



# **City of Altus**

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**Report on Audit of  
Financial Statements**

**June 30, 2009**

**City of Altus, Oklahoma**  
**Report on Audit of Financial Statements**  
**June 30, 2009**

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# Ronald C. Cottrell, CPA

## Independent Auditor's Report

March 10, 2010

City Commissioners  
City of Altus  
Altus, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Altus, Oklahoma, as of and for the year ended June 30, 2009, which collectively comprise the City of Altus' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Altus' management. Our responsibility is to express our opinions on these financial statements based on our audit. We did not audit the financial statements of Altus Southwest Area Economic Development Corporation, which represent 92 percent, 92 percent, and 54 percent, respectively, of the assets, net assets, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it related to the amounts included for Altus Southwest Area Economic Development Corporation, is based on the report of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Altus' internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

The financial statements of Altus Great Plains Recreation, Inc. have not been audited, and we were not engaged to audit the Altus Great Plains Recreation, Inc. financial statements as part of our audit of the City of Altus' basic financial statements. Altus Great Plains Recreation, Inc.'s financial activities are included in the City of Altus' basic financial statements as a discretely presented component unit and represent 8 percent, 8 percent, and 46 percent of the assets, net assets, and revenues, respectively, of the City of Altus' aggregate discretely presented component units.

In our opinion, based on our audit and the report of other auditors and, except for the effects of such adjustments, if any, as might have been determined to be necessary had Altus Great Plains Recreation Inc.'s financial statements been audited, the financial statements referred to previously present fairly, in all material respects, the financial position of the aggregate

## Ronald C. Cottrell, CPA

discretely presented component units for the City of Altus as of June 30, 2009 and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, 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, 2009, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2010, on our consideration of the City of Altus' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 43 through 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Altus' basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying combining and individual nonmajor fund financial statements listed under supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of OMB Circular A-133 or the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ronald C. Cottrell, CPA

**City of Altus, Oklahoma**  
**Management's Discussion and Analysis**  
**June 30, 2009**

The following discussion and analysis of the City of Altus' (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the City's financial statements, which begin on page 12.

**Financial Highlights**

- ❖ The assets of the City of Altus exceeded its liabilities at the close of the most recent fiscal year by \$ 40,295,098 (net assets). Of this amount, \$ 11,293,356 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

During the year, the government's total net assets increased by \$ 25,757. This is mainly attributed to the purchase of capital assets, i.e. the public golf course, police patrol units, equipment for the golf course and starting the construction of the new city hall complex. The City of Altus also wrote off debt from Quartz Mountain Aerospace as uncollectible in the amount of \$ 1,283,806.

- ❖ As of the close of the current fiscal year, the City of Altus' governmental funds reported combined ending fund balances of \$ 6,703,764, an increase of \$ 1,694,550 in comparison with the prior year. Approximately \$ 1,343,773 is available for spending at the government's discretion (unreserved fund balance).
- ❖ At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 1,343,773, or 11% of total general fund expenditures.

The City of Altus' total debt increased by \$ 18,923,986 during the current fiscal year. The key factor in this increase was the securing of \$ 24,000,000 in loan funds for Metropolitan Area Projects (MAPS).

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Altus' basic financial statements. The City of Altus' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad view of the City of Altus' finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Altus' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Altus is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Altus that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Altus include general government, public safety, public works, culture and recreation and community and economic development. The business-type activities of the City of Altus include the City's electric, water, wastewater, landfill, and sanitation utility operations, as the Altus Municipal Authority.

The government-wide financial statements include not only the City of Altus itself (known as the primary government), but also two legally separate entities for which the City of Altus is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Altus Municipal Authority, although also legally separate, functions for all practical purposes as a department of the City of Altus, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 12–13 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Altus, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Altus can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital improvements fund, both of which are considered to be major funds. Data from the other fifteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general and capital improvements funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14–16 of this report.

**Proprietary funds.** The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its Municipal Authority operation. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its workers' compensation, and to pay for the City's group health and life insurance activities. Because this service predominantly benefits governmental rather than business-type functions, its operations have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Altus Municipal Authority, which is considered to be a major fund of the City. Both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 17–19 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City has one fiduciary fund, the Flex Benefit Plan fund, which is an agency fund.

The basic fiduciary fund financial statement can be found on page 20 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21–42 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's actual revenues and expenditures on a budgetary basis compared with the original and final budgets for the general fund. Required supplementary information can be found on pages 43–45 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on budget and actual revenues and expenditures for the general and capital improvements funds. Combining and individual fund statements and schedules can be found on pages 46–52 of this report.

## Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$ 40,295,098 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (51%) reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. 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.

<b>City of Altus</b>						
Net Assets						
June 30, 2009 and 2008						
	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Current assets	\$ 8,800,626	\$ 6,378,794	\$ 40,756,433	\$ 24,088,937	\$ 49,557,059	\$ 30,467,731
Capital and other noncurrent assets	7,994,625	6,670,034	36,772,634	37,268,044	44,767,259	43,938,078
Total assets	<u>16,795,251</u>	<u>13,048,828</u>	<u>77,529,067</u>	<u>61,356,981</u>	<u>94,324,318</u>	<u>74,405,809</u>
Current liabilities	774,585	345,456	5,127,995	4,889,243	5,902,580	5,234,699
Long-term liabilities	1,523,734	1,260,770	46,602,906	27,640,999	48,126,640	28,901,769
Total liabilities	<u>2,298,319</u>	<u>1,606,226</u>	<u>51,730,901</u>	<u>32,530,242</u>	<u>54,029,220</u>	<u>34,136,468</u>
Net assets:						
Invested in capital assets, net of related debt	7,969,034	6,599,523	12,779,404	8,153,099	20,748,438	14,752,622
Restricted	5,203,134	2,665,446	3,050,170	2,912,413	8,253,304	5,577,859
Unrestricted	1,324,764	2,177,633	9,968,592	17,761,227	11,293,356	19,938,860
Total net assets	<u>\$ 14,496,932</u>	<u>\$ 11,442,602</u>	<u>\$ 25,798,166</u>	<u>\$ 28,826,739</u>	<u>\$ 40,295,098</u>	<u>\$ 40,269,341</u>

An additional portion of the City's net assets (20%) represents resources that are subject to external restrictions on how they may be used, for example, capital improvements and debt service. The remaining balance of unrestricted net assets (\$ 11,293,356) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's net assets increased by \$ 25,757 during the current fiscal year.

<b>City of Altus</b>						
Statement of Activities						
Years Ended June 30, 2009 and 2008						
	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Program revenues:						
Charges for services	\$ 1,223,518	\$ 1,473,692	\$ 22,927,900	\$ 23,767,110	\$ 24,151,418	\$ 25,240,802
Grants/contributions	1,313,165	844,988	654,234	4,288	1,967,399	849,276
General revenues	10,053,216	9,056,518	(765,559)	797,644	9,287,657	9,854,162
Total revenues	<u>12,589,899</u>	<u>11,375,198</u>	<u>22,816,575</u>	<u>24,569,042</u>	<u>35,406,474</u>	<u>35,944,240</u>

See disclaimer in accompanying Independent Auditor's Report.

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Expenses:						
General government	2,800,515	2,928,905			2,800,515	2,928,905
Public safety	6,408,564	6,030,232			6,408,564	6,030,232
Public works	2,952,935	3,109,235			2,952,935	3,109,235
Culture and recreation	1,391,133	1,335,917			1,391,133	1,335,917
Utilities			21,187,461	19,298,189	21,187,461	19,298,189
Economic development			240,844	234,194	240,844	234,194
Other	37,431	22,650	1,196,163		1,233,594	22,650
Total expenses	13,590,578	13,426,939	22,624,468	19,532,383	36,215,046	32,959,322
Increase in net assets before transfers	(1,000,679)	(2,051,741)	192,107	5,036,659	(808,572)	2,984,918
Transfers, net	2,667,294	3,095,248	(2,667,294)	(3,095,248)	0	0
Increase in net assets	1,666,615	1,043,507	(2,475,187)	1,941,411	(808,572)	2,984,918
Net assets, beginning (restated)	12,830,317	10,399,095	28,273,353	26,885,328	41,103,670	37,284,423
Net assets, ending	\$ 14,496,932	\$ 11,442,602	\$ 25,798,166	\$ 28,826,739	\$ 40,295,098	\$ 40,269,341

**Governmental activities.** Governmental activities increased the City's net assets by \$ 1,666,615. Key elements of this increase are as follows:

- Securing and receiving FEMA Grant reimbursement for FEMA 1775-DR OK from June 5, 2008 Wind Storm.
- Passage of additional ¾ cent sales tax for the construction of a new city hall complex, senior citizens center and renovations to the Altus high school.
- The sale of airport hangar #33 for \$ 1,000,000.

**City of Altus**  
Governmental Activities  
Years Ended June 30, 2009 and 2008

	Program Revenues		Cost of Services	
	2009	2008	2009	2008
General government	\$ 91,582	\$ 244,476	\$ 2,800,515	\$ 2,928,905
Public safety	568,841	575,505	6,408,564	6,030,232
Public works	1,706,605	1,307,482	2,952,935	3,109,235
Culture and recreation	169,655	191,217	1,391,133	1,335,917
Interest and fiscal charges			37,431	22,650
Total governmental activities	\$ 2,536,683	\$ 2,318,680	\$ 13,590,578	\$ 13,426,939

**Business-type activities.** Business-type activities decreased the City's net assets by \$ 2,475,187. The key elements in this increase are:

- A mild summer which reduced overall utility revenue billings and collections.
- Increased utilities expenses.

See disclaimer in accompanying Independent Auditor's Report.

- Increased contribution to economic development.
- The City of Altus wrote off \$ 1,253,806 receivable from Quartz Mountain Aerospace as uncollectible.

**City of Altus**  
Business-Type Activities  
Years Ended June 30, 2009 and 2008

	Program Revenues		Cost of Services	
	2009	2008	2009	2008
Electric	\$ 15,880,157	\$ 17,250,728	\$ 13,229,665	\$ 12,085,968
Water/wastewater	4,044,910	4,281,842	4,768,907	4,168,481
Sanitation	1,173,625	1,272,821	834,954	915,954
Landfill	536,244	507,712	619,407	667,018
Economic development			240,844	234,194
Interest and fiscal charges			996,959	530,583
Administration/services	1,292,964	454,007	737,569	930,185
Other	654,234		1,196,163	
Total business-type activities	\$ 23,582,134	\$ 23,767,110	\$ 22,624,468	\$ 19,532,383

### Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 6,703,764, an increase of \$ 1,694,550 in comparison with the prior year. Approximately 56% of this total amount (\$ 3,744,425) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for capital improvements, encumbrances, or debt service.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 1,343,773. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unreserved fund balance represents 11% of total general fund expenditures.

The fund balance of the City's general fund increased \$ 258,583 during the current fiscal year.

- Revenues were up \$ 618,864 to \$ 10,193,670 primarily due to increased tax collection due to passage of additional ¾ cent sales tax.
- Expenditures also increased by \$792,062 to \$ 12,177,753 as a result of expenditures for increases in normal operating expenditures in public safety, public works, and culture and recreation services areas.

See disclaimer in accompanying Independent Auditor's Report.

- Net transfers between the general fund and other funds decreased by \$ 267,364 because of decreases in the funding needs of other areas supported by the general fund.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Altus Municipal Authority at the end of the year amounted to \$ 9,968,592. The total decrease in net assets was \$ 2,475,187, not including prior period adjustments made to beginning net assets to correct errors from prior years. Operating revenues showed a decrease of \$ 913,978 from the \$ 23,841,878 reported in the prior year. Operating expenses were up by \$ 1,677,706 to \$ 20,679,506, due to the following factors:

- Increased cost of purchased power.
- Increased cost of operation of the water treatment plant.

Nonoperating revenues and expenses reported a decrease of \$ 204,629 in interest income and an increase of \$ 466,376 in interest expense. Other non-operating revenues and expenses included disaster reimbursements and expenses of \$ 654,234 and \$ 529,803, respectively, payments to Altus Public Schools of \$ 418,200 for MAPS and the write off of AMA's receivable from Quartz Mountain Aerospace of \$ 1,283,806 due to its bankruptcy filing. Net operating transfers decreased \$ 467,954.

### **Budgetary Highlights of Major Governmental Funds**

The City's estimated revenues of \$10,159,911 for the general fund remained unchanged during the year.

Expenditures appropriated went from \$13,256,288 to \$ 13,555,848. Major changes in departmental budgets included:

- Increased funds needed to purchase golf course and equipment for the golf course.

During the year, revenues of \$ 10,193,725 were more than budgetary estimates by \$ 33,814. This was primarily due to:

- Recreation type revenues were \$ 44,000 less than anticipated.
- Municipal court fines were \$ 49,000 less than anticipated.
- Grants were more than planned.
- Miscellaneous revenues were \$ 50,000 more than anticipated.

Expenditures of \$ 12,614,160 were less than budgetary estimates of \$ 13,555,848, due to:

- Insurance was \$ 78,000 less than expected.
- There was \$ 650,000 in capital assets and projects not completed.

As a result, after net transfers in of \$ 2,242,666, the City had to use approximately \$ 177,769 of its fund balance carry-forward to fund expenditures.

### Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to \$ 44,333,725 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles and equipment, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Purchase of golf course land, buildings and equipment.
- Purchase new police patrol units.
- Purchase of new storm warning sirens.
- Completion of CDBG water line project.
- Purchase of new bucket truck.
- Completion of FAA project at municipal airport.

<b>City of Altus</b>						
Capital Assets						
<u>June 30, 2009 and 2008</u>						
(net of depreciation)						
	Governmental		Business-Type		Totals	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Land	\$ 1,013,323	\$ 1,317,403	\$ 708,662	\$ 652,881	\$ 1,721,985	\$ 1,970,284
Construction in progress	304,381	51,312	1,177,091	11,856,935	1,481,472	11,908,247
Buildings and improvements	4,214,705	4,087,370	14,280,791	6,805,796	18,495,496	10,893,166
Machinery and equipment	1,942,951	695,533	1,547,974	853,237	3,490,925	1,548,770
Infrastructure	519,265	518,416	4,372,149	1,072,902	4,891,414	1,591,318
Intangible water rights			14,252,435	14,868,628	14,252,435	14,868,628
Capital assets, net	<u>\$ 7,994,625</u>	<u>\$ 6,670,034</u>	<u>\$ 36,339,102</u>	<u>\$ 36,110,379</u>	<u>\$ 44,333,727</u>	<u>\$ 42,780,413</u>

Additional information of the City's capital assets can be found in Note V.D. on pages 30–32 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total debt outstanding of \$ 40,969,268. This represents debt secured solely by specified revenue sources (i.e., revenue bonds and notes) totaling \$ 28,774,816, other notes payable to banks and other governmental entities of \$ 232,441, \$ 778,963 in capital lease obligations, contract obligations payable of \$ 10,327,770 for water rights, and accrued compensated absences of \$ 855,278.

See disclaimer in accompanying Independent Auditor's Report.

**City of Altus**  
**Outstanding Debt**  
**June 30, 2009 and 2008**

	Governmental		Business-Type		Totals	
	2009	2008	2009	2008	2009	2008
Capital lease obligations	\$ 25,591	\$ 70,511	\$ 753,372	\$ 1,036,270	\$ 778,963	\$ 1,106,781
Contract obligation payable			10,327,770	10,723,185	10,327,770	10,723,185
Notes payable			29,007,257	9,360,038	29,007,257	9,360,038
Compensated absences	632,408	703,178	222,870	277,424	855,278	980,602
Total outstanding debt	<u>\$ 657,999</u>	<u>\$ 773,689</u>	<u>\$ 40,311,269</u>	<u>\$ 21,396,917</u>	<u>\$ 40,969,268</u>	<u>\$ 22,170,606</u>

The City’s total debt increased by \$ 18,798,662 during the current fiscal year. The key factors in this increase were:

- Securing of \$ 24,000,000 in new sales tax revenue notes for MAPS/School Construction Projects

Additional information on the City’s long-term debt can be found in Notes V.F. on pages 32–35 of this report.

**Economic Factors and Next Year’s Budgets and Rates**

The City’s elected and appointed officials considered many factors when setting the fiscal year 2010 revenue and expense budgets. The city expects increases in revenues and expenditures. Revenues are expected to increase due to MAPS sales tax additional ¾ cent sales tax increase and utility sales due to the addition of base housing as utility customers.

When setting the fiscal year 2010 expenditure budget, the City’s officials anticipated minor increases in operating budgets due mainly to payroll expenses. The fiscal year 2010 budget includes expenses for several capital improvement projects and programs to include North Park Lane reconstruction, engineering for Falcon Road, water tower renovation, water line extensions, new municipal complex, EDC funding, T-hangers and Navajoe Gateway construction and future design.

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and investors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the City of Altus’ Finance Director, at City of Altus, 220 E. Commerce, Altus, Oklahoma 73521. You may also visit our website at [www.cityofaltus.org](http://www.cityofaltus.org) for more budgetary and contact information.

**City of Altus, Oklahoma**  
**Statement of Net Assets**  
**June 30, 2009**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 4,054,954	\$ (2,266,923)	\$ 1,788,031
Investments	2,277,001	10,507,327	12,784,328
Receivables (net of allowance for uncollectibles):			
Accounts	321,112	4,267,365	4,588,477
Taxes	1,701,022		1,701,022
Due from other governments	336,065		336,065
Interest	6,959	22,273	29,232
Inventory	103,513	917,041	1,020,554
Restricted assets:			
Cash and investments		27,309,350	27,309,350
Total current assets	8,800,626	40,756,433	49,557,059
Noncurrent assets:			
Debt issuance costs (net of accumulated amortization)		433,534	433,534
Capital assets (net of accumulated depreciation)	7,994,625	36,339,100	44,333,725
Total noncurrent assets	7,994,625	36,772,634	44,767,259
Total assets	16,795,251	77,529,067	94,324,318
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	735,570	1,844,582	2,580,152
Payable from restricted assets:			
Accrued interest		694,528	694,528
Refundable deposits	11,980	799,838	811,818
Deferred revenue	9,154		9,154
Current portion of long-term debt	17,881	1,789,047	1,806,928
Total current liabilities	774,585	5,127,995	5,902,580
Noncurrent liabilities:			
Notes payable		29,007,255	29,007,255
Capital lease obligations	25,591	753,372	778,963
Contract obligation payable		10,327,770	10,327,770
Deferred gain - contract refinancing		6,456,098	6,456,098
Accrued landfill closure and postclosure costs		1,624,588	1,624,588
Compensated absences	675,355	222,870	898,225
Claims liability	840,669		840,669
Less: current portion of long-term debt	(17,881)	(1,789,047)	(1,806,928)
Total noncurrent liabilities	1,523,734	46,602,906	48,126,640
Total liabilities	2,298,319	51,730,901	54,029,220
<b>Net assets</b>			
Invested in capital assets, net of related debt	7,969,034	12,779,404	20,748,438
Restricted for:			
Capital improvements	2,640,677	470,743	3,111,420
Debt service		2,358,703	2,358,703
Other	2,562,457	220,724	2,783,181
Unrestricted	1,324,764	9,968,592	11,293,356
Total net assets	\$ 14,496,932	\$ 25,798,166	\$ 40,295,098

The accompanying notes are an integral part of these financial statements.

Component Units

Altus Great Plains Recreation, Inc	Altus SW Area Economic Development Corp.
\$ 55,342	\$ 37,864 650,000
8,455	
	8,020 2,250
63,797	698,134
0	0
63,797	698,134
0	0
0	0
63,797	354,907 343,227
\$ 63,797	\$ 698,134

**City of Altus, Oklahoma**  
**Statement of Activities**  
**Year Ended June 30, 2009**

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,800,515	\$ 91,582		
Public safety	6,408,564	469,272	\$ 97,049	\$ 2,520
Public works	2,952,935	496,509	413,195	796,901
Culture and recreation	1,391,133	166,155	3,500	
Interest on long-term debt	37,431			
Total governmental activities	13,590,578	1,223,518	513,744	799,421
Business-type activities:				
Administrative/services	737,569	1,292,964		
Electric	13,229,665	15,880,157		
Water/wastewater	4,768,907	4,044,910		
Sanitation	834,954	1,173,625		
Landfill	619,407	536,244		
Economic development	240,844			
Other	1,196,163			654,234
Interest expense and fiscal charges	996,959			
Total business-type activities	22,624,468	22,927,900	0	654,234
Total primary government	\$ 36,215,046	\$ 24,151,418	\$ 513,744	1,453,655
Component units:				
Altus Great Plains Recreation, Inc.	\$ 220,248	\$ 140,842	\$ 66,568	\$ 365
Altus SW Area Economic Development Corp.	567,259		239,682	
Total component units	\$ 787,507	\$ 140,842	\$ 306,250	\$ 365

General revenues:  
Taxes:  
  Sales and use  
  Franchise  
  Other  
Interest income  
Miscellaneous  
Gain (loss) on investments and capital assets  
Transfers – internal activity  
  Total general revenues and transfers  
Change in net assets

Net assets, beginning

  Prior period adjustment

Net assets, ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Altus Great Plains Recreation, Inc	Altus SW Area Economic Development Corp
\$ (2,708,933)		\$ (2,708,933)		
(5,839,723)		(5,839,723)		
(1,246,330)		(1,246,330)		
(1,221,478)		(1,221,478)		
(37,431)		(37,431)		
<u>(11,053,895)</u>	\$ 0	<u>(11,053,895)</u>		
	555,395	555,395		
	2,650,492	2,650,492		
	(723,997)	(723,997)		
	338,671	338,671		
	(83,163)	(83,163)		
	(240,844)	(240,844)		
	(541,929)	(541,929)		
	(996,959)	(996,959)		
	<u>957,666</u>	<u>957,666</u>		
<u>(11,053,895)</u>	<u>957,666</u>	<u>(10,096,229)</u>		
			\$ (12,473)	
			<u>(12,473)</u>	\$ (327,577)
				<u>(327,577)</u>
8,227,867		8,227,867		
387,585		387,585		
624,206		624,206		
90,041	518,247	608,288		32,006
180,830		180,830		
542,687	(1,283,806)	(741,119)		517,492
2,667,294	(2,667,294)	0		
<u>12,720,510</u>	<u>(3,432,853)</u>	<u>9,287,657</u>	<u>0</u>	<u>549,498</u>
1,666,615	(2,475,187)	(808,572)	(12,473)	221,921
11,442,602	28,826,739	40,269,341	76,270	476,213
1,387,715	(553,386)	834,329		
<u>\$ 14,496,932</u>	<u>\$ 25,798,166</u>	<u>\$ 40,295,098</u>	<u>\$ 63,797</u>	<u>\$ 698,134</u>

**City of Altus, Oklahoma**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 21,291	\$ 3,483,157	\$ 3,504,448
Investments		1,577,001	1,577,001
Receivables:			
Accounts	278,136	42,976	321,112
Taxes	1,646,293	54,729	1,701,022
Interest		3,401	3,401
Due from other governments	35,288	300,777	336,065
Inventory	64,682	38,831	103,513
Total assets	\$ 2,045,690	\$ 5,500,872	\$ 7,546,562
<b>Liabilities and fund balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 184,915	\$ 397,808	\$ 582,723
Refundable deposits	11,980		11,980
Deferred revenue	248,095		248,095
Total liabilities	444,990	397,808	842,798
Fund balances:			
Reserved for:			
Capital improvements		2,094,788	2,094,788
Encumbrances	256,927	607,624	864,551
Unreserved, designated for, reported in:			
Special revenue funds		2,400,652	2,400,652
Unreserved, undesignated, report in:			
General Fund	1,343,773		1,343,773
Total fund balances	1,600,700	5,103,064	6,703,764
Total liabilities and fund balances	\$ 2,045,690	\$ 5,500,872	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,994,625
Long-term liabilities are not due and payable in the current period and therefore are not reported in funds:	
Deferred revenue-fines	238,941
Capital lease obligations	(25,591)
Accrued compensated absences	(675,355)
Internal service funds are used to charge the costs of workers' comp insurance and employee health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	260,548
<b>Net assets of governmental activities</b>	<b>\$ 14,496,932</b>

The accompanying notes are an integral part of these financial statements.

**City of Altus, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2009**

	General	Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ 8,615,452	\$ 198,404	\$ 8,813,856
Licenses and permits	91,583		91,583
Intergovernmental	729,473	990,353	1,719,826
Fines and forfeitures	321,010		321,010
Charges for services	238,761	547,439	786,200
Other	195,284	35,620	230,904
Interest	2,107	87,934	90,041
Total revenues	<u>10,193,670</u>	<u>1,859,750</u>	<u>12,053,420</u>
<b>Expenditures</b>			
Current:			
General government	2,597,570	2,244	2,599,814
Public safety	5,615,236	480,638	6,095,874
Public works	2,133,957	632,471	2,766,428
Culture and recreation	1,293,285	0	1,293,285
Debt service:			
Principal	41,900	3,020	44,920
Interest	14,113	23,318	37,431
Capital outlay	481,692	706,720	1,188,412
Total expenditures	<u>12,177,753</u>	<u>1,848,411</u>	<u>14,026,164</u>
Excess of revenues over (under) expenditures	(1,984,083)	11,339	(1,972,744)
<b>Other financing sources (uses)</b>			
Transfers in	5,533,932	1,219,658	6,753,590
Transfers out	(3,291,266)	(795,030)	(4,086,296)
Sale of capital assets		1,000,000	1,000,000
Total other financing sources (uses)	<u>2,242,666</u>	<u>1,424,628</u>	<u>3,667,294</u>
<b>Net change in fund balances</b>	258,583	1,435,967	1,694,550
Fund balances, beginning	<u>1,342,117</u>	<u>3,667,097</u>	<u>5,009,214</u>
Fund balances, ending	<u>\$ 1,600,700</u>	<u>\$ 5,103,064</u>	<u>\$ 6,703,764</u>

The accompanying notes are an integral part of these financial statements.

