

Annual Financial Statements And Independent Auditor's Reports

For Fiscal Year Ended
June 30, 2016



CITY OF
LAWTON
OKLAHOMA

MAKING PROGRESS

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

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Independent Auditor's Report

The Honorable Mayor and Members
of the City Council of the
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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lawton Metropolitan Area Airport Authority, the Lawton Arts and Humanities Council, the McMahon Auditorium Authority, the Museum of the Great Plains Trust Authority, and the Lawton Metropolitan Planning Organization, which represent 82% and 77% of assets and program revenues, respectively, of the discretely presented component units. We also did not audit the City Employee Retirement Trust Fund. Those statements were audited by other auditors whose reports have been furnished to us and our opinions, insofar as they relate to the amounts included for discretely presented component units and the City Employee Retirement Trust Fund, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

The Honorable Mayor and Members
of the City Council of the
City of Lawton, Oklahoma

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

Opinion

In our opinion, based on our audit and the reports of 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, 2016, and the respective changes in financial position, where applicable, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Oklahoma City, Oklahoma
May 18, 2017

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2016**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2016**

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**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2016**

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, 2016. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2016, the City's total net position increased by \$17.9 million or 7.6% from the prior year.
- During the year, the City's expenses for governmental activities were \$77.8 million and were funded by program revenues of \$24.0 million and further funded with taxes and other general revenues, including transfers in, that totaled \$62.5 million.
- In the City's business-type activities, such as utilities, program revenues exceeded expenses by \$11.1 million.
- Sales and use taxes increased by \$.16 million or .7% over the prior fiscal year.
- At June 30, 2016, the General Fund reported an unassigned fund balance of \$9.0 million.
- For budgetary reporting purposes, the General Fund reported revenues below estimates by \$457,585 or .81%, while expenditures were under final appropriations by \$1,743,434 or 3.3%.
- The City and the Lawton Water Authority issued new debt totaling \$42,368,157, excluding judgments payable. The debt was issued to provide funding for capital improvements for streets, public safety and water; the refinancing of Waurika debt; and new Waurika debt for maintenance costs.

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, 39 and 61. Included in this report are government-wide statements for each of three categories of activities – governmental, business-type and 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), deferred outflows, liabilities (including all long-term debt) and deferred inflows.

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 Administrative 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, 2016**

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 and one inactive blended component units and eight active 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. The Authority is reported as the Special Revenue Lawton Parking Authority Fund.
- **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.
- **Lawton Arts and Humanities Council** – public trust that operates to encourage and promote knowledge of the fine arts and humanities.
- **McMahon Auditorium Authority** – public trust created to operate and maintain the McMahon Auditorium, a public and municipal auditorium of the City.
- **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.

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2016**

- **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.
- **Lawton Enhancement Trust Authority** – public trust created to beautify and aesthetically enhance the appearance of the City of Lawton.
- **Lawton Urban Renewal Authority** – public trust created to administer approved urban renewal projects within the City of Lawton.

All of the above discretely presented component units, except for the Lawton Economic Development Authority, the Lawton Enhancement Trust Authority, and the Lawton Urban Renewal 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.
- **Notes** - 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, pension information, and long-term debt service coverage.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

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

These two government-wide statements report the City's net position and changes in them from the prior year. You can think of the City's net position – the difference between assets, deferred outflows,

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2016**

liabilities, and deferred inflows – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

As mentioned above, in the Statement of Net Position and the Statement of Activities, we divide the City into 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, McMahon Auditorium Authority, Museum of the Great Plains Trust Authority, Lawton Economic Development Authority, Lawton Enhancement Trust Authority, Lawton Urban Renewal 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 Position, the Statement of Revenues, Expenses and Changes in Fund Net Position and Statement of Cash Flows. In fact, the City's enterprise funds are essentially the same as the business-type activities 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, 2016**

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 position and a statement of changes in fiduciary net position. 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 Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$254.3 million at the close of the most recent fiscal year.

**TABLE 1
NET POSITION (In Thousands)**

| | Governmental Activities | | % Inc. (Dec.) | Business-Type Activities | | % Inc. (Dec.) | Total | | % Inc. (Dec.) |
|----------------------------------|----------------------------|------------------|------------------|-----------------------------|-------------------|------------------|-------------------|-------------------|------------------|
| | 2016 | 2015 | | 2016 | 2015 | | 2016 | 2015 | |
| Current assets | \$ 81,825 | \$ 76,794 | 7% | \$ 37,530 | \$ 24,433 | 54% | \$ 119,355 | \$ 101,227 | 18% |
| Capital assets, net | 111,557 | 99,311 | 12% | 214,917 | 213,782 | 1% | 326,474 | 313,093 | 4% |
| Other non-current assets | - | - | - | 260 | 260 | - | 260 | 260 | - |
| Total assets | 193,382 | 176,105 | 10% | 252,707 | 238,475 | 6% | 446,089 | 414,580 | 8% |
| Deferred outflows | 6,670 | 4,837 | 38% | 984 | 805 | 22% | 7,654 | 5,642 | 36% |
| Current liabilities | 13,585 | 12,320 | 10% | 10,547 | 9,595 | 10% | 24,132 | 21,915 | 10% |
| Non-current liabilities | 87,067 | 72,620 | 20% | 82,767 | 78,381 | 6% | 169,834 | 151,001 | 12% |
| Total liabilities | 100,652 | 84,940 | 18% | 93,314 | 87,976 | 6% | 193,966 | 172,916 | 12% |
| Deferred inflows | 5,023 | 10,298 | -51% | 505 | 617 | -18% | 5,528 | 10,915 | -49% |
| Net position | | | | | | | | | |
| Net investment in capital assets | 89,746 | 80,898 | 11% | 164,829 | 155,122 | 6% | 254,575 | 236,020 | 8% |
| Restricted | 54,566 | 26,625 | 105% | 5,289 | 4,372 | 21% | 59,855 | 30,997 | 93% |
| Unrestricted (deficit) | (49,935) | (21,819) | -129% | (10,245) | (8,806) | -16% | (60,180) | (30,625) | -97% |
| Total net position | \$ 94,377 | \$ 85,704 | 10% | \$ 159,873 | \$ 150,688 | 6% | \$ 254,250 | \$ 236,392 | 8% |

The largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). For 2016, this net investment in capital assets amounted to \$248.4 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A major portion of the City's net position, \$59.9 million also represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position creates an unrestricted net position deficit of \$54.2 million, that when positive, may be used to meet the government's ongoing obligations to citizens and creditors.

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

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2016**

Governmental Activities:

Deferred outflow – Increase of \$1.8 million (38%) due to an increase in deferred pension outflows.

Non-current liabilities – Increase of \$14.4 million (20%) due to an increase in pension liability and the issuance of the 2015 Sales Tax Revenue Note for street and public safety projects.

Restricted Net Position – Increase of \$27.9 million (105%) cause by an increase in assets restricted for capital improvements.

Unrestricted Net Position (Deficit) – Increase in the size of the deficit in an amount of \$22.2 million (103%) due to an increase in long –term liabilities and an increase in restricted net position.

Business-Type Activities:

Current and other assets – Increase of \$13.1 million (54%) due to an increase in restricted assets related to funds received for construction projects from debt issuance not yet expended and grant revenue receivable for wastewater projects.

Changes in Net Position

For the year ended June 30, 2016, net position of the primary government changed as follows:

