

**ACCOUNTANT'S AUDIT REPORT**

**LUGERT-ALTUS  
IRRIGATION DISTRICT**

**DECEMBER 31, 2015**

BY



**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Year Ended December 31, 2015**

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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, 2015, 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, 2015, 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 18 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 18 – 25 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules on pages 18 – 25 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 May 20, 2016, 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

May 20, 2016

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Statement of Assets, Liabilities, and Net Assets**  
**December 31, 2015**

**ASSETS**

**Current Assets**

Cash on Hand and in Banks	\$	600,822	
Cash - Temporary Investments		1,646,511	
Accounts Receivable - Trade		797,285	
Temporary Investments - Due After 90 Days		98,000	
Prepaid Expense		45,396	
Inventory - Pipe for Sale		22,619	
Accrued Interest Receivable		757	
Total Current Assets		\$ 3,211,390	

**Fixed Assets**

Furniture and Fixtures	\$	46,395	
Accumulated Depreciation		(44,741)	1,654
Machinery and Equipment		1,900,176	
Accumulated Depreciation		(1,579,584)	320,592
Autos, Trucks, and Trailers		739,764	
Accumulated Depreciation		(737,260)	2,504
Station and Shop Equipment		41,883	
Accumulated Depreciation		(39,762)	2,121
Land, Buildings, and Grounds		298,735	
Accumulated Depreciation		(163,404)	135,331
Canal Improvements		2,971,521	
Accumulated Depreciation		(1,597,462)	1,374,059
Land - Canal & Lateral In Pipe			10,763
Right-of-Way			1,641
Irrigation Plant		3,262,188	
Total Fixed Assets			5,110,853

**Other Assets**

Unamortized Debt Issue Costs		4,767	
		\$ 8,327,010	

**Total Assets** **\$ 8,327,010**

Please see accompanying notes to the financial statements.

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Statement of Assets, Liabilities, and Net Assets**  
**December 31, 2015**

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 1,522	
Compensated Absence Liability	38,675	
Total Current Liabilities	\$ 40,197	

**Deferred Revenue**

Maintenance Reserve - Ozark Canal	54,000	
Total Deferred Revenues	54,000	

Total Liabilities and Deferred Revenues \$ 94,197

**Net Assets**

City of Altus Equity in Physical Plant	1,080,000	
Invested in Fixed Assets (Net of Related Debt and Altus Equity)	4,030,853	
Unrestricted	3,121,960	
Total Net Assets	8,232,813	

**Total Liabilities and Net Assets \$ 8,327,010**

Please see accompanying notes to the financial statements.

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Statement of Revenue and Expenditures**  
**Year Ended December 31, 2015**

**REVENUE**

**Operating Revenues**

Water Sales	\$	1,893,530
Assessments and Penalties		692,948
Miscellaneous Revenue		29,749
Bureau of Reclamation Reimbursements		<u>84,430</u>
 Total Operating Revenues	 \$	 <u>2,700,657</u>

**EXPENDITURES**

**Operating Expenditures**

Operations and Maintenance		898,175
General and Administrative		431,363
Depreciation and Amortization		<u>150,010</u>
 Total Operating Expenditures		 <u>1,479,548</u>

**Net Revenue (Loss) from Operations** 1,221,109

**Nonoperating Revenue (Expense)**

Gain on Sale of Asset		25,806
Interest Earned		3,788
Interest on Long-Term Debt		<u>(1,192)</u>
 Total Nonoperating Revenue (Expense)		 <u>28,402</u>

**Net Revenue (Loss)** \$ 1,249,511

Please see accompanying notes to the financial statements.

