

**City of Altus, Oklahoma**

**Report on Audit  
Of  
Financial Statements**

**June 30, 2010**



**City of Altus, Oklahoma**  
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**June 30, 2010**

**Table of Contents**

<b><u>Financial Section</u></b>	<b><u>Pages</u></b>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-11
Basic Financial Statements	
Statement of Net Assets	12
Statement of Activities	13
Balance Sheet – Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Assets – Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Statement of Fiduciary Net Assets – Fiduciary Funds	20
Notes to Financial Statements	21-42
<b><u>Required Supplementary Information</u></b>	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	43-44
Explanation of Differences Between Revenues, Expenditures, and Other Financing Sources (Uses) for Budgetary Funds on a Budgetary Basis and GAAP General Fund on a GAAP Basis	45

**City of Altus, Oklahoma**  
**Report on Audit of Financial Statements**  
**June 30, 2010**

**Table of Contents**  
(continued)

<b><u>Supplementary Information</u></b>	<b><u>Pages</u></b>
Combining Financial Statements	
Nonmajor Governmental Funds	
Combining Balance Sheet	46–47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	48–49
Internal Service Funds	
Combining Statement of Net Assets	50
Combining Statement of Revenues, Expenses, and Changes in Net Assets	51
Combining Statement of Cash Flows	52
Compliance and Internal Control Report	
Independent Auditor’s Report on Internal Control Over Financial Reporting and On Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53–54
Schedule of Findings and Responses	55–59
Summary Schedule of Prior Audit Findings	60–61



# Ronald C. Cottrell, CPA

## Independent Auditor's Report

March 9, 2011

City Commissioners  
City of Altus  
Altus, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Altus, Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise the City of Altus' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Altus' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Altus Southwest Area Economic Development Corporation, which represent 83 percent, 83 percent, and 64 percent, respectively, of the assets, net assets, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it related to the amounts included for Altus Southwest Area Economic Development Corporation, is based on the report of the other auditors.

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

The financial statements of Altus Great Plains Recreation, Inc. have not been audited, and we were not engaged to audit the Altus Great Plains Recreation, Inc. financial statements as part of our audit of the City of Altus' basic financial statements. Altus Great Plains Recreation, Inc.'s financial activities are included in the City of Altus' basic financial statements as a discretely presented component unit and represent 17 percent, 17 percent, and 36 percent of the assets, net assets, and revenues, respectively, of the City of Altus' aggregate discretely presented component units.

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

## Ronald C. Cottrell, CPA

discretely presented component units for the City of Altus as of June 30, 2010 and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Altus, Oklahoma, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2011, on our consideration of the City of Altus' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Altus' basic financial statements. The accompanying combining and individual nonmajor fund financial statements listed under supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ronald C. Cottrell, CPA

**City of Altus, Oklahoma**  
**Management's Discussion and Analysis**  
**June 30, 2010**

The following discussion and analysis of the City of Altus' (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the City's financial statements, which begin on page 12.

**Financial Highlights**

- ❖ The assets of the City of Altus exceeded its liabilities at the close of the most recent fiscal year by \$ 40,981,174 (net assets). Of this amount, \$ 4,269,814 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ❖ During the year, the government's total net assets increased by \$ 686,076. This is mainly attributed to the acquisition of the Thomas/Guysi property, the purchase of a shoring box for the water maintenance department, a side loader for the sanitation department, a fork lift for the water treatment plant, as well as the purchasing of tasers for the police department, and new detective and fire marshal vehicles. The City also made improvements to the city auditorium, the SE wastewater plant clarifier, water treatment plant and the electrical distribution system.
- ❖ As of the close of the current fiscal year, the City of Altus' governmental funds reported combined ending fund balances of \$ 6,142,623, a decrease of \$ 561,141 in comparison with the prior year. Approximately \$ 3,542,101 is available for spending at the government's discretion (unreserved fund balance).
- ❖ At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 1,318,108, or 10% of total general fund expenditures.
- ❖ The City of Altus' total debt decreased by \$ 3,503,449 during the current fiscal year. The key factors in this decrease were the retirement of the 2005 DWSRF promissory note, the Series 2005 OWRB NT (SAF) revenue note and the Series 2004 hotel/motel loan.

**Overview of the Financial Statements**

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

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

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

See disclaimer in accompanying Independent Auditor's Report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$ 40,981,174 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (67%) reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Altus

#### Net Assets

June 30, 2010 and 2009

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Current assets	\$ 8,479,249	\$ 8,800,626	\$ 28,818,598	\$ 40,756,433	\$ 37,297,847	\$ 49,557,059
Capital and other noncurrent assets	7,599,942	7,994,625	45,768,810	36,772,634	53,368,752	44,767,259
Total assets	16,079,191	16,795,251	74,587,408	77,529,067	90,666,599	94,324,318
Current liabilities	473,664	774,585	6,921,099	5,127,995	7,394,763	5,902,580
Long-term liabilities	1,657,073	1,523,734	40,633,589	46,602,906	42,290,662	48,126,640
Total liabilities	2,130,737	2,298,319	47,554,688	51,730,901	49,685,425	54,029,220
Net assets:						
Invested in capital assets, net of related debt	7,592,179	8,020,216	19,770,582	19,705,985	27,362,761	27,726,201
Restricted	1,368,003	1,356,831	7,980,596	9,876,057	9,348,599	11,232,888
Unrestricted	4,988,272	5,119,885	(718,458)	(3,783,876)	4,269,814	1,336,009
Total net assets	\$ 13,948,454	\$ 14,496,932	\$ 27,032,720	\$ 25,798,166	\$ 40,981,174	\$ 40,295,098

An additional portion of the City's net assets (23%) represents resources that are subject to external restrictions on how they may be used, for example, capital improvements and debt service. The remaining balance of unrestricted net assets (\$ 4,269,814) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's net assets increased by \$ 686,076 during the current fiscal year.

### City of Altus

#### Statement of Activities

Years Ended June 30, 2010 and 2009

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Program revenues:						
Charges for services	\$ 1,211,215	\$ 1,223,518	\$ 26,273,614	\$ 22,927,900	\$ 27,484,829	\$ 24,151,418
Grants/contributions	1,874,206	1,313,165	837,454	654,234	2,711,660	1,967,399
General revenues	10,646,274	10,053,216	(276,383)	(765,559)	10,369,891	9,287,657
Total revenues	13,731,695	12,589,899	26,834,685	22,816,575	40,566,380	35,406,474

See disclaimer in accompanying Independent Auditor's Report.

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Expenses:						
General government	3,013,207	2,800,515	-	-	3,013,207	2,800,515
Public safety	6,919,382	6,408,564	-	-	6,919,382	6,408,564
Public works	3,312,600	2,952,935	-	-	3,312,600	2,952,935
Culture and recreation	1,674,561	1,391,133	-	-	1,674,561	1,391,133
Utilities	-	-	23,324,508	21,187,461	23,324,508	21,187,461
Economic development	-	-	268,580	240,844	268,580	240,844
Other	22,683	37,431	1,344,783	1,196,163	1,367,466	1,233,594
Total expenses	14,942,433	13,590,578	24,937,871	22,624,468	39,880,304	36,215,046
Increase in net assets before transfers	(1,210,738)	(1,000,679)	1,896,814	192,107	686,076	(808,572)
Transfers, net	662,260	2,667,294	(662,260)	(2,667,294)	-	-
Increase in net assets	(548,478)	1,666,615	1,234,554	(2,475,187)	686,076	(808,572)
Net assets, beginning	14,496,932	12,830,317	25,798,166	28,273,353	40,295,098	41,103,670
Net assets, ending	\$ 13,948,454	\$ 14,496,932	\$ 27,032,720	\$ 25,798,166	\$ 40,981,174	\$ 40,295,098

**Governmental activities.** Governmental activities decreased the City's net assets by \$ 548,478. Key elements of this decrease are as follows:

- A 10% or \$530,984 decrease in operational sales tax revenue receipts.
- A 9% OR \$863,045 increase in overall personnel costs. These costs include full-time and part-time salaries, overtime, taxes, allowances, and health, life and workers compensation insurance costs.

	City of Altus			
	Governmental Activities			
	Years Ended June 30, 2010 and 2009			
	Program Revenues		Cost of Services	
	2010	2009	2010	2009
General government	\$ 147,960	\$ 91,582	\$ 3,013,207	\$ 2,800,515
Public safety	486,464	568,841	6,919,382	6,408,564
Public works	2,132,528	1,706,605	3,312,600	2,952,935
Culture and recreation	318,469	169,655	1,674,561	1,391,133
Interest and fiscal charges	-	-	22,683	37,431
Total governmental activities	\$ 3,085,421	\$ 2,536,683	\$ 14,942,433	\$ 13,590,578

**Business-type activities.** Business-type activities increased the City's net assets by \$ 1,234,554. The key elements in this increase are:

- The business-type activities had increased utility revenues as follows: electric revenues increased \$3,107,293 or 20%, water revenues increased \$531,680 or 18%, sewer revenues increased \$95,424 or 8% and landfill revenues increased \$90,275 or 17%.
- While the business-type activities saw increases in revenue, it also saw increases in some key areas of expenditures. Personnel expenditures increased \$769,767 or 21% and the electric power purchased increased by \$944,755 or 8%.

See disclaimer in accompanying Independent Auditor's Report.

- Along with the increases in the electric power purchased the business-type activities saw an increase in the operational cost of the water treatment facilities. These costs are minus personnel and capital expenditures. The business-type activities saw an increase in the cost to operate the water treatment facilities by \$193,732 or 11%.

<b>City of Altus</b>				
Business-Type Activities				
<u>Years Ended June 30, 2010 and 2009</u>				
	<u>Program Revenues</u>		<u>Cost of Services</u>	
	2010	2009	2010	2009
Electric	\$ 18,987,233	\$ 15,880,157	\$ 14,055,776	\$ 13,229,665
Water/wastewater	4,657,729	4,044,910	4,737,147	4,768,907
Sanitation	1,269,049	1,173,625	937,664	834,954
Landfill	526,085	536,244	599,453	619,407
Economic development	-	-	268,580	240,844
Interest and fiscal charges	-	-	1,577,435	996,959
Administration/services	833,518	1,292,964	1,417,033	737,569
Other	837,454	654,234	1,344,783	1,196,163
Total business-type activities	<u>\$ 27,111,068</u>	<u>\$ 23,582,134</u>	<u>\$ 24,937,871</u>	<u>\$ 22,624,468</u>

### **Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 6,142,623, a decrease of \$ 561,141 in comparison with the prior year. Approximately 58% of this total amount (\$ 3,542,101) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for capital improvements, encumbrances, or debt service.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 1,318,108. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unreserved fund balance represents 10% of total general fund expenditures.

The fund balance of the City's general fund decreased \$ 79,657 during the current fiscal year.

- The purchase of two patrol units, one detective unit and a fire marshal vehicle.
- The funding of the matching portion of a CDBG demolition grant.
- The purchase of golf carts for the public golf course.
- Other miscellaneous capital improvement purchases.

See disclaimer in accompanying Independent Auditor's Report.

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

Unrestricted net assets of the Altus Municipal Authority at the end of the year amounted to \$ (935,678). The total increase in net assets was \$ 1,234,554. Operating revenues showed an increase of \$ 3,345,714 from the \$ 22,927,900 reported in the prior year. Operating expenses were up by \$ 1,336,147 to \$ 22,015,653, due to the following factors:

- Increased personnel costs.
- Increased purchased power costs.
- Increased fuel costs.
- Increased costs to operate the water treatment facilities.