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2016**

**TABLE 2
CHANGES IN NET POSITION (In Thousands)**

| | Governmental Activities | | % Inc. (Dec.) | Business-Type Activities | | % Inc. (Dec.) | Total | | % Inc. (Dec.) |
|--|----------------------------|---------------|------------------|-----------------------------|----------------|------------------|----------------|----------------|------------------|
| | 2016 | 2015 | | 2016 | 2015 | | 2016 | 2015 | |
| Revenues | | | | | | | | | |
| Charges for service | \$ 7,444 | \$ 6,668 | 12% | \$ 43,255 | \$ 43,468 | 0% | \$ 50,699 | \$ 50,136 | 1% |
| Operating grants and contributions | 7,575 | 7,389 | 3% | - | - | - | 7,575 | 7,389 | 3% |
| Capital grants and contributions | 8,946 | 612 | 1362% | 2,629 | 365 | 620% | 11,575 | 977 | 1085% |
| General revenues: | | | | | | | | | |
| Sales and use taxes | 49,253 | 48,081 | 2% | - | - | - | 49,253 | 48,081 | 2% |
| Other taxes and intergovernmental revenues | 9,298 | 9,957 | -7% | - | - | - | 9,298 | 9,957 | -7% |
| Investment income | 461 | 292 | 58% | 30 | 113 | 100% | 491 | 405 | 21% |
| Miscellaneous | 1,319 | 1,500 | -12% | 180 | 172 | 5% | 1,499 | 1,672 | -10% |
| Total revenues | 84,295 | 74,499 | 13% | 46,094 | 44,118 | 4% | 130,389 | 118,617 | 10% |
| Expenses | | | | | | | | | |
| General government | 16,854 | 15,092 | 12% | - | - | - | 16,854 | 15,092 | 12% |
| Public safety | 38,223 | 32,813 | 16% | - | - | - | 38,223 | 32,813 | 16% |
| Streets | 7,397 | 8,747 | -15% | - | - | - | 7,397 | 8,747 | -15% |
| Education | 2,500 | 4,580 | -45% | - | - | - | 2,500 | 4,580 | -45% |
| Transportation | 2,614 | 2,631 | -1% | - | - | - | 2,614 | 2,631 | -1% |
| Culture and recreation | 8,051 | 8,107 | -1% | - | - | - | 8,051 | 8,107 | -1% |
| Community/economic development | 744 | 841 | - | - | - | - | 744 | 841 | - |
| Interest | 1,409 | 1,314 | 7% | - | - | - | 1,409 | 1,314 | 7% |
| Water | - | - | - | 18,901 | 14,586 | 30% | 18,901 | 14,586 | 30% |
| Wastewater | - | - | - | 10,142 | 8,707 | 16% | 10,142 | 8,707 | 16% |
| Sanitation | - | - | - | 5,696 | 6,246 | -9% | 5,696 | 6,246 | -9% |
| Total expenses | 77,792 | 74,125 | 5% | 34,739 | 29,539 | 18% | 112,531 | 103,664 | -9% |
| Excess (deficiency) before transfers | 6,503 | 374 | 1639% | 11,355 | 14,579 | -22% | 17,858 | 14,953 | 19% |
| Transfers | 2,170 | 17,736 | 88% | (2,170) | (17,736) | -88% | - | - | - |
| Change in net position | 8,673 | 18,110 | 52% | 9,185 | (3,157) | -391% | 17,858 | 14,953 | 19% |

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 \$8.0 million (1362%) due to capital asset contributions by developers of streets and drainage totaling \$8.3 million.

Education expense – Decrease of \$2.0 million (45%) due to the expiration of the 0.5% sales tax for Lawton Public Schools that ended in December, 2014. Beginning in January 2015, in accordance with the 2015 Public Safety and Capital Improvement/Operational Expenditures Sales Tax Ordinance the City will transfer \$12,500,000 to Lawton Public Schools over the next five years.

Transfers – Net decrease of \$15.6 million (88%) due to an decrease in the transfer to the Water Authority for debt service payments.

Business-Type Activities:

Water expenses – Increase of \$4.3 million (30%) due to the one time expense of silt removal at Waurika Lake.

Transfers – Net decrease of \$15.6 million (88%) due to an decrease in the transfer to the Water Authority for debt service payments.

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2016**

Governmental Activities

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

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

| | Total Expense of Services | | % Inc. (Dec.) | Net Revenue (Expense) of Services | | % Inc. (Dec.) |
|--------------------------------|------------------------------|------------------|------------------|---|--------------------|------------------|
| | 2016 | 2015 | | 2016 | 2015 | |
| General government | \$ 16,854 | \$ 15,092 | 12% | \$ (10,410) | \$ (10,157) | 2% |
| Public safety | 38,223 | 32,813 | 16% | (33,089) | (28,404) | 16% |
| Streets | 7,397 | 8,747 | -15% | 1,054 | (7,026) | -115% |
| Education | 2,500 | 4,580 | -45% | (2,500) | (4,580) | -45% |
| Transportation | 2,614 | 2,631 | -1% | (758) | (872) | -13% |
| Community/economic development | 744 | 8,107 | -91% | 159 | 147 | 8% |
| Culture, parks and recreation | 8,051 | 841 | 857% | (6,873) | (7,248) | -5% |
| Interest on long-term debt | 1,409 | 1,314 | 7% | (1,409) | (1,314) | 7% |
| Total | \$ 77,792 | \$ 74,125 | 5% | \$ (53,826) | \$ (59,454) | -9% |

For the year ended June 30, 2016 total expenses for governmental activities amounted to \$77.8 million which was an increase from the prior year of 5%. 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. |
|--------------|------------------------------|------------------|----------------|---|------------------|----------------|
| | 2106 | 2015 | | 2016 | 2015 | |
| Water | \$ 18,900 | \$ 14,586 | 30% | \$ 6,081 | \$ 9,960 | -39% |
| Wastewater | 10,142 | 8,707 | 16% | 2,011 | 775 | 159% |
| Sanitation | 5,697 | 6,246 | -9% | 3,053 | 3,558 | -14% |
| Total | \$ 34,739 | \$ 29,539 | 18% | \$ 11,145 | \$ 14,293 | -22% |

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

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2016**

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

- Total business-type activities reported net revenues, before transfers, of \$11.4 million for the year ended June 30, 2016.
- All individual activities/services reported net revenue for the year ended June 30, 2016.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2016 fiscal year, the governmental funds reported a combined fund balance of \$74.9 million or a 7.77% increase from 2015. The proprietary funds reported combined net position of \$158 million or a 4.7% increase from 2015.

Other fund highlights include:

- For the year ended June 30, 2016, the General Fund's total fund balance increased by \$1,404,555 or 10%.
- The 2012 CIP Fund's total fund balance increased by \$2.6 million or 10.4% due to an increase in sales tax transfers in.

General Fund Budgetary Highlights

- For budgetary reporting purposes, the General Fund reported revenues below estimates by \$457,585 or .81%, while expenditures were under final appropriations by \$1,743,434 or 3.3%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2016, the City had \$326.2 million invested in capital assets including police and fire equipment, buildings, park facilities, water lines and sewer lines. (See table below). This represents a net increase of \$13 million or 4.2 % over last year.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------------|------------------------------------|------------------|-------------------------------------|-------------------|-------------------|-------------------|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Land | \$ 3,764 | \$ 3,764 | \$ 1,632 | \$ 1,632 | 5,396 | \$ 5,396 |
| Buildings and utility infrastructure | 18,090 | 16,013 | 148,788 | 145,819 | 166,878 | 161,832 |
| Machinery, furniture and equipment | 48,591 | 45,598 | 6,261 | 6,533 | 54,852 | 52,131 |
| Infrastructure | 9,159 | 8,325 | 29,966 | - | 39,125 | 8,325 |
| Water rights | - | - | - | 30,350 | - | 30,350 |
| Construction in progress | 31,953 | 25,610 | 28,270 | 29,448 | 60,223 | 55,058 |
| Totals | \$ 111,557 | \$ 99,310 | \$ 214,917 | \$ 213,782 | \$ 326,474 | \$ 313,092 |

This year's more significant capital asset additions included:

| | |
|-----------------|-------------|
| Street projects | \$4,768,785 |
| Waterlines | \$4,848,381 |
| Sewerlines | \$788,198 |

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2016**

See Note 2.C. 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 \$117.1 million in long-term debt outstanding which represents a \$14.9 million or 14.6 % increase from the prior year. The increase is due to the city issuing \$41.8 million of new debt and retiring \$27.4 million. The City's changes in long-term debt by type of debt are as follows:

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

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|-----------------------------------|------------------------------------|------------------|-------------------------------------|------------------|-------------------|-------------------|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Accrued compensated absences | \$ 5,574 | \$ 5,634 | \$ 900 | \$ 792 | \$ 6,474 | \$ 6,426 |
| General obligation bonds | 13,825 | 13,430 | - | - | 13,825 | 13,430 |
| General obligation bonds premium | 122 | 146 | - | - | 122 | 146 |
| Deferred amount on refunds | - | (29) | - | - | - | (29) |
| Worker's Compensation liability | 943 | 1,387 | 603 | 887 | 1,546 | 2,274 |
| Judgment payable | 1,583 | 1,774 | - | - | 1,583 | 1,774 |
| Revenue Bonds payable | 11,756 | 621 | 32,570 | 28,179 | 44,326 | 28,800 |
| Notes payable | 1,469 | 1,544 | 10,237 | 13,818 | 11,706 | 15,362 |
| Contracts payable | - | - | 31,352 | 27,495 | 31,352 | 27,495 |
| Capital lease obligations | 570 | 1,353 | - | - | 570 | 1,353 |
| Landfill Closure and Post-Closure | - | - | 5,615 | 5,194 | 5,615 | 5,194 |
| Totals | <u>\$ 35,842</u> | <u>\$ 25,860</u> | <u>\$ 81,277</u> | <u>\$ 76,365</u> | <u>\$ 117,119</u> | <u>\$ 102,225</u> |

See Note 2.E. to the financial statements for more detail information on the City's long-term debt and changes therein.

The Upcoming Year FY 2016-2017

The City of Lawton has been very proactive in positioning the community for future success. The City is very aware of local economic issues, as well as the federal and state economic and budget issues. The City continues to adapt to the current economic climate and ensure that the citizens of Lawton receive the best possible service. The Regional Growth Management Plan adopted in 2008 had numerous recommendations regarding roadways, utilities, and public safety. Some of these projects have been completed and more are underway.