**City of Altus, Oklahoma**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2009**

Net change in fund balances – total governmental funds	\$ 1,694,550
Adjustments for the statement of activities:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets are allocated over their estimated useful lives as a depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation in the current reporting period.	
Capital outlay expenditures, net	1,171,625
Depreciation expense	(765,021)
	406,604
The disposition of capital assets provides current resources to governmental funds, however, it has no effect on net assets.	
Disposition of capital assets, net	542,687
Proceeds from sale of capital assets	(1,000,000)
	(457,313)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	
Capital lease principal payments	44,920
Some revenues and expenses in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported in governmental funds.	
Accrued compensated absences, net change	27,822
Deferred revenue - fines, net change	(6,207)
	21,615
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	
Change in net assets of governmental activities	(43,761)
	\$ 1,666,615

The accompanying notes are an integral part of these financial statements.

**City of Altus, Oklahoma**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2009**

	<u>Business-type Activities Altus Municipal Authority</u>	<u>Governmental Activities Internal Service Funds</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ (2,266,923)	\$ 550,506
Investments	10,507,327	700,000
Receivables:		
Accounts (net of allowance for uncollectibles)	4,267,365	
Interest	22,273	3,558
Inventory	917,041	
Restricted assets:		
Cash and investments	27,309,350	
Total current assets	<u>40,756,433</u>	<u>1,254,064</u>
Noncurrent assets:		
Debt issuance costs (net of accumulated amortization)	433,534	
Capital assets (net of accumulated depreciation)	36,339,100	
Total noncurrent assets	<u>36,772,634</u>	<u>0</u>
Total assets	<u>77,529,067</u>	<u>1,254,064</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	1,844,582	152,847
Payable from restricted assets:		
Accrued interest payable	694,528	
Refundable deposits	799,838	
Current portion of long-term debt	1,789,047	
Total current liabilities	<u>5,127,995</u>	<u>152,847</u>
Noncurrent liabilities:		
Notes payable	29,007,255	
Capital lease obligations	753,372	
Contract obligation payable	10,327,770	
Deferred gain - contract refinancing	6,456,098	
Accrued landfill closure and postclosure costs	1,624,588	
Compensated absences	222,870	
Claims liability		840,669
Less: current portion of long-term debt	(1,789,047)	
Total noncurrent liabilities	<u>46,602,906</u>	<u>840,669</u>
Total liabilities	<u>51,730,901</u>	<u>993,516</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	12,779,404	
Restricted:		
Debt service	2,358,703	
Capital improvements	470,743	
Other	220,724	260,548
Unrestricted	9,968,592	
Total net assets	<u>\$ 25,798,166</u>	<u>\$ 260,548</u>

The accompanying notes are an integral part of these financial statements.

**City of Altus, Oklahoma**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2009**

	Business-type Activities	Governmental Activities
	Altus Municipal Authority	Internal Service Funds
<b>Operating revenues</b>		
Charges for services:		
Electric	\$ 15,880,157	
Water	2,987,248	
Wastewater	1,057,662	
Sanitation	1,173,625	
Landfill	536,244	
Other	30,179	\$ 2,450,434
Penalties and late charges	1,262,785	
Total operating revenues	22,927,900	2,450,434
<b>Operating expenses</b>		
Administration	188,250	83,511
Electric	12,807,154	
Water/wastewater maintenance	679,696	
Water treatment	1,736,033	
Wastewater treatment	635,958	
Sanitation	779,212	
Landfill	411,149	
Economic development	240,844	
Utility services	453,999	
Meter services	294,685	
Enterprise services	79,535	
Depreciation and amortization	2,124,831	
Bad debt expense	248,160	
Claims expense		2,444,343
Total operating expenses	20,679,506	2,527,854
Net operating income (loss)	2,248,394	(77,420)
<b>Nonoperating revenues (expenses)</b>		
Reimbursement for disaster expenses	654,234	
Disaster expenses	(529,803)	
Miscellaneous revenues		28,811
Interest income	518,247	4,848
Interest expense and fiscal charges	(996,959)	
Payments to school - MAPS	(418,200)	
Gain (loss) on investments	(1,283,806)	
Total nonoperating revenues (expenses)	(2,056,287)	33,659
<b>Operating transfers</b>		
Transfers in	3,702,570	
Transfers (out)	(6,369,864)	
Total operating transfers	(2,667,294)	0
Net income (loss)	(2,475,187)	(43,761)
Net assets, beginning	28,826,739	304,309
Prior period adjustment -correction of errors	(553,386)	
Net assets, ending	\$ 25,798,166	\$ 260,548

The accompanying notes are an integral part of these financial statements.

**City of Altus, Oklahoma**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2009**

	<u>Business-type Activities Altus Municipal Authority</u>	<u>Governmental Activities Internal Service Fund</u>
<b>Cash flows from operating activities</b>		
Receipts from customers and others	\$ 24,496,393	\$ 2,450,434
Payments to suppliers	(15,947,778)	(83,511)
Claims and judgments paid		(2,084,772)
Payments to employees	(2,549,697)	
Net cash provided (used) by operating activities	<u>5,998,918</u>	<u>282,151</u>
<b>Cash flows from noncapital financing activities</b>		
Miscellaneous revenues/ (expenses)	(1,577,575)	28,811
Operating transfers in (out)	(2,667,295)	
Net cash provided (used) by noncapital financing activities	<u>(4,244,870)</u>	<u>28,811</u>
<b>Cash flows from capital and related financing activities</b>		
Proceeds from issuance of long-term debt	24,285,000	
Debt issuance costs	(419,953)	
Principal paid on long-term debt	(5,316,098)	
Interest expense and fiscal charges	(850,411)	
(Increase) decrease in restricted assets	(23,104,076)	
Acquisition/construction of capital assets	(2,293,274)	
Net cash provided (used) by capital and related financing activities	<u>(7,698,812)</u>	<u>0</u>
<b>Cash flows from investing activities</b>		
(Increase) decrease in investments	3,468,781	
Interest income	579,162	5,273
Net cash provided (used) by investing activities	<u>4,047,943</u>	<u>5,273</u>
Net increase (decrease) in cash and cash equivalents	(1,896,821)	316,235
Cash and cash equivalents, beginning	(370,102)	234,271
Cash and cash equivalents, ending	<u>\$ (2,266,923)</u>	<u>\$ 550,506</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Net operating income (loss)	\$ 2,248,394	\$ (77,420)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	2,124,831	
Changes in assets and liabilities:		
(Increase) decrease in receivables	1,568,493	
(Increase) decrease in inventory	(28,009)	
Increase (decrease) in accounts payable	135,328	
Increase (decrease) in customer deposits	30,039	
Increase (decrease) in accrued expenses	(80,158)	
Increase (decrease) in claims liability		359,571
Total adjustments	<u>3,750,524</u>	<u>359,571</u>
Net cash provided (used) by operating activities	<u>\$ 5,998,918</u>	<u>\$ 282,151</u>

The accompanying notes are an integral part of these financial statements.

**City of Altus, Oklahoma**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2009**

	Agency Flex Benefit Plan
<b>Assets</b>	
Cash and cash equivalents	\$ 35,688
Total assets	35,688
<b>Liabilities</b>	
Refundable deposits	35,688
Total liabilities	35,688
<b>Net assets</b>	\$ 0

The accompanying notes are an integral part of these financial statements.

**City of Altus, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2009**

**I. Organization**

The City of Altus, Oklahoma, (the City) operates under a Council-Aldermanic form of government under Title 11 of the *Oklahoma Statutes*. The City provides the following services to its citizens: public safety (police and fire), streets and highways, sanitation and solid waste services, social services, culture and recreation, public improvements, electric and water utilities, planning and zoning, and general administrative services.

**II. Summary of significant accounting policies**

**A. Reporting entity**

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. The City's financial statements include two discretely presented component units which are reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

**Blended component units.** The Altus Municipal Authority (AMA) serves all the citizens of the City and is governed by a board comprised of the City's elected commissioners. The Altus Municipal Authority is a public trust created January 10, 1966 and amended July 18, 1989, to finance, develop, and operate any and all public works projects of any type or description including, but not limited to, those of water, sewer, electric, and solid waste facilities. The rates for user charges and bond issuance authorizations require a two-thirds approval of the City Commission and the AMA trustees. The legal liability for the general obligation portion of AMA's debt remains with the City. AMA is reported as an enterprise fund type. Separate financial statements have not been prepared for the Altus Municipal Authority.

**Discretely presented component units.** The following organizations are reported in a separate column in the government-wide financial statements to emphasize these organizations are legally separate from the City

Altus Great Plains Recreation, Inc is a not-for-profit organization promoting programs for the City of Altus' youth. Members of the organization's board are elected by the members of the organization. However, the entity is financially accountable to the City of Altus because the City provides a large share of its annual income and the organization provides services for the benefit of the City.

Altus/Southwest Area Economic Development Corporation is a non-stock, non-profit corporation acting as an instrumentality of the City and surrounding areas for the purpose of assisting in promoting economic growth by seeking business to locate in the City and/or surrounding areas. The City's Mayor serves as the Board Chairman; however, the City does not appoint a voting majority of the board. The EDC is considered financially accountable to the City of Altus because the City provides substantially all its revenues and the organization provides services for the benefit of the City.

Complete financial statements for each of the individual discretely presented component units may be obtained at the entity's offices.

**Related organizations.** The following related organizations are not included in the financial reporting entity:

Downtown Altus Redevelopment Trust Authority (DARTA) was created August 1, 1984, to promote and stimulate the redevelopment of the central business district of the City. The Authority provides financing to businesses for the purpose of acquiring facilities for industrial and mass transportation in the City. The DARTA governing body is appointed by the full City Commission. Any issuance of debt requires a two-thirds approval of Commission and the DARTA trustees.

Altus-Jackson County E-911 Regional Trust Authority was created November 1, 1996 to provide enhanced 911 services and encourage the cooperation of all emergency services, including police, fire, and ambulance services to the City of Altus and Jackson County. Jackson County is the beneficiary of this trust, although City governing body members may serve on the trust board.

Jackson County Industrial Authority, a Title 60 Public Trust, was created July 15, 1966 to promote, acquire, construct, extend, lease, maintain, and operate facilities used in securing and developing industry in the Jackson County limits. Jackson County is the beneficiary of this trust.

Mountain Park Master Conservancy District (the District) was created as a public trust for the purpose of contracting for payment of reimbursable costs and operating a reliable source of water for the City. The governing body of the District is a board of directors composed of a five member group of elected members. Support comes primarily from the Cities of Altus, Snyder and Frederick.

Oklahoma Municipal Power Authority (OMPA) provides distribution of electric services for the City, in conjunction with thirty-four other governmental entities. The OMPA generates power that is purchased and distributed by the thirty-five governmental entities that operate electric distribution systems. The OMPA's board is comprised of thirteen members from the participating entities. Five are automatically appointed from major cities and eight are elected from the remaining participants. Except for contractual commitments to purchase power, no participant has an obligation, entitlement, or residual interest in OMPA.

## **B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are

restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments are recorded only when payment is due.

Sales and use taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

The Altus Municipal Authority (AMA) accounts for the City's utility operations including electric, water, wastewater, sanitation, economic development services and landfill. Included within these financial statements are the utility deposit fund and the emergency replacement fund.

Additionally, the City reports the following fund types:

Internal service funds account for charges to the operating funds of the City used to pay workers' compensation claims (Workers' Compensation Fund) and the expenses of the City's group health and life insurance plans (Assurance Fund).

Fiduciary funds include the flex-benefit plan account for employee withholdings under the City's Section 125 Plan (Flex-Benefit Plan).

Included in the aggregated governmental funds total under the caption nonmajor governmental funds are the special revenue and capital projects funds which did not meet the criteria to be major funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Altus Municipal Authority and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

## **D. Assets, liabilities, and net assets or equity**

### ***1. Deposits and investments***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury; time deposits with financial institutions, if such deposits are fully insured by federal depository insurance or pledged collateral; and debt securities issued by the State of Oklahoma, an Oklahoma County, school district, or municipality.

Investments for the City, as well as for its component unit, are reported at fair value. Investments in open-ended mutual fund shares are also considered cash equivalents and are reported at the funds' current share price.

## ***2. Receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

## ***3. Inventories and prepaid items***

Inventories are valued at average cost and consist of fuel stored for use in City vehicles, materials and supplies used for vehicle maintenance, and office and janitorial supplies. Enterprise fund inventories include electrical and water parts and supplies, such as transformers and poles, meters, fittings, and pipe.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

The cost of inventory is allocated to the user departments based upon consumption.

## ***4. Restricted assets***

Certain proceeds of the Altus Municipal Authority’s enterprise fund promissory notes, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate trustee accounts, and their use is limited by applicable loan covenants. The project fund account is used to report those proceeds that are restricted for use in construction. The debt service fund account is used to segregate resources accumulated for debt service payments over the next twelve months. The debt service reserve account is used to report resources set aside to make up potential future deficiencies in the debt service account.

