



May 26, 2015

To the Honorable Mayor and Members of the City Council of the
City of Altus, Oklahoma

We have audited 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 (the "City") for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 24, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal 2014. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimate of the allowances for uncollectible accounts receivable and the liability for other post-employment benefits. These estimates are based on historical information and actuarial calculations. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of commitments and contingencies contained in Note 10 to the financial statements that management considered material to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were noted as a result of our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 26, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. The City has employed Crawford & Associates, P.C., as consultants for the City and for assistance in drafting the City’s financial statements. To our knowledge there were no consultations with Crawford & Associates, P.C. or other accountants which could affect our opinions on the City’s financial statements.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management’s discussion and analysis, the budgetary comparison schedule – general fund, and the post-employment benefit plan information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the nonmajor and individual fund combining schedules and state awards information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the member of the city council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



Arledge & Associates, P.C.



CITY OF ALTUS, OKLAHOMA
SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES

June 30, 2014

CITY OF ALTUS, OKLAHOMA

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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*

To the Honorable Mayor and Members of the City Council
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 (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 26, 2015.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, 2014-01 and 2014-4.

Compliance and Other Matters

As part of obtaining reasonable assurance about the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported

under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-02 and 2014-03.

The City's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "Audge Associates, P.C." The signature is written in a cursive, flowing style.

May 26, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Honorable Mayor and Members of the City Council
City of Altus, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the City of Altus, Oklahoma's (the "City's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated May 26, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



May 26, 2015

CITY OF ALTUS, OKLAHOMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
U.S. Department of Justice		
Bulletproof Vest Partnership Program	16.607	\$ 1,280
<i>Total Department of Justice</i>		<u>1,280</u>
U.S. Department of Transportation		
Passed through Oklahoma Aeronautics Commission:		
Airport Improvement Program	20.106	516,576
Passed through Oklahoma Department of Transportation:		
Highway Planning and Contruction	20.205	<u>50,325</u>
<i>Total U.S. Department of Transportation</i>		<u>566,901</u>
U.S. Department of Homeland Security		
Passed-through Oklahoma Department of Emergency Management:		
Emergency Management Performance Grants	97.042	36,000
Homeland Security Grant Program	97.067	<u>3,974</u>
<i>Total Department of Homeland Security</i>		<u>39,974</u>
Total Expenditures of Federal Awards		<u><u>\$ 608,155</u></u>

Note 1. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the City under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with requirements of the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards are reported on the basis of accounting consistent with the definition of federal awards expended in paragraph 205 of OMB Circular A-133.

CITY OF ALTUS, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? _____ yes X no
Significant deficiency(ies) identified
not considered to be material weaknesses? X yes _____ none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? _____ yes X no
Reportable condition(s) identified
not considered to be material weakness(es)? _____ yes X none reported

Type of auditor's report issued on compliance
for major programs: Unmodified

Any audit findings disclosed that are required
to be reported in accordance with
OMB Circular A-133, Section .510(a)? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ yes X no

CITY OF ALTUS, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

2014-02 and 2014-03

Internal Control Findings

2014-01 and 2014-04

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

None

Internal Control Findings

None

CITY OF ALTUS, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

Finding 2014-01 Payroll

Repeat Finding

Criteria: One component of an effective internal control system is proper supervisory review of payroll to ensure employees are accurately paid each pay period.

Condition: We noted that 2 out of the 25 employees tested were paid for hours not worked because the settings in the payroll system were incorrectly set to salaried versus hourly for these employees. When holiday and vacation pay were manually entered into payroll, the system added the additional hours to the salaried hours of 80 which resulted in the overpayment. Additionally, no supervisory or management review was performed over payroll changes or adjustments prior to making direct deposits or printing pay checks.

Cause and Effect: Inadequate controls over payroll adjustments and failure to have appropriate management review resulted in inaccurate payroll with employees being over compensated.

Recommendation: We recommend the City review the payroll system's parameters to ensure all employees are set up to properly reflect whether they are salary or hourly. Further, the City should adopt procedures where someone is assigned to review payroll changes to ensure employees are being paid correctly and to ensure an appropriate level of segregation of duties.

City's response: The City of Altus has implemented several policies and procedures to ensure that employees are paid properly. The HR Assistant inputs biweekly payroll figures but is not authorized set up any new employees or make any changes to existing employees. The HR Manager does all of the employee maintenance and a Personnel Action form documenting all changes is kept in the personnel files. After each payroll is processed and reviewed by the HR Assistant it is sent to the HR Manager for approval. Upon the Manager's approval the payroll is then sent to the City Clerk and the CFO for review before it is sent to the bank for processing.

CITY OF ALTUS, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd.)
Year Ended June 30, 2014

Finding 2014-02 Cash Collateral

Criteria: Oklahoma State law requires bank deposits that exceed the federal insurance limits to be secured by acceptable collateral.

Condition: The City's pooled cash account was under collateralized by approximately \$357,000 at June 30, 2014.

Cause and Effect: The City did not monitor cash balances throughout the fiscal year to insure the cash balance was below the amount collateralized. The City is not in compliance with state statutes and is exposed to custodial credit risk without appropriate collateralization.

Recommendation: We recommend the City review its collateral arrangement with its bank and monitor coverage throughout the year to ensure all accounts are appropriately collateralized.

City's response: The City has implemented procedures to monitor cash and investment balances on a weekly basis to insure our deposits stay collateralized.

CITY OF ALTUS, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd.)
Year Ended June 30, 2014

Finding 2014-03 Expenditures in Excess of Budgeted Appropriations

Criteria: Oklahoma State law requires that municipal expenditures not exceed the legally appropriated amounts.

Condition: Expenditures exceeded appropriations in the following departments:

Fire Department	\$687,309
Municipal Court	\$30,459
Police – Detective Division	\$12,456
ARAC	\$20,446

Cause and Effect: Expenditures were incurred during the year without the necessary related budget amendments resulting in budget overruns.

Recommendation: We recommend management review budget-to-actual expenditures at or near the end of each year and propose budget amendments as needed. In addition, when contemplating large expenditures, we recommend the necessary budget amendment be presented at the time of request for approval of the acquisition.

City's Response: Management is reviewing budget-to-actual expenditures on a monthly basis and policies have been put in place to ensure that budget amendments are presented for approval at the time purchases are approved.

CITY OF ALTUS, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd.)
Year Ended June 30, 2014

Finding 2014-04 Controls over Financial Reporting

Criteria: The City's management is responsible for ensuring the accurateness, completeness and timeliness of financial records, related information and annual reports.

Condition: During the first half of fiscal 2014, the Finance Department did not have management level staff to provide guidance and accountability for the City's accounting functions. As a result, certain revenues and expenditures were inaccurately recorded in the City's financial records. The City also missed key reporting deadlines, one of which was the Federal Single Audit report filing deadline of March 31, 2014. Additionally, adjustments of approximately \$3,190,000 were necessary to correct the inaccuracies identified as part of year-end financial statement preparation.

Cause and Effect: The requirement for, and value of, accurate financial reporting was not understood and valued across all departments, management, and governance officials. The City's financial reporting function is not centralized. The City went without appropriate financial management during the first half of fiscal 2014. Financial statements may be issued which are incomplete, inaccurate and misleading.

Recommendation: The City should increase controls over financial reporting by allowing the Chief Financial Officer to implement policies and procedures to ensure internal controls best practices are followed by the City. Additional training for existing staff and increased use of outside consultants within the Finance Department is required to ensure proper controls are implemented, monitored, and maintained. Further, training regarding financial reporting requirements should be provided for all supervisors, managers, and governing bodies for the entire reporting entity. Finally, elected officials, governing boards, and senior management should adopt an expectation of stringent compliance with controls over financial reporting.

City's Response: The City of Altus concurs with the auditor's recommendation and has begun implementing policies and procedures to ensure internal controls best practices are followed by the City.

CITY OF ALTUS, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

Finding 2013-01 Negative Fund Balances

Criteria: Oklahoma State law prohibits negative fund balances.

Condition: The following funds had negative fund balances at June 30, 2013:

Airport	\$ (63,114)
Emergency 911	(214,166)
Parks Development	(45,662)
Debt Service	(17,995)

Cause and effect: Transfers from the general fund were not made to these funds during the course of the year.

Recommendation: We recommend transfers be made from the general fund to increase the fund balances to a positive number.

City's response: We will implement the actions recommended above, and make adjustments accordingly.

Current year status: This condition has been resolved in the current year.

CITY OF ALTUS, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS (Cont'd.)
Year Ended June 30, 2014

Finding 2013-02 Payroll Distribution

Criteria: One component of an effective internal control system is proper supervisory review of payroll to ensure employees are accurately paid each pay period.

Condition: While testing payroll distribution 1 out of the 25 employees tested was not paid for all the hours reported on the time sheet. In addition, we noted the settings in the payroll system were not set to properly reflect if the employee was salaried or hourly.

Cause and effect: The system reported the employee as salary, but the employee is hourly. As a result, it was necessary to perform a manual change in the system to correct the mistake. Because of manual changes, there was an error in the calculation resulting in the employee's payroll check being miscalculated. There is also no report generated by the system showing manual changes made to the system for supervisory review and confirmation.

Recommendation: We recommend the City review the payroll system's parameters to ensure all employees are set up to properly reflect whether they are salary or hourly. Furthermore, a report should be generated of any changes to the payroll period and reviewed by an individual that does not have the ability to initiate changes in the payroll system.

City's response: We have adopted the recommendation. Reports generated by the payroll system are reviewed by another individual who is not involved with the payroll process, and we plan to install a new payroll system that should alleviate the issue and provide stronger controls.

Current year status: See audit finding 2014-01.

CITY OF ALTUS, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS (Cont'd.)
Year Ended June 30, 2014

Finding 2013-03

Criteria: The pooled cash accounts should be reconciled each month to reflect what is reported in the general ledger.

Condition: We noted the aggregate total of pooled cash reported in each fund did not materially agree with the reconciliation of pooled cash performed at the fiscal year-ending June 30, 2013. The results at year-end had an aggregate material effect on the general ledger.

Cause and effect: Since the pooled cash accounts have an effect on most funds, and several different general ledger accounts, the financial statement may be materially misstated.

Recommendation: We recommend the City ensures each month the pooled cash reconciles with the general ledger with proper supervisor review.

City's response: We are in search of an additional accountant to address the overall accounting workload, including reconciling pooled cash. In addition, funds are available in contract services to accelerate work accomplishments as needed. The current supervisor will monitor and review the pooled cash reconciliation process.

Current year status: This finding has been resolved in the current year.

**THE CITY OF ALTUS,
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

**CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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**CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
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, 2014, 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. 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 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, 2014, 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 post-employment benefit information, as

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, and state awards information 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 and state awards information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and state awards information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



May 26, 2015

**CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

MANAGEMENT DISCUSSION AND ANALYSIS

**CITY OF ALTUS, OKLAHOMA
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Our discussion and analysis of the City of Altus' financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2014, the City's total net position increased by \$8,092,877 or 21.2% from the prior year. This was largely attributable to the AMA's water, sewer, sanitation and electric departments' net operating revenue.
- During the year, the City's expenses for governmental activities were \$13.7 million and were funded by program revenues of \$3.3 million and further funded with taxes and other general revenues that totaled \$10.5 million.
- In the City's business-type activities, such as utilities, program revenues exceed expenses by \$7.9 million.
- At June 30, 2014, the General Fund reported an unassigned fund balance of \$4,114,993, which is an increase of 46.4% from the prior year unreserved, undesignated fund balance.
- For budgetary reporting purposes, the General Fund reported revenues over estimates of \$560,485 or 5.1%, while expenditures were under the final appropriations by \$1,801,994 or 12.6%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Altus (the "City") and its component units using the integrated approach as prescribed by GASB Statements No. 14, 34, 39, and 61. Included in this report are government-wide statements for each of two categories of activities – governmental and business-type. The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately and combined. These statements include all assets of the City (including infrastructure capital assets) as well as all liabilities (including all long-term debt), and deferred inflows.

About the City

The City of Altus is an incorporated municipality with a population of approximately 19,813 located in Jackson County in southwestern Oklahoma. The City is a Council-Manager form of government and is governed by a nine-member Council and operates under state law 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.

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The City's Financial Reporting Entity

This annual report includes all activities for which the City of Altus City Council is fiscally responsible. These activities, defined as the City's financial reporting entity, are operated within separate legal entities that make up the primary government.

The City's financial reporting entity includes the primary government (City of Altus) and a blended component unit as follows.