Because Lawton is an expanding municipality, the Council will always be challenged to grow revenues. The City has not seen consistent growth in its revenues over the past three years. While sales tax revenues have been consistent, water revenues continue to decline due to citizen conservation as well as the loss of accounts. Accordingly, the City will need to seek a modest increase in its rate structure for the services it provides to citizens. In August 2015, the Citizens of Lawton passed an eleven year, one hundred million dollar Sales Tax Extension to continue its roadway and utility projects and, also, a study to pursue alternative water sources to continue to diversify its overall water supply.

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2016**

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:

Finance Director
City of Lawton
102 S.W. 5th 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, 2016**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

Statement of Net Position– June 30, 2016

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|-----------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 39,629,870 | \$ 5,216,072 | \$ 44,845,942 | \$ 2,631,006 |
| Cash and cash equivalents, restricted current | - | 23,875,927 | 23,875,927 | 141,100 |
| Investments | 31,245,551 | 499,603 | 31,745,154 | 956,847 |
| Investments, restricted | - | 153,846 | 153,846 | - |
| Interest receivable | 14,961 | 81 | 15,042 | - |
| Accounts receivable, net | 1,010,148 | 5,730,195 | 6,740,343 | 464,861 |
| Inventory | 468,796 | - | 468,796 | 66,689 |
| Land held for resale | - | - | - | 2,690,928 |
| Taxes receivable | 9,041,292 | 2,055,189 | 11,096,481 | 959,493 |
| Advance to component unit | 414,322 | - | 414,322 | - |
| Prepaid items | - | - | - | 322,935 |
| Cash and cash equivalents, restricted non-current | - | 260,005 | 260,005 | 555,689 |
| Other asset | - | - | - | 12,472 |
| Capital assets: | | | | |
| Land and construction in progress | 35,716,848 | 29,902,229 | 65,619,077 | 2,341,871 |
| Other capital assets, net of depreciation | 75,839,725 | 185,014,581 | 260,854,306 | 21,881,225 |
| Total Assets | 193,381,513 | 252,707,728 | 446,089,241 | 33,025,116 |
| DEFERRED OUTFLOWS: | | | | |
| Deferred amount related to pensions | 6,670,433 | 983,664 | 7,654,097 | - |
| Total deferred outflows | 6,670,433 | 983,664 | 7,654,097 | - |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | 7,712,906 | 969,457 | 8,682,363 | 196,763 |
| Due to other governments | - | - | - | 102,266 |
| Accrued interest payable | 209,574 | 394,042 | 603,616 | 420,705 |
| Unearned revenue | - | - | - | 49,175 |
| Advance from primary government | - | - | - | 414,322 |
| Long-term liabilities: | | | | |
| Due within one year | 5,662,498 | 9,183,565 | 14,846,063 | 859,298 |
| Due in more than one year | 87,066,507 | 82,766,912 | 169,833,419 | 29,322,343 |
| Total liabilities | 100,651,485 | 93,313,976 | 193,965,461 | 31,364,872 |
| DEFERRED INFLOWS: | | | | |
| Deferred amounts related to pensions | 5,023,094 | 504,557 | 5,527,651 | - |
| Total deferred inflows | 5,023,094 | 504,557 | 5,527,651 | - |
| NET POSITION: | | | | |
| Net investment in capital assets | 89,745,888 | 164,829,299 | 254,575,187 | 24,192,710 |
| Net Position: | | | | |
| Restricted | 54,565,684 | 5,289,400 | 59,855,084 | 1,298,808 |
| Unrestricted (deficit) | (49,934,205) | (10,245,840) | (60,180,045) | (23,831,274) |
| Total net position | \$ 94,377,367 | \$ 159,872,859 | \$ 254,250,226 | \$ 1,660,244 |

See accompanying notes to the basic financial statements.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Statement of Activities –Year Ended June 30, 2016

| Functions/Programs | Expenses | Program Revenue | | | Net (Expense) Revenue and Changes in Net Position | | | Discretely Presented Component Units |
|---|---------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------|--------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total | |
| Primary Government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 16,854,072 | \$ 5,612,311 | \$ 773,883 | \$ 57,500 | \$ (10,410,378) | \$ - | \$ (10,410,378) | \$ - |
| Public Safety | 38,222,853 | 953,468 | 4,170,660 | 9,587 | (33,089,138) | - | (33,089,138) | - |
| Streets | 7,396,949 | 1,000 | 180,920 | 8,267,730 | 1,052,701 | - | 1,052,701 | - |
| Culture and recreation | 8,051,163 | 453,512 | 113,554 | 611,500 | (6,872,597) | - | (6,872,597) | - |
| Community development | 744,331 | 32,999 | 870,624 | - | 159,292 | - | 159,292 | - |
| Education | 2,500,000 | - | - | - | (2,500,000) | - | (2,500,000) | - |
| Transportation | 2,613,510 | 390,816 | 1,464,947 | - | (757,747) | - | (757,747) | - |
| Interest on long-term debt | 1,408,797 | - | - | - | (1,408,797) | - | (1,408,797) | - |
| Total governmental activities | 77,791,675 | 7,444,106 | 7,574,588 | 8,946,317 | (53,826,664) | - | (53,826,664) | - |
| Business-type activities: | | | | | | | | |
| Water | 18,900,448 | 24,557,190 | - | 424,238 | - | 6,080,980 | 6,080,980 | - |
| Wastewater | 10,141,742 | 9,947,511 | - | 2,205,189 | - | 2,010,958 | 2,010,958 | - |
| Sanitation | 5,696,365 | 8,749,780 | - | - | - | 3,053,415 | 3,053,415 | - |
| Total business-type activities | 34,738,555 | 43,254,481 | - | 2,629,427 | - | 11,145,353 | 11,145,353 | - |
| Total primary government | 112,530,230 | 50,698,587 | 7,574,588 | 11,575,744 | (53,826,664) | 11,145,353 | (42,681,311) | - |
| Component Units: | | | | | | | | |
| Airport | 2,884,579 | 1,396,013 | 830,563 | 1,241,323 | - | - | - | 583,320 |
| Culture and Recreation | 1,281,368 | 280,895 | 870,691 | 1,849,996 | - | - | - | 1,720,214 |
| Economic Development | 1,368,804 | - | 1,876,143 | - | - | - | - | 507,339 |
| Transportation | 504,419 | - | 496,612 | - | - | - | - | (7,807) |
| Total component units | 6,039,170 | 1,676,908 | 4,074,009 | 3,091,319 | - | - | - | 2,803,066 |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Sales and use taxes | - | - | - | - | 49,253,192 | - | 49,253,192 | - |
| Property tax | - | - | - | - | 3,969,796 | - | 3,969,796 | - |
| Franchise and public service taxes | - | - | - | - | 2,308,450 | - | 2,308,450 | - |
| Hotel/motel taxes | - | - | - | - | 1,197,607 | - | 1,197,607 | - |
| Intergovernmental revenue not restricted to specific programs | - | - | - | - | 1,822,076 | - | 1,822,076 | - |
| Investment income | - | - | - | - | 460,805 | 29,898 | 490,703 | - |
| Miscellaneous | - | - | - | - | 1,318,432 | 179,849 | 1,498,281 | (38,469) |
| Transfers - internal activity | - | - | - | - | 2,170,167 | (2,170,167) | - | - |
| Total general revenues and transfers | - | - | - | - | 62,500,525 | (1,960,420) | 60,540,105 | (38,469) |
| Change in net position | - | - | - | - | 8,673,861 | 9,184,933 | 17,858,794 | 2,764,597 |
| Net position - beginning | - | - | - | - | 85,703,506 | 150,687,926 | 236,391,432 | (1,104,353) |
| Net position - ending | - | - | - | - | \$ 94,377,367 | \$ 159,872,859 | \$ 254,250,226 | \$ 1,660,244 |