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Statement of Operating Expenditures**  
**Year Ended December 31, 2015**

**Operations and Maintenance Expenditures**

Salaries & Payroll Taxes	\$ 641,127	
Fuel, Propane, Gas and Oil	63,321	
Repairs and Maintenance - Canals and Laterals	50,494	
Weed Control and Chemicals	46,614	
Repairs and Maintenance - Equipment	24,951	
OWRB / USGS	15,950	
Repairs and Maintenance - Buildings and Grounds	11,935	
Repairs and Maintenance - Underground Drainage	10,025	
Repairs and Maintenance - Pickups and Cars	9,951	
Repairs and Maintenance - Dam	8,777	
Repairs and Maintenance - Trucks and Trailers	8,216	
Station, Shop, and Welding Expense	6,814	
Total Operations and Maintenance	\$ 898,175	

**General and Administrative Expenditures**

Employee Insurance	172,599	
Salaries & Payroll Taxes	120,607	
Insurance and Bonds	52,718	
Miscellaneous	11,216	
Pension Expense	34,044	
Travel and Entertainment	17,174	
Utilities and Telephone	6,830	
Legal and Accounting	6,150	
Office Supplies and Expense	6,120	
Dues and Subscriptions	3,905	
Total General and Administrative	431,363	

**Miscellaneous Expenditures**

Depreciation and Amortization	150,010	
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**Total Operating Expense** **\$ 1,479,548**

Please see accompanying notes to the financial statements.

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Statement of Changes in Net Assets**  
**Year Ended December 31, 2015**

<u>Net Assets, December 31, 2014</u>	\$ 6,983,302
Net Revenue (Loss), Year Ended December 31, 2015	1,249,511
<b><u>Net Assets, December 31, 2015</u></b>	<b><u>\$ 8,232,813</u></b>

Please see accompanying notes to the financial statements.

# Lugert-Altus Irrigation District

Altus, Oklahoma

Statement of Cash Flows

Year Ended December 31, 2015

## Cash Flow From Operating Activities

Cash Receipts from Customers	\$	1,925,481	
Cash Receipts from Bureau of Reclamation		84,430	
Cash Receipts from Miscellaneous Revenue		27,749	
Cash Paid Out for Salaries and Payroll Taxes		(761,734)	
Cash Paid Out for Employee Benefits		(205,752)	
Cash Paid Out to Suppliers		(365,825)	
Net Cash Provided by Operating Activities			\$ 704,349

## Cash Flow from Investing Activities

Interest Earned		3,788	
Sale of Assets		25,806	
Net Cash Provided by Investing Activities			29,594

Net Increase (Decrease) in Cash and Cash Equivalents 733,943

Cash and Cash Equivalents, December 31, 2014 1,513,390

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

## Adjustments to Reconcile Operating Income to Cash

### Provided (Used) by Operating Activities

Net Revenue (Loss) from Operations			\$ 1,221,109
Add (Deduct) Items Not Providing or Using Cash:			
Depreciation	\$	150,010	
Deferred Income		(2,000)	
(Increase) Decrease in Current Assets:			
Accounts Receivable		(660,996)	
Prepaid Expense		(520)	
Inventory		(1,720)	
Increase (Decrease) in Current Liabilities:			
Compensated Absence Liability		891	
Accounts Payable		(2,425)	
			(516,760)

Net Cash Provided by Operating Activities \$ 704,349

Please see accompanying notes to the financial statements.

# **Lugert-Altus Irrigation District**

**Altus, Oklahoma**

**Notes to Financial Statements**

**Year Ended December 31, 2015**

## **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, 2015

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	\$ 1,399,518
Cash on Hand (deposit in transit)	587,581
Certificate of Deposit (matures Jan. 2016)	246,993
First National Bank, Payroll Account	33,120
First National Bank, Sinking Fund	18
First National Bank, Project Fund	18
Petty Cash	8
First National Bank, Checking Account	(19,923)
	<u>\$ 2,247,333</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, 2015**

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	\$ 587,581	\$ 8	\$ 587,589
Cash in Bank	260,190	1,399,518	36	1,659,744
Total	<u>\$ 260,190</u>	<u>\$ 1,987,099</u>	<u>\$ 44</u>	<u>\$ 2,247,333</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 7/27/2016.

The second is at Stockman's Bank for \$245,762, with an interest rate of 0.50%, and a maturity date of 1/14/2016. 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 \$150,010 which was charged to current operations.

