></b>			
Water Sales	\$ 1,914,000	\$ 1,960,870	\$ 46,870
Assessments and Penalties	690,121	708,869	18,748
Other Income/Reimbursements	42,500	190,324	147,824
Interest Income	4,500	6,182	1,682
Total Revenue	<u>2,651,121</u>	<u>2,866,245</u>	<u>215,124</u>
<b><u>OPERATING EXPENDITURES</u></b>			
Salaries and Related Payroll Expenses	1,129,000	1,093,477	(35,523)
Depreciation	155,000	150,694	(4,306)
Fuel, Propane, Gas, and Oil	110,000	56,194	(53,806)
Weed Control and Chemicals	65,000	51,132	(13,868)
Insurance and Bonds	62,000	68,821	6,821
Maintenance - Canals and Laterals	60,000	37,530	(22,470)
Maintenance - Equipment	58,000	23,657	(34,343)
Travel and Entertainment	35,000	14,116	(20,884)
Maintenance - Dam	30,000	13,490	(16,510)
Maintenance - Pickups & Cars	30,000	17	(29,983)
OWRB/USGS	17,500	15,950	(1,550)
Maintenance - Buildings and Grounds	17,000	2,730	(14,270)
Legal and Accounting	15,000	6,842	(8,158)
Maintenance - Trucks & Trailers	15,000	21,574	6,574
Underground Drainage	15,000	0	(15,000)
Station, Shop, and Welding Expense	10,000	6,306	(3,694)
Utilities and Telephone	9,400	6,309	(3,091)
Miscellaneous	7,000	3,551	(3,449)
Office Supplies and Expense	6,700	5,845	(855)
Dues & Subscriptions	5,000	3,516	(1,484)
Total Operating Expenditures	<u>1,851,600</u>	<u>1,581,751</u>	<u>(269,849)</u>
<u>Operating Revenue Over (Under) Expenditures</u>	799,521	1,284,494	484,973
<b><u>Debt Service and Capital Expenditures</u></b>			
Interest Expense	0	1,192	1,192
Capital Expenditures	1,025,000	473,145	(551,855)
Total Debt Service & Capital Expenditures	<u>1,025,000</u>	<u>474,337</u>	<u>(550,663)</u>
<b><u>Revenue Over (Under) Expenditures</u></b>	<b><u>\$ (225,479)</u></b>	<b><u>\$ 810,157</u></b>	<b><u>\$ 1,035,636</u></b>

Please see accompanying notes to the financial statements.

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Comparative Statement of Assets, Liabilities, and Net Assets**  
**December 31, 2016**

	<u>12/31/15</u>	<u>12/31/16</u>	<u>Increase (Decrease)</u>
<b><u>ASSETS</u></b>			
Cash on Hand and in Banks	\$ 600,822	\$ 233,903	\$ (366,919)
Cash - Temporary Investments	1,646,511	3,076,359	1,429,848
Accounts Receivable (Net)	797,285	702,749	(94,536)
Temp Investments - Due after 90 Days	98,000	98,000	0
Prepaid Expense	45,396	45,271	(125)
Inventory - Pipe for Sale	22,619	20,795	(1,824)
Accrued Interest Receivable	757	751	(6)
Furniture and Fixtures (Net)	1,654	1,157	(497)
Machinery and Equipment (Net)	320,592	615,530	294,938
Autos, Trucks, and Trailers (Net)	2,504	24,030	21,526
Station and Shop Equipment (Net)	2,121	1,070	(1,051)
Land, Buildings and Grounds (Net)	135,331	128,971	(6,360)
Canal Improvements (Net)	1,374,059	1,387,954	13,895
Land - Canal & Lateral In Pipe	10,763	10,763	0
Right-of-Way	1,641	1,641	0
Irrigation Plant	3,262,188	3,262,188	0
Unamortized Debt Issue Costs	4,767	3,575	(1,192)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 8,327,010</u>	<u>\$ 9,614,707</u>	<u>\$ 1,287,697</u>
<b><u>LIABILITIES AND LONG-TERM DEBT</u></b>			
Accounts Payable	\$ 1,522	\$ 4,212	\$ 2,690
Compensated Absence Liability	38,675	42,380	3,705
Deferred Income	54,000	52,000	(2,000)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>94,197</u>	<u>98,592</u>	<u>4,395</u>
<b><u>Net Assets</u></b>			
City of Altus Equity in Plant	1,080,000	1,080,000	0
Net Assets	<u>7,152,813</u>	<u>8,436,115</u>	<u>1,283,302</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Net Assets	<u>8,232,813</u>	<u>9,516,115</u>	<u>1,283,302</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities and Net Assets	<u>\$ 8,327,010</u>	<u>\$ 9,614,707</u>	<u>\$ 1,287,697</u>

