

City of Altus, Oklahoma

Independent Auditor's Reports and Financial Statements

June 30, 2018



City of Altus, Oklahoma
June 30, 2018

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Independent Auditor's Report

Honorable Mayor and City Council
City of Altus, Oklahoma
Altus, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Altus, Oklahoma (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2018, the City adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining schedules, state award information and the debt service coverage information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules, state award information and the debt service coverage information, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules, state award information and the debt service coverage information, as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Honorable Mayor and City Council
City of Altus, Oklahoma
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated September 6, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BKD, LLP

Oklahoma City, Oklahoma
September 6, 2019

City of Altus, Oklahoma

Management's Discussion and Analysis

Year Ended June 30, 2018

This management's discussion and analysis of the City of Altus, Oklahoma's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. As discussed further in *Note 1* to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the year, which required a restatement to the City's beginning of the year net position. However, the 2017 information in this management's discussion and analysis has not been updated for this change. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- For the fiscal year ended June 30, 2018, the City's total net position increased by approximately \$1.7 million or 1% after restatement from the prior year. This was largely attributable to the increases in the capital improvement and emergency reserve funds.
- During the year, the City's expenses for governmental activities were \$19.9 million and were funded by sales and use taxes of \$11.1 million, grants and charges for services of \$2.6 million and further funded by miscellaneous income and transfers that totaled \$6.1 million.
- In the City's business-type activities, which is primarily made up of utility operations, charges for services revenue exceed expenses by \$7.4 million.
- At June 30, 2018, the General Fund reported an unassigned fund balance of \$2.4 million, which is a decrease of 60.7% from the prior year unassigned fund balance and largely attributable to the funding of the City's emergency fund, which is classified as a committed fund balance in the financial statements.
- For budgetary reporting purposes, the General Fund reported revenues over final estimates of \$0.5 million or 7.1%, while expenditures were under the final appropriations by \$0.7 million or 5.0%.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the City and its component units using the integrated approach as prescribed by GASB Statement Nos. 14, 34, 39, 61 and 80. Included in this report are government-wide statements for each of two categories of activities: governmental and business-type. The government-wide financial statements present the complete financial picture of the City using the economic resources measurement focus and the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. These statements include all assets and deferred outflows of resources of the City (including infrastructure capital assets) as well as all liabilities and deferred inflows of resources (including all long-term debt).

About the City

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

The City is a Council-Manager form of government and is governed by a nine-member City Council and operates under state law, city charter and city ordinances through three branches of government:

- Legislative – The City Council is a nine-member governing body elected by the citizens
- Executive – The City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – The Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services, such as public safety; health and welfare; street and alley maintenance; parks and recreation; and certain utility services, including electric, water, wastewater and sanitation.

The City's Financial Reporting Entity

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

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

Using This Annual Report

This annual report is presented in a format that substantially meets the presentation requirements of GASB in accordance with generally accepted accounting principles. The presentation includes financial statements that communicate the City's financial condition and changes therein at two distinct levels: the City as a whole (a government-wide presentation) and the City's funds (a presentation of the City's major and aggregate nonmajor funds).

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

- **Management's Discussion and Analysis** – Provides useful analysis that facilitates a better understanding of the City's financial condition and changes therein
- **Notes to Financial Statements** – Elaborates on the City's accounting principles used in the preparation of the financial statements and further explain financial statement elements
- **Required Supplementary Information** – Provides other information required by GASB, such as budgetary comparisons, pension and other postemployment benefit (OPEB) information
- **Other Supplementary Information** – Provides combining schedules, state awards information and debt service coverage information

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?" The statement of net position and the statement of activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and deferred outflows of resources

and liabilities and deferred inflows of resources using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

As mentioned above, in the statement of net position and the statement of activities, we divide the City into two types of activities:

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

- **Governmental Funds** – Most of the City's basic services are reported in governmental funds, which focus on how cash flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.
- **Proprietary Funds** – When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds, either as enterprise funds or as internal service funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position; the statement of revenues, expenses and changes in net position; and statement of cash flows. In fact, the City's enterprise funds are essentially the same as the business-type activities reported in the government-wide financial statements but provide more detail and additional information, such as cash flows.

A Financial Analysis of the City as a Whole

Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the primary government, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$128.0 million at the close of the most recent fiscal year.

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

	Governmental Activities			Business-Type Activities			Total		
	2018	2017	% Increase (Decrease)	2018	2017	% Increase (Decrease)	2018	2017	% Increase (Decrease)
Assets									
Current and other assets	\$ 17,471	\$ 12,373	41.2%	\$ 26,069	\$ 32,756	(20.4%)	\$ 43,540	\$ 45,129	(3.5%)
Capital assets, net	71,842	69,119	3.9%	52,121	51,368	1.5%	123,963	120,487	2.9%
Total assets	89,313	81,492	9.6%	78,190	84,124	(7.1%)	167,503	165,616	1.1%
Deferred Outflows of Resources	2,677	2,611	2.5%	727	799	(9.0%)	3,404	3,410	(0.2%)
Total assets and deferred outflows of resources	91,990	84,103	9.4%	78,917	84,923	(7.1%)	170,907	169,026	1.1%
Liabilities									
Current liabilities	806	698	15.5%	8,219	7,269	13.1%	9,025	7,967	13.3%
Noncurrent liabilities	11,953	10,195	17.2%	20,253	23,013	(12.0%)	32,206	33,208	(3.0%)
Total liabilities	12,759	10,893	17.1%	28,472	30,282	(6.0%)	41,231	41,175	0.1%
Deferred Inflows of Resources	1,419	1,264	12.3%	216	263	(17.9%)	1,635	1,527	7.1%
Total liabilities and deferred inflows of resources	14,178	12,157	16.6%	28,688	30,545	(6.1%)	42,866	42,702	0.4%
Net Position									
Net investment in capital assets	70,847	67,987	4.2%	33,976	37,025	(8.2%)	104,823	105,012	(0.2%)
Restricted	4,903	1,646	197.9%	10,036	16,452	(39.0%)	14,939	18,098	(17.5%)
Unrestricted	2,062	2,313	(10.9%)	6,217	901	590.0%	8,279	3,214	157.6%
Total net position	\$ 77,812	\$ 71,946	8.2%	\$ 50,229	\$ 54,378	(7.6%)	\$ 128,041	\$ 126,324	1.4%

The largest portion of the City's net position reflects its investment in capital assets (*e.g.*, land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. For 2018, this investment in capital assets, net of related debt amounted to \$104.8 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

A major portion of the City's net position, \$14.9 million, also represents resources that are subject to restrictions from external groups, such as creditors, grantors, laws and regulations of other governments, that place restrictions on how they may be used. The remaining balance, \$8.3 million, of unrestricted net position includes a committed amount of \$5.4 million for emergency reserves that requires certain criteria be met and a vote of at least six members of the City Council to amend or spend these funds, leaving \$2.9 million of unrestricted net position to meet the government's ongoing obligations to citizens and creditors.

The 0.2% decrease in deferred outflows of resources and the 7.1% increase in deferred inflows of resources are due mainly to changes in estimates related to the City's pension and OPEB plans.

The \$3.9 million or 121.1% increase in unrestricted net position is due mainly to increased revenues, which are a result of transfers to the governmental activities from the business-type activities to fund capital improvements and the City's emergency fund.

The \$5.0 million or 4.7% increase in net investment in capital assets is due mainly to MAPS construction projects.

Changes in Net Position

For the year ended June 30, 2018, net position of the primary government changed as follows (in thousands):

	Governmental Activities			Business-Type Activities			Total		
	2018	2017	% Increase (Decrease)	2018	2017	% Increase (Decrease)	2018	2017	% Increase (Decrease)
Revenues									
Charges for services	\$ 1,223	\$ 1,068	14.5%	\$ 36,574	\$ 36,889	(0.9%)	\$ 37,797	\$ 37,957	(0.4%)
Operating grants and contributions	1,406	976	44.1%	161	158	1.9%	1,567	1,134	38.2%
Taxes	11,126	10,942	1.7%	-	-	-	11,126	10,942	1.7%
Investment income	36	28	28.6%	126	38	231.6%	162	66	145.5%
Miscellaneous	772	186	315.1%	677	120	464.2%	1,449	306	373.5%
Total revenues	14,563	13,200	10.3%	37,538	37,205	0.9%	52,101	50,405	3.4%
Expenses									
General government	3,627	3,546	2.3%	-	-	-	3,627	3,546	2.3%
Public safety	8,738	7,894	10.7%	-	-	-	8,738	7,894	10.7%
Public works	4,560	4,340	5.1%	-	-	-	4,560	4,340	5.1%
Culture, parks and recreation	2,071	1,899	9.1%	-	-	-	2,071	1,899	9.1%
Airport	841	703	19.6%	-	-	-	841	703	19.6%
Interest on long-term debt	22	24	(8.3%)	-	-	-	22	24	(8.3%)
Water	-	-	-	5,458	4,772	14.4%	5,458	4,772	14.4%
Wastewater	-	-	-	1,173	910	28.9%	1,173	910	28.9%
Sanitation	-	-	-	2,270	1,916	18.5%	2,270	1,916	18.5%
Electric	-	-	-	19,655	17,132	14.7%	19,655	17,132	14.7%
Education	-	-	-	628	819	(23.3%)	628	819	(23.3%)
Total expenses	19,859	18,406	7.9%	29,184	25,549	14.2%	49,043	43,955	11.6%
Excess (Deficiency) of Revenues over (Under) Expenses Before Special Items and Transfers	(5,296)	(5,206)	1.7%	8,354	11,656	(28.3%)	3,058	6,450	(52.6%)
Special Items									
Court settlement	-	-	0.0%	-	4,436	(100.0%)	-	4,436	(100.0%)
Total special items	-	-	0.0%	-	4,436	(100.0%)	-	4,436	(100.0%)
Transfers	12,503	5,909	111.6%	(12,503)	(5,909)	111.6%	-	-	
Change in Net Position	7,207	703	925.2%	(4,149)	10,183	(140.7%)	3,058	10,886	(71.9%)
Net Position, Beginning of Year	70,605	71,243	(0.9%)	54,378	44,195	23.0%	124,983	115,438	8.3%
Net Position, End of Year	\$ 77,812	\$ 71,946	8.2%	\$ 50,229	\$ 54,378	(7.6%)	\$ 128,041	\$ 126,324	1.4%

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

Governmental Activities

- Miscellaneous revenues increased 315.1% mainly due to insurance recoveries from storm damages.
- Transfers in increased 111.6% primarily due to a reclassification of MAPS funds for the construction of the fire station and senior center and increases to the capital improvement and emergency funds.

Business-Type Activities

- Miscellaneous revenues increased 464.2% primarily due to a water line reimbursement payment received from the State of Oklahoma that related to expenses incurred during the prior year.
- Special items decreased 100% due to the water treatment plant litigation settlement in 2017.
- Transfers out increased 111.6% primarily due to a reclassification of MAPS funds for the construction of the fire station and senior center and increases to the capital improvement and emergency funds.

Governmental Activities

The statement of activities format is significantly different from a typical statement of revenues, expenditures and changes in fund balances. Expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net revenue (expense). The reason for this format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

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

	Total Expense of Services			Net Revenue (Expense) of Services		
	2018	2017	% Increase (Decrease)	2018	2017	% Increase (Decrease)
General government	\$ 3,627	\$ 3,546	2.3%	\$ (3,310)	\$ (3,268)	1.3%
Public safety	8,738	7,894	10.7%	(7,632)	(6,955)	9.7%
Public works	4,560	4,340	5.1%	(4,392)	(4,175)	5.2%
Culture, parks and recreation	2,071	1,899	9.1%	(1,639)	(1,466)	11.8%
Airport	841	703	19.6%	(235)	(474)	(50.4%)
Interest on long-term debt	22	24	(8.3%)	(21)	(24)	(12.5%)
Total revenues	<u>\$ 19,859</u>	<u>\$ 18,406</u>	7.9%	<u>\$ (17,229)</u>	<u>\$ (16,362)</u>	5.3%

Business-Type Activities

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

	Total Expense of Services			Net Revenue (Expense) of Services		
	2018	2017	% Increase (Decrease)	2018	2017	% Increase (Decrease)
Water	\$ 5,459	\$ 4,772	14.4%	\$ 1,129	\$ 994	13.6%
Wastewater	1,173	910	28.9%	1,260	1,256	0.3%
Sanitation	2,271	1,916	18.5%	1,262	1,654	(23.7%)
Electric	19,654	17,132	14.7%	4,527	8,414	(46.2%)
Education	628	819	(23.3%)	(628)	(819)	(23.3%)
Total revenues	<u>\$ 29,185</u>	<u>\$ 25,549</u>	14.2%	<u>\$ 7,550</u>	<u>\$ 11,499</u>	(34.3%)

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

- Electric expenses increased 14.7% and net revenue decreased 46.2% primarily due to the following reasons (in thousands):

Policy changes that caused reclassifications to move electric line supplies and tools out of parts inventory	\$ 378,000
Increases in electric power purchased from supplier	\$ 908,000
Increases in poleline hardware supplies and tools not capitalized	\$ 608,000
Decreases in unbilled accounts receivable related to timing of billing cycles	\$ 441,000
Reclassification of miscellaneous revenues/expenses from program revenues to general revenues	\$ 963,000

A Financial Analysis of the City's Funds

As the City completed its 2018 fiscal year, the governmental funds reported a combined fund balance of \$16.6 million or a 41.3% increase mainly due to transfers into the capital improvement and emergency funds. The enterprise funds reported combined net position of \$50.0 million or a 7.8% decrease from 2017 mainly due to the use or transfer of restricted net position for MAPS projects and the emergency fund.

Other fund highlights include:

- At June 30, 2018, the General Fund reported an unassigned fund balance of \$2.4 million, which is a decrease of 61% from the prior year unassigned fund balance. The decrease is primarily due to the city council's commitment of fund balance totaling \$5.4 million to be used as emergency funds.
- For the year ended June 30, 2018, the General Fund's total fund balance increased by approximately \$1.6 million or 25.5%.
- The capital improvement fund's total fund balance increased by approximately \$3.8 million or 134% due to transfers in from the Altus Municipal Authority Fund for MAPS projects activity.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the General Fund budget various times. The revised budget included an increase in overall revenue projections of 2.3% or \$223,721 and an increase in expenditure appropriations of 1% or \$94,850. Actual revenues were above estimates by \$0.5 million or 7.1%, while expenditures were under final appropriations by \$0.7 million or 5.0%.