Current year changes in fixed assets were as follows:

# Lugert-Altus Irrigation District

Altus, Oklahoma

Notes to Financial Statements

Year Ended December 31, 2015

<u>Fixed Assets</u>	<u>12/31/2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/2015</u>
Furniture & Fixtures	\$ 48,490	\$ 0	\$ 2,095	\$ 46,395
Machinery & Equipment	1,900,176	0	0	1,900,176
Autos, Trucks, & Trailers	783,697	0	43,933	739,764
Station & Shop Equipment	45,883	0	4,000	41,883
Land, Buildings, & Grounds	298,735	0	0	298,735
Canal Improvements	2,971,521	0	0	2,971,521
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>\$ 9,323,094</u>	<u>\$ 0</u>	<u>\$ 50,028</u>	<u>\$ 9,273,066</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

## **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 \$84,430 for reimbursements for expenses paid in 2015.

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 period of the contract, 50 years. Amortization of this reserve for the current year was \$2,000. The unamortized balance at December 31, 2015 was \$54,000.

# Lugert-Altus Irrigation District

Altus, Oklahoma

Notes to Financial Statements

Year Ended December 31, 2015

## Note 6 - Accounts Payable

Accounts payable and accrued expenses include the following:

Compensated Absence Liability	\$	38,675
Accounts Payable - Trade		<u>1,522</u>
Total	\$	<u><u>40,197</u></u>

Accrued expenses include the accrued liability for compensated employee absences in the amount of \$38,675 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. Contributions and costs for the current year and two previous years were as follows:

	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
Employer Contributions	\$ 32,440	\$ 32,554	\$ 28,430
Employee Contributions	5,514	5,117	6,034
Administration Costs	<u>1,604</u>	<u>1,500</u>	<u>1,300</u>
Total	<u><u>\$ 39,558</u></u>	<u><u>\$ 39,171</u></u>	<u><u>\$ 35,764</u></u>

Employer contributions of \$32,440 represent approximately 5% of the total covered payroll of \$635,396. Total gross payroll (excluding accrued compensated absence payroll) was \$672,163.

The plan is administered by:

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

# Lugert-Altus Irrigation District

Altus, Oklahoma

Notes to Financial Statements

Year Ended December 31, 2015

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, 2015, is presented for comparative purposes only, and is not intended to be a complete financial statement presentation.

## **Note 9 - 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, 2015, 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 May 20, 2016.

**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 & Associates, PC*

Furrh and Associates, PC  
Lawton, Oklahoma  
May 20, 2016

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Revenue and Expenditures Compared with Budget**  
**Year Ended December 31, 2015**

	<u>Budget</u>	<u>Current Year Actual</u>	<u>Over (Under) Budget</u>
<b><u>REVENUE</u></b>			
Assessments and Penalties	\$ 690,121	\$ 693,916	\$ 3,795
Other Income/Reimbursements	55,000	75,057	20,057
Interest Income	6,000	4,697	(1,303)
Gain on Sale of Asset	0	4,687	4,687
Total Revenue	<u>751,121</u>	<u>778,357</u>	<u>27,236</u>
<b><u>OPERATING EXPENDITURES</u></b>			
Salaries and Related Payroll Expenses	966,700	968,377	1,677
Depreciation	175,000	150,010	(24,990)
Fuel, Propane, Gas, and Oil	92,000	63,321	(28,679)
Insurance and Bonds	60,000	52,718	(7,282)
Weed Control and Chemicals	60,000	46,614	(13,386)
Maintenance - Equipment & Radios	46,600	24,951	(21,649)
Maintenance - Canals and Laterals	45,000	50,494	5,494
Maintenance - Dam	35,000	8,777	(26,223)
Travel and Entertainment	25,000	17,174	(7,826)
Legal and Accounting	20,000	6,150	(13,850)
Maintenance - Pickups & Cars	20,000	9,951	(10,049)
OWRB/USGS	17,000	15,950	(1,050)
Maintenance - Trucks & Trailers	12,000	8,216	(3,784)
Utilities and Telephone	8,900	6,830	(2,070)
Underground Drainage	8,000	10,025	2,025
Maintenance - Buildings and Grounds	8,000	11,935	3,935
Miscellaneous	7,500	11,216	3,716
Station, Shop, and Welding Expense	6,400	6,814	414
Office Supplies and Expense	6,000	6,120	120
Dues & Subscriptions	2,200	3,905	1,705
Total Operating Expenditures	<u>1,621,300</u>	<u>1,479,548</u>	<u>(141,752)</u>
<u>Operating Revenue Over (Under) Expenditures</u>	(870,179)	(701,191)	168,988
<b><u>Debt Service and Capital Expenditures</u></b>			
Interest Expense	0	1,192	1,192
Capital Expenditures	170,000	0	(170,000)
Total Debt Service & Capital Expenditures	<u>170,000</u>	<u>1,192</u>	<u>(168,808)</u>
<b><u>Revenue Over (Under) Expenditures</u></b>	<b><u>\$ (1,040,179)</u></b>	<b><u>\$ (702,383)</u></b>	<b><u>\$ 337,796</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, 2015**