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Governmental Funds Balance Sheet - June 30, 2016

| | <u>General Fund</u> | <u>2012 CIP Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|----------------------|---|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 7,068,837 | \$ 4,640,760 | \$ 27,806,124 | \$ 39,515,721 |
| Investments | 1,240,608 | 23,307,479 | 6,697,464 | 31,245,551 |
| Receivables: | | | | |
| Accounts receivable | 64,980 | - | 580,203 | 645,183 |
| Accrued interest receivable | 6,505 | 6,859 | 1,597 | 14,961 |
| Advance to component unit | - | - | 414,322 | 414,322 |
| Due from other funds | 3,744 | - | - | 3,744 |
| Due from other governments | 8,343,617 | 47,500 | 650,175 | 9,041,292 |
| Inventory | 468,796 | - | - | 468,796 |
| Total assets | <u>\$ 17,197,087</u> | <u>\$ 28,002,598</u> | <u>\$ 36,149,885</u> | <u>\$ 81,349,570</u> |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 1,654,436 | \$ 1,078,152 | \$ 3,151,270 | \$ 5,883,858 |
| Due to other funds | - | - | 2,392 | 2,392 |
| Total liabilities | <u>1,654,436</u> | <u>1,078,152</u> | <u>3,153,662</u> | <u>5,886,250</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue | <u>106,471</u> | <u>47,500</u> | <u>400,000</u> | <u>553,971</u> |
| Fund balances: | | | | |
| Nonspendable | 468,796 | - | - | 468,796 |
| Restricted | - | 27,131,811 | 27,364,716 | 54,496,527 |
| Committed | 1,802,513 | - | 45,367 | 1,847,880 |
| Assigned | 4,207,147 | - | 4,931,275 | 9,138,422 |
| Unassigned | 8,957,724 | - | - | 8,957,724 |
| Total fund balances | <u>15,436,180</u> | <u>27,131,811</u> | <u>32,341,358</u> | <u>74,909,349</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 17,197,087</u> | <u>\$ 28,257,463</u> | <u>\$ 35,895,020</u> | <u>\$ 81,349,570</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, 2016

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

| City of Lawton | |
|--|---------------|
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net | |
| Position | |
| June 30, 2016 | |
| Total fund balance, governmental funds | \$ 74,909,349 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, net of accumulated depreciation of \$82,888,296, and net of Internal Service Fund capital assets of \$90,517 | 111,466,056 |
| Certain other long-term assets are not available to pay current period expenditures and therefore they, along with deferred outflows, are not reported in this fund financial statement: | |
| Mortgages receivable | 364,965 |
| Pension related deferred outflows | 6,670,433 |
| Certain other assets are not available to pay current period expenditures and therefore they are recorded as deferred inflows in this fund financial statement: | |
| Receivable from other governments | 553,971 |
| Some liabilities are not due and payable in the current period and, along with deferred inflows, are not included in the fund financial statement: | |
| Capital lease obligations | (569,887) |
| General obligations bonds | (13,825,000) |
| Accrued interest payable | (209,574) |
| Unamortized bond premium | (122,060) |
| Notes payable | (1,469,000) |
| Judgments payable | (1,582,957) |
| Revenue notes payable | (11,756,206) |
| Other post employment benefit obligation | (4,308,411) |
| Accrued compensated absences | (5,378,726) |
| Net pension liability | (52,578,275) |
| Pension related deferred inflows | (5,023,094) |
| Accrued workers compensation claims | (942,786) |
| Internal service funds are used by management to charge costs of certain activities that benefit multiple funds, such as self-insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position: | |
| Internal service fund net(deficit) | (1,821,431) |
| Net Position of Governmental Activities in the Statement of Net Position | \$ 94,377,367 |

See accompanying notes to the basic financial statements.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2016

| | <u>General Fund</u> | <u>2012 CIP Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|----------------------|---|---|
| REVENUES | | | | |
| Taxes | \$ 50,122,229 | \$ - | \$ 5,167,403 | \$ 55,289,632 |
| Intergovernmental | 5,410,188 | 902,500 | 4,008,358 | 10,321,046 |
| Charges for services | 412,737 | - | 1,437,125 | 1,849,862 |
| Fines and forfeitures | 2,946,692 | - | 1,031,111 | 3,977,803 |
| Licenses and permits | 970,370 | - | - | 970,370 |
| Investment income | 132,715 | 230,264 | 97,826 | 460,805 |
| Miscellaneous | 1,001,367 | 833 | 953,350 | 1,955,550 |
| Total revenues | <u>60,996,298</u> | <u>1,133,597</u> | <u>12,695,173</u> | <u>74,825,068</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 8,578,878 | - | 2,803,577 | 11,382,455 |
| Public Safety | 35,065,977 | - | 1,921,866 | 36,987,843 |
| Public works and streets | 7,058,372 | - | 610,133 | 7,668,505 |
| Education | - | - | 2,500,000 | 2,500,000 |
| Culture and recreation | 5,730,960 | - | 1,177,769 | 6,908,729 |
| Community development | - | - | 743,466 | 743,466 |
| Transportation | - | - | 2,613,510 | 2,613,510 |
| Capital Outlay | 524,035 | 5,633,604 | 13,428,063 | 19,585,702 |
| Debt Service: | | | | |
| Principal | - | - | 5,252,518 | 5,252,518 |
| Interest and fiscal charges | - | - | 610,341 | 610,341 |
| Total expenditures | <u>56,958,222</u> | <u>5,633,604</u> | <u>31,661,243</u> | <u>94,253,069</u> |
| Excess (deficiency) of revenues over expenditures | <u>4,038,076</u> | <u>(4,500,007)</u> | <u>(18,966,070)</u> | <u>(19,428,001)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Debt proceeds | - | - | 15,051,143 | 15,051,143 |
| Transfers in | 22,960,044 | 14,232,965 | 24,430,793 | 61,623,802 |
| Transfers out | (25,593,565) | (7,169,768) | (19,079,824) | (51,843,157) |
| Total other financing sources (uses) | <u>(2,633,521)</u> | <u>7,063,197</u> | <u>20,402,112</u> | <u>24,831,788</u> |
| Net change in fund balances | 1,404,555 | 2,563,190 | 1,436,042 | 5,403,787 |
| Fund balances - beginning | 14,031,625 | 24,568,621 | 30,905,316 | 69,505,562 |
| Fund balances - ending | <u>\$ 15,436,180</u> | <u>\$ 27,131,811</u> | <u>\$ 32,341,358</u> | <u>\$ 74,909,349</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, 2016

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds: \$ 5,403,787

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 | 9,739,733 |
| Capital assets donated | 8,294,317 |
| Depreciation expense | (5,735,941) |
| Disposed capital assets | (14,560) |

In the Statement of Activities, the net cost of pension benefits earned is calculated and reported as pension expense. The fund financial statements report pension contributions as expenditures. This amount represents the difference between pension contributions and calculated pension expense.

2,493,896

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

| | |
|-------------------------------|-----------|
| Change in unavailable revenue | (449,306) |
|-------------------------------|-----------|

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

| | |
|---|--------------|
| Incurrence of judgments rendered against the City | (813,088) |
| Judgment payments | 1,003,897 |
| Debt proceeds | (15,000,497) |
| Debt premium | (50,646) |
| General obligation bonds principal payments | 2,505,000 |
| Revenue note principal payments | 965,218 |
| Note payable principal payments | 75,000 |
| Capital lease principal payments | 783,038 |

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

| | |
|--|-----------|
| Change in accrued interest payable | (112,850) |
| Change in accrued compensated absences | 49,916 |
| Change in net OPEB obligation | (540,950) |
| Amortization of bond premium | 74,895 |
| Amortization of deferred amount on refunding | (29,447) |
| Change in accrued workers comp claim | 444,351 |
| Change in mortgages receivable | (31,718) |

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

| | |
|---|-----------|
| Total change in net position for internal service funds | (380,184) |
|---|-----------|

| | |
|---|--------------|
| Change in net position of governmental activities | \$ 8,673,861 |
|---|--------------|

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Proprietary Funds Statement of Net Position - June 30, 2016

| | Lawton Water Authority - Enterprise Fund | Internal Service Funds |
|---|---|-----------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 5,216,072 | \$ 114,149 |
| Investments | 499,603 | - |
| Cash and cash equivalents, restricted | 23,875,927 | - |
| Investments, restricted | 153,846 | - |
| Accounts receivable, net of allowance \$1,949,503 | 5,730,195 | - |
| Interest receivable | 81 | - |
| Due from other governments | 2,055,189 | - |
| Total current assets | 37,530,913 | 114,149 |
| Non-current assets: | | |
| Cash and cash equivalents, restricted | 260,005 | - |
| Land and construction in progress | 29,902,229 | - |
| Other capital assets, net | 185,014,581 | 90,517 |
| Total non-current assets | 215,176,815 | 90,517 |
| Total assets | 252,707,728 | 204,666 |
| DEFERRED OUTFLOW OF RESOURCES | | |
| Deferred amounts related to pensions | 983,664 | - |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 969,457 | 39,081 |
| Accrued interest payable | 394,042 | - |
| Due to other funds | - | 1,352 |
| Accrued compensated absences | 107,605 | 23,386 |
| Landfill post closure liability | 607,977 | - |
| Contract payable - Waurika note | 1,379,446 | - |
| Worker's compensation liability | 301,383 | - |
| Notes payable | 977,429 | - |
| Revenue bonds payable | 5,809,725 | - |
| Total current liabilities | 10,547,064 | 63,819 |
| Non-current liabilities: | | |
| Accrued compensated absences | 792,852 | 172,311 |
| Landfill post closure liability | 5,007,313 | - |
| Claims liability | - | 1,789,967 |
| Contract payable - Waurika note | 29,972,774 | - |
| Worker's compensation liability | 301,382 | - |
| Net OPEB obligation | 1,435,252 | - |
| Notes payable | 9,259,985 | - |
| Revenue bond payable, net | 26,759,694 | - |
| Net pension liability | 9,237,660 | - |
| Total non-current liabilities | 82,766,912 | 1,962,278 |
| Total liabilities | 93,313,976 | 2,026,097 |
| DEFERRED INFLOW OF RESOURCES | | |
| Deferred amounts related to pensions | 504,557 | - |
| NET POSITION | | |
| Net investment in capital assets | 164,829,299 | - |
| Restricted for debt service | 5,135,554 | - |
| Restricted for landfill financial assurance | 153,846 | - |
| Unrestricted (deficit) | (10,245,840) | (1,821,431) |
| Total net position | \$ 159,872,859 | \$ (1,821,431) |

