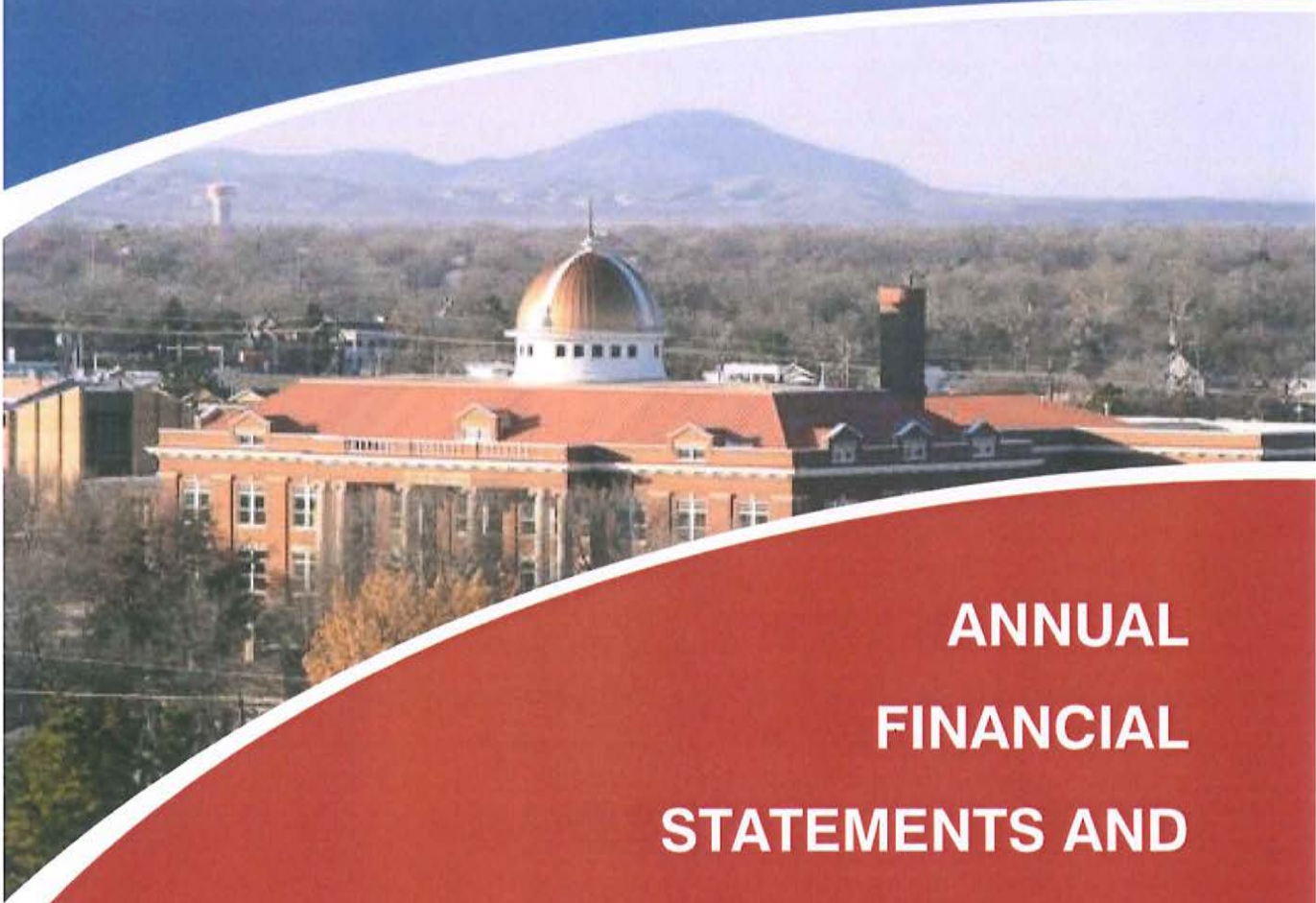


# **CITY OF LAWTON**

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OKLAHOMA



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

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**AS OF AND FOR THE FISCAL YEAR  
ENDED JUNE 30, 2011**



**TABLE OF CONTENTS**

	<b>Page</b>
<b>Independent Auditor’s Report on Financial Statements.....</b>	3-4
<b>Management’s Discussion and Analysis.....</b>	5-16
 <b>The Basic Financial Statements:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Assets .....	18
Statement of Activities .....	19
 <b>Governmental Funds Financial Statements:</b>	
Balance Sheet .....	21
Statement of Changes in Revenues, Expenditures and Fund Balances.....	22
Reconciliation of Governmental Funds and Government-Wide Financial Statements...	23-24
 <b>Proprietary Funds Financial Statements:</b>	
Statement of Net Assets.....	26
Statement of Revenues, Expenses and Changes in Net Assets.....	27
Statement of Cash Flows.....	28
 <b>Fiduciary Funds Financial Statements:</b>	
Statement of Net Assets.....	30
Pension Trust Fund Statement of Changes in Plan Net Assets.....	31
 <b>Combining Financial Statements - Component Units:</b>	
Combining Statement of Net Assets.....	33
Combining Statement of Activities.....	34
 <b>Footnotes to the Basic Financial Statements .....</b>	 35-64
 <b>Required Supplementary Information:</b>	
<b>Budgetary Comparison Information</b>	
Budgetary Comparison Schedule (Budgetary Basis) – General Fund.....	66
Footnotes to Budgetary Comparison Schedule.....	67
 <b>Retirement Information</b>	
Schedule of Funding Progress – City Employee Retirement System.....	68
Schedule of Funding Progress – Other Post Employment Benefits.....	69

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

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**Other Supplementary Information:**

Schedule of Changes in Fund Balances - Non-Major Governmental Funds.....	71
Debt Service Coverage Schedule.....	72

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council  
City of Lawton, 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 Lawton, Oklahoma (the "City"), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lawton Metropolitan Area Airport Authority, the Lawton Arts and Humanities Council, the McMahon Auditorium Authority, and the Museum of the Great Plains Trust Authority, which represent 99 percent, 294 percent, and 95 percent, respectively, of the assets, net assets, and program revenues of the discretely presented component units. We also did not audit the Pension Trust Fund. The financial statements for the above listed discretely presented component units and the Pension Trust Fund were audited by other auditors whose reports thereon have been furnished to us and our opinions, insofar as they relate to the amounts included for discretely presented component units and the Pension Trust Fund, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position 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, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the retirement benefit funding information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The Schedule of Changes in Fund Balances – Non-Major Governmental Funds and the Debt Service Coverage Schedule, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of the other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Arlidge & Associates, P.C.*

Edmond, Oklahoma  
July 20, 2012

**CITY OF LAWTON, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2011**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF LAWTON, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2011**

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Our discussion and analysis of the City of Lawton's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the City's financial statements, which follow this section.

***FINANCIAL HIGHLIGHTS***

- For the fiscal year ended June 30, 2011, the City's total net assets increased by \$14.9 million or 6.9% from the prior year.
- During the year, the City's expenses for governmental activities were \$78.7 million and were funded by program revenues of \$20.5 million and further funded with taxes and other general revenues that totaled \$57.4 million.
- In the City's business-type activities, such as utilities, program revenues exceeded expenses by \$15.7 million.
- Sales and use taxes increased by \$2.0 million or 4.5% over the prior fiscal year.
- At June 30, 2011, the General Fund reported an unrestricted fund balance of \$7.6 million.
- For budgetary reporting purposes, the General Fund reported revenues over estimates by \$5,645,477 or 11.4%, while expenditures were under final appropriations by \$2,008,413 or 3.9%.
- The City implemented GASB Statement 54 –Fund Balance Reporting and Governmental Fund Type Definitions which resulted in the reclassification of some fund types and presentation of fund balance in the new categories of nonspendable, restricted, committed, assigned, and unassigned.

***OVERVIEW OF THE FINANCIAL STATEMENTS***

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

**About the City**

The City of Lawton is an incorporated municipality with a population of approximately 96,800 located in southwestern Oklahoma. The City operates under a council-manager form of government with a charter that provides for three branches of government.

- Legislative – the governing body includes an elected eight-member City Council and Mayor.
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council.
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council.



**CITY OF LAWTON, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2011**

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***The City's Financial Reporting Entity***

This annual report includes all activities for which the City Council of the City of Lawton is fiscally responsible. These activities are operated within several separate legal entities that are reported together to make up the City's financial reporting entity.

The City's financial reporting entity includes the City of Lawton, four active blended component units and six discretely presented component units as follows.

**Primary Government:**

- **The City of Lawton** – incorporated municipality that operates the public safety, health and welfare, streets and highways, culture and recreation, and administrative activities as a home rule charter city.

**Blended Component Units:**

- **Lawton Water Authority** – public trust that operates the water, wastewater, and sanitation services of the City. The Trust is reported as an enterprise fund.
- **City Transit Trust** – public trust that operates and maintains public transportation systems and facilities. The Trust is reported as the Special Revenue Mass Transit Fund.
- **Lawton Urban Homestead Authority** – public trust created to purchase and maintain property, buildings and facilities to upgrade neighborhood areas in accordance with the Urban Homesteading Program of the City. The Authority is reported as the Special Revenue Lawton Urban Housing Fund.
- **Lawton Parking Authority (Presently Inactive)** – public trust created to operate and maintain public parking systems and facilities.
- **Lawton Industrial Development Authority** – public trust created to promote industrial development within the Lawton area. The Trust is reported as the Special Revenue LIDA Fund.

**Discretely Presented Component Units:**

- **Lawton Metropolitan Area Airport Authority** – public trust that operates to develop and maintain airport operations for the City, the trust issues separate financial statements.
- **Lawton Arts and Humanities Council** – public trust that operates to encourage and promote knowledge of the fine arts and humanities, the trust issues separate financial statements.
- **McMahon Auditorium Authority** – public trust created to operate and maintain the McMahon Auditorium, a public and municipal auditorium of the City, the trust issues separate financial statements.
- **Museum of the Great Plains Trust Authority** – public trust created to collect, preserve, and exhibit items relevant to cultural history of man in the Great Plains of North America, the trust issues separate financial statements.

**CITY OF LAWTON, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2011**

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- **Lawton Economic Development Authority** – public trust created to promote economic development within the Lawton area.
- **Lawton Metropolitan Planning Organization** – public trust created to coordinate planning and development of transportation activities within the Lawton Metropolitan area, the trust issues separate financial statements.

All of the above discretely presented component units, except for the Lawton Economic Development Authority, issue separate financial statement reports which may be obtained by contacting their respective offices.

### **Using This Annual Report**

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

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

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

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

### **Reporting the City as a Whole**

#### **The Statement of Net Assets and the Statement of Activities**

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

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

**CITY OF LAWTON, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2011**

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condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

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

- **Governmental activities** -- Most of the City's basic services are reported here, including the police, fire, general administration, streets, and culture. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- **Business-type activities** -- The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, wastewater, and sanitation activities are reported here.
- **Discretely-presented component units** -- These account for activities of the City's reporting entity that do not meet the criteria for blending, specifically the Lawton Metropolitan Area Airport Authority, Lawton Arts and Humanities Council, McMahan Auditorium Authority, Museum of the Great Plains Trust Authority, Lawton Economic Development Authority and Lawton Metropolitan Planning Organization.

### **Reporting the City's Most Significant Funds**

#### **Fund Financial Statements**

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

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

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

**CITY OF LAWTON, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2011**

*Fiduciary funds* - When the City is responsible for assets that – because of a trust arrangement or other fiduciary requirement – can be used only for trust beneficiaries or others parties, these activities are reported as fiduciary funds, such as the Employee Retirement Trust Fund. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance operations.

***A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE***

**Net Assets**

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 \$230,243,597 at the close of the most recent fiscal year.

Table 1  
Net Assets  
(In Thousands)

	Governmental		% Inc.	Business-type		% Inc.	Total		% Inc.
	Activities		(Dec.)	Activities		(Dec.)	Primary Government		(Dec.)
	2011	2010		2011	2010		2011	2010	
				Restated				Restated	
Current and other assets	\$ 85,165	\$ 85,512	0%	\$ 51,271	\$ 42,620	20%	\$ 136,436	\$ 128,132	6%
Capital assets	75,186	72,354	4%	208,673	180,057	16%	283,859	252,411	12%
Total assets	160,351	157,866	2%	259,944	222,677	17%	420,295	380,543	10%
Long-term debt outstanding	33,461	32,190	4%	137,416	119,053	15%	170,877	151,243	13%
Other liabilities	15,595	11,593	35%	3,580	2,499	43%	19,175	14,092	36%
Total liabilities	49,056	43,783	12%	140,996	121,552	16%	190,052	165,335	15%
Net assets:									
Invested in capital assets,									
net of debt	49,615	50,432	-2%	102,435	92,410	11%	152,050	142,842	6%
Restricted	63,396	57,653	10%	15,027	11,585	30%	78,423	69,238	13%
Unrestricted	(1,716)	5,999	-129%	1,486	(2,870)	152%	(230)	3,129	-107%
Total net assets	\$ 111,295	\$ 114,084	-2%	\$ 118,948	\$ 101,125	18%	\$ 230,243	\$ 215,209	7%

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. For 2011, this investment in capital assets, net of related debt amounted to \$152,050,457. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A major portion of the City's net assets, \$78,423,197 also represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$(527,716), if positive, may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF LAWTON, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2011**

Explanations of significant changes displayed in Table 1 are as follows:

*Governmental Activities:*

Other liabilities – Increase of \$4.0 million (35%) due to an increase in accounts payable and accrued liabilities.

Unrestricted Net Assets – Decrease of \$7.7 million (-129%) due mainly to the proper classification of net assets due to GASB 54.

*Business-Type Activities:*

Other Liabilities – Increase of \$1.1 million (43%) due to an increase in accounts payable and OPEB liability.

Unrestricted Net Assets – Increase of \$5.4 million (138%) due mainly from revenue collected exceeding expenses.