	<u>12/31/14</u>	<u>12/31/15</u>	<u>Increase (Decrease)</u>
<b><u>ASSETS</u></b>			
Cash on Hand and in Banks	\$ 34,725	\$ 600,822	\$ 566,097
Cash - Temporary Investments	1,478,665	1,646,511	167,846
Accounts Receivable (Net)	136,290	797,285	660,995
Temp Investments - Due after 90 Days	98,000	98,000	0
Prepaid Expense	44,876	45,396	520
Inventory - Pipe for Sale	20,899	22,619	1,720
Accrued Interest Receivable	757	757	0
Furniture and Fixtures (Net)	2,332	1,654	(678)
Machinery and Equipment (Net)	360,001	320,592	(39,409)
Autos, Trucks, and Trailers (Net)	17,421	2,504	(14,917)
Station and Shop Equipment (Net)	3,338	2,121	(1,217)
Land, Buildings and Grounds (Net)	141,691	135,331	(6,360)
Canal Improvements (Net)	1,461,488	1,374,059	(87,429)
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	5,958	4,767	(1,191)
	<u>\$ 7,081,033</u>	<u>\$ 8,327,010</u>	<u>\$ 1,245,977</u>
<b><u>LIABILITIES AND LONG-TERM DEBT</u></b>			
Accounts Payable	\$ 3,948	\$ 1,522	\$ (2,426)
Compensated Absence Liability	37,783	38,675	892
Deferred Income	56,000	54,000	(2,000)
	<u>97,731</u>	<u>94,197</u>	<u>(3,534)</u>
<b><u>Net Assets</u></b>			
City of Altus Equity in Plant	1,080,000	1,080,000	0
Net Assets	5,903,302	7,152,813	1,249,511
	<u>6,983,302</u>	<u>8,232,813</u>	<u>1,249,511</u>
	<u>\$ 7,081,033</u>	<u>\$ 8,327,010</u>	<u>\$ 1,245,977</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, 2015**

	<u>Year Ended</u> <u>12/31/2014</u>	<u>Year Ended</u> <u>12/31/2015</u>	<u>Increase</u> <u>(Decrease)</u>
<b><u>REVENUE</u></b>			
Assessments and Penalties	\$ 693,916	\$ 692,948	\$ (968)
Other Revenue	38,560	29,749	(8,811)
Bureau of Reclamation Reimbursements	36,497	84,430	47,933
Water Sales and Penalties	0	1,893,530	1,893,530
	<u>768,973</u>	<u>2,700,657</u>	<u>1,931,684</u>
<b><u>EXPENDITURES</u></b>			
Operations and Maintenance			
Salaries	557,416	641,127	83,711
Fuel, Propane, Gas, and Oil	72,991	63,321	(9,670)
Weed Control and Chemicals	44,976	46,614	1,638
Maintenance - Equipment	17,887	24,951	7,064
Maintenance - Dam	10,840	8,777	(2,063)
Maintenance - Trucks and Trailers	9,367	8,216	(1,151)
Maintenance - Pickups and Cars	7,199	9,951	2,752
Maintenance - Canals and Laterals	5,641	50,494	44,853
Station, Shop, and Welding Expense	4,009	6,814	2,805
Maintenance - Buildings and Grounds	0	11,935	11,935
Underground Drainage	0	10,025	10,025
OWRB / USGS	0	15,950	15,950
	<u>730,326</u>	<u>898,175</u>	<u>167,849</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, 2015**