Nonoperating revenues and expenses reported an increase of \$ 85,185 in interest income and an increase of \$ 580,476 in interest expense. Other non-operating revenues and expenses included disaster reimbursements and expenses of \$ 837,454 and \$ 227,343, respectively, payments to Altus Public Schools of \$ 1,117,440 for MAPS and the write down of the investment in Quartz Mountain Aerospace of \$ 1,131,929 due to its bankruptcy filing and subsequent liquidation. Net operating transfers decreased \$ 2,005,034.

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

The City's estimated revenues went from \$ 11,962,650 to \$ 12,444,350 for the general fund due to the FEMA reimbursements for disaster assistance.

Expenditures appropriated went from \$ 14,725,595 to \$ 14,757,145. Major changes in departmental budgets included:

- Increased budgetary considerations for the 2009 snow storm and the 2010 ice storm.
- Overall increased cost of fuel and vehicle maintenance.

During the year, revenues of \$ 11,519,402 were less than budgetary estimates by \$ 924,948. This was primarily due to:

- Decreases in the governmental tax base, which would include the franchise tax, alcoholic beverage tax, sales tax and use tax, along with the gasoline tax for the street and alley fund.
- Decreases in the municipal court fines issued.
- Decreases in the amount of federal and state grants which were expected to be received.

Expenditures of \$ 13,120,536 were less than budgetary estimates of \$ 14,757,145, due to:

- Departmental cut backs to balance out reduced revenues.
- Reduction in expenditures for contract services.
- Reduction in capital outlay expenditures.

See disclaimer in accompanying Independent Auditor's Report.

As a result, after net transfers in of \$ 926,912, the City had to use approximately \$ 674,222 of its fund balance carry-forward to fund expenditures.

### Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$ 52,923,984 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles and equipment, and infrastructure.

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

- Purchase of two patrol vehicles, one detective vehicle and one fire marshal vehicle.
- Purchase of equipment for the golf course.
- Purchase of miscellaneous equipment to include tasers for the police department, a wheel balancer for fleet maintenance and a scan tool for fleet maintenance.
- Purchase of a shoring box for the water maintenance department and roll-off containers for the electric department.
- Purchase of land as a buffer zone around the Altus Air Force Base.
- Partial completion of the construction of a new city hall/safety complex.

<b>City of Altus</b>						
Capital Assets						
<u>June 30, 2010 and 2009</u>						
(net of depreciation)						
	Governmental		Business-Type		Totals	
	Activities	Activities	Activities	Activities	Activities	Activities
	2010	2009	2010	2009	2010	2009
Land	\$ 1,217,403	\$ 1,013,323	\$ 1,304,662	\$ 708,662	\$ 2,522,065	\$ 1,721,985
Construction in progress	78,252	304,381	6,386,314	1,177,091	6,464,566	1,481,472
Buildings and improvements	4,171,675	4,214,705	15,225,648	14,280,791	19,397,323	18,495,496
Machinery and equipment	1,616,500	1,942,951	1,811,695	1,547,974	3,428,195	3,490,925
Infrastructure	516,112	519,265	6,959,480	4,372,149	7,475,592	4,891,414
Intangible water rights	-	-	13,636,242	14,252,435	13,636,242	14,252,435
Capital assets, net	<u>\$ 7,599,942</u>	<u>\$ 7,994,625</u>	<u>\$ 45,324,041</u>	<u>\$ 36,339,102</u>	<u>\$ 52,923,983</u>	<u>\$ 44,333,727</u>

Additional information of the City's capital assets can be found in Note V.D. on pages 31–32 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total debt outstanding of \$ 37,508,766. This represents debt secured solely by specified revenue sources (i.e., revenue bonds and notes) totaling \$ 23,882,016, other notes payable to banks and other governmental entities of \$ 103,517, \$ 2,372,426 in capital lease obligations, contract obligations payable of \$ 9,916,695 for water rights, and accrued compensated absences of \$ 1,234,112.

See disclaimer in accompanying Independent Auditor's Report.

**City of Altus**  
**Outstanding Debt**  
**June 30, 2010 and 2009**

	Governmental		Business-Type		Totals	
	Activities		Activities		2010	2009
	2010	2009	2010	2009	2010	2009
Capital lease obligations	\$ 7,763	\$ 25,591	\$ 2,364,663	\$ 753,372	\$ 2,372,426	\$ 778,963
Contract obligation payable	-	-	9,916,695	10,327,770	9,916,695	10,327,770
Notes payable	-	-	23,985,533	29,007,257	23,985,533	29,007,257
Compensated absences	876,073	675,355	358,039	222,870	1,234,112	898,225
Total outstanding debt	<u>\$ 883,836</u>	<u>\$ 700,946</u>	<u>\$ 36,624,930</u>	<u>\$ 40,311,269</u>	<u>\$ 37,508,766</u>	<u>\$ 41,012,215</u>

The City's total debt decreased \$ 3,503,449 during the current fiscal year. The key factors in this increase were:

- Pay off of the 2005 DWSRF promissory note in the amount of \$504,212
- Pay off of the OWRB NT (SAF) revenue note, Series 2005 in the amount of \$3,010,750.
- Pay off of the Series 2004 FNB hotel/motel note in the amount of \$7,639.

Additional information on the City's long-term debt can be found in Notes V.G. on pages 32–36 of this report.

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

The City's elected and appointed officials considered many factors when setting the fiscal year 2011 revenue and expense budgets. The city expects increases in revenues and expenditures. Revenues are expected to increase due to MAPS sales tax additional ¾ cent sales tax increase and utility sales due to the addition of base housing as utility customers.

When setting the fiscal year 2011 expenditure budget, the City's officials anticipated minor increases in operating budgets due mainly to payroll expenses. The fiscal year 2011 budget includes expenses for several capital improvement projects and programs to include filter replacement which is required for the water treatment plant, the City's MAPS program, the Quartz Mountain Regional Airport hanger construction, the completion of Navajoe Gateway Phase IV, beginning construction of Phase V, and design of Falcon Road from Main Street to Veterans By-pass.

**Requests for Information**

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

See disclaimer in accompanying Independent Auditor's Report.

**City of Altus, Oklahoma**  
**Statement of Net Assets**  
**June 30, 2010**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 2,912,688	\$ (3,455,347)	\$ (542,659)
Investments	1,900,001	60,001	1,960,002
Receivables (net of allowance for uncollectibles):			
Accounts	336,101	4,674,768	5,010,869
Taxes	1,769,145		1,769,145
Due from other governments	1,079,531	806,800	1,886,331
Interest	2,665	5,094	7,759
Internal balances	390,099	(390,099)	-
Inventory	89,019	1,121,073	1,210,092
Restricted assets:			
Cash and investments	-	25,996,308	25,996,308
Total current assets	<u>8,479,249</u>	<u>28,818,598</u>	<u>37,297,847</u>
Noncurrent assets:			
Debt issuance costs (net of accumulated amortization)	-	444,768	444,768
Capital assets (net of accumulated depreciation)	7,599,942	45,324,042	52,923,984
Total noncurrent assets	<u>7,599,942</u>	<u>45,768,810</u>	<u>53,368,752</u>
Total assets	<u>16,079,191</u>	<u>74,587,408</u>	<u>90,666,599</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	263,806	1,999,256	2,263,062
Payable from restricted assets:			
Accrued interest	-	431,543	431,543
Refundable deposits	13,759	809,209	822,968
Short-term notes payable	-	20,480	20,480
Current portion of long-term debt	196,099	3,660,611	3,856,710
Total current liabilities	<u>473,664</u>	<u>6,921,099</u>	<u>7,394,763</u>
Noncurrent liabilities:			
Notes payable	-	23,985,533	23,985,533
Capital lease obligations	7,763	2,364,663	2,372,426
Contract obligation payable	-	9,916,695	9,916,695
Deferred gain - contract refinancing	-	6,061,528	6,061,528
Accrued landfill closure and postclosure costs	-	1,607,742	1,607,742
Compensated absences	876,073	358,039	1,234,112
Claims liability	969,336	-	969,336
Less: current portion of long-term debt	(196,099)	(3,660,611)	(3,856,710)
Total noncurrent liabilities	<u>1,657,073</u>	<u>40,633,589</u>	<u>42,290,662</u>
Total liabilities	<u>2,130,737</u>	<u>47,554,688</u>	<u>49,685,425</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	7,592,179	19,770,582	27,362,761
Restricted by:			
Statutes	1,164,400	-	1,164,400
Enabling legislation	151,994	97,770	249,764
Debt service	-	3,290,744	3,290,744
Contractual agreement	51,609	4,592,082	4,643,691
Unrestricted	4,988,272	(718,458)	4,269,814
Total net assets	<u>\$ 13,948,454</u>	<u>\$ 27,032,720</u>	<u>\$ 40,981,174</u>

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



**City of Altus, Oklahoma**  
**Statement of Activities**  
**Year Ended June 30, 2010**

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
<b>Governmental activities:</b>				
General government	\$ 3,013,207	\$ 147,960	\$ -	\$ -
Public safety	6,919,382	429,709	44,034	12,721
Public works	3,312,600	349,307	885,064	898,157
Culture and recreation	1,674,561	284,239	16,730	17,500
Interest on long-term debt	22,683	-	-	-
Total governmental activities	14,942,433	1,211,215	945,828	928,378
<b>Business-type activities:</b>				
Administrative/services	1,417,033	833,518	-	-
Electric	14,055,776	18,987,233	-	-
Water/wastewater	4,737,147	4,657,729	-	-
Sanitation	937,664	1,269,049	-	-
Landfill	599,453	526,085	-	-
Economic development	268,580	-	-	-
Other	1,344,783	-	837,454	-
Interest expense and fiscal charges	1,577,435	-	-	-
Total business-type activities	24,937,871	26,273,614	837,454	-
Total primary government	\$ 39,880,304	\$ 27,484,829	\$ 1,783,282	\$ 928,378
<b>Component units:</b>				
Altus Great Plains Recreation, Inc.	\$ 228,724	\$ 166,446	\$ 90,137	\$ 212
Altus SW Area Economic Development Corp.	729,014	-	462,042	-
Total component units	\$ 957,738	\$ 166,446	\$ 552,179	\$ 212

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

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Altus Great Plains Recreation, Inc	Altus SW Area Economic Development Corp
\$ (2,865,247)	\$ -	\$ (2,865,247)	\$ -	\$ -
(6,432,918)	-	(6,432,918)	-	-
(1,180,072)	-	(1,180,072)	-	-
(1,356,092)	-	(1,356,092)	-	-
(22,683)	-	(22,683)	-	-
<u>(11,857,012)</u>	<u>-</u>	<u>(11,857,012)</u>	<u>-</u>	<u>-</u>
-	(583,515)	(583,515)	-	-
-	4,931,457	4,931,457	-	-
-	(79,418)	(79,418)	-	-
-	331,385	331,385	-	-
-	(73,368)	(73,368)	-	-
-	(268,580)	(268,580)	-	-
-	(507,329)	(507,329)	-	-
-	(1,577,435)	(1,577,435)	-	-
<u>-</u>	<u>2,173,197</u>	<u>2,173,197</u>	<u>-</u>	<u>-</u>
<u>(11,857,012)</u>	<u>2,173,197</u>	<u>(9,683,815)</u>	<u>-</u>	<u>-</u>
			28,071	-
			-	-
			-	(266,972)
			<u>28,071</u>	<u>(266,972)</u>
9,414,273	-	9,414,273	-	-
361,978	-	361,978	-	-
651,248	-	651,248	-	-
40,010	603,432	643,442	-	3,903
82,922	4,632	87,554	-	28
95,843	(884,447)	(788,604)	-	-
662,260	(662,260)	-	-	-
<u>11,308,534</u>	<u>(938,643)</u>	<u>10,369,891</u>	<u>-</u>	<u>3,931</u>
(548,478)	1,234,554	686,076	28,071	(263,041)
<u>14,496,932</u>	<u>25,798,166</u>	<u>40,295,098</u>	<u>58,448</u>	<u>698,134</u>
<u>\$ 13,948,454</u>	<u>\$ 27,032,720</u>	<u>\$ 40,981,174</u>	<u>\$ 86,519</u>	<u>\$ 435,093</u>