**Changes in Net Assets**

For the year ended June 30, 2011, net assets of the primary government changed as follows:

**Table 2  
Changes in Net Assets  
(In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total Primary Government		% Inc. (Dec.)
	2011	2010		2011	2010		2011	2010	
Revenues:									
Program revenues:									
Charges for services	\$ 8,627	\$ 7,961	8%	\$ 43,057	\$ 41,142	5%	\$ 51,684	\$ 49,103	5%
Operating grants and contributions	8,497	7,474	14%	-	104	-100%	8,497	7,578	12%
Capital grants and contributions	3,350	1,095	206%	3,516	-	100%	6,866	1,095	527%
General revenues:									
Sales and use taxes	45,816	43,858	4%	-	-	-	45,816	43,858	4%
Other taxes	9,663	9,746	-1%	-	-	-	9,663	9,746	-1%
Other general revenue	1,966	2,006	-2%	50	78	-36%	2,016	2,084	-3%
Total revenues	<u>77,919</u>	<u>72,140</u>	8%	<u>46,623</u>	<u>41,324</u>	13%	<u>124,542</u>	<u>113,464</u>	10%
Program expenses:									
General government	13,236	10,551	25%	-	-	-	13,236	10,551	25%
Public safety	34,735	30,984	12%	-	-	-	34,735	30,984	12%
Streets	9,717	8,651	12%	-	-	-	9,717	8,651	12%
Education	5,287	1,834	188%	-	-	-	5,287	1,834	188%
Transportation	4,751	2,693	76%	-	-	-	4,751	2,693	76%
Cultural and recreation	8,601	8,910	-3%	-	-	-	8,601	8,910	-3%
Community/economic development	1,312	1,775	-26%	-	-	-	1,312	1,775	-26%
Interest	1,102	1,254	-12%	-	-	-	1,102	1,254	-12%
Water	-	-	-	17,226	14,394	20%	17,226	14,394	20%
Sewer	-	-	-	10,286	10,107	2%	10,286	10,107	2%
Sanitation	-	-	-	3,342	3,965	-16%	3,342	3,965	-16%
Total expenses	<u>78,741</u>	<u>66,652</u>	18%	<u>30,854</u>	<u>28,466</u>	8%	<u>109,595</u>	<u>95,118</u>	15%
Excess (deficiency) before transfers	(822)	5,488	115%	15,769	12,858	23%	14,947	18,346	-19%
Transfers	<u>(2,054)</u>	<u>7,978</u>	-126%	<u>2,054</u>	<u>(7,978)</u>	126%	<u>-</u>	<u>-</u>	-
<b>Increase (decrease) in net assets</b>	<b>(2,876)</b>	<b>13,466</b>	<b>-121%</b>	<b>17,823</b>	<b>4,880</b>	<b>-265%</b>	<b>14,947</b>	<b>18,346</b>	<b>-19%</b>
Net Assets, Beginning, restated	114,171	100,617	13%	101,125	95,232	6%	215,296	195,849	10%
Net Assets, Ending	<u>\$ 111,295</u>	<u>\$ 114,083</u>	<u>-2%</u>	<u>\$ 118,948</u>	<u>\$ 100,112</u>	<u>19%</u>	<u>\$ 230,243</u>	<u>\$ 214,195</u>	<u>7%</u>

**CITY OF LAWTON, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2011**

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Explanations of significant changes in excess of \$1 million and 20% displayed in Table 2 are as follows:

*Governmental Activities:*

Capital grants and contributions – Increase of \$2.3 million (206%) due to capital grant for street purposes.

General government expense – Increase of \$2.7 million (25%) due to an increase in operational cost

Education expense – Increase of \$3.6 million (188%) due to 0.5 cent sales tax for the school district. Tax is collected by the city and transferred to Lawton Public Schools. FY 2011 was the first full year of the tax.

Transportation expenses – Increase of \$2.1 million (76%) due to an increase in transportation cost and funding.

Transfers – Decrease of \$10 million due to a reduction in transfers to capital project funds for capital construction, a decrease in revenue transfers from the Water authority to the General Fund, and a decrease in the movement of debt proceeds.

*Business-Type Activities:*

Capital grants and contributions – Increase of \$3.5 million (100%) due to capital grant for wastewater purposes.

Water Expenses – Increase of \$2.8 million (20%) due to increased operational cost.

Transfers – Increase of \$10 million (126%). See above for explanation.

**Governmental Activities**

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

**CITY OF LAWTON, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2011**

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2011	2010		2011	2010	
General government	\$ 13,236	\$ 10,551	25%	\$ (3,540)	\$ (543)	-552%
Public safety	34,735	30,984	12%	(32,838)	(29,256)	-12%
Streets	9,717	8,650	12%	(5,552)	(6,601)	16%
Culture, parks and recreation	8,601	8,910	-3%	(8,040)	(8,294)	3%
Community/economic development	1,312	1,776	-26%	(1,312)	(1,776)	26%
Education	5,287	1,834	188%	(5,287)	(1,834)	100%
Transportation	4,751	2,693	76%	(594)	(527)	-13%
Interest on long-term debt	1,102	1,254	-12%	(1,102)	(1,254)	12%
<b>Total</b>	<b>\$ 78,741</b>	<b>\$ 66,652</b>	<b>18%</b>	<b>\$ (58,265)</b>	<b>\$ (50,085)</b>	<b>-16%</b>

For the year ended June 30, 2011 total expenses for governmental activities amounted to \$78.7 million which was an increase from the prior year of 18%. See Table 2 above for explanations of changes in excess of \$1 million and 20%.

**Business-type Activities**

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2011	2010		2011	2010	
Water	\$ 17,226	\$ 14,394	20%	\$ 6,351	\$ 7,135	11%
Wastewater	10,286	10,107	2%	4,648	1,768	-163%
Sanitation	3,342	3,964	-16%	4,719	3,877	-22%
<b>Total</b>	<b>\$ 30,854</b>	<b>\$ 28,465</b>	<b>8%</b>	<b>\$ 15,718</b>	<b>\$ 12,780</b>	<b>-23%</b>

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

In reviewing the business-type activities net (expense)/revenue, the following highlights should be noted:

- Total business-type activities reported net revenues of \$15.7 million for the year ended June 30, 2011.
- All individual activities reported net revenue for the year ended June 30, 2011 and 2010.

**CITY OF LAWTON, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2011**

***A FINANCIAL ANALYSIS OF THE CITY'S FUNDS***

As the City completed its 2011 fiscal year, the governmental funds reported a combined fund balance of \$78.1 million or a 3.2% decrease of \$2.6 million mainly due to spending grant funds in the CDBG fund and spending the balance of the 2008 CIP Fund. The enterprise funds reported combined net assets of \$118.9 million or a 17.7% increase from 2010.

Other fund highlights include:

- For the year ended June 30, 2011, the General Fund's total fund balance decreased by \$3,838,267 or 25.5% due mainly to an increase expenditures and transfers out.
- The 2005 CIP Fund's total fund balance increased by \$2.5 million or 4.9%.

**General Fund Budgetary Highlights**

- Over the course of the year, the City Council revised the General Fund budget various times. Actual revenues were above estimates by \$5,645,477 or 11.4%, while expenditures were under final appropriations by \$2,008,413 or 3.9%.

***CAPITAL ASSET AND DEBT ADMINISTRATION***

**Capital Assets**

At the end of June 30, 2011, the City had \$283.9 million invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines. (See table below). This represents a net increase of \$32.5 million or 12.9% over last year.

Table 5  
Primary Government Capital Assets  
(Net of accumulated depreciation)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	Restated 2010	2011	Restated 2010
Land	\$ 3,010,956	\$ 3,010,956	\$ 7,596,485	\$ 1,405,555	\$ 10,607,441	\$ 4,416,511
Buildings and utility infrastructure	15,993,828	15,173,027	148,800,087	105,377,997	164,793,915	120,551,024
Machinery, furniture and equipment	9,645,124	8,107,649	7,212,981	6,340,636	16,858,105	14,448,285
Infrastructure	29,141,314	24,748,738	-	-	29,141,314	24,748,738
Unamortized water rights	-	-	31,899,490	15,654,728	31,899,490	15,654,728
Construction in progress	17,394,952	21,314,096	13,163,738	51,277,438	30,558,690	72,591,534
<b>Totals</b>	<u>\$ 75,186,174</u>	<u>\$ 72,354,466</u>	<u>\$ 208,672,781</u>	<u>\$ 180,056,354</u>	<u>\$ 283,858,955</u>	<u>\$ 252,410,820</u>

This year's more significant capital asset additions included:

Low flow hydrant projects	\$3,440,716
South Wolf Creek Sewer project	\$2,601,367
WWTP Improvement Project	\$3,583,298
Downtown preservation project	\$3,865,925



**CITY OF LAWTON, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2011**

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

**Long- Term Debt**

At year-end, the City had \$171 million in long-term debt outstanding which represents a \$19.6 million or 13% increase from the prior year. The increase is due to the issuance of \$10.4 million in notes payable to the Oklahoma Water Resources Board and \$16.6 million in contracts payable to the Waurika Master Conservancy District. The City's changes in long-term debt by type of debt are as follows:

Table 6  
Primary Government Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Accrued compensated absences	\$ 5,913,160	\$ 5,444,252	\$ 800,871	\$ 780,244	\$ 6,714,031	\$ 6,224,496
General Obligation Bonds	19,420,000	22,140,000	-	-	19,420,000	22,140,000
General Obligation Bond Premium	96,959	106,655	-	-	96,959	106,655
Worker's Compensation liability	1,742,704	1,191,313	1,123,086	782,955	2,865,790	1,974,268
Judgments Payable	1,490,119	1,204,356	-	-	1,490,119	1,204,356
Revenue Bonds Payable	2,500,000	-	1,545,000	3,020,000	4,045,000	3,020,000
Revenue Bonds Premium	-	-	-	80,139	-	80,139
Notes Payable	1,807,000	1,865,000	96,391,911	91,965,047	98,198,911	93,830,047
Contracts Payable	-	-	32,116,042	16,034,997	32,116,042	16,034,997
Landfill Closure and Post-closure	-	-	5,438,927	6,390,406	5,438,927	6,390,406
Capital Lease Obligations	491,074	238,445	-	-	491,074	238,445
<b>Totals</b>	<b>\$ 33,461,016</b>	<b>\$ 32,190,021</b>	<b>\$ 137,415,837</b>	<b>\$ 119,053,788</b>	<b>\$ 170,876,853</b>	<b>\$ 151,243,809</b>

See Note 6 to the financial statements for more detail information on the City's long-term debt and changes therein.

**The Upcoming Year FY 2011-2012**

The City of Lawton is investing significant dollars to ensure we have an adequate water supply. Lawton is entering into a refinance / purchase option for the remaining Waurika Lake water storage rights. This agreement will help the City maintain the water supply for the next several years. In addition, the coming year focus is on the infrastructure needs throughout the City. Lawton is going out for a vote of the people to continue the sales tax collections to help finance the ever growing needs for infrastructure improvements. The primary focus will be the street and water infrastructure.

The expenditure side of the City of Lawton continues to be very conservative and maintaining a very small growth in operating expenditures. With the overall economy in the Nation and the State being somewhat on a downward trend the City has chosen a very conservative approach to both revenue and expenditure growth. The City of Lawton continues to receive some grant/match dollars for public safety for the police and fire department.

Sales tax revenue continues to be steady and indicates that the City of Lawton has been somewhat isolated from many of the issues that other cities in Oklahoma have been experiencing. Most cities are

**CITY OF LAWTON, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2011**

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experiencing a significant drop in sales tax revenue; however, we continue to maintain steady revenue collections.

Overall the City of Lawton continues to be aggressive in its policy to grow the city at large, at the same time, being very conservative in its operational expenditures. Significant dollars are being spent in the area of infrastructure in the City which is promoting some positive opportunities for new business to come to Lawton and establish themselves. We believe the FY 2011-2012 will present some interesting challenges in particular with Bargaining Unit contracts, Health Fund expenditures, and the City Pension program. However, we feel that in order to promote growth we need to continue on an aggressive path to encourage industrial and retail businesses to settle in Lawton, Oklahoma. The City's partnership with the Ft Sill community continues to promote harmony and working together toward providing our military personnel a better place to live and serve.

**Contacting the City's Financial Management**

This report is designed to provide our citizens, taxpayers, customers and creditors with an understanding of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional financial information, contact:

Mr. Rick Endicott, Finance Director  
City of Lawton  
103 S.W. 4<sup>th</sup> Street  
Lawton, Oklahoma 73501

Telephone at 580-581-3305

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

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**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE**

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2011**

**Statement of Net Assets– June 30, 2011**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS:</b>				
Cash and cash equivalents	\$22,534,676	\$42,666,560	\$65,201,236	\$1,396,532
Investments	54,425,908	384,530	54,810,438	-
Interest receivable	121,916	766	122,682	-
Accounts receivable, net	657,745	5,760,593	6,418,338	157,565
Inventory	-	-	-	69,285
Due from other governments	8,399,579	-	8,399,579	148,570
Internal balances	(1,209,564)	1,209,564	-	-
Prepaid items	-	-	-	20,312
Other assets	-	-	-	11,067
Capital assets:				
Land and construction in progress	20,405,908	20,760,223	41,166,131	1,477,754
Other capital assets, net of depreciation	54,780,266	187,912,558	242,692,824	15,181,002
Unamortized bond issuance costs	234,257	1,249,742	1,483,999	-
<b>Total assets</b>	<b>160,350,691</b>	<b>259,944,536</b>	<b>420,295,227</b>	<b>18,462,087</b>
<b>LIABILITIES:</b>				
Accounts payable and accrued liabilities	7,101,760	1,144,820	8,246,580	246,403
Escrow liability	361,314	-	361,314	-
Grants payable	-	-	-	4,000
Accrued interest payable	140,698	1,921,053	2,061,751	49,056
Deferred revenue	-	-	-	7,679
OPEB liability	1,484,141	514,377	1,998,518	-
Net pension obligation	6,506,614	-	6,506,614	-
Long-term liabilities:				
Due within one year	5,239,367	9,364,138	14,603,505	6,110
Due in more than one year	28,221,649	128,051,699	156,273,348	12,009,738
<b>Total liabilities</b>	<b>49,055,543</b>	<b>140,996,087</b>	<b>190,051,630</b>	<b>12,322,986</b>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	49,615,279	102,435,178	152,050,457	16,649,009
Restricted	63,395,821	15,027,376	78,423,197	335,202
Unrestricted	(1,715,952)	1,485,895	(230,057)	(10,845,110)
<b>Total net assets</b>	<b>\$111,295,148</b>	<b>\$118,948,449</b>	<b>\$230,243,597</b>	<b>\$6,139,101</b>