	<u>Year Ended 12/31/2014</u>	<u>Year Ended 12/31/2015</u>	<u>Increase (Decrease)</u>
<b><u>EXPENDITURES (Continued)</u></b>			
General and Administrative:			
Employee Insurance	\$ 187,691	\$ 172,599	\$ (15,092)
Salaries	116,913	120,607	3,694
Insurance and Bonds	60,206	52,718	(7,488)
Pension Expense	34,208	34,044	(164)
Miscellaneous	21,330	11,216	(10,114)
Travel and Entertainment	14,036	17,174	3,138
Utilities and Telephone	6,987	6,830	(157)
Office Supplies and Expense	5,811	6,120	309
Legal and Accounting	5,800	6,150	350
Dues and Subscriptions	1,458	3,905	2,447
	<u>454,440</u>	<u>431,363</u>	<u>(23,077)</u>
Depreciation and Amortization	<u>168,253</u>	<u>150,010</u>	<u>(18,243)</u>
	<u>1,353,019</u>	<u>1,479,548</u>	<u>126,529</u>
<u>Net Revenue (Loss) from Operations</u>	(584,046)	1,221,109	(1,805,155)
<u>Nonoperating Revenue and Expense (Net)</u>	<u>8,192</u>	<u>28,402</u>	<u>(20,210)</u>
<b><u>Net Revenue (Loss)</u></b>	<b><u>\$ (575,854)</u></b>	<b><u>\$ 1,249,511</u></b>	<b><u>\$ 1,825,365</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, 2015**

	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>	<u>(Over) Under Budget</u>
<b><u>Revenue</u></b>					
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
<b><u>Expenditures</u></b>					
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
<u>Revenue Over (Under) Expenditures</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Contract No. R11AP60141/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, 2015**

<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	\$ 0	\$ 47,100	\$ 47,100	\$ 50,400
Matching Funds	189,550	0	47,100	47,100	142,450
<b>Total Revenues</b>	<b>287,050</b>	<b>0</b>	<b>94,200</b>	<b>94,200</b>	<b>192,850</b>
<u>Expenditures</u>					
Subcontractors	10,000	0	0	0	10,000
Equipment	246,050	0	84,175	84,175	161,875
Supplies	31,000	0	0	0	31,000
Miscellaneous Expense	0	0	10,025	10,025	(10,025)
<b>Total Expenditures</b>	<b>287,050</b>	<b>0</b>	<b>94,200</b>	<b>94,200</b>	<b>192,850</b>
<u>Revenue Over (Under) Expenditures</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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, 2015**

	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>(Over) Under Budget</u>
<b><u>Revenue</u></b>				
Federal Grant	\$ 97,500	\$ 17,823	\$ 0	\$ 79,677
Matching Funds	155,928	17,824	0	138,104
Total Revenues	253,428	35,647	0	217,781
<b><u>Expenditures</u></b>				
Subcontractors	239,500	35,647	0	203,853
Salaries and Wages	6,328	0	0	6,328
Equipment	5,100	0	0	5,100
Indirect Costs	2,500	0	0	2,500
Total Expenditures	253,428	35,647	0	217,781
<u>Revenue Over (Under) Expenditures</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Contract No. R12AP60069  
Scada Grant

Please see accompanying notes to the financial statements.

**Lugert-Altus Irrigation District**  
**Altus, Oklahoma**  
**Personnel**  
**As of December 31, 2015**

**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, PC

Please see accompanying notes to the financial statements.