- **The City of Altus** – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities
- **The Altus Municipal Authority** – that operates the electric, water, sewer, and sanitation services of the City

Using This Annual Report

This annual report is presented in a format that substantially meets the presentation requirements of the Governmental Accounting Standards Board (GASB) in accordance with generally accepted accounting principles. The presentation includes financial statements that communicate the City's financial condition and changes therein at two distinct levels:

- **The City as a Whole** (a government-wide presentation)
- **The City's Funds** (a presentation of the City's major and aggregate non-major funds)

The City's various government-wide and fund financial statements are presented throughout this annual report and are accompanied by:

- **Management's Discussion and Analysis** – that provides useful analysis that facilitates a better understanding of the City's financial condition and changes therein.
- **Footnotes** - that elaborate on the City's accounting principles used in the preparation of the financial statements and further explain financial statement elements.
- **Supplemental Information** – that provides additional information about specified elements of the financial statements, such as budgetary comparison information.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report the City's net position and changes in them from the prior year. You can think of the City's net position – the difference between assets, deferred outflows, liabilities and deferred inflows – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

As mentioned above, in the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental activities** -- Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- **Business-type activities** -- The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's electric, water, wastewater, and sanitation activities are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

Governmental funds -- Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

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Proprietary funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds, either as enterprise funds or as internal service funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Fund Net Position and Statement of Cash Flows. In fact, the City’s enterprise funds are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

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 exceeded liabilities and deferred inflows by approximately \$46.2 million at the close of the most recent fiscal year.

TABLE 1
NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	Restated 2013		2014	Restated 2013		2014	Restated 2013	
Current assets	\$ 11,518	\$ 10,566	9%	\$ 21,870	\$ 17,830	23%	\$ 33,388	\$ 28,396	18%
Capital assets, net	9,493	8,347	14%	45,161	43,643	3%	54,654	51,990	5%
Other non-current assets	-	-	0%	-	438	-100%	-	438	-100%
Total assets	21,011	18,913	11%	67,031	61,911	8%	88,042	80,824	9%
Current liabilities	876	734	19%	7,296	7,315	0%	8,172	8,049	2%
Non-current liabilities	1,916	717	167%	27,596	29,430	-6%	29,512	30,147	-2%
Total liabilities	2,792	1,451	92%	34,892	36,745	-5%	37,684	38,196	-1%
Deferred inflow of resources	-	-	0%	4,184	4,548	-8%	4,184	4,548	-8%
Net position									
Net investment in capital assets	8,384	8,347	0%	28,505	26,095	9%	36,889	34,442	7%
Restricted	2,097	2,163	-3%	13,529	13,949	0%	15,626	16,112	-3%
Unrestricted (deficit)	7,738	6,952	11%	(14,079)	(19,425)	-28%	(6,341)	(12,473)	-49%
Total net position	\$ 18,219	\$ 17,462	4%	\$ 27,955	\$ 20,619	36%	\$ 46,174	\$ 38,081	22%

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 2014, this investment in capital assets, net of related debt amounted to \$36.9 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A major portion of the City’s net position, \$15.6 million, also represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is available to meet the government’s ongoing obligations to citizens and creditors.

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The \$1.2 million (167%) increase in governmental noncurrent liabilities is due mainly to the issuance of approximately \$850,000 long-term debt for a fire truck and \$250,000 increase in accrued compensated absences due to the implementation of new leave policy as of April 2014.

The \$0.4 million (100%) decrease in business type other noncurrent assets is due to the write-off of an uncollectible note receivable from Altus Flight Academy.

The \$5.3 million (28%) decrease in negative unrestricted net position is due mainly to net income of \$7.3 million for business-type activities.

Changes in Net Position

For the year ended June 30, 2014, net position of the primary government changed as follows:

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	Restated 2013		2014	Restated 2013		2014	Restated 2013	
Revenues									
Charges for service	\$ 1,503	\$ 1,443	4%	\$ 32,878	\$ 32,300	2%	\$ 34,381	\$ 33,743	2%
Operating grants and contributions	1,254	988	27%	-	-	-	1,254	988	27%
Capital grants and contributions	535	263	103%	1,148	438	162%	1,683	701	140%
Taxes	10,302	10,536	-2%	-	-	-	10,302	10,536	-2%
Investment income	12	7	71%	39	-	100%	51	7	629%
Miscellaneous	203	182	12%	-	-	-	203	182	12%
Total revenues	13,809	13,419	3%	34,065	32,738	4%	47,874	46,157	4%
Expenses									
General government	3,472	2,264	54%	-	-	-	3,472	2,264	54%
Public safety	7,252	7,112	2%	-	-	-	7,252	7,112	2%
Public works	1,053	1,150	-8%	-	-	-	1,053	1,150	-8%
Culture, parks and recreation	1,283	1,352	-5%	-	-	-	1,283	1,352	-5%
Airport	606	747	-19%	-	-	-	606	747	-19%
Economic development	-	88	-100%	-	-	-	-	88	-100%
Interest on long-term debt	27	-	100%	-	-	-	27	-	100%
Water	-	-	-	3,081	4,125	-25%	3,081	4,125	-25%
Wastewater	-	-	-	677	691	-2%	677	691	-2%
Sanitation	-	-	-	1,586	1,167	36%	1,586	1,167	36%
Other	-	-	-	2,347	3,127	-25%	2,347	3,127	-25%
Electric	-	-	-	18,397	17,869	3%	18,397	17,869	3%
Total expenses	13,693	12,713	8%	26,088	26,979	-3%	39,781	39,692	0%
Excess (deficiency) before transfers	116	706	-84%	7,977	5,759	39%	8,093	6,465	25%
Transfers	641	4,056	-84%	(641)	(4,056)	-84%	-	-	0%
Change in net position	757	4,762	-84%	7,336	1,703	331%	8,093	6,465	25%
Beginning net position, restated	17,462	12,700	37%	20,619	18,916	9%	38,081	31,616	20%
Ending net position	\$ 18,219	\$ 17,462	4%	\$ 27,955	\$ 20,619	36%	\$ 46,174	\$ 38,081	21%

Explanations for changes in excess of 20% and \$100,000 are as follows:

Governmental Activities:

Capital grants and contributions increased 103% due to airport grants received in the current year.

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General government expenses increased 54% due to \$1 million internal service fund net income in the prior year.

Business-Type Activities:

Capital grants and contributions increased 162% due to a \$764,000 ODOT Highway 283 utility relocation grant received in the current year.

Water expenses – 25% decrease due to \$350,000 of road expenses in the prior year and a \$363,000 amortization of refunding gain.

Sanitation expenses – 36% increase in sanitation due to a change in the landfill closure costs estimate.

Other expenses - 25% decrease related to \$800,000 less MAPS payments.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City’s taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

**TABLE 3
Net Revenue (Expense) of Governmental Activities
(In Thousands)**

	Total Expense		% Inc. (Dec.)	Net Revenue (Expense)		% Inc. (Dec.)
	of Services			of Services		
	2014	Restated 2013	2014	Restated 2013		
General government	\$ 3,472	\$ 2,264	54%	(\$3,104)	(\$2,426)	28%
Public safety	7,252	7,112	2%	(6,129)	(6,161)	-1%
Public works	1,053	1,150	-8%	(645)	(619)	4%
Culture and recreation	1,283	1,352	-5%	(794)	(867)	-8%
Airport	606	747	-19%	298	-	100%
Economic development	-	88	-100%	-	(88)	-100%
Interest on long-term debt	27	-	100%	(27)	-	100%
Total	<u>13,693</u>	<u>\$ 12,713</u>	8%	<u>(\$10,401)</u>	<u>(\$10,161)</u>	2%

Explanations for significant changes are listed above under Table 2.

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	Restated			Restated		
	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>	
Water	\$ 3,081	\$ 4,125	-25%	\$ 2,608	\$ 1,862	40%
Wastewater	677	691	-2%	1,059	1,058	0%
Sanitation	1,586	1,167	36%	1,146	804	43%
Electric	18,397	17,869	3%	5,089	3,291	55%
Other	2,347	3,127	-25%	(1,964)	(5,431)	-64%
Total	<u>\$26,088</u>	<u>\$26,979</u>	-3%	<u>\$ 7,938</u>	<u>\$ 1,584</u>	401%

The City's business-type activities include utility services for water, wastewater, sanitation and electric.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2014 fiscal year, the governmental funds reported a combined fund balance of \$9.5 million or a 5.7% increase. The enterprise funds reported combined net position of \$27.9 million or a 35.5% increase from 2014 due to overall expenses decreasing.

Other fund highlights include:

- For the year ended June 30, 2014, the General Fund's total fund balance decreased by \$963,479 or 17.8%.
- There was \$280,079 of fund balance in the General Fund that is restricted for specific purposes.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the General Fund budget various times. The revised budget included a decrease in overall revenue projections of 1.2% or \$131,879 and a decrease in appropriations of 0.3% or \$30,500. Actual revenues were above estimates by \$560,485 or 5.1%, while expenditures were under final appropriations by \$1,801,994 or 12.6%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2014, the City had \$54.6 million invested in capital assets, net of accumulated depreciation, including police and fire equipment, buildings, park facilities, streets, and water lines and sewer lines. (See Table 5). This represents a net increase of approximately \$2.7 million over last year.

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

	Governmental		Business-Type		Total	
	Activities		Activities		Activities	
	2014	Restated 2013	2014	Restated 2013	2014	Restated 2013
Land	\$ 1,217	\$ 1,217	\$ 1,305	\$ 1,305	\$ 2,522	\$ 2,522
Buildings and improvements	5,428	5,174	22,555	22,921	27,983	28,095
Infrastructure	1,202	1,262	-	-	1,202	1,262
Machinery and equipment	1,646	694	1,743	1,135	3,389	1,829
Water rights	-	-	11,145	11,762	11,145	11,762
Utility property	-	-	6,008	6,083	6,008	6,083
Construction in progress	-	-	2,405	438	2,405	438
Totals	\$ 9,493	\$ 8,347	\$ 45,161	\$ 43,644	\$ 54,654	\$ 51,991

This year's more significant capital asset additions included:

Water Plant Improvements	\$832,255
Fire Engine platform	859,835
FAA grant project	498,638

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

Long-Term Debt

At year-end, the City had \$33.6 million in long-term debt outstanding which represents an approximately \$1,012,000 or 2.9% decrease from the prior year. The City's changes in long-term debt by type of debt are as follows:

**TABLE 6
Long-Term Debt
(In Thousands)**

	Governmental		Business-Type		Total		Total Percentage Change
	Activities		Activities		Activities		
	2014	Restated 2013	2014	Restated 2013	2014	Restated 2013	
Notes payable	\$ 1,109	\$ 385	\$ 19,793	\$ 21,054	\$ 20,902	\$ 21,439	-2.5%
Accrued compensated absence:	949	633	552	217	1,501	850	76.6%
Claims liability	113	200	-	-	113	200	-43.5%
Capital lease payable	-	-	692	1,019	692	1,019	-32.1%
Contract obligations payable	-	-	8,085	8,574	8,085	8,574	-5.7%
Landfill closure liability	-	-	1,464	1,516	1,464	1,516	-3.4%
Deposits subject to refund	-	-	842	872	842	872	-3.4%
Totals	\$ 2,171	\$ 1,218	\$ 31,428	\$ 33,252	\$ 33,599	\$ 34,470	-2.5%

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

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The Economic Outlook

The City of Altus and the Altus Municipal Authority developed the Fiscal Year 2014-15 budget with defined goals and conservative revenue projections. The adopted Fiscal Year 2015 budget, including all funds and transfers, is \$54,861,282. The City of Altus' primary sources of revenues are sales tax and utility revenues. The Fiscal Year 2015 Budget projects new revenues of \$48,062,393, defined as revenues without the use of prior year fund balances or transfers in from other funds. The goal is for FY 2014-2015 revenues to exceed FY 2014-2015 expenses.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with an understanding of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the City's Chief Financial Officer at 509 South Main, Altus, Oklahoma 73521 or the website at www.cityofaltus.org.

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BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF ALTUS, OKLAHOMA
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Statement of Net Position– June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 9,113,129	\$ 8,358,697	\$ 17,471,826
Investments	-	7,175,324	7,175,324
Accrued interest receivable	110	-	110
Accounts receivable, net of allowance	56,356	4,937,628	4,993,984
Taxes receivable	26,083	-	26,083
Court fines receivable, net of allowance	92,837	-	92,837
Due from other governments	1,322,336	763,962	2,086,298
Internal balances	848,310	(848,310)	-
Inventory	59,149	1,482,702	1,541,851
Capital Assets			
Land and other non-depreciable assets	1,217,403	3,709,628	4,927,031
Other capital assets, net of depreciation	8,275,498	41,450,919	49,726,417
Total Assets	<u>21,011,211</u>	<u>67,030,550</u>	<u>88,041,761</u>
LIABILITIES			
Accounts payable	237,644	2,989,225	3,226,869
Accrued payroll liabilities	314,544	99,913	414,457
Accrued interest payable	12,696	327,782	340,478
Due to bondholders	2,100	-	2,100
Payable to other governments	-	46,371	46,371
Other payables	54,100	-	54,100
Long-term liabilities:			
Due within one year	255,469	3,832,440	4,087,909
Due in more than one year	1,915,528	27,596,038	29,511,566
Total liabilities	<u>2,792,081</u>	<u>34,891,769</u>	<u>37,683,850</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred amount on long-term debt refunding	-	4,183,855	4,183,855
NET POSITION			
Invested in capital assets, net of related debt	8,384,125	28,505,211	36,889,336
Restricted for:			
Capital projects	1,045,167	3,741,307	4,786,474
Debt service	5	1,922,396	1,922,401
Economic development	110,296	-	110,296
MAPS projects	-	7,854,592	7,854,592
Other purposes	941,727	10,451	952,178
Unrestricted (deficit)	7,737,810	(14,079,031)	(6,341,221)
Total net position	<u>\$ 18,219,130</u>	<u>\$ 27,954,926</u>	<u>\$ 46,174,056</u>

See accompanying notes to the basic financial statements.