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2011**

**Statement of Activities –Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Primary Government:</b>								
<b>Governmental activities:</b>								
General government	\$13,235,491	\$5,439,688	\$3,979,089	\$276,690	(\$3,540,024)	-	(\$3,540,024)	-
Public safety	34,735,355	1,415,660	383,363	98,395	(32,837,937)	-	(32,837,937)	-
Streets	9,716,491	925,697	772,903	2,465,870	(5,552,021)	-	(5,552,021)	-
Culture and recreation	8,007,819	424,564	136,494	-	(7,446,761)	-	(7,446,761)	-
Community development	1,311,789	-	-	-	(1,311,789)	-	(1,311,789)	-
Education	5,287,491	-	-	-	(5,287,491)	-	(5,287,491)	-
Transportation	4,600,731	421,424	3,225,434	509,511	(444,362)	-	(444,362)	-
Culture and recreation - payment to component unit	593,093	-	-	-	(593,093)	-	(593,093)	-
Transportation - payment to component unit	150,000	-	-	-	(150,000)	-	(150,000)	-
Interest on long-term debt	1,101,906	-	-	-	(1,101,906)	-	(1,101,906)	-
<b>Total governmental activities</b>	<b>78,740,166</b>	<b>8,627,033</b>	<b>8,497,283</b>	<b>3,350,466</b>	<b>(58,265,384)</b>	<b>-</b>	<b>(58,265,384)</b>	<b>-</b>
<b>Business-type activities:</b>								
Water	17,225,842	23,050,595	-	526,354	-	6,351,107	6,351,107	-
Wastewater	10,286,485	11,945,441	-	2,989,086	-	4,648,042	4,648,042	-
Sanitation	3,341,836	8,061,127	-	-	-	4,719,291	4,719,291	-
<b>Total business-type activities</b>	<b>30,854,163</b>	<b>43,057,163</b>	<b>-</b>	<b>3,515,440</b>	<b>-</b>	<b>15,718,440</b>	<b>15,718,440</b>	<b>-</b>
<b>Total primary government</b>	<b>\$109,594,329</b>	<b>\$51,684,196</b>	<b>\$8,497,283</b>	<b>\$6,865,906</b>	<b>(58,265,384)</b>	<b>15,718,440</b>	<b>(42,546,944)</b>	<b>-</b>
<b>Component Units:</b>								
Airport	\$2,426,332	\$1,678,060	\$145,138	\$1,255,879	-	-	-	\$652,745
Culture and recreation	1,052,888	322,466	228,356	-	-	-	-	(502,066)
Economic development	2,067,710	27,647	-	-	-	-	-	(2,040,063)
Transportation	66,471	-	150,004	-	-	-	-	83,533
<b>Total component units</b>	<b>\$5,613,401</b>	<b>\$2,028,173</b>	<b>\$523,498</b>	<b>\$1,255,879</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,805,851)</b>
<b>General revenues:</b>								
<b>Taxes:</b>								
Sales and use taxes	-	-	-	-	45,816,248	-	45,816,248	-
Property tax	-	-	-	-	3,692,159	-	3,692,159	-
Franchise and public service taxes	-	-	-	-	2,252,838	-	2,252,838	-
Hotel/motel taxes	-	-	-	-	1,218,800	-	1,218,800	-
Intergovernmental revenue not restricted to specific programs	-	-	-	-	2,498,700	-	2,498,700	-
Investment income	-	-	-	-	395,614	50,294	445,908	5,301
Miscellaneous	-	-	-	-	1,569,668	-	1,569,668	-
Payment from primary government	-	-	-	-	-	-	-	743,093
Payment to primary government	-	-	-	-	-	-	-	(80,032)
<b>Transfers - Internal activity</b>	-	-	-	-	(2,054,446)	2,054,446	-	-
<b>Total general revenues and transfers</b>	-	-	-	-	<b>55,389,581</b>	<b>2,104,740</b>	<b>57,494,321</b>	<b>668,362</b>
<b>Change in net assets</b>	-	-	-	-	<b>(2,875,803)</b>	<b>17,823,180</b>	<b>14,947,377</b>	<b>(1,137,489)</b>
<b>Net assets - beginning (restated)</b>	-	-	-	-	<b>114,170,953</b>	<b>101,125,269</b>	<b>215,296,222</b>	<b>7,276,590</b>
<b>Net assets - ending</b>	-	-	-	-	<b>\$111,295,150</b>	<b>\$118,948,449</b>	<b>\$230,243,599</b>	<b>\$6,139,101</b>

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

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**BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS**

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2011

**Governmental Funds Balance Sheet - June 30, 2011**

	<u>General Fund</u>	<u>2005 CIP Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 3,559,637	\$ 5,663,784	\$ 12,936,000	\$ 22,159,421
Investments	3,394,609	49,633,800	1,397,499	54,425,908
Receivables:				
Accounts receivable	84,660	-	275,371	360,031
Accrued interest receivable	22,972	92,448	6,496	121,916
Due from other funds	346,521	607,472	6,958	960,951
Due from other governments and entities	7,714,773	-	684,806	8,399,579
 Total assets	 <u>\$ 15,123,172</u>	 <u>\$ 55,997,504</u>	 <u>\$ 15,307,130</u>	 <u>\$ 86,427,806</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 3,347,752	\$ 661,353	\$ 2,049,131	\$ 6,058,236
Escrow liability	-	359,714	1,600	361,314
Due to other funds	566,404	-	1,304,111	1,870,515
 Total liabilities	 <u>3,914,156</u>	 <u>1,021,067</u>	 <u>3,354,842</u>	 <u>8,290,065</u>
Fund Balances:				
Restricted	-	54,976,437	8,404,572	63,381,009
Committed	1,801,891	-	14,812	1,816,703
Assigned	1,775,658	-	3,532,904	5,308,562
Unassigned	7,631,467	-	-	7,631,467
 Total fund balances	 <u>11,209,016</u>	 <u>54,976,437</u>	 <u>11,952,288</u>	 <u>78,137,741</u>
 Total liabilities and fund balances	 <u>\$ 15,123,172</u>	 <u>\$ 55,997,504</u>	 <u>\$ 15,307,130</u>	 <u>\$ 86,427,806</u>

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2011**

	<b>General Fund</b>	<b>2005 CIP Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>				
Taxes	\$43,660,991	-	\$10,198,450	\$53,859,441
Intergovernmental	1,419,792	\$238,672	9,708,592	11,367,056
Charges for services	133,021	-	997,168	1,130,189
Fines and forfeitures	3,629,371	-	1,810,990	5,440,361
Licenses and permits	1,606,054	-	40,832	1,646,886
Investment income	125,591	255,397	11,050	392,038
Miscellaneous	921,313	-	682,728	1,604,041
<b>Total Revenues</b>	<b>51,496,133</b>	<b>494,069</b>	<b>23,449,810</b>	<b>75,440,012</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	7,997,623	-	2,544,819	10,542,442
Public safety	27,810,282	-	2,223,337	30,033,619
Public works and streets	8,473,031	-	-	8,473,031
Education	-	-	5,287,491	5,287,491
Culture and recreation	5,732,632	-	1,204,181	6,936,813
Community development	-	-	1,196,370	1,196,370
Transportation	-	-	4,600,731	4,600,731
Capital outlay	449,947	8,861,108	11,361,884	20,672,939
<b>Debt service:</b>				
Principal retirement	-	-	2,896,771	2,896,771
Interest and fiscal charges	-	-	1,076,650	1,076,650
Judgments	-	-	642,807	642,807
<b>Total Expenditures</b>	<b>50,463,515</b>	<b>8,861,108</b>	<b>33,035,041</b>	<b>92,359,664</b>
Excess (deficiency) of revenues over expenditures	1,032,618	(8,367,039)	(9,585,231)	(16,919,652)
<b>Other Financing Sources (Uses):</b>				
Lease proceeds	-	-	2,871,200	2,871,200
Bond issue cost	-	-	(72,750)	(72,750)
Transfers in	17,153,193	19,790,930	14,217,758	51,161,881
Transfers out	(21,361,017)	(8,875,040)	(8,721,531)	(38,957,588)
Transfer from discretely presented component unit	80,032	-	-	80,032
Transfer to discretely presented component unit	(743,093)	-	-	(743,093)
<b>Total Other Financing Sources (Uses)</b>	<b>(4,870,885)</b>	<b>10,915,890</b>	<b>8,294,677</b>	<b>14,339,682</b>
Net change in fund balances	(3,838,267)	2,548,851	(1,290,554)	(2,579,970)
<b>Fund balances - beginning</b>	<b>15,047,283</b>	<b>52,427,586</b>	<b>13,242,842</b>	<b>80,717,711</b>
<b>Fund balances - ending</b>	<b>\$11,209,016</b>	<b>\$54,976,437</b>	<b>\$11,952,288</b>	<b>\$78,137,741</b>

See accompanying notes to the basic financial statements.



**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

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**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

**Fund Balance – Net Assets Reconciliation:**

<b>Fund balances of governmental funds</b>	<b>\$78,137,741</b>
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, net of accumulated depreciation of \$62,890,978.	<u>75,043,298</u>
Certain long-term assets are not available to pay for current fund liabilities:	
Unamortized bond issuance costs	234,257
Mortgages receivable	<u>297,659</u>
	<u>531,916</u>
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	<u>(1,050,924)</u>
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
General obligation bonds payable	(19,420,000)
Unamortized debt premium	(96,959)
Accrued interest payable	(140,698)
Capital lease payables	(491,074)
Accrued compensated absences	(5,687,574)
Accrued workers compensation claims	(1,742,704)
OPEB liability	(1,484,141)
Note payable	(1,807,000)
Judgments payable	(1,490,119)
Revenue note payable	(2,500,000)
Net pension obligation	<u>(6,506,614)</u>
	<u>(41,366,883)</u>
<b>Net assets of governmental activities</b>	<b><u>\$111,295,148</u></b>

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

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**Changes in Fund Balances – Changes in Net Assets Reconciliation:**

**Net change in fund balances - total governmental funds** (\$2,579,970)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets

Capital asset purchases capitalized	19,243,208
Loss on disposal of capital assets	(30,928)
Capital asset donated by outside sources	2,386,775
Capital asset donated from authority	165,230
Capital assets transferred to business-type activities	(14,258,739)
Depreciation expense	(4,659,224)

2,846,322

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

Incurrence of judgments rendered against the City	(928,570)
Judgment payments	642,807
Capital lease proceeds	(371,200)
Capital lease principal payments	118,771
General obligation bond principal payments	2,720,000
Revenue note proceeds	(2,500,000)
Note payable principal payments	58,000

(260,192)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in accrued interest payable	(34,952)
Change in OPEB liability	(497,601)
Change in accrued compensated absences	(453,537)
Change in amortization of bond premium	9,696
Change in amortization of bond issue costs	(42,906)
Change in mortgages receivable	210,433
Bond issue cost incurred	72,750
Net pension obligation increase	(1,533,350)
Change in accrued worker's compensation claims	(551,391)

(2,820,858)

Internal service fund activity is reported as a proprietary fund in the fund financial statements, but certain net revenues are reported in governmental activities on the Statement of Activities

Total change in net assets for internal service funds	(61,105)
	<u>(61,105)</u>

**Change in net assets of governmental activities** (\$2,875,803)

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

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**BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS**

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2011

**Proprietary Funds Statement of Net Assets - June 30, 2011**

	<b>Lawton Water Authority</b>	<b>Internal Service Funds</b>
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$5,247,703	\$375,255
Investments	384,530	-
Accounts receivable, net of allowance \$1,571,387	5,760,593	55
Interest receivable	766	-
Due from other funds	1,257,237	-
Total current assets	12,650,829	375,310
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	37,418,857	-
Unamortized bond and note issue costs	1,249,742	-
Land and construction in progress	20,760,223	-
Other capital assets, net	187,912,558	142,876
Total noncurrent assets	247,341,380	142,876
Total assets	259,992,209	518,186
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable and accrued liabilities	625,123	61,026
Accrued wages payable	519,697	46,014
Accrued interest payable	1,921,053	-
Due to other funds	47,673	300,000
Accrued compensated absences	95,672	26,957
Landfill post closure liability	5,438,927	-
Claims liability	-	936,484
OPEB liability	514,377	-
Contract payable - Waurika note	982,766	-
Worker's compensation liability	1,123,086	-
Notes payable	4,835,800	-
Revenue bonds payable	1,545,000	-
Total current liabilities	17,649,174	1,370,481
Noncurrent liabilities:		
Accrued compensated absences	705,198	198,629
Contract payable	31,133,275	-
Notes payable	91,556,113	-
Total noncurrent liabilities	123,394,586	198,629
Total liabilities	141,043,760	1,569,110
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	102,435,178	142,876
Restricted for debt service	14,271,666	-
Restricted for landfill financial assurance	755,710	-
Unrestricted	1,485,895	(1,193,800)
Total net assets	\$118,948,449	(\$1,050,924)

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2011

**Proprietary Funds Statement of Revenues, Expenses and Changes in Net Assets - Year Ended June 30, 2011**

	<u>Lawton Water Authority</u>	<u>Internal Service Funds</u>
<b>Operating Revenues:</b>		
Charges for services	\$42,805,556	\$8,614,301
Rentals	147,027	-
Other sources	7,079	-
Total operating revenues	<u>42,959,662</u>	<u>8,614,301</u>
<b>Operating Expenses:</b>		
General government and claims	650	7,456,263
Public works operations	21,405,265	-
Computer service operations	-	1,150,197
Depreciation expense	5,908,463	84,470
Amortization expense	547,878	-
Landfill closure expense	(979,173)	-
Total operating expenses	<u>26,883,083</u>	<u>8,690,930</u>
Operating income (loss)	16,076,579	(76,629)
<b>Non-Operating Revenues (Expenses):</b>		
Investment income	50,294	1,864
Interest expense and fiscal charges	(3,971,080)	-
Gain (Loss) on asset retirement	97,500	-
Other non-operating revenue (expense)	-	13,660
Total non-operating revenues (expenses)	<u>(3,823,286)</u>	<u>15,524</u>
Net income (loss) before contributions and transfers	12,253,293	(61,105)
Capital contributions	17,774,180	
Transfers in	15,710,957	-
Transfers out	<u>(27,915,250)</u>	<u>-</u>
Change in net assets	17,823,180	(61,105)
Total net assets - beginning, restated	101,125,269	(989,819)
Total net assets - ending	<u>\$118,948,449</u>	<u>(\$1,050,924)</u>

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2011

**Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2011**

	<u>Lawton Water Authority</u>	<u>Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 42,276,731	\$ 8,614,301
Payments to suppliers	(10,036,075)	-
Payments to employees	(10,687,544)	(1,127,466)
Receipts from interfund loan	(1,243,962)	-
Payments on interfund loan	47,673	1,646
Claims and benefits paid	-	(7,491,490)
Net Cash Provided by (Used in) Operating Activities	<u>20,356,823</u>	<u>(3,009)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds	15,710,957	-
Transfers to other funds	(27,915,250)	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>(12,204,293)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from notes issued	27,022,354	-
Capital assets purchased	(17,010,938)	(56,514)
Principal paid on capital debt	(7,989,445)	-
Interest and fiscal charges paid on capital debt	(3,290,606)	-
Proceeds from sale of capital assets	1,710	320
Note issuance cost paid	-	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(1,266,925)</u>	<u>(56,194)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of investments	(101,870)	-
Interest and dividends	49,691	1,864.00
Net Cash Provided by (Used in) Investing Activities	<u>(52,179)</u>	<u>1,864.00</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	6,833,426	(57,339)
<b>Balances - beginning of the year</b>	<u>35,833,134</u>	<u>432,594</u>
<b>Balances - end of the year</b>	<u>\$ 42,666,560</u>	<u>\$ 375,255</u>
<b>Reconciliation to Statement of Net Assets:</b>		
Cash and cash equivalents	\$ 5,247,703	\$ 375,255
Restricted cash and cash equivalents	37,418,857	-
Total cash and cash equivalents	<u>\$ 42,666,560</u>	<u>\$ 375,255</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating income (loss)	\$ 16,076,579	\$ (76,629)
Adjustments to reconcile operating income to net cash provided by (used in) by operating activities:		
Depreciation expense	5,908,463	84,470
Amortization expense	547,878	-
Landfill closure expense	(979,173)	-
Change in assets and liabilities:		
Receivables, net	(682,931)	-
Due from other funds	(1,243,962)	1,646
Accounts payables	59,249	(15,773)
Claims liability	340,131	(19,454)
Due to other funds	47,673	-
OPEB liability	172,461	-
Accrued wages payable	89,829	7,360
Accrued compensated absences	20,626	15,371
Net Cash Provided by (Used in) Operating Activities	<u>\$ 20,356,823</u>	<u>\$ (3,009)</u>
<b>Non-cash activity:</b>		
Non-cash capital contributions received	\$ 17,774,180	\$ 31,503
Non-cash trade value of capital assets	97,500	-
	<u>\$ 17,871,680</u>	<u>\$ 31,503</u>

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

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**BASIC FINANCIAL STATEMENTS - FIDUCIARY FUNDS**

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Fiduciary Funds Statement of Net Assets - June 30, 2011**

	<b>City Employees Retirement Trust Fund</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 303,203	\$ 638,171
Investments, at book value		1,598,946
Investments, at market value:		
United States government securities and agencies	24,812,299	-
Common stock	1,926,762	-
Mutual funds	15,887,995	-
Other investments	1,586,030	-
Interest receivable	82,698	527
Employer contributions receivable	102,383	-
Employee contributions receivable	61,575	-
 Total assets	 <u>\$ 44,762,945</u>	 <u>\$ 2,237,644</u>
 <b>LIABILITIES:</b>		
Due to depositors	\$ -	\$ 2,188,842
Other payables	1,363	48,802
Total liabilities	<u>1,363</u>	<u>\$ 2,237,644</u>
 <b>NET ASSETS:</b>		
Held in trust for pension benefits	<u>\$ 44,761,582</u>	

See accompanying notes to the basic financial statements.