Please see accompanying notes to the financial statements.

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Comparative Statement of Revenue and Expenditures**  
**Year ended December 31, 2016**

	<b>Year Ended 12/31/2015</b>	<b>Year Ended 12/31/2016</b>	<b>Increase (Decrease)</b>
<b><u>REVENUE</u></b>			
Water Sales and Penalties	\$ 1,893,530	\$ 1,960,870	\$ 67,340
Assessments and Penalties	692,948	708,869	15,921
Bureau of Reclamation Reimbursements	84,430	159,118	74,688
Other Revenue	29,749	31,206	1,457
	<hr/>	<hr/>	<hr/>
Total Revenue	2,700,657	2,860,063	159,406
	<hr/>	<hr/>	<hr/>
<b><u>EXPENDITURES</u></b>			
Operations and Maintenance			
Salaries & Payroll Taxes	641,127	729,461	88,334
Fuel, Propane, Gas, and Oil	63,321	56,194	(7,127)
Maintenance - Canals and Laterals	50,494	37,530	(12,964)
Weed Control and Chemicals	46,614	51,132	4,518
Maintenance - Equipment	24,951	23,657	(1,294)
OWRB / USGS	15,950	15,950	0
Maintenance - Buildings and Grounds	11,935	2,730	(9,205)
Underground Drainage	10,025	0	(10,025)
Maintenance - Pickups and Cars	9,951	17	(9,934)
Maintenance - Dam	8,777	13,490	4,713
Maintenance - Trucks and Trailers	8,216	21,574	13,358
Station, Shop, and Welding Expense	6,814	6,306	(508)
	<hr/>	<hr/>	<hr/>
Total Operations and Maintenance	898,175	958,041	59,866
	<hr/>	<hr/>	<hr/>

Please see accompanying notes to the financial statements.

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Comparative Statement of Revenue and Expenditures**  
**Year ended December 31, 2016**

	<u>Year Ended</u> <u>12/31/2015</u>	<u>Year Ended</u> <u>12/31/2016</u>	<u>Increase</u> <u>(Decrease)</u>
<b><u>EXPENDITURES (Continued)</u></b>			
General and Administrative:			
Employee Insurance	\$ 172,599	\$ 201,628	\$ 29,029
Salaries & Payroll Taxes	120,607	122,773	2,166
Insurance and Bonds	52,718	68,821	16,103
Pension Expense	34,044	39,615	5,571
Travel and Entertainment	17,174	14,116	(3,058)
Miscellaneous	11,216	3,551	(7,665)
Utilities and Telephone	6,830	6,309	(521)
Legal and Accounting	6,150	6,842	692
Office Supplies and Expense	6,120	5,845	(275)
Dues and Subscriptions	3,905	3,516	(389)
	<u>431,363</u>	<u>473,016</u>	<u>41,653</u>
Total General and Administrative			
Depreciation and Amortization	<u>150,010</u>	<u>150,694</u>	<u>684</u>
Total Operating Expense	<u>1,479,548</u>	<u>1,581,751</u>	<u>102,203</u>
Net Revenue (Loss) from Operations	1,221,109	1,278,312	57,203
Nonoperating Revenue and Expense (Net)	<u>28,402</u>	<u>4,990</u>	<u>(23,412)</u>
<b>Net Revenue (Loss)</b>	<b><u>\$ 1,249,511</u></b>	<b><u>\$ 1,283,302</u></b>	<b><u>\$ 33,791</u></b>

Please see accompanying notes to the financial statements.