**City of Altus, Oklahoma**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ (507,546)	\$ 2,954,515	\$ 2,446,969
Investments	-	1,200,001	1,200,001
Receivables:			
Accounts	302,455	33,646	336,101
Taxes	1,708,353	60,792	1,769,145
Interest	-	620	620
Due from other governments	1,079,531	-	1,079,531
Due from other funds	-	390,099	390,099
Inventory	58,678	30,341	89,019
Total assets	\$ 2,641,471	\$ 4,670,014	\$ 7,311,485
<b>Liabilities and fund balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 215,372	\$ 48,434	\$ 263,806
Refundable deposits	13,759	-	13,759
Deferred revenue	891,297	-	891,297
Total liabilities	1,120,428	48,434	1,168,862
Fund balances:			
Reserved for:			
Capital improvements/debt service	-	1,237,375	1,237,375
Economic development	-	1,100,735	1,100,735
Encumbrances	202,935	59,477	262,412
Unreserved, designated for, reported in:			
Special revenue funds	-	2,223,993	2,223,993
Unreserved, undesignated, report in:			
General Fund	1,318,108	-	1,318,108
Total fund balances	1,521,043	4,621,580	6,142,623
Total liabilities and fund balances	\$ 2,641,471	\$ 4,670,014	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,599,942
Long-term liabilities are not due and payable in the current period and therefore are not reported in funds:	
Deferred revenue-fines	264,723
Deferred revenue-FEMA grant	626,574
Capital lease obligations	(7,763)
Accrued compensated absences	(876,073)

Internal service funds are used to charge the costs of workers' comp insurance and employee health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

<b>Net assets of governmental activities</b>	<b>\$ 198,428</b>
	<b>\$ 13,948,454</b>

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

**City of Altus, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2010**

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 9,778,856	\$ 242,411	\$ 10,021,267
Licenses and permits	119,595	-	119,595
Intergovernmental	1,414,198	197,048	1,611,246
Fines and forfeitures	242,438	-	242,438
Charges for services	353,439	435,857	789,296
Other	111,286	48,358	159,644
Interest	3,552	36,458	40,010
Total revenues	<u>12,023,364</u>	<u>960,132</u>	<u>12,983,496</u>
<b>Expenditures</b>			
Current:			
General government	2,970,732	1,731	2,972,463
Public safety	6,090,973	532,912	6,623,885
Public works	2,302,294	765,161	3,067,455
Culture and recreation	1,529,118	110	1,529,228
Debt service:			
Principal	200,915	3,020	203,935
Interest	17,719	12,987	30,706
Capital outlay	112,109	945,844	1,057,953
Total expenditures	<u>13,223,860</u>	<u>2,261,765</u>	<u>15,485,625</u>
Excess of revenues over (under) expenditures	(1,200,496)	(1,301,633)	(2,502,129)
<b>Other financing sources (uses)</b>			
Transfers in	6,269,819	1,083,088	7,352,907
Transfers out	(5,148,980)	(262,939)	(5,411,919)
Total other financing sources (uses)	<u>1,120,839</u>	<u>820,149</u>	<u>1,940,988</u>
<b>Net change in fund balances</b>	(79,657)	(481,484)	(561,141)
Fund balances, beginning	<u>1,600,700</u>	<u>5,103,064</u>	<u>6,703,764</u>
Fund balances, ending	<u>\$ 1,521,043</u>	<u>\$ 4,621,580</u>	<u>\$ 6,142,623</u>

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

**City of Altus, Oklahoma**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2010**

Net change in fund balances – total governmental funds	\$ (561,141)
Adjustments for the statement of activities:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets are allocated over their estimated useful lives as a depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation in the current reporting period. Also, the disposition of capital assets provide current resources to governmental funds, however, it has no effect on net assets.	
Capital outlay expenditures, net	298,049
Depreciation expense	(788,575)
Disposition of capital assets, net	95,843
	(394,683)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	
Capital lease principal payments	17,828
Some revenues and expenses in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported in governmental funds.	
Accrued compensated absences, net change	(200,718)
Deferred revenue - fines, net change	25,782
Deferred revenue - FEMA grant, net change	626,574
	451,638
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	
Change in net assets of governmental activities	(62,120)
	\$ (548,478)

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

**City of Altus, Oklahoma**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

	Business-type Activities Altus Municipal Authority	Governmental Activities Internal Service Funds
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ (3,455,347)	\$ 465,719
Investments	60,001	700,000
Receivables:		
Accounts (net of allowance for uncollectibles)	4,674,768	-
Interest	5,094	2,045
Due from other governments	806,800	-
Inventory	1,121,073	-
Restricted assets:		
Cash and investments	25,996,308	-
Total current assets	29,208,697	1,167,764
Noncurrent assets:		
Debt issuance costs (net of accumulated amortization)	444,768	-
Capital assets (net of accumulated depreciation)	45,324,042	-
Total noncurrent assets	45,768,810	-
Total assets	74,977,507	1,167,764
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	1,999,256	-
Payable from restricted assets:		
Accrued interest payable	431,543	-
Refundable deposits	809,209	-
Due to other funds	390,099	-
Short-term notes payable	20,480	-
Current portion of long-term debt	3,660,611	188,336
Total current liabilities	7,311,198	188,336
Noncurrent liabilities:		
Notes payable	23,985,533	-
Capital lease obligations	2,364,663	-
Contract obligation payable	9,916,695	-
Deferred gain - contract refinancing	6,061,528	-
Accrued landfill closure and postclosure costs	1,607,742	-
Compensated absences	358,039	-
Claims liability	-	969,336
Less: current portion of long-term debt	(3,660,611)	(188,336)
Total noncurrent liabilities	40,633,589	781,000
Total liabilities	47,944,787	969,336
<b>Net assets</b>		
Invested in capital assets, net of related debt	19,770,582	-
Restricted:		
Debt service	3,290,744	-
Capital improvements	97,770	-
Other	4,809,302	198,428
Unrestricted	(935,678)	-
Total net assets	\$ 27,032,720	\$ 198,428

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

**City of Altus, Oklahoma**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2010**

	Business-type Activities <u>Altus Municipal Authority</u>	Governmental Activities <u>Internal Service Funds</u>
<b>Operating revenues</b>		
Charges for services:		
Electric	\$ 18,987,233	\$ -
Water	3,508,727	-
Wastewater	1,149,002	-
Sanitation	1,269,049	-
Landfill	526,085	-
Other	19,495	2,701,410
Penalties and late charges	814,023	-
Total operating revenues	<u>26,273,614</u>	<u>2,701,410</u>
<b>Operating expenses</b>		
Administration	170,195	106,253
Electric	13,770,045	-
Water/wastewater maintenance	776,400	-
Water treatment	1,720,526	-
Wastewater treatment	628,551	-
Sanitation	870,552	-
Landfill	364,598	-
Economic development	268,580	-
Utility services	495,236	-
Meter services	339,993	-
Enterprise services	67,853	-
Depreciation and amortization	2,323,866	-
Bad debt expense	219,258	-
Claims expense	-	2,487,603
Total operating expenses	<u>22,015,653</u>	<u>2,593,856</u>
Net operating income (loss)	4,257,961	107,554
<b>Nonoperating revenues (expenses)</b>		
Reimbursement for disaster expenses	837,454	-
Disaster expenses	(227,343)	-
Miscellaneous revenues	4,632	14,211
Interest income	603,432	16,240
Interest expense and fiscal charges	(1,577,435)	-
Payments to school - MAPS	(1,117,440)	-
Gain (loss) on investments	(1,131,929)	-
Gain (loss) on disposition of assets	247,482	-
Total nonoperating revenues (expenses)	<u>(2,361,147)</u>	<u>30,451</u>
<b>Operating transfers</b>		
Transfers in	6,317,096	-
Transfers (out)	(6,979,356)	(200,125)
Total operating transfers	<u>(662,260)</u>	<u>(200,125)</u>
Net income (loss)	1,234,554	(62,120)
Net assets, beginning	25,798,166	260,548
Net assets, ending	<u>\$ 27,032,720</u>	<u>\$ 198,428</u>

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

**City of Altus, Oklahoma**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2010**

	Business-type Activities Altus Municipal Authority	Governmental Activities Internal Service Fund
<b>Cash flows from operating activities</b>		
Receipts from customers and others	\$ 25,866,211	\$ 2,701,410
Payments to suppliers	(16,864,418)	(106,253)
Claims and judgments paid	-	(2,511,783)
Payments to employees	(3,143,603)	-
Net cash provided (used) by operating activities	5,858,190	83,374
<b>Cash flows from noncapital financing activities</b>		
Interfund (receivable) payable	390,099	-
Miscellaneous revenues/ (expenses)	(1,309,497)	14,211
Operating transfers in (out)	(662,260)	(200,125)
Net cash provided (used) by noncapital financing activities	(1,581,658)	(185,914)
<b>Cash flows from capital and related financing activities</b>		
Proceeds from issuance of long-term debt	2,520,947	-
Debt issuance costs	(119,859)	-
Principal paid on long-term debt	(6,321,973)	-
Interest expense and fiscal charges	(1,840,420)	-
(Increase) decrease in restricted assets	8,830,396	-
Acquisition/construction of capital assets	(10,952,701)	-
Net cash provided (used) by capital and related financing activities	(7,883,610)	-
<b>Cash flows from investing activities</b>		
(Increase) decrease in investments	2,771,930	-
Interest income	620,611	17,753
Net cash provided (used) by investing activities	3,392,541	17,753
Net increase (decrease) in cash and cash equivalents	(214,537)	(84,787)
Cash and cash equivalents, beginning	(3,240,810)	550,506
Cash and cash equivalents, ending	\$ (3,455,347)	\$ 465,719
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Net operating income (loss)	\$ 4,257,961	\$ 107,554
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	2,323,866	-
Changes in assets and liabilities:		
(Increase) decrease in receivables	(407,403)	-
(Increase) decrease in inventory	(204,032)	-
Increase (decrease) in accounts payable	154,674	-
Increase (decrease) in customer deposits	9,371	-
Increase (decrease) in accrued expenses	(276,247)	-
Increase (decrease) in claims liability	-	(24,180)
Total adjustments	1,600,229	(24,180)
Net cash provided (used) by operating activities	\$ 5,858,190	\$ 83,374

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

**City of Altus, Oklahoma**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2010**

	Agency Flex Benefit Plan
<b>Assets</b>	
Cash and cash equivalents	\$ 41,739
Total assets	41,739
<b>Liabilities</b>	
Refundable deposits	41,739
Total liabilities	41,739
<b>Net assets</b>	\$ -

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

**City of Altus, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2010**

**I. Organization**

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

**II. Summary of significant accounting policies**

**A. Reporting entity**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital leases payable	\$ 7,763
Accrued compensated absences	876,073
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 883,836</u>

Another element of the reconciliation concerns timing of revenue recognition. The fund financial statements record revenues on a modified accrual basis, generally including revenues received within two months after year end, while government-wide financial statements recognize revenue on the full accrual basis when earned. The details of this difference are as follows:

Deferred revenue – fines	\$ 264,723
Deferred revenue – grants	<u>626,574</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 891,297</u>