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position - Year Ended June 30, 2016

| | Lawton Water Authority - Enterprise Fund | Internal Service Fund |
|--|---|----------------------------------|
| REVENUES | | |
| Charges for services | \$ 43,254,481 | \$ 7,661,123 |
| Other sources | 168,370 | - |
| Total operating revenues | 43,422,851 | 7,661,123 |
| OPERATING EXPENSES | | |
| General government and claims | - | 6,847,712 |
| Public works operations | 23,539,695 | - |
| Computer service operations | - | 1,197,624 |
| Depreciation expense | 8,856,410 | 40,943 |
| Landfill closure expense | 421,707 | - |
| Total operating expenses | 32,817,812 | 8,086,279 |
| Operating income (loss) | 10,605,039 | (425,156) |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Investment income | 29,898 | 1,908 |
| Interest expense and fiscal charges | (1,619,490) | 36,564 |
| Bond issuance cost | (347,353) | - |
| Gain on asset retirement | 46,100 | - |
| Other non-operating revenue | 11,479 | 6,500 |
| Capital grants | 2,055,189 | - |
| Total non-operating revenue (expenses) | 175,823 | 44,972 |
| Income (loss) before contributions and transfers | 10,780,862 | (380,184) |
| Capital asset transfers in and capital contributions | 8,184,716 | - |
| Transfers in | 23,972,428 | - |
| Transfers out | (33,753,073) | - |
| Change in net position | 9,184,933 | (380,184) |
| Total net position - beginning | 150,687,926 | (1,441,247) |
| Total net position - ending | \$ 159,872,859 | \$ (1,821,431) |

See accompanying notes to the basic financial statements.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2016

| | Lawton Water Authority - Enterprise Fund | Internal Service Fund |
|--|--|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | \$ 42,996,809 | \$ 10,830 |
| Receipts from interfund services provided | - | 7,656,793 |
| Payments to suppliers | (13,375,275) | (472,030) |
| Payments to employees | (8,120,528) | (968,356) |
| Payments for interfund services | (1,797,264) | - |
| Receipts from (payments on) interfund loan | (6,273,148) | 1,282 |
| Claims and benefits paid | - | (6,316,059) |
| Net cash provided by (used in) operating activities | 13,430,594 | (87,540) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Transfers from other funds | 23,972,428 | - |
| Transfers to other funds | (33,753,073) | - |
| Principal paid on debt | (129,961) | - |
| Proceeds from debt | 5,170,708 | - |
| Issuance cost paid | (161,202) | - |
| Interest and fiscal agent fees paid on debt | (172,538) | - |
| Net cash provided by (used in) noncapital financing activities | (5,073,638) | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Capital assets purchased | (1,760,266) | (2,948) |
| Principal paid on debt | (9,933,773) | - |
| Interest and fiscal charges paid on debt | (1,735,078) | - |
| Proceeds from capital grants | - | 36,564 |
| Proceeds from debt | 9,559,934 | - |
| Issuance cost paid | (186,151) | - |
| Net cash provided by (used in) capital and related financing activities | (4,055,334) | 33,616 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Sale of investments | 250,147 | - |
| Purchase of investments, net | (499,613) | - |
| Interest and dividends | 30,250 | 1,908 |
| Net cash provided by (used in) investing activities | (219,216) | 1,908 |
| Net increase (decrease) in cash and cash equivalents | 4,082,406 | (52,016) |
| Balances - beginning of year | 25,269,598 | 166,165 |
| Balances - end of year | \$ 29,352,004 | \$ 114,149 |
| Reconciliation to Statement of Net Position: | | |
| Cash and cash equivalents | \$ 5,216,072 | \$ 114,149 |
| Restricted cash and cash equivalents - current | 23,875,927 | - |
| Restricted cash and cash equivalents - noncurrent | 260,005 | - |
| Total cash and cash equivalents, end of year | \$ 29,352,004 | \$ 114,149 |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | |
| Operating income (loss) | \$ 10,605,039 | \$ (425,156) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation expense | 8,856,410 | 40,943 |
| Other miscellaneous revenue | 11,480 | 6,500 |
| Change in assets and liabilities: | | |
| Receivables, net | (437,522) | - |
| Due from other funds | - | - |
| Deferred outflows related to pension | (178,500) | - |
| Accounts payable | (72,956) | (134,769) |
| Due to other funds | (6,273,148) | 1,282 |
| Due to employees | 71,905 | - |
| Claims liability | (284,094) | 433,612 |
| Landfill closure liability | 421,707 | - |
| Net OPEB obligation | 174,052 | - |
| Net pension liability | 539,676 | - |
| Accrued compensated absences | 108,715 | (9,952) |
| Deferred inflows related to pension | (112,170) | - |
| Net cash provided by (used in) operating activities | \$ 13,430,594 | \$ (87,540) |
| Noncash activities: | | |
| Non-cash capital contributions received | \$ 8,184,716 | - |
| | \$ 8,184,716 | \$ - |

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

BASIC FINANCIAL STATEMENTS - FIDUCIARY FUNDS

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
June 30, 2016

Fiduciary Funds Statement of Fiduciary Net Position - June 30, 2016

| | City Employees Retirement Trust Fund | Agency Funds |
|--|---|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,113,388 | \$ 397,276 |
| Investments, at amortized cost | - | 2,541,392 |
| Investments, at fair value: | | |
| Purchased judgements | 1,556,524 | - |
| United States government securities and agencies | 1,968,895 | - |
| Common stock | 10,823,527 | - |
| Mutual funds | 33,149,320 | - |
| Interest receivable | 47,714 | 922 |
| Employer contributions receivable | 60,631 | - |
| Employee contributions receivable | 41,021 | - |
| Total assets | \$ 48,761,020 | \$ 2,939,590 |
| LIABILITIES | | |
| Due to depositors | \$ - | \$ 2,857,882 |
| Other payables | 199,650 | 81,708 |
| Total liabilities | \$ 199,650 | \$ 2,939,590 |
| NET POSITION: | | |
| Net position restricted for pensions | \$ 48,561,370 | |

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

Pension Trust Fund Statement of Changes in Fiduciary Net Position – Year Ended June 30, 2016

| | City Employees Retirement Trust Fund |
|---|---|
| ADDITIONS | |
| Contributions: | |
| Members | \$ 1,296,400 |
| Employer | 2,068,439 |
| Total Contributions | <u>3,364,839</u> |
| Investment Income (Loss): | |
| Net increase (decrease) in fair value of investments | (2,787,439) |
| Interest, dividends and other | 2,250,690 |
| Total Investment Income (Loss) | <u>(536,749)</u> |
| Less investment expense: | |
| Investment activity expense | <u>(275,945)</u> |
| Net Investment Income (Loss) | <u>(812,694)</u> |
| Total Additions | <u>2,552,145</u> |
| DEDUCTIONS | |
| Benefits paid to participants or beneficiaries | 4,124,330 |
| Refunds and transfers to other systems | 801,341 |
| Administrative expense | 31,020 |
| Total Deductions | <u>4,956,691</u> |
| Change in net position restricted for employees' pension benefits | (2,404,546) |
| Net position - beginning | <u>50,965,916</u> |
| Net position - ending | <u>\$ 48,561,370</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, 2016**