Capital Asset and Debt Administration

Capital Assets

At the end of June 30, 2018, the City had \$124.0 million invested in capital assets, net of accumulated depreciation, including police and fire equipment, buildings, park facilities, streets and water and wastewater lines. This represents a net increase of approximately \$3.5 million over 2017. This significant increase resulted from MAPS construction projects.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,244	\$ 1,255	\$ 1,305	\$ 1,305	\$ 2,549	\$ 2,560
Buildings and improvements	5,980	5,954	17,011	17,744	22,991	23,698
Infrastructure	53,872	56,632	-	-	53,872	56,632
Machinery and equipment	3,128	2,814	3,285	2,055	6,413	4,869
Water rights	-	-	8,681	9,297	8,681	9,297
Utility property	-	-	14,548	15,159	14,548	15,159
Construction in progress	7,618	2,464	7,291	5,808	14,909	8,272
Total	\$ 71,842	\$ 69,119	\$ 52,121	\$ 51,368	\$ 123,963	\$ 120,487

This year's more significant capital asset additions included:

Additions to construction in progress projects	
Fire station	\$3.3 million
Senior citizens center	\$2.0 million
Water treatment plant	\$1.1 million

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

Long-Term Debt

At June 30, 2018, the City had \$19.3 million in total debt outstanding, which represents an approximate \$3.2 million or 14.2% decrease from 2017. The decrease results mainly from regular payments on notes payable.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2018	2017	2018	2017	2018	2017	
Notes payable	\$ 994	\$ 1,133	\$ 12,654	\$ 14,996	\$ 13,648	\$ 16,129	(15.4%)
Contract obligations payable	-	-	5,665	6,374	5,665	6,374	(11.1%)
Total	<u>\$ 994</u>	<u>\$ 1,133</u>	<u>\$ 18,319</u>	<u>\$ 21,370</u>	<u>\$ 19,313</u>	<u>\$ 22,503</u>	(14.2%)

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

The Economic Outlook

The City and the Altus Municipal Authority developed the fiscal year 2018–2019 budget with defined goals and conservative revenue projections. The adopted fiscal year 2019 budget, including all funds and transfers, is \$88,440,312. The City's primary sources of revenue are sales tax and utility revenues. The fiscal year 2019 budget projects new revenues of \$61,199,531, defined as revenues without the use of prior year fund balances or transfers in from other funds. The goal for fiscal year 2018–2019 is to have the revenues exceed the expenses.

Contacting the City's Financial Management

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

City of Altus, Oklahoma
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and cash equivalents	\$ 15,049,043	\$ 5,270,430	\$ 20,319,473
Investments	-	9,498,729	9,498,729
Restricted cash and cash equivalents	-	2,869,997	2,869,997
Deposit with third party	-	639,396	639,396
Accrued interest receivable	110	-	110
Accounts receivable, net of allowance	428,475	6,712,979	7,141,454
Taxes receivable	42,259	-	42,259
Court fines receivable, net of allowance	75,668	-	75,668
Due from other governments	1,504,552	20,932	1,525,484
Internal balances	333,978	(333,978)	-
Inventory	37,442	1,390,561	1,428,003
Capital assets			
Land and other nondepreciable assets	8,862,260	8,595,787	17,458,047
Other capital assets, net of depreciation	62,979,468	43,525,205	106,504,673
Total assets	<u>89,313,255</u>	<u>78,190,038</u>	<u>167,503,293</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	<u>2,676,726</u>	<u>727,156</u>	<u>3,403,882</u>
Total assets and deferred outflows of resources	<u>91,989,981</u>	<u>78,917,194</u>	<u>170,907,175</u>

City of Altus, Oklahoma
Statement of Net Position, continued
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Liabilities and Deferred Inflows of Resources			
Liabilities			
Accounts payable	\$ 154,335	\$ 3,355,016	\$ 3,509,351
Accrued payroll liabilities	114,720	62,065	176,785
Accrued interest payable	10,385	186,833	197,218
Due to depositors	118	-	118
Payable to other governments	-	102,028	102,028
Other payables	182,405	-	182,405
Long-term liabilities			
Due within one year	344,058	4,512,444	4,856,502
Due in more than one year	11,953,411	20,253,358	32,206,769
	<u>12,759,432</u>	<u>28,471,744</u>	<u>41,231,176</u>
Total liabilities			
	<u>12,759,432</u>	<u>28,471,744</u>	<u>41,231,176</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	1,367,508	211,402	1,578,910
Deferred inflows related to OPEB	51,388	-	51,388
Deferred inflows on long-term debt refunding	-	5,100	5,100
	<u>1,418,896</u>	<u>216,502</u>	<u>1,635,398</u>
Total deferred inflows of resources			
	<u>1,418,896</u>	<u>216,502</u>	<u>1,635,398</u>
Total liabilities and deferred inflows of resources	<u>14,178,328</u>	<u>28,688,246</u>	<u>42,866,574</u>
Net Position			
Net investment in capital assets	70,847,331	33,975,705	104,823,036
Restricted for			
Capital projects	581,047	4,049,476	4,630,523
Debt service	5	1,144,916	1,144,921
Economic development	95,265	-	95,265
MAPS projects	3,758,640	4,842,217	8,600,857
Other purposes	467,241	-	467,241
Unrestricted	2,062,124	6,216,634	8,278,758
	<u>77,811,653</u>	<u>50,228,948</u>	<u>128,040,601</u>
Total net position			
	<u>\$ 77,811,653</u>	<u>\$ 50,228,948</u>	<u>\$ 128,040,601</u>

City of Altus, Oklahoma
Statement of Activities
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental activities							
General government	\$ 3,627,218	\$ 278,384	\$ 39,150	\$ -	\$ (3,309,684)	\$ -	\$ (3,309,684)
Public safety	8,738,495	269,186	836,767	-	(7,632,542)	-	(7,632,542)
Public works	4,560,016	-	168,188	-	(4,391,828)	-	(4,391,828)
Culture, parks and recreation	2,070,530	372,776	58,648	-	(1,639,106)	-	(1,639,106)
Airport	841,153	303,029	303,381	-	(234,743)	-	(234,743)
Interest on long-term debt	21,503	-	-	-	(21,503)	-	(21,503)
Total governmental activities	<u>19,858,915</u>	<u>1,223,375</u>	<u>1,406,134</u>	<u>-</u>	<u>(17,229,406)</u>	<u>-</u>	<u>(17,229,406)</u>
Business-type activities							
Water	5,458,498	6,426,857	160,900	-	-	1,129,259	1,129,259
Wastewater	1,173,178	2,433,662	-	-	-	1,260,484	1,260,484
Sanitation	2,270,588	3,532,247	-	-	-	1,261,659	1,261,659
Electric	19,654,568	24,181,681	-	-	-	4,527,113	4,527,113
Education	627,949	-	-	-	-	(627,949)	(627,949)
Total business-type activities	<u>29,184,781</u>	<u>36,574,447</u>	<u>160,900</u>	<u>-</u>	<u>-</u>	<u>7,550,566</u>	<u>7,550,566</u>
Total primary government	<u>\$ 49,043,696</u>	<u>\$ 37,797,822</u>	<u>\$ 1,567,034</u>	<u>\$ -</u>	<u>(17,229,406)</u>	<u>7,550,566</u>	<u>(9,678,840)</u>
General revenues							
Taxes							
Sales and use taxes					10,151,441	-	10,151,441
Franchise and public service taxes					437,268	-	437,268
Hotel/motel taxes					313,624	-	313,624
Intergovernmental, unrestricted					223,218	-	223,218
Investment income					35,900	126,253	162,153
Miscellaneous					772,332	676,596	1,448,928
Transfers – internal activity					12,502,540	(12,502,540)	-
Total general revenues and transfers					<u>24,436,323</u>	<u>(11,699,691)</u>	<u>12,736,632</u>
Change in Net Position					<u>7,206,917</u>	<u>(4,149,125)</u>	<u>3,057,792</u>
Net Position, Beginning of Year, as Previously Reported					71,946,129	54,378,073	126,324,202
Prior Period Adjustments (see Note 1)					<u>(1,341,393)</u>	<u>-</u>	<u>(1,341,393)</u>
Net Position, Beginning of Year, as Restated					<u>70,604,736</u>	<u>54,378,073</u>	<u>124,982,809</u>
Net Position, End of Year					<u>\$ 77,811,653</u>	<u>\$ 50,228,948</u>	<u>\$ 128,040,601</u>

City of Altus, Oklahoma
Balance Sheet – Governmental Funds
June 30, 2018

	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 6,178,612	\$ 6,793,518	\$ 1,888,817	\$ 14,860,947
Interest receivable	-	-	110	110
Receivable from other governments	1,357,598	-	45,070	1,402,668
Due from other funds	1,254,008	14,937	-	1,268,945
Taxes receivable, net	42,259	-	-	42,259
Court fines receivable, net	75,668	-	-	75,668
Utilities receivable, net	-	-	18,343	18,343
Other receivables	64,449	-	68,076	132,525
Inventories	-	-	37,442	37,442
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 8,972,594</u>	<u>\$ 6,808,455</u>	<u>\$ 2,057,858</u>	<u>\$ 17,838,907</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 60,919	\$ 50,927	\$ 39,452	\$ 151,298
Accrued payroll	111,477	-	3,243	114,720
Due to other funds	740,247	115,440	64,058	919,745
Accrued interest payable	10,385	-	-	10,385
Other payables	12,974	-	-	12,974
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>936,002</u>	<u>166,367</u>	<u>106,753</u>	<u>1,209,122</u>
Deferred Inflows of Resources				
Unavailable revenue	52,065	-	-	52,065
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances				
Nonspendable	-	-	37,442	37,442
Restricted	-	3,758,640	1,143,558	4,902,198
Committed	5,440,764	-	-	5,440,764
Assigned	181,504	2,883,448	770,105	3,835,057
Unassigned	2,362,259	-	-	2,362,259
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>7,984,527</u>	<u>6,642,088</u>	<u>1,951,105</u>	<u>16,577,720</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,972,594</u>	<u>\$ 6,808,455</u>	<u>\$ 2,057,858</u>	<u>\$ 17,838,907</u>

City of Altus, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds
Year Ended June 30, 2018

	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 10,588,709	\$ -	\$ 313,625	\$ 10,902,334
Intergovernmental	1,085,214	20,000	403,125	1,508,339
Charges for services	571,420	-	492,820	1,064,240
Fines and forfeitures	239,176	-	-	239,176
Licenses and permits	88,648	-	-	88,648
Investment earnings	29,521	4,000	2,270	35,791
Miscellaneous	116,293	14,685	3,625	134,603
	<u>12,718,981</u>	<u>38,685</u>	<u>1,215,465</u>	<u>13,973,131</u>
Total revenues				
Expenditures				
Current				
General government	2,923,544	-	325,884	3,249,428
Public safety	8,164,299	-	8,043	8,172,342
Public works	1,549,743	-	20,000	1,569,743
Culture, parks and recreation	1,978,355	-	-	1,978,355
Airport	-	-	583,819	583,819
Capital outlay	356,071	1,643,333	922,197	2,921,601
Debt service				
Principal	139,035	-	-	139,035
Interest and other charges	21,503	-	-	21,503
	<u>15,132,550</u>	<u>1,643,333</u>	<u>1,859,943</u>	<u>18,635,826</u>
Total expenditures				
Deficiency of Revenues Under Expenditures	<u>(2,413,569)</u>	<u>(1,604,648)</u>	<u>(644,478)</u>	<u>(4,662,695)</u>
Other Financing Sources (Uses)				
Insurance recoveries	-	524,030	-	524,030
Transfers in	9,008,621	4,877,943	463,000	14,349,564
Transfers out	(4,972,231)	-	(390,099)	(5,362,330)
	<u>4,036,390</u>	<u>5,401,973</u>	<u>72,901</u>	<u>9,511,264</u>
Total other financing sources (uses)				
Net Changes in Fund Balances	1,622,821	3,797,325	(571,577)	4,848,569
Fund Balances, Beginning of Year	<u>6,361,706</u>	<u>2,844,763</u>	<u>2,522,682</u>	<u>11,729,151</u>
Fund Balances, End of Year	<u>\$ 7,984,527</u>	<u>\$ 6,642,088</u>	<u>\$ 1,951,105</u>	<u>\$ 16,577,720</u>

City of Altus, Oklahoma
Reconciliation of the Balance Sheet – Governmental Funds to
the Statement of Net Position
June 30, 2018

Total fund balance, governmental funds	\$ 16,577,720
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	71,841,728
Certain other long-term assets and deferred outflows of resources are not available to pay current period expenditures and, therefore, are deferred in the funds	
Grants receivable	101,005
Court fines receivable	52,065
Pension-related deferred outflows	2,676,726
Certain long-term liabilities and related accounts and deferred inflows of resources are not due and payable from current financial resources and, therefore, are not reported in the funds	
Notes payable	(994,397)
Accrued compensated absences	(1,554,421)
Net pension liability	(8,451,143)
OPEB liability	(1,185,999)
Pension-related deferred inflows	(1,367,508)
OPEB-related deferred inflows	(51,388)
Capital project funds are used by management to purchase or construct certain capital assets for the City. The assets and liabilities of the Landfill Improvement Fund are included in business-type activities in the statement of net position	(222,911)
Internal service funds are used by management to charge costs of certain activities that benefit multiple funds, such as self-insurance costs, to individual funds. The assets and liabilities of certain of these internal service funds are reported in governmental activities in the statement of net position	439,608
The inclusion of internal service funds in governmental activities in the statement of net position creates interfund assets or liabilities. Certain balances are due to or from business-type activities after the consolidation process	<u>(49,432)</u>
Net position of governmental activities in the statement of net position	<u><u>\$ 77,811,653</u></u>

City of Altus, Oklahoma
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds to the Statement of Activities
Year Ended June 30, 2018

Net change in fund balances – total governmental funds	\$ 4,848,569
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets	
Capital asset purchases capitalized	2,921,601
Depreciation expense	(3,606,103)
Net capital asset contributed from business-type activities	3,407,897
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Change in unavailable revenue	104,975
In the statement of activities, the cost of pension and OPEB benefits earned, net of employee contributions is reported as an element of pension and OPEB expense. The fund financial statements report pension and OPEB contributions as expenditures	
	49,142
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	
Principal payments on long-term debt	138,227
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds	
Change in accrued compensated absences	(943,380)
Capital project funds are used by management to purchase or construct certain capital assets for the City. The net change in fund balances of the Landfill Improvement Fund is included in the business-type activities column of the statement of activities	
	142,937
Internal service fund activity is reported as a proprietary fund in the fund financial statements, but certain net revenues are reported in governmental activities on the statement of activities	
	192,484
The inclusion of internal service funds in governmental activities in the statement of activities creates interfund revenues or expenses. Certain balances are recorded as transfer revenue or expense after the consolidation process	
	(49,432)
Change in net position of governmental activities	\$ 7,206,917

City of Altus, Oklahoma
Statement of Net Position – Proprietary Funds
June 30, 2018

	Altus Municipal Authority	Internal Service Funds
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 5,016,430	\$ 442,096
Investments	9,498,729	-
Restricted cash and cash equivalents	2,869,997	-
Deposit with third party	639,396	-
Due from other funds	1,861,912	-
Accounts receivable, net	6,694,636	-
Receivables from other governments	20,932	-
Other receivables	-	295,951
Inventories	1,390,561	-
	27,992,593	738,047
Noncurrent Assets		
Land and construction in progress	8,595,787	-
Other capital assets, net of accumulated depreciation	43,525,205	-
	52,120,992	-
Total assets	80,113,585	738,047
Deferred Outflows of Resources		
Deferred outflows related to pensions	727,156	-
	80,840,741	738,047
Total assets and deferred outflows of resources	80,840,741	738,047

City of Altus, Oklahoma
Statement of Net Position – Proprietary Funds, continued
June 30, 2018