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Statement of Activities –Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 3,472,083	\$ 211,044	\$ 156,887	\$ -	\$ (3,104,152)	\$ -	\$ (3,104,152)
Public Safety	7,251,994	434,124	688,948	-	(6,128,922)	-	(6,128,922)
Public Works	1,052,901	-	408,178	-	(644,723)	-	(644,723)
Culture and Recreation	1,282,969	489,244	-	-	(793,725)	-	(793,725)
Airport	606,441	368,753	-	535,242	297,554	-	297,554
Interest on Long-term debt	26,644	-	-	-	(26,644)	-	(26,644)
Total governmental activities	<u>13,693,032</u>	<u>1,503,165</u>	<u>1,254,013</u>	<u>535,242</u>	<u>(10,400,612)</u>	<u>-</u>	<u>(10,400,612)</u>
Business-type activities							
Water	3,081,548	4,925,345	-	763,962	-	2,607,759	2,607,759
Wastewater	676,772	1,736,215	-	-	-	1,059,443	1,059,443
Sanitation	1,585,508	2,731,146	-	-	-	1,145,638	1,145,638
Electric	18,396,707	23,485,462	-	-	-	5,088,755	5,088,755
Other	2,347,544	-	-	383,876	-	(1,963,668)	(1,963,668)
Total business-type activities	<u>26,088,079</u>	<u>32,878,168</u>	<u>-</u>	<u>1,147,838</u>	<u>-</u>	<u>7,937,927</u>	<u>7,937,927</u>
Total primary government	<u>39,781,111</u>	<u>34,381,333</u>	<u>1,254,013</u>	<u>1,683,080</u>	<u>(10,400,612)</u>	<u>7,937,927</u>	<u>(2,462,685)</u>
General revenues:							
Taxes:							
Sales and use taxes					9,409,534	-	9,409,534
Franchise taxes and public service taxes					670,764	-	670,764
Hotel/motel taxes					221,043	-	221,043
Investment income					11,930	39,503	51,433
Miscellaneous					202,788	-	202,788
Transfers - Internal activity					641,217	(641,217)	-
Total general revenues and transfers					<u>11,157,276</u>	<u>(601,714)</u>	<u>10,555,562</u>
Change in net position					756,664	7,336,213	8,092,877
Net position - beginning, restated					<u>17,462,466</u>	<u>20,618,713</u>	<u>38,081,179</u>
Net position - ending					<u>\$ 18,219,130</u>	<u>\$ 27,954,926</u>	<u>\$ 46,174,056</u>

See accompanying notes to the basic financial statements.

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

CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Governmental Funds Balance Sheet - June 30, 2014

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 3,067,767	\$ 4,746,937	\$ 7,814,704
Interest receivable	-	110	110
Receivable from other governments	1,292,199	30,137	1,322,336
Due from other funds	1,158,833	390,099	1,548,932
Taxes receivable, net	25,583	500	26,083
Court fines receivable, net	92,837	-	92,837
Other receivables	1,706	54,650	56,356
Inventories	26,298	32,851	59,149
Total assets	<u>\$ 5,665,223</u>	<u>\$ 5,255,284</u>	<u>\$ 10,920,507</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 204,972	\$ 25,043	\$ 230,015
Accrued payroll payable	300,843	13,701	314,544
Due to other funds	585,182	115,440	700,622
Due to bondholders	2,100	-	2,100
Accrued interest payable	12,696	-	12,696
Other payables	54,100	-	54,100
Total liabilities	<u>1,159,893</u>	<u>154,184</u>	<u>1,314,077</u>
Deferred Inflows of Resources:			
Deferred revenue	<u>69,612</u>	<u>49,069</u>	<u>118,681</u>
Fund balances:			
Nonspendable	26,298	32,851	59,149
Restricted	280,079	1,768,047	2,048,126
Assigned	14,348	3,251,133	3,265,481
Unassigned	4,114,993	-	4,114,993
Total fund balances	<u>4,435,718</u>	<u>5,052,031</u>	<u>9,487,749</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 5,665,223</u>	<u>\$ 5,255,284</u>	<u>\$ 10,920,507</u>

See accompanying notes to the basic financial statements.

CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2014

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 9,933,372	\$ 367,969	\$ 10,301,341
Intergovernmental	1,073,336	722,948	1,796,284
Charges for services	625,555	374,250	999,805
Fines and forfeitures	356,008	-	356,008
Licenses and permits	97,830	-	97,830
Investment earnings	7,780	4,150	11,930
Miscellaneous	147,440	47,066	194,506
Total revenues	<u>12,241,321</u>	<u>1,516,383</u>	<u>13,757,704</u>
EXPENDITURES			
Current:			
General government	3,221,723	480	3,222,203
Public safety	6,701,669	450,139	7,151,808
Public works	928,503	-	928,503
Culture and recreation	1,231,647	-	1,231,647
Airport	-	467,370	467,370
Capital outlay	1,128,381	680,873	1,809,254
Debt service:			
Principal	119,451	-	119,451
Interest and other charges	26,644	-	26,644
Total expenditures	<u>13,358,018</u>	<u>1,598,862</u>	<u>14,956,880</u>
Excess (deficiency) of revenues over expenditures	<u>(1,116,697)</u>	<u>(82,479)</u>	<u>(1,199,176)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt	843,692	-	843,692
Transfers in	4,538,429	1,831,320	6,369,749
Transfers out	(5,228,903)	(272,169)	(5,501,072)
Total other financing sources and uses	<u>153,218</u>	<u>1,559,151</u>	<u>1,712,369</u>
Net change in fund balances	(963,479)	1,476,672	513,193
Fund balances - beginning, restated	5,399,197	3,575,359	8,974,556
Fund balances - ending	<u>\$ 4,435,718</u>	<u>\$ 5,052,031</u>	<u>\$ 9,487,749</u>

See accompanying notes to the basic financial statements.

**CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Total fund balance, governmental funds	\$	9,487,749
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$13,484,518		9,492,901
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:		
Grants receivable		49,069
Court fines receivable, net of allowance for doubtful accounts of \$291,883		69,612
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:		
Notes payable		(1,108,776)
Accrued compensated absences		(948,984)
Internal service funds are used by management to charge costs of certain activities that benefit multiple funds, such as self-insurance costs, to individual funds. The assets and liabilities of certain of these internal service funds are reported in governmental activities in the Statement of Net Position:		
Internal service funds' net position		1,177,559
Net Position of Governmental Activities in the Statement of Net Position	\$	18,219,130

See accompanying notes to the basic financial statements.

CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Net change in fund balances - total governmental funds: \$ 513,193

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	1,673,735
Capital assets purchased by business-type activities	32,241
Depreciation expense	(560,088)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Change in deferred revenue	50,775
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Principal payments on long-term debt	119,451
Transfers to business-type activities related to long-term debt	(384,535)
Proceeds of long-term debt	(843,692)

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	(315,959)
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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:

Total change in net position for internal service funds	471,543
Change in net position of governmental activities	<u>\$ 756,664</u>

See accompanying notes to the basic financial statements.

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

CITY OF ALTUS, OKLAHOMA
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Proprietary Funds Statement of Net Position - June 30, 2014

	<u>Altus Municipal</u> <u>Authority</u>	<u>Internal Service</u> <u>Funds</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,163,622	\$ 1,298,425
Restricted:		
Cash and cash equivalents	7,195,075	-
Investments	7,175,324	-
Due from other funds	585,182	-
Accounts receivable, net	4,937,628	-
Receivables from other governments	763,962	-
Inventories	1,482,702	-
Total current assets	<u>23,303,495</u>	<u>1,298,425</u>
Non-current assets:		
Capital assets:		
Land and construction in progress	3,709,628	-
Other capital assets, net of accumulated depreciation	41,450,919	-
Total non-current assets	<u>45,160,547</u>	<u>-</u>
Total assets	<u>68,464,042</u>	<u>1,298,425</u>
LIABILITIES		
Current liabilities:		
Accounts payable	2,989,225	7,629
Accrued payroll payable	99,913	-
Accrued interest payable	327,782	-
Due to other funds	1,433,492	-
Payable to other governments	46,371	-
Deposits subject to refund	168,331	-
Compensated absences	55,239	-
Capital lease obligation	340,411	-
Contract obligation payable	508,950	-
Claims liability	-	9,282
Notes payable	2,759,509	-
Total current liabilities	<u>8,729,223</u>	<u>16,911</u>
Non-current liabilities:		
Deposits subject to refund	673,322	-
Compensated absences	497,148	-
Capital lease obligation	351,954	-
Contract obligation payable	7,575,524	-
Landfill closure liability	1,464,455	-
Claims liability	-	103,955
Notes payable	17,033,635	-
Total non-current liabilities	<u>27,596,038</u>	<u>103,955</u>
Total liabilities	<u>36,325,261</u>	<u>120,866</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amount on long-term debt refunding	<u>4,183,855</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	28,505,211	-
Restricted for debt service	1,922,396	-
Restricted for capital projects	3,741,307	-
Restricted for MAPS projects	7,854,592	-
Restricted for other purposes	10,451	-
Unrestricted (deficit)	(14,079,031)	1,177,559
Total net position	<u>\$ 27,954,926</u>	<u>\$ 1,177,559</u>

See accompanying notes to the basic financial statements.

CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position - Year Ended June 30, 2014

	<u>Altus Municipal</u> <u>Authority</u>	<u>Internal Service</u> <u>Funds</u>
REVENUES		
Water	\$ 4,788,651	\$ -
Sewer	1,688,029	-
Sanitation	2,359,405	-
Electric	22,833,636	-
Miscellaneous	1,208,447	2,509,878
Total operating revenues	<u>32,878,168</u>	<u>2,509,878</u>
OPERATING EXPENSES		
General government	-	2,132,212
Administration	1,606,790	-
Water	1,925,586	-
Sewer	527,963	-
Sanitation	951,423	-
Landfill operations	359,477	-
Electric services	16,297,665	-
Economic development	822,186	-
Depreciation	2,133,638	-
Total operating expenses	<u>24,624,728</u>	<u>2,132,212</u>
Operating income	<u>8,253,440</u>	<u>377,666</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	39,503	1,303
Miscellaneous revenue	-	92,574
Payments to school - MAPS	(753,778)	-
Interest expense	(827,957)	-
Miscellaneous expenses	(6,450)	-
Total non-operating revenue (expenses)	<u>(1,548,682)</u>	<u>93,877</u>
Income before transfers	6,704,758	471,543
Capital contributions	1,147,838	-
Transfers in	5,460,507	-
Transfers out	(5,976,890)	-
Change in net position	<u>7,336,213</u>	<u>471,543</u>
Total net position - beginning, restated	20,618,713	706,016
Total net position - ending	<u>\$ 27,954,926</u>	<u>\$ 1,177,559</u>

See accompanying notes to the basic financial statements.

**CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2014

	<u>Altus Municipal Authority</u>	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and others	\$ 31,370,609	\$ 2,602,452
Payments to suppliers	(18,461,970)	(2,246,324)
Payments to employees	(3,584,754)	-
Payments to school-MAPS	(753,778)	-
Receipts of customer meter deposits	203,870	-
Refunds of customer meter deposits	(234,482)	-
Interfund receipts/payments	(793,072)	-
Net cash provided by operating activities	7,746,423	356,128
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	5,460,507	-
Transfers to other funds	(5,976,890)	-
Net cash provided by (used in) noncapital financing activities	(516,383)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(3,650,584)	-
Proceeds from capital grant	1,147,838	-
Proceeds from debt	1,200,000	-
Principal paid on debt	(3,277,235)	-
Interest and fiscal agent fees paid on debt	(1,226,558)	-
Net cash provided by (used in) capital and related financing activities	(5,806,539)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,254,708)	-
Interest and dividends	39,503	1,303
Net cash provided by (used in) investing activities	(2,215,205)	1,303
Net increase (decrease) in cash and cash equivalents	(791,704)	357,431
Balances - beginning of year	9,150,401	940,994
Balances - end of year	\$ 8,358,697	\$ 1,298,425
Reconciliation to Statement of Net Position:		
Cash and cash equivalents	\$ 1,163,622	\$ 1,298,425
Restricted cash and cash equivalents - current	7,195,075	-
Total cash and cash equivalents, end of year	\$ 8,358,697	\$ 1,298,425

(Continued)

See accompanying notes to the basic financial statements.

**CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2014, (Continued)

Reconciliation of operating income to net cash provided by

Operating Activities:

Operating income	\$ 8,253,440	\$ 377,666
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	2,133,638	-
Payments to school-MAPS	(753,778)	-
Miscellaneous expense	(6,450)	-
Miscellaneous revenue	-	92,574
Change in assets and liabilities:		
Due from other funds	(177,342)	-
Due to other funds	(615,730)	-
Accounts receivable	(1,181,907)	-
Due from other governments	(763,962)	-
Notes receivable	438,310	-
Inventory	(222,308)	-
Accounts payable	242,541	(27,291)
Claims liability	-	(86,821)
Accrued payroll payable	99,913	-
Payable to other governments	46,371	-
Landfill closure liability	(51,078)	-
Deposits subject to refund	(30,612)	-
Accrued compensated absences	335,377	-
Net cash provided by operating activities	<u>\$ 7,746,423</u>	<u>\$ 356,128</u>

See accompanying notes to the basic financial statements.

**CITY OF ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of Altus) and a blended component unit as noted below

- **The City of Altus** – that provides the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities.
- **The City of Altus Municipal Authority** – that operates the electric, water, sewer, and sanitation services of the City.

The City provides typical municipal services such as general government, public safety, public works, culture and recreation, community, and economic development, and, through its public trust, certain utility services including electric, water, wastewater, and sanitation.

The component unit (Authority) has the City Council as their governing body (trustees) and the City is able to impose its will on the Authority through required approval of all debt obligations issued by this entity.

In determining the financial reporting entity, the City fully complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*" and Statement No. 61, "*The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*" that requires all component units of which the City is financially accountable be included in the financial report.

The component unit listed above is a Public Trust established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

Related Organizations:

A related organization is one for which the City is not financially accountable. Such organizations include:

- Altus/Southwest Area Economic Development Corporation
- Downtown Altus Redevelopment Trust Authority
- Mountain Park Master Conservancy District (the District)

Related organizations are not included within the City's reporting entity financial statements.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statements of net position and activities are reported on the accrual basis of accounting and economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

Program revenues in the Statement of Activities are revenues that are derived directly from each activity or from parties outside of the City's taxpayers. The City has the following program revenues in each activity:

- Public Safety – Fire and Police – fines and forfeitures, animal control revenues and operating grants and contributions.
- Airport – rental fees, fuel sales and capital grants.
- Public works – Commercial vehicle and gasoline excise tax shared by the State and other restricted operating grants.
- Culture and recreation – Golf course revenues, swimming pool fees, and recreation fees.
- General Government – licenses and permits, mowing fees, rentals and operating grants.

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

Aggregated Non-Major Funds (reported as Other Governmental Funds):

Special Revenue Funds:

- ODOC Grant Fund – accounts for grant monies received for flood and drainage projects.
- 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.
- Emergency 911 Fund – accounts for the City's share of E911 customer assessment that is restricted for public safety use.

Capital Project Funds:

- Capital Improvement Fund – accounts for transfers from other funds and grant monies to be used for major capital improvements.

CITY OF ALTUS, OKLAHOMA
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- Economic Development Construction Fund – accounts for loan monies and sales tax restricted for use in economic development projects.
- ODOT Grant Fund – accounts for grant monies received for construction of industrial development access road.
- Landfill Improvement Fund – accounts for monies set aside for use in landfill improvements.
- Cemetery Perpetual Care Fund – accounts for a portion of cemetery revenue restricted by State law for cemetery capital improvements.
- Drainage Improvement Fund – accounts for monies set aside for drainage improvement projects.

Debt Service Fund:

- Debt Service Fund – accounts for ad valorem taxes levied by the City for use in retiring court assessed judgments, general obligation bonds, and their related expenditures.

The governmental funds are reported on the modified accrual basis of accounting. With the modified accrual basis of accounting, revenues are recorded when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and payable from current financial resources. The City defines revenue availability as collected within 60 days of period end.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the accrual basis of accounting and economic resources measurement focus at the government-wide level.

Proprietary Funds:

The City's proprietary funds include:

Enterprise Fund

- Altus Municipal Authority Fund – accounts for the activities of the public trust in providing electric, water, sewer, and sanitation services to the public.

Internal Service Funds (combined for reporting purposes)

- Workers Compensation Fund – accounts for charges to the operating funds of the City used to pay worker's compensation claims.
- Assurance Fund – accounts for charges to the operating funds of the City used to pay the expenses of the City's group health and life insurance plans.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b below.

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

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter (within 60 days of period end) to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

D. Assets, Liabilities, Deferred Inflows and Equity

Cash and Investments

For the purposes of the statements of net position, balance sheets, and statement of cash flows, "cash and cash equivalents" includes all demand and savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less.

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

CITY OF ALTUS, OKLAHOMA
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Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines, and ambulance fees. Business-type activities report utilities as its major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair 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 Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$2,500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

- Buildings and Improvements	15-50 years
- Machinery and Equipment	2-40 years
- Utility System	25-50 years
- Infrastructure	25-100 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

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

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of notes payable, capital leases, contract obligations payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

Under terms of union contracts and City personnel policies, City employees are granted comp time, vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation and comp time. Police and Fire employees also receive a portion of sick leave upon termination based upon union contract. The estimated liabilities for vested benefits also include salary-related payments such as employment taxes. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Equity Classifications

Government-Wide Statements:

Equity is classified as net position and displayed in three components:

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

- b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted.”

Fund Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned and unassigned.

Proprietary fund equity is classified the same as in the government-wide statements.

E. Revenues, Expenditures, and Expenses

Sales Tax

The City presently levies a three and three quarter (3.75) cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. Sales tax proceeds, after recording in the General Fund, 1.75 cent tax is transferred as needed to Capital Improvement Fund and Economic Development Construction Fund for the following projects: (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, 2014, the City did not levy a property tax, and had no general obligation bonded debt or court-assessed judgments outstanding at June 30, 2014.

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.

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In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund - By Operating and Non-Operating

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

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements:

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

1. Interfund loans - amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services - sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements - repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers - flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government-Wide Financial Statements:

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

1. Internal balances - amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.

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2. Internal activities - amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers - Internal Activities. The effect of interfund services between funds, if any, are not eliminated in the Statement of Activities.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

2. Cash, Cash Equivalents, and Investments

At June 30, 2014, the reporting entity held the following deposits and investments:

Primary Government:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 15,459,688
Cash on hand			7,100
Time deposit	12/12/2014		250,000
Time deposit	7/24/2014		1,000,000
Time deposit	7/23/2014		300,000
Time deposit	7/23/2014		800,000
Time deposit	7/23/2014		300,000
Time deposit	7/24/2014		505,497
Time deposit	8/21/2014		451,959
Time deposit	10/26/2014		1,507,504
Time deposit	9/19/2014		200,933
Time deposit	1/3/2015		150,937
Time deposit	9/26/2014		1,004,992
Time deposit	10/22/2014		703,502
Time deposit	7/23/2014		587,297
			<u>23,229,409</u>
Investments:			
Trustee accounts money market fund		AAA	1,417,741
			<u>1,417,741</u>
Total deposits and investments			<u><u>\$ 24,647,150</u></u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 17,471,826
Investments			7,175,324
			<u><u>\$ 24,647,150</u></u>

See accompanying footnotes to this schedule.

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Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City’s name: or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City’s name.

The City’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 110% of the uninsured deposits and accrued interest thereon. Collateral will be held by the City Clerk-Treasurer of the City of Altus or by an independent third party with whom the entity has a current custodial agreement. The City’s policy limits acceptable collateral to U.S. Treasury securities, federal mortgage debt guaranteed by the Federal Government to include: VA, FHA, GNMA, FNMA, FHLMC, and Federal Home Loan Bank Letters of Credit. In addition, collateral is limited to direct debt obligations of municipalities or counties in Oklahoma which hold an "A" rating or better. Also, as required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. At June 30, 2014 the City was under-collateralized at one financial institution in the amount of \$357,434.

Investment Interest Rate Risk - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk - The City’s investment policy limits investments, excluding retirement trust fund investments, to the following:

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U. S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

Concentration of Investment Credit Risk - Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City’s investment policy requires diversification of investments and indicates that, with the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City’s total investment portfolio will be invested in a single financial institution.

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Restricted Cash and Investments – The amounts reported as restricted assets of the proprietary fund statement of net position are comprised of amounts restricted for debt service, capital projects, MAPS projects or other purposes. The restricted assets as of June 30, 2014 are as follows:

	Current	
	Cash and cash equivalents	Investments
Water Treatment Plant	\$ 26,346	\$ 3,714,961
MAPS	3,506,705	3,460,363
Hotel Motel Revenue Tax	10,451	-
Series 2005 Sales Tax Revenue Note	462,124	-
Series 2008 Sales Tax Revenue Note	185,434	-
Series 2009 Sales Tax Revenue Note	263,612	-
Series 2011 Sales Tax Revenue Note	968,695	-
Mountain Park Water Revenue Refunding Bond	930,055	-
Meter deposits	841,653	-
Total	\$ 7,195,075	\$ 7,175,324

3. Receivables

Accounts Receivable - Accounts receivable of the business-type activities consist of customers utilities services provided, both billed and unbilled, due at year end, reported net of allowance for uncollectible amounts. The governmental activities receivables include miscellaneous accounts receivable, taxes receivable, court fines receivable and due from other governments.

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental Activities:			
Accounts receivable, net	\$ 56,356	\$ -	\$ 56,356
Taxes receivable	26,083	-	26,083
Court fines receivable, net	384,720	(291,883)	92,837
Due from other governments	1,322,336	-	1,322,336
Total Governmental Activities	\$ 1,789,495	\$ (291,883)	\$ 1,497,612
Business-Type Activities:			
Utilities	\$ 6,795,865	\$ (1,858,237)	\$ 4,937,628

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Notes Receivable – The Altus Municipal Authority entered into a \$3.5 million loan agreement with Altus Flight Academy (AFA) dated February 1, 2013. The loan has an interest rate of 4% and matures on March 1, 2034. The proceeds of the loan, provided by MAPS sales taxes, were used to improve, construct and equip a flight training facility owned by the City of Altus and leased by the Altus Municipal Authority with a sub-lease to Altus Flight Academy. Interest only payments on the outstanding balance are due on March 1, 2014 and March 1, 2015 with principal payments beginning on March 1, 2016. The loan is secured with the building improvements as collateral. In accordance with an Economic Development Assistance Agreement, if the AFA provides full-time equivalent jobs, they can receive credit to apply to the payments as they become due. However, during fiscal year 2014, the AFA stopped construction on the project and vacated the flight training facility. No payments have been made on the note and the AFA is in technical default. Therefore, an allowance for an uncollectible loan receivable was recorded during fiscal year 2014. A lawsuit has been filed by the Altus Municipal Authority to try to recover certain fire suppression equipment and security system purchased with the loan proceeds as well as recovery of unpaid lease payments, other improvements made to the building, and financial compensation for lost jobs. The lawsuit has not been settled as of June 30, 2014 and a trial has been set for November 2, 2015.

	Balance 7/1/2013	Additions	Deductions	Balance 6/30/2014	Due Within One Year
Business-Type Activities:					
Altus Flight Academy	\$ 438,309	\$ 383,877	\$ (822,186)	\$ -	\$ -
Total Business-Type Activities	<u>\$ 438,309</u>	<u>\$ 383,877</u>	<u>\$ (822,186)</u>	<u>\$ -</u>	<u>\$ -</u>

4. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, construction in progress, buildings and building improvements, machinery and equipment, utility property and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation.