COMBINING FINANCIAL STATEMENTS - COMPONENT UNITS

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Component Units – Combining Statement of Net Position - June 30, 2016

| | LAWTON METROPOLITAN AREA AIRPORT AUTHORITY | LAWTON ARTS AND HUMANITIES COUNCIL | MCMAHON AUDITORIUM AUTHORITY | MUSEUM OF THE GREAT PLAINS TRUST AUTHORITY | LAWTON ENHANCEMENT TRUST AUTHORITY | LAWTON ECONOMIC DEVELOPMENT AUTHORITY | LAWTON URBAN RENEWAL AUTHORITY | LAWTON METROPOLITAN PLANNING ORGANIZATION | TOTALS |
|--|---|---|------------------------------------|---|---|--|---|--|---------------------|
| ASSETS | | | | | | | | | |
| Current Assets: | | | | | | | | | |
| Cash, including time deposits | \$ 189,326 | \$ 97,581 | \$ 86,898 | \$ 387,291 | \$ 156,729 | \$ 1,574,384 | \$ 83,696 | \$ 55,101 | \$ 2,631,006 |
| Restricted cash | - | - | - | - | - | 141,100 | - | - | 141,100 |
| Investments | - | - | - | 956,847 | - | - | - | - | 956,847 |
| Accounts receivable | 41,117 | - | 2,907 | 4,167 | 19,770 | 320,435 | - | 76,465 | 464,861 |
| Inventory | 29,261 | - | - | 37,428 | - | - | - | - | 66,689 |
| Land held for resale | - | - | - | - | - | 2,690,928 | - | - | 2,690,928 |
| Due from other governments | 253,407 | - | - | - | - | 137,428 | - | - | 390,835 |
| Prepaid items | 6,898 | 722 | - | - | - | - | - | - | 7,620 |
| Other assets | - | - | - | 12,472 | - | - | - | - | 12,472 |
| Total current assets | 520,009 | 98,303 | 89,805 | 1,398,205 | 176,499 | 4,864,275 | 83,696 | 131,566 | 7,362,358 |
| Noncurrent Assets: | | | | | | | | | |
| Cash, including time deposits | 555,689 | - | - | - | - | - | - | - | 555,689 |
| Due from other governments | - | - | - | - | - | - | 568,658 | - | 568,658 |
| Prepaid land lease | 315,315 | - | - | - | - | - | - | - | 315,315 |
| Capital Assets: | | | | | | | | | |
| Land and construction in progress | 2,084,672 | - | - | - | - | - | 257,199 | - | 2,341,871 |
| Depreciable, net of accumulated depreciation | 16,120,818 | - | 70,833 | 5,679,278 | - | - | - | 10,296 | 21,881,225 |
| Total noncurrent assets | 19,076,494 | - | 70,833 | 5,679,278 | - | - | 825,857 | 10,296 | 25,662,758 |
| Total Assets | 19,596,503 | 98,303 | 160,638 | 7,077,483 | 176,499 | 4,864,275 | 909,553 | 141,862 | 33,025,116 |
| LIABILITIES | | | | | | | | | |
| Current Liabilities: | | | | | | | | | |
| Accounts payable and accrued liabilities | 90,043 | - | 1,083 | 24,439 | 16,306 | 1,300 | - | 63,592 | 196,763 |
| Unearned revenue | - | 6,675 | - | - | - | 42,500 | - | - | 49,175 |
| Interest payable | - | - | - | - | - | 420,705 | - | - | 420,705 |
| Due to primary government | - | - | - | - | - | - | 102,266 | - | 102,266 |
| Notes payable | 259,298 | - | - | - | - | 600,000 | - | - | 859,298 |
| Total current liabilities | 349,341 | 6,675 | 1,083 | 24,439 | 16,306 | 1,064,505 | 102,266 | 63,592 | 1,628,207 |
| Noncurrent Liabilities: | | | | | | | | | |
| Accrued compensated absences | 6,413 | - | - | 33,030 | - | - | - | - | 39,443 |
| Due to primary government | - | - | - | - | - | 414,322 | - | - | 414,322 |
| Due to other governments | - | - | - | - | - | 568,658 | - | - | 568,658 |
| Notes payable | 16,038 | - | - | - | - | 28,698,204 | - | - | 28,714,242 |
| Total noncurrent liabilities | 22,451 | - | - | 33,030 | - | 29,681,184 | - | - | 29,736,665 |
| Total Liabilities | 371,792 | 6,675 | 1,083 | 57,469 | 16,306 | 30,745,689 | 102,266 | 63,592 | 31,364,872 |
| NET POSITION | | | | | | | | | |
| Net investment in capital assets | 18,175,104 | - | 70,833 | 5,679,278 | - | - | 257,199 | 10,296 | 24,192,710 |
| Restricted for construction projects | 571,618 | - | - | - | - | - | - | - | 571,618 |
| Restricted for grant projects | - | - | - | 727,190 | - | - | - | - | 727,190 |
| Unrestricted (deficit) | 477,989 | 91,628 | 88,722 | 613,546 | 160,193 | (25,881,414) | 550,088 | 67,974 | (23,831,274) |
| Total Net Position | \$ 19,224,711 | \$ 91,628 | \$ 159,555 | \$ 7,020,014 | \$ 160,193 | \$ (25,881,414) | \$ 807,287 | \$ 78,270 | \$ 1,660,244 |

See accompanying notes to the basic financial statements.

CITY OF LAWTON, OKLAHOMA
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Component Units - Combining Statement of Activities - Year Ended June 30, 2016

| | <u>LAWTON METROPOLITAN AREA AIRPORT AUTHORITY</u> | <u>LAWTON ARTS AND HUMANITIES COUNCIL</u> | <u>MCMAHON AUDITORIUM AUTHORITY</u> | <u>MUSEUM OF THE GREAT PLAINS TRUST AUTHORITY</u> | <u>LAWTON ENHANCEMENT TRUST AUTHORITY</u> | <u>LAWTON ECONOMIC DEVELOPMENT AUTHORITY</u> | <u>LAWTON URBAN RENEWAL AUTHORITY</u> | <u>LAWTON METROPOLITAN PLANNING ORGANIZATION</u> | <u>TOTALS</u> |
|--|---|---|---|---|---|--|---|--|---------------------|
| Expenses: | | | | | | | | | |
| Airport | \$ 2,877,082 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,877,082 |
| Culture and recreation | - | 108,425 | 96,324 | 895,524 | 169,307 | - | - | - | 1,269,580 |
| Economic development | - | - | - | - | - | 66,218 | 11,788 | - | 78,006 |
| Transportation | - | - | - | - | - | - | - | 504,419 | 504,419 |
| Interest expense | 7,497 | - | - | - | - | 1,302,586 | - | - | 1,310,083 |
| Total expenses | 2,884,579 | 108,425 | 96,324 | 895,524 | 169,307 | 1,368,804 | 11,788 | 504,419 | 6,039,170 |
| Program Revenues: | | | | | | | | | |
| Charges for services | 1,396,013 | 51,574 | 86,979 | 142,342 | - | - | - | - | 1,676,908 |
| Operating grants and contributions | 830,563 | 60,353 | - | 674,505 | 135,833 | 1,876,143 | - | 496,612 | 4,074,009 |
| Capital grants and contributions | 1,241,323 | - | - | 1,849,996 | - | - | - | - | 3,091,319 |
| Total program revenues | 3,467,899 | 111,927 | 86,979 | 2,666,843 | 135,833 | 1,876,143 | - | 496,612 | 8,842,236 |
| Net revenue (expense) | 583,320 | 3,502 | (9,345) | 1,771,319 | (33,474) | 507,339 | (11,788) | (7,807) | 2,803,066 |
| General Revenues (Expense): | | | | | | | | | |
| Investment income | 358 | - | 182 | 10,457 | 122 | 2,272 | (51,952) | 92 | (38,469) |
| Total general revenues | 358 | - | 182 | 10,457 | 122 | 2,272 | (51,952) | 92 | (38,469) |
| Change in Net Position | 583,678 | 3,502 | (9,163) | 1,781,776 | (33,352) | 509,611 | (63,740) | (7,715) | 2,764,597 |
| Net Position, beginning of year | 18,641,033 | 88,126 | 168,718 | 5,238,238 | 193,545 | (26,391,025) | 871,027 | 85,985 | (1,104,353) |
| Net Position, end of year | \$ 19,224,711 | \$ 91,628 | \$ 159,555 | \$ 7,020,014 | \$ 160,193 | \$ (25,881,414) | \$ 807,287 | \$ 78,270 | \$ 1,660,244 |