	Altus Municipal Authority	Internal Service Funds
Liabilities and Deferred Inflows of Resources		
Current Liabilities		
Accounts payable	\$ 3,355,016	\$ 3,155
Accrued payroll	62,065	-
Accrued interest payable	186,833	-
Due to other funds	2,195,890	15,222
Payable to other governments	102,028	-
Other accrued expenses	-	167,746
Deposits subject to refund	182,973	-
Compensated absences	68,416	-
Contract obligation payable	732,105	-
Claims liability	-	45,954
Notes payable	3,528,950	-
Total current liabilities	10,414,276	232,077
Noncurrent Liabilities		
Deposits subject to refund	704,226	-
Compensated absences	615,750	-
Contract obligation payable	4,932,900	-
Landfill closure liability	3,010,652	-
Claims liability	-	66,362
Notes payable	9,124,726	-
Net pension liability	1,865,104	-
Total noncurrent liabilities	20,253,358	66,362
Total liabilities	30,667,634	298,439
Deferred Inflows of Resources		
Deferred inflows related to pensions	211,402	-
Deferred revenue	5,100	-
Total deferred inflows of resources	216,502	-
Total liabilities and deferred inflows of resources	30,884,136	298,439

City of Altus, Oklahoma
Statement of Net Position – Proprietary Funds, continued
June 30, 2018

	Altus Municipal Authority	Internal Service Funds
Net Position		
Net investment in capital assets	\$ 33,975,705	\$ -
Restricted for debt service	1,144,916	-
Restricted for capital projects	4,049,476	-
Restricted for MAPS projects	4,842,217	-
Unrestricted	5,944,291	439,608
Total net position	49,956,605	\$ 439,608
 Capital project funds are used by management to purchase or construct certain capital assets for the City. The assets and liabilities of the Landfill Improvement Fund are included in business-type activities in the statement of net position	222,911	
 The inclusion of internal service funds in governmental activities in the statement of activities creates interfund revenues or expenses. Certain balances are recorded as transfer revenue or expense after the consolidation process	49,432	
Total net position per the government-wide statement of net position	\$ 50,228,948	

City of Altus, Oklahoma
Statement of Revenues, Expenses and Changes in Net Position –
Proprietary Funds
Year Ended June 30, 2018

	Altus Municipal Authority	Internal Service Funds
Operating Revenues		
Water	\$ 6,432,530	\$ -
Wastewater	2,170,834	-
Sanitation	3,607,295	-
Electric	24,176,171	-
Miscellaneous	688,755	202,821
Total operating revenues	37,075,585	202,821
Operating Expenses		
General government	-	10,430
Administration	1,137,362	-
Water	3,550,211	-
Wastewater	867,177	-
Sanitation	1,547,436	-
Landfill operations (see <i>Note 5</i>)	511,953	-
Electric services	17,873,374	-
Depreciation	2,774,774	-
Total operating expenses	28,262,287	10,430
Operating Income	8,813,298	192,391
Nonoperating Revenues (Expenses)		
Interest and investment revenue	126,253	77
Miscellaneous revenue	1,085,180	16
Payments to school – MAPS	(1,374,139)	-
Interest expense	(646,940)	-
Total nonoperating revenues (expenses)	(809,646)	93

City of Altus, Oklahoma
Statement of Revenues, Expenses and Changes in Net Position –
Proprietary Funds, continued
Year Ended June 30, 2018

	Altus Municipal Authority	Internal Service Funds
	<hr/>	<hr/>
Income Before Capital Contributions and Transfers	\$ 8,003,652	\$ 192,484
Capital Contributions	160,900	-
Transfers		
Transfers in	9,221,084	-
Transfers out	<u>(21,441,256)</u>	<u>-</u>
Change in Net Position	(4,055,620)	192,484
Net Position, Beginning of Year	<u>54,012,225</u>	<u>247,124</u>
Net Position, End of Year	<u>\$ 49,956,605</u>	<u>\$ 439,608</u>
Change in net position per above	\$ (4,055,620)	
Capital project funds are used by management to purchase or construct certain capital assets for the City. The activities of the Landfill Improvement Fund are included in business-type activities in the statement of activities	(142,937)	
The inclusion of internal service funds in governmental activities in the statement of activities creates interfund revenues or expenses. Certain balances are recorded as transfer revenue or expense after the consolidation process	<u>49,432</u>	
Change in business-type activities in net position per government-wide financial statements	<u>\$ (4,149,125)</u>	

City of Altus, Oklahoma
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2018

	Altus Municipal Authority	Internal Service Funds
Operating Activities		
Receipts from customers and others	\$ 38,020,473	\$ (69,287)
Payments to suppliers	(19,545,044)	34,733
Payments to employees	(4,575,165)	-
Receipts of customer meter deposits	163,650	-
Refunds of customer meter deposits	(131,058)	-
Other receipts/payments	(11,694)	16
Interfund receipts/payments	(815,163)	(2,146)
Net cash provided by (used in) operating activities	13,105,999	(36,684)
Noncapital Financing Activities		
Transfers from other funds	9,221,084	-
Transfers to other funds	(21,441,256)	-
Net cash used in noncapital financing activities	(12,220,172)	-
Capital and Related Financing Activities		
Purchases of capital assets	(3,565,495)	-
Proceeds from capital grant	160,900	-
Proceeds from sale of capital assets	5,620	-
Proceeds from debt	1,050,169	-
Principal paid on debt	(4,101,392)	-
Interest and fiscal agent fees paid on debt	(674,228)	-
Net cash used in capital and related financing activities	(7,124,426)	-
Investing Activities		
Sale of investments	12,983,425	-
Purchase of investments	(9,453,414)	-
Deposit with third party	17,021	-
Interest and dividends	126,253	77
Net cash provided by investing activities	3,673,285	77
Net Decrease in Cash and Cash Equivalents	(2,565,314)	(36,607)
Cash and Cash Equivalents, Beginning of Year	10,451,741	478,703
Cash and Cash Equivalents, End of Year	\$ 7,886,427	\$ 442,096

City of Altus, Oklahoma
Statement of Cash Flows – Proprietary Funds, continued
Year Ended June 30, 2018

	Altus Municipal Authority	Internal Service Funds
	<hr/>	<hr/>
Reconciliation to Statement of Net Position		
Cash and cash equivalents	\$ 5,016,430	\$ 442,096
Restricted cash and cash equivalents – current	<u>2,869,997</u>	<u>-</u>
Total cash and cash equivalents, end of year	<u><u>\$ 7,886,427</u></u>	<u><u>\$ 442,096</u></u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities		
Operating income	\$ 8,813,298	\$ 192,391
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Depreciation expense	2,774,774	-
Payments to school district – MAPS	(1,374,139)	-
Miscellaneous revenue	1,117,140	16
Changes in assets and liabilities		
Due from other funds	(1,129,395)	(2,146)
Due to other funds	314,232	-
Accounts receivable	(88,681)	-
Due from other governments	1,033,569	-
Other receivables	-	(272,108)
Inventory	346,180	-
Miscellaneous revenue	800,227	2,515
Claims liability	-	(125,098)
Accrued payroll payable	124,044	-
Deferred revenue	5,100	-
Other accrued expenses	-	167,746
Landfill closure liability	22,399	-
Pension and OPEB liabilities and related accounts	217,806	-
Deposits subject to refund	32,592	-
Accrued compensated absences	<u>96,853</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u><u>\$ 13,105,999</u></u>	<u><u>\$ (36,684)</u></u>

City of Altus, Oklahoma

Notes to Financial Statements

June 30, 2018

Note 1: Summary of Significant Accounting Policies

Financial Reporting Entity

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

The Authority is governed by the City Council (the Trustees), and the City is able to impose its will on the Authority through required approval of all debt obligations issued by the Authority.

In determining the financial reporting entity, the City fully complies with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*; GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, that require all component units of which the City is financially accountable be included in the financial report.

The Authority, as the component unit of the City, is a public trust established pursuant to Title 60 of Oklahoma state law. Public trusts have no taxing power. Public trusts are generally created to finance city services through issuance of revenue bonds or other non-general obligation debt and to enable the public trusts to delegate certain functions to the governing body of the Authority. Public trusts generally retain title to assets that are acquired or constructed with Authority debt or other Authority-generated resources. The City, as beneficiary of the public trusts, receives title to any residual assets when a public trust is dissolved.

Related Organizations

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

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

Related organizations are not included within the City's financial statements. The City does have a contract obligation payable to the District. More information can be found in *Note 5*.

Basis of Presentation and Accounting

Government-Wide Financial Statements

The accompanying statements of net position and activities are reported on the accrual basis of accounting and economic resources measurement focus. Under the accrual basis of accounting,

City of Altus, Oklahoma
Notes to Financial Statements
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revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

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

- Public safety – Fire and Police – Fines and forfeitures, animal control revenues and operating grants for pension on-behalf payments, other grants and contributions
- Airport – Rental fees and fuel sales
- Public works – Commercial vehicle and gasoline excise tax shared by the state
- Culture, parks and recreation – Golf course revenues; swimming pool fees and recreation fees; operating grants and contributions from school reimbursements; and other contributions
- General government – Licenses and permits, mowing fees, rentals and Community Development Block Grants (CDBG) operating grants
- Water – Water sales and operating contributions from the Care program
- Wastewater – Wastewater charges
- Sanitation – Sanitation charges
- Electric – Electric charges and Federal Emergency Management Agency operating grant

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Governmental Funds

The City's governmental funds include:

- Major Fund – General Fund (for reporting purposes, the Park Development, Emergency 911 and Altus Recreational Advisory Committee (ARAC) accounts are included with the General Fund)
- Major Fund – Capital Improvement Fund – Accounts for transfers from other funds and grant monies to be used for major capital improvements
- Aggregated Nonmajor Funds (reported as Nonmajor Governmental Funds)
 - Special Revenue Funds
 - ODOC Grant Fund – Accounts for grant monies received for flood and drainage projects

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

- Altus Donation Fund – Accounts for donations received to be used for specific projects
- Airport Fund – Accounts for operating revenues and expenditures of the municipal airport
- Hotel/Motel Tax Fund – Accounts for hotel/motel tax revenues to be used in economic development and promotion of tourism
- Street and Alley Fund – Accounts for commercial vehicle tax and gasoline excise tax legally restricted for street and alley repairs and maintenance
- Capital Project Funds
 - Economic Development Construction Fund – Accounts for loan monies and sales tax restricted for use in economic development projects
 - Landfill Improvement Fund – Accounts for monies set aside for use in landfill improvements
 - Cemetery Perpetual Care Fund – Accounts for a portion of cemetery revenue restricted by state law for cemetery capital improvements
 - Drainage Improvement Fund – Accounts for monies set aside for drainage improvement projects
- Debt Service Fund – Accounts for ad valorem taxes levied by the City for use in retiring court-assessed judgments, general obligation bonds and their related expenditures

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

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

Proprietary Funds

The City's proprietary funds include:

- Enterprise Fund
 - Altus Municipal Authority Fund (AMA Fund) – Accounts for the activities of the public trust in providing electric, water, wastewater and sanitation services to the public. For reporting purposes, the Water Treatment Plant, MAPS Sales Tax and Meter Deposit accounts are included with the Authority

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

- Internal Service Funds (combined for reporting purposes)
 - Workers' Compensation Fund – Accounts for charges to the operating funds of the City used to pay workers' compensation claims
 - Assurance Fund – Accounts for charges to the operating funds of the City used to pay the expenses of the City's group health and life insurance plans

Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

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

Basis of Accounting

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

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter (within 60 days of period-end) to pay current liabilities. Expenditures (including capital outlay) are recorded

City of Altus, Oklahoma
Notes to Financial Statements
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when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported when due.

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

Adoption of Accounting Principle

During the year ended June 30, 2018, the City implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 includes accounting guidance for participating employers of defined benefit and defined contribution other postemployment benefit (OPEB) plans. The note disclosure and required supplementary information requirements for employers whose employees are provided with OPEB through plans that are not administered through trusts are also addressed.

OPEB expense is no longer based on the contractually required contribution or contributions actually made, but is actuarially determined. This results in the OPEB expense and liability being recognized as benefits are earned by employees and increases current OPEB expense along with the recognition of the total OPEB liability. This information has been included in *Note 10* and the required supplementary information. The implementation of GASB 75 resulted in the restatement of the government-wide financial statements' beginning net position as of July 1, 2017, decreasing the balance by \$1,341,393 (OPEB liability at July 1, 2017, under GASB 75 was \$1,259,511 plus the OPEB asset at July 1, 2017, under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, of \$81,882).

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

Cash, Cash Equivalents and Investments

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

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

Receivables

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

In the fund financial statements, material receivables in governmental funds include revenue accruals, such as sales tax, franchise tax and grants and other similar intergovernmental revenues, since they are

City of Altus, Oklahoma
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usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

All inventories are valued at cost using the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets

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

In the government-wide financial statements, all capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their acquisition value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 1992.

Prior to June 30, 1992, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost. During the fiscal year ended June 30, 2017, a complete inventory of infrastructure assets was performed and estimated historical cost was adjusted in accordance with that inventory.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the accompanying government-wide statement of activities, with accumulated depreciation reflected in the accompanying government-wide statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$2,500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	15–50 years
Machinery and equipment	2–40 years
Utility system	25–50 years
Infrastructure	25–100 years

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

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

Restricted Assets

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

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The long-term debt consists of notes payable, capital leases, contract obligations payable and accrued compensated absences.

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

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

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

Defined Benefit Other Postemployment Benefit Plan

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

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources, which represent a consumption of net position that applies to a future reporting period and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until that time. The City currently has one item related to pensions that qualifies for reporting in this category. More information can be found in *Note 9*.

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

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

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

Compensated Absences

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

Equity Classifications

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

- Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets
- Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups, such as creditors, grantors, contributors or laws and regulations of other governments or 2) law through constitutional provisions or enabling legislation
- Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned and unassigned.

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

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

Revenues, Expenditures and Expenses

Sales Tax

The City presently levies a 3.75 cent sales tax. The sales tax is collected by the Oklahoma Tax Commission (OTC) and remitted to the City in the month following receipt by the OTC. After recording in the General Fund, sales tax proceeds of 1.75 cent tax is transferred to the MAPS Sales Tax Account of the Authority for the following projects and/or related debt service: 1) 50% is used for (a) city hall construction and senior citizen center, (b) fire station renovation and (c) economic development purposes; and 2) the remaining 50% is used for the construction of a high school, which was approved by the majority of voters in August 2008.

Property Tax

Under state law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation-bonded debt approved by voters and any court-assessed judgments.

For the year ended June 30, 2018, the City did not levy a property tax and had no general obligation-bonded debt or court-assessed judgments outstanding at June 30, 2018.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

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

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

Internal and Interfund Balances and Activities

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

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

- Interfund loans – Amounts provided with a requirement for repayment are reported as interfund receivables and payables

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

- Interfund services – Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses
- Interfund reimbursements – Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds
- Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out

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

- Internal balances – Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are reported as internal balances.
- Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities, which are reported as transfers – internal activities. The effect of interfund services between funds, if any, are not eliminated in the statement of activities.