For the year ended June 30, 2014, capital assets balances changed as follows:

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	Restated Balance at June 30, 2013	Additions	Disposals	Balance at June 30, 2014
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,217,403	\$ -	\$ -	\$ 1,217,403
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>1,217,403</u>	<u>-</u>	<u>-</u>	<u>1,217,403</u>
Other capital assets:				
Buildings and improvements	12,031,384	555,358	-	12,586,742
Infrastructure	1,457,392	-	-	1,457,392
Machinery and equipment	6,565,264	1,150,618	-	7,715,882
Total other capital assets at historical cost	<u>20,054,040</u>	<u>1,705,976</u>	<u>-</u>	<u>21,760,016</u>
Less accumulated depreciation for:				
Buildings and improvements	6,857,814	301,423	-	7,159,237
Infrastructure	194,897	60,469	-	255,366
Machinery and equipment	5,871,719	198,196	-	6,069,915
Total accumulated depreciation	<u>12,924,430</u>	<u>560,088</u>	<u>-</u>	<u>13,484,518</u>
Other capital assets, net	<u>7,129,610</u>	<u>1,145,888</u>	<u>-</u>	<u>8,275,498</u>
Governmental activities capital assets, net	<u>\$ 8,347,013</u>	<u>\$ 1,145,888</u>	<u>\$ -</u>	<u>\$ 9,492,901</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,304,662	\$ -	\$ -	\$ 1,304,662
Construction in progress	438,310	1,966,656	-	2,404,966
Total capital assets not being depreciated	<u>1,742,972</u>	<u>1,966,656</u>	<u>-</u>	<u>3,709,628</u>
Other capital assets:				
Buildings and improvements	32,164,564	461,900	-	32,626,464
Water rights	24,647,726	-	-	24,647,726
Machinery and equipment	6,395,675	908,951	-	7,304,626
Utility property	23,898,228	313,077	-	24,211,305
Total other capital assets at historical cost	<u>87,106,193</u>	<u>1,683,928</u>	<u>-</u>	<u>88,790,121</u>
Less accumulated depreciation for:				
Buildings and improvements	9,243,765	827,704	-	10,071,469
Water rights	12,886,159	616,193	-	13,502,352
Machinery and equipment	5,260,426	301,579	-	5,562,005
Utility property improvements	17,815,214	388,162	-	18,203,376
Total accumulated depreciation	<u>45,205,564</u>	<u>2,133,638</u>	<u>-</u>	<u>47,339,202</u>
Other capital assets, net	<u>41,900,629</u>	<u>(449,710)</u>	<u>-</u>	<u>41,450,919</u>
Business-type activities capital assets, net	<u>\$ 43,643,601</u>	<u>\$ 1,516,946</u>	<u>\$ -</u>	<u>\$ 45,160,547</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 expense has been allocated as follows:

Governmental Activities:

General government	\$ 174,697
Public safety	135,602
Public works	41,021
Culture and recreation	86,055
Airport	122,713
Depreciation expense	<u>\$ 560,088</u>

Business-Type Activities:

Water	\$ 887,546
Sewer	73,718
Sanitation	178,898
Electric	993,476
	<u>\$2,133,638</u>

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5. Long-Term Debt and Debt Service Requirements

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

For the year ended June 30, 2014, the reporting entity's long-term debt changed as follows:

Type of Debt	(Restated)			Balance June 30, 2014	Due Within One Year
	Balance June 30, 2013	Additions	Deductions		
Governmental Activities:					
Notes payable	\$ 384,535	\$ 843,692	\$ 119,451	\$ 1,108,776	\$ 151,289
Accrued compensated absences	633,025	393,399	77,440	948,984	94,898
Claims liability	200,058	-	86,821	113,237	9,282
Total Governmental Activities	<u>\$ 1,217,618</u>	<u>\$ 1,237,091</u>	<u>\$ 283,712</u>	<u>\$ 2,170,997</u>	<u>\$ 255,469</u>
Business-Type Activities:					
Notes Payable	\$ 21,054,011	\$ 1,200,000	\$ 2,460,867	\$ 19,793,144	\$ 2,759,509
Capital lease payable	1,019,358	-	326,993	692,365	340,411
Contract obligations payable	8,573,849	-	489,375	8,084,474	508,950
Accrued compensated absences	217,010	357,078	21,701	552,387	55,239
Landfill closure liability	1,515,533	-	51,078	1,464,455	-
Deposits subject to refund	872,265	203,870	234,482	841,653	168,331
Total Business-Type Activities	<u>33,252,026</u>	<u>1,760,948</u>	<u>3,584,496</u>	<u>31,428,478</u>	<u>3,832,440</u>
Total Long-Term Debt	<u>\$ 34,469,644</u>	<u>\$ 2,998,039</u>	<u>\$ 3,868,208</u>	<u>\$ 33,599,475</u>	<u>\$ 4,087,909</u>

Reconciliation to Statement of Net Position:

Governmental Activities:

Due within one year	\$ 255,469
Due in more than one year	1,915,528
Total Governmental Activities Long-Term Liabilities	<u>\$ 2,170,997</u>

Business-Type Activities:

Due within one year	\$ 3,832,440
Due in more than one year	27,596,038
Total Business-Type Activities Long-Term Liabilities	<u>\$ 31,428,478</u>

Governmental activities long-term debt:

Governmental activities long-term debt payables from net revenues include the following:

Notes Payable:

\$1,550,000 Altus Municipal Authority Junior Lien Utility Revenue Note, Series 2013A, dated February 1, 2013, due in annual principal installments of \$119,451 plus interest at 2.85% beginning February 1, 2014, with final payment due February 1, 2023, secured by available utility revenues.	\$ 1,075,055
\$400,000 lease obligation for the purchase of fire engine pumper, payable in 1 annual installment of \$36,000 and 9 annual installments of \$48,950 each September with an annual interest rate of 3.75%, final payment due September 2023. Drawdowns to date equal \$33,721.	33,721
Total Notes Payable	<u>\$ 1,108,776</u>
Current portion	\$ 151,289
Noncurrent portion	957,487
Total Notes Payable	<u>\$ 1,108,776</u>

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Accrued Compensated Absences:

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

	Current portion	\$ 94,898
	Noncurrent portion	854,086
Total Accrued Compensated Absences		<u>\$ 948,984</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	\$ 9,282
	Noncurrent portion	103,955
Total Accrued Compensated Absences		<u>\$ 113,237</u>

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

Notes Payable:

<p>\$232,183 Oklahoma Department of Commerce CDBG Note, dated October 2, 1998, issued by Altus Municipal Authority, monthly installments of \$967 , secured by available utility revenues, with no interest, final maturity September 1, 2018.</p>	\$ 58,048
<p>\$400,000 Oklahoma Municipal Power Association Note, dated January 17, 2012, monthly installments of \$5,263 , with an interest rate of 2.875%, final maturity March 1, 2019.</p>	280,096
<p>\$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.</p>	6,315,000
<p>\$14,285,000 Altus Municipal Authority Sales Tax Revenue Note, Series 2009, dated March 25, 2009, due in quarterly installments of \$145,000 to \$385,000 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.</p>	8,980,000
<p>\$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.</p>	2,960,000

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\$1,800,000 Oklahoma Municipal Power Association Note, dated May 20, 2014, monthly installments of \$24,192 beginning September 1, 2014, with an interest rate of 3.5%, final maturity August 1, 2021. Total drawdowns as of June 30, 2014 total \$1,200,000.

	1,200,000
Total Notes Payable	\$ 19,793,144

	2,759,509
Current portion	\$ 2,759,509
Noncurrent portion	17,033,635
Total Notes Payable	\$ 19,793,144

Contract Obligation Payable:

\$11,709,765 contract obligation payable to Mountain Park Master Conservancy District, due in 252 average monthly installments of \$79,284, with interest rates for 3.75% to 5.26%, secured by a pledge of gross revenues of water as approved by voters.

\$ 8,084,475

	8,084,475
Total Contract Obligation Payable	\$ 8,084,475

	508,950
Current portion	\$ 508,950
Noncurrent portion	7,575,525
Total Contract Obligation Payable	\$ 8,084,475

Capital Lease Obligations:

\$330,000 capital lease obligation with Catepillar Financial Services, dated June 9, 2010, with monthly installments of \$6,009, including interest of 3.5% through June 14, 2015, for the lease purchase of a scraper.

\$ 76,207

\$1,870,467 capital lease obligation with Oklahoma Municipal Power Authority, dated October 20, 2009, with monthly installments of \$24,625, including interest of 5.081% through October 1, 2016, for the lease purchase of an electric substation.

	616,158
Total Capital Leases Payable	\$ 692,365

	340,411
Current portion	\$ 340,411
Noncurrent portion	351,954
Total Capital Leases Payable	\$ 692,365

Accrued Compensated Absences:

	55,239
Current portion	\$ 55,239
Noncurrent portion	497,148
Total Accrued Compensated Absences	\$ 552,387

Landfill Closure Liability:

	-
Current portion	\$ -
Noncurrent portion	1,464,455
Total Landfill Closure Liability	\$ 1,464,455

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Deposits Subject to Refund:

	Current portion	\$ 168,331
	Noncurrent portion	<u>673,322</u>
Total Deposits Subject to Refund		<u><u>\$ 841,653</u></u>

Debt Service Requirements to Maturity:

<u>Year Ending June 30.</u>	Governmental Activities	
	Notes Payable	
	Principal	Interest
2015	\$ 151,289	\$ 34,801
2016	154,594	41,040
2017	155,913	36,318
2018	157,279	31,547
2019	158,699	26,724
2020-2024	<u>697,281</u>	<u>59,344</u>
Totals	<u>\$ 1,475,055</u>	<u>\$ 229,774</u>
Less: Amount not yet drawn	<u>(366,279)</u>	
	<u><u>\$ 1,108,776</u></u>	

<u>Year Ending June 30.</u>	Business Type Activities					
	Notes Payable		Capital lease payable		Contract obligation payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 2,759,509	\$ 747,401	\$ 340,411	\$ 27,199	\$ 508,950	\$ 415,139
2016	2,907,023	642,332	289,498	11,667	536,355	390,964
2017	3,032,159	527,777	62,456	629	559,845	363,610
2018	3,157,645	408,401	-	-	591,165	335,057
2019	3,271,932	284,053	-	-	622,485	304,908
2020-2024	5,264,876	186,746	-	-	3,625,290	1,010,120
2025-2026	-	-	-	-	<u>1,640,384</u>	<u>126,830</u>
Totals	<u>\$ 20,393,144</u>	<u>\$ 2,796,710</u>	<u>\$ 692,365</u>	<u>\$ 39,495</u>	<u>\$ 8,084,474</u>	<u>\$ 2,946,628</u>
Less remaining funds to be drawn down:	<u>(600,000)</u>					
	<u><u>\$ 19,793,144</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 Altus Municipal Authority in each fiscal year. The current period expense amount is based upon the amount of landfill capacity used as of each fiscal year end.

The \$1,464,455 reported as accrued landfill closure cost liability at June 30, 2014, represents the cumulative amount of such costs reported to date based on the use of 92% of the estimated capacity of the landfill. The Altus Municipal Authority will recognize the remaining estimated costs of closure and post-closure care in the amount of \$127,343 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 2014. At June 30, 2014, the landfill had a remaining estimated useful life of approximately one year.

The City has qualified under the State of Oklahoma Department of Environmental Quality (DEQ) 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 care costs when the landfill is actually closed. As such, the City is not required to fund an escrow trust account for costs.

6. Net Position and Fund Balances

Fund Statements:

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

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the city's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City's policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The following table show the fund balance classifications as shown on the Governmental Funds Balance Sheet:

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	General Fund	Other Governmental Funds	TOTAL Governmental
Fund Balances:			
Nonspendable for:			
Inventory	\$ 26,298	\$ 32,851	\$ 59,149
Restricted for:			
Street development	-	517,713	517,713
Donor requirements	-	94,866	94,866
Grant programs	280,079	34,449	314,528
Economic development	-	1,088,693	1,088,693
Cemetery improvements	-	32,321	32,321
Debt Service	-	5	5
Sub-total Restricted	<u>280,079</u>	<u>1,768,047</u>	<u>2,048,126</u>
Assigned to:			
Street development	-	112,000	112,000
Airport	-	98,100	98,100
Public safety	-	75,424	75,424
Park development	14,348	-	14,348
Capital improvements	-	2,965,609	2,965,609
Sub-total Assigned	<u>14,348</u>	<u>3,251,133</u>	<u>3,265,481</u>
Unassigned	4,114,993	-	4,114,993
TOTAL FUND BALANCES	<u><u>\$ 4,435,718</u></u>	<u><u>\$ 5,052,031</u></u>	<u><u>\$ 9,487,749</u></u>

Net position is displayed in three components:

- a. *Net investment in capital assets*- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

The restrictions are as follows:

	State Statutes	External Parties Voters/Donors/Grantors	Total
Governmental Activities:			
Capital Projects:			
ODOC Grant Fund	\$ -	\$ 34,449	\$ 34,449
Economic Development Construction Fund	-	978,397	978,397
Cemetery Perpetual Fund	32,321	-	32,321
Sub-total Capital Projects	<u>32,321</u>	<u>1,012,846</u>	<u>1,045,167</u>
Debt Service:			
Sinking Fund	5	-	5
Economic Development:			
Hotel Motel Tax Fund	-	110,296	110,296
Other			
General Fund - specific grant projects	-	280,079	280,079
ODOC Grant Fund	-	94,866	94,866
ODOT Grant Fund	-	49,069	49,069
Street and Alley Fund	517,713	-	517,713
Sub-total Other	<u>517,713</u>	<u>424,014</u>	<u>941,727</u>
Total Governmental Activities	<u>550,039</u>	<u>1,547,156</u>	<u>2,097,195</u>
TOTAL RESTRICTED NET POSITION	<u><u>\$ 550,039</u></u>	<u><u>\$ 1,547,156</u></u>	<u><u>\$ 2,097,195</u></u>

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c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the City’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Prior period adjustments

Beginning fund balance and net position were restated as of June 30, 2014, as follows:

	General Fund	Altus Municipal Authority	Government-Wide	
			Governmental Activities	Business-type Activities
Beginning fund balance/net position, as previously reported	\$5,349,454	\$ 17,227,503	\$ 17,225,690	\$ 17,227,503
Reclassification of Park Development Fund to General Fund	(45,662)	-	-	-
Overstatement of accounts payable	95,405	1,495,520	95,405	1,495,520
Overstatement of accrued compensated absences	-	246,410	141,371	246,410
Understatement of cash and cash equivalents	-	32,283	-	32,283
Understatement of notes receivable	-	438,310	-	438,310
Understatement of construction in progress	-	438,310	-	438,310
Overstatement of landfill closure liability	-	740,377	-	740,377
Beginning fund balance/net position, restated	<u>\$5,399,197</u>	<u>\$ 20,618,713</u>	<u>\$ 17,462,466</u>	<u>\$ 20,618,713</u>

7. Internal and Interfund Balances and Transfers

The City’s policy is to eliminate interfund transfers and balances in the statements of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances and then offset in the total column in the government-wide statements. Interfund transfers and balances between funds are not eliminated in the fund financial statements.