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

Component Units Combining - Governmental Funds Balance Sheet - June 30, 2016

| | LAWTON ENHANCEMENT TRUST AUTHORITY | LAWTON ECONOMIC DEVELOPMENT AUTHORITY | LAWTON URBAN RENEWAL AUTHORITY | TOTALS |
|--|---|--|---|------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 156,729 | \$ 1,715,484 | \$ 83,696 | \$ 1,955,909 |
| Accounts receivable | 19,770 | 320,435 | - | 340,205 |
| Due from other governments | - | 137,428 | 568,658 | 706,086 |
| Land held for resale | - | 2,690,928 | - | 2,690,928 |
| Total assets | <u>176,499</u> | <u>4,864,275</u> | <u>652,354</u> | <u>5,693,128</u> |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | 16,306 | 1,300 | - | 17,606 |
| Due to other primary government | - | 414,322 | 102,266 | 516,588 |
| Due to other governments | - | 568,658 | - | 568,658 |
| Interest payable | - | 3,871 | - | 3,871 |
| | <u>16,306</u> | <u>988,151</u> | <u>102,266</u> | <u>1,106,723</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue | - | 404,302 | - | 404,302 |
| Fund balances: | | | | |
| Nonspendable | - | 2,690,928 | - | 2,690,928 |
| Committed | 160,193 | - | 550,088 | 710,281 |
| Unassigned | - | 780,894 | - | 780,894 |
| Total fund balances | <u>160,193</u> | <u>3,471,822</u> | <u>550,088</u> | <u>4,182,103</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 176,499</u> | <u>\$ 4,864,275</u> | <u>\$ 652,354</u> | <u>\$ 5,693,128</u> |
| Reconciliation to Government Wide Statement of Net Position: | | | | |
| Total fund balance, governmental discretely presented component units | 160,193 | 3,471,822 | 550,088 | 4,182,103 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | | | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement. | - | - | 257,199 | 257,199 |
| Certain other long-term assets are not available to pay current period expenditures and therefore they, along with deferred outflows, are not reported in this fund financial statement: | - | 361,802 | - | 361,802 |
| Some liabilities are not due and payable in the current period and, along with deferred inflows, are not included in the fund financial statement: | | | | |
| Accrued interest payable | - | (416,834) | - | (416,834) |
| Notes payable | - | (29,298,204) | - | (29,298,204) |
| Net Position of Governmental Activities in the Statement of Net Position | <u>\$ 160,193</u> | <u>\$ (25,881,414)</u> | <u>\$ 807,287</u> | <u>\$ (24,913,934)</u> |

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
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Component Units Combining - Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2016

| | <u>LAWTON ENHANCEMENT TRUST AUTHORITY</u> | <u>LAWTON ECONOMIC DEVELOPMENT AUTHORITY</u> | <u>LAWTON URBAN RENEWAL AUTHORITY</u> | <u>TOTALS</u> |
|---|---|--|---|---------------------|
| REVENUES | | | | |
| Intergovernmental | \$ - | \$ 1,255,630 | \$ - | \$ 1,255,630 |
| Investment income | 122 | 2,272 | 45 | 2,439 |
| Miscellaneous | 135,833 | 1,206,141 | - | 1,341,974 |
| Total revenues | <u>135,955</u> | <u>2,464,043</u> | <u>45</u> | <u>2,600,043</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation | 169,307 | - | - | 169,307 |
| Transportation | - | 66,218 | 11,788 | 78,006 |
| Debt Service: | | | | |
| Principal | - | 123,850 | - | 123,850 |
| Interest and fiscal charges | - | 1,301,618 | - | 1,301,618 |
| Total expenditures | <u>169,307</u> | <u>1,491,686</u> | <u>11,788</u> | <u>1,672,781</u> |
| Net change in fund balances | (33,352) | 972,357 | (11,743) | 927,262 |
| Fund balances - beginning | 193,545 | 2,499,465 | 561,831 | 3,254,841 |
| Fund balances - ending | <u>\$ 160,193</u> | <u>\$ 3,471,822</u> | <u>\$ 550,088</u> | <u>\$ 4,182,103</u> |
| Reconciliation to Government Wide Statement of Activities: | | | | |
| Net change in fund balance : | (33,352) | 972,357 | (11,743) | 927,262 |
| 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: | | | | |
| | - | - | (51,997) | (51,997) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds: | | | | |
| Change in unavailable revenue | - | (585,628) | - | (585,628) |
| Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position: | | | | |
| Note payable principal payments | - | 123,850 | - | 123,850 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds: | | | | |
| Change in accrued interest payable | - | (968) | - | (968) |
| Change in Net Position of Governmental Activities in the Statement of Activities | <u>\$ (33,352)</u> | <u>\$ 509,611</u> | <u>\$ (63,740)</u> | <u>\$ 412,519</u> |

See accompanying notes to the basic financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lawton's (the City) accounting and financial reporting policies conform to accounting principles generally accepted in the United State of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

1.A. Financial Reporting Entity

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statements No. 14, 34, 39, and 61 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 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.

Blended Component Units - are separate legal entities that meet the GASB component unit criteria and whose governing body is the same or substantially the same as the City Council or the component unit providing services entirely to the City. These component units funds are blended into the City's by appropriate fund type to comprise part of the primary government presentation.

Lawton Water Authority (LWA) – that operates the water, wastewater, and sanitation services of the City. The Authority is presented as a Major Proprietary 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 – 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. The Authority is reported as the Special Revenue Lawton Parking Authority Fund.

Lawton Industrial Development Authority – created to promote industrial development within the Lawton area. The Authority is reported as a special revenue fund.

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.

Lawton Enhancement Trust Authority – public trust created to beautify and aesthetically enhance the appearance of the City of Lawton.

Lawton Urban Renewal Authority – public trust created to administer approved urban renewal projects within the City of Lawton.

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.

1.B. 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)

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Government-Wide Financial Statements:

The Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. In the Statement of Net Position 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, culture and recreation. Sales taxes, franchise fees, fines, state and federal grants finance most of these activities;

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; and

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, McMahon Auditorium Authority, Museum of the Great Plains Trust Authority, Lawton Economic Development Authority, Lawton Enhancement Trust Authority, Lawton Urban Renewal Authority and Lawton Metropolitan Planning Organization.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The statements of net position and activities are reported on the accrual basis of accounting and economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is

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incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments are recorded only when payment is due.

Sales and use taxes, property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and all received within 60 days of year-end and so have been recognized as receivables and revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City. Gas excise tax not received within 60 days of year-end is considered unavailable and is recorded as a deferred inflow.

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 purposes 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, Special Jail Account, Real Property Account, and Recycling Account.
- 2012 CIP Fund (capital project fund) – accounts for various projects funded through debt proceeds.

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 Shelter Fund, Emergency 911 Fund, Cemetery Care Fund, Officers Training Fund, Lawton Parking Authority Fund, State Landfill Fund, Police Sentinel Fund, Fire Prevention Education, McMahan Authority Grants Fund, Drainage Maintenance Fund, Animal Donation Fund, Capital Outlay Rolling Stock Fund, LETA Beautification Fund, Cemetery Reward 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, Rental Revenue Fund, TIF Fund, Gifts and Grants, 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 non-major debt service funds are the Prior to 1972 Fund.

Capital Project Funds:

- Capital Improvement Fund – accounts for transfers from other City funds for various capital acquisitions and projects.
- 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 General Fund and LWA.

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- Ad Valorem 2005 Fund - accounts for sales tax restricted for capital projects.
- 2008 CIP Sales Tax Fund – accounts for sales tax restricted for streets, waterline improvements, sewerline improvements, and sewer rehabilitation program.
- 2012 CIP Fund – accounts for loan proceeds for construction.
- 2012 Ad Valorem – accounts for loan proceeds for construction.
- 2015 CIP Fund – account for various projects related to the public safety facility, ADA compliance improvements, fire station remodeling, and street improvements.
- 2016 CIP Fund – accounts for projects related to the fire station construction.

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.

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 Health Insurance Fund that accounts for the cost of providing various insurance services to other funds and departments of the City.
- Information Technology Fund that accounts for the cost of providing automation services to other funds and departments of the City.
- Worker's Comp Fund that accounts for the cost of providing worker's compensation coverage for the other funds and departments of the City.

Fiduciary Funds:

The City's fiduciary funds are used to report net position and changes therein of assets held by the City in a trustee or fiduciary capacity. These net positions 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 position.

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, and Fringe Benefit Fund.

1.C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

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 Fund investments in open-ended money market mutual fund shares are also considered cash equivalents.

Investments consist of long-term certificates of deposit, U.S. agency securities, government money market funds, common stock and judgments in the City Employee Retirement Trust Fund only. Certificates of deposit are reported at amortized cost, while the U.S. Treasury and agency securities and common stock are reported at fair value which is determined by quoted market value.

The retirement plan’s investments in judgments are valued at fair value, determined by original purchase price less principal collected to date since no quoted market price is available.

Restricted Assets:

Certain proceeds of the Lawton Water Authority’s enterprise fund promissory notes, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because they are maintained in separate bank accounts, and their use is limited by applicable loan covenants. The projects fund accounts are used to report those proceeds that are restricted for use in construction. The debt service fund accounts are used to segregate resources accumulated for debt service payments over the next 12 months. The debt service reserve account is used to report resources set aside to make up potential future deficiencies in the debt services account.

Receivables and Payables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants and court fines. Business-type activities report utility balances as its major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available

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

Inventories:

Inventories are valued at cost. Governmental fund inventory is related to parts of vehicle and equipment maintenance. The cost of governmental funds inventories are recorded as expenditures when consumed rather than when purchased.

Land Held for Resale:

Land held for resale consists of redevelopment property in LEDA, a discretely presented component unit of the City, and is carried on a net basis of lower of cost or net realizable value.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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 3-25 years
- Water rights 100 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.

Long-term obligations:

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statements of Net Position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method which approximates effective interest. Bonds payable are reported net of bond premium or discount. Deferred amount on refundings are amortized over the shorter of the life of the new debt or the remaining life of the refunded debt. Deferred amounts are shown as deferred inflows or outflows.