**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**United States Department of the Interior Grant**  
**Revenue and Expenditures Compared with Budget**  
**Year Ended December 31, 2016**

<u>Revenue</u>	<u>Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>(Over) Under Budget</u>
Federal Grant	\$ 201,911	\$ 150,647	\$ 0	\$ 150,647	\$ 51,264
Matching Funds	210,145	114,929	0	114,929	95,216
Total Revenues	412,056	265,576	0	265,576	146,480
<u>Expenditures</u>					
Subcontractors	331,650	196,750	0	196,750	134,900
Equipment	30,350	8,000	0	8,000	22,350
Salary and Wages	24,092	26,187	0	26,187	(2,095)
Supplies	20,975	22,393	0	22,393	(1,418)
Travel	2,805	2,474	0	2,474	331
Indirect Costs	2,184	9,772	0	9,772	(7,588)
Total Expenditures	412,056	265,576	0	265,576	146,480
Revenue Over (Under) Expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Contract No. R11AP60140/R11AP60091  
Gates, Automation, and Surveys

Please see accompanying notes to the financial statements.

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**United States Department of the Interior Grant**  
**Revenue and Expenditures Compared with Budget**  
**Year Ended December 31, 2016**

<u>Revenue</u>	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>	<u>(Over) Under Budget</u>
Federal Grant	\$ 97,500	\$ 47,100	\$ 50,400	\$ 97,500	\$ 0
Matching Funds	189,550	47,100	98,115	145,215	44,335
Total Revenues	287,050	94,200	148,515	242,715	44,335
<u>Expenditures</u>					
Subcontractors	10,000	0	5,496	5,496	4,504
Equipment	246,050	84,175	118,841	203,016	43,034
Supplies	31,000	0	24,178	24,178	6,822
Miscellaneous Expense	0	10,025	0	10,025	(10,025)
Total Expenditures	287,050	94,200	148,515	242,715	44,335
Revenue Over (Under) Expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

CFDA 15.507  
Contract No. R12AP60070  
Tailwater Pit Pond

Please see accompanying notes to the financial statements.

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**United States Department of the Interior Grant**  
**Revenue and Expenditures Compared with Budget**  
**Year Ended December 31, 2016**

	<b><u>Revenue</u></b>	<b>Budget</b>	<b>Prior Year</b>	<b>Current Year</b>	<b>Total</b>	<b>(Over) Under Budget</b>
Federal Grant	\$	97,500	\$	17,823	\$	79,677
Matching Funds		155,928		17,824		169,242
Total Revenues		253,428		35,647		248,919
<b><u>Expenditures</u></b>						
Subcontractors		239,500		35,647		206,970
Salaries and Wages		6,328		0		38,215
Equipment		5,100		0		2,334
Indirect Costs		2,500		0		1,400
Total Expenditures		253,428		35,647		248,919
Revenue Over (Under) Expenditures	\$	0	\$	0	\$	0

CFDA 15.507  
Contract No. R12AP60069  
Scada Grant

Please see accompanying notes to the financial statements.

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Personnel**  
**As of December 31, 2016**

**Officers and Directors**

Barry Mock, Chairman  
Mitch Worrell, Vice-Chairman  
John Bates, Member  
Mike Bonewitz, Member  
Robert Robbins, Member  
Carey Pat Wallace, Member

**Manager**

Tom Buchanan

**Other Management Personnel**

Allen Ensley, Office Manager/Secretary-Treasurer  
James Decker, Water Master/Dam Superintendent

**Legal Counsel**

Latham, Nelson, and Associates, PLLC

Please see accompanying notes to the financial statements.