## ***5. Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$ 2,500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Capital assets of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	15–50
Improvements other than buildings	5–100
Infrastructure	25–100
Furniture, equipment, and vehicles	2–40

### **6. *Compensated absences***

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Accumulated sick leave is paid to employees only upon retirement at a rate of one day’s pay for every three days accumulated sick leave, up to a maximum of 30 days. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

### **7. *Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

### **8. *Fund equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **III. Reconciliation of government-wide and fund financial statements**

### **A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities such as capital lease obligations are not due and payable in the current period and therefore are not reported in the funds. The details of this difference are as follows:

Capital leases payable	\$ 25,591
Accrued compensated absences	675,355
Deferred revenue – fines	(238,941)
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 462,005</u>

Another difference concerns capital asset reporting. The cost of capital assets, net of accumulated depreciation, are reported on the government-wide statement of net assets, but

not on the governmental fund financial statements since they are not financial resources. The details of this difference are as follows:

Capital assets, net of accumulated depreciation	\$ 7,994,625
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 7,994,625</u>

One final difference between the governmental fund balance sheet and the government-wide statement of net assets is the inclusion of the net assets of internal service funds with governmental activities in the government-wide financial statements, while it is reported in a proprietary fund in the fund financial statements. The details of this difference are as follows:

Internal service funds for unemployment and employee health insurance	\$ 260,548
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 260,548</u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this difference are as follows:

Capital outlay	\$ 1,171,625
Depreciation expense	<u>(765,021)</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 406,604</u>

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this difference are as follows:

Principal repayments:	
Capital lease obligations	\$ 44,920
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 44,920</u>

Another element of that reconciliation states that some expenses reported in the statement of activities do not provide current financial resources and, therefore, are not reported in governmental funds, or do not require the use of current financial resources and therefore are

not reported as expenditures in governmental funds.” The details of this difference are as follows:

Compensated absences, net change	\$ 27,822
Deferred revenue – fines, net change	<u>(6,207)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 21,615</u>

Another element of that reconciliation states that internal service funds are used by management to charge the costs of unemployment and employee health insurance to individual funds. The excess of revenues over expenses is included in the statement of activities with governmental activities but is shown as a proprietary fund in the fund financial statements.

Internal service funds used to charge the cost of unemployment and employee health insurance to individual funds.	<u>\$ 43,761</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 43,761</u>

A final element of the reconciliation states that the disposition of capital assets provides current resources to the governmental funds, however, it has no effect on net assets in the governmental activities. The details of this difference are as follows:

Disposition of capital assets, net	\$ 542,687
Proceeds from sale of capital assets	<u>(1,000,000)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (457,313)</u>

#### **IV. Stewardship, compliance, and accountability**

##### **Budgetary information**

Annual budgets are adopted for all governmental funds and the Altus Municipal Authority. All unencumbered annual appropriations lapse at fiscal year-end. Actual expenditures within a fund may not exceed 90% of the budget until actual revenues equal to the estimated amount have been received. No expenditure can exceed the actual amount on hand.

Prior to June of each year, all department heads of the City submit requests for appropriations to the city administrator so that a budget may be prepared. The city commission meets with the city administrator and city financial officer to review their needs estimates and requests of the departments. The city commission holds a public hearing prior to June 15 and a final budget is formally approved and adopted no later than June 23.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations between classification categories within a department or between departments require the approval of the commission. Once the budget is established, the commission must authorize any amendments that change the total legal appropriations of the fund previously approved in the budget. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Object classifications include personal services, materials and supplies, other services and charges, capital outlay, and debt service.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

**V. Detailed notes on all funds**

**A. Deposits and investments**

*Deposits*

The City’s carrying amount of deposits was \$ 2,182,494 as of June 30, 2009, and the bank balances totaled \$ 3,590,839. Deposits are carried at cost.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The investment policy for custodial credit risk for deposits states, “Safety of principal is the foremost objective of the investment program. All collateral pledged to secure public funds shall be valued at no more than market value. The collateralization level will be 110% of market value or principal and accrued interest. 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.” As of June 30, 2009, none of the City’s bank balances of \$ 3,590,839 was exposed to custodial credit risk.

*Investments*

As of June 30, 2009, the City had investments primarily in certificates of deposits with maturities of less than three years, diversified over several financial institutions as follows:

Investment	Maturities	Fair Value
Certificates of deposit	<1 year	\$ 10,555,467
U.S. Treasury Mutual Funds	n/a	26,508,578
Equity stocks – Quartz Mountain Aerospace		2,663,857
Total		<u>\$ 39,727,902</u>

*Interest Rate Risk.* The City of Altus’ investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Emergency funds may be invested with maturities up to five (5) years from date of purchase. All other funds maturities will be no more than two (2) years from date of purchase.

*Credit Risk.* The City’s investment policy limits investments to the following: a) direct obligations of the U.S. Government, its agencies or instrumentalities; b) collateralized or insured certificates of deposit; c) savings accounts of savings and loans associations, banks, and credit unions, to the extent that the amounts are fully insured by the Federal Deposit Insurance Corporation, or d) County, Municipal, or school district direct debt obligation for which an ad valorem tax may be levied. As of June 30, 2009, the City’s investments in certificates of deposit were all federally insured or adequately collateralized by pledges of securities owned by the various financial institutions.

*Concentration of Credit Risk.* The City of Altus’ investment policy limits to 50% the amount of the City’s investment portfolio that may be invested in a single financial institution, with the exception of investments in U.S. Treasury securities and accounts. Of the City’s total investments at June 30, 2009, approximately 72% were invested in U.S. Treasury security

mutual funds accounts. Of the City of Altus' investments, all were in certificates of deposit with 42% invested with one financial institution. For the Altus Municipal Authority, 47% of its total investments were with the same financial institution.

## B. Receivables

Receivables as of June 30, 2009, for the City of Altus' individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Nonmajor Governmental Funds	Altus Municipal Authority	Internal Service Funds	Total
Receivables:					
Taxes	\$ 1,646,293	\$ 54,729			\$ 1,701,022
Accounts	675	42,976	\$ 4,455,358		4,499,009
Court fines	277,461				277,461
Due from other governments	35,288	300,777			336,065
Interest		3,401	22,273	\$ 3,558	29,232
Gross receivables	1,959,717	401,883	4,477,631	3,558	6,842,789
Less: allowance for uncollectibles	0	0	(187,993)	0	(187,993)
Net total receivables	<u>\$ 1,959,717</u>	<u>\$ 401,883</u>	<u>\$ 4,289,638</u>	<u>\$ 3,558</u>	<u>\$ 6,654,796</u>

## C. Restricted assets

The Altus Municipal Authority's various revenue notes include restricted cash and investments for the unexpended portion of the project fund, debt service funds for repayment of the principal and interest when due, and debt service reserve funds to be used for payment of principal and interest provided sufficient funds are not available in the debt service fund. The funds are on deposit with the trustee bank.

The following is a summary of the restricted asset account balances as of June 30, 2009:

	Enterprise Funds Altus Municipal Authority				Total
	Reserve Fund	Sinking Fund	Construction Fund	Meter Deposit Fund	
OWRB Series 2005 notes	\$ 677,505	\$ 47	\$ 378,455		\$ 1,056,007
Mountain Park bonds	930,055	467,302			1,397,357
Utility Refunding Series 2003 notes		218,501			218,501
FNB Series 2004 notes			92,288		92,288
BOK Series 2008 notes		461,345	9,341,965		9,803,310
BOK Series 2009 notes		298,476	13,642,636		13,941,112
Meter deposit fund				\$ 800,775	800,775
Total restricted assets	<u>\$ 1,607,560</u>	<u>\$ 1,445,671</u>	<u>\$ 23,455,344</u>	<u>\$ 800,775</u>	<u>\$ 27,309,350</u>

## D. Capital assets

Capital asset balances and activities for the year ended June 30, 2009, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,317,403	\$ 200,000	\$ (504,080)	\$ 1,013,323
Construction in progress	51,312	580,563	(327,494)	304,381
Total capital assets, not being depreciated	<u>1,368,715</u>	<u>780,563</u>	<u>(831,574)</u>	<u>1,317,704</u>
Capital assets, being depreciated:				
Buildings and improvements	9,581,528	801,973	(350,496)	10,033,005
Machinery and equipment	5,087,075	1,544,530		6,631,605
Infrastructure	604,782	48,451	(75,210)	578,023
Total capital assets, being depreciated	<u>15,273,385</u>	<u>2,394,954</u>	<u>(425,706)</u>	<u>17,242,633</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,494,158)	(495,517)	171,375	(5,818,300)
Machinery and equipment	(4,391,542)	(526,509)	229,397	(4,688,654)
Infrastructure	(86,366)	(19,402)	47,010	(58,758)
Total accumulated depreciation	<u>(9,972,066)</u>	<u>(1,041,428)</u>	<u>447,782</u>	<u>(10,565,712)</u>
Total capital assets, being depreciated, net	<u>5,301,319</u>	<u>1,353,526</u>	<u>22,076</u>	<u>6,676,921</u>
Governmental activities capital assets, net	<u>\$ 6,670,034</u>	<u>\$ 2,134,089</u>	<u>\$ (809,498)</u>	<u>\$ 7,994,625</u>
<b>Business-type activities:</b>				
<b>Altus Municipal Authority</b>				
Capital assets, not being depreciated:				
Land	\$ 652,881	\$ 55,781		\$ 708,662
Construction in progress	11,856,935	1,177,091	\$ (11,856,935)	1,177,091
Total capital assets, not being depreciated	<u>12,509,816</u>	<u>1,232,872</u>	<u>(11,856,935)</u>	<u>1,885,753</u>
Capital assets, being depreciated:				
Buildings and improvements	7,942,090	12,547,469		20,489,559
Machinery and equipment	4,621,701	913,050		5,534,751
Water rights	24,647,726			24,647,726
Infrastructure	20,870,126	869,524	(1,351,560)	20,388,090
Total capital assets, being depreciated	<u>58,081,643</u>	<u>14,330,043</u>	<u>(1,351,560)</u>	<u>71,060,126</u>
Less accumulated depreciation for:				
Building and improvements	(1,136,294)	(5,072,474)		(6,208,768)
Machinery and equipment	(3,768,464)	(318,038)	99,725	(3,986,777)
Water rights	(9,779,098)	(616,193)		(10,395,291)
Infrastructure	(19,797,224)	(588,296)	4,369,579	(16,015,941)
Total accumulated depreciation	<u>(34,481,080)</u>	<u>(6,595,001)</u>	<u>4,469,304</u>	<u>(36,606,777)</u>
Total capital assets, being depreciated, net	<u>23,600,563</u>	<u>7,735,042</u>	<u>3,117,744</u>	<u>34,453,349</u>
Business-type activities capital assets, net	<u>\$ 36,110,379</u>	<u>\$ 8,967,914</u>	<u>\$ (8,739,191)</u>	<u>\$ 36,339,102</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 143,219
Public safety	300,832
Public works	210,248
Cultural and recreation	110,722
Total depreciation expense – governmental activities	<u>\$ 765,021</u>

Business-type activities:	
Electric	\$ 127,826
Water	1,564,795
Wastewater	92,146
Sanitation	55,742
Landfill	208,258
Administration/services	15,785
Total depreciation expense – business-type activities	<u>\$ 2,064,552</u>

### E. Deposits subject to refund

Utility customers are required to make a meter deposit which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in separate accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of June 30, 2009, cash and investments included \$ 800,775 available for refund of customer deposits, while the liability to customers was \$ 799,838.

Appearance bonds and other payments made to the municipal court funds are held until final disposition by the court, at which time they are refunded to the bondholder or paid over to the City general fund as fines. As of June 30, 2009, \$ 11,980 was being held that was subject to refund.

### F. Long-term debt

#### Compensated absences

Accrued compensated absences as of June 30, 2009 were as follows:

Governmental activities	\$ 675,355
Business-type activities	222,870
Totals	<u>\$ 898,225</u>

#### Capital leases

The City has entered into several lease agreements as lessee for financing the acquisition of buildings, land, and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The capital lease obligations are as follows:

#### **Governmental activities:**

\$ 17,683 capital lease with Deere Credit for a tractor dated, April 14, 2005, with an interest rate of 8.5%, monthly payments of \$ 363 and a final maturity of April 14, 2010. \$ 3,490

\$ 40,824 capital lease with Deere Credit for a tractor dated, June 9, 2005, with an interest rate of 5.25%, monthly payments of \$ 722 and a final maturity of May 6, 2010. 8,270

\$ 7,760 capital lease with Kansas State Bank for a mower dated, September 15, 2008, with an interest rate of 10.345%, monthly payments of \$ 252 and a final maturity of August 15, 2010. 3,254

\$ 16,569 capital lease with Deere Credit for cemetery equipment dated May 24, 2008, with an interest rate of 9.25%, monthly payment of \$ 346 and a maturity date of May 22, 2012.

10,577

Total governmental activities \$ 25,591

**Business-Type Activities:**

2008 capital lease with First National Bank, original issue amount of \$ 1,450,000, dated February 9, 2008 by Altus Municipal Authority secured by equipment, with an interest rate of 3.95%, final maturity of December 28, 2011.