Use of Estimates

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

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

Note 2: Cash, Cash Equivalents and Investments

At June 30, 2018, the City held the following deposits and investments:

Type	Maturities	Credit Rating	Carrying Value
Deposits			
Demand deposits	N/A	N/A	\$ 21,445,658
Cash on hand	N/A	N/A	9,526
Time deposits	Less than one year	N/A	<u>9,498,728</u>
			30,953,912
Investments			
Money market mutual funds	Less than one year	AAAm	<u>1,734,287</u>
Total deposits and investments			<u><u>\$ 32,688,199</u></u>
Reconciliation to Statement of Net Position			
Cash and cash equivalents			\$ 20,319,473
Restricted cash and cash equivalents			2,869,997
Investments			<u>9,498,729</u>
			<u><u>\$ 32,688,199</u></u>

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

The City’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 110% of the uninsured deposits and accrued interest thereon. Collateral will be held by the City Clerk-Treasurer of the City or by an independent third party with whom the entity has a current custodial agreement. The City’s policy limits acceptable collateral to U.S. Treasury securities; federal mortgage debt guaranteed by the federal government to include Veterans Affairs, Federal Housing Administration, Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation; and Federal Home Loan Bank letters of credit. In addition, collateral is limited to direct debt obligations of municipalities or counties in Oklahoma that hold an “A” rating or better. Also, as required by Federal Section 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the financial institution’s board of directors or loan committee.

City of Altus, Oklahoma

Notes to Financial Statements

June 30, 2018

At June 30, 2018, approximately \$530,000 of the City's bank balances of \$22,673,159 was exposed to custodial credit risk.

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

Credit Risk – The City's investment policy limits investments, excluding retirement trust fund investments, to the following:

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

Concentration of Credit Risk – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percentage (more than 5%) of total investments of the City. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from this consideration. The City's investment policy requires diversification of investments and indicates that, with the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single financial institution. At June 30, 2018, the City's investments were not exposed to concentration of credit risk.

Investments Measured at Fair Value – The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At June 30, 2018, the recurring fair value measurement of the City's money market mutual funds, in the amount of \$1,734,287, were valued using quoted market prices in an active market (Level 1).

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

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

The restricted assets as of June 30, 2018, are as follows:

	Current	
	Cash and Cash Equivalents	Investments
MAPS projects	\$ 965,712	\$ -
OWRB DWSRF Account	169,998	-
Series 2008 Sales Tax Revenue Note	184,910	-
Series 2009 Sales Tax Revenue Note	264,292	-
Series 2011 Sales Tax Revenue Note	86,384	-
2014 Mountain Park Trustee Account	457,260	-
Series 2015 Sales Tax Revenue Note – debt service	338,903	-
Series 2015 Sales Tax Revenue Note – construction	402,538	-
	<u>\$ 2,869,997</u>	<u>\$ -</u>

Note 3: Receivables

Accounts Receivable

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

	Accounts Receivable	Less Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental activities			
Other accounts receivable	\$ 428,475	\$ -	\$ 428,475
Taxes receivable	42,259	-	42,259
Court fines receivable, net	121,753	(46,085)	75,668
Due from other governments	1,504,552	-	1,504,552
Total governmental activities	<u>\$ 2,097,039</u>	<u>\$ (46,085)</u>	<u>\$ 2,050,954</u>
Business-type activities			
Utilities	\$ 7,322,380	\$ (609,401)	\$ 6,712,979
Due from other governments	20,932	-	20,932
Total business-type activities	<u>\$ 7,343,312</u>	<u>\$ (609,401)</u>	<u>\$ 6,733,911</u>

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

Note 4: Capital Assets and Depreciation

Capital Assets

Capital assets consist of land, construction in progress, buildings and improvements, machinery and equipment, utility property and infrastructure. Purchased capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation. For the year ended June 30, 2018, capital asset balances changed as follows:

Governmental Activities

	Balance, July 1, 2017	Additions	Transfers	Disposals	Balance, June 30, 2018
Capital assets not being depreciated					
Land	\$ 1,254,778	\$ 15,000	\$ (25,376)	\$ -	\$ 1,244,402
Construction in progress	2,463,997	5,153,861	-	-	7,617,858
Total capital assets not being depreciated	<u>3,718,775</u>	<u>5,168,861</u>	<u>(25,376)</u>	<u>-</u>	<u>8,862,260</u>
Other capital assets					
Buildings and improvements	13,316,210	282,081	-	-	13,598,291
Infrastructure	100,796,278	-	-	-	100,796,278
Machinery and equipment	8,770,423	703,597	94,104	(24,802)	9,543,322
Total other capital assets at historical cost	<u>122,882,911</u>	<u>985,678</u>	<u>94,104</u>	<u>(24,802)</u>	<u>123,937,891</u>
Less accumulated depreciation					
Buildings and improvements	7,226,214	392,522	-	-	7,618,736
Infrastructure	44,164,048	2,760,310	-	-	46,924,358
Machinery and equipment	5,918,132	453,271	68,728	(24,802)	6,415,329
Total accumulated depreciation	<u>57,308,394</u>	<u>3,606,103</u>	<u>68,728</u>	<u>(24,802)</u>	<u>60,958,423</u>
Other capital assets, net	<u>65,574,517</u>	<u>(2,620,425)</u>	<u>25,376</u>	<u>-</u>	<u>62,979,468</u>
Governmental activities capital assets, net	<u>\$ 69,293,292</u>	<u>\$ 2,548,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,841,728</u>

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

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

Depreciation was charged to the following functions as follows:

General government	\$ 105,552
Public safety	251,512
Public works	2,891,493
Culture, parks and recreation	141,917
Airport	<u>215,629</u>
	<u><u>\$ 3,606,103</u></u>

Business-Type Activities

	Balance, July 1, 2017	Additions	Transfers	Disposals	Balance, June 30, 2018
Capital assets not being depreciated					
Land	\$ 1,304,662	\$ -	\$ -	\$ -	\$ 1,304,662
Construction in progress	<u>5,807,787</u>	<u>1,483,338</u>	<u>-</u>	<u>-</u>	<u>7,291,125</u>
Total capital assets not being depreciated	<u>7,112,449</u>	<u>1,483,338</u>	<u>-</u>	<u>-</u>	<u>8,595,787</u>
Other capital assets					
Buildings and improvements	27,898,201	81,114	-	-	27,979,315
Water rights	24,647,726	-	-	-	24,647,726
Machinery and equipment	6,475,520	1,665,163	(68,728)	(35,185)	8,036,770
Utility property	<u>36,700,353</u>	<u>330,260</u>	<u>-</u>	<u>(418,751)</u>	<u>36,611,862</u>
Total other capital assets at historical cost	<u>95,721,800</u>	<u>2,076,537</u>	<u>(68,728)</u>	<u>(453,936)</u>	<u>97,275,673</u>
Less accumulated depreciation					
Buildings and improvements	10,153,723	814,713	-	-	10,968,436
Water rights	15,350,931	616,193	-	-	15,967,124
Machinery and equipment	4,421,095	434,824	(68,728)	(35,185)	4,752,006
Utility property	<u>21,540,649</u>	<u>909,044</u>	<u>-</u>	<u>(386,791)</u>	<u>22,062,902</u>
Total accumulated depreciation	<u>51,466,398</u>	<u>2,774,774</u>	<u>(68,728)</u>	<u>(421,976)</u>	<u>53,750,468</u>
Other capital assets, net	<u>44,255,402</u>	<u>(698,237)</u>	<u>-</u>	<u>(31,960)</u>	<u>43,525,205</u>
Business-type activities capital assets, net	<u><u>\$ 51,367,851</u></u>	<u><u>\$ 785,101</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (31,960)</u></u>	<u><u>\$ 52,120,992</u></u>

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation was charged to the following functions as follows:

Water	\$ 1,456,979
Wastewater	142,512
Sanitation	210,540
Electric	<u>964,743</u>
	<u>\$ 2,774,774</u>

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

Note 5: Long-Term Liabilities

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

For the year ended June 30, 2018, the City's long-term liabilities changed as follows:

	Balance, July 1, 2017, as Restated	Additions	Deductions	Balance, June 30, 2018	Current Portion
Governmental Activities					
Notes payable	\$ 1,132,624	\$ -	\$ (138,227)	\$ 994,397	\$ 142,662
Accrued compensated absences	610,961	1,705,633	(762,173)	1,554,421	155,442
Net OPEB liability	1,259,511	56,321	(129,833)	1,185,999	-
Net pension liability	8,516,349	-	(65,206)	8,451,143	-
Claims liability	237,414	-	(125,905)	111,509	45,954
	<u>11,756,859</u>	<u>1,761,954</u>	<u>(1,221,344)</u>	<u>12,297,469</u>	<u>344,058</u>
Business-Type Activities					
Notes payable	14,996,284	1,050,169	(3,392,777)	12,653,676	3,528,950
Contract obligations payable	6,373,620	-	(708,615)	5,665,005	732,105
Accrued compensated absences	450,481	504,522	(270,837)	684,166	68,416
Net pension liability	1,667,420	197,684	-	1,865,104	-
Landfill closure liability	2,988,253	22,399	-	3,010,652	-
Deposits subject to refund	854,607	163,650	(131,058)	887,199	182,973
	<u>27,330,665</u>	<u>1,938,424</u>	<u>(4,503,287)</u>	<u>24,765,802</u>	<u>4,512,444</u>
Total long-term debt	<u>\$ 39,087,524</u>	<u>\$ 3,700,378</u>	<u>\$ (5,724,631)</u>	<u>\$ 37,063,271</u>	<u>\$ 4,856,502</u>
Reconciliation to Statement of Net Position					
Governmental activities					
Due within one year				\$ 344,058	
Due in more than one year				<u>11,953,411</u>	
Total governmental activities long-term liabilities				<u>\$ 12,297,469</u>	
Business-type activities					
Due within one year				\$ 4,512,444	
Due in more than one year				<u>20,253,358</u>	
Total business-type activities long-term liabilities				<u>\$ 24,765,802</u>	

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

Governmental Activities Long-Term Debt

Governmental activities long-term debt payable from net revenues includes the following:

Note Payable

\$5,530,000 Series 2015A Altus Municipal Authority Electric System Utility Revenue Note, dated July 21, 2015, due in various annual principal installments between \$280,000 and \$340,000 plus interest at 2.09% beginning January 1, 2016, with final payment due July 1, 2024, secured by electric revenues. Proceeds of the note were used to refund the 2013A Junior Lien Utility Revenue Note (used to purchase fire equipment); Promissory Note to NBC Oklahoma July 31, 2014 (used to purchase fire equipment); Veterans Substation Lease Purchase Agreement dated October 20, 2009 (used to purchase electric infrastructure); Series 2012 Note to Oklahoma Municipal Power Authority (OMPA) dated March 1, 2012 (used to purchase wastewater infrastructure); Series 2014 Note to OMPA dated May 20, 2014 (used to purchase wastewater infrastructure); remainder used to purchase various utility equipment. This note was allocated 24.17555% to governmental activities for the payoff of debt related to fire activities. The remainder of 75.82445% was allocated to business-type activities

	\$ 994,397
	<u>994,397</u>
Current portion	\$ 142,662
Noncurrent portion	851,735
	<u>851,735</u>
Total note payable	<u>\$ 994,397</u>

Accrued Compensated Absences

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

Current portion	\$ 155,442
Noncurrent portion	1,398,979
	<u>1,398,979</u>
Total accrued compensated absences	<u>\$ 1,554,421</u>

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

Estimated Claims Liability

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

Current portion	\$	45,954
Noncurrent portion		65,555
Total estimated claims liability	\$	111,509

Business-Type Activities Long-Term Debt

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

Notes Payable

\$232,183 Oklahoma Department of Commerce CDBG Note, dated October 2, 1998, issued by the Authority, monthly installments of \$967, secured by available utility revenues, with no interest, final maturity September 1, 2018	\$	11,609
\$10,000,000 Altus Municipal Authority Sales Tax Revenue Note, Series 2008, dated December 24, 2008, due in quarterly installments of \$175,000 to \$275,000 plus interest at 4.00% beginning August 1, 2009, with final payment due November 1, 2020, secured by sales tax revenues from a special sales tax of 1.75% as approved by voters of the City on August 26, 2009, proceeds to be used by the City and Altus School District for capital improvements		2,625,000
\$14,285,000 Altus Municipal Authority Sales Tax Revenue Note, Series 2009, dated March 25, 2009, due in quarterly installments of \$145,000 to \$395,000 plus interest at 4.25% beginning August 1, 2009, with final payment due November 1, 2020, secured by sales tax revenues from a special sales tax of 1.75% as approved by voters of the City on August 26, 2009, proceeds to be used by the City and Altus School District for capital improvements		3,750,000
\$4,000,000 Altus Municipal Authority Sales Tax Revenue Note, Series 2011, dated March 25, 2009, due in quarterly installments of \$95,000 to \$130,000 plus interest at 2.94% beginning August 1, 2009, with final payment due November 1, 2020, secured by sales tax revenues from a special sales tax of 1.75% as approved by voters of the City on August 26, 2009, proceeds to be used by the City and Altus School District for capital improvements		1,235,000

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

\$2,300,000 OWRB 2015 Series Drinking Water SRF Promissory Note, dated April 28, 2015, due in semi-annual installments of \$57,500 plus interest at 2.81% beginning September 15, 2016, with final payment due March 15, 2036, secured by a pledge of revenues generated from water and wastewater, proceeds to be used by the City for water system improvements. Total drawdowns as of June 30, 2018, totaled \$1,095,693

\$ 865,488

\$5,530,000 Series 2015A Altus Municipal Authority Electric System Utility Revenue Note, dated July 21, 2015, due in various annual principal installments between \$280,000 and \$340,000 plus interest at 2.09% beginning January 1, 2016, with final payment due July 1, 2024, secured by electric revenues. Proceeds of the note were used to refund the 2013A Junior Lien Utility Revenue Note (used to purchase fire equipment); Promissory Note to NBC Oklahoma July 31, 2014 (used to purchase fire equipment); Veterans Substation Lease Purchase Agreement dated October 20, 2009 (used to purchase electric infrastructure); Series 2012 Note to OMPA dated March 1, 2012 (used to purchase wastewater infrastructure); Series 2014 Note to OMPA dated May 20, 2014 (used to purchase wastewater infrastructure); remainder used to purchase various utility equipment. This note was allocated 24.17555% to governmental activities for the payoff of debt related to fire activities. The remainder of 75.82445% was allocated to business-type activities

3,116,410

\$11,000,000 OWRB 2017 Series Clean Water SRF Promissory Note, dated November 3, 2017, due in semi-annual installments of \$5,000 to \$754,000 plus interest beginning March 15, 2018, with final payment due September 15, 2032, secured by a pledge of revenues generated from water and wastewater, proceeds to be used by the City to construct wastewater and meter infrastructure improvements. Total drawdowns as of June 30, 2018, totaled \$1,050,169

1,050,169

Total notes payable

\$ 12,653,676

Current portion

\$ 3,528,950

Noncurrent portion

9,124,726

Total notes payable

\$ 12,653,676

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

Contract Obligation Payable

\$7,830,000 contract obligation payable to Mountain Park Master Conservancy District, due in semi-annual installments of \$328,860 to \$450,225 plus interest at 3.26%, with final payment due October 1, 2025, secured by a pledge of gross revenues of water as approved by voters

	<u>\$ 5,665,005</u>
Current portion	\$ 732,105
Noncurrent portion	<u>4,932,900</u>
Total contract obligations payable	<u><u>\$ 5,665,005</u></u>

Accrued Compensated Absences

Current portion	\$ 68,416
Noncurrent portion	<u>615,750</u>
Total accrued compensated absences	<u><u>\$ 684,166</u></u>

Landfill Closure Liability

Current portion	\$ -
Noncurrent portion	<u>3,010,652</u>
Total landfill closure liability	<u><u>\$ 3,010,652</u></u>

Deposits Subject to Refund

Current portion	\$ 182,973
Noncurrent portion	<u>704,226</u>
Total deposits subject to refund	<u><u>\$ 887,199</u></u>

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

Debt Service Requirements to Maturity

	Governmental Activities	
	Note Payable	
	Principal	Interest
Year Ending June 30,		
2019	\$ 142,662	\$ 20,025
2020	146,289	17,031
2021	149,916	13,948
2022	153,543	10,802
2023	158,379	7,568
2024–2025	243,608	5,104
	<u>\$ 994,397</u>	<u>\$ 74,478</u>

	Business-Type Activities			
	Notes Payable		Contract Obligation Payable	
	Principal	Interest	Principal	Interest
Year Ending June 30,				
2019	\$ 3,528,950	\$ 348,842	\$ 732,105	\$ 178,744
2020	3,653,711	227,630	755,595	154,686
2021	2,185,084	99,714	783,000	129,863
2022	606,457	63,427	806,490	104,145
2023	621,621	50,466	833,895	77,598
2024–2028	5,782,991	67,170	1,753,920	72,110
2029–2033	7,084,000	-	-	-
2034–2036	345,000	-	-	-
	23,807,814	<u>\$ 857,249</u>	<u>\$ 5,665,005</u>	<u>\$ 717,146</u>
Less remaining funds to be drawn down	<u>(11,154,138)</u>			
	<u>\$ 12,653,676</u>			

Landfill Closure Liability

State and federal laws and regulations require the City to place a final cover on its construction and demolition landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. Although the closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these costs as an operating expense of the Authority in each fiscal year. The current period expense amount is based upon the amount of landfill capacity used as of each fiscal year-end.