**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2011**

**Pension Trust Fund Statement of Changes in Plan Net Assets – Year Ended June 30, 2011**

	<u>City Employees Retirement Trust Fund</u>
<b>ADDITIONS:</b>	
Contributions:	
Members	\$ 1,132,662
Employer	1,920,223
Total Contributions	<u>3,052,885</u>
Investment Income (Loss):	
Net increase in fair value of investments	4,632,104
Interest, dividends, and other	1,159,393
Total investment income (loss)	<u>5,791,497</u>
Less investment expense:	
Investment activity expense	<u>(217,631)</u>
Net investment income (loss)	<u>5,573,866</u>
Total Additions	<u>8,626,751</u>
<b>DEDUCTIONS:</b>	
Benefits paid to participants or beneficiaries	3,053,425
Refunds and transfers to other systems	574,564
Administrative expense	31,006
Total Deductions	<u>3,658,995</u>
<b>Change in net assets held in trust for employees' pension benefits</b>	<b>4,967,756</b>
<b>Net assets--beginning</b>	<u>39,793,826</u>
<b>Net assets--ending</b>	<u><u>\$ 44,761,582</u></u>

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

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**COMBINING FINANCIAL STATEMENTS - COMPONENT UNITS**

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Component Units – Combining Statement of Net Assets - June 30, 2011**

	LAWTON METROPOLITAN AREA AIRPORT AUTHORITY	LAWTON ARTS AND HUMANITIES COUNCIL	MCMAHON AUDITORIUM AUTHORITY	MUSEUM OF THE GREAT PLAINS TRUST AUTHORITY	LAWTON ECONOMIC DEVELOPMENT AUTHORITY	LAWTON METROPOLITAN PLANNING ORGANIZATION	TOTALS
<b>ASSETS</b>							
<b>Current Assets:</b>							
Cash, including time deposits	\$ 769,104	\$ 72,984	\$ 85,803	\$ 349,500	\$ 44,431	\$ 74,710	\$ 1,396,532
Accounts receivable	105,431	-	1,592	50,542	-	-	157,565
Inventory	39,079	-	-	30,206	-	-	69,285
Due from other governments	144,192	4,378	-	-	-	-	148,570
Prepaid expenses	19,602	710	-	-	-	-	20,312
Other assets	-	-	-	11,067	-	-	11,067
<b>Total current assets</b>	<b>1,077,408</b>	<b>78,072</b>	<b>87,395</b>	<b>441,315</b>	<b>44,431</b>	<b>74,710</b>	<b>1,803,331</b>
<b>Noncurrent Assets:</b>							
<b>Capital Assets:</b>							
Land and construction in progress	1,477,754	-	-	-	-	-	1,477,754
Depreciable, net of accumulated depreciation	13,769,859	-	35,295	1,370,391	-	5,457	15,181,002
<b>Total noncurrent assets</b>	<b>15,247,613</b>	<b>-</b>	<b>35,295</b>	<b>1,370,391</b>	<b>-</b>	<b>5,457</b>	<b>16,658,756</b>
<b>Total Assets</b>	<b>16,325,021</b>	<b>78,072</b>	<b>122,690</b>	<b>1,811,706</b>	<b>44,431</b>	<b>80,167</b>	<b>18,462,087</b>
<b>LIABILITIES</b>							
<b>Current Liabilities:</b>							
Accounts payable and accrued liabilities	174,830	-	708	70,865	-	-	246,403
Grants payable	-	4,000	-	-	-	-	4,000
Deferred revenue	-	7,679	-	-	-	-	7,679
Interest payable	10	-	-	-	49,046	-	49,056
Notes payable	6,110	-	-	-	-	-	6,110
<b>Total current liabilities</b>	<b>180,950</b>	<b>11,679</b>	<b>708</b>	<b>70,865</b>	<b>49,046</b>	<b>-</b>	<b>313,248</b>
<b>Noncurrent Liabilities:</b>							
Accrued compensated absences	6,357	-	-	-	-	-	6,357
Notes payable	3,634	-	-	-	11,999,747	-	12,003,381
<b>Total noncurrent liabilities</b>	<b>9,991</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,999,747</b>	<b>-</b>	<b>12,009,738</b>
<b>Total Liabilities</b>	<b>190,941</b>	<b>11,679</b>	<b>708</b>	<b>70,865</b>	<b>12,048,793</b>	<b>-</b>	<b>12,322,986</b>
<b>NET ASSETS</b>							
Investment in capital assets, net of related debt	15,237,869	-	35,292	1,370,391	-	5,457	16,649,009
Restricted for construction projects	167,939	-	10,000	-	-	-	177,939
Restricted for grant projects	-	-	-	157,263	-	-	157,263
Unrestricted	728,272	66,393	76,690	213,187	(12,004,362)	74,710	(10,845,110)
<b>Total Net Assets</b>	<b>\$ 16,134,080</b>	<b>\$ 66,393</b>	<b>\$ 121,982</b>	<b>\$ 1,740,841</b>	<b>\$ (12,004,362)</b>	<b>\$ 80,167</b>	<b>\$ 6,139,101</b>

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Component Units - Combining Statement of Activities - Year Ended June 30, 2011**

	LAWTON METROPOLITAN AREA AIRPORT AUTHORITY	LAWTON ARTS AND HUMANITIES COUNCIL	MCMAHON AUDITORIUM AUTHORITY	MUSEUM OF THE GREAT PLAINS TRUST AUTHORITY	LAWTON ECONOMIC DEVELOPMENT AUTHORITY	LAWTON METROPOLITAN PLANNING ORGANIZATION	TOTALS
<b>Expenses:</b>							
Airport	\$ 2,425,441	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,425,441
Culture and recreation	-	135,324	85,815	831,749	-	-	1,052,888
Economic development	-	-	-	-	1,499,973	-	1,499,973
Transportation	-	-	-	-	-	66,471	66,471
Interest expense	891	-	-	-	567,737	-	568,628
<b>Total expenses</b>	<u>2,426,332</u>	<u>135,324</u>	<u>85,815</u>	<u>831,749</u>	<u>2,067,710</u>	<u>66,471</u>	<u>5,613,401</u>
<b>Program Revenues:</b>							
Charges for services	1,678,060	66,285	83,430	172,751	27,647	-	2,028,173
Operating grants and contributions	145,138	78,739	10,000	139,617	-	150,004	523,498
Capital grants and contributions	1,255,879	-	-	-	-	-	1,255,879
<b>Total program revenues</b>	<u>3,079,077</u>	<u>145,024</u>	<u>93,430</u>	<u>312,368</u>	<u>27,647</u>	<u>150,004</u>	<u>3,807,550</u>
<b>Net revenue (expense)</b>	652,745	9,700	7,615	(519,381)	(2,040,063)	83,533	(1,805,851)
<b>General Revenues:</b>							
Investment income	1,305	-	197	2,712	959	128	5,301
Transfer from primary government	150,000	1,915	-	591,178	-	-	743,093
Transfer to primary government	-	-	-	-	-	(80,032)	(80,032)
<b>Total general revenues</b>	<u>151,305</u>	<u>1,915</u>	<u>197</u>	<u>593,890</u>	<u>959</u>	<u>(79,904)</u>	<u>668,362</u>
<b>Change in Net Assets</b>	804,050	11,615	7,812	74,509	(2,039,104)	3,629	(1,137,489)
<b>Net Assets, beginning of year</b>	<u>15,330,030</u>	<u>54,778</u>	<u>114,170</u>	<u>1,666,332</u>	<u>(9,965,258)</u>	<u>76,538</u>	<u>7,276,590</u>
<b>Net Assets, end of year</b>	<u>\$ 16,134,080</u>	<u>\$ 66,393</u>	<u>\$ 121,982</u>	<u>\$ 1,740,841</u>	<u>\$ (12,004,362)</u>	<u>\$ 80,167</u>	<u>\$ 6,139,101</u>

See accompanying notes to the basic financial statements.

**FOOTNOTES TO BASIC FINANCIAL STATEMENTS**

**Footnotes to the Basic Financial Statements:**

**1. Financial Reporting Entity**

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statements No. 14, 34 and 39 and includes all component units for which the City is financially accountable/fiscally responsible. The City's financial reporting entity's primary government presentation includes the City of Lawton and the certain component units as follows:

**The City of Lawton** – that operates the public safety, health and welfare, streets, culture and recreation, and administrative activities.

The City of Lawton is an incorporated municipality with a population of approximately 92,800 located in southwestern Oklahoma. The City operates under a council-manager form of government with a charter that provides for three branches of government:

- Legislative – the governing body includes an elected eight-member City Council and Mayor.
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council.
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council.

**Blended Component Units** (separate legal entities for which the City Council is fiscally responsible, and for which the City Council members serve as the trustees/governing body of the entity):

**Lawton Water Authority** – that operates the water, wastewater, and sanitation services of the City.

**City Transit Trust** – public trust that operates and maintains public transportation systems and facilities. The Trust is reported as the Special Revenue Mass Transit Fund.

**Lawton Urban Homestead Authority** – created to purchase and maintain property, buildings, facilities, and to upgrade neighborhood areas in accordance with the Urban Homesteading Program of the City. The Authority is reported as the Special Revenue Lawton Urban Housing Fund.

**Lawton Parking Authority (Inactive)** – created to operate and maintain public parking systems and facilities.

**Lawton Industrial Development Authority** – created to promote industrial development within the Lawton area.

**Discretely Presented Component Units** (separate legal entities for which the City Council is fiscally responsible, but appoints a separate governing body):

**Lawton Metropolitan Area Airport Authority** – that operates to develop and maintain airport operations for the City.

**Lawton Arts and Humanities Council** – that operates to encourage and promote knowledge of the fine arts and humanities.

**McMahon Auditorium Authority** – created to operate and maintain the McMahon Auditorium, a public and municipal auditorium of the City.

**Museum of the Great Plains Trust Authority** – created to collect, preserve, and exhibit items relevant to the cultural history of man in the Great Plains of North America.

**Lawton Economic Development Authority** – created to promote economic development within the Lawton area.

**Lawton Metropolitan Planning Organization** – created to coordinate planning and development of transportation activities within the Lawton Metropolitan area.

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

**Related Organizations:**

A related organization is one for which the City is not financially accountable, even though it appoints a voting majority of the organization’s governing body. Such organizations include:

- **Lawton Housing Authority**
- **Lawton Urban Renewal Authority**

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

**2. Basis of Presentation and Accounting**

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

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

**Government-Wide Financial Statements:**

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

*Governmental activities* - Most of the City's basic services are reported here, including the police, fire, general administration, streets, culture and recreation. Sales taxes, franchise fees, fines, state and federal grants finance most of these activities; and

*Business-type activities* – Services where the City charges a fee to customers to help it cover all or most of the cost of these services it provides. The City's water, sewer, and sanitation systems activities are reported here.

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

For business-type activities, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

**Fund Financial Statements:**

***Governmental Funds:***

Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on the modified accrual basis of accounting and current financial resources measurement focus that is different from other funds. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The City's governmental funds include:

**Major Funds:**

- General Fund – accounts for all activities not accounted for in other special-purpose funds the major funding source is sales tax. For financial reporting purpose the General Fund includes activity of the General Fund, Hunting and Fishing Account, Reserve Account, Insurance Proceeds Account, Payroll Claims Account, Adult Softball Account, Court Credit Card Maintenance Account, Animal License Account, Elmer Thomas Park Account, Storm water Mitigation Account, RSVP Account, Application Fee Account, Senior Craft Account, Special Jail Account, Real Property Account, and Recycling Account.
- 2005 CIP Fund (capital project fund) – accounts for various projects such as the southeast water treatment plant and street projects. The projects are funded by restricted revenues from the authority.



**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2011**

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

Special Revenue Funds: Public Library Fund, Small Business Loan Fund, CDBG Fund, HOME Investment CDBG Fund, Lawton Urban Housing Fund, Police Grant Fund, Park Fee Fund, Narcotics Fund, Animal Sterilization Fund, Emergency 911 Fund, Cemetery Care Fund, Officers Training Fund, Lawton Parking Authority Fund, State Landfill Fund, Police Sentinel Fund, Fire Prevention Education Fund, Park Fund, McMahon Authority Grants Fund, Drainage Maintenance Fund, Animal Donation Fund, Capital Outlay Rolling Stock Fund, LETA Beautification Fund, Cemetery Reward Fund, Centennial Fund, Hotel/Motel Tax Fund, Project Impact Fund, Mass Transit Fund, Federal Grant Fund, Impact Fees Fund, Police and Fire Training Fund, Cellular Service Fee Fund, and Lawton Industrial Development Authority .

Debt Service Funds – accounts for ad-valorem taxes levied by the City for use in retiring court-assessed judgments, general obligation bonds, and their related interest expenses. The city’s two debt service funds are the Prior to 1972 Fund and the Ad Valorem 2005 Fund.

Capital Project Funds:

- Capital Improvement Fund – accounts for transfers from other City funds for various capital acquisitions and projects.
- 2008 CIP Sales Tax Fund – accounts for sales tax restricted to streets, waterline improvements, sewerline improvements, and sewer rehabilitation program.