753,372

Total business-type activities 753,372

Total capital lease obligations \$ 778,963

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Asset:		
Tractor	\$ 17,683	
Tractor	40,824	
Mower	7,760	
Cemetery equipment	16,569	
Equipment		\$ 1,450,000
Total	<u>\$ 82,836</u>	<u>\$ 1,450,000</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009, were as follows:

	Capital Lease Obligations	
Year Ending June 30,	Governmental Activities	Business-Type Activities
2010	\$ 19,267	\$ 321,002
2011	4,597	321,002
2012	3,807	156,485
Total required payments	27,671	798,489
Less: amount representing interest	(2,080)	(45,117)
Total principal payments	<u>\$ 25,591</u>	<u>\$ 753,372</u>

Notes and contract obligation payable

Long-term liabilities of the City of Altus as of June 30, 2009, are summarized as follows:

**Business-type activities**

Altus Municipal Authority

Notes payable:

2005 Series Oklahoma Water Resources Board, FAP-05-0008-L Promissory Note, original issue amount of \$ 6,775,000, dated September 15, 2005 issued by Altus Municipal Authority, secured by utility revenues with an initial interest rate of 3.27%, final maturity, October 1, 2025. \$ 3,010,750

Oklahoma Department of Commerce CDBG Note, original issue amount of \$235,183, dated October 2, 1998, issued by Altus Municipal Authority, secured by available utility revenues, with a 1% interest rate, final maturity September 1, 2018. 115,126

2005 Series Oklahoma Water Resources Board, ORF-05-0006-DW Promissory Note, original issue amount of \$ 4,033,700 dated September 15, 2005 issued by Altus Municipal Authority, secured by available utility revenues with a 0% interest rate and a .50% administrative fee, final maturity September 1, 2025. 504,066

2004 Series Revenue Note, with First National Bank, original issue amount of \$ 600,000, dated December 22, 2004, issued by Altus Municipal Authority, secured by available utility revenues, with an interest rate of 3.85%, final maturity of September 1, 2012. 117,315

2003 Note, original issue amount of \$ 2,015,000, dated September 30, 2003, issued by Altus Municipal Authority, secured by available utility revenues, with an interest rate of 3.85%, final maturity of September 1, 2012. 975,000

\$ 10,000,000 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 the voters of the City on August 26, 2008, proceeds to be used by the City and the Altus School District for capital improvements. 10,000,000

\$ 14,285,000 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%, proceeds to be used by the City and the Altus School District for capital improvements. 14,285,000

Total notes payable 29,007,257

Contract Obligation Payable:

\$ 11,709,765 contract obligation payable to the Mountain Park Master Conservancy District, due in 252 average monthly installments of \$ 79,284, with interest rates from 3.75% to 5.26%, secured by a pledge of gross revenues of the water as approved by voters. 10,327,770

Total contract obligation payable 10,327,770

Total business-type activities 40,311,269

Total long-term debt \$ 41,012,215

Long-term liabilities transactions for the year ended June 30, 2009, and changes therein were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities</b>					
Capital lease obligations	\$ 70,511		\$ (44,920)	\$ 25,591	\$ 17,881
Compensated absences	703,178		(27,823)	675,355	0
Total governmental activities	773,689	\$ 0	(72,743)	700,946	17,881

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One year
<b>Business-type activities</b>					
Notes payable	9,360,038	24,285,000	(4,637,781)	29,007,257	1,083,873
Capital lease obligations	1,036,270		(282,898)	753,372	294,099
Contract obligations payable	10,723,185		(395,415)	10,327,770	411,075
Compensated absences	277,423		(54,553)	222,870	0
Total business-type activities	21,396,916	24,285,000	(5,370,647)	40,311,269	1,789,047
Total long-term debt	\$ 22,170,605	\$ 24,285,000	\$ (5,443,390)	\$ 41,012,215	\$ 1,806,928

Annual debt service requirements to maturity for business-type activities long-term debt are as follows:

Year Ending June 30,	Business-type Activities			
	Notes Payable		Contract Obligation Payable	
	Principal	Interest	Principal	Interest
2010	\$ 5,289,959	\$ 1,288,147	\$ 411,075	\$ 516,702
2011	2,045,389	944,424	426,735	498,820
2012	2,106,609	860,123	450,225	479,830
2013	2,196,609	772,611	465,885	459,570
2014	2,016,609	686,497	489,375	438,139
2015–2019	11,447,082	2,090,302	2,818,800	1,809,678
2020–2024	3,905,000	146,849	3,625,290	1,010,120
2025–2029			1,640,385	126,830
Totals	\$ 29,007,257	\$ 6,788,953	\$ 10,327,770	\$ 5,339,689

### G. Debt issuance costs

Debt issuance costs of \$ 498,314 have been capitalized and are being amortized on the straight-line basis over the term of the relevant debt issues. As of June 30, 2009, accumulated amortization was \$ (64,780) including current year amortization of \$ 60,279.

### H. Compensated absences

Full-time employees with at least one year of service earn vacation of ten to twenty days per year depending on years of service completed. A maximum of ten to fifteen days may be carried over from one benefit year into another, depending on years of service completed.

Full-time employees earn sick leave at the rate of eight hours per month. Upon retirement, employees are paid at the rate of one day's pay for every three days accumulated sick leave up to a maximum of 30 days.

In accordance with the guidelines set forth by GASB Statement No. 16, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, a provision has been made for accumulated vacation, compensatory time, and holiday pay as follows:

Governmental activities	\$ 675,355
Business-type activities	222,870
Total accrued compensated absences	<u>\$ 898,225</u>

## I. Interfund receivables, payables, and transfers

The composition of interfund activity and balances as of June 30, 2009, is as follows:

Interfund transfers:

	Transfers Out			Totals
	General Fund	Non-major Governmental	Altus Municipal Authority	
Transfer in:				
General fund		\$ 511	\$ 5,533,421	\$ 5,533,932
Nonmajor Governmental	\$ 356,001	27,214	836,443	1,219,658
Altus Municipal Authority	2,935,265	767,305		3,702,570
Totals	<u>\$ 3,291,266</u>	<u>\$ 795,030</u>	<u>\$ 6,369,864</u>	<u>\$ 10,456,160</u>

## J. Landfill closure and post-closure liability

Federal and State regulations require the City to place a final cover on its landfill site when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty (30) years after closure. Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste, the City reports a portion of those costs as an operating expense of the Altus Municipal Authority each fiscal year. The amount of the current period expense is based upon the amount of landfill capacity used as of each fiscal year.

The \$ 1,624,588 reported as other noncurrent liabilities for the accrued landfill closure cost liability as of June 30, 2009, represents the cumulative amount of such cost reported to date based on the use of approximately 81% 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 \$ 386,587 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 2009. Actual costs may be more or less at that time than are currently estimated. The estimated closure and post-closure costs and the accrued liability as of June 30, 2009, are as follows:

Estimated closure costs	\$ 1,156,124
Estimated post-closure costs	855,051
Total estimated costs	<u>2,011,175</u>
Accrued closure costs	1,624,588
Current estimated costs charged to expense	<u>\$ (25,605)</u>

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 the costs.

## K. Deferred gain – Contract refinancing

In August 1981, the Altus Municipal Authority entered into a contract with the Mountain Park Master Conservancy District for facilities related to secure a reliable water supply source for the future use of the City. As part of the contract agreement, \$ 22,601,376 of the total project cost of \$ 34,196,074 was assumed by the Altus Municipal Authority through a contractual obligation to the Conservation District.

In June 2005, the Mountain Park Master Conservancy District refinanced the project debt. The Authority's share of the refinanced debt was \$ 11,709,765. As a result of the refinancing, an accounting gain of \$ 8,015,425 was recorded and deferred with the Authority amortizing the gain over a twenty-one year period. The unamortized amount of this gain as of June 30, 2009, is \$ 6,456,098, with a current year amortization of \$ 381,686 recognized as an offset to interest expense.

## **VI. Other information**

### **A. Risk management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City has insurance for the major risks such as property and general liability, and is self-insured for workers' compensation and unemployment. Commercial insurance is used to cover general liability claims and the risk of loss to City buildings and mobile equipment. Judgments against the City may be paid by a property tax assessment over a three-year period.

### **B. Commitments and contingent liabilities**

#### Grants and contracts

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

#### Litigation

The City of Altus and the Altus Municipal Authority are parties to various legal proceedings which normally occur in the course of governmental operations. The accompanying financial statements do not include accrual 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 (3) year period by a City for the payment of any court-assessed judgment rendered against the City. This statutory taxing authority is not available to the AMA.

While the outcome of any of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and State Statutes relating to judgments, the City feels that any settlement or judgment would not have a material effect on the financial condition of the City.

#### Investment in Quartz Mountain Aerospace

As of June 30, 2009, an uncertainty exists as to the recovery of certain Altus Municipal Authority (AMA) assets invested in the Quartz Mountain Aerospace, Inc. (formerly known as Luscombe Aircraft Corporation). Quartz Mountain Aerospace is a development stage company formed to manufacture, market, and provide support services for the single-engine Luscombe model 11B series aircraft. Beginning in 1996, the AMA has made various investments through loans, pledges, and other guarantees related to the start-up of Luscombe in an effort to promote economic development and job creation within the City. A portion of these investments and loans were converted by Quartz Mountain Aerospace to stock in the company with a fair market value of \$ 2,663,859 at the time of conversion. During 2009, Quartz Mountain Aerospace filed for bankruptcy protection. AMA has a lien on the building

at the Altus Municipal Airport owned by Quartz Mountain Aerospace. It is believed by AMA management that AMA will end up as the owner of the building through the bankruptcy proceedings. The remaining notes receivable, utility bills and accrued interest totaling approximately \$ 1,446,854 were written off as uncollectible as of June 30, 2009.

#### Mountain Park Master Conservancy District – Contract Commitments

The Altus Municipal Authority (AMA) entered into a 25 year contract with the Mountain Park Master Conservancy District. Operating and maintenance costs of Mountain Park are shared by the member governments. AMA's share of costs for the year ended June 30, 2009 was \$ 196,448.

#### June 2008 wind storm

The City of Altus sustained significant damage to city assets as a result of a wind storm in June 2008. The City and AMA incurred approximately \$ 1,862,085 in expenses for repairs to the electrical distribution system, emergency protective measures, and debris clean-up. Subsequent to June 30, 2008, the City received approximately \$ 1,067,429 in FEMA reimbursements and \$ 126,995 in insurance reimbursements. The City expects to receive additional reimbursement in the amount of \$ 232,761 from the State of Oklahoma at an unknown date.

### **C. Employee retirement systems and pension plans**

The City of Altus participates in the Oklahoma State Police Pension and Retirement System (OPPRS) and the Oklahoma State Firefighters' Pension and Retirement System (OFPRS), both of which are cost-sharing multiple-employer defined benefit pension plans administered by the State of Oklahoma. Additionally, for other City employees not covered by the other plans, the City of Altus maintains a defined benefit plan—the Oklahoma Municipal Retirement Fund Employee Retirement System of Altus (the Plan).

#### Oklahoma State Police Pension and Retirement System (OPPRS)

Plan Description – The OPPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the administrators of the OPPRS. The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information for the police employees of the City. That report may be obtained by writing to the Oklahoma State Police Pension and Retirement System, 1001 N.W. 63rd Street, Suite 305, Oklahoma City, Oklahoma 73116-7339, or by calling 1-405-840-3555.

Funding Policy – Plan members are required to contribute 8.0% of their annual covered salary and the City of Altus contributes 13.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the state legislature. Contributions to the OPPRS for the year ended June 30, 2009, for employees and employer were \$ 127,551 and \$ 207,270, respectively, on covered payroll of \$ 1,594,639.

#### Oklahoma State Firefighters' Pension and Retirement System (OFPRS)

Plan Description – The OFPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the administrators of the OFPRS. The OFPRS issues a publicly available financial report that includes financial statements and

required supplementary information for the firefighting employees of the City. That report may be obtained by writing to the Oklahoma State Firefighters' Pension and Retirement System, 4545 North Lincoln Boulevard, Suite 265, Oklahoma City, Oklahoma 73105, or by calling 1-405-525-7813.

Funding Policy – Plan members are required to contribute 8.0% of their annual covered salary and the City of Altus contributes 13.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the state legislature. Contributions to the OFPRS for the year ended June 30, 2009, for employees and employer were \$ 117,837 and \$ 191,485, on covered payroll of \$ 1,472,963.

#### Oklahoma Municipal Retirement Fund Employee Retirement System of Altus, Oklahoma

Plan Description – The Oklahoma Municipal Retirement Fund Employee Retirement System of Altus, Oklahoma (the Plan) is a defined benefit retirement plan covering City employees not covered by other plans. The Plan operates as a trust maintained by the Oklahoma Municipal Retirement Fund (OMRF). The OMRF board of trustees retains BankOne as custodian to hold the Plan's assets which are invested by various professional managers. All regular, full-time City employees not covered by other plans are required to participate in the Plan. Benefits vest after ten years of service. Employees, who retire at age 65 or completion of 10 years of service, if later, are entitled to an annual retirement benefit, payable monthly in an amount equal to 2.625% of final average compensation multiplied by the number of years of credited service. Final average compensation is defined as the average of the five highest consecutive annual salaries out of the last ten calendar years of service.

An employee is eligible for an early retirement benefit once he has attained age 55 and has completed 10 years of service. The amount of benefit is determined based on the final average salary and credited service as of the date of termination. If benefit payments are to begin before age 65, the amount of benefit will be actuarially reduced. A late retirement benefit is computed in the same manner as a normal retirement based on average salary and credited service as of the termination of employment.

A participant who becomes totally and permanently disabled after completion of ten years of service will be entitled to a disability benefit computed as an early retirement benefit based on average salary and service as of the date of disability but without actuarial reduction for payments beginning prior to normal retirement age.

Employee contributions are returned with interest if their employment is terminated prior to completion of ten years of service. A death benefit is payable after ten years of service based on 50% of the employee's accrued benefit. This benefit is payable for life or until remarriage of the surviving spouse. For a vested single participant, 50% of the accrued benefit is payable for 60 months certain.