Another difference concerns capital asset reporting. The cost of capital assets, net of accumulated depreciation, are reported on the government-wide statement of net assets, but not on the governmental fund financial statements since they are not financial resources. The details of this difference are as follows:

Capital assets, net of accumulated depreciation	<u>\$ 7,599,942</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 7,599,942</u>

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

Internal service funds for unemployment and employee health insurance	<u>\$ 198,428</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 198,428</u>

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

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

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

Capital outlay	\$ 298,049
Depreciation expense	(788,575)
Disposition of capital assets, net	<u>95,843</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 394,683</u>

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

Principal repayments:	
Capital lease obligations	\$ 17,828
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>17,828</u>
	<u>\$ 17,828</u>

Another element of that reconciliation states that some expenses reported in the statement of activities do not provide current financial resources and, therefore, are not reported in governmental funds, or do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Compensated absences, net change	\$ 200,718
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>200,718</u>
	<u>\$ 200,718</u>

Another difference involves revenue recognition. Some revenues are not reported in the governmental funds because they are not considered available within two months after the year end but are recognized in revenues when earned in the governmental activities. The details of this difference are as follows:

Deferred revenue – fines, net change	\$ 25,782
Deferred revenue – grants, net change	<u>626,574</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>652,356</u>
	<u>\$ 652,356</u>

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

Internal service funds used to charge the cost of unemployment and employee health insurance to individual funds.	\$ 62,120
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>62,120</u>
	<u>\$ 62,120</u>

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

##### **Budgetary information**

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

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

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

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

#### **V. Detailed notes on all funds**

##### **A. Deposits and investments**

###### *Deposits*

The City's carrying amount of deposits was \$ 993,325 as of June 30, 2010, and the bank balances totaled \$ 2,296,923. Deposits are carried at cost.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The investment policy for custodial credit risk for deposits states, "Safety of principal is the foremost objective of the investment program. All collateral pledged to secure public funds shall be valued at no more than market value. The collateralization level will be 110% of market value or principal and accrued interest. Collateral will be held by the City Clerk-Treasurer of the City of Altus or by an independent third party with whom the entity has a current custodial agreement." As of June 30, 2010, \$ 762,168 of the City's bank balances of \$ 2,296,923 was exposed to custodial credit risk as follows:

Collateralized with securities held by the bank's trust department, but not  
in the City's name

\$ 762,168

*Investments*

As of June 30, 2010, the City had investments primarily in certificates of deposits with maturities of less than three years, diversified over several financial institutions as follows:

Investment	Maturities	Fair Value
Money market deposit accounts	n/a	\$ 8,248,788
Certificates of deposit	<1 year	6,710,000
U.S. Treasury Mutual Funds	n/a	11,496,225
Total		<u>\$ 26,455,013</u>

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

*Credit Risk.* The City’s investment policy limits investments to the following: a) direct obligations of the U.S. Government, its agencies or instrumentalities; b) collateralized or insured certificates of deposit; c) savings accounts of savings and loans associations, banks, and credit unions, to the extent that the amounts are fully insured by the Federal Deposit Insurance Corporation, or d) County, Municipal, or school district direct debt obligation for which an ad valorem tax may be levied. As of June 30, 2010, the City’s investments in certificates of deposit were all federally insured or adequately collateralized by pledges of securities owned by the various financial institutions.

*Concentration of Credit Risk.* The City of Altus’ investment policy limits to 50% the amount of the City’s investment portfolio that may be invested in a single financial institution, with the exception of investments in U.S. Treasury securities and accounts. Of the City’s total investments at June 30, 2010, approximately 72% were invested in U.S. Treasury security mutual funds accounts. Of the City of Altus’ investments, all were in certificates of deposit with 42% invested with one financial institution. For the Altus Municipal Authority, 47% of its total investments were with the same financial institution.

*Custodial Credit Risk – Investments.* Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The investment policy for custodial credit risk for deposits states, “Safety of principal is the foremost objective of the investment program. All collateral pledged to secure public funds shall be valued at no more than market value. The collateralization level will be 110% of market value or principal and accrued interest. Collateral will be held by the City Clerk-Treasurer of the City of Altus or by an independent third party with whom the entity has a current custodial agreement.” As of June 30, 2010, \$ 3,404,419 of the City’s investments was exposed to custodial credit risk as follows:

Collateralized with securities held by the bank’s trust department, but not in the City’s name	\$ 3,117,078
Not collateralized at 110% of the market value of the investments	<u>287,341</u>
	<u>\$ 3,404,419</u>

## B. Receivables

Receivables as of June 30, 2010, for the City of Altus' individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Nonmajor Governmental Funds	Altus Municipal Authority	Internal Service Funds	Total
Receivables:					
Taxes	\$ 1,708,353	\$ 60,792	\$ -	\$ -	\$ 1,769,145
Accounts	247	33,646	5,704,189	-	5,738,082
Court fines	302,208	-	-	-	302,208
Due from other governments	1,079,531	-	806,800	-	1,886,331
Interest	-	620	5,094	2,045	7,759
Gross receivables	3,090,339	95,058	6,516,083	2,045	9,703,525
Less: allowance for uncollectibles	-	-	(1,029,421)	-	(1,029,421)
Net total receivables	<u>\$ 3,090,339</u>	<u>\$ 95,058</u>	<u>\$ 5,486,662</u>	<u>\$ 2,045</u>	<u>\$ 8,674,104</u>

## C. Restricted assets

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

The following is a summary of the restricted asset account balances as of June 30, 2010:

	Enterprise Funds Altus Municipal Authority				Total
	Reserve Fund	Sinking Fund	Construction Fund	Meter Deposit Fund	
FNB Series 2010 note	\$ -	\$ -	\$ 384,786	\$ -	\$ 384,786
Mountain Park bonds	930,055	463,452	-	-	1,393,507
Utility Refunding Series 2003 notes	-	223,923	-	-	223,923
Water treatment plant	-	-	4,592,082	-	4,592,082
FSB – MAPS	-	1,656,705	-	-	1,656,705
BOK Series 2008 notes	-	183,141	9,430,643	-	9,613,784
BOK Series 2009 notes	-	265,011	7,057,300	-	7,322,311
Meter deposit fund	-	-	-	809,209	809,209
Total restricted assets	<u>\$ 930,055</u>	<u>\$ 2,792,232</u>	<u>\$ 21,464,811</u>	<u>\$ 809,209</u>	<u>\$ 25,996,307</u>

## D. Capital assets

Capital asset balances and activities for the year ended June 30, 2010, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,013,323	\$ 204,080	\$ -	\$ 1,217,403
Construction in progress	304,381	15,124	(241,253)	78,252
Total capital assets, not being depreciated	<u>1,317,704</u>	<u>219,204</u>	<u>(241,253)</u>	<u>1,295,655</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings and improvements	10,033,005	196,966	-	10,229,971
Machinery and equipment	6,631,605	106,207	(362,820)	6,374,992
Infrastructure	578,023	16,925	-	594,948
Total capital assets, being depreciated	<u>17,242,633</u>	<u>320,098</u>	<u>(362,820)</u>	<u>17,199,911</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,818,300)	(254,476)	14,480	(6,058,296)
Machinery and equipment	(4,688,654)	(514,021)	444,183	(4,758,492)
Infrastructure	(58,758)	(20,078)	-	(78,836)
Total accumulated depreciation	<u>(10,565,712)</u>	<u>(788,575)</u>	<u>458,663</u>	<u>(10,895,624)</u>
Total capital assets, being depreciated, net	<u>6,676,921</u>	<u>(468,477)</u>	<u>95,843</u>	<u>6,304,287</u>
Governmental activities capital assets, net	<u>\$ 7,994,625</u>	<u>\$ (249,273)</u>	<u>\$ (145,410)</u>	<u>\$ 7,599,942</u>

**Business-type activities:**

**Altus Municipal Authority**

Capital assets, not being depreciated:

Land	\$ 708,662	\$ 625,000	\$ (29,000)	\$ 1,304,662
Construction in progress	1,177,091	5,600,188	(390,965)	6,386,314
Total capital assets, not being depreciated	<u>1,885,753</u>	<u>6,225,188</u>	<u>(419,965)</u>	<u>7,690,976</u>

Capital assets, being depreciated:

Buildings and improvements	20,489,559	1,533,631	-	22,023,190
Machinery and equipment	5,534,751	684,227	(313,796)	5,905,182
Water rights	24,647,726	-	-	24,647,726
Infrastructure	20,388,090	3,155,458	-	23,543,548
Total capital assets, being depreciated	<u>71,060,126</u>	<u>5,373,316</u>	<u>(313,796)</u>	<u>76,119,646</u>

Less accumulated depreciation for:

Building and improvements	(6,208,768)	(588,774)	-	(6,797,542)
Machinery and equipment	(3,986,777)	(386,985)	280,275	(4,093,487)
Water rights	(10,395,291)	(616,193)	-	(11,011,484)
Infrastructure	(16,015,941)	(623,289)	55,162	(16,584,068)
Total accumulated depreciation	<u>(36,606,777)</u>	<u>(2,215,241)</u>	<u>335,437</u>	<u>(38,486,581)</u>
Total capital assets, being depreciated, net	<u>34,453,349</u>	<u>3,158,075</u>	<u>21,641</u>	<u>37,633,065</u>
Business-type activities capital assets, net	<u>\$ 36,339,102</u>	<u>\$ 9,383,263</u>	<u>\$ (398,324)</u>	<u>\$ 45,324,041</u>

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

Governmental activities:

General government	\$ 166,072
Public safety	294,096
Public works	208,638
Cultural and recreation	119,769
Total depreciation expense – governmental activities	<u>\$ 788,575</u>

Business-type activities:

Electric	\$ 285,731
Water	1,518,426
Wastewater	93,244
Sanitation	67,112
Landfill	234,855
Administration/services	15,873
Total depreciation expense – business-type activities	<u>\$ 2,215,241</u>

## E. Deposits subject to refund

Utility customers are required to make a meter deposit which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in separate accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of June 30, 2010, cash and investments included \$ 809,209 available for refund of customer deposits, while the liability to customers was \$ 809,209.

Appearance bonds and other payments made to the municipal court funds are held until final disposition by the court, at which time they are refunded to the bondholder or paid over to the City general fund as fines. As of June 30, 2010, \$ 9,859 was being held that was subject to refund.

## F. Short-term debt

The City has a \$ 25,000 line of credit with Caterpillar Corporation. During the year ended June 30, 2010, the City utilized the line of credit for repairs to a dozer in the amount of \$ 20,480. The City will make 12 monthly payments of \$ 1,706 at 0.00%.