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2014 were as follows:

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Transfer From	Transfer To	Amount	Purpose of Transfer
General Fund	AMA	\$ 4,370,184	MAPS transfer
General Fund	AMA	417,378	Grant Reimbursement
General Fund	Airport Fund	63,500	Operating transfer
General Fund	Emergency 911 Fund	214,500	Operating transfer
General Fund	Capital Improvement Fund	113,100	Capital reserve funding
General Fund	Debt Service Fund	18,000	Debt service
General Fund	AMA	32,241	Capital asset purchases
Airport Fund	Capital Improvement Fund	3,100	Capital reserve funding
Airport Fund	General Fund	7,700	Emergency reserve funding
Hotel Motel Tax Fund	AMA	256,169	Transfer of revenue to AMA
Emergency 911 Fund	Capital Improvement Fund	1,500	Capital reserve funding
Emergency 911 Fund	General Fund	3,700	Emergency reserve funding
AMA	ODOC Grant Fund	34,380	Grant match
AMA	Altus Donation Fund	12,000	Operating transfer
AMA	Airport Fund	309,500	Operating transfer
AMA	Street and Alley Fund	112,000	Street projects
AMA	Emergency 911 Fund	355,600	Operating transfer
AMA	Capital Improvement Fund	262,640	Capital reserve funding
AMA	General Fund	34,560	Emergency reserve funding
AMA	Landfill Improvement Fund	331,500	Landfill improvement funding
AMA	General Fund	4,359,700	Operating transfer
AMA	General Fund	132,769	Debt service
Governmental activities	AMA	384,535	Transfer debt activities
AMA	Governmental activities	32,241	Capital asset purchases

Total

\$ 11,862,497

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 6,369,749	\$ (5,501,072)	\$ 868,677
Proprietary Funds	5,460,507	(5,976,890)	(516,383)
	<u>\$ 11,830,256</u>	<u>\$ (11,477,962)</u>	<u>352,294</u>

Reconciliation to Statement of Activities:

	Governmental	Business-Type
Net transfers	\$ 868,677	\$ (516,383)
Reclassification of capital asset purchases between activities	32,241	-
Reclassification of internal service activity	124,834	(124,834)
Reclassification of debt activity between activities	(384,535)	-
	<u>\$ 641,217</u>	<u>\$ (641,217)</u>

Balances:

Interfund receivable and payables at June 30, 2014 were comprised of the following:

Due From	Due To	Amount	Nature of Balance
General Fund	AMA	\$ 585,182	Sales/use tax accrual for MAPS
Capital Improvement Fund	General Fund	115,440	Emergency reserve
AMA	Economic Development Construction	390,099	Construction payable
AMA	General Fund	127,070	MAPS Sales tax correction
AMA	General Fund	916,323	Emergency reserve
Total		<u>\$ 2,134,114</u>	

Reconciliation to Fund Financial Statements:

	Due From	Due To	Net Internal Balances
Governmental Funds	\$ 1,548,932	\$ (700,622)	\$ 848,310
Proprietary Funds	585,182	(1,433,492)	(848,310)
Total	<u>\$ 2,134,114</u>	<u>\$ (2,134,114)</u>	<u>\$ -</u>

8. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows:

- General Liability and Physical Property – Covered through insurance provider with a \$10,000 deductible
- Worker’s Compensation – Worker’s compensation is covered through self-insurance using a third party processor to process claims from July 2011 through December 2011. Effective January 2012, the City converted to a policy held with an insurance provider.
- 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 notes risks of loss that are retained are determined in accordance with the requirements of Statement of Financial Accounting Standard No. 5, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. For workers’ compensation, changes in the claims liability for the City from July 1, 2011 to June 30, 2014 are as follows:

	Total Claims Liability
Claims liability, July 1, 2011	\$ 972,665
Claims and changes in estimates	(50,119)
Claims paid	(333,483)
Claims liability, June 30, 2012	\$ 589,063
Claims and changes in estimates	-
Claims paid	(389,005)
Claims liability, June 30, 2013	\$ 200,058
Claims and changes in estimates	-
Claims paid	(86,821)
Claims liability, June 30, 2014	\$ 113,237

9. Pension Plan Participation

The City of Altus participates in five pension or retirement plans:

- Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan.
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan.
- Oklahoma Municipal Retirement Fund – an agent multiple-employer defined benefit plan.
- Oklahoma Municipal Retirement Fund – a defined contribution plan.
- Oklahoma Municipal Retirement Fund – a defined contribution plan – CMO plan.

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Firefighters' Plan:

Pursuant to the requirements of Title 11, section 49-102, the City of Altus participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighters Pension Board on behalf of both paid and volunteer firefighters. The paid firefighter contributes 9% to the plan. The City is required by state law to contribute 14% per year per paid firefighter to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

A copy of the Firefighters Statewide Pension Plan financial statements can be obtained from the Oklahoma Firefighters Pension System, 4545 Lincoln Blvd. Suite 263, Oklahoma City, OK, 73105-3707.

Police Plan:

Pursuant to the requirements of Title 11, section 50-102, the City of Altus participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). The paid police person contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid police person to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS issues a publicly available report that includes financial statements, which can be obtained from the Oklahoma Police Pension and Retirement System, 1001 N.W. 63rd Street, Oklahoma City, OK, 73116-7335.

Summary of Contributions – Cost Sharing Plans:

<u>Oklahoma Police Pension and Retirement System</u>			<u>Oklahoma Firefighter's Pension and Retirement System</u>		
<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2012	\$ 245,454	100%	2012	\$ 218,408	100%
2013	\$ 231,996	100%	2013	\$ 197,306	100%
2014	\$ 231,778	100%	2014	\$ 218,897	100%

The state made on-behalf payments of \$204,083 for the police pension system and \$482,892 for the fire pension during the current fiscal year.

Defined Contribution Plans - Oklahoma Municipal Retirement Fund

The City has also provided effective March 1, 1992, a defined contribution plan with the Oklahoma Municipal Retirement Fund. The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions rests with the city council. The defined contribution plan is available to all full-time employees not already participating in another plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account. Employees are eligible to participate after six months of employment and voluntarily select their before-tax percentage of contribution up to 15% of covered payroll. By City ordinance, the City

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is required to make variable contributions to the Plan based on availability of funds. As of July 2002, City contributions were 1.49% of covered payroll. Benefits vest after 10 years of service. City contributions for, and interest forfeited by, employees who leave employment prior to fully vesting are allocated back to remaining eligible participants. The authority to establish and amend the provisions of the Plan rests with the City Council.

For the year ended June 30, 2014, the following amounts related to the defined contribution plan:

Payroll for covered employees	\$4,286,994
Employer (City) contributions made	\$ 67,725

City Manager Plan (the CMO Plan)

Plan Description – Effective December 1, 2007, the City has also provided a defined contribution plan and trust known as the Oklahoma Municipal Retirement Fund Customized Manager Option Plan Retirement Plan and Trust (the CMO Plan) in the form of The Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OkMRF). The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. The defined contribution plan is available to any person who is in the position of City Manager. Separate audited GAAP – basis financial statements are not available.

Funding Policy – Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon employment, and voluntarily elect their percentage of contribution with a minimum contribution of 3% of compensation. The City makes contributions to the CMO Plan based on the employment agreement with the employee and employer contributions are immediately vested. The authority to establish and amend the provisions of the plan rests with the City Council. Contributions to the plan for the year ended June 30, 2014, for employees and employer were \$3,000 and \$6,000, respectively, on a covered payroll of \$106,000.

Defined Benefit Plan - Oklahoma Municipal Retirement Fund

A. Plan Description

The City contributes to the OkMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The plan is an agent multiple employer - defined benefit plan. The OkMRF plan issues a separate financial report and can be obtained from OkMRF. Membership in the plan and applicable payrolls are as follows:

B. Eligibility Factors, Contribution Methods and Benefit Provisions

	As of 07/01/13
<u>Provision</u>	<u>OkMRF Plan</u>
a. Eligible to participate	Full-time employees upon hire if less than age 60 and not participating in another retirement plan set up by state statutes.

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b. Contribution Requirements:	
-Authorization	By City ordinance
-Actuarially Determined	Yes
-Employer Rate	12.92% of covered payroll
-Employee Rate	4.00% of covered payroll
c. Period Required to Vest	10 years of credited service
d. Eligibility for Distribution	-Normal retirement at the earlier of age 65 with 10 years of service or age 62 with 25 years of service -Early retirement at age 55 with 10 years of service -Disability retirement upon disability with 10 years of service -Death benefit with 10 years of service
e. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 years of service
f. Benefit Determination Methods:	
Normal Retirement	-2.625% of final average salary multiplied by credited years of service
Early Retirement	-Actuarially reduced benefit based upon age, final average salary, and years of service at termination
Disability Retirement	-Same as normal retirement
Death Benefit	-50% of married employee's accrued benefit, but terminates upon spouse re-marriage or death; -50% of accrued benefit for all other vested employees for 5 years certain
Prior to 10 Years Service	-Return of employee contributions with interest
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, optional form based on actuarial equivalent

C. Annual Pension Costs

1. Current Year Contribution Information

For the year ended June 30, 2014, the City's annual pension cost was \$567,814 and contributions of \$606,713 were made.

2. Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2013
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments	7.5%

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c. Projected Salary Increase	Average of 5.10%
d. Post Retirement cost-of-Living Increase	None
e. Inflation Rate	Separate inflation rate not available; inflation included in projected salary increase
f. Amortization Method of Unfunded Actuarial Accrued Liability	Level percentage of projected payroll
g. Remaining Amortization Period	29 years - closed
h. Asset Valuation Method	Actuarial write-up method whereby market value gains and losses are recognized over a 4-year period. However, the actuarial value cannot be less than 70% of market nor more than 130% of market.

D. Trend Information

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2012	\$ 734,261	100%
2013	\$ 675,672	114%
2014	\$ 567,814	107%

Actuarial valuation information for the current year is as follows (expressed in millions of dollars):

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) -- EAN</u>	<u>Unfunded (Overfunded) AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded (Overfunded) AAL as a Percentage of Covered Payroll</u>
1/1/14	\$17.5	\$21.7	\$4.2	80.4%	\$4.6	91.8%

The schedule of funding progress for the postemployment defined benefit plan immediately following the notes to the financial statements presents multi-year information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

10. Commitments and Contingencies

Litigation:

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City Sinking Fund for the payment of any court assessed judgment rendered against the City. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Federal and State Award Programs:

The City of Altus participates in various federal or state grant/loan programs from year to year. In 2014, the City's involvement in federal and state award programs was material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

11. New Accounting Pronouncements

The GASB has issued several new accounting pronouncements, which will be effective in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the City's consideration of the impact of these pronouncements are described below:

Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27. GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and costsharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and the City has not yet determined the impact that implementation of GASB No. 68 will have on its net position. The Statement is effective for fiscal years ended June 30, 2015.

Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement 68. GASB No. 71 addresses an issue regarding application of the transition provisions of GASB No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The Statement is effective for fiscal years ended June 30, 2015 and should be implemented simultaneously with GASB No. 68.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2014

City of Altus Budget and Actual (with Variances) - Budgetary Basis General Fund				
	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance:	\$ -	\$ -	\$ 5,349,454	\$ 5,349,454
Resources (Inflows):				
Taxes	9,972,100	9,972,100	9,933,372	(38,728)
Intergovernmental	5,000	5,000	386,361	381,361
Charges for services	708,300	708,300	625,555	(82,745)
Fines and forfeitures	240,029	193,500	356,008	162,508
Licenses and permits	56,000	56,000	97,830	41,830
Investment income	2,300	2,300	7,719	5,419
Miscellaneous	141,950	56,600	147,440	90,840
Total resources (inflows)	<u>11,125,679</u>	<u>10,993,800</u>	<u>11,554,285</u>	<u>560,485</u>
Amounts available for appropriation	<u>11,125,679</u>	<u>10,993,800</u>	<u>16,903,739</u>	<u>5,909,939</u>
Charges to Appropriations (Outflows):				
Departmental:				
General government:				
City Council	114,500	114,500	91,996	22,504
Mayor	30,500	-	29,811	(29,811)
Administrative services	2,331,100	2,331,100	1,124,670	1,206,430
Administration	282,000	282,000	245,541	36,459
Law	148,400	148,400	122,840	25,560
Municipal court	181,000	181,000	211,459	(30,459)
Cemetery	165,900	165,900	120,625	45,275
Planning	375,200	375,200	288,164	87,036
Information Services	366,700	366,700	332,281	34,419
Finance	549,000	549,000	404,749	144,251
Human Resources	211,600	211,600	178,864	32,736
City Clerk-Treasurer	218,200	218,200	171,682	46,518
Public safety:				
Police-Traffic Division	2,664,300	2,664,300	2,382,111	282,189
Police-Detective Division	791,100	791,100	803,556	(12,456)
Police-Administration	339,400	339,400	283,332	56,068
Police-Animal Control	206,800	206,800	150,119	56,681
Fire	2,563,400	2,563,400	3,250,709	(687,309)
Emergency Services	158,800	158,800	99,984	58,816
Public works:				
Street	604,800	604,800	445,923	158,877
Building Maintenance	302,400	302,400	272,876	29,524
Fleet Maintenance	320,600	320,600	209,704	110,896
Culture and recreation:				
Parks	460,200	460,200	365,488	94,712
Parks/Recreation Administration	58,100	58,100	41,709	16,391
Recreation	375,500	375,500	339,530	35,970
Pool	265,100	265,100	251,887	13,213
Public Golf Course	246,200	246,200	258,230	(12,030)
ARAC	-	-	20,466	(20,466)
Total Charges to Appropriations	<u>14,330,800</u>	<u>14,300,300</u>	<u>12,498,306</u>	<u>1,801,994</u>
Other Financing Sources (Uses):				
Transfers in	7,859,700	7,859,700	4,403,258	(3,456,442)
Transfers out	<u>(4,521,000)</u>	<u>(4,521,000)</u>	<u>(5,196,662)</u>	<u>(675,662)</u>
Total other financing sources (uses)	<u>3,338,700</u>	<u>3,338,700</u>	<u>(793,404)</u>	<u>(4,132,104)</u>
Ending Budgetary Fund Balance	<u>\$ 133,579</u>	<u>\$ 32,200</u>	<u>\$ 3,612,029</u>	<u>\$ 3,579,829</u>

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Footnotes to Budgetary Comparison Schedules:

1. The City prepares its budgets for all funds on the modified accrual basis of accounting for all revenues and expenditures except for on-behalf payments made and certain debt related transactions. The City utilizes encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. Encumbrances outstanding and their related appropriations are lapsed at year end and are re-appropriated and re-encumbered in the subsequent fiscal year.

2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the approval of the City Manager. All supplemental appropriations require the approval of the City Council. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.

3. The budgetary basis differs from the modified accrual basis as shown in the schedule below:

	General Fund
Sources/Inflows of resources	
Actual amounts (budgetary basis) "available appropriation" from the budgetary comparison schedule	\$ 16,903,739
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(5,349,454)
The City reports on-behalf payments made by state in the General Fund in the fund financial statements, but are not budgeted	686,975
The City reports the Park Development Account and Flex Spending Account as part of the General Fund in the fund financials statements, but are not included in the budget to actual.	61
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds	\$ 12,241,321
Uses/Outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 12,498,306
Differences - budget to GAAP:	
The City reports debt-related activity in the fund financial statements, but are not budgeted.	169,522
The City reports on-behalf payments made by state in the General Fund in the fund financial statements, but are not budgeted	686,975
The City reports the Park Development Account and Flex Spending Account as part of the General Fund in the fund financials statements, but are not included in the budget to actual.	3,215
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds	\$ 13,358,018

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4. For the year ended June 30, 2014, the City complied, in all material respects, with the applicable budget laws, except as noted below:

Expenditures exceeded appropriations in the following departments:

Mayor	\$29,811
Municipal Court	30,459
Police-Detective Division	12,456
Fire	687,309
Public Golf Course	12,030
ARAC	20,466
Transfers Out	675,662

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Schedule of Pension Plan Funding Progress – OMRF Defined Benefit Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) -- Entry Age</u>	<u>Unfunded Liability AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded AAL as a Percentage of Covered Payroll</u>
1/1/04	\$13,019,257	\$12,759,189	\$(256,456)	98.1%	\$4,230,289	6.1%
1/1/05	\$13,491,412	\$14,452,756	\$(961,344)	93.3%	\$4,708,511	20.4%
1/1/06	\$14,015,541	\$14,772,829	\$(757,288)	94.9%	\$4,368,011	17.3%
1/1/07	\$13,891,579	\$15,156,045	\$(1,264,466)	91.7%	\$4,722,591	26.8%
1/1/08	\$14,409,141	\$15,996,679	\$(1,587,538)	90.1%	\$4,904,734	32.4%
1/1/09	\$13,706,405	\$17,128,211	\$(3,421,806)	80.0%	\$5,365,391	63.8%
1/1/10	\$14,220,590	\$18,406,843	\$(4,186,253)	77.3%	\$5,864,211	71.4%
1/1/11	\$15,325,690	\$19,675,946	\$(4,350,256)	77.9%	\$5,868,590	74.1%
1/1/12	\$15,811,201	\$20,496,632	\$(4,685,431)	77.1%	\$5,544,553	84.5%
1/1/13	\$16,353,923	\$20,346,966	\$(3,993,043)	80.4%	\$4,898,950	81.5%
1/1/14	\$17,453,520	\$21,698,535	\$(4,245,015)	80.4%	\$4,622,342	91.8%

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OTHER SUPPLEMENTARY INFORMATION

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Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2014

	Special Revenue Funds					
	<u>ODOC Grant</u>	<u>Altus Donation</u>	<u>Airport Fund</u>	<u>Hotel/Motel Tax</u>	<u>Street and Alley</u>	<u>Emergency</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>911 Fund</u>
ASSETS						
Cash and cash equivalents	\$ 34,449	\$ 93,712	\$ 79,815	\$ 81,393	\$ 621,268	\$ 85,558
Interest receivable	-	-	-	-	110	-
Receivable from other governments	-	-	-	-	30,137	-
Due from other funds	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	500
Other receivables	-	1,154	24,593	28,903	-	-
Inventories	-	-	32,851	-	-	-
Total assets	<u>\$ 34,449</u>	<u>\$ 94,866</u>	<u>\$ 137,259</u>	<u>\$ 110,296</u>	<u>\$ 651,515</u>	<u>\$ 86,058</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	2,646	\$ -	\$ 21,802	595
Accrued payroll payable	-	-	3,662	-	-	10,039
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>6,308</u>	<u>-</u>	<u>21,802</u>	<u>10,634</u>
Deferred Inflows of Resources:						
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:						
Nonspendable	-	-	32,851	-	-	-
Restricted	34,449	94,866	-	110,296	517,713	-
Assigned	-	-	98,100	-	112,000	75,424
Total fund balances	<u>34,449</u>	<u>94,866</u>	<u>130,951</u>	<u>110,296</u>	<u>629,713</u>	<u>75,424</u>
Total liabilities and fund balances	<u>\$ 34,449</u>	<u>\$ 94,866</u>	<u>\$ 137,259</u>	<u>\$ 110,296</u>	<u>\$ 651,515</u>	<u>\$ 86,058</u>

(Continued)

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Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2014, (Continued)

	<u>Capital Project Funds</u>							<u>Total Governmental Funds</u>
	<u>Capital Improvement Fund</u>	<u>Economic Development Constuction Fund</u>	<u>ODOT Grant Fund</u>	<u>Landfill Improvement Fund</u>	<u>Cemetery Perpetual Fund</u>	<u>Drainage Improvement Fund</u>	<u>Debt Service</u>	
ASSETS								
Cash and cash equivalents	\$ 1,860,994	\$ 588,298	\$ 49,069	\$ 1,111,192	\$ 32,321	\$ 108,863	\$ 5	\$ 4,746,937
Interest receivable	-	-	-	-	-	-	-	110
Receivable from other governments	-	-	-	-	-	-	-	30,137
Due from other funds	-	390,099	-	-	-	-	-	390,099
Taxes receivable, net	-	-	-	-	-	-	-	500
Other receivables	-	-	-	-	-	-	-	54,650
Inventories	-	-	-	-	-	-	-	32,851
Total assets	<u>\$ 1,860,994</u>	<u>\$ 978,397</u>	<u>\$ 49,069</u>	<u>\$ 1,111,192</u>	<u>\$ 32,321</u>	<u>\$ 108,863</u>	<u>\$ 5</u>	<u>\$ 5,255,284</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,043
Accrued payroll payable	-	-	-	-	-	-	-	13,701
Due to other funds	115,440	-	-	-	-	-	-	115,440
Total liabilities	<u>115,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>154,184</u>
Deferred Inflows of Resources:								
Deferred revenue	-	-	49,069	-	-	-	-	49,069
Fund balances:								
Nonspendable	-	-	-	-	-	-	-	32,851
Restricted	-	978,397	-	-	32,321	-	5	1,768,047
Assigned	1,745,554	-	-	1,111,192	-	108,863	-	3,251,133
Total fund balances	<u>1,745,554</u>	<u>978,397</u>	<u>-</u>	<u>1,111,192</u>	<u>32,321</u>	<u>108,863</u>	<u>5</u>	<u>5,052,031</u>
Total liabilities and fund balances	<u>\$ 1,860,994</u>	<u>\$ 978,397</u>	<u>\$ 49,069</u>	<u>\$ 1,111,192</u>	<u>\$ 32,321</u>	<u>\$ 108,863</u>	<u>\$ 5</u>	<u>\$ 5,255,284</u>

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Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended June 30, 2014

	Special Revenue Funds					
	<u>ODOC Grant</u>	<u>Altus Donation</u>		<u>Hotel/Motel Tax</u>	<u>Street and Alley</u>	<u>Emergency 911</u>
	<u>Fund</u>	<u>Fund</u>	<u>Airport Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 221,043	\$ -	\$ 146,926
Intergovernmental	-	-	535,242	-	187,706	-
Charges for services	-	-	368,753	-	-	-
Investment earnings	-	-	-	-	-	-
Miscellaneous	-	25,465	21,327	-	-	274
Total revenues	<u>-</u>	<u>25,465</u>	<u>925,322</u>	<u>221,043</u>	<u>187,706</u>	<u>147,200</u>
EXPENDITURES						
Current:						
General government	-	480	-	-	-	-
Public Safety	-	27,629	-	-	-	422,510
Airport	-	-	467,370	-	-	-
Capital Outlay	-	-	626,087	-	54,786	-
Total Expenditures	<u>-</u>	<u>28,109</u>	<u>1,093,457</u>	<u>-</u>	<u>54,786</u>	<u>422,510</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(2,644)</u>	<u>(168,135)</u>	<u>221,043</u>	<u>132,920</u>	<u>(275,310)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	34,380	12,000	373,000	-	112,000	570,100
Transfers out	-	-	(10,800)	(256,169)	-	(5,200)
Total other financing sources and uses	<u>34,380</u>	<u>12,000</u>	<u>362,200</u>	<u>(256,169)</u>	<u>112,000</u>	<u>564,900</u>
Net change in fund balances	34,380	9,356	194,065	(35,126)	244,920	289,590
Fund balances (deficits) - beginning, restated	69	85,510	(63,114)	145,422	384,793	(214,166)
Fund balances - ending	<u>\$ 34,449</u>	<u>\$ 94,866</u>	<u>\$ 130,951</u>	<u>\$ 110,296</u>	<u>\$ 629,713</u>	<u>\$ 75,424</u>

(Continued)

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Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended June 30, 2014, (Continued)

	Capital Project Funds							Total-Other Governmental Funds
	<u>Capital Improvement Fund</u>	<u>Economic Development Constuction Fund</u>	<u>ODOT Grant Fund</u>	<u>Landfill Improvement Fund</u>	<u>Cemetery Perpetual Fund</u>	<u>Drainage Improvement Fund</u>	<u>Debt Service</u>	
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 367,969
Intergovernmental	-	-	-	-	-	-	-	722,948
Charges for services	-	-	-	-	5,497	-	-	374,250
Investment earnings	2,362	1,788	-	-	-	-	-	4,150
Miscellaneous	-	-	-	-	-	-	-	47,066
Total revenues	<u>2,362</u>	<u>1,788</u>	<u>-</u>	<u>-</u>	<u>5,497</u>	<u>-</u>	<u>-</u>	<u>1,516,383</u>
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	-	480
Public Safety	-	-	-	-	-	-	-	450,139
Airport	-	-	-	-	-	-	-	467,370
Capital Outlay	-	-	-	-	-	-	-	680,873
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,598,862</u>
Excess (deficiency) of revenues over expenditures	<u>2,362</u>	<u>1,788</u>	<u>-</u>	<u>-</u>	<u>5,497</u>	<u>-</u>	<u>-</u>	<u>(82,479)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	380,340	-	-	331,500	-	-	18,000	1,831,320
Transfers out	-	-	-	-	-	-	-	(272,169)
Total other financing sources and uses	<u>380,340</u>	<u>-</u>	<u>-</u>	<u>331,500</u>	<u>-</u>	<u>-</u>	<u>18,000</u>	<u>1,559,151</u>
Net change in fund balances	382,702	1,788	-	331,500	5,497	-	18,000	1,476,672
Fund balances (deficits) - beginning, restated	1,362,852	976,609	-	779,692	26,824	108,863	(17,995)	3,575,359
Fund balances - ending	<u>\$ 1,745,554</u>	<u>\$ 978,397</u>	<u>\$ -</u>	<u>\$ 1,111,192</u>	<u>\$ 32,321</u>	<u>\$ 108,863</u>	<u>\$ 5</u>	<u>\$ 5,052,031</u>