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

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

***Proprietary Funds:***

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds include enterprise funds and internal service funds. Enterprise funds are used to account for business-like activities provided to the general public. Internal service funds are used to account for business-like activities provided to other funds or departments of the City. Proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. For the enterprise funds, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The City's proprietary funds include the following:

**Enterprise Fund**

- Lawton Water Authority Fund that accounts for the activities of the public trust in providing water, sewer, and sanitation services to the public.

**Internal Service Funds** (combined for reporting purposes)

- Group Insurance Fund that accounts for the cost of providing various insurance services to other funds and departments of the City.
- Computer Service Fund that accounts for the cost of providing automation services to other funds and departments of the City.

***Fiduciary Funds:***

The City's fiduciary funds are used to report net assets and changes therein of assets held by the City in a trustee or fiduciary capacity. These net assets are not available for operations of the City. The City reports two types of fiduciary funds: Pension Trust Fund and Agency Funds. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve the measurement of changes in net assets.

The fiduciary funds are reported on the accrual basis of accounting and economic resources measurement focus. The City's fiduciary funds include:

Pension Trust Fund

City Employees Retirement Trust Fund – accounts for assets and changes therein of the City's single employer defined benefit plan.

Agency Funds

Used to account for assets held on behalf of others including the License & Permits Fund, Meter Deposits Fund, Municipal Court Fund, Payroll Savings Fund, and Flexible Benefits Fund.

**3. Cash and Cash Equivalents, Deposits and Investments**

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market investments. Trust account investments in open-ended mutual fund shares are also considered cash equivalents.

Investments consist of long-term certificates of deposit, U.S. Treasury bonds and notes, U.S. agency securities, government money market funds, and common stock in the employee retirement fund only. Certificates of deposit are reported at cost, while the U.S. Treasury and agency securities and common stock are reported at fair value which is determined by quoted market value.

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

The retirement plan's investments in judgments are valued at original judgment value, less principal collected since no quoted market price is available.

**Deposits and Investments Risks**

The City of Lawton primary government and blended component units are governed by the deposit and investment limitations of state law and trust indentures. The deposits and investments held at June 30, 2011 by these entities are as follows:

**Schedule of Deposits and Investments by Type - June 30, 2011**

Type	Fair Value	Credit Rating	Maturities in Years				
			On Demand	Less Than One	1 - 5	6 - 10	More than 10
Demand deposits	\$ 26,932,198	n/a	\$ 26,932,198	\$ -	\$ -	\$ -	\$ -
Time deposits	12,645,294	n/a	-	10,052,278	2,593,016	-	-
Money Market Accounts	37,323,800	n/a	37,323,800	-	-	-	-
U.S. Treasury Obligations	4,359,598	n/a	-	4,359,598	-	-	-
U.S. Agencies Obligations	64,176,641	AAA	-	9,712,935	33,951,386	-	20,512,320
Sub-Total	\$ 145,437,531		\$ 64,255,998	\$ 24,124,811	\$ 36,544,402	\$ -	\$ 20,512,320
Mutual Funds	15,887,995	n/a					
Common stock	1,926,762	n/a					
Other Investments	1,586,030	n/a					
Total Deposits and Investments	\$ 164,838,318						
<b>Reconciliation to Financial Statements:</b>							
Cash and cash equivalents	\$ 65,201,236						
Investments	54,810,438						
Retirement fund investments:							
Investments	1,586,030						
U.S. gov't security agencies	24,812,299						
Common stock	15,887,995						
Retirement fund cash and cash equivalents	303,203						
Agency fund cash and cash equivalents	638,171						
Agency fund investments	1,598,946						
	\$ 164,838,318						

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

The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 102% of the uninsured deposits and accrued interest thereon. The City's policy limits acceptable collateral to U.S. Treasury securities, federally insured obligations, or direct debt obligations of municipalities, counties, and school districts in Oklahoma. Also, as required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2011, the City was not exposed to custodial credit risk.

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

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

- a. Obligations of the U. S. Government, its agencies and instrumentalities;
- b. Collateralized or insured non-negotiable certificates of deposit or other evidences of deposit that are either insured or secured with acceptable collateral with an in-state financial institution, and fully insured deposits in out-of-state institutions;
- c. Insured or fully collateralized negotiable certificates of deposit;
- d. Repurchase agreements that have underlying collateral consisting of those items specified in paragraph a above; and
- e. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraph a.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City and retirement plan have no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations—rating agencies—as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

*Investment Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City’s and Retirement Plan’s investment policy indicates that the investment portfolio, except for retirement trust fund investments, shall remain sufficiently liquid to enable the City to meet all operating requirements as anticipated. It sets a desired limit on investment maturities to a period of three years, as a means of managing exposure to fair value losses arising from increasing interest rates, for non-retirement investments. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments by date range.

As noted in the schedule of deposits and investments above, at June 30, 2011, the investments held by the City mature between 2011 through 2040.

*Concentration of Investment Credit Risk* - Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City’s investment policy requires diversification of investments and indicates that, with the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City’s total investment portfolio will be invested in a single financial institution. The city has 29.2% of their investments in FHLB and 33.3% in FNMA.

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2011**

**Restricted Cash and Investments**

The amounts reported as restricted assets of the Enterprise Fund on the statement of net assets are comprised of amounts held by the Lawton Water Authority in accounts of the trustee bank for revenue bond retirement, and other accounts with restricted uses. The restricted assets as of June 30, 2011 are as follows:

**Restricted Cash and Cash Equivalents:**

Landfill Financial Trust	\$	153,800
Series 2001B Promissory Note Debt Svc		214,070
Series 2001B Promissory Note Debt Reserve		260,003
Series 2003D OWRB Promissory Note Reserve		126,741
Series 2003B OWRB Promissory Note Reserve		222,597
Series 2004F OWRB Promissory Note:		
Reserve		152,854
Debt Service		811,572
Construction		1,546
Sales Tax Collections - Bank of America Sinking fund		12,841,775
Series 2008 - Sales Tax Utility Rev -construction		22,389,848
Series 2004F OWRB Promissory Note Debt Svc		72,873
Series 2003B OWRB Promissory Note Debt Svc		104,573
Series 2003D OWRB Promissory Note Debt Svc		58,674
Chevron Energy 2008		7,931
		7,931
	\$	37,418,857

**4. Accounts Receivable**

Significant account receivable balances at June 30, 2011 were:

	<b>Governmental Activities</b>	<b>Business Type Activites</b>	<b>Total</b>
Accounts Receivable:			
Emergency Communication Fees	\$127,251	-	\$127,251
Utilites	-	\$6,436,477	6,436,477
Capital Fee	-	254,280	254,280
Landfill fees	23,340	-	23,340
Drainage maintenance fee	159,727	-	159,727
Grants	4,483	-	4,483
Stormwater mainteance fees	61,384	-	61,384
Sewer rehab fees	-	98,734	98,734
Wastewater maintenance fees	-	9,833	9,833
Pumping fee	-	37,812	37,812
Miscellaneous	38,119	494,844	532,963
Mortgages receivable	297,659	-	297,659
Allowance for uncollectible	(54,218)	(1,571,387)	(1,625,605)
	\$657,745	\$5,760,593	\$6,418,338

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2011**

**5. Capital Assets and Depreciation**

**Capital Assets:**

For the primary government and component units, capital assets are reported at actual or estimated historical cost, net of accumulated depreciation where applicable. Donated capital assets are reported at their fair value at date of donation. Estimated historical cost was used to value the majority of the capital assets acquired prior to June 30, 1992. The capitalization threshold is capital assets with a cost of \$1,000 or more.

For the year ended June 30, 2011, capital assets balances changed as follows:

	Balance at July 1, 2010	Additions	Deductions	Balance at June 30, 2011
<b>PRIMARY GOVERNMENT:</b>				
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 3,010,956	\$ -	\$ -	\$ 3,010,956
Construction in progress	21,314,096	6,395,247	10,314,391	17,394,952
Total capital assets not being depreciated	<u>24,325,052</u>	<u>6,395,247</u>	<u>10,314,391</u>	<u>20,405,908</u>
Other capital assets:				
Buildings and improvements	31,343,654	1,521,804	-	32,865,458
Infrastructure	46,560,235	5,895,536	-	52,455,771
Machinery, furniture and equipment	30,084,253	4,108,456	680,914	33,511,795
Intangibles	96,363	-	-	96,363
Total other capital assets	<u>108,084,505</u>	<u>11,525,796</u>	<u>680,914</u>	<u>118,929,387</u>
Less accumulated depreciation for:				
Buildings and improvements	16,266,990	604,640	-	16,871,630
Infrastructure	21,811,497	1,502,960	-	23,314,457
Machinery, furniture and equipment	21,976,605	2,636,094	649,665	23,963,034
Total accumulated depreciation	<u>60,055,092</u>	<u>4,743,694</u>	<u>649,665</u>	<u>64,149,121</u>
Other capital assets, net	48,029,413	6,782,102	31,249	54,780,266
Governmental activities capital assets, net	<u>\$ 72,354,465</u>	<u>\$ 13,177,349</u>	<u>\$ 10,345,640</u>	<u>\$ 75,186,174</u>
	Restated Balance at July 1, 2010	Additions	Deductions	Balance at June 30, 2011
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 1,405,555	\$ 6,190,930	\$ -	\$ 7,596,485
Construction in progress	51,277,438	15,632,063	53,745,763	13,163,738
Total capital assets not being depreciated	<u>52,682,993</u>	<u>21,822,993</u>	<u>53,745,763</u>	<u>20,760,223</u>
Other capital assets:				
Buildings and utility infrastructure	174,365,563	47,668,279	-	222,033,842
Machinery, furniture and equipment	19,202,649	2,563,802	2,218,376	19,548,075
Water rights	21,742,677	16,628,473	-	38,371,150
Total other capital assets	<u>215,310,889</u>	<u>66,860,554</u>	<u>2,218,376</u>	<u>279,953,067</u>
Less accumulated depreciation for:				
Buildings and utility infrastructure	68,987,566	4,246,189	-	73,233,755
Machinery, furniture and equipment	12,862,016	1,689,200	2,216,122	12,335,094
Water rights	6,087,949	383,711	-	6,471,660
Total accumulated depreciation	<u>87,937,531</u>	<u>6,319,100</u>	<u>2,216,122</u>	<u>92,040,509</u>
Other capital assets, net	127,373,358	60,541,454	2,254	187,912,558
Business-type activities capital assets, net	<u>\$ 180,056,351</u>	<u>\$ 82,364,447</u>	<u>\$ 53,748,017</u>	<u>\$ 208,672,781</u>

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2011

	Balance at July 1, 2010	Additions	Deductions	Balance at June 30, 2011
<b>COMPONENT UNITS:</b>				
<b>Lawton Metropolitan Area Airport Authority</b>				
Non-depreciable:				
Land	\$ 387,783	\$ -	\$ -	\$ 387,783
Construction-in-progress	905,296	966,066	781,391	1,089,971
Total non-depreciable assets at historical cost	<u>1,293,079</u>	<u>966,066</u>	<u>781,391</u>	<u>1,477,754</u>
Depreciable:				
Runways, ramps, and roads	21,565,329	783,891	238,456	22,110,764
Buildings and improvements	5,939,138	57,889	6,005	5,991,022
Equipment and fixtures	1,582,731	772,834	27,802	2,327,763
Furniture and equipment	104,235	-	3,815	100,420
Total depreciable assets at historical cost	<u>29,191,433</u>	<u>1,614,614</u>	<u>276,078</u>	<u>30,529,969</u>
Less accumulated depreciation				
Runways, ramps, and roads	12,292,647	800,666	237,828	12,855,485
Buildings and improvements	2,472,309	137,643	3,026	2,606,926
Equipment and fixtures	1,113,727	123,198	25,075	1,211,850
Furniture and equipment	87,024	2,432	3,607	85,849
Total accumulated depreciation	<u>15,965,707</u>	<u>1,063,939</u>	<u>269,536</u>	<u>16,760,110</u>
Other capital assets, net	<u>13,225,726</u>	<u>550,675</u>	<u>6,542</u>	<u>13,769,859</u>
Net depreciable assets	<u>\$ 14,518,805</u>	<u>\$ 1,516,741</u>	<u>\$ 787,933</u>	<u>\$ 15,247,613</u>
<b>Museum of the Great Plains Trust Authority</b>				
Depreciable:				
Furniture and equipment	\$ 307,109	\$ 4,775	\$ -	\$ 311,884
Displays	17,725	-	-	17,725
Leasehold improvements	169,378	-	-	169,378
Collections and exhibits	1,082,588	55,442	-	1,138,030
Total depreciable assets at historical cost	<u>1,576,800</u>	<u>60,217</u>	<u>-</u>	<u>1,637,017</u>
Less accumulated depreciation				
Total accumulated depreciation	<u>248,749</u>	<u>17,877</u>	<u>-</u>	<u>266,626</u>
Net depreciable assets	<u>\$ 1,328,051</u>	<u>\$ 42,340</u>	<u>\$ -</u>	<u>\$ 1,370,391</u>
<b>Lawton Metropolitan Planning Organization:</b>				
Depreciable:				
Furniture and equipment	\$ 31,347	\$ 2,250	\$ 2,312	\$ 31,285
Less accumulated depreciation				
Total accumulated depreciation	<u>26,597</u>	<u>1,543</u>	<u>2,312</u>	<u>25,828</u>
Net depreciable assets	<u>\$ 4,750</u>	<u>\$ 707</u>	<u>\$ -</u>	<u>\$ 5,457</u>

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

	Balance at July 1, 2010	Additions	Deductions	Balance at June 30, 2011
<b>McMahon Auditorium Authority</b>				
Depreciable:				
Furniture and fixtures	\$ 24,628	\$ -	\$ -	\$ 24,628
Buildings improvements	68,295	-	-	68,295
Machinery and equipment	6,500	3,779	-	10,279
Total depreciable assets at historical cost	<u>99,423</u>	<u>3,779</u>	<u>-</u>	<u>103,202</u>
Less accumulated depreciation				
Furniture and fixtures	24,628	-	-	24,628
Buildings improvements	30,879	5,855	-	36,734
Machinery and equipment	6,500	45	-	6,545
Total accumulated depreciation	<u>62,007</u>	<u>5,900</u>	<u>-</u>	<u>67,907</u>
Net depreciable assets	<u>\$ 37,416</u>	<u>\$ (2,121)</u>	<u>\$ -</u>	<u>\$ 35,295</u>
<b>Lawton Arts and Humanities Council</b>				
Machinery and equipment	\$ 18,456	\$ -	\$ -	\$ 18,456
Less accumulated depreciation	18,030	426	-	18,456
Net depreciable assets	<u>\$ 426</u>	<u>\$ (426)</u>	<u>\$ -</u>	<u>\$ -</u>

**Depreciation:**

Depreciable capital assets are depreciated on a straight-line basis over their useful lives. The range of estimated lives by type of assets is as follows:

- Buildings 50 years
- Improvements other than buildings 20-40 years
- Utility property and improvements 15-50 years
- Infrastructure 15-50 years
- Machinery, furniture, and equipment 5-25 years
- Water rights 50 years