Funding Policy – The following amount shown as the actuarial accrued liability is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Plan on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits, and is independent of the funding method used to determine contributions to the Plan.

The actuarial accrued liability was computed as part of an actuarial valuation performed as of January 1, 2009. Significant actuarial assumptions used in the valuation include 1) a rate of return on the investment of present and future assets of 7.50% compounded annually, and 2) future salary increases based on the age of the employee.

The total actuarial liability exceeded the net assets available for benefits by \$ 3,421,806 at January 1, 2009, as follows:

Actuarial accrued liability	\$ 17,128,211
Net assets available for benefits (actuarial value)	<u>(13,706,405)</u>
Unfunded actuarial accrued liability	<u>\$ 3,421,806</u>

The Plan's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so sufficient assets will be available to pay benefits when due. Required contributions are determined using the aggregate entry age normal cost method. Unfunded actuarial accrued liabilities are being amortized as a level percentage of payrolls over a period of thirty years.

For the year ended June 30, 2009, employees were required to contribute 4% of annual compensation while the City contributed the remaining amounts necessary to fund the pension plan using an actuarial basis. The City's contribution rate, for the year ended June 30, 2009, was 9.23%. Contributions to the Plan for payroll for the year ended June 30, 2009, for employees and employer were \$ 221,382 and \$ 509,843, respectively. For the year ended June 30, 2009, the City's covered payroll was \$ 5,538,205 out of a total payroll of \$ 5,894,809. Covered payroll refers to all compensation paid by the City of Altus to active employees covered by the Plan on which contributions are based.

Significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation as described above.

The schedule of funding progress for the Plan for the past ten years is as follows:

Accrual Valuation Date	Value of Assets Available for Benefits	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Percentage Funded	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
01/01/09	\$13,706,405	\$ 17,128,211	\$ 3,421,806	80.02 %	\$5,365,391	63.78 %
01/01/08	14,409,141	15,996,679	1,587,538	90.08 %	4,904,734	32.38 %
01/01/07	13,891,579	15,156,045	1,264,466	91.66 %	4,722,591	26.77 %
01/01/06	14,015,541	14,772,829	757,289	94.87 %	4,368,011	17.34 %
01/01/05	13,491,412	14,452,756	961,344	93.35 %	4,708,511	20.42 %
01/01/04	13,019,257	13,275,713	256,456	98.07 %	4,230,289	6.06 %
01/01/03	12,593,195	12,759,189	165,994	98.70 %	4,083,685	4.06 %
01/01/02	13,417,087	12,883,478	(533,609)	104.14 %	4,101,463	(13.01)%
01/01/01	13,201,846	12,269,190	(932,656)	107.60 %	4,072,595	(22.90)%
01/01/00	12,648,972	11,038,739	(1,610,233)	114.59 %	3,928,129	(40.99)%

Oklahoma Municipal Retirement Fund – Defined Contribution Plan

Plan Description – The City has also provide a defined contribution plan and trust known as the City of Altus Plan and Trust (the Plan) in the form of the Oklahoma Municipal Retirement Fund Defined Contribution Plan (OMRF). The plan is administered by BankOne of Oklahoma City, Oklahoma. The defined contribution plan is available to all full-time employees except those covered by other plans. OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities.

Funding Policy – Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after six months of employment and voluntarily select their before-tax percentage-of-contribution up to 15% of compensation. By City ordinance, the City, as employer, is required to make variable contributions to the plan, based on availability of funds. As of July 2002, City contributions were 1.49% of gross salary. The employee is fully vested 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 Commission. Contributions to the plan for the year ended June 30, 2009, for employees and employer were \$ 72,311 and \$ 82,546, on a covered payroll of \$ 5,540,055.

Oklahoma Municipal Retirement Fund – Defined Contribution Plan – CMO Plan

Plan Description – In addition to the above plans, the City has provided a defined contribution plan in the form of the OMRF – CMO Plan. The CMO defined contribution plan is available to any person who is in the position of City Administrator.

Funding Policy – 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 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 Commission. Contributions to the Plan for the year ended June 30, 2009, for the employee and employer were \$ 3,252 and \$ 10,841 on covered payroll of \$ 108,411.

**D. Prior period adjustments**

Adjustments were made to beginning net assets in the government-wide financial statements and the proprietary fund financial statements to correct errors in the prior year’s financial statements relating to capital assets. A complete physical inventory was conducted during the year ended June 30, 2009 and adjustments were made to the general ledger to reconcile with the detail inventory as follows:

Government-wide financial statements – net assets:	Governmental Activities	Business-type Activities
Capital assets	<u>\$ 1,387,715</u>	<u>\$ (553,386)</u>
		Proprietary funds
Fund financial statements – net assets:		
Capital assets		<u>\$ (553,386)</u>

## **E. Subsequent events**

The City of Altus has incurred expenses for two subsequent events since June 30, 2009. The first was a snow storm on December 24, 2009 (FEMA-1876-DR-OK). During this event the City incurred an estimated \$ 75,000 in expenses for public protections and damage repair. Then, on February 28, 2010, the City experienced an ice storm (FEMA-1883-DR-OK), during which the City incurred \$ 3,500,000 in estimated expenses and \$ 500,000 in estimated lost revenue. The City expects reimbursement from the Federal government at a rate of 75% and from the state at 12.50%. At the time of this report it is unknown when reimbursement will occur.

**City of Altus, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Budget and Actual – General Fund**  
**Year Ended June 30, 2009**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 8,815,147	\$ 8,815,147	\$ 8,615,452	\$ (199,695)
Licenses and permits	113,219	113,219	91,583	(21,636)
Intergovernmental	442,920	442,920	729,472	286,552
Fines and forfeitures	370,805	370,805	321,010	(49,795)
Charges for services	286,760	286,760	256,221	(30,539)
Miscellaneous	125,560	125,560	177,880	52,320
Interest	5,500	5,500	2,107	(3,393)
Total revenues	10,159,911	10,159,911	10,193,725	33,814
<b>Expenditures</b>				
General government:				
City council	120,995	120,995	96,048	24,947
Mayor	30,640	30,640	28,470	2,170
Administrative services	1,335,431	1,335,431	1,176,997	158,434
Administration	266,634	266,634	230,861	35,773
Law	112,705	112,705	112,179	526
Information services	220,137	220,137	210,928	9,209
Finance	244,354	244,354	237,998	6,356
Human resources	232,636	232,636	229,036	3,600
Clerk-treasurer	172,029	172,029	168,697	3,332
Central purchasing	203,187	203,187	189,442	13,745
Municipal court	200,670	200,670	194,940	5,730
Public safety:				
Police-traffic	2,368,184	2,368,184	2,265,677	102,507
Police-detective	574,321	574,321	582,979	(8,658)
Police-administration	391,104	391,104	385,643	5,461
Police-animal control	249,680	250,980	233,791	17,189
Fire	2,173,614	2,173,614	2,200,285	(26,671)
Emergency services	136,184	136,184	120,306	15,878
Communications	107,926	107,926	111,171	(3,245)
Public works:				
Cemetery	178,218	178,218	163,676	14,542
Engineering	82,297	83,557	75,853	7,704
Planning	550,885	550,885	361,444	189,441
Street	854,599	1,196,599	776,986	419,613
Fleet maintenance	592,101	547,101	503,997	43,104
Building maintenance	323,955	323,955	306,225	17,730
Culture and recreation:				
Parks	649,622	649,622	569,535	80,087
Parks & recreation-administration	135,403	135,403	121,535	13,868
Recreation	317,633	317,633	311,651	5,982
Swimming pool	291,603	291,603	275,675	15,928
Public golf course	139,541	139,541	372,135	(232,594)
Total expenditures	13,256,288	13,555,848	12,614,160	941,688

**City of Altus, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Budget and Actual – General Fund**  
**Year Ended June 30, 2009**

(continued)

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess of revenues over expenditures	(3,096,377)	(3,395,937)	(2,420,435)	975,502
<b>Other financing sources (uses)</b>				
Transfers in	7,763,991	7,330,879	5,533,932	(1,796,947)
Transfers (out)	(5,001,046)	(3,038,518)	(3,291,266)	(252,748)
Total other financing sources (uses)	<u>2,762,945</u>	<u>4,292,361</u>	<u>2,242,666</u>	<u>(2,049,695)</u>
Net change in fund balances	(333,432)	896,424	(177,769)	(1,074,193)
Fund balances, beginning	<u>1,803,539</u>	<u>1,803,539</u>	<u>858,939</u>	<u>(944,600)</u>
Fund balances, ending	<u><u>\$ 1,470,107</u></u>	<u><u>\$ 2,699,963</u></u>	<u><u>\$ 681,170</u></u>	<u><u>\$ (2,018,793)</u></u>

See disclaimer in accompanying Independent Auditor's Report.

**City of Altus, Oklahoma**  
**Explanation of Differences between Revenues, Expenditures, and Other**  
**Financing Sources (Uses) for Budgetary Funds on a Budgetary Basis and**  
**GAAP General Fund on a GAAP Basis**  
**Year Ended June 30, 2009**

<u><b>Budgetary funds</b></u>	<u>General Fund</u>
<b>Revenues</b>	
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 10,193,725
Adjustments:	
<i>Budgetary</i> general fund revenues are reported on the cash basis, rather than the modified accrual basis	<u>(55)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u><u>\$ 10,193,670</u></u>
<b>Expenditures</b>	
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	\$ 12,614,160
Adjustments:	
Encumbrances for goods and services ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for GAAP reporting	<u>(436,407)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u><u>\$ 12,177,753</u></u>
<b>Other financing sources (uses)</b>	
Actual amounts (budgetary basis) "other financing sources and uses" from the budgetary comparison schedules	\$ 2,242,666
Adjustments:	<u>0</u>
Total other financing sources as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u><u>\$ 2,242,666</u></u>

See disclaimer in accompanying Independent Auditor's Report.

**City of Altus, Oklahoma**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2009**

	Special Revenue			
	ODOC Grant Fund	Altus Donation Fund	Airport Fund	Hotel/Motel Tax Fund
<b>Assets</b>				
Cash and cash equivalents	\$ 42	\$ 50,427	\$ 1,003,212	\$ 50,925
Investments				
Receivables:				
Accounts, net			42,976	
Taxes				21,621
Interest				
Due from other governments				
Inventory			38,831	
Total assets	<u>\$ 42</u>	<u>\$ 50,427</u>	<u>\$ 1,085,019</u>	<u>\$ 72,546</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities			\$ 50,174	
Deferred revenue				
Total liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>50,174</u>	<u>\$ 0</u>
<b>Fund balances</b>				
Reserved:				
Capital improvements				
Encumbrances		4,170	775	
Unreserved:				
Designated	42	46,257	1,034,070	72,546
Total fund balances	<u>42</u>	<u>50,427</u>	<u>1,034,845</u>	<u>72,546</u>
Total liabilities and fund balances	<u>\$ 42</u>	<u>\$ 50,427</u>	<u>\$ 1,085,019</u>	<u>\$ 72,546</u>

Special Revenue			Capital Projects		
Street & Alley Fund	Emergency E-911 Fund	Parks Development Fund	Economic Development Construction Fund	Veteran's Bypass Fund	FAA Grant Fund
\$ 721,671 400,000	\$ 28,347	\$ 131,283	\$ 133,237 950,001	\$ 22,695 50,000	\$ (9,567)
33,108 1,461			1,071	296	300,777
<u>\$ 1,156,240</u>	<u>\$ 28,347</u>	<u>\$ 131,283</u>	<u>\$ 1,084,309</u>	<u>\$ 72,991</u>	<u>\$ 291,210</u>
\$ 7,071	\$ 4,272				\$ 288,721
<u>7,071</u>	<u>4,272</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>288,721</u>
56,135	655		1,084,309	72,991	1,838 651
<u>1,093,034</u>	<u>23,420</u>	<u>131,283</u>	<u>1,084,309</u>	<u>72,991</u>	<u>2,489</u>
<u>1,149,169</u>	<u>24,075</u>	<u>131,283</u>	<u>1,084,309</u>	<u>72,991</u>	<u>2,489</u>
<u>\$ 1,156,240</u>	<u>\$ 28,347</u>	<u>\$ 131,283</u>	<u>\$ 1,084,309</u>	<u>\$ 72,991</u>	<u>\$ 291,210</u>

**City of Altus, Oklahoma**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2009**  
(continued)

	Capital Projects			
	Capital Improvement Fund	Landfill Improvement Fund	Cemetery Perpetual Fund	Drainage Improvement Fund
<b>Assets</b>				
Cash and cash equivalents	\$ 269,292	\$ 1,025,160	\$ 9,167	\$ 47,266
Investments	122,000			55,000
Receivables:				
Accounts, net				
Taxes				
Interest	441			132
Due from other governments				
Inventory				
Total assets	<u>\$ 391,733</u>	<u>\$ 1,025,160</u>	<u>\$ 9,167</u>	<u>\$ 102,398</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 38,017	\$ 9,553		
Deferred revenue				
Total liabilities	<u>38,017</u>	<u>9,553</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Fund balances</b>				
Reserved:				
Capital improvements	353,690	470,395	9,167	102,398
Encumbrances	26	545,212		
Unreserved:				
Designated				
Total fund balances	<u>353,716</u>	<u>1,015,607</u>	<u>9,167</u>	<u>102,398</u>
Total liabilities and fund balances	<u>\$ 391,733</u>	<u>\$ 1,025,160</u>	<u>\$ 9,167</u>	<u>\$ 102,398</u>