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

The \$3,010,652 reported as accrued landfill closure cost liability at June 30, 2018, represents the cumulative amount of such costs reported to date based on the use of 88% of the estimated capacity of the landfill. The Authority will recognize the remaining estimated costs of closure and post-closure care in the amount of \$406,059 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 2018. At June 30, 2018, the landfill had a remaining estimated useful life of 3.98 years. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

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

Pledge of Future Revenues

Sales Tax Pledge – The City has pledged one and ¾ cents (or 1.75%) of future sales tax revenues (as approved by voters on August 26, 2009) to repay \$10,000,000, \$14,285,000 and \$4,000,000 of Series 2008, 2009 and 2011 Sales Tax Revenue Bonds, respectively. Proceeds from the bonds provided financing for utility, governmental and public school capital assets. The bonds are all payable through 2020. The total principal and interest payable for the remainder of the life of these bonds is \$8,030,039. Total pledged sales taxes received for the year ended June 30, 2018, were \$4,072,147. Debt service payments for the current fiscal year of \$3,200,975 were 78.6% of the pledged sales taxes.

Utility Net Revenues Pledge – The City has also pledged future water and wastewater net revenues to repay \$2,300,000 and \$11,000,000 of the OWRB 2015 Series Drinking Water SRF Promissory Note and OWRB 2017 Series Clean Water SRF Promissory Note, respectively. Proceeds from the notes provided financing for utility system capital assets. The notes are payable through 2036 and 2032, respectively. The total principal and interest payable for the remainder of the life of these notes is \$2,108,051. The notes are payable from the above-mentioned utility net revenues. The debt service payments on the notes for the year ended June 30, 2018, were \$148,651, which was 6.7% of pledged net utility revenues of \$2,228,802.

Utility Net Revenues Pledge – The City has also pledged future electric net revenues to repay \$5,530,000 of the Series 2015A Altus Municipal Authority Electric System Utility Revenue Note. Proceeds from the note provided financing for utility system capital assets. The note is payable through 2024. The total principal and interest payable for the remainder of the life of this note is \$4,417,806. The note is payable from the above-mentioned electric net revenues. The debt service payments on the note for the year ended June 30, 2018, were \$669,938, which was 17.2% of pledged net electric revenues of \$3,889,286.

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

Note 6: Net Position and Fund Balances

Fund Statements

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

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

Restricted – Consists of fund balance with constraints placed on the use of resources either by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) laws through constitutional provisions or enabling legislation

Committed – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance

Assigned – Includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by City Council action or management decision when the City Council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process

Unassigned – Represents fund balance that has not been assigned to other funds and has not been restricted, committed or assigned to specific purposes within the General Fund

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

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

The following table shows the fund balance classifications as shown on the accompanying balance sheet – governmental funds:

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances				
Nonspendable				
Inventory	\$ -	\$ -	\$ 37,442	\$ 37,442
Restricted				
Street development	-	-	352,880	352,880
MAPS projects	-	3,758,640	-	3,758,640
Donor requirements	-	-	114,361	114,361
Economic development	-	-	634,009	634,009
Cemetery improvements	-	-	42,303	42,303
Debt service	-	-	5	5
Total restricted	-	3,758,640	1,143,558	4,902,198
Committed				
Emergency reserves	5,440,764	-	-	5,440,764
Assigned				
CDBG grant purposes	-	-	25,343	25,343
Street development	-	-	161,069	161,069
Airport	-	-	251,919	251,919
Public safety	107,028	-	-	107,028
Park development	27,689	-	-	27,689
ARAC	46,787	-	-	46,787
Capital improvements	-	2,883,448	331,774	3,215,222
Total assigned	181,504	2,883,448	770,105	3,835,057
Unassigned	2,362,259	-	-	2,362,259
Total fund balances	<u>\$ 7,984,527</u>	<u>\$ 6,642,088</u>	<u>\$ 1,951,105</u>	<u>\$ 16,577,720</u>

The City has adopted Ordinance No. 27-1, which established the Emergency Fund. It was created for the purpose of receiving, holding and accounting for amounts designated as emergency reserves. Contributions are required to be made by the General Fund, the Authority and other funds and accounts as deemed appropriate by the City Council as shown by approval of the annual budget or by resolution. Amounts held in the Emergency Fund may only be expended when certain specific circumstances exist that are not expected to recur on a routine basis as outlined in the ordinance. Further, the existence of the specific circumstances must be declared by the affirmative vote of at least six members of the City Council. These funds are classified as committed and totaled \$5,440,764.

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

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

	State Statutes	External Parties – Voters/Donors/ Grantors	Total
Governmental Activities			
Capital projects			
Economic Development Construction Fund	\$ -	\$ 538,744	\$ 538,744
MAPS projects	-	3,758,640	3,758,640
Cemetery Perpetual Care Fund	42,303	-	42,303
	<u>42,303</u>	<u>-</u>	<u>42,303</u>
Total capital projects	<u>42,303</u>	<u>4,297,384</u>	<u>4,339,687</u>
Debt service			
Sinking Fund	5	-	5
	<u>5</u>	<u>-</u>	<u>5</u>
Economic development			
Hotel/Motel Tax Fund	-	95,265	95,265
	<u>-</u>	<u>95,265</u>	<u>95,265</u>
Other			
Altus Donation Fund	-	114,361	114,361
Street and Alley Fund	352,880	-	352,880
	<u>352,880</u>	<u>-</u>	<u>352,880</u>
Total other	<u>352,880</u>	<u>114,361</u>	<u>467,241</u>
Total governmental activities	<u>395,188</u>	<u>4,507,010</u>	<u>4,902,198</u>
Business-Type Activities			
Capital projects			
Water Treatment Plant	-	4,049,476	4,049,476
Debt service			
Trustee accounts less accrued interest payable	-	1,144,916	1,144,916
MAPS projects	-	4,842,217	4,842,217
	<u>-</u>	<u>4,842,217</u>	<u>4,842,217</u>
Total business-type activities	<u>-</u>	<u>10,036,609</u>	<u>10,036,609</u>
Total restricted net position	<u>\$ 395,188</u>	<u>\$ 14,543,619</u>	<u>\$ 14,938,807</u>

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

Note 7: Internal and Interfund Balances and Transfers

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

Transfers

Internal transfers between funds and activities for the year ended June 30, 2018, were as follows:

Transfer from	Transfer to	Amount	Purpose of Transfer
General Fund	AMA Fund (MAPS Sales Tax Account)	\$ 4,092,924	MAPS sales and use tax transfer
General Fund	AMA Fund (Landfill)	331,800	Capital purchases – new landfill cell
General Fund	Capital Improvement Fund	637,652	Capital purchases
Economic Development Construction Fund	AMA Fund	390,099	Capital purchases
AMA Fund	Capital Improvement Fund	2,240,291	Capital purchases
AMA Fund	General Fund	4,406,261	Reclassify MAPS construction
AMA Fund	Capital Improvement Fund	2,000,000	Capital purchases
AMA Fund	General Fund	1,000,000	Emergency reserve funding
AMA Fund	Airport Fund	463,000	Operating transfer
AMA Fund	Emergency 911 Fund	346,630	Operating transfer
AMA Fund	General Fund	7,500,000	Operating transfer
AMA Fund	General Fund	161,991	Debt service
		<u>\$ 23,570,648</u>	

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Reconciliation to Fund Financial Statements			
Governmental funds	\$ 14,349,564	\$ (5,362,330)	\$ 8,987,234
Proprietary funds	<u>9,221,084</u>	<u>(21,441,256)</u>	<u>(12,220,172)</u>
	<u>\$ 23,570,648</u>	<u>\$ (26,803,586)</u> **	<u>\$ (3,232,938)</u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Reconciliation to Statement of Activities		
Net transfers	\$ 12,502,540	\$ (12,502,540)
Transfers of capital asset purchases between activities	(3,564,738)	331,800
Allocation of internal service fund expenses	<u>49,432</u>	<u>(49,432)</u>
	<u>\$ 8,987,234</u>	<u>\$ (12,220,172)</u>

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

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

Balances

Interfund receivables and payables at June 30, 2018, were as follows:

Due from	Due to	Amount	Nature of Balance
General Fund	AMA Fund (MAPS Sales Tax Account)	\$ 709,722	MAPS sales tax accrual
ODOC Grant Fund	General Fund	64,058	Negative share of pooled cash
AMA Fund	General Fund	127,377	MAPS sales tax correction
AMA Fund (MAPS Sales Tax Account)	AMA Fund	81,605	Negative share of pooled cash
AMA Fund (MAPS Sales Tax Account)	AMA Fund	1,070,585	Expense reimbursement
Assurance Fund	General Fund	15,222	Employee-related balance
Capital Improvement Fund	General Fund	14,937	Use tax accrual
Emergency 911 Fund	General Fund	15,588	Departmental expense reimbursement
AMA Fund	Emergency Reserve Fund	916,323	Emergency reserves
Capital Improvement Fund	Emergency Reserve Fund	115,440	Emergency reserves
		<u>\$ 3,130,857</u>	

	Due from	Due to	Net Internal Balances
Reconciliation to Fund Financial Statements			
Governmental funds	\$ 1,268,945	\$ (919,745)	\$ 349,200
Enterprise funds	1,861,912	(2,195,890)	(333,978)
Internal service funds	-	(15,222)	(15,222)
	<u>\$ 3,130,857</u>	<u>\$ (3,130,857)</u>	<u>\$ -</u>

Reconciliation to Government-Wide Financial Statements

Governmental funds and internal service funds	
Due from – governmental funds	\$ 1,268,945
Due to – governmental funds	(919,745)
Due to – internal service funds	<u>(15,222)</u>
Internal balances – governmental activities	<u>\$ 333,978</u>
Enterprise funds	
Due from	\$ 1,861,912
Due to	<u>(2,195,890)</u>
Internal balances – business-type activities	<u>\$ (333,978)</u>

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

Note 8: Risk Management

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

- General Liability and Physical Property – Covered through insurance provider with a \$10,000 deductible
- Workers’ Compensation – Effective January 2012, covered through purchased insurance. Prior to that, the workers’ compensation is covered through self-insurance using a third-party processor to process claims
- Employee’s Group Medical – Covered through purchased insurance

Management believes the insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Claims Liability Analysis

The claims liabilities related to the above noted risks of loss are reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

For workers’ compensation, changes in the claims liability for the City from July 1, 2016 to June 30, 2018, are as follows:

	Total Claims Liability
Claims liability, July 1, 2016	\$ 26,653
Claims and changes in estimates	266,028
Claims paid	(55,267)
Claims liability, June 30, 2017	237,414
Claims and changes in estimates	-
Claims paid	(125,905)
Claims liability, June 30, 2018	\$ 111,509

Note 9: Pension and Other Benefit Plan Participation

The City participates in five pension or retirement plans:

- Oklahoma Firefighters Pension & Retirement System (OFPRS) – A statewide cost-sharing multiple-employer defined benefit pension plan

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

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

	Governmental Activities	Business-Type Activities	Plan Total
Pension expense			
Employee Retirement System	\$ 587,028	\$ 559,879	\$ 1,146,907
Police	284,129	-	284,129
Firefighters	578,449	-	578,449
	<u>\$ 1,449,606</u>	<u>\$ 559,879</u>	<u>\$ 2,009,485</u>
Net pension liability			
Employee Retirement System	\$ 1,970,089	\$ 1,865,104	\$ 3,835,193
Police	47,398	-	47,398
Firefighters	6,433,656	-	6,433,656
	<u>\$ 8,451,143</u>	<u>\$ 1,865,104</u>	<u>\$ 10,316,247</u>
Deferred outflows of resources			
Employee Retirement System	\$ 809,900	\$ 727,156	\$ 1,537,056
Police	616,233	-	616,233
Firefighters	1,250,593	-	1,250,593
	<u>\$ 2,676,726</u>	<u>\$ 727,156</u>	<u>\$ 3,403,882</u>
Deferred inflows of resources			
Employee Retirement System	\$ 178,665	\$ 211,402	\$ 390,067
Police	311,594	-	311,594
Firefighters	877,249	-	877,249
	<u>\$ 1,367,508</u>	<u>\$ 211,402</u>	<u>\$ 1,578,910</u>

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Oklahoma Firefighters Pension & Retirement System

Plan Description

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

Benefits Provided

OFPRS provides retirement, disability and death benefits to members of the plan. Benefits for members hired prior to November 1, 2013, are determined as 2.5% of the member's final average compensation times the member's years of service and the member has reached the age of 50 or has completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more of service.

Benefits for members hired after November 1, 2013, are determined as 2.5% of the member's final average compensation times the member's years of service and the member has reached the age of 50 or has completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more of service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation based on the most recent 30 months of service. For firefighters with more than 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions

The contribution requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$205,911 during the year ended June 30, 2018. The State of Oklahoma also made on-behalf contributions to OFPRS in the amount of

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\$461,828; these on-behalf payments did not meet the criteria of a special funding situation but have been recorded as both revenues and expenses in the City’s financial statements.

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

At June 30, 2018, the City reported a net pension liability of \$6,433,656 for its proportionate share of the total OFPRS net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City’s proportion of the net pension liability was based on the City’s contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2017. Based upon this information, the City’s proportion was 0.511532%.