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Combining Balance Sheet – General Fund Accounts – June 30, 2014

	<u>General Fund</u>	<u>Park Development Account</u>	<u>Flex Spending Account</u>	<u>Total General Fund Accounts</u>
ASSETS				
Cash and cash equivalents	\$ 3,009,504	\$ 11,133	\$ 47,130	\$ 3,067,767
Receivable from other governments	1,292,199	-	-	1,292,199
Due from other funds	1,158,833	-	-	1,158,833
Due from other accounts	-	3,215	-	3,215
Taxes receivable, net	25,583	-	-	25,583
Court fines receivable, net	92,837	-	-	92,837
Other receivables	1,654	-	52	1,706
Inventories	26,298	-	-	26,298
Total assets	<u>\$ 5,606,908</u>	<u>\$ 14,348</u>	<u>\$ 47,182</u>	<u>\$ 5,668,438</u>
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 204,972	\$ -	\$ -	\$ 204,972
Accrued payroll payable	300,843	-	-	300,843
Due to other funds	585,182	-	-	585,182
Due to other accounts	3,215	-	-	3,215
Due to bondholders	2,100	-	-	2,100
Accrued interest payable	12,696	-	-	12,696
Other payables	6,918	-	47,182	54,100
Total liabilities	<u>1,115,926</u>	<u>-</u>	<u>47,182</u>	<u>1,163,108</u>
 Deferred inflows of resources:				
Deferred revenue	<u>69,612</u>	<u>-</u>	<u>-</u>	<u>69,612</u>
 Fund balances:				
Nonspendable	26,298	-	-	26,298
Restricted	280,079	-	-	280,079
Assigned	-	14,348	-	14,348
Unassigned	4,114,993	-	-	4,114,993
Total fund balances	<u>4,421,370</u>	<u>14,348</u>	<u>-</u>	<u>4,435,718</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,606,908</u>	<u>\$ 14,348</u>	<u>\$ 47,182</u>	<u>\$ 5,668,438</u>

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**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund
Accounts – For the Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Park Development Account</u>	<u>Flex Spending Account</u>	<u>Total General Fund Accounts</u>
REVENUES				
Taxes	\$ 9,933,372	\$ -	\$ -	\$ 9,933,372
Intergovernmental	1,073,336	-	-	1,073,336
Charges for services	625,555	-	-	625,555
Fines and forfeitures	356,008	-	-	356,008
Licenses and permits	97,830	-	-	97,830
Investment income	7,719	61	-	7,780
Miscellaneous	147,440	-	-	147,440
Total revenues	<u>12,241,260</u>	<u>61</u>	<u>-</u>	<u>12,241,321</u>
EXPENDITURES				
Current:				
General government	3,221,723	-	-	3,221,723
Public safety	6,701,669	-	-	6,701,669
Public works	928,503	-	-	928,503
Culture and recreation	1,228,432	3,215	-	1,231,647
Capital outlay	1,128,381	-	-	1,128,381
Debt service:				
Principal retirement	119,451	-	-	119,451
Interest and fiscal charges	26,644	-	-	26,644
Total expenditures	<u>13,354,803</u>	<u>3,215</u>	<u>-</u>	<u>13,358,018</u>
Excess (deficiency) of revenues over expenditures	<u>(1,113,543)</u>	<u>(3,154)</u>	<u>-</u>	<u>(1,116,697)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	843,692	-	-	843,692
Transfers in	4,538,429	-	-	4,538,429
Transfers out	(5,196,662)	(32,241)	-	(5,228,903)
Total other financing sources and uses	<u>185,459</u>	<u>(32,241)</u>	<u>-</u>	<u>153,218</u>
Net change in fund balances	(928,084)	(35,395)	-	(963,479)
Fund balances - beginning, restated	5,349,454	49,743	-	5,399,197
Fund balances - ending	<u>\$ 4,421,370</u>	<u>\$ 14,348</u>	<u>\$ -</u>	<u>\$ 4,435,718</u>

CITY OF ALTUS, OKLAHOMA
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Combining Schedule of Net Position – Enterprise Fund Accounts – June 30, 2014

	<u>AMA</u>	<u>Meter Deposit Account</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,163,622	\$ -	\$ 1,163,622
Restricted:			
Cash and cash equivalents	6,353,422	841,653	7,195,075
Investments	7,175,324	-	7,175,324
Due from other funds	585,182	-	585,182
Accounts receivable, net	4,937,628	-	4,937,628
Receivables from other governments	763,962	-	763,962
Inventories	1,482,702	-	1,482,702
Total current assets	<u>22,461,842</u>	<u>841,653</u>	<u>23,303,495</u>
Non-current assets:			
Capital assets:			
Land and construction in progress	3,709,628	-	3,709,628
Other capital assets, net of accumulated depreciation	41,450,919	-	41,450,919
Total non-current assets	<u>45,160,547</u>	<u>-</u>	<u>45,160,547</u>
Total assets	<u>67,622,389</u>	<u>841,653</u>	<u>68,464,042</u>
LIABILITIES			
Current liabilities:			
Accounts payable	2,989,225	-	2,989,225
Accrued payroll payable	99,913	-	99,913
Accrued interest payable	327,782	-	327,782
Due to other funds	1,433,492	-	1,433,492
Payable to other governments	46,371	-	46,371
Deposits subject to refund	-	168,331	168,331
Compensated absences	55,239	-	55,239
Capital lease obligation	340,411	-	340,411
Contract obligation payable	508,950	-	508,950
Notes payable	2,759,509	-	2,759,509
Total current liabilities	<u>8,560,892</u>	<u>168,331</u>	<u>8,729,223</u>
Non-current liabilities:			
Deposits subject to refund	-	673,322	673,322
Compensated absences	497,148	-	497,148
Capital lease obligation	351,954	-	351,954
Contract obligation payable	7,575,524	-	7,575,524
Landfill closure liability	1,464,455	-	1,464,455
Notes payable	17,033,635	-	17,033,635
Total non-current liabilities	<u>26,922,716</u>	<u>673,322</u>	<u>27,596,038</u>
Total liabilities	<u>35,483,608</u>	<u>841,653</u>	<u>36,325,261</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred amount on long-term debt refunding	<u>4,183,855</u>	<u>-</u>	<u>4,183,855</u>
NET POSITION			
Invested in capital assets, net of related debt	28,505,211	-	28,505,211
Restricted for debt service	1,922,396	-	1,922,396
Restricted for capital projects	3,741,307	-	3,741,307
Restricted for MAPS projects	7,854,592	-	7,854,592
Restricted for other purposes	10,451	-	10,451
Unrestricted (deficit)	(14,079,031)	-	(14,079,031)
Total net position	<u>\$ 27,954,926</u>	<u>\$ -</u>	<u>\$ 27,954,926</u>

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As of and for the Year Ended June 30, 2014

Combining Schedule of Revenues, Expenses, and Changes in Net Position – Enterprise Fund
Accounts – Year Ended June 30, 2014

	<u>AMA</u>	<u>Meter Deposit</u> <u>Account</u>	<u>Total</u>
REVENUES			
Charges for services:			
Water	\$ 4,788,651	\$ -	\$ 4,788,651
Sewer	1,688,029	-	1,688,029
Sanitation	2,359,405	-	2,359,405
Electric	22,833,636	-	22,833,636
Miscellaneous	1,208,447	-	1,208,447
Total operating revenues	<u>32,878,168</u>	<u>-</u>	<u>32,878,168</u>
OPERATING EXPENSES			
Administration	1,606,790	-	1,606,790
Water	1,925,586	-	1,925,586
Sewer	527,963	-	527,963
Sanitation	951,423	-	951,423
Landfill operations	359,477	-	359,477
Electric services	16,297,665	-	16,297,665
Economic development	822,186	-	822,186
Depreciation	2,133,638	-	2,133,638
Total operating expenses	<u>24,624,728</u>	<u>-</u>	<u>24,624,728</u>
Operating income	<u>8,253,440</u>	<u>-</u>	<u>8,253,440</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	39,503	-	39,503
Payments to school - MAPS	(753,778)	-	(753,778)
Interest expense	(827,957)	-	(827,957)
Miscellaneous expenses	(6,450)	-	(6,450)
Total non-operating revenue (expenses)	<u>(1,548,682)</u>	<u>-</u>	<u>(1,548,682)</u>
Income before transfers	<u>6,704,758</u>	<u>-</u>	<u>6,704,758</u>
Capital contributions	1,147,838	-	1,147,838
Transfers in	5,460,507	-	5,460,507
Transfers out	(5,976,890)	-	(5,976,890)
Change in net position	7,336,213	-	7,336,213
Total net position - beginning, restated	<u>20,618,713</u>	<u>-</u>	<u>20,618,713</u>
Total net position - ending	<u>\$ 27,954,926</u>	<u>\$ -</u>	<u>\$ 27,954,926</u>

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Combining Statement of Net Position – Internal Service Funds – June 30, 2014

	<u>Workers Comp Fund</u>	<u>Assurance Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 618,802	\$ 679,623	\$ 1,298,425
Total assets	<u>618,802</u>	<u>679,623</u>	<u>1,298,425</u>
LIABILITIES			
Current liabilities:			
Accounts payable	6,096	1,533	7,629
Claims liability	9,282	-	9,282
Total current liabilities	<u>15,378</u>	<u>1,533</u>	<u>16,911</u>
Non-current liabilities:			
Claims liability	103,955	-	103,955
Total non-current liabilities	<u>103,955</u>	<u>-</u>	<u>103,955</u>
Total liabilities	<u>119,333</u>	<u>1,533</u>	<u>120,866</u>
NET POSITION			
Unrestricted	499,469	678,090	1,177,559
Total net position	<u>\$ 499,469</u>	<u>\$ 678,090</u>	<u>\$ 1,177,559</u>

Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds – June 30, 2014

	<u>Workers Comp Fund</u>	<u>Assurance Fund</u>	<u>Total</u>
REVENUES			
Charges for services:			
Miscellaneous	\$ 722,861	\$ 1,787,017	\$ 2,509,878
Total operating revenues	<u>722,861</u>	<u>1,787,017</u>	<u>2,509,878</u>
OPERATING EXPENSES			
General government	460,479	1,671,733	2,132,212
Total operating expenses	<u>460,479</u>	<u>1,671,733</u>	<u>2,132,212</u>
Operating income	<u>262,382</u>	<u>115,284</u>	<u>377,666</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	507	796	1,303
Miscellaneous revenue	92,574	-	92,574
Total non-operating revenue (expenses)	<u>93,081</u>	<u>796</u>	<u>93,877</u>
Change in net position	355,463	116,080	471,543
Total net position - beginning	144,006	562,010	706,016
Total net position - ending	<u>\$ 499,469</u>	<u>\$ 678,090</u>	<u>\$ 1,177,559</u>

**CITY OF ALTUS, OKLAHOMA
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**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

State Grantor/Pass Through Agency Grantor/Program Title	Grant #	Award Amount	Awards Expended
STATE AWARDS:			
Oklahoma Department of Commerce:			
Oklahoma Strategic Military Planning Commission Grant	1609009086	\$187,000	\$94,162
Oklahoma Strategic Military Planning Commission Grant	1609011650	260,000	229,060
Oklahoma Strategic Military Planning Commission Grant	1609010798	133,000	94,157
Pass thru SWODA:			
Community Expansion Nutrition Assistance (CENA)	15593 CENA 14	2,785	1,256
Oklahoma Department of Transportation:			
Utility Relocation Project	SSP-133B (086) SS	956,684	713,637
Oklahoma Department of Emergency Management:			
State Match - Disaster Recovery	State Disaster 2011 DR 1883	220,472	220,472
State Match - Disaster Recovery	State Disaster 2013 #2646	100,000	100,000
TOTAL STATE AWARDS		<u>\$1,859,941</u>	<u>\$1,452,744</u>

Footnotes to Schedule of Expenditures of State Awards:

1. The Schedule of Expenditures of State Awards is prepared on an accrual basis of accounting. The expenditures are recorded when the liability is incurred regardless of when the award proceeds are received.
2. The City has not been notified of any noncompliance with federal or state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

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