Depreciation of capital assets and amortization of water rights is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

**Governmental Activities:**

General Government	\$ 859,001
Public Safety	2,447,144
Streets	690,385
Community Development	97,481
Culture and Recreation	565,213
Sub-total governmental funds depreciation	<u>4,659,224</u>
Allocated Internal Service Fund Depreciation	84,470
Total	<u>\$ 4,743,694</u>

**Business-Type Activities:**

Water	\$ 3,230,193
Sewer	2,088,274
Sanitation	1,000,633
Total depreciation	<u>\$ 6,319,100</u>



**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**6. Internal and Interfund Balances and Transfers**

**Internal Balances:**

Receivable Fund	Payable Fund	Amount	Nature of Interfund Balance
General Fund	CDBG Fund	\$ 1,297	Grant funding
General Fund	HOME Investment CDBG	216	Grant funding
General Fund	Health	300,000	Premiums
HOME Investment CDBG	CDBG Fund	3,788	Grant funding
Payroll Claims Fund	CDBG Fund	7,087	Payroll payable
LETA	General Fund	1,045	Reimbursement
Officer Training	General Fund	5	Reimbursement
Payroll Claims Fund	HOME Investment CDBG	1,377	Payroll payable
Police/Fire Training	General Fund	2,120	Reimbursement
2005 CIP	Enterprise	11,129	Reimbursement
2005 CIP	LIDA	596,343	Loan Proceeds
Enterprise	General Fund	563,234	Negative cash
Enterprise	Mass Transit	327,018	Negative cash
Payroll Claims Fund	Enterprise	36,544	Payroll payable
Enterprise	CIP 2008	359,716	Negative cash
Enterprise	Emergency Comm	7,269	Negative cash
Total		<u>\$ 2,218,188</u>	

	Due From Other Funds	Due To Other Funds	Net Internal Balances
Reconciliation to Fund Financial Statements:			
Governmental Funds	\$ 960,951	\$ 1,870,515	\$ (909,564)
Proprietary Funds	1,257,237	47,673	1,209,564
Internal Service Funds	-	300,000	(300,000)
Total	<u>\$ 2,218,188</u>	<u>\$ 2,218,188</u>	<u>\$ -</u>

**Internal and Interfund Transfers:**

The City's policy is to eliminate interfund transfers between funds in the statement of activities to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and then offset in the total column. Internal activities between funds and activities for the year ended June 30, 2011 were as follows:

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Nature of Interfund Transfer</u>
General Fund	Water Authority	\$ 147,027	Debt service
General Fund	Water Authority	16,675,000	Excess utility collections
General Fund	Officer Training Fund	6,165	Court fines
Water Authority	General Fund	548,727	Operating subsidy - wastewater
LETA	General Fund	14,195	Transfer of revenues
Officer Training	General Fund	76,075	Transfer of revenues
2005 CIP Fund	General Fund	13,203,682	Sales tax transfer
2008 CIP Fund	General Fund	3,961,105	Sales tax transfer
2008 CIP Fund	Water Authority	4,184,087	BRAC Loan proceeds
Mass Transit Fund	General Fund	885,000	Operating subsidy
CIP Fund	General Fund	23,028	Debris removal
CIP Fund	General Fund	42,055	Operating subsidy
CIP Fund	General Fund	415,000	Operating subsidy
2005 CIP Fund	Water Authority	4,159,073	Capital project
E911 Fund	General Fund	1,187,749	Operating subsidy
Water Authority	2005 CIP Fund	4,375,040	Debt service
Water Authority	2008 CIP Fund	6,287,190	Transfer of revenues
Water Authority	2008 CIP Fund	4,500,000	Salary
Capital Outlay Rolling Stock Fund	Water Authority	2,699,912	Capital purchases
Capital Outlay Rolling Stock Fund	General Fund	650,950	Ice storm funding
LIDA	Water Authority	50,152	Debt service
2005 CIP Fund	LIDA	2,428,176	Capital project
Water Authority	General Fund	353,450	Operating subsidy
		<u>\$ 66,872,838</u>	

<u>Reconciliation to fund financial statements:</u>	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>	<u>Net Transfers</u>
Governmental Funds	\$ (38,957,588)	\$ 51,161,881	\$ 12,204,293
Water Authority	(27,915,250)	15,710,957	(12,204,293)
Totals	<u>\$ (66,872,838)</u>	<u>\$ 66,872,838</u>	<u>\$ -</u>

<u>Reconciliation to Statement of Activities:</u>	
Net Transfers	\$ 12,204,293
Capital contributions transferred from governmental funds	(10,149,847)
Transfers - Internal Activity	<u>\$ 2,054,446</u>

Activities of the discretely presented component units financed by the primary government are reported as an expense of the primary government in the Statement of Changes in Net assets. Activity between the primary government and discretely presented component units as of June 30, 2011 was as follows:

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2011**

<u>Component Unit</u>	<u>Amount</u>	<u>Purpose</u>
Lawton Metropolitan Area Airport Authority	150,000	Capital purchase
Museum of the Great Plains Trust Authority	591,178	Operating Subsidy
Lawton Metropolitan Planning Organization	(80,032)	Grant
Lawton Arts and Humanities Council	<u>1,915</u>	Operating Subsidy
	<u>\$663,061</u>	

## 7. Long-Term Debt

The City's long term debt consists of general obligation bonds, judgments, revenue bonds and notes, capital lease obligations, accrued compensated absences, contracts payable, and landfill closure and post closure.

For the year ended June 30, 2011, the City's long-term debt balances changed as follows:

### Primary Government:

<u>Type of Debt</u>	<u>Restated Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 22,140,000	\$ -	\$ 2,720,000	\$ 19,420,000	\$ 2,565,000
General Obligation Bond Premium	106,655	-	9,696	96,959	-
Revenue Note	-	2,500,000	-	2,500,000	-
Judgments Payable	1,204,356	928,570	642,807	1,490,119	704,098
Notes Payable	1,865,000	-	58,000	1,807,000	60,000
Capital Lease Obligations	238,645	371,200	118,771	491,074	305,368
Workers Comp Liability	1,191,313	551,391	-	1,742,704	871,322
Accrued Compensated Absences	<u>5,444,252</u>	<u>468,908</u>	<u>-</u>	<u>5,913,160</u>	<u>733,579</u>
Total Governmental Activities	<u>\$ 32,190,221</u>	<u>\$ 4,820,069</u>	<u>\$ 3,549,274</u>	<u>\$ 33,461,016</u>	<u>\$ 5,239,367</u>
<b>Business-Type Activities:</b>					
Notes Payable	\$ 91,965,047	\$ 10,442,993	\$ 6,016,129	\$ 96,391,911	\$ 4,835,800
Revenue Bonds Payable	3,020,000	-	1,475,000	1,545,000	1,545,000
Revenue Bonds Premium	80,139	-	80,139	-	-
Contracts Payable	16,034,997	16,628,473	547,428	32,116,042	982,766
Accrued Compensated Absences	780,244	20,627	-	800,871	95,672
Workers Comp Liability	782,955	340,131	-	1,123,086	1,123,086
Landfill Closure and Post-closure	<u>6,390,406</u>	<u>-</u>	<u>951,479</u>	<u>5,438,927</u>	<u>781,814</u>
Total Business-Type Activities	<u>\$ 119,053,788</u>	<u>\$ 27,432,224</u>	<u>\$ 9,070,175</u>	<u>\$ 137,415,837</u>	<u>\$ 9,364,138</u>

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

*Governmental activities* long-term debt payable from property tax levies or other governmental revenues includes the following:

**General Obligation Bonds:**

\$15,580,000 general obligation bonds dated July 1, 2002, payable in annual installments of \$1,170,000, with interest rates of 3.75% to 6.0%, repaid by property tax levies	\$5,850,000
\$4,000,000 general obligation bonds dated April 1, 2002, payable in annual installments of \$445,000, with interest rates of 3.5% to 4.0%, repaid by property tax levies	440,000
\$1,500,000 general obligation bonds dated October 1, 2005, payable in annual installments of \$115,000, with an interest rate of 5%, repaid by property tax levies	
General Obligation Bond Payable	1,040,000
Unamortized General Obligation Bond Premium	<u>(96,959)</u>
Total General Obligation Bond, Net	943,041
\$2,500,000 general obligation bonds dated October 1, 2005, payable in annual installments of \$190,000, with an average interest rate of 3.59%, repaid by property tax levies	1,740,000
\$3,000,000 general obligation bonds dated October 1, 2008, payable in annual installments of \$230,000, with an average interest rate of 4.22%, repaid by property tax levies	2,770,000
\$8,000,000 general obligation bonds dated October 1, 2008, payable in annual installments of \$420,000, with an average interest rate of 2.96%, repaid by property tax levies	<u>7,580,000</u>
Total general obligation bonds	<u>\$19,323,041</u>

**Judgments Payable:**

Court-assessed judgments to be paid with ad valorem taxes with periods ranging from one to three years.	<u>\$1,490,119</u>
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**Note Payable:**

\$2,000,000 note payable related to section 108 debt to be repaid with CDBG Fund payable in varying installments with interest at 5%	<u>\$1,807,000</u>
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**Capital Lease Obligation:**

\$238,445 capital lease obligation for the purchase of a compactor, matures November 30, 2012 with stated interest rate of 3.14%	\$119,874
\$371,220 capital lease obligation for the purchase of a dozer, matures September 15, 2012 with stated interest rate of 2.98%	<u>\$371,200</u>
Total capital lease obligations	<u>\$491,074</u>

**Revenue Note:**

\$2,500,000 revenue note payable for the renovations of city hall, matures August 31, 2012 with stated interest rate of 3.99%	<u>\$2,500,000</u>
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**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

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

**Note Payable:**

Series 2001A for \$2,008,570 and Series 2001B for \$3,445,000 with interest on Series 2001B subject to annual adjustment (1.82% at June 30, 2007), and no interest charged on Series 2001A; however, there is a .5% annual administrative fee. Debt service payments are due February 15 and August 15 through February, 2021. Both notes are secured by the revenues of the Lawton Water Authority's (the "Authority") water, sanitary, and garbage collection and disposal systems. \$3,274,284

Series 2003A for \$1,819,430, Series 2003B for \$3,095,000, Series 2003C for \$1,020,000 and Series D for \$1,745,000 with interest on Series 2003B and 2003D ranging from 1.345% to 5.245%. No interest is charged on Series 2003A and 2003C; however, there is a .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September, 2027. All notes are secured by the revenues of the Authority's water, sanitary, and garbage collection and disposal systems. 5,474,533

Series 2004A for \$1,310,000 and Series 2004B for \$2,215,000, with interest charged on Series 2004B ranging from 1.145% to 4.795%. No interest is charged on Series 2004A; however, there is a .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September, 2028. Both notes are secured by the revenues of the Authority's water, sewer, and garbage collection and disposal systems. 2,629,746

Series 2005 for \$10,815,000 with interest rate of 2.6% and .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September 15, 2026. Secured by revenues of the Authority's water, sewer, and garbage collection and disposal systems. 6,066,623

Series 2006A SRF for \$33,653,600 with interest rate of 3.05% and .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September 15, 2026. Secured by revenues of the Authority's water, sewer, and garbage collection and disposal Systems. 28,281,096

Series 2008 Energy Conservation Measurers Note for \$2,375,000 with interest rate 4.357% Debt service payments are due June 1 and December 1 through June 1, 2024. Secured by revenues of the Authority's water, sewer, and garbage collection and disposal systems. 2,190,000

Series 2008 SRF for \$10,845,000 with interest rate of 3.08% and .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September 15, 2024. Secured by revenues of the Authority's water, sewer, and garbage collection and disposal Systems. 10,261,237

Series 2009 Clean Water SRF for \$12,270,000 with interest rate of 2.26% and .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September 15, 2030. Secured by revenues of the Authority's water, sewer, and garbage collection and disposal systems. At June 30, 2011 only \$9,677,219 had been drawn on the note. 7,370,469

Series 2009 Drinking Water SRF for \$4,725,000 with interest rate of 2.64% and .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September 15, 2030. Secured by revenues of the Authority's water, sewer, and garbage

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

collection and disposal systems. At June 30, 2011 only \$4,396,605 had been drawn on the note. 2,843,923

\$28,000,000 Note Payable under the BRAC Program with interest rate of 5.20%. Debt service payments are due June and December interest only. Final principal and interest paymet due June 30, 2015. Secured by sales tax. 28,000,000

Total Notes Payable \$96,391,911

**Revenue Bonds Payable:**

\$9,590,000 revenue bond issue of 2004, with average variable interest at 4.0%, used to construct and improve water and wastewater infrastructure to be repaid by sales tax revenue. Debt service payments are due January 1 and July 1 through January 1, 2012.  
Revenue Bond Payable \$1,545,000

**Contract Payable:**

\$20,634,941 contract payable with the Waurika Project Master Conservancy District. The contract provides the City with share of the District's water supply and the City pays its share of the costs of the facilities and its operations to the District. The City has pledged water revenues to secure this obligation and also has the ability to levy property taxes to pay the obligation. Debt principal payments are due annually, with interest at 3.46% (subject to adjustment) \$15,487,569

\$16,628,473 addendum to contract payable with the Waurika Project Master Conservancy District. The contract provides the City with share of the District's water supply and the City pays its share of the costs of the facilities and its operations to the District. The City has pledged water revenues to secure this obligation and also has the ability to levy property taxes to pay the obligation. Debt principal payments are due annually, with interest at 3.46% (subject to adjustment) \$16,628,473

Total Contracts Payable \$32,116,042

**Long-term debt service requirements to maturity are as follows:**

Governmental-Type Activities										
Year Ending June 30,	G.O. Bonds Payable		Note Payable		Judgments Payable		Revenue Note		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 2,565,000	\$ 735,744	\$ 60,000	\$ 87,334	\$ 704,098	\$ 87,978	\$ -	\$ 99,750	\$ 305,368	\$ 9,612
2013	2,125,000	644,946	64,000	85,080	704,098	36,613	2,050,000	99,750	185,706	5,626
2014	2,125,000	560,751	67,000	82,517	81,923	4,301	-	-	-	-
2015	2,125,000	474,691	72,000	79,687	-	-	-	-	-	-
2016	2,125,000	386,905	75,000	76,573	-	-	-	-	-	-
2017-2022	4,505,000	1,141,054	446,000	325,608	-	-	-	-	-	-
2023-2027	2,570,000	462,282	586,000	197,670	-	-	-	-	-	-
2028-2030	1,280,000	89,280	437,000	36,198	-	-	-	-	-	-
Total	<u>\$ 19,420,000</u>	<u>\$ 4,495,653</u>	<u>\$ 1,807,000</u>	<u>\$ 970,667</u>	<u>\$ 1,490,119</u>	<u>\$ 128,892</u>	<u>\$ 2,050,000</u>	<u>\$ 199,500</u>	<u>\$ 491,074</u>	<u>\$ 15,238</u>

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2011**

**Business-Type Activities**

Year Ending June 30,	Notes Payable		Revenue Bonds Payable		Contract Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 4,835,800	\$ 3,785,877	\$ 1,545,000	\$ 77,250	\$ 982,766	\$ 1,125,786
2013	4,575,000	3,656,598	-	-	1,044,018	1,161,410
2014	4,620,300	3,524,880	-	-	1,073,235	1,131,291
2015	32,569,800	3,262,490	-	-	1,109,100	1,095,611
2016	4,724,600	1,798,755	-	-	1,142,720	1,058,794
2017-2021	24,435,999	6,853,871	-	-	6,263,002	4,739,949
2022-2026	20,682,719	2,913,994	-	-	7,433,327	3,547,188
2027-2031	8,319,235	438,249	-	-	8,401,436	2,105,814
2032-2036	-	-	-	-	4,666,438	743,648
Total	\$ 104,763,453	\$ 26,234,714	\$ 1,545,000	\$ 77,250	\$ 32,116,042	\$ 16,709,491
Less remaining proceeds to be drawn	(8,371,542)					
Principal balance	\$ 96,391,911					

**Pledge of Future Revenues**

*Utility Net Revenues Pledge* - The City has pledged net utility revenues to repay the \$2,008,570, \$3,445,000, \$1,819,430, \$3,095,000, \$1,020,000, \$1,745,000, \$1,310,000, \$2,215,000, \$10,815,000, \$33,653,600, \$10,845,000, \$12,270,000 and \$4,725,000 of the OWRB Series 2001A, 2001B, 2003A, 2003B, 2003C, 2003D, 2004A, 2004B, 2005, 2006A, 2008 SRF, 2009 CWSRF and 2009 DWSRF promissory notes payable, respectively. Proceeds from the notes provided financing for capital assets. The notes are payable from net utility revenues and are payable through 2021, 2021, 2027, 2027, 2027, 2027, 2028, 2028, 2026, 2026, 2025, 2030 and 2030 respectively. The total principal and interest payable for the remainder of the life of these notes is \$94,287,375. Net utility revenues received in the current year were \$21,604,041. Debt service payments of \$9,412,804 for the current fiscal year were 43.6% of pledged net utility revenues.