Long-term obligations of governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

The City's long term obligations consists of general obligation bonds, judgments, revenue bonds and notes, capital lease obligations, accrued compensated absences, contracts payable, landfill closure and post closure, net pension liability, and other post-employment benefits.

Compensated Absences:

Under terms of union contracts and City personnel policies, City employees are granted vacation and sick leave in varying amounts. Upon separation from the city, a civilian employee is paid for accrued vacation up to a maximum of 280 hours plus current year accrual earned to date of separation; a regular part-time employee will be paid for a maximum of 140 hours plus current year accrual earned to date of separation. Regular full-time employees earn vacation leave per pay period in varying amounts from 80 hours per year to 200 hours per year based upon years of service. Regular part-time employees earn vacation leave per pay period in varying amounts from 40 hours per year to 80 hours per year based upon years of service. Employees who separate from employment with the City will be compensated for all accrued but unused sick leave as follows: The employee's accrued number of sick leave hours will be multiplied by 2.5 percent times the total number of years of service for the employee times the hourly rate of pay the employee was receiving immediately prior to the separation of employment. Employees who are terminated from employment shall receive no compensation for accrued sick leave benefits.

Upon termination, police officers shall be paid a maximum of 280 hours plus the current year's accrual of accrued vacation. An officer is allowed to accrue sick leave totaling 576 hours. If terminated, no sick leave shall be paid. Upon resignation, the officer shall be paid two and one-half (2 ½) percent of his/her hourly rate of pay for each full year of employment with the city for all unused sick leave. Upon retirement, an officer shall be paid at seventy-five (75%) percent of his/her then hourly rate of pay for all unused sick leave.

Firefighters who separate or are terminated from City services for any reason, shall be paid for up to 280 hours of accrued vacation time for staff division members plus the current year's accrual and 504 hours for shift members plus the current year's accrual. Reimbursement shall be based on the member's hourly wage. Firefighter's shall be paid for sick leave upon voluntary resignation or retirement. Upon retirement with the City, firefighter's shall be paid for all current sick leave up to 576 hours for staff division and 864 hours for shift division at the rate of 75% of hourly rate at the time of retirement. Amounts in excess of the aforementioned amounts shall be paid at the rate of 100% of his hourly rate. At resignation, a firefighter shall be paid from 25% to 75% of their hourly

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pay for vacation leave up to 576 hours based upon hours accrued. Hours in excess of 576 for staff and 864 for shift division are paid at 100% of current hourly rate of pay.

Deferred Outflow/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditure) until then. The government reports the following deferred outflows. A deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The city also reports deferred outflows related to pension contributions subsequent to the measurement date and the difference between expected and actual plan experience.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenues) until that time. The government reports deferred inflows related to pension accounting for the net difference between projected and actual earnings on pension plan investments and the difference between expected and actual plan experience. In addition, deferred inflows are reported for amounts due from other governments not available within 60 days of year-end at the fund level.

Fund Equity:

Government-Wide and Proprietary Fund Financial Statements:

Net Position is displayed in three components:

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

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

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Governmental Fund Financial Statements:

Governmental fund equity is classified as fund balance. 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 (1) not in spendable form or (2) 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 – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance, and for the City’s Public Trust Authorities reported as governmental funds, the highest level of decision-making authority is by resolution.
- 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, motion or resolution, or by management decision when the city council has authorized management (city manager) to make the decision. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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.

1.D. Revenues, Expenditures and Expenses

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

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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:

Starting January 1, 2015, 4.125 cents is recorded in the General Fund then transferred as follows:

- 1.25 cents to the 2012 sales tax capital improvement fund, if needed a portion of the tax is transferred to the Water Authority for debt service on voter-approved projects.
- .875 cents to the 2015 sales tax capital improvement fund

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 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, 2016, the City's net assessed valuation of taxable property was \$434,379,173. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2016 was \$10.46.

Expenditures and Expenses

In the government-wide financial statements, expenses, including depreciation of capital assets, are reported by function or activity. In the governmental fund financial statements, expenditures are reported by class as current (further reported by function), capital outlay and debt service. In the proprietary fund financial statements, expenses are reported by object or activity

1.E. Internal and Interfund Balances and Activities

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

Government-Wide Financial Statements:

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

1. *Internal balances* – amounts reported in the fund financial statements as interfund receivable and payables are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. *Internal activities* - amounts reported in the fund financial statements as interfund transfers are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities, which are

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reported as Transfers - Internal Activities. The effect of interfund services between funds is not eliminated in the statement of activities.

3. *Primary government and component unit activity and balances* - resource flows between the primary government and the discretely presented component units are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

Fund Financial Statements:

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

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

1.F. USE OF ESTIMATES

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

Note 2. DETAILED NOTES ON FINANCIAL STATEMENTS

2.A. Cash and Cash Equivalents, Deposits and Investments

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, 2016 by these entities are as follows:

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Schedule of Deposits and Investments by Type - June 30, 2016

| Type | Fair Value | Credit Rating | Fair Value Category | Maturities in Years | | | | |
|--|----------------|---------------|---------------------|---------------------|---------------|---------------|--------|--------------|
| | | | | On Demand | Less Than One | 1 - 5 | 6 - 10 | More than 10 |
| Demand deposits | \$ 46,258,806 | n/a | n/a | \$ 46,258,806 | \$ - | \$ - | \$ - | \$ - |
| Time deposits | 9,953,631 | n/a | n/a | - | 7,708,872 | 2,244,759 | - | - |
| Money Market Accounts | 24,427,578 | n/a | n/a | 24,427,578 | - | - | - | - |
| U.S. Agencies Obligations | 26,261,810 | AA+ | Level II | - | 15,505,875 | 8,787,040 | - | 1,968,895 |
| Sub-Total | \$ 106,901,825 | | | \$ 70,686,384 | \$ 23,214,747 | \$ 11,031,799 | \$ - | \$ 1,968,895 |
| Mutual Funds | 33,149,320 | n/a | Level I | | | | | |
| Common stock | 10,823,527 | n/a | Level I | | | | | |
| Purchased judgments | 1,556,524 | n/a | Level III | | | | | |
| Total Deposits and Investments | \$ 152,431,196 | | | | | | | |
| Reconciliation to Financial Statements: | | | | | | | | |
| Cash and cash equivalents | \$ 44,845,942 | | | | | | | |
| Cash and cash equivalents, restricted - current | 23,875,927 | | | | | | | |
| Cash and cash equivalents, restricted - noncurrent | 260,005 | | | | | | | |
| Investments | 31,745,154 | | | | | | | |
| Investments, restricted | 153,846 | | | | | | | |
| Retirement fund investments: | | | | | | | | |
| Judgements purchased as investments | 1,556,524 | | | | | | | |
| Mutual funds and other investments | 33,149,320 | | | | | | | |
| U.S. government security agencies | 1,968,895 | | | | | | | |
| Common stock | 10,823,527 | | | | | | | |
| Retirement fund cash and cash equivalents | 1,113,388 | | | | | | | |
| Agency fund cash and cash equivalents | 397,276 | | | | | | | |
| Agency fund investments | 2,541,392 | | | | | | | |
| | \$ 152,431,196 | | | | | | | |

The City implemented GASB Statement No. 72, Fair Value Measurement and Application, during the fiscal year ended June 30, 2016. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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, 2016, the City was not exposed to custodial credit risk. The discretely presented component units were not exposed to custodial credit risk.

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;

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- 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 on prior page, at June 30, 2016, the investments held by the City mature between 2017 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 29.03% of their investments in FHLB, 37.90% in FMLMC, and 3.83% in FNMA.

Restricted Cash and Investments

The amounts reported as restricted assets of the Enterprise Fund on the Statement of Net Position 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, 2016 are as follows:

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Restricted Cash and Cash Equivalents and Investments:

| | | |
|---|-----------|-------------------|
| Landfill Financial Trust | \$ | 153,846 |
| Series 2001B Promissory Note Debt Service | | 225,356 |
| Series 2001B Promissory Note Debt Reserve | | 260,005 |
| Series 2009D OWRB Promissory Note Debt Service | | 152,024 |
| Series 2011 Sales Tax Utility Revenue Bond Debt Service | | 105,418 |
| Series 2012 Sales Tax Utility Revenue Bond: | | |
| Proceeds | | 1,075 |
| Debt Service | | 1,835,985 |
| Construction | | 1 |
| Sales Tax Collections - Bank of America Sinking fund | | 927,538 |
| Series 2013 Sales Tax Utility Revenue note - debt service | | 390,315 |
| Series 2014 Sales Tax Utility Revenue note - debt service | | 17 |
| Series 2016 Sales Tax Utility Revenue Bond: | | |
| Debt Service | | 1,238,996 |
| Construction | | 18,999,202 |
| | <u>\$</u> | <u>24,289,778</u> |

Reconciliation to Proprietary Statement of Net Position:

| | | |