For the year ended June 30, 2018, the City recognized pension expense of \$578,499. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the OFPRS pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 859,426	\$ -
Net difference between projected and actual earnings on pension plan investments	-	179,284
Change in proportion	180,035	695,148
Difference in contributions during measurement period	5,221	2,817
City contributions subsequent to the measurement date	205,911	-
	\$ 1,250,593	\$ 877,249

The \$205,911 reported as deferred outflows of resources related to the OFPRS pension plan resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OFPRS pension plan will be recognized in pension expense as follows:

Year ending June 30,	
2019	\$ (82,406)
2020	116,646
2021	53,822
2022	(100,792)
2023	140,135
Thereafter	40,028
	\$ 167,433

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Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	3%
Salary increases	3.5% to 9% on average, including inflation
Ad hoc cost of living adjustment	Half of the dollar amount of a 3% assumed increase in base pay for retirees with 20 years of service as of May 26, 1983
Investment rate of return	7.5%, net of pension plan investment expense, including an inflation rate of 3%
Mortality rates	Based on the RP-2000 Blue Collar Healthy Combined table with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	25%	4.38%
Domestic equity	40%	7.72%
International equity	20%	9.70%
Real estate	10%	6.96%
Other assets	5%	5.75%

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by state statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be

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available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the plan’s net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers’ net pension liability	\$ 8,440,019	\$ 6,433,656	\$ 4,733,315

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report of the OFPRS, which can be located at www.ok.gov/fprs.

Oklahoma Police Pension & Retirement System

Plan Description

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

Benefits Provided

OPPRS provides retirement, disability and death benefits to members of the plan. The normal retirement date under the plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the plan. No vesting occurs prior to completing 10 years of credited service. Participant contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

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Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivors' benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

Contributions

The contribution requirements of the plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$247,349 during the year ended June 30, 2018. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$242,801 during the fiscal year, and this is reported as both a revenue and an expenditure in the General Fund on the accompanying statement of revenues, expenditures and changes in fund balances – governmental funds. In the accompanying government-wide statement of activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$242,801. These on-behalf payments did not meet the criteria of a special funding situation but have been recorded as both revenues and expenses in the City's financial statements.

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

At June 30, 2018, the City reported a net pension liability of \$47,398 for its proportionate share of the total OPPRS net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2017. Based upon this information, the City's proportion was 0.006162%.

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For the year ended June 30, 2018, the City recognized pension expense of \$284,129. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the OPPRS pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,380	\$ 286,556
Net difference between projected and actual earnings on pension plan investments	353,034	-
Change in proportion	6,970	23,532
Difference in contributions during measurement period	6,500	1,506
City contributions subsequent to the measurement date	247,349	-
	\$ 616,233	\$ 311,594

The \$247,349 reported as deferred outflows of resources related to the OPPRS pension plan resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPPRS pension plan will be recognized in pension expense as follows:

Year ending June 30,	
2019	\$ (16,691)
2020	168,893
2021	77,083
2022	(140,667)
2023	(31,328)
	\$ 57,290

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Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	3%
Salary increases	4.5% to 17% on average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense
Cost-of-living adjustments	Police officers eligible to receive increased benefits according to Repealed Section 50-120 of Title 11 of the Oklahoma Statutes, pursuant to a court order, receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary
Mortality rates	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back four years with fully generational improvement using Scale AA
	Active employees (post-retirement) and nondisabled pensioners: RP- 2000 Blue Collar Healthy Combined table with fully generational mortality improvement using Scale AA
	Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward four years with fully generational mortality improvement using Scale AA

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2017, are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	25%	4.51%
Domestic equity	35%	6.62%
International equity	15%	9.70%
Real estate	10%	6.96%
Private equity	10%	9.86%
Other assets	5%	5.18%

The plan requires approximately 60% of assets be invested in equity instruments, including public equity, long-short hedge, venture capital and private equity strategies; approximately 25% of assets be invested in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds and low volatility hedge fund strategies; and 15% of assets be invested in real assets to include real estate, commodities and other strategies.

Discount Rate

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

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

The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.5%, as well as what the plan’s net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers’ net pension liability (asset)	\$ 1,601,886	\$ 47,398	\$ (1,265,604)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report of the OPPRS, which can be located at www.ok.gov/opprs.

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Defined Benefit Pension Plan – Oklahoma Municipal Retirement Fund

Plan Description

The City contributes to the OkMRF for all eligible employees except for those covered by OFPRS and OPPRS. The plan is an agent multiple-employer defined benefit pension plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: www.okmrf.org/reports.html. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the City’s plan and additions to/deductions from the City’s fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plan’s fiduciary net position is available in the separately issued OkMRF financial report.

Eligibility Factors, Contribution Methods and Benefit Provisions (as of July 1, 2017)

Eligible to participate	Full-time employees upon hire if less than age 60 and not participating in another retirement plan set up by state statutes
Contribution requirements	
Authorization	By city ordinance
Actuarially determined	Yes
Employer rate	11.34% of covered payroll, the City contributed 13.83%
Employee rate	4.00% of covered payroll
Period required to vest	10 years of credited service
Eligibility for distribution	<ul style="list-style-type: none"> • Normal retirement at the earlier of age 65 with 10 years of service or age 62 with 25 years of service • Early retirement at age 55 with 10 years of service • Disability retirement upon disability with 10 years of service • Death benefit with 10 years of service
Benefit determination base	Final average salary – the average of the five highest consecutive annual salaries out of the last 10 years of service
Benefit determination methods	
Normal retirement	2.625% of final average salary multiplied by credited years of service
Early retirement	Actuarially reduced benefit based upon age, final average salary and years of service at termination
Disability retirement	Same as normal retirement

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Death benefit	<ul style="list-style-type: none"> • 50% of married employee’s accrued benefit, but terminates upon spouse re-marriage or death • 50% of accrued benefit for all other vested employees for five years certain
Prior to 10 years’ service Form of benefit payments	Return of employee contributions with interest Normal form is a 60 months certain and life thereafter basis. Employee may elect, with the City’s consent, optional form based on actuarial equivalent

Employees Covered by Benefit Terms

Active employees	119
Terminated vested employees	11
Retirees or retiree beneficiaries	77
	207

Contribution Requirements

The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit pension plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in excess of an actuarially determined rate. The actuarially determined rate is 11.34% of covered payroll as of July 1, 2017, but the City contributed 13.83% of covered payroll. For the year ended June 30, 2018, the City recognized \$709,213 of employer contributions to the plan, which is the City’s contributed rate amount based on covered payroll of \$5,126,648. Employees’ contributions were 4% of covered payroll as of July 1, 2017.

Actuarial Assumptions

Date of last actuarial valuation	July 1, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increase	Varies between 4.00% to 7.42% based on age
Inflation rate	3%
Mortality table	UP 1994, with projected mortality improvement
Percent of married employees	100%
Turnover	Select and ultimate rates
	Ultimate rates are age-related as shown
	Additional rates per thousand are:
	Added during the first five years
	Year 1: 215
	Year 2: 140
	Year 3: 95
	Year 4: 65
	Year 5: 40
Date of last experience study	September 2012 for fiscal years 2007 through 2011

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Discount Rate

The discount rate used to value benefits, 7.5%, was the long-term expected rate of return on plan investments since the plan’s net fiduciary position is projected to be sufficient to make projected benefit payments.

The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%).

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of July 1, 2017, are summarized in the following table:

	Long-Term Expected Target Allocation	Real Return	Weighted Return
Large cap stocks			
S&P 500	25%	5.80%	1.45%
Small/mid cap stocks			
Russell 2500	10%	6.40%	0.64%
Long/short equity			
MSCI ACWI	10%	5.00%	0.50%
International stocks			
MSCI EAFE	20%	6.20%	1.24%
Fixed income bonds			
Barclay’s Capital Aggregate	30%	2.30%	0.69%
Real estate			
NCREIF	5%	4.60%	0.23%
	<u>100%</u>		
Average real return			<u>4.75%</u>
Inflation			2.75%
Long-term expected return			<u>7.50%</u>
			<u>10.25%</u>

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Changes in Net Pension Liability

The total pension liability was determined based on an actuarial valuation performed as of July 1, 2017, which is also the measurement date. There was a change in assumption and a benefit change due to plan amendments, which increased the net pension liability by \$535,786 and \$585,286, respectively. There were also no changes between the measurement date of July 1, 2017, and the City's report ending date of June 30, 2018, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

	Schedule of Changes in Net Pension Liability		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a)-(b)
Balance, beginning of year	\$ 21,697,963	\$ 18,415,252	\$ 3,282,711
Changes for the year			-
Service cost	552,041	-	552,041
Interest	1,635,659	-	1,635,659
Difference between expected and actual experience	379,928	-	379,928
Assumption changes	535,786	-	535,786
Employer contributions	-	703,894	(703,894)
Employee contributions	-	203,438	(203,438)
Net investment income	-	2,269,790	(2,269,790)
Benefit payments	(1,207,910)	(1,207,910)	-
Benefit changes due to plan amendments	585,286	-	585,286
Plan administrative expenses	-	(40,904)	40,904
Net changes	<u>2,480,790</u>	<u>1,928,308</u>	<u>552,482</u>
Balance, end of year	<u>\$ 24,178,753</u>	<u>\$ 20,343,560</u>	<u>\$ 3,835,193</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.75%) or 1% higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's net pension liability	\$ 6,468,528	\$ 3,835,193	\$ 1,612,131

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The City reported \$1,146,907 in pension expense for the year ended June 30, 2018. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 58,315	\$ -
Changes of assumptions	409,123	-
Difference between expected and actual experience	290,111	333,567
Difference in contributions during measurement period	15,119	1,325
Change in proportion	55,175	55,175
City contributions subsequent to the measurement date	709,213	-
	\$ 1,537,056	\$ 390,067

The \$709,213 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2019	\$ (43,568)
2020	329,796
2021	272,901
2022	(121,353)
	\$ 437,776

Defined Contribution Plan – Oklahoma Municipal Retirement Fund

Plan Description

The City has provided, effective March 1, 1992, a defined contribution plan with OkMRF. The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan’s provisions rests with the City Council. The defined contribution plan is available to all full-time employees not already participating in another plan.

Funding Policy

In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings and forfeitures of other participants’ benefits that may be allocated to such participant’s

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account. Employees are eligible to participate after six months of employment and voluntarily select their before-tax percentage of contribution up to 15% of covered payroll. By city ordinance, the City is required to make variable contributions to the Plan based on availability of funds. As of July 2002, city contributions were 1.49% of covered payroll. Benefits vest after 10 years of service. City contributions for, and interest forfeited by, employees who leave employment prior to fully vesting are allocated back to remaining eligible participants. The authority to establish and amend the provisions of the plan rests with the City Council.

For the year ended June 30, 2018, the following amounts related to the defined contribution plan:

Payroll for covered employees	\$ 5,124,035
Employer (City) contributions made	\$ 76,207

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

Plan Description

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

Funding Policy

Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon employment and voluntarily elect their percentage of contribution with a minimum contribution of 3% of compensation. The City makes contributions to the CMO Plan based on the employment agreement with the employee and employer contributions are immediately vested. The authority to establish and amend the provisions of the plan rests with the City Council. Contributions to the plan for the year ended June 30, 2018, for the employees and employer were \$3,894 and \$30,845, respectively, on a covered payroll of \$227,335.

Note 10: Other Postemployment Benefit Plan

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

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

Benefits Provided

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

These benefits are considered for accounting purposes to be provided in accordance with a single-employer substantive plan. A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employer and plan members and the historical pattern of practice with regard to the sharing of benefit costs. Employees hired before January 1, 2015, are allowed to continue health coverage until Medicare-eligible provided they pay the required percentage of premium. The City currently pays 45% of the premiums and the retiree pays 55%. The total premiums are the same amount as active employees. Employees hired after January 1, 2015, are allowed to continue health coverage until Medicare-eligible provided they pay 102% of premium amount for active employees. As of June 30, 2017, approximately 31 retired employees are receiving benefits under this plan.

The employees covered by the benefit terms at June 30, 2018, are:

Retirees or beneficiaries currently receiving benefits	28
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	197
	225

Total OPEB Liability

The City's total OPEB liability of \$1,185,999 was measured as of and for the year ended June 30, 2018, and was determined by an actuarial valuation as of that date.

The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	3.00% in both current and prior year
Inflation rate	2.50% per year
Cost method	Entry Age Normal Level % of Salary
Mortality	RP-2014 Mortality Table with Improvement Scale MP-2017
Health care cost trend rates	7.00% declining to 4.00% in 2021 and later years

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

No actuarial experience study has been performed.

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

Changes in the Total OPEB Liability

Changes in the total OPEB liability are:

Balance, Beginning of Year, July 1, 2017	\$ 1,259,511
Changes for the year	
Service cost	18,464
Interest	35,867
Differences between expected and actual experience	(58,964)
Changes of assumptions or other inputs	1,990
Benefit payments	(70,869)
Net changes	(73,512)
Balance, End of Year, June 30, 2018	\$ 1,185,999

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

The total OPEB liability of the City has been calculated using a discount rate of 3.0%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

	1% Decrease (2.0%)	Current Discount Rate (3.0%)	1% Increase (4.0%)
City's total OPEB liability	\$ 1,263,980	\$ 1,185,999	\$ 1,116,032

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

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
City's total OPEB liability	\$ 1,114,498	\$ 1,185,999	\$ 1,266,705

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$48,745. At June 30, 2018, the City reported deferred inflows of resources related to OPEB from the following source:

	Deferred Inflows of Resources
Differences between expected and actual experience	\$ (51,388)
Total	\$ (51,388)

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

Year ending June 30,	
2019	\$ (5,586)
2020	(5,586)
2021	(5,586)
2022	(5,586)
2023	(5,586)
Thereafter	(23,458)
	\$ (51,388)

Note 11: Commitments and Contingencies

Litigation

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

Federal and State Award Programs

The City participates in various federal or state grant/loan programs from year to year. In 2018, the City's involvement in federal and state award programs was not material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

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

Note 12: New Accounting Pronouncements

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

GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued November 2016, will be effective for the City beginning with its fiscal year ending June 30, 2019. Under GASB 83, a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. GASB 83 identifies the circumstances that trigger the recognition of these transactions. GASB 83 also requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred while the deferred outflow of resources associated with the asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. GASB 83 requires disclosures, including a general description of the asset retirement obligation and associated tangible capital assets, the source of the obligation to retire the assets, the methods and assumptions used to measure the liability and other relevant information. The City has not yet determined the impact that implementation of GASB 83 will have on its net position.

GASB Statement No. 84, *Fiduciary Activities*, issued January 2017, will be effective for the City beginning with its fiscal year ending June 30, 2020. GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The City has not yet determined the impact that implementation of GASB 84 will have on its net position.

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

City of Altus, Oklahoma
Notes to Financial Statements
June 30, 2018

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, issued April 2018, will be effective for the City beginning with its fiscal year ending June 30, 2019. The primary objective of GASB 88 is to improve the information disclosed in the notes to financial statements related to debt. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB 88 will not have an impact on the City's net position.

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, issued August 2018, will be effective for the City beginning with its fiscal year ending June 30, 2020. The primary objectives of GASB 90 are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The City has not yet determined the impact that implementation of GASB 90 will have on its net position.