**Landfill Closure Liability**

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

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

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The \$5,438,927 reported as accrued landfill closure cost liability at June 30, 2011, represents the cumulative amount of such costs reported to date based on the use of 80% of the estimated capacity of the landfill. The Authority will recognize the remaining estimated costs of closure and post-closure care in the amount of \$1,327,251 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 2011. The City has \$755,710 set aside to fund the estimated landfill closure cost liability. At June 30, 2011, the landfill had a remaining estimated useful life of approximately seven years.

During FY 2011, cells four and five were opened adding approximately 1.1 million tons of capacity to the landfill and extending the landfill's life to approximately eight years.

**8. Net Assets and Fund Balances**

Net assets are displayed in three components:

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

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

At June 30, 2011, the City's governmental activities had total restricted net assets of \$63,395,821, of that amount \$3,764,208 was restricted by enabling legislation.

Beginning net assets were restated as follows:

	Governmental	Business-type
	Activities	Activities/Proprietary
	<u>                    </u>	<u>                    </u>
<b>Statement of Activities:</b>		<b>Funds</b>
Beginning net assets as previously reported	\$114,083,725	\$100,112,343
Add: Understatement of acclunt receivable	87,228	-
Add: Understatement of capital assets	-	1,012,926
Beginning net assets, restated	<u>\$114,170,953</u>	<u>\$101,125,269</u>



**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2011**

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*Fund Balance:*

Governmental fund equity is classified as fund balance. Since the City implemented GASB Statement 54, fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

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

The City’s policy for the use of fund balance amounts require that committed amounts would be reduced first followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The City by ordinance has created a stabilization amount within the General Fund for the purpose of responding to qualified emergencies and events in order to minimize or stabilize the financial impact such emergencies have on existing resources previously budgeted for the various functions and departments of the General Fund. The amount may be used to respond to federal and state emergencies, infrastructure repairs determined to be critical to protect the public health; and any legally mandated actions stemming from new federal and state regulations impacting municipal functions and any necessary expenditure associated therewith. At June 30, 2012 the General Fund has committed fund balance for stabilization of \$1,801,891.

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

	General Fund	Major Special Revenue Fund		Other Governmental Fund	Total
		2005 CIP Fund			
<b>Fund Balance:</b>					
<b>Restricted For:</b>					
Animal control	\$ -	\$ -	\$ -	\$ 234,189	\$ 234,189
Police operations - grants	-	-	-	7,671	7,671
Public safety training	-	-	-	181,253	181,253
911 operations	-	-	-	(63,851)	(63,851)
General obligation debt service	-	-	-	2,889,879	2,889,879
Capital improvements	-	54,976,437	-	(1,219,378)	53,757,059
Drainage maintenance fund	-	-	-	909,594	909,594
Transportation programs	-	-	-	34,608	34,608
Culture and rec programs	-	-	-	171,386	171,386
Economic development	-	-	-	181,221	181,221
Landfill programs	-	-	-	88,882	88,882
General government programs	-	-	-	3,052,146	3,052,146
General government grants	-	-	-	1,508,951	1,508,951
Fire education programs	-	-	-	7,594	7,594
Police - drug programs	-	-	-	158,594	158,594
Cemetery improvements	-	-	-	157,102	157,102
Park improvements	-	-	-	104,731	104,731
Sub-total restricted	-	54,976,437	-	8,404,572	63,381,009
<b>Committed to:</b>					
Beautification	-	-	-	14,812	14,812
Emergency Reserve	1,801,891	-	-	-	1,801,891
Sub-total restricted	1,801,891	-	-	14,812	1,816,703
<b>Assigned to:</b>					
Insurance proceeds	101,238	-	-	-	101,238
General government	1,197,534	-	-	-	1,197,534
Police	42,941	-	-	207,209	250,150
Culture and rec programs	48,978	-	-	-	48,978
Stormwater mitigation	358,466	-	-	-	358,466
Recycling	26,501	-	-	-	26,501
Capital improvements	-	-	-	3,325,695	3,325,695
Sub-total assigned	1,775,658	-	-	3,532,904	5,308,562
Unassigned:	7,631,467	-	-	-	7,631,467
<b>TOTAL FUND BALANCE</b>	<b>\$ 11,209,016</b>	<b>\$ 54,976,437</b>	<b>\$ -</b>	<b>\$ 11,952,288</b>	<b>\$ 78,137,741</b>

## 9. Revenues

### Program Revenues:

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

- Public Safety – Fire, Police, Ambulance – ambulance fees, fire run charges, officer's training charges for services, police sentinel charges for services, restricted operating grants, 911 revenue, and restricted capital grants.
- Streets – Commercial vehicle and gasoline excise tax shared by the State.
- Culture and recreation – lake fees, pool fees, library fees, hunting and fishing permits, softball fees, and operating grants.

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

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- Transportation – bus fees and operating grants.
- General Government – license and permits, fines and forfeitures, cemetery revenue, impact fees, operating grants and capital grants.

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

**Sales Tax Revenue:**

Sales tax revenue represents a 4.125 cents tax on each dollar of taxable sales which is collected by the Oklahoma Tax Commission and remitted to the City. Sales tax revenue is recorded as follows:

Initially 3.25 cents is recorded in the General Fund. Then two-thirds of 1.25 cents is transferred to the 2000 CIP Fund and one-third of 1.25 cents is transferred to the 2005 CIP Fund for specific capital projects approved by voters. Beginning January 2008, the voters approved an additional 0.375 cent tax for capital improvements transferred to the 2008 Sales Tax Capital Improvement Fund. If needed, the 2005 CIP and 2000 CIP Funds transfer a portion of the dedicated sales taxes to the Water Authority for debt service on voter-approved projects as well. Beginning in January 2010, the voters approved an additional 0.50 cent tax for the Lawton Public School District. The money is deposited into the LPS Sales Tax Fund and transferred to the School District the same month. The tax is restricted for construction, renovation, remodeling, and school buses.

**Property Tax Revenue:**

In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City. The City's property taxes are billed and collected by the County and remitted to the City. Property taxes levied by the City are billed and collected by the County Treasurer's Office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October. For the year ended June 30, 2011, the City's net assessed valuation of taxable property was \$430,151,588. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2011 was \$9.07.

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2011**

**10. Risk Management**

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

- General Liability – Covered through self-insurance.
- Physical Property – Covered through purchased insurance with a \$35,000 deductible.
- Workers' Compensation – Workers' compensation is covered through self-insurance using a third party processor to process claims.
- Employee's Group Medical – Covered through self-insurance using a third party processor to process medical claims. The City uses the third party processor's estimates to record group insurance claims payable. The City also has a stop-loss policy which covers individual claims in excess of \$150,000 during any year.

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

	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Care</u>	<u>Total</u>
Claim liability, June 30, 2009	\$ 1,531,733	\$ 841,812	\$ 2,373,545
Claims and changes in estimates	2,657,745	7,181,826	\$9,839,571
Claims payments	<u>(2,215,210)</u>	<u>(7,067,699)</u>	<u>(9,282,909)</u>
Claim liability, June 30, 2010	1,974,268	955,939	2,930,207
Claims and changes in estimates	3,337,946	7,447,827	10,785,773
Claims payments	<u>(2,446,424)</u>	<u>(7,467,280)</u>	<u>(9,913,704)</u>
Claim liability, June 30, 2011	<u>\$ 2,865,790</u>	<u>\$ 936,486</u>	<u>\$ 3,802,276</u>

**11. Retirement Plan Participation**

The City of Lawton participates in three pension or retirement plans:

1. Lawton City Employee Retirement System (the "System") – single-employer, defined benefit pension plan
2. Oklahoma Police Pension and Retirement System (OPPRS) - a statewide cost-sharing plan
3. Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan

***Lawton City Employee Retirement System***

The City contributes to the City of Lawton Employee Retirement System (the "System"), which is a single employer defined benefit pension plan administered by the City of Lawton. After November 1, 1975, all regular, full-time employees become a participant after completing thirty days of creditable service except for full-time police officers, firefighters and the city manager. The funding policy is established by Ordinance No. 692. Therefore, contributions are determined by ordinance rather than by actuarial determination. Each year, employees contribute 5.3% of annual pre-tax wages and the City contributes an amount required to provide benefits under the retirement system, subject to

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

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a maximum of 8% of annual pre-tax gross wages. The City performs actuarial valuations in each odd-numbered year to determine if the City's fixed contribution rate is funding the actuarially determined liability. The System issues separate audited annual financial statements which can be obtained by contacting the City of Lawton.

The following is a summary of funding policies, contribution methods, and benefit provisions:

Year established and governing authority	1970; City Ordinance No. 692
Determination of Contribution requirements	City Ordinance
Employer	9% through June 26, 2011 then 10%
Plan members	5.3% through June 26, 2011 then 5.4%
Funding of administrative costs	Investment earnings
Period required to vest	Based on years of service; 100% vested after 10 years
Eligibility for distribution	Age 52 with 10 years credited service, or earlier with 25 years credited service
Provisions for:	
Disability benefits	Yes
Death benefits	Yes

Plan Membership (as of July 1, 2009):

Active members	565
Retired participants	<u>192</u>
Total	<u>757</u>

*B. Summary of Significant Accounting Policies and Plan Asset Matters*

**Basis of Accounting** - Disclosures of the System's financial condition are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as System revenues in the period in which they are due to the plan per the plan agreement. Benefits and refunds are recognized when due and payable per plan provisions. The entire expense of the Plan administration is charged against the earnings of the Plan.

**Method Used to Value Investments** - Values of the System's assets are reported at fair value which approximates market. Investments in judgments are valued at original judgment value, less principal collected since no quoted market price is available. Purchases and sales of securities are recorded on a trade date basis, while interest income is recorded on the accrual basis. As of June 30, 2011, the System held no related party investments or individual investments (other than U.S. government and U.S. government guaranteed securities) whose market value exceeds five percent or more of the net assets available for benefits.

*C. Annual Pension Cost, Net Pension Obligation, and Reserves*

Current year annual pension costs for the System is shown in the trend information provided in the Trend Information section. Annual required contributions were made by the plan. There were increases to net pension benefit obligation for the year ended June 30, 2011. See further explanation in paragraph D below.

There are no assets legally reserved for purposes other than the payment of plan member benefits. There are no long-term contracts for contributions.

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2011**

*D. Actuarial Assumptions*

For the City Employees Retirement Plan, the actuarial assumptions used are as follows:

Valuation date	July 1, 2011
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years rolling
Asset valuation method	Market value
Investment rate of return	6.75%
Projected salary increases	4.25%

*E. Trend Information*

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Employer Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$ 2,341,958	\$ 1,628,972	68.5%	\$ 4,322,926
2010	2,341,958	1,703,544	72.7%	4,973,264
2011	2,965,333	1,920,223	64.8%	6,506,614

*F. Schedule of Funding Progress*

As of July 1, 2011, the funded status of the City Employee Retirement System single employer defined benefit plan is as follows:

Actuarial accrued liability (AAL)	\$71,637,254
Actuarial value of plan assets	44,761,581
Unfunded actuarial accrued liability (UAAL)	\$(26,875,673)
Funded ratio (actuarial value of plan assets/AAL)	62.5%
Annual covered payroll (active plan members)	22,095,022
UAAL as a percentage of covered payroll	121.6%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

*Oklahoma Firefighter's and Police Pension and Retirement Systems*

The City of Lawton, as the employer, participates in two statewide cost-sharing multiple employer defined benefit plans on behalf of the firefighters and police officers. The systems are funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

<u>Oklahoma Police Pension and Retirement System</u>	<u>Oklahoma Firefighter's Pension and Retirement System</u>
Police Pension and Retirement 1001 N.W. 63rd St., Suite 605 Oklahoma City, OK 73116-7335	Oklahoma Firefighter's Pension and Retirement System 4545 N. Lincoln Blvd., Suite 265 Oklahoma City, OK 73105-3414
All full-time officers, employed by a participating municipality, not less than 21 years of age or more than 45 years of age when hired	All full-time or voluntary firefighters of a participating municipality hired before age 45.
State Statute	State Statute
8%	8%
13%	13%
State appropriation to fund the unfunded actuarial accrued liability	State appropriation to fund the unfunded actuarial accrued liability
10 years	10 years
20 years credited service, 2 ½% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.	20 years credited service 2 ½% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
-	20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered.
Yes, 20 years credited service with additional option to participate in Louisiana Plan.	Yes, 20 years credited service with continued service for a maximum of 30 or more years.
Yes	Yes, if vested by 5/83
Yes	Yes
Yes	Yes
Yes	Yes

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

Retirement Plan Contributions – OFPRS and OPFRS Cost-Sharing Plans

Oklahoma Police Pension and Retirement System			Oklahoma Firefighter's Pension and Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2009	\$ 1,057,088	100%	2009	\$ 882,754	100%
2010	1,104,949	100%	2010	947,662	100%
2011	1,146,816	100%	2011	1,000,468	100%

Other Post-Employment Benefits

*Plan Description.* The City sponsors medical and prescription drug insurance to qualifying retirees and their dependents. Coverage is provided through fully-insured arrangements that collectively operate as a substantive single-employer defined benefit plan. The plan does not issue separate financial statements. Qualifying retirees are those employees who are eligible for immediate disability or retirement benefits under the Oklahoma Police Pension and Retirement System, Oklahoma Firefighter's Pension and Retirement System, or the City of Lawton Employee Retirement Plan. Retirees may continue coverage with the City by paying the carrier premium rate. Coverage is available for each of the lifetimes of retirees and their spouses. Authority to establish and amend benefit provisions rest with the city council. Benefits are paid from general operating assets of the City.