Short-term debt transactions for the year ended June 30, 2010 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Caterpillar Corporation	\$ -	\$ 20,480	\$ -	\$ 20,480	\$ 20,480
Total short-term debt	\$ -	\$ 20,480	\$ -	\$ 20,480	\$ 20,480

## G. Long-term debt

### Compensated absences

Accrued compensated absences as of June 30, 2010 were as follows:

Governmental activities	\$ 876,073
Business-type activities	358,039
Totals	<u>\$ 1,234,112</u>

### Capital leases

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

#### **Governmental activities:**

\$ 7,760 capital lease with Kansas State Bank for a mower dated, September 15, 2009, with an interest rate of 10.345%, monthly payments of \$ 252 and a final maturity of August 15, 2010. \$ 497

\$ 16,569 capital lease with Deere Credit for cemetery equipment dated May 24, 2009, with an interest rate of 9.25%, monthly payment of \$ 346 and a maturity date of May 22, 2012. 7,266

Total governmental activities \$ 7,763

**Business-Type Activities:**

2009 capital lease with First National Bank, original issue amount of \$ 1,450,000, dated February 9, 2009 by Altus Municipal Authority secured by equipment, with an interest rate of 3.95%, final maturity of December 28, 2011. \$ 459,227

Capital lease with Caterpillar Financial Services, dated June 9, 2010 in the amount of \$ 330,000, with monthly payments of \$ 6,009, including interest at 3.50% through June 14, 2013, for the lease purchase of a scraper. 330,000

Capital lease with Oklahoma Municipal Power Authority, dated May 1, 2010 in the amount of \$ 1,870,467, payable in monthly installments of \$ 24,625, including interest at 5.081% through October 1, 2016, for the lease purchase of an electric substation. 1,575,436

Total business-type activities 2,364,663

Total capital lease obligations \$ 2,372,426

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Asset:		
Mower	\$ 7,760	\$ -
Cemetery equipment	16,569	-
Equipment	-	1,450,000
Scraper	-	330,000
Electric substation	-	1,870,467
Total	<u>\$ 24,329</u>	<u>\$ 3,650,467</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010, were as follows:

Year Ending June 30,	Capital Lease Obligations	
	Governmental Activities	Business-Type Activities
2011	\$ 4,654	\$ 682,603
2012	3,807	523,307
2013	-	367,610
2014	-	367,610
2015	-	367,610
2016 – 2020	-	372,005
Total required payments	<u>8,461</u>	<u>2,680,745</u>
Less: amount representing interest	(698)	(316,082)
Total principal payments	<u>\$ 7,763</u>	<u>\$ 2,364,663</u>

## Notes and contract obligation payable

Long-term liabilities of the City of Altus as of June 30, 2010, are summarized as follows:

### **Business-type activities**

Altus Municipal Authority

Notes payable:

Oklahoma Department of Commerce CDBG Note, original issue amount of \$235,183, dated October 2, 1998, issued by Altus Municipal Authority, secured by available utility revenues, with no interest, final maturity September 1, 2018.	\$ 103,517
Altus Municipal Authority Utility Refunding Note, Series 2003, original issue amount of \$ 2,015,000, dated September 30, 2003, payable in annual installments ranging from \$ 190,000 to \$ 260,000, with interest at 3.85% due semi-annually, final maturity of September 1, 2012, secured by available utility revenues.	745,000
\$ 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 the voters of the City on August 26, 2009, proceeds to be used by the City and the Altus School District for capital improvements.	9,455,000
\$ 14,285,000 Altus Municipal Authority Sales Tax Revenue Note, Series 2009, dated March 25, 2009 due in quarterly installments of \$ 145,000 to \$ 385,000 plus interest at 4.25% beginning August 1, 2009 with final payment due November 1, 2020, secured by sales tax revenues from a special sales tax of 1.75%, proceeds to be used by the City and the Altus School District for capital improvements.	13,395,000
First National Bank \$ 300,000 Altus Municipal Authority Revenue Note, Series 2010, dated June 25, 2010, due and payable in monthly installments of \$ 12,996, including interest at 3.75%, payable from hotel/motel tax revenues, for capital improvements.	<u>287,016</u>
Total notes payable	<u>23,985,533</u>
Contract Obligation Payable:	
\$ 11,709,765 contract obligation payable to the Mountain Park Master Conservancy District, due in 252 average monthly installments of \$ 79,284, with interest rates from 3.75% to 5.26%, secured by a pledge of gross revenues of the water as approved by voters.	<u>9,916,695</u>
Total business-type activities	<u>33,902,228</u>
Total long-term debt	<u>\$ 37,508,766</u>

Long-term liabilities transactions for the year ended June 30, 2010, and changes therein were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities</b>					
Capital lease obligations	\$ 25,591	\$ -	\$ (17,828)	\$ 7,763	\$ 4,128
Compensated absences	675,355	200,718	-	876,073	-
Total governmental activities	700,946	200,718	(17,828)	883,836	4,128
<b>Business-type activities</b>					
Notes payable	29,007,257	300,000	(5,321,724)	23,985,533	2,174,165
Capital lease obligations	753,372	2,200,467	(589,176)	2,364,663	582,477
Contract obligations payable	10,327,770	-	(411,075)	9,916,695	426,735
Compensated absences	222,870	135,169	-	358,039	-
Total business-type activities	40,311,269	2,635,636	(6,321,975)	36,624,930	3,183,377
Total long-term debt	\$ 41,012,215	\$ 2,836,354	\$ (6,339,803)	\$ 37,508,766	\$ 3,187,505

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

Year Ending June 30,	Business-type Activities			
	Notes Payable		Contract Obligation Payable	
	Principal	Interest	Principal	Interest
2011	\$ 2,174,165	\$ 952,693	\$ 426,735	\$ 498,820
2012	2,246,069	862,821	450,225	479,830
2013	2,196,609	772,611	465,885	459,570
2014	2,016,609	686,497	489,375	438,139
2015	2,106,609	601,963	508,950	415,139
2016–2020	11,915,472	1,610,580	2,963,655	1,667,700
2021–2025	1,330,000	20,738	3,813,210	822,259
2026–2030	-	-	798,660	41,530
Totals	\$ 23,985,533	\$ 5,507,903	\$ 9,916,695	\$ 4,822,987

## H. Debt issuance costs

Debt issuance costs of \$ 560,551 have been capitalized and are being amortized on the straight-line basis over the term of the relevant debt issues. As of June 30, 2010, accumulated amortization was \$ (115,784) including current year amortization of \$ 108,625.

## I. Compensated absences

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

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

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

Governmental activities	\$ 876,073
Business-type activities	358,039
Total accrued compensated absences	<u>\$ 1,234,112</u>

## J. Interfund receivables, payables, and transfers

The composition of interfund activity and balances as of June 30, 2010, is as follows:

Interfund transfers:

	Transfers Out			Totals
	General Fund	Non-major Governmental	Altus Municipal Authority	
Transfer in:				
General fund	\$ -	\$ -	\$ 6,269,819	\$ 6,269,819
Nonmajor Governmental	344,693	28,754	709,641	1,083,088
Altus Municipal Authority	4,800,185	234,184	-	5,034,369
Totals	<u>\$ 5,144,878</u>	<u>\$ 262,938</u>	<u>\$ 6,979,460</u>	<u>\$ 12,387,276</u>

Additional transfers totaling \$ 1,078,400 are reported in the enterprise fund financial statements for transfers of capital assets and long-term debt principal payments expended in governmental funds but capitalized or recorded in the enterprise funds. These transfers are also reported in both governmental and business-type activities in the government-wide financial statements.

Interfund receivables/payables:

Receivable fund	Payable fund	Amount
Non-major governmental	Altus Municipal Authority	<u>\$ 390,099</u>

## K. Landfill closure and post-closure liability

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

The \$ 1,607,742 reported as other noncurrent liabilities for the accrued landfill closure cost liability as of June 30, 2010, represents the cumulative amount of such cost reported to date based on the use of approximately 68% of the estimated capacity of the landfill. A new cell was opened during the year ended June 30, 2010 which increased the estimated closure and post-closure costs to a total of \$ 2,370,714. The additional capacity reduced the overall percentage of fill to 68%. The Altus Municipal Authority will recognize the remaining estimated costs of closure and post-closure care in the amount of \$ 762,972 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 2010. Actual costs may be more or less at that time than are

currently estimated. The estimated closure and post-closure costs and the accrued liability as of June 30, 2010, are as follows:

Estimated closure costs	\$ 1,497,276
Estimated post-closure costs	873,439
Total estimated costs	<u>2,370,715</u>
Accrued closure costs	1,607,742
Remaining costs to be recognized	<u>\$ 762,972</u>
Current estimated costs charged to expense	<u>\$ (42,451)</u>

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

#### **L. Deferred gain – Contract refinancing**

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

In June 2005, the Mountain Park Master Conservancy District refinanced the project debt. The Authority's share of the refinanced debt was \$ 11,709,765. As a result of the refinancing, an accounting gain of \$ 8,015,425 was recorded and deferred with the Authority amortizing the gain over a twenty-one year period. The unamortized amount of this gain as of June 30, 2010, is \$ 6,061,528, with a current year amortization of \$ 381,686 recognized as an offset to interest expense.

### **VI. Other information**

#### **A. Risk management**

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

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

##### Grants and contracts

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

## Litigation

The City of Altus and the Altus Municipal Authority are parties to various legal proceedings which normally occur in the course of governmental operations. The accompanying financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three (3) year period by a City for the payment of any court-assessed judgment rendered against the City. This statutory taxing authority is not available to the AMA.

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

## Investment in Quartz Mountain Aerospace

As of June 30, 2010, an uncertainty exists as to ultimate ownership of a building Altus Municipal Authority (AMA) acquired from Quartz Mountain Aerospace, Inc. (formerly known as Luscombe Aircraft Corporation), as part of bankruptcy proceedings of Quartz Mountain Aerospace, Inc. AMA wrote off its investment in QMA stock of \$ 2,663,859 and recorded the fair market value of the building estimated at \$ 1,531,929. The difference was recognized as a loss on investments. The Oklahoma Industrial Finance Authority also has a claim against the building for a loan it had made to QMA. The AMA believes it will prevail and receive a clear title to the building.

## Mountain Park Master Conservancy District – Contract Commitments

The Altus Municipal Authority (AMA) entered into a 25 year contract with the Mountain Park Master Conservancy District. Operating and maintenance costs of Mountain Park are shared by the member governments. AMA's share of costs for the year ended June 30, 2010 was \$ 209,972.

## Construction projects

The City of Altus entered into a contract on June 9, 2009 in the amount of \$ 8,506,192 for the construction of an Altus Municipal Complex building. As of June 30, 2010, the City had paid \$ 5,105,676, leaving a balance to be completed of \$ 3,400,516. The building was subsequently completed in November 2010. Altus Public Schools entered into a contract dated November 10, 2008 in the amount of \$ 12,689,870 for renovation and addition to the high school building. The funding for this project, as well as the City Municipal Complex building, is from the sales tax revenue bonds, Series 2008 and 2009, as approved by the citizens in 2008. As of June 30, 2010, the City had paid \$ 674,217 on the school contract, leaving a balance on the contract of \$ 12,015,653. Other projects up to a total of \$ 34,000,000, allocated equally to the City and the School, are included in the overall capital improvements program as approved by the citizens. To date, the City has issued two revenue notes totaling \$ 24,000,000; however, no other contracts have been made. As of June 30, 2010, the City had construction funds on hand of approximately \$ 16,487,941 and the balances outstanding on the loans was \$ 22,850,000. The loans are being repaid from the proceeds of a special 1 ¾ cent sales tax.

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

The City of Altus participates in the Oklahoma State Police Pension and Retirement System (OPPRS) and the Oklahoma State Firefighters' Pension and Retirement System (OFPRS), both of which are cost-sharing multiple-employer defined benefit pension plans administered

by the State of Oklahoma. Additionally, for other City employees not covered by the other plans, the City of Altus maintains a defined benefit plan—the Oklahoma Municipal Retirement Fund Employee Retirement System of Altus (the Plan).

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

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

Funding Policy – Plan members are required to contribute 8.0% of their annual covered salary and the City of Altus contributes 13.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the state legislature. Contributions to the OPPRS for the year ended June 30, 2010, for employees and employer were \$ 148,003 and \$ 240,503, respectively, on covered payroll of \$ 1,850,029.

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

Plan Description – The OFPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the administrators of the OFPRS. The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the firefighting employees of the City. That report may be obtained by writing to the Oklahoma State Firefighters' Pension and Retirement System, 4545 North Lincoln Boulevard, Suite 265, Oklahoma City, Oklahoma 73105, or by calling 1-405-525-7813.