Required Supplementary Information

City of Altus, Oklahoma
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts – Budgetary Basis	with Final Budget
Budgetary Fund Balance, Beginning of Year	\$ 3,399,759	\$ 3,519,760	\$ 6,270,628	\$ 2,750,868
Resources (inflows)				
Taxes	5,451,500	5,451,500	5,719,645	268,145
Intergovernmental	220,000	220,000	367,585	147,585
Charges for services	347,250	347,250	373,329	26,079
Fines and forfeitures	244,000	260,150	237,630	(22,520)
Licenses and permits	80,000	80,000	75,348	(4,652)
Investment income	-	-	29,514	29,514
Miscellaneous	12,500	100,070	115,946	15,876
Total resources (inflows)	<u>6,355,250</u>	<u>6,458,970</u>	<u>6,918,997</u>	<u>460,027</u>
Amounts available for appropriations	<u>9,755,009</u>	<u>9,978,730</u>	<u>13,189,625</u>	<u>3,210,895</u>
Charges to appropriations (outflows)				
General government				
City Council	53,000	53,000	26,126	26,874
Administrative services	804,414	780,738	808,269	(27,531)
Law	99,154	228,354	227,471	883
Municipal court	168,813	173,913	167,317	6,596
Cemetery	181,396	216,646	209,767	6,879
Planning	402,584	280,084	224,959	55,125
Information services	397,872	388,872	375,499	13,373
Finance	429,616	461,116	460,856	260
Human resources	216,213	264,963	260,343	4,620
City Clerk – treasurer	210,329	207,329	199,787	7,542
Public safety				
Code enforcement	168,696	147,196	86,563	60,633
Police	4,166,555	4,242,151	4,034,449	207,702
Police – animal control	352,534	333,834	295,479	38,355
Fire	2,825,447	2,776,547	2,702,341	74,206
Emergency services	120,928	150,928	97,609	53,319
Public works				
Street	757,778	786,278	792,887	(6,609)
Building maintenance	530,207	494,207	490,922	3,285
Fleet maintenance	320,365	320,365	331,340	(10,975)
Culture, parks and recreation				
Parks and recreation	1,338,869	1,266,095	1,117,461	148,634
Pool	320,746	387,746	388,241	(495)
Public golf course	336,818	336,818	342,253	(5,435)
Total charges to appropriations (outflows)	<u>14,202,334</u>	<u>14,297,180</u>	<u>13,639,939</u>	<u>(657,241)</u>
Other Financing Sources (Uses)				
Transfers in	7,500,000	8,000,000	7,500,000	(500,000)
Transfers out	(162,333)	(162,333)	182,026	344,359
Total other financing sources (uses)	<u>7,337,667</u>	<u>7,837,667</u>	<u>7,682,026</u>	<u>(155,641)</u>
Budgetary Fund Balance, End of Year	<u>\$ 2,890,342</u>	<u>\$ 3,519,217</u>	<u>\$ 7,231,712</u>	<u>\$ 3,712,495</u>

City of Altus, Oklahoma
Notes to Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2018

Notes to Schedule

1. The City prepares its budgets for all funds on the modified accrual basis of accounting for all revenues and expenditures except for on-behalf payments made and certain debt-related transactions. The City utilizes encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. Encumbrances outstanding and their related appropriations are lapsed at year-end and are re-appropriated and re-encumbered in the subsequent fiscal year.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the approval of the City Manager. All supplemental appropriations require the approval of the City Council. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.
3. The budgetary basis differs from the modified accrual basis as shown in the schedule below:

Sources/Inflows of Resources

Actual amounts – budgetary basis “available for appropriations” from the budgetary comparison schedule	\$ 13,189,625
Differences – budget to GAAP	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(6,270,628)
The City reports on-behalf payments made by the state to the General Fund in the fund financial statements, but the payments are not budgeted	704,580
The City reports sales and use tax revenue related to MAPS in the General Fund in the fund financial statements, but the revenue is budgeted in a separate MAPS sales tax account of the Authority	4,722,690
The City reports the Park Development, Emergency 911 and ARAC accounts as part of the General Fund in the fund financial statements, but these accounts are not included in the budget to actual	<u>372,714</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds	<u><u>\$ 12,718,981</u></u>

City of Altus, Oklahoma
Notes to Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2018

Uses/Outflows of Resources

Actual amounts – budgetary basis “total charges to appropriations” from the budgetary comparison schedule	\$ 13,639,939
Differences – budget to GAAP	
The City reports debt-related activity in the fund financial statements, but this activity is not budgeted	160,538
The City reports on-behalf payments made by the state to the General Fund in the fund financial statements, but these payments are not budgeted	704,580
The City reports the Park Development, Emergency 911 and ARAC accounts as part of the General Fund in the fund financial statements, but these accounts are not included in the budget to actual	<u>627,493</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds	<u><u>\$ 15,132,550</u></u>

4. For the year ended June 30, 2018, the City complied, in all material respects, with the applicable budget laws.

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

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

Note to Schedule

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 205,911	\$ 204,092	\$ 200,454	\$ 221,668
Contributions in relation to the statutorily required contribution	<u>205,911</u>	<u>204,092</u>	<u>200,454</u>	<u>221,668</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,470,791	\$ 1,457,797	\$ 1,431,814	\$ 1,547,037
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.33%

Note to Schedule

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

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

	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.006162%	0.005790%	0.006004%	0.006373%
City's proportionate share of the net pension liability (asset)	\$ 47,398	\$ 886,739	\$ 24,480	\$ (214,564)
City's covered-employee payroll	\$ 1,853,914	\$ 1,783,982	\$ 1,681,039	\$ 1,702,136
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	2.56%	49.71%	1.46%	12.61%
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.68%	93.50%	99.82%	101.53%

Note to Schedule

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

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

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

Note to Schedule

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

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

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

Note to Schedule

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

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

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

Latest valuation date: July 1, 2017

Actuarially determined contribution rate is calculated as of July 1, 2017

Fiscal year 2017–2018 actuarially determined contributions are set at a rate of 11.34%

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry age normal

Amortization method: Level percent of payroll, closed

Remaining amortization period: 27 years

Asset valuation method: Actuarial

Smoothing period: 4 years

Recognition method: Non-asymptotic

Corridor: 70% to 130%

Salary increases: 4.00% to 7.42% (varies by attained age)

Investment rate of return: 7.50%

Notes to Schedule

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

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

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

	2018
Total OPEB liability	
Service cost	\$ 18,464
Interest on total OPEB liability	35,867
Differences between expected and actual experience	(58,964)
Effect of assumptions, changes or inputs	1,990
Benefit payments	(70,869)
Net change in total OPEB liability	(73,512)
City's total OPEB liability, beginning	1,259,511
City's total OPEB liability, ending	\$ 1,185,999
Covered-employee payroll	\$ 9,822,674
The City's total OPEB liability as a percentage of covered-employee payroll	12.07%

Notes to Schedule

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

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

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

Other Supplementary Information

City of Altus, Oklahoma
Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds					Capital Project Funds					Total Nonmajor Governmental Funds
	ODOC Grant Fund	Altus Donation Fund	Airport Fund	Hotel/Motel Tax Fund	Street and Alley Fund	Economic Development Construction Fund	Landfill Improvement Fund	Cemetery Perpetual Care Fund	Drainage Improvement Fund	Debt Service	
Assets											
Cash and cash equivalents	\$ 86,151	\$ 115,126	\$ 224,036	\$ 96,422	\$ 472,599	\$ 538,744	\$ 204,568	\$ 42,303	\$ 108,863	\$ 5	\$ 1,888,817
Interest receivable	-	-	-	-	110	-	-	-	-	-	110
Receivable from other governments	3,250	-	-	-	41,820	-	-	-	-	-	45,070
Utilities receivable, net	-	-	-	-	-	-	18,343	-	-	-	18,343
Other receivables	-	-	38,682	29,394	-	-	-	-	-	-	68,076
Inventories	-	-	37,442	-	-	-	-	-	-	-	37,442
Total assets	<u>\$ 89,401</u>	<u>\$ 115,126</u>	<u>\$ 300,160</u>	<u>\$ 125,816</u>	<u>\$ 514,529</u>	<u>\$ 538,744</u>	<u>\$ 222,911</u>	<u>\$ 42,303</u>	<u>\$ 108,863</u>	<u>\$ 5</u>	<u>\$ 2,057,858</u>
Liabilities and Fund Balances											
Liabilities											
Accounts payable	\$ -	\$ 765	\$ 7,556	\$ 30,551	\$ 580	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,452
Accrued payroll	-	-	3,243	-	-	-	-	-	-	-	3,243
Due to other funds	64,058	-	-	-	-	-	-	-	-	-	64,058
Total liabilities	<u>64,058</u>	<u>765</u>	<u>10,799</u>	<u>30,551</u>	<u>580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,753</u>
Fund Balances											
Nonspendable	-	-	37,442	-	-	-	-	-	-	-	37,442
Restricted	-	114,361	-	95,265	352,880	538,744	-	42,303	-	5	1,143,558
Assigned	25,343	-	251,919	-	161,069	-	222,911	-	108,863	-	770,105
Total fund balances	<u>25,343</u>	<u>114,361</u>	<u>289,361</u>	<u>95,265</u>	<u>513,949</u>	<u>538,744</u>	<u>222,911</u>	<u>42,303</u>	<u>108,863</u>	<u>5</u>	<u>1,951,105</u>
Total liabilities and fund balances	<u>\$ 89,401</u>	<u>\$ 115,126</u>	<u>\$ 300,160</u>	<u>\$ 125,816</u>	<u>\$ 514,529</u>	<u>\$ 538,744</u>	<u>\$ 222,911</u>	<u>\$ 42,303</u>	<u>\$ 108,863</u>	<u>\$ 5</u>	<u>\$ 2,057,858</u>

City of Altus, Oklahoma

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds Year Ended June 30, 2018

	Special Revenue Funds					Capital Project Funds					Total Nonmajor Governmental Funds
	ODOC Grant Fund	Altus Donation Fund	Airport Fund	Hotel/Motel Tax Fund	Street and Alley Fund	Economic Development Construction Fund	Landfill Improvement Fund	Cemetery Perpetual Care Fund	Drainage Improvement Fund	Debt Service	
Revenues											
Taxes	\$ -	\$ -	\$ -	\$ 313,625	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 313,625
Intergovernmental	19,150	4,290	211,497	-	168,188	-	-	-	-	-	403,125
Charges for services	-	-	303,029	-	-	-	188,863	928	-	-	492,820
Investment earnings	-	-	-	-	-	2,270	-	-	-	-	2,270
Miscellaneous	-	1,526	2,074	-	-	-	-	25	-	-	3,625
Total revenues	<u>19,150</u>	<u>5,816</u>	<u>516,600</u>	<u>313,625</u>	<u>168,188</u>	<u>2,270</u>	<u>188,863</u>	<u>953</u>	<u>-</u>	<u>-</u>	<u>1,215,465</u>
Expenditures											
Current											
General government	-	-	-	325,884	-	-	-	-	-	-	325,884
Public safety	-	8,043	-	-	-	-	-	-	-	-	8,043
Public works	-	-	-	-	20,000	-	-	-	-	-	20,000
Airport	-	-	583,819	-	-	-	-	-	-	-	583,819
Capital outlay	31,800	-	309,379	-	249,218	-	331,800	-	-	-	922,197
Total expenditures	<u>31,800</u>	<u>8,043</u>	<u>893,198</u>	<u>325,884</u>	<u>269,218</u>	<u>-</u>	<u>331,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,859,943</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>(12,650)</u>	<u>(2,227)</u>	<u>(376,598)</u>	<u>(12,259)</u>	<u>(101,030)</u>	<u>2,270</u>	<u>(142,937)</u>	<u>953</u>	<u>-</u>	<u>-</u>	<u>(644,478)</u>
Other Financing Sources (Uses)											
Transfers in (out)	-	-	463,000	-	-	(390,099)	-	-	-	-	72,901
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>463,000</u>	<u>-</u>	<u>-</u>	<u>(390,099)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,901</u>
Net Changes in Fund Balances	<u>(12,650)</u>	<u>(2,227)</u>	<u>86,402</u>	<u>(12,259)</u>	<u>(101,030)</u>	<u>(387,829)</u>	<u>(142,937)</u>	<u>953</u>	<u>-</u>	<u>-</u>	<u>(571,577)</u>
Fund Balances, Beginning of Year	<u>37,993</u>	<u>116,588</u>	<u>202,959</u>	<u>107,524</u>	<u>614,979</u>	<u>926,573</u>	<u>365,848</u>	<u>41,350</u>	<u>108,863</u>	<u>5</u>	<u>2,522,682</u>
Fund Balances, End of Year	<u>\$ 25,343</u>	<u>\$ 114,361</u>	<u>\$ 289,361</u>	<u>\$ 95,265</u>	<u>\$ 513,949</u>	<u>\$ 538,744</u>	<u>\$ 222,911</u>	<u>\$ 42,303</u>	<u>\$ 108,863</u>	<u>\$ 5</u>	<u>\$ 1,951,105</u>

City of Altus, Oklahoma
Combining Balance Sheet – General Fund Accounts
June 30, 2018

	General Fund	Park Development Account	Emergency 911 Fund	ARAC	Total General Fund Accounts
Assets					
Cash and cash equivalents	\$ 6,003,721	\$ 24,474	\$ 104,410	\$ 46,007	\$ 6,178,612
Receivable from other governments	1,357,598	-	-	-	1,357,598
Due from other funds	1,254,008	-	-	-	1,254,008
Due (to) from other accounts	(3,215)	3,215	-	-	-
Taxes receivable, net	6,666	-	35,593	-	42,259
Court fines receivable, net	75,668	-	-	-	75,668
Other receivables	59,254	-	-	5,195	64,449
	<u>\$ 8,753,700</u>	<u>\$ 27,689</u>	<u>\$ 140,003</u>	<u>\$ 51,202</u>	<u>\$ 8,972,594</u>
Total assets	<u>\$ 8,753,700</u>	<u>\$ 27,689</u>	<u>\$ 140,003</u>	<u>\$ 51,202</u>	<u>\$ 8,972,594</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 45,516	\$ -	\$ 10,988	\$ 4,415	\$ 60,919
Accrued payroll	105,078	-	6,399	-	111,477
Due to other funds	724,659	-	15,588	-	740,247
Accrued interest payable	10,385	-	-	-	10,385
Other payables	12,974	-	-	-	12,974
	<u>898,612</u>	<u>-</u>	<u>32,975</u>	<u>4,415</u>	<u>936,002</u>
Total liabilities	<u>898,612</u>	<u>-</u>	<u>32,975</u>	<u>4,415</u>	<u>936,002</u>
Deferred Inflows of Resources					
Unavailable revenue	52,065	-	-	-	52,065
	<u>52,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,065</u>
Fund Balances					
Committed	5,440,764	-	-	-	5,440,764
Assigned	-	27,689	107,028	46,787	181,504
Unassigned	2,362,259	-	-	-	2,362,259
	<u>7,803,023</u>	<u>27,689</u>	<u>107,028</u>	<u>46,787</u>	<u>7,984,527</u>
Total fund balances	<u>7,803,023</u>	<u>27,689</u>	<u>107,028</u>	<u>46,787</u>	<u>7,984,527</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,753,700</u>	<u>\$ 27,689</u>	<u>\$ 140,003</u>	<u>\$ 51,202</u>	<u>\$ 8,972,594</u>