*Funding Policy.* The contribution requirements of plan members and the City are established by the City Council. Annual health insurance premium amounts are established by the city council. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2011, the actuarially expected City contribution in the form of net age adjustment was \$636,858 to the Plan. Plan members receiving benefits contributed \$284,700 of the total premiums, through their payment of the full determined premium in fiscal year 2011.

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the City's annual OPEB cost the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the year ended June 30, 2011:

Normal Cost	\$ 704,906
Interest on NOO	60,256
Amoritztaion of OPEB Obligation	(124,682)
Amortization of Actuarial Accrued Liability (AAL)	655,863
Annual OPEB cost (expense)	<u>1,296,343</u>
Expected net benefits during the year	<u>(636,858)</u>
Increase in net OPEB obligation	659,485
Net OPEB obligation - beginning of year	<u>1,339,033</u>
Net OPEB obligation - end of year	<u><u>\$ 1,998,518</u></u>



**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2011**

---

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/09	\$1,275,234	48%	\$664,227
6/30/10	\$1,298,703	50%	\$1,339,033
6/30/11	\$1,296,343	49%	\$1,998,518

*Funded Status and Funding Progress.* As of July 1, 2010, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability (AAL) for benefits was \$16,543,865, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$16,543,865. The covered payroll (annual payroll of active employees covered by the plan) was \$34,500,000, and the ratio of the UAAL to the covered payroll was 48 percent. Because the plan is a substantive plan there are no plan assets.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the Plan at the valuation date, and an annual healthcare cost trend rate of 7 percent initially, reduced by decrements to an ultimate rate of 5 percent in 2015. The UAAL is being amortized over 30 open years based on a level percent-of-pay open-period basis. The remaining amortization period at July 1, 2011, was thirty years. As of the date of this valuation, there are no plan assets. Retiree premiums are paid as they come due from general operating assets of the City.

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2011**

---

**12. Commitments and Contingencies**

**Construction Contracts Outstanding**

The following construction contracts were outstanding at June 30, 2011:

Nine Mile Creek Sewer Line	\$	2,852,965
Downtown Preservation		1,866,691
NW 38th (Cache - Gore)		6,075,311
WWTP Impr WK Pkg		716,063
Landfill Subtitle "D"		2,075,039
Santa Fe Bridge		2,029,630

**Litigation**

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

**Grant Programs**

The City of Lawton participates in various federal or state grant/loan programs from year to year. In 2011, the City's involvement in federal and state award programs is relatively material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

**13. Material Non-Compliance**

In the General Fund, the City had expenditures exceeding appropriations at the legal level of control in the following departments and for the following amounts:

General Fund – Public Safety -	\$222,990
General Fund – Transfers to Other Funds –	\$5,698,556

State law prohibits negative fund balance. The following funds had negative fund balance at June 30, 2011:

CIP Sales Tax 2008	\$(1,219,378)
Emergency 911	(63,851)
CDBG	(1,785)

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2011**

---

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Budgetary Comparison Schedules (Budgetary Basis) – Year Ended June 30, 2011**

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budget basis)	Final Budget Positive (Negative)
<b>Beginning Budgetary Fund Balance:</b>	\$ 6,564,247	\$ 6,564,247	\$ 6,763,288	\$ 199,041
<b>Resources (Inflows):</b>				
Taxes and assessments	43,559,684	43,559,684	49,003,014	5,443,330
Fees, licenses and permits	1,288,561	1,288,561	1,193,691	(94,870)
Rentals and sales of property	130,452	130,452	260,857	130,405
Fines and forfeitures	2,979,457	2,979,457	2,943,335	(36,122)
Interest earned	91,653	91,653	109,197	17,544
Other sources	605,125	605,125	848,395	243,270
Intergovernmental	834,667	834,667	779,288	(55,379)
Grants	92,638	92,638	89,937	(2,701)
<b>Total Resources (Inflows)</b>	<u>49,582,237</u>	<u>49,582,237</u>	<u>55,227,714</u>	<u>5,645,477</u>
<b>Amounts available for appropriation</b>	<u>56,146,484</u>	<u>56,146,484</u>	<u>61,991,002</u>	<u>5,844,518</u>
<b>Charges to Appropriations (Outflows):</b>				
General Government	10,071,297	10,071,297	8,391,767	1,679,530
Public Safety	27,626,694	27,626,694	27,849,684	(222,990)
Streets	8,373,485	8,373,485	8,080,257	293,228
Culture and Recreation	5,925,009	5,925,009	5,666,364	258,645
<b>Total Charges to Appropriations</b>	<u>51,996,485</u>	<u>51,996,485</u>	<u>49,988,072</u>	<u>2,008,413</u>
<b>Other financing sources (uses)</b>				
Transfers from other funds	16,840,053	16,840,053	17,180,748	340,695
Transfers to other funds	(20,472,037)	(20,472,037)	(26,170,593)	(5,698,556)
<b>Total other financing sources (uses)</b>	<u>(3,631,984)</u>	<u>(3,631,984)</u>	<u>(8,989,845)</u>	<u>(5,357,861)</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ 518,015</u>	<u>\$ 518,015</u>	<u>\$ 3,013,085</u>	<u>\$ 2,495,070</u>

**Footnotes to Budgetary Comparison Schedule:**

1. The budgetary comparison schedules and budgetary fund balance amounts are reported on a non-GAAP basis that report revenues on a cash basis, and expenditures in the period the invoice is received, except for payroll expenditures that are recorded when paid. In addition, obligations that are required to be funded from ending budgetary fund balances are subtracted from total ending budgetary fund balances to arrive at the unreserved budgetary fund balance. This presentation of unreserved fund balances on a budgetary basis is used to demonstrate compliance with Article 10, § 26 of the Oklahoma State Constitution.

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

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2011**

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

	<u>Fund Balance</u> <u>June 30, 2010</u>	<u>Net Change in</u> <u>Fund Balance</u>	<u>Fund Balance</u> <u>June 30, 2011</u>
<b>Budget to GAAP Reconciliation:</b>			
<b>Fund Balance - GAAP Basis</b>	\$ 15,047,283	\$ (3,838,267)	\$ 11,209,016
Increases (Decreases):			
Revenues:			
Taxes receivable	(7,765,856)	60,916	(7,704,940)
Accounts receivable	(7,452)	(18,631)	(26,083)
Accrued interest	(15,448)	(19,504)	(34,952)
Fair value adjustment	-	(646)	(646)
Expenditures:			
Accrued payroll	1,627,144	232,781	1,859,925
Encumbrances	(242,044)	76,741	(165,303)
Other expenditures	800,643	619,936	1,420,579
Accounts of the General Fund:			
Hunting and Fishing	54,082	(23,415)	30,667
Reserve Account	(1,519,620)	(282,271)	(1,801,891)
Insurance Proceeds Account	(53,767)	(47,471)	(101,238)
Payroll Claims Account	-	-	-
Adult Softball Account	(38,360)	(2,736)	(41,096)
Court Credit Card Maint. Account	(457,688)	(328,372)	(786,060)
Animal License Account	(323,947)	(52,322)	(376,269)
Elmer Thomas Park Account	(7,796)	-	(7,796)
Stormwater Mitigation	(266,902)	(91,564)	(358,466)
RSVP Account	7,524	(5,153)	2,371
Application Fee Account	(24,687)	(8,243)	(32,930)
Senior Craft Account	(86)	-	(86)
Special Jail Account	(33,316)	(9,625)	(42,941)
Real Property Account	(2,275)	-	(2,275)
Recycling Account	(14,146)	(12,355)	(26,501)
<b>Fund Balance - Budgetary Basis</b>	<u>\$ 6,763,286</u>	<u>\$ (3,750,201)</u>	<u>\$ 3,013,085</u>

4. In the General Fund, the City had expenditures exceeding appropriations at the legal level of control in the following departments and for the following amounts:

General Fund – Public Safety - \$222,990  
General Fund – Transfers Out - \$5,698,556

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Schedule of Funding Progress – City Employee Retirement System**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)		Unfunded AAL (UAAL) (a - b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2011	44,761,581	71,637,254	EAN	(26,875,673)	62.5%	22,095,022	121.6%
July 1, 2009	37,963,510	60,084,860	EAN	(22,121,350)	63.2%	19,845,649	111.5%
July 1, 2007	36,850,006	53,258,078	EAN	(16,408,072)	69.2%	18,344,200	89.4%
July 1, 2007	36,850,006	49,038,912	PUC	(12,188,906)	75.1%	18,344,200	66.4%
July 1, 2005	38,405,760	47,101,375	PUC	(8,695,615)	81.5%	15,889,024	54.7%
July 1, 2003	34,278,831	38,738,865	PUC	(4,460,034)	88.5%	14,583,355	30.6%
July 1, 2001	30,861,366	37,391,605	PUC	(6,530,239)	82.5%	14,627,470	44.6%

Note: Prior to 7/1/2007 the actuarial accrued liability was reported using the Projected Unit Credit cost method (PUC)

Paragraph 37 of GASB 25 requires that the actuarial cost method used for funding the plan (which is the Entry Age Normal cost method EAN) can be used for this purpose.

For the 7/1/2007 valuation both costs methods are shown; the second line (EAN) is the official value (the PUC value is only shown for comparative purposes)

The unfunded actuarial accrued liability was affected by the following new actuarial assumptions:

Fiscal Year	Actual Employer Required Contribution per Retirement Plan	Percentage of APC Contributed
2005	\$ 1,189,519	100.0%
2006	1,259,042	100.0%
2007	1,412,087	100.0%
2008	1,553,635	65.4%
2009	1,628,972	68.5%
2010	1,703,544	72.7%
2011	1,920,223	64.8%

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

---

**Schedule of Funding Progress – Other Post Employment Benefits**

The funded status and funding progress of the City’s defined benefit OPEB plan for the most recent actuarial valuations is as follows:

	July 1, 2008	July 1, 2010
Actuarial accrued liability - AAL (a)	\$15,764,535	\$16,543,865
Actuarial value of plan assets (b)	-	-
Unfunded actuarial accrued liability – UAAL (funding excess) (a) – (b)	\$15,764,535	\$16,543,865
Funded ratio (b)/(a)	0%	0%
Covered payroll (c)	\$28,400,000	\$34,500,000
UAAL (funding excess) as a % of covered payroll [UAAL/(c)]	56%	56%

Three year trend information is not available.

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

---

**OTHER SUPPLEMENTARY INFORMATION**



**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2011**

**Schedule of Changes in Fund Balances - Non-Major Governmental Funds, Year Ended June 30, 2011**

<u>Fund</u>	<u>Fund Balance 7/1/2010</u>	<u>Changes in Fund Balance</u>	<u>Fund Balance 6/30/2011</u>
<b>Special Revenue Funds:</b>			
Public Library	\$ 9,880	\$ (1,692)	\$ 8,188
Small Business Loan	163,248	(907)	162,341
CDBG	873,239	(875,024)	(1,785)
HOME Investment CDBG	16,675	3,731	20,406
Lawton Urban Housing	234	1	235
Police Grant	9,691	(2,020)	7,671
Park Fee Fund	104,731	-	104,731
Narcotics Fund	27,675	130,919	158,594
Animal Sterilization Fund	201,659	18,285	219,944
Emergency 911	(184,993)	121,142	(63,851)
Cemetery Care	209,216	(57,614)	151,602
Officers Training	99,567	(5,448)	94,119
Lawton Parking Authority	1,191	-	1,191
State Landfill Fund	84,599	4,283	88,882
Police Sentinel	1,409	(176)	1,233
Fire Prevention Education	8,064	(470)	7,594
Park Fund	2,609	-	2,609
McMahon Authority Grants	23,915	-	23,915
Drainage Maintenance Fund	653,979	255,615	909,594
Animal Donation Fund	11,721	2,524	14,245
Capital Outlay Rolling Stock	1,493,831	572,430	2,066,261
LETA Beautification	3,435	11,377	14,812
Cemetery Reward	5,500	-	5,500
Centennial Fund	7,076	25	7,101
Hotel/Motel Tax Fund	96,427	42,856	139,283
Project Impact	29,177	-	29,177
Mass Transit Fund	154,255	(120,838)	33,417
Federal Grant Fund	1,218,405	290,546	1,508,951
Cellular Service Fee Fund	546,368	240,504	786,872
LIDA	-	24	24
Police and Fire Training Fund	206,980	86,130	293,110
Impact Fees	1,968,614	257,773	2,226,387
<b>Capital Project:</b>			
CIP	924,004	335,430	1,259,434
CIP Sales Tax 2008	428,156	(1,647,534)	(1,219,378)
<b>Debt Service</b>			
Prior to 1972	1,679,151	(603,000)	1,076,151
Ad Valorem 2005	2,163,154	(349,426)	1,813,728
<b>Total</b>	<u>\$ 13,242,842</u>	<u>\$ (1,290,554)</u>	<u>\$ 11,952,288</u>

The General Fund and 2005 CIP Fund are considered major funds and are therefore displayed in separate columns. All other governmental funds are considered non-major funds and are aggregated under the column Other Governmental Funds. The fund balances are reported on the modified accrual basis for these aggregated non-major funds.

CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011

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**Debt Service Coverage Schedule - Year Ended June 30, 2011**

**DEBT SERVICE COVERAGE:**

	<b>OWRB Series</b> <b>2001A, 2001B, 2003A, 2003B,</b> <b>2003C, 2003D, 2004A, 2004B</b> <b>2005, 2006A, 2008 &amp; 2009</b> <u><b>Promissory Notes</b></u>
<b>GROSS REVENUE AVAILABLE:</b>	
Charges for services (all utility revenues)	\$42,959,662
Investment income	<u>50,294</u>
Total Gross Revenue Available	<u>43,009,956</u>
<b>OPERATING EXPENSES:</b>	
Total Operating Expenses	<u>21,405,915</u>
Net Revenue Available for Debt Service	<u><u>\$21,604,041</u></u>
Maximum Annual Debt Service on all Obligations Payable From Revenues of the System	<u><u>\$11,038,804</u></u>
Computed Coverage	<u><u>196%</u></u>
Coverage Requirement	<u><u>125%</u></u>