<u>Debt Service</u>	
Debt Service Fund	Total Nonmajor Governmental Funds
<u>          </u>	<u>          </u>
	\$ 3,483,157
	1,577,001
	42,976
	54,729
	3,401
	300,777
	38,831
<u>\$ 0</u>	<u>\$ 5,500,872</u>
	\$ 397,808
	0
<u>\$ 0</u>	<u>397,808</u>
	2,094,788
	607,624
	2,400,652
<u>0</u>	<u>5,103,064</u>
<u>\$ 0</u>	<u>\$ 5,500,872</u>

**City of Altus, Oklahoma**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2009**

	Special Revenue			
	ODOC Grant Fund	Altus Donation Fund	Airport Fund	Hotel/Motel Tax Fund
<b>Revenues</b>				
Taxes				\$ 196,566
Intergovernmental	\$ 77,454	\$ 2,000		
Charges for services			\$ 393,532	
Other		15,642		25
Interest	62		3,212	
Total revenues	<u>77,516</u>	<u>17,642</u>	<u>396,744</u>	<u>196,591</u>
<b>Expenditures</b>				
Current:				
General government		2,244		
Public safety		1,495		
Public works		21,146	557,403	
Culture and recreation				
Economic development				
Airport				
Debt service				
Principal			3,020	
Interest			9,261	9,905
Capital outlay		2,925	15,280	
Total expenditures	<u>0</u>	<u>27,810</u>	<u>584,964</u>	<u>9,905</u>
Excess of revenues over (under) expenditures	77,516	(10,168)	(188,220)	186,686
<b>Other financing sources (uses)</b>				
Proceeds from capital leases				
Transfers in		11,994	185,475	
Transfers (out)	(131,277)			(181,988)
Sale of capital assets			1,000,000	
Total other financing sources (uses)	<u>(131,277)</u>	<u>11,994</u>	<u>1,185,475</u>	<u>(181,988)</u>
<b>Net change in fund balances</b>	(53,761)	1,826	997,255	4,698
Fund balances, beginning	<u>53,803</u>	<u>48,601</u>	<u>37,590</u>	<u>67,848</u>
Fund balances, ending	<u>\$ 42</u>	<u>\$ 50,427</u>	<u>\$ 1,034,845</u>	<u>\$ 72,546</u>

Special Revenue			Capital Projects		
Street & Alley Fund	Emergency E-911 Fund	Parks Development Fund	Economic Development Construction Fund	Veteran's Bypass Fund	FAA Grant Fund
\$ 206,574					\$ 704,325
	\$ 146,374	\$ 3,500			
22,157		949	\$ 35,063	\$ 2,213	
<u>228,731</u>	<u>146,374</u>	<u>4,449</u>	<u>35,063</u>	<u>2,213</u>	<u>704,325</u>
	479,143				
53,922					
1,600					686,320
<u>55,522</u>	<u>479,143</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>686,320</u>
173,209	(332,769)	4,449	35,063	2,213	18,005
	361,520				(22,205)
0	<u>361,520</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(22,205)</u>
173,209	28,751	4,449	35,063	2,213	(4,200)
975,960	(4,676)	126,834	1,049,246	70,778	6,689
<u>\$ 1,149,169</u>	<u>\$ 24,075</u>	<u>\$ 131,283</u>	<u>\$ 1,084,309</u>	<u>\$ 72,991</u>	<u>\$ 2,489</u>

**City of Altus, Oklahoma**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2009**

(continued)

	Capital Projects			
	Capital Improvement Fund	Landfill Improvement Fund	Cemetery Perpetual Fund	Drainage Improvement Fund
<b>Revenues</b>				
Taxes				
Intergovernmental				
Charges for services			\$ 7,533	
Other	\$ 13,400			\$ 3,053
Interest	3,891	\$ 18,127		2,116
Total revenues	17,291	18,127	7,533	5,169
<b>Expenditures</b>				
Current:				
General government				
Public safety				
Public works				
Culture and recreation				
Economic development				
Airport				
Debt service:				
Principal				
Interest			4,152	
Capital outlay			595	
Total expenditures	0	0	4,747	0
Excess of revenues over (under) expenditures	17,291	18,127	2,786	5,169
<b>Other financing sources (uses)</b>				
Proceeds from capital leases				
Transfers in	460,669	200,000		
Transfers (out)	(253,782)	(200,259)		
Sale of capital assets				
Total other financing sources (uses)	206,887	(259)	0	0
<b>Net change in fund balances</b>	224,178	17,868	2,786	5,169
Fund balances, beginning	129,538	997,739	6,381	97,229
Fund balances, ending	\$ 353,716	\$ 1,015,607	\$ 9,167	\$ 102,398

<u>Debt Service</u>		<u>Total Nonmajor Governmental Funds</u>
Debt Service Fund		
\$ 1,838	\$	198,404
		990,353
		547,439
		35,620
144		87,934
<u>1,982</u>		<u>1,859,750</u>
		2,244
		480,638
		632,471
		0
		0
		0
		3,020
		23,318
		706,720
<u>0</u>		<u>1,848,411</u>
1,982		11,339
		0
		1,219,658
(5,519)		(795,030)
		1,000,000
<u>(5,519)</u>		<u>1,424,628</u>
(3,537)		1,435,967
<u>3,537</u>		<u>3,667,097</u>
<u>\$ 0</u>	\$	<u>5,103,064</u>

**City of Altus, Oklahoma**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2009**

	Workers' Compensation Fund	Assurance Fund	Total Internal Service Funds
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 190,743	\$ 359,763	\$ 550,506
Investments	700,000		700,000
Accrued interest receivable	3,558		3,558
Total current assets	894,301	359,763	1,254,064
Noncurrent assets:			
Capital assets (net of accumulated depreciation)			0
Total noncurrent assets	0	0	0
Total assets	894,301	359,763	1,254,064
<b>Liabilities</b>			
Current liabilities:			
Claims liability	14,634	138,213	152,847
Total current liabilities	14,634	138,213	152,847
Noncurrent liabilities:			
Claims liability	633,000	207,669	840,669
Total noncurrent liabilities	633,000	207,669	840,669
Total liabilities	647,634	345,882	993,516
<b>Net assets</b>			
Restricted	246,667	13,881	260,548
Total net assets	\$ 246,667	\$ 13,881	\$ 260,548

**City of Altus, Oklahoma**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**  
**Internal Service Funds**  
**Year Ended June 30, 2009**

	Workers' Compensation Fund	Assurance Fund	Total Internal Service Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Operating revenues</b>			
Charges for services:			
Other	\$ 416,054	\$ 2,034,380	\$ 2,450,434
Total operating revenues	<u>416,054</u>	<u>2,034,380</u>	<u>2,450,434</u>
<b>Operating expenses</b>			
Administration expense	83,482	29	83,511
Claims expense	445,140	1,999,203	2,444,343
Total operating expenses	<u>528,622</u>	<u>1,999,232</u>	<u>2,527,854</u>
Net operating income (loss)	(112,568)	35,148	(77,420)
<b>Nonoperating revenues (expenses)</b>			
Miscellaneous	28,786	25	28,811
Interest	3,925	923	4,848
Total nonoperating revenues (expenses)	<u>32,711</u>	<u>948</u>	<u>33,659</u>
<b>Operating transfers</b>			
Transfers in			0
Transfers out			
Total operating transfers	<u>0</u>	<u>0</u>	<u>0</u>
Net income (loss)	(79,857)	36,096	(43,761)
Net assets, beginning	<u>326,524</u>	<u>(22,215)</u>	<u>304,309</u>
Net assets, ending	<u>\$ 246,667</u>	<u>\$ 13,881</u>	<u>\$ 260,548</u>

**City of Altus, Oklahoma**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**Year Ended June 30, 2009**

	Workers' Compensation Fund	Assurance Fund	Total Internal Service Funds
<b>Cash flows from operating activities</b>			
Receipts from customers and others	\$ 416,054	\$ 2,034,380	\$ 2,450,434
Payments to suppliers	(83,482)	(29)	(83,511)
Claims and judgments paid	(359,326)	(1,725,446)	(2,084,772)
Net cash provided (used) by operating activities	<u>(26,754)</u>	<u>308,905</u>	<u>282,151</u>
<b>Cash flows from noncapital financing activities</b>			
Miscellaneous revenues	28,786	25	28,811
Net cash provided (used) by noncapital financing activities	<u>28,786</u>	<u>25</u>	<u>28,811</u>
<b>Cash flows from capital and related financing activities</b>			
Net cash provided (used) by capital and related financing activities	<u>0</u>	<u>0</u>	<u>0</u>
<b>Cash flows from investing activities</b>			
Interest income	4,350	923	5,273
Net cash provided (used) by investing activities	<u>4,350</u>	<u>923</u>	<u>5,273</u>
Net increase (decrease) in cash and cash equivalents	6,382	309,853	316,235
Cash and cash equivalents, beginning	<u>184,361</u>	<u>49,910</u>	<u>234,271</u>
Cash and cash equivalents, ending	<u><u>\$ 190,743</u></u>	<u><u>\$ 359,763</u></u>	<u><u>\$ 550,506</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Net operating income (loss)	\$ (112,568)	\$ 35,148	\$ (77,420)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Changes in assets and liabilities:			
Increase (decrease) in claims liability	85,814	273,757	359,571
Total adjustments	<u>85,814</u>	<u>273,757</u>	<u>359,571</u>
Net cash provided (used) by operating activities	<u><u>\$ (26,754)</u></u>	<u><u>\$ 308,905</u></u>	<u><u>\$ 282,151</u></u>



## Ronald C. Cottrell, CPA

### **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**

March 10, 2010

City Commissioners  
City of Altus  
Altus, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Altus, Oklahoma, as of and for the year ended June 30, 2009, which collectively comprise the City of Altus' basic financial statements and have issued our report thereon dated March 10, 2010, which was qualified because one discretely presented component unit was not audited. Our report was modified to include a reference to other auditors on one discretely presented component unit. Our report also included an explanatory paragraph to describe adjustments made to beginning net assets to correct errors in the prior year's financial statements. We did not audit management's discussion and analysis or the budgetary comparison schedules, which are required supplementary information, and therefore expressed no opinion on it. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Altus' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Altus' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Altus' internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-1 through 2009-5 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider items 2009-1, 2009-2, 2009-3 and 2009-5 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Altus' financial statements are free of 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 item 2009-6 and 2009-7.

We also noted certain matters that we reported to management of the City of Altus in a separate letter dated March 10, 2010.

City of Altus' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Altus' responses and, accordingly, express no opinion on them.

This report is intended solely for the information and use of the city commissioners and management of the City of Altus, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ronald C. Cottrell, CPA

**City of Altus, Oklahoma**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2009**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<b><u>Federal Programs</u></b>			
<u>U. S. Department of Homeland Security</u>			
Pass-Through Program From:			
Oklahoma Dept of Emergency Management -			
Emergency Management			
Performance Grants	97.042	EMPG 08	\$ 3,413
		EMPG 09	27,301
		SLA Sub-Grant 08	5,000
Disaster Grants - Public Assistance	97.036	FEMA-1712-DR-OK	1,064,810
Total U.S. Department of Homeland Security			<u>1,100,524</u>
 <u>U. S. Department of Transportation</u>			
Airport Improvement Program -	20.106	AIP3-4000020082008	80,180
		AIP3-4000020092009	516,179
		AIP3-4000020072008	77,418
Pass-Through Program From:			
Oklahoma Dept of Emergency Management -			
Traffic Enforcement			
	20.600	PT-08-03-01-05	8,395
		PT-09-03-01-06	21,725
Total U.S. Department of Transportation			<u>703,897</u>
 <u>U. S. Department of Housing and Urban Development</u>			
Pass-Through Program From:			
Oklahoma Dept of Commerce -			
Community Development Block Grant			
	14.228	12373 CDBG 06	51,452
		12979 CDBG 07	71,818
Total U.S. Department of Transportation			<u>123,270</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,927,691</u></u>
 <b><u>State Programs</u></b>			
<u>Oklahoma Department of Emergency Management</u>			
Disaster Grants - State Public Assistance		FEMA-1712-DR-OK	2,620
Total Oklahoma Department of Emergency Management			<u>2,620</u>
 <u>Oklahoma Strategic Military Planning Commission</u>			
Local assessment Incentive Grant			250,000
Total Oklahoma Strategic Military Planning Commission			<u>250,000</u>
Total Expenditures of State Awards			<u>252,620</u>
Total Expenditures of Federal and State Awards			<u><u>\$ 2,180,311</u></u>

The accompanying notes are an integral part of this schedule.

**City of Altus, Oklahoma**  
**Notes to the Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2009**

**I. Basis of Accounting**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Altus, Oklahoma and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**II. Expenditures**

Expenditures represent the current year federal or state grant/contract portion only.