City of Altus, Oklahoma
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – General Fund Accounts
Year Ended June 30, 2018

	General Fund	Park Development Account	Emergency 911 Fund	ARAC	Total General Fund Accounts
Revenues					
Taxes	\$ 10,442,335	\$ -	\$ 146,374	\$ -	\$ 10,588,709
Intergovernmental	1,072,214	-	-	13,000	1,085,214
Charges for services	371,783	-	-	199,637	571,420
Fines and forfeitures	239,176	-	-	-	239,176
Licenses and permits	75,348	13,300	-	-	88,648
Investment earnings	29,514	7	-	-	29,521
Miscellaneous	115,897	-	-	396	116,293
Total revenues	12,346,267	13,307	146,374	213,033	12,718,981
Expenditures					
Current					
General government	2,923,544	-	-	-	2,923,544
Public safety	7,713,054	-	451,245	-	8,164,299
Public works	1,549,743	-	-	-	1,549,743
Culture, parks and recreation	1,802,107	-	-	176,248	1,978,355
Capital outlay	356,071	-	-	-	356,071
Debt service					
Principal	139,035	-	-	-	139,035
Interest and other charges	21,503	-	-	-	21,503
Total expenditures	14,505,057	-	451,245	176,248	15,132,550
Excess (Deficiency) of Revenues over (Under) Expenditures	(2,158,790)	13,307	(304,871)	36,785	(2,413,569)
Other Financing Sources (Uses)					
Transfers in	8,661,991	-	346,630	-	9,008,621
Transfers out	(4,972,231)	-	-	-	(4,972,231)
Total other financing sources (uses)	3,689,760	-	346,630	-	4,036,390
Net Changes in Fund Balances	1,530,970	13,307	41,759	36,785	1,622,821
Fund Balances, Beginning of Year	6,272,053	14,382	65,269	10,002	6,361,706
Fund Balances, End of Year	\$ 7,803,023	\$ 27,689	\$ 107,028	\$ 46,787	\$ 7,984,527

City of Altus, Oklahoma
Combining Statement of Net Position – Enterprise Fund Accounts
June 30, 2018

	Altus Municipal Authority	Water Treatment Plant Account	MAPS Sales Tax Account	Meter Deposit Account	Total
Assets and Deferred Outflows of Resources					
Current Assets					
Cash and cash equivalents	\$ 268,286	\$ 964,400	\$ 2,903,461	\$ 880,283	\$ 5,016,430
Investments	4,565,194	3,509,945	1,423,590	-	9,498,729
Restricted cash and cash equivalents	1,904,285	-	965,712	-	2,869,997
Deposit with third party	639,396	-	-	-	639,396
Due from other funds	1,152,190	-	709,722	-	1,861,912
Due (to) from other accounts	441,413	(441,413)	-	-	-
Accounts receivable, net	6,694,636	-	-	-	6,694,636
Receivables from other governments	20,932	-	-	-	20,932
Inventories	1,390,561	-	-	-	1,390,561
	<u>17,076,893</u>	<u>4,032,932</u>	<u>6,002,485</u>	<u>880,283</u>	<u>27,992,593</u>
Noncurrent Assets					
Land and construction in progress	3,642,863	4,952,924	-	-	8,595,787
Other capital assets, net of accumulated depreciation	43,525,205	-	-	-	43,525,205
	<u>47,168,068</u>	<u>4,952,924</u>	<u>-</u>	<u>-</u>	<u>52,120,992</u>
Total noncurrent assets	47,168,068	4,952,924	-	-	52,120,992
Total assets	64,244,961	8,985,856	6,002,485	880,283	80,113,585
Deferred Outflows of Resources					
Deferred outflows related to pensions	727,156	-	-	-	727,156
	<u>727,156</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>727,156</u>
Total assets and deferred outflows of resources	<u>64,972,117</u>	<u>8,985,856</u>	<u>6,002,485</u>	<u>880,283</u>	<u>80,840,741</u>

City of Altus, Oklahoma
Combining Statement of Net Position – Enterprise Fund Accounts, continued
June 30, 2018

	Altus Municipal Authority	Water Treatment Plant Account	MAPS Sales Tax Account	Meter Deposit Account	Total
Liabilities and Deferred Inflows of Resources					
Current Liabilities					
Accounts payable	\$ 3,135,051	\$ 211,887	\$ 8,078	\$ -	\$ 3,355,016
Accrued payroll	62,065	-	-	-	62,065
Accrued interest payable	186,833	-	-	-	186,833
Due to other funds	1,043,700	-	1,152,190	-	2,195,890
Payable to other governments	102,028	-	-	-	102,028
Deposits subject to refund	6,916	-	-	176,057	182,973
Compensated absences	68,416	-	-	-	68,416
Contract obligation payable	732,105	-	-	-	732,105
Notes payable	3,528,950	-	-	-	3,528,950
Total current liabilities	8,866,064	211,887	1,160,268	176,057	10,414,276
Noncurrent Liabilities					
Deposits subject to refund	-	-	-	704,226	704,226
Compensated absences	615,750	-	-	-	615,750
Contract obligation payable	4,932,900	-	-	-	4,932,900
Landfill closure liability	3,010,652	-	-	-	3,010,652
Notes payable	9,124,726	-	-	-	9,124,726
Net pension liability	1,865,104	-	-	-	1,865,104
Total noncurrent liabilities	19,549,132	-	-	704,226	20,253,358
Total liabilities	28,415,196	211,887	1,160,268	880,283	30,667,634
Deferred Inflows of Resources					
Deferred inflows related to pensions	211,402	-	-	-	211,402
Deferred revenue	5,100	-	-	-	5,100
Total deferred inflows of resources	216,502	-	-	-	216,502
Total liabilities and deferred inflows of resources	28,631,698	211,887	1,160,268	880,283	30,884,136
Net Position					
Net investment in capital assets	29,251,212	4,724,493	-	-	33,975,705
Restricted for debt service	1,144,916	-	-	-	1,144,916
Restricted for capital projects	-	4,049,476	-	-	4,049,476
Restricted for MAPS projects	-	-	4,842,217	-	4,842,217
Unrestricted	5,944,291	-	-	-	5,944,291
Total net position	\$ 36,340,419	\$ 8,773,969	\$ 4,842,217	\$ -	\$ 49,956,605

City of Altus, Oklahoma
Combining Statement of Revenues, Expenses and Changes in Net Position –
Enterprise Fund Accounts
Year Ended June 30, 2018

	Altus Municipal Authority	Water Treatment Plant Account	MAPS Sales Tax Account	Meter Deposit Account	Total
Operating Revenues					
Water	\$ 6,432,530	\$ -	\$ -	\$ -	\$ 6,432,530
Wastewater	2,170,834	-	-	-	2,170,834
Sanitation	3,607,295	-	-	-	3,607,295
Electric	24,176,171	-	-	-	24,176,171
Miscellaneous	688,755	-	-	-	688,755
Total operating revenues	<u>37,075,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,075,585</u>
Operating Expenses					
Administration	1,137,307	-	55	-	1,137,362
Water	3,550,211	-	-	-	3,550,211
Wastewater	867,177	-	-	-	867,177
Sanitation	1,547,436	-	-	-	1,547,436
Landfill operations (see Note 5)	511,953	-	-	-	511,953
Electric services	17,873,374	-	-	-	17,873,374
Depreciation	2,774,774	-	-	-	2,774,774
Total operating expenses	<u>28,262,232</u>	<u>-</u>	<u>55</u>	<u>-</u>	<u>28,262,287</u>
Operating Income (Loss)	<u>8,813,353</u>	<u>-</u>	<u>(55)</u>	<u>-</u>	<u>8,813,298</u>
Nonoperating Revenues (Expenses)					
Interest and investment revenue	60,472	27,056	38,725	-	126,253
Miscellaneous revenue (expense)	(13,405)	-	1,098,585	-	1,085,180
Payments to school – MAPS	-	-	(1,374,139)	-	(1,374,139)
Interest expense	(646,940)	-	-	-	(646,940)
Total nonoperating revenues (expenses)	<u>(599,873)</u>	<u>27,056</u>	<u>(236,829)</u>	<u>-</u>	<u>(809,646)</u>
Income (Loss) Before Capital Contributions and Transfers	8,213,480	27,056	(236,884)	-	8,003,652
Capital Contributions	160,900	-	-	-	160,900
Interaccount Transfers In (Out)	3,202,341	-	(3,202,341)	-	-
Transfers					
Transfers in	1,925,819	-	7,295,265	-	9,221,084
Transfers out	(11,471,621)	-	(9,969,635)	-	(21,441,256)
Change in Net Position	2,030,919	27,056	(6,113,595)	-	(4,055,620)
Net Position, Beginning of Year	<u>34,309,500</u>	<u>8,746,913</u>	<u>10,955,812</u>	<u>-</u>	<u>54,012,225</u>
Net Position, End of Year	<u>\$ 36,340,419</u>	<u>\$ 8,773,969</u>	<u>\$ 4,842,217</u>	<u>\$ -</u>	<u>\$ 49,956,605</u>

City of Altus, Oklahoma
Combining Statement of Net Position – Internal Service Funds
June 30, 2018

	Workers' Compensation Fund	Assurance Fund	Total
	<hr/>	<hr/>	<hr/>
Assets			
Current Assets			
Cash and cash equivalents	\$ 49,555	\$ 392,541	\$ 442,096
Other receivables	-	295,951	295,951
	<hr/>	<hr/>	<hr/>
Total assets	49,555	688,492	738,047
	<hr/>	<hr/>	<hr/>
Liabilities			
Current Liabilities			
Accounts payable	3,155	-	3,155
Other accrued expenses	-	167,746	167,746
Due to other funds	-	15,222	15,222
Claims liability	45,954	-	45,954
	<hr/>	<hr/>	<hr/>
Total current liabilities	49,109	182,968	232,077
Noncurrent Liabilities			
Claims liability	66,362	-	66,362
	<hr/>	<hr/>	<hr/>
Total liabilities	115,471	182,968	298,439
	<hr/>	<hr/>	<hr/>
Net Position			
Unrestricted (deficit)	(65,916)	505,524	439,608
	<hr/>	<hr/>	<hr/>
Total net position	<u>\$ (65,916)</u>	<u>\$ 505,524</u>	<u>\$ 439,608</u>
	<hr/>	<hr/>	<hr/>

City of Altus, Oklahoma
Combining Statement of Revenues, Expenses and Changes in Net Position –
Internal Service Funds
Year Ended June 30, 2018

	Workers' Compensation Fund	Assurance Fund	Total
Operating Revenues			
Charges for services			
Miscellaneous	\$ -	\$ 202,821	\$ 202,821
	<u>-</u>	<u>202,821</u>	<u>202,821</u>
Total operating revenues			
	<u>-</u>	<u>202,821</u>	<u>202,821</u>
Operating Expenses			
General government	17	10,413	10,430
	<u>17</u>	<u>10,413</u>	<u>10,430</u>
Total operating expenses			
	<u>17</u>	<u>10,413</u>	<u>10,430</u>
Operating Income (Loss)	<u>(17)</u>	<u>192,408</u>	<u>192,391</u>
Nonoperating Revenues			
Interest and investment revenue	29	48	77
Miscellaneous revenue	16	-	16
	<u>45</u>	<u>48</u>	<u>93</u>
Total nonoperating revenues			
	<u>45</u>	<u>48</u>	<u>93</u>
Change in Net Position	28	192,456	192,484
Net Position, Beginning of Year	<u>(65,944)</u>	<u>313,068</u>	<u>247,124</u>
Net Position, End of Year	<u>\$ (65,916)</u>	<u>\$ 505,524</u>	<u>\$ 439,608</u>

City of Altus, Oklahoma
Schedule of Expenditures of State Awards
Year Ended June 30, 2018

State Grantor/Pass-Through Agency Grantor/Program Title	Grant Number	Award Amount	Awards Expended
Oklahoma Attorney General/2017 Safe Oklahoma Grant	N/A	\$ 86,270	\$ 86,270
Oklahoma Aeronautics Commission/FAA Runway Project	AXS-18A-S	303,381	303,381
Oklahoma Department of Commerce/Southwestern Oklahoma Development Authority/Community Expansion of Nutrition Assistance	260 CENA 18-SW-11	3,303	3,303
Oklahoma Department of Commerce/Oklahoma Strategic Military Planning Grants	Various	<u>526,000</u>	<u>160,900</u>
		<u>\$ 918,954</u>	<u>\$ 553,854</u>

Notes to Schedule

1. The schedule of expenditures of state awards is prepared on the accrual basis of accounting. The expenditures are recorded when the liability is incurred regardless of when the award proceeds are received.
2. The City has not been notified of any noncompliance with state award requirements. Any liability for reimbursement that may arise as a result of this audit cannot be reasonably determined at this time; although, it is believed the amount, if any, would not be material.

City of Altus, Oklahoma
Debt Service Coverage Schedule
Year Ended June 30, 2018

	OWRB 2015 Series Drinking Water SRF Promissory Note	OWRB 2017 Series Clean Water SRF Promissory Note	Total Water and Wastewater Notes	Series 2015A Altus Municipal Authority Electric System Utility Revenue Note
Gross Revenue Available				
Pledged operating revenues (electric system)	\$ -	\$ -		\$ 24,181,681
Pledged operating revenues (water and wastewater systems)	<u>8,860,519</u>	<u>8,860,519</u>		<u>-</u>
Total gross revenue available	<u>8,860,519</u>	<u>8,860,519</u>		<u>24,181,681</u>
Operating Expenses				
Total operating expenses (electric system)	-	-		19,654,568
Total operating expenses (water and wastewater systems)	<u>6,631,676</u>	<u>6,631,676</u>		<u>-</u>
Total operating expenses	<u>6,631,676</u>	<u>6,631,676</u>		<u>19,654,568</u>
Net Revenue Available for Debt Service	<u>\$ 2,228,843</u>	<u>\$ 2,228,843</u>	<u>\$ 2,228,843</u>	<u>\$ 4,527,113</u>
Annual Debt Service	<u>\$ 134,333</u>	<u>\$ 14,318</u>	<u>\$ 148,651</u>	<u>\$ 669,938</u>
Computed Coverage	<u>1659%</u>	<u>15567%</u>	<u>1499%</u>	<u>676%</u>
Coverage Requirement	<u>125%</u>	<u>125%</u>	<u>125%</u>	<u>125%</u>

**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**

Independent Auditor's Report

Honorable Mayor and City Council
City of Altus, Oklahoma
Altus, Oklahoma

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Altus, Oklahoma (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 6, 2019, which contained an *Emphasis of Matter* paragraph regarding a change in accounting principle.

Internal Control over Financial Reporting

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

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

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

Honorable Mayor and City Council
City of Altus, Oklahoma

Compliance and Other Matters

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

Purpose of This Report

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

BKD, LLP

Oklahoma City, Oklahoma
September 6, 2019

City of Altus, Oklahoma
Schedule of Findings and Responses
Year Ended June 30, 2018

Reference Number	Finding
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No matters are reportable.