Funding Policy – Plan members are required to contribute 8.0% of their annual covered salary and the City of Altus contributes 13.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the state legislature. Contributions to the OFPRS for the year ended June 30, 2010, for employees and employer were \$ 127,720 and \$ 207,544, on covered payroll of \$ 1,596,494.

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

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

An employee is eligible for an early retirement benefit once he has attained age 55 and has completed 10 years of service. The amount of benefit is determined based on the final average salary and credited service as of the date of termination. If benefit payments are to

begin before age 65, the amount of benefit will be actuarially reduced. A late retirement benefit is computed in the same manner as a normal retirement based on average salary and credited service as of the termination of employment.

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

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

Funding Policy – The following amount shown as the actuarial accrued liability is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Plan on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits, and is independent of the funding method used to determine contributions to the Plan. The actuarial accrued liability was computed as part of an actuarial valuation performed as of January 1, 2010. Significant actuarial assumptions used in the valuation include 1) a rate of return on the investment of present and future assets of 7.50% compounded annually, and 2) future salary increases based on the age of the employee.

The total actuarial liability exceeded the net assets available for benefits by \$ 4,186,253 at January 1, 2010, as follows:

Actuarial accrued liability	\$ 18,406,843
Net assets available for benefits (actuarial value)	(14,220,590)
Unfunded actuarial accrued liability	<u>\$ 4,186,253</u>

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

For the year ended June 30, 2010, employees were required to contribute 4% of annual compensation while the City contributed the remaining amounts necessary to fund the pension plan using an actuarial basis. The City's contribution rate, for the year ended June 30, 2010, was 11.76%. Contributions to the Plan for payroll for the year ended June 30, 2010, for employees and employer were \$ 249,602 and \$ 733,992, respectively. For the year ended June 30, 2010, the City's covered payroll was \$ 6,258,895 out of a total payroll of \$ 11,020,197. Covered payroll refers to all compensation paid by the City of Altus to active employees covered by the Plan on which contributions are based.

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

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

Accrual Valuation Date	Value of Assets Available for Benefits	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Percentage Funded	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
01/01/10	\$14,220,590	\$ 18,406,843	\$ 4,186,253	77.26 %	\$5,864,211	71.39 %
01/01/09	13,706,405	17,128,211	3,421,806	80.02 %	5,365,391	63.78 %
01/01/08	14,409,141	15,996,679	1,587,538	90.08 %	4,904,734	32.38 %
01/01/07	13,891,579	15,156,045	1,264,466	91.66 %	4,722,591	26.77 %
01/01/06	14,015,541	14,772,829	757,289	94.87 %	4,368,011	17.34 %
01/01/05	13,491,412	14,452,756	961,344	93.35 %	4,708,511	20.42 %
01/01/04	13,019,257	13,275,713	256,456	98.07 %	4,230,289	6.06 %
01/01/03	12,593,195	12,759,189	165,994	98.70 %	4,083,685	4.06 %
01/01/02	13,417,087	12,883,478	(533,609)	104.14 %	4,101,463	(13.01)%
01/01/01	13,201,846	12,269,190	(932,656)	107.60 %	4,072,595	(22.90)%
01/01/00	12,648,972	11,038,739	(1,610,233)	114.59 %	3,928,129	(40.99)%

#### Oklahoma Municipal Retirement Fund – Defined Contribution Plan

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

Funding Policy – Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after six months of employment and voluntarily select their before-tax percentage-of-contribution up to 15% of compensation. By City ordinance, the City, as employer, is required to make variable contributions to the plan, based on availability of funds. As of July 2002, City contributions were 1.49% of gross salary. The employee is fully vested after 10 years of service. City contributions for, and interest forfeited by, employees who leave employment prior to fully vesting are allocated back to remaining eligible participants. The authority to establish and amend the provisions of the plan rests with the City Commission. Contributions to the plan for the year ended June 30, 2010, for employees and employer were \$ 84,594 and \$ 92,890, on a covered payroll of \$ 6,236,239.

#### Oklahoma Municipal Retirement Fund – Defined Contribution Plan – CMO Plan

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

Funding Policy – Employees are eligible to participate upon employment and voluntarily elect their percentage of contribution with a minimum contribution of 3% of compensation. The City makes contributions to the Plan based on the employment agreement with the employee and employer contributions are immediately vested. The authority to establish and amend the provisions of the Plan rests with the City Commission. Contributions to the Plan for the year ended June 30, 2010, for the employee and employer were \$ 3,514 and \$ 11,715 on covered payroll of \$ 117,147.

**City of Altus, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Budget and Actual – General Fund**  
**Year Ended June 30, 2010**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 10,406,700	\$ 10,214,550	\$ 9,717,901	\$ (496,649)
Licenses and permits	91,200	91,200	119,595	28,395
Intergovernmental	690,800	1,374,900	995,424	(379,476)
Fines and forfeitures	417,700	411,100	217,691	(193,409)
Charges for services	263,600	259,500	353,814	94,314
Miscellaneous	89,850	90,300	111,426	21,126
Interest	2,800	2,800	3,551	751
Total revenues	11,962,650	12,444,350	11,519,402	(924,948)
<b>Expenditures</b>				
General government:				
City council	132,851	132,851	97,173	35,678
Mayor	30,640	30,640	26,162	4,478
Administrative services	1,418,595	1,442,595	1,253,807	188,788
Administration	264,148	264,448	246,543	17,905
Law	127,822	127,822	113,193	14,629
Information systems	238,011	238,011	207,337	30,674
Finance	270,058	270,058	257,301	12,757
Human resources	253,736	253,736	242,893	10,843
Clerk-treasurer	178,511	178,511	173,897	4,614
Central purchasing	213,310	213,310	213,749	(439)
Municipal court	214,104	214,104	186,845	27,259
Public safety:				
Police-traffic	2,644,351	2,651,366	2,473,069	178,297
Police-detective	660,571	660,571	608,741	51,830
Police-administration	430,383	423,368	423,316	52
Police-animal control	247,494	247,494	214,452	33,042
Fire	2,645,453	2,645,453	2,326,015	319,438
Emergency services	157,879	169,129	103,730	65,399
Communications	122,546	122,546	90,558	31,988
Public works:				
Cemetery	207,072	207,072	178,343	28,729
Engineering	88,456	88,456	81,802	6,654
Planning	555,325	555,325	415,820	139,505
Street	913,643	913,643	784,962	128,681
Fleet maintenance	581,748	581,748	529,246	52,502
Building maintenance	360,587	360,587	340,537	20,050
Culture and recreation:				
Parks maintenance	641,997	641,997	564,631	77,366
Parks & recreation-administration	149,129	149,129	140,106	9,023
Recreation	334,992	334,992	283,604	51,388
Swimming pool	325,282	321,282	285,380	35,902
Public golf course	316,901	316,901	257,324	59,577
Total expenditures	14,725,595	14,757,145	13,120,536	1,636,609
Excess of expenditures over revenues	(2,762,945)	(2,312,795)	(1,601,134)	711,661

**City of Altus, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Budget and Actual – General Fund**  
**Year Ended June 30, 2010**

(continued)

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Other financing sources (uses)</b>				
Transfers in	7,763,991	7,763,991	6,269,819	(1,494,172)
Transfers (out)	(5,426,046)	(5,426,046)	(5,342,907)	83,139
Total other financing sources (uses)	2,337,945	2,337,945	926,912	(1,411,033)
Net change in fund balances	(425,000)	25,150	(674,222)	(699,372)
Fund balances, beginning	425,000	425,000	1,343,733	918,733
Fund balances, ending	\$ -	\$ 450,150	\$ 669,511	\$ 219,361

See disclaimer in accompanying Independent Auditor's Report.

**City of Altus, Oklahoma**  
**Explanation of Differences between Revenues, Expenditures, and Other**  
**Financing Sources (Uses) for Budgetary Funds on a Budgetary Basis and**  
**GAAP General Fund on a GAAP Basis**  
**Year Ended June 30, 2010**

<u><b>Budgetary funds</b></u>	<u>General Fund</u>
<b>Revenues</b>	
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 11,519,402
Adjustments:	
<i>Budgetary</i> general fund revenues are reported on the cash basis, rather than the modified accrual basis	503,962
	<hr/>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u><u>\$ 12,023,364</u></u>
<b>Expenditures</b>	
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	\$ 13,120,536
Adjustments:	
Encumbrances for goods and services ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for GAAP reporting	103,324
	<hr/>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u><u>\$ 13,223,860</u></u>
<b>Other financing sources (uses)</b>	
Actual amounts (budgetary basis) "other financing sources and uses" from the budgetary comparison schedules	\$ 926,912
Adjustments:	
	<hr/>
Total other financing sources as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u><u>\$ 1,120,839</u></u>

See disclaimer in accompanying Independent Auditor's Report.

**City of Altus, Oklahoma**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2010**

	Special Revenue			
	ODOC Grant Fund	Altus Donation Fund	Airport Fund	Hotel/Motel Tax Fund
<b>Assets</b>				
Cash and cash equivalents	\$ 42	\$ 51,567	\$ 994,440	\$ 124,367
Investments	-	-	-	-
Receivables:				
Accounts, net	-	-	33,646	-
Taxes	-	-	-	27,627
Interest	-	-	-	-
Due from other funds	-	-	-	-
Inventory	-	-	30,341	-
Total assets	<u>\$ 42</u>	<u>\$ 51,567</u>	<u>\$ 1,058,427</u>	<u>\$ 151,994</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 5,084	\$ -
Deferred revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>5,084</u>	<u>-</u>
<b>Fund balances</b>				
Reserved:				
Capital improvements/debt service	42	-	-	151,994
Economic development	-	-	-	-
Encumbrances	-	-	12,029	-
Unreserved:				
Designated	-	51,567	1,041,314	-
Total fund balances	<u>42</u>	<u>51,567</u>	<u>1,053,343</u>	<u>151,994</u>
Total liabilities and fund balances	<u>\$ 42</u>	<u>\$ 51,567</u>	<u>\$ 1,058,427</u>	<u>\$ 151,994</u>

Special Revenue			Capital Projects		
Street & Alley Fund	Emergency E-911 Fund	Parks Development Fund	Economic Development Construction Fund	Veteran's Bypass Fund	FAA Grant Fund
\$ 768,970	\$ (6,546)	\$ 50,264	\$ 10,318	\$ -	\$ -
400,000	-	100,000	700,001	-	-
-	-	-	-	-	-
33,165	-	-	-	-	-
241	-	62	317	-	-
-	-	-	390,099	-	-
-	-	-	-	-	-
<u>\$ 1,202,376</u>	<u>\$ (6,546)</u>	<u>\$ 150,326</u>	<u>\$ 1,100,735</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 37,976	\$ 5,374	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>37,976</u>	<u>5,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	150,326	-	-	-
-	-	-	1,100,735	-	-
20,107	1,261	-	-	-	-
<u>1,144,293</u>	<u>(13,181)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,164,400</u>	<u>(11,920)</u>	<u>150,326</u>	<u>1,100,735</u>	<u>-</u>	<u>-</u>
<u>\$ 1,202,376</u>	<u>\$ (6,546)</u>	<u>\$ 150,326</u>	<u>\$ 1,100,735</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Altus, Oklahoma**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2010**  
(continued)

	Capital Projects			
	Capital Improvement Fund	Landfill Improvement Fund	Cemetery Perpetual Fund	Drainage Improvement Fund
<b>Assets</b>				
Cash and cash equivalents	\$ 259,300	\$ 579,692	\$ 13,238	\$ 108,863
Investments	-	-	-	-
Receivables:				
Accounts, net	-	-	-	-
Taxes	-	-	-	-
Interest	-	-	-	-
Due from other funds	-	-	-	-
Inventory	-	-	-	-
Total assets	<u>\$ 259,300</u>	<u>\$ 579,692</u>	<u>\$ 13,238</u>	<u>\$ 108,863</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>				
Reserved:				
Capital improvements/debt service	233,220	579,692	13,238	108,863
Economic development	-	-	-	-
Encumbrances	26,080	-	-	-
Unreserved:				
Designated	-	-	-	-
Total fund balances	<u>259,300</u>	<u>579,692</u>	<u>13,238</u>	<u>108,863</u>
Total liabilities and fund balances	<u>\$ 259,300</u>	<u>\$ 579,692</u>	<u>\$ 13,238</u>	<u>\$ 108,863</u>

<u>Capital Projects</u>	<u>Debt Service</u>	Total Nonmajor Governmental Funds
ODOT Grant Fund	Debt Service Fund	
\$ -	\$ -	\$ 2,954,515
-	-	1,200,001
-	-	33,646
-	-	60,792
-	-	620
-	-	390,099
-	-	30,341
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,670,014</u>
\$ -	\$ -	\$ 48,434
-	-	-
<u>-</u>	<u>-</u>	<u>48,434</u>
-	-	1,237,375
-	-	1,100,735
-	-	59,477
<u>-</u>	<u>-</u>	<u>2,223,993</u>
<u>-</u>	<u>-</u>	<u>4,621,580</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,670,014</u>

**City of Altus, Oklahoma**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2010**

	Special Revenue			
	ODOC Grant Fund	Altus Donation Fund	Airport Fund	Hotel/Motel Tax Fund
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ 242,357
Intergovernmental	-	4,766	-	-
Charges for services	-	-	280,609	-
Other	-	25,437	-	-
Interest	-	-	8,956	-
Total revenues	<u>-</u>	<u>30,203</u>	<u>289,565</u>	<u>242,357</u>
<b>Expenditures</b>				
Current:				
General government	-	1,731	-	-
Public safety	-	5,850	-	-
Public works	-	37,372	577,801	-
Culture and recreation	-	110	-	-
Economic development	-	-	-	2,014
Airport	-	-	-	-
Debt service				
Principal	-	-	3,020	-
Interest	-	-	8,489	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>45,063</u>	<u>589,310</u>	<u>2,014</u>
Excess of revenues over (under) expenditures	-	(14,860)	(299,745)	240,343
<b>Other financing sources (uses)</b>				
Transfers in	-	16,000	343,641	-
Transfers (out)	-	-	(25,398)	(160,895)
Total other financing sources (uses)	<u>-</u>	<u>16,000</u>	<u>318,243</u>	<u>(160,895)</u>
<b>Net change in fund balances</b>	-	1,140	18,498	79,448
Fund balances, beginning	<u>42</u>	<u>50,427</u>	<u>1,034,845</u>	<u>72,546</u>
Fund balances, ending	<u>\$ 42</u>	<u>\$ 51,567</u>	<u>\$ 1,053,343</u>	<u>\$ 151,994</u>

Special Revenue			Capital Projects		
Street & Alley Fund	Emergency E-911 Fund	Parks Development Fund	Economic Development Construction Fund	Veteran's Bypass Fund	FAA Grant Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
188,926	-	-	-	-	-
-	146,374	-	-	-	-
-	-	17,500	-	-	-
8,216	-	1,543	16,426	241	-
<u>197,142</u>	<u>146,374</u>	<u>19,043</u>	<u>16,426</u>	<u>241</u>	<u>-</u>
-	-	-	-	-	-
-	527,062	-	-	-	-
147,974	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
37,293	-	-	-	-	27,887
<u>185,267</u>	<u>527,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,887</u>
11,875	(380,688)	19,043	16,426	241	(27,887)
3,356	344,693	-	-	-	25,398
-	-	-	-	(73,232)	-
<u>3,356</u>	<u>344,693</u>	<u>-</u>	<u>-</u>	<u>(73,232)</u>	<u>25,398</u>
15,231	(35,995)	19,043	16,426	(72,991)	(2,489)
<u>1,149,169</u>	<u>24,075</u>	<u>131,283</u>	<u>1,084,309</u>	<u>72,991</u>	<u>2,489</u>
<u>\$ 1,164,400</u>	<u>\$ (11,920)</u>	<u>\$ 150,326</u>	<u>\$ 1,100,735</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Altus, Oklahoma**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2010**

(continued)

	Capital Projects			
	Capital Improvement Fund	Landfill Improvement Fund	Cemetery Perpetual Fund	Drainage Improvement Fund
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	8,874	-
Other	-	-	-	5,421
Interest	28	-	-	1,044
Total revenues	<u>28</u>	<u>-</u>	<u>8,874</u>	<u>6,465</u>
<b>Expenditures</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Airport	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	4,498	-
Capital outlay	244,444	635,915	305	-
Total expenditures	<u>244,444</u>	<u>635,915</u>	<u>4,803</u>	<u>-</u>
Excess of revenues over (under) expenditures	(244,416)	(635,915)	4,071	6,465
<b>Other financing sources (uses)</b>				
Transfers in	150,000	200,000	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>150,000</u>	<u>200,000</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	(94,416)	(435,915)	4,071	6,465
Fund balances, beginning	<u>353,716</u>	<u>1,015,607</u>	<u>9,167</u>	<u>102,398</u>
Fund balances, ending	<u>\$ 259,300</u>	<u>\$ 579,692</u>	<u>\$ 13,238</u>	<u>\$ 108,863</u>

<u>Capital Projects</u>	<u>Debt Service</u>	
ODOT Grant Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ 54	\$ 242,411
3,356	-	197,048
-	-	435,857
-	-	48,358
-	4	36,458
<u>3,356</u>	<u>58</u>	<u>960,132</u>
-	-	1,731
-	-	532,912
-	-	763,147
-	-	110
-	-	2,014
-	-	-
-	-	3,020
-	-	12,987
-	-	945,844
<u>-</u>	<u>-</u>	<u>2,261,765</u>
3,356	58	(1,301,633)
-	-	1,083,088
<u>(3,356)</u>	<u>(58)</u>	<u>(262,939)</u>
<u>(3,356)</u>	<u>(58)</u>	<u>820,149</u>
-	-	(481,484)
-	-	5,103,064
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,621,580</u>

**City of Altus, Oklahoma**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2010**

	Workers' Compensation Fund	Assurance Fund	Total Internal Service Funds
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 186,569	\$ 279,150	\$ 465,719
Investments	700,000	-	700,000
Accrued interest receivable	2,045	-	2,045
Total current assets	888,614	279,150	1,167,764
Noncurrent assets:			
Capital assets (net of accumulated depreciation)	-	-	-
Total noncurrent assets	-	-	-
Total assets	888,614	279,150	1,167,764
<b>Liabilities</b>			
Current liabilities:			
Claims liability	22,122	166,214	188,336
Total current liabilities	22,122	166,214	188,336
Noncurrent liabilities:			
Claims liability	781,000	-	781,000
Total noncurrent liabilities	781,000	-	781,000
Total liabilities	803,122	166,214	969,336
<b>Net assets</b>			
Restricted	85,492	112,936	198,428
Total net assets	\$ 85,492	\$ 112,936	\$ 198,428

**City of Altus, Oklahoma**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**  
**Internal Service Funds**  
**Year Ended June 30, 2010**

	Workers' Compensation Fund	Assurance Fund	Total Internal Service Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Operating revenues</b>			
Charges for services:			
Other	\$ 431,459	\$ 2,269,951	\$ 2,701,410
Total operating revenues	<u>431,459</u>	<u>2,269,951</u>	<u>2,701,410</u>
<b>Operating expenses</b>			
Administration expense	106,247	6	106,253
Claims expense	<u>515,539</u>	<u>1,972,064</u>	<u>2,487,603</u>
Total operating expenses	<u>621,786</u>	<u>1,972,070</u>	<u>2,593,856</u>
 Net operating income (loss)	 (190,327)	 297,881	 107,554
<b>Nonoperating revenues (expenses)</b>			
Miscellaneous	14,211	-	14,211
Interest	<u>15,066</u>	<u>1,174</u>	<u>16,240</u>
Total nonoperating revenues (expenses)	<u>29,277</u>	<u>1,174</u>	<u>30,451</u>
<b>Operating transfers</b>			
Transfers in	-	-	-
Transfers out	<u>(125)</u>	<u>(200,000)</u>	<u>(200,125)</u>
Total operating transfers	<u>(125)</u>	<u>(200,000)</u>	<u>(200,125)</u>
 Net income (loss)	 (161,175)	 99,055	 (62,120)
 Net assets, beginning	 <u>246,667</u>	 <u>13,881</u>	 <u>260,548</u>
 Net assets, ending	 <u>\$ 85,492</u>	 <u>\$ 112,936</u>	 <u>\$ 198,428</u>

**City of Altus, Oklahoma**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**Year Ended June 30, 2010**

	Workers' Compensation Fund	Assurance Fund	Total Internal Service Funds
<b>Cash flows from operating activities</b>			
Receipts from customers and others	\$ 431,459	\$ 2,269,951	\$ 2,701,410
Payments to suppliers	(106,247)	(6)	(106,253)
Claims and judgments paid	(360,051)	(2,151,732)	(2,511,783)
Net cash provided (used) by operating activities	<u>(34,839)</u>	<u>118,213</u>	<u>83,374</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers in (out)	(125)	(200,000)	(200,125)
Miscellaneous revenues	14,211	-	14,211
Net cash provided (used) by noncapital financing activities	<u>14,086</u>	<u>(200,000)</u>	<u>(185,914)</u>
<b>Cash flows from capital and related financing activities</b>			
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash flows from investing activities</b>			
Interest income	16,579	1,174	17,753
Net cash provided (used) by investing activities	<u>16,579</u>	<u>1,174</u>	<u>17,753</u>
Net increase (decrease) in cash and cash equivalents	(4,174)	(80,613)	(84,787)
Cash and cash equivalents, beginning	190,743	359,763	550,506
Cash and cash equivalents, ending	<u>\$ 186,569</u>	<u>\$ 279,150</u>	<u>\$ 465,719</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Net operating income (loss)	\$ (190,327)	\$ 297,881	\$ 107,554
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Changes in assets and liabilities:			
Increase (decrease) in claims liability	155,488	(179,668)	(24,180)
Total adjustments	<u>155,488</u>	<u>(179,668)</u>	<u>(24,180)</u>
Net cash provided (used) by operating activities	<u>\$ (34,839)</u>	<u>\$ 118,213</u>	<u>\$ 83,374</u>



## Ronald C. Cottrell, CPA

### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards***

March 9, 2011

City Commissioners  
City of Altus  
Altus, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Altus, Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise the City of Altus' basic financial statements and have issued our report thereon dated March 9, 2011, which was qualified because one discretely presented component unit was not audited. Our report was modified to include a reference to other auditors on one discretely presented component unit. We did not audit management's discussion and analysis or the budgetary comparison schedules, which are required supplementary information, and therefore expressed no opinion on it. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, and other deficiencies that we consider to be significant deficiencies.

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 combination of deficiencies, in internal control such that there is a reasonable

## Ronald C. Cottrell, CPA

possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as item nos. 2010-1, 2010-2 and 2010-3 to be material weaknesses.

A significant deficiency is a deficiency or 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. We consider the deficiencies described in the accompanying schedule of findings and responses as item nos. 2010-4 through 2010-8 to be significant deficiencies.

### **Compliance and Other Matters**

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

We also noted certain matters that we reported to management of the City of Altus in a separate letter dated March 9, 2011.

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

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

Ronald C. Cottrell, CPA

**City of Altus, Oklahoma**  
**Schedule of Findings and Responses**

**Financial Statement Findings**

**2010-1 Collateralization of Deposits**

Criteria – The City of Altus Investment Policy states, “All collateral pledged to secure public funds shall be valued at no more than market value. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 110% of market value or principal and accrued interest.”

Condition – Collateralization of deposits at two local financial institutions were in excess of the cash balances as of June 30, 2010, but were less than the 110% required by the City of Altus Investment Policy. In addition, the 2009 bond construction funds account, with a June 30, 2010 balance of approximately \$7,057,300 was not collateralized at all.

Cause and Effect – Deposit balances are not compared with collateralization amounts on a regular basis. Some of the financial institutions do not regularly notify the City of collateralization balances. Uncollateralized deposits and investments could be lost in the event of a bank failure.

Recommendation – The City of Altus should implement procedures and controls to compare deposits in each financial institution with collateralization from each institution on a regular basis, at least monthly or when balances show a large increase. This will help ensure that all deposits and investments are adequately insured and/or collateralized at all times.

Management’s Response – The City of Altus agrees with the auditor’s recommendation. The clerk/treasurer will work with the finance director to develop a process to insure all funds are properly collateralized at all times. This will be reconciled at least on a monthly basis.

**2010-2 Inventory**

Criteria – Perpetual inventory records help ensure that inventory quantities and values are properly recorded and maintained. Periodic physical inventories reconciled with the perpetual records help ensure the accuracy of the perpetual records.

Condition – Perpetual records are maintained for the electric, water, fleet maintenance, and warehouse inventories. Year-end physical counts are made and compared with the perpetual records. The inventory records are adjusted to the physical counts after verifications of any significant differences noted. The general ledger accounting records are also adjusted to the final inventory values at year-end. Inventory values in the general ledger are not adjusted throughout the year.

Cause and Effect – Perpetual records are adjusted for purchases made per vendor invoices and stock used, based on work orders. The general ledger records purchases as supplies expense. No entries are made for usage. Misappropriation of inventory items could occur, as well as theft of inventory.

Recommendation – We recommend finance begin recording inventory changes as they occur by using an inventory change or contra account from the purchases and usage documentation from the departments. The resulting inventory balances per the general ledger should then be reconciled with the perpetual inventory balances for each department.

Management's Response – The City of Altus agrees with the auditor's recommendation. Departments which take care of inventory will start submitting monthly to the finance/central purchasing department a listing showing the beginning balance for the month, any usage from inventory, any additions to inventory, and the monthly ending balance. This documentation will be used to reconcile the general ledger inventory accounts and make any general journal entries which are appropriate.

### **2010-3 Utility Accounts Receivable Reconciliation**

Criteria – Periodic reconciliation of subsidiary accounting records and other supporting detail with the general ledger accounting records should be made to help ensure that balances reflected in the general ledger are accurate to allow the preparation of accurate financial statements.

Condition – Proper reconciliations of the utility billing aging reports were not made with the general ledger accounting records on a monthly basis. We noted that the aging report did not reconcile with the general ledger control account balances as of June 30, 2010.

Cause and Effect – The aging reports were determined to be incorrect due to a software problem, which was subsequently fixed by Incode. Without proper reconciliation of the detailed subsidiary records with the general ledger control accounts, errors could occur and not be detected.

Recommendation – The utility billing aging report should be reconciled with the general ledger control account balances on a monthly basis.

Management's Response – The City of Altus concurs with the auditor's findings. The utility department will work with the finance/central purchasing department, with input from the auditors, to develop a system for balancing the utility billing aging report with the general ledger on a monthly basis.

### **2010-4 Airport Fuel Sales**

Criteria – Accurate records should be maintained to document all revenue and expense transactions, as well as, balances in asset and liability accounts. Periodic reconciliations should be made of subsidiary and other supporting records with the general ledger control account balances, to help ensure that balances and activity is accurately reported in the financial statements.

Condition – Fuel sales, purchases, and inventory volumes and values are not being reconciled each month with sales and purchase records, physical inventory readings, or the general ledger control accounts. A possible shortage of approximately 1000 gallons of jet fuel was noted in our audit review. The difference was later determined to be mostly the City usage of the jet fuel.

Cause and Effect – Fuel purchase, sales, and inventory records maintained at the airport were not properly reconciled on a monthly basis, nor were such quantities and values reported to finance during the year. Fuel sales or cost of sales could be misstated in the financial statements. Possible misappropriation or theft of fuel could also be present.

Recommendation – Monthly fuel purchases, sales, and inventory amounts, both quantities and values, should be reconciled by the airport manager. Such records should then be forwarded to finance for its review. Finance should reconcile the airport subsidiary records with invoices paid and sales amounts billed and collected per the general ledger.

Management's Response – The City of Altus agrees with the auditor's recommendation. The airport manager will reconcile monthly fuel purchases, sales and inventory amounts, both quantities and values. This information will be forwarded to the finance/central purchasing department for review and reconciled with the general ledger for accuracy.

#### **2010-5 Recreation Program Waivers**

Criteria – Waivers of participation fees should be approved by management to help ensure that the City collects all revenues due.

Condition – Recreation program fee waivers are approved by the program director. A waiver request is part of the participant application form signed by the parent. Application forms are filed with other applications for a particular program.

Cause and Effect – The City's recreation programs are open to all area participants. If a participant's family is not able to afford the participation fee then the parks and recreation program director will allow them to participate without paying the fee. This scholarship decision is made by the program director based on his knowledge of the family and its situation. Waivers could be granted when the situation did not necessarily warrant the waiver. Also, fees collected could be shown as waivers with the fees maintained by a recreation department employee.

Recommendation – We recommend the City establish procedures for the scholarship/fee waiver process whereby a participant's parent would submit a separate form to request a waiver of the participation fee, giving the reason(s) therefore, and signing the form. These requests should then be presented to a recreation advisory board made of program officials, City management, and recreation department employees. The advisory board should approve all fee waivers.

Management's Response – The City of Altus concurs with the auditor's recommendation. If the contract is renewed with AGPRI, this board, which is made up of both Council members, City employees and the general public, will review the requests and approve if appropriate. If the contract with AGPRI is not renewed, a separate advisory board will be established to review the waiver recommendations and make recommendations on program improvements. In either case the waiver information will be forwarded to the finance/central purchasing department for reconciliation with program revenues, for accuracy.

#### **2010-6 Travel**

Criteria – All disbursements should be properly supported and approved. A business purpose, if applicable, should be documented for each disbursement. City of Altus personnel policies and procedures establish requirements and limitations for employee travel.

Condition – From our testing of 92 travel claims and reimbursements we noted the following:

Purpose of travel not documented	9
Department-head approved own travel, without city administrator approval	1
Itemized receipts were not attached to travel claim	4

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Ten registrants to the OML Conference were all reimbursed for use of their personal vehicle (City policy requires pooling)	10
Employee was reimbursed for lodging at Quartz Mountain (located within 2 hours of Altus – violation of City policy)	1
Employee claimed to be a passenger with another employee then received mileage reimbursement	1
City paid lodging, mileage, and training expenses for a contract worker	1

Cause and Effect – Reimbursements and other payments could be made for unauthorized or unsupported travel.

Recommendation – Supervisors or department heads approving travel claims should review the claims to ensure that they comply with City policies and procedures for employee travel. Claims should also be reviewed for compliance by finance prior to payment. Any claims found not to be in compliance with City policies should be returned to the employee for correction.

Management's Response – The City of Altus concurs with the auditor's recommendation. Supervisors or department heads will be instructed to review travel claims for compliance with City travel policies. Claims will also be reviewed by the finance/central purchasing department for compliance prior to payment. Any claims found not to be in compliance with City policies will be returned to the employee, through the department head for correction.

### 2010-7 City Fuel Credit Cards

Criteria – Disbursements should be properly supported by vendor invoices or tickets, or other indication that the goods or services were received or provided. City credit cards should be properly controlled to ensure usage by only authorized employees for City business purposes.

Condition – Five (5) monthly statements for fuel credit card purchases were not properly supported by individual fuel purchase receipts, but rather were paid from the vendor statement. Also, several instances were noted in our review of the fuel card check-out list where employees did not return the fuel card in a timely manner. One employee did not return the card for 6 months, while another employee had two fuel cards checked out at once. No analysis is made of fuel usage with miles traveled for individual City-owned vehicles.

Cause and Effect – Unauthorized use of the City fuel credit cards could result without proper support and tracking of usage by individual vehicles. The cards could be used for personal use.

Recommendation – Monthly statements from the fuel vendor should be matched with individual purchase tickets. Fuel usage by vehicle should be analyzed to determine whether it's reasonable.

Management's Response – During this budget year the City of Altus had started monitoring and tracking card usage and requiring receipt turn in when a fuel credit card is used. The City will continue to monitor the usage of the city fuel credit cards and make adjustments to the monitoring system as deemed necessary.

### 2010-8 Contract With Altus Great Plains Recreation, Inc.

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

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Condition – The City entered into a contract agreement with Altus Great Plains Recreation, Inc. (AGPRI) on March 1, 2002 to provide assistance and services regarding the recreation programs and activities administered by the City's parks and recreation department. The contract was for one year with automatic renewal unless terminated by one of the parties. The City has not renewed the contract for the fiscal year ended June 30, 2010 or beyond. Additionally, the City did not properly monitor the agreement to ensure both parties adhered to the provisions of the agreement. This condition was also reported as a finding in the prior year audit.

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

Recommendation – The City of Altus should develop and implement policies and procedures to properly monitor the contract with AGPRI to ensure that the required services are provided. The City should also consider whether to continue the agreement with AGPRI or operate the recreation programs on its own.

Management's Response – The City of Altus agrees with the auditor's recommendation. If the contract is renewed, the City will implement policies and procedures to properly monitor the contract with AGPRI to ensure the required services are provided. If the contract is not renewed, the City will operate the recreation program on its own and a City advisory board will be established to make recommendations concerning the operation of the recreation programs and needs.

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

**Financial Statement Findings**

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

Condition – Uncollectible utility accounts receivable have not been written off to bad debt expense for several years. Accounts totaling approximately \$137,000 from 2005 were charged off during the fiscal year ended June 30, 2010. Accounts receivable and the allowance for doubtful accounts were both reduced for the amount written off.

Status – This condition has been resolved.

**2009-2 Capital Assets**

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

Status – This condition has been resolved.

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

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

Status – This condition has been resolved.

**2009-4 Information Technology**

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

Status – This condition has been resolved.

**2009 – 5 Employee Time Sheets**

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

Status – This condition has been resolved.

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

Condition – The City entered into a contract agreement with Altus Great Plains Recreation, Inc. (AGPRI) on March 1, 2002 to provide assistance and services regarding the recreation programs and activities administered by the City's Parks and Recreation Department. The contract was for one year with automatic renewal unless terminated by one of the parties. There was no documentation that the City Commission approved renewal of the agreement for the fiscal year ended June 30, 2009. Additionally, the City did not properly monitor the agreement to ensure both the City and AGPRI complied with the provisions and requirements of the agreement. The following issues were noted:

1. AGPRI did not make an annual report of its financial information during the FY 2010.
2. A separate bank account was not established for the Christmas in the Park operation.
3. Required insurance was not obtained by AGPRI.
4. The City purchased lighting for the Christmas in the Park project without obtaining reimbursement from AGPRI.
5. AGPRI awarded a contract for concessions to three City employees.
6. Parks and recreation employees performed duties for AGPRI during normal working hours while they are being paid by the City.

Status – This condition still exists.

### 2009-7 Non-Collusion Affidavits

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

Status – This condition has been resolved.

### Federal Award Findings and Questioned Costs

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