**III. Noncash Awards**

City of Altus, Oklahoma expended no form of noncash assistance during the year and had no loan or loan guarantees outstanding at June 30, 2009, which are required by OMB Circular A-133 to be included in the schedule of expenditures of federal awards.

**IV. Subrecipients**

City of Altus, Oklahoma provided no federal awards to subrecipients.

**City of Altus, Oklahoma**  
**Summary Schedule of Prior Audit Findings**

**Financial Statement Findings**

**2008-1 Capital Assets**

Condition – The City of Altus has not reconciled its detailed capital asset subsidiary records with the general ledger control account balances.

Status – This condition has been resolved.

**2008-2 Reconciliation of Utility Receivables**

Condition – The City of Altus does not perform a monthly proof or other reconciliation of its utility billing system, nor is the customer account detail reconciled with the general ledger control accounts for utility receivables.

Status – This condition has been resolved.

**2008-3 Deposit Collateral**

Condition – The City of Altus had funds on deposit with one local financial institution that were not adequately covered by a combination of Federal Depository Insurance and collateral pledges by the institution as of June 30, 2009. Deposits were under-collateralized by approximately \$182,000. The City did not have proper procedures in place to ensure that deposits were properly insured and/or collateralized.

Status – This condition has been resolved.

**2008-4 Financial Reporting Process**

Condition – The financial statements of the City of Altus as of and for the year ended June 30, 2007 included several errors in balances and amounts presented that had to be adjusted in the current financial statements as of and for the year ended June 30, 2008. These prior period adjustments are reflected in the accompanying financial statements and footnotes. Adjustments totaling approximately \$2,377,824 were made to beginning net assets in the government-wide financial statements, while corrections of approximately \$2,145,355 were made to beginning fund balances/net assets in the various fund financial statements, for errors noted in receivables, payables, long-term debt, and other balances in the previous financial statements.

The previous auditor assisted the City in the preparation of the financial statements from the City's trial balances, after some auditor recommended adjustments. The City did not have proper procedures and controls in place to review the draft financial statements to identify the misstatements or ensure the accuracy of the financial statements presented.

Status – This condition has been resolved.

**Federal Award Findings and Questioned Costs**

There were no matters reported in the prior year's audit report.



Ronald C. Cottrell, CPA

**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control over  
Compliance in Accordance with OMB Circular A-133**

March 10, 2010

City Commissioners  
City of Altus  
Altus, Oklahoma

**Compliance**

We have audited the compliance of the City of Altus, Oklahoma with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Altus' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Altus' management. Our responsibility is to express an opinion on City of Altus' compliance based on our audit.

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 of Altus' 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. Our audit does not provide a legal determination on the City of Altus' compliance with those requirements.

In our opinion, the City of Altus complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

**Internal Control Over Compliance**

The management of the City of Altus is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Altus' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 of Altus' internal control over compliance.

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## Ronald C. Cottrell, CPA

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the city commission and management of the City of Altus, Oklahoma, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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**City of Altus, Oklahoma**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2009**

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**Section I – Summary of Auditor’s Results**

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*Financial Statements*

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiencies identified that are not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	No

*Federal Awards*

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Identification of major programs:	

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
97.036	Disaster Grants – Public Assistance
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?	No

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**Section II – Financial Statement Findings**

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**2009-1 Write-off of Uncollectible Utility Accounts**

Criteria – Accounts receivable should be reported at their net realizable value. This includes an appropriate estimated allowance for uncollectible accounts.

Condition – Uncollectible utility accounts receivable have not been written off to bad debt expense for several years. Accounts totaling approximately \$137,000 from 2005 were charged off during the fiscal year ended June 30, 2009. Accounts receivable and the allowance for doubtful accounts were both reduced for the amount written off.

Cause and Effect – The utility billing system automatically reduces the accounts receivable balance and the allowance for doubtful accounts balance when an account is written off. Past due accounts are not charged to bad debt expense and added to the allowance account when they are determined to be uncollectible. This results in an overstatement of the collectible accounts receivable recorded in the general ledger.

Recommendation – Customer account balances should be analyzed periodically to determine collectability. Accounts considered to be uncollectible (90 days or longer past due) should be reserved as uncollectible and charged to bad debt expense. Such accounts should be removed from accounts receivable and the allowance for doubtful accounts balances at year end.

Management's Response – The City of Altus will periodically analyze customer account balances and consider writing off as uncollectible any account that is 90 days or longer past due and is not seen as a collectible account. These accounts will be reserved as uncollectible and charged to bad debt expense. These accounts will also be removed from accounts receivable and the allowance for doubtful accounts balances at each year end. This will be coordinated and completed by the Utility Director and the Finance Director.

## 2009-2 Capital Assets

Criteria – Detailed subsidiary records for capital assets should be maintained on a current basis and reconciled with the general ledger control accounts. This helps ensure that amounts presented in the general ledger are correct, all capital assets of the City are included, and all assets recorded actually exist and are being used by the City.

Condition – Additions, deletions, and other adjustments were made to the detailed subsidiary records for capital assets after year end and general ledger account balances were adjusted to reconcile with the detailed listings.

Cause and Effect – A physical inventory of capital assets was taken during the year ended June 30, 2009 and compared with the capital asset detailed subsidiary records. Adjustments were made to the detailed records and the general ledger control accounts. The adjustments were made after year end. As a result, the detailed records and control account balances in the general ledger did not reflect accurate balances throughout the year.

Recommendation – Capital asset acquisitions and dispositions should be recorded in the detailed subsidiary records and general ledger control accounts as the transactions occur throughout the year. Periodic reconciliations should be made between the detailed records and the general ledger balances.

Management's Response – The City of Altus concurs with the Auditor's recommendation. Capital asset acquisitions and dispositions will be recorded in the detailed subsidiary records and general ledger control accounts as the transactions occur throughout the year. This will be done by the Accounting Coordinator under the supervision of the Finance Director. The Finance Director will also oversee the annual reconciliation of the detailed records and the general ledger balances.

**2009-3 Parks and Recreation Revenue Documentation**

Criteria – Documentation of revenues received should be prepared and maintained for reconciliation of the receipts with amounts deposited and recorded to help ensure all receipts are deposited and properly recorded.

Condition – Proper receipts are not prepared for monies received by the parks and recreation department for rentals and participation fees. Funds collected are given to the parks and recreation department secretary who makes up the deposit. The funds are maintained in a safe until they are taken to the city clerk's office for deposit, however, no reconciliation is made of the funds received with supporting documentation or other receipts. In addition, cash funds received are counted in an unsecured open area at the recreation center, accessible to other employees and non-employees.

Cause and Effect – Participant sign-up sheets are maintained by the program director with notation of fee collections. Funds are turned over to the parks and recreation department secretary, however, no accounting for the totals is made. No accounting is made for facility rentals collected. Funds collected could be diverted before deposit by the City.

Recommendation – Funds collected at the parks and recreation department should be documented by receipts. A copy of the receipt should be given to the customer or participant and a copy should be retained by the department. A list of receipts should be made and reconciled with the deposit each day. The person receiving the funds should sign a copy of the listing certifying they received that amount of money for deposit. Funds received should be counted in a secure area and verified by another employee.

Management's Response – The City of Altus agrees with the Auditor's recommendations. All funds collected at the parks and recreation department will be documented by receipts from either the INCODE accounting system or/and a cash register receipts and a copy will be provided to the customer or participant with a copy being retained at both the department and the City Clerk's office. A list of the receipts will be made and reconciled with the deposit each day and the deposit will be deposited with the City Clerk on a daily basis. The list of receipts will be signed as true and accurate for all deposits made. Deposits will be counted in a secure location and verified with the City Clerk.

**2009-4 Information Technology**

Criteria – Access to data entry and critical files on City computers should be limited to authorized personnel for each function. The City's Personnel Policies and Procedures Section 1103.19 states that passwords should be changed at least every 90 days. Additionally, procedures and controls should be in place for data backup and storage.

Condition – Passwords for the payroll officer, accounts payable clerk, and accounting clerk have not been changed for over a year. In addition, the City does not have written procedures for back-up and storage of applications or data files, as well as disaster recovery procedures.

Cause and Effect – Periodic changing of passwords improves the security of the system to help prevent unauthorized access to critical personnel, payroll, or accounting information. In the event of a power loss or other disaster, detailed written procedures for backup and recovery of the system and data help ensure no data is lost and allows for a smooth and timely start-up of the system.

Recommendation – We recommend the City follow its policy on changing of passwords by all employees. Additionally, the City should develop written procedures for its information technology operation covering backup and storage of data.

Management's Response – The Information Technology Director has enforced the password policy through the use of Microsoft Windows Active directory group policies. The new policy will force users to change to a new unique password every 90 days and require that passwords be at least 6 characters in length.

#### **2009-5 Employee Time Sheets**

Criteria – Documentation of hours worked by employees helps ensure that employees are properly paid for actual time worked and for certain compensated absences. Proper approval of such time records ensures that employees are accurately for all hours worked and that employees actually worked all the hours recorded. Personnel Policies and procedures Section 510.01, *Time Sheets* states, "Individual must sign the time sheet bearing his name, hours worked, or other appropriate time codes, in order to receive his paycheck."

Condition – In our testing of timesheets for January 2009 we noted that 69 timesheets were not signed by the employee. In addition, the department head approval was missing from the time sheets for the police department.

Cause and Effect – Department heads approving employee time sheets should verify the hours worked are accurate and the time sheet is complete. Incomplete, inaccurate, or unapproved timesheets could result in an employee being over or underpaid, or someone receiving payment who is not an employee.

Recommendation – All employee timesheets should be accurately completed and signed by the employee. The timesheets should be reviewed and approved by the employee's supervisor or department head.

Management's Response – Human Resources recommends a one-time change in our payroll process which would begin to pay all employees a minimum of one week behind the current work week. Human Resources also recognize this will take time to implement. So to match current operations the Payroll Officer as well as Human Resource Assistant has begun creating a "Pull" listing for anyone who has not signed their timesheet. If the timesheet has not been signed, the paycheck/stub is pulled from the Department checks and held in HR for the employee to sign and pick up the check. This process does not stop anyone with direct deposit from getting their paycheck.

#### **2009-6 Contract With Altus Great Plains Recreation, Inc.**

Criteria – The City can only contract for the current budget year. It should provide proper oversight and administration for all contracts to ensure the provisions and requirements of the contracts are being adhered to by all parties involved.

Condition – The City entered into a contract agreement with Altus Great Plains Recreation, Inc. (AGPRI) on March 1, 2002 to provide assistance and services regarding the recreation programs and activities administered by the City's Parks and Recreation Department. The contract was for one year with automatic renewal unless terminated by one of the parties. There was no documentation that the City Commission approved renewal of the agreement

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for the fiscal year ended June 30, 2009. Additionally, the City did not properly monitor the agreement to ensure both the City and AGPRI complied with the provisions and requirements of the agreement. The following issues were noted:

1. AGPRI did not make an annual report of its financial information during the FY 2009.
2. A separate bank account was not established for the Christmas in the Park operation.
3. Required insurance was not obtained by AGPRI.
4. The City purchased lighting for the Christmas in the Park project without obtaining reimbursement from AGPRI.
5. AGPRI awarded a contract for concessions to three City employees.
6. Parks and recreation employees performed duties for AGPRI during normal working hours while they are being paid by the City.

Cause and Effect – The operations of AGPRI appeared to be intertwined with those of the City of Altus Parks and Recreation Department. Lack of proper oversight and monitoring by the City of Altus allowed noncompliance with several of the contract provisions. As a result, the City could not ensure that AGPRI provided the assistance and services to the recreation programs as required by the contract.

Recommendation – The City of Altus should develop and implement policies and procedures to properly monitor the contract with AGPRI to ensure that the required assistance and services are provided for the recreation programs. The results should be reviewed and evaluated on an annual basis to determine whether the contract should be renewed.

Management's Response – The City of Altus agrees with the recommendation of the Auditor. The City Administration will develop and implement operating policies and procedures to monitor not only AGPRI, but all City Service Contracts to ensure required assistance and services are provided for all programs. The results will be reviewed and evaluated at least on an annual basis to determine whether the contract should be renewed. The oversight of this procedure will be delegated to the proper City of Altus Administrative Personnel.

### 2009–7 Non-Collusion Affidavits

Criteria – Oklahoma Statutes require contracts of \$ 25,000 or more be supported with a non-collusion affidavit stating that the contractor or supplier has made no payment to any elected official, officer, or employee of the local subdivision of the State or any other thing of value to obtain or procure the contract or purchase order.

Condition – During our disbursement testing we noted eleven (11) purchase orders with invoices exceeding \$ 25,000 that did not have a non-collusion affidavit attached or on file as required by Oklahoma Statutes.

Cause and Effect – Procedures and controls were not in place to help ensure that the required affidavits were attached to vendor invoices when required, before payment of the invoice.

Recommendation – Procedures and controls should be established to check for the non-collusion affidavit before an invoice is approved for payment.

Management's Response – The City of Altus Finance Director, along with the Accounts Payable Officer, will develop procedures to ensure non-collusion affidavit's are in place for all vendors who are paid more than \$25,000 as per Oklahoma Statutes. The Accounts

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Payable Officer will ensure any vendor who has reached this threshold will have a non-collusion affidavit on file prior to any additional payments being released.

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### **Section III – Federal Award Findings and Questioned Costs**

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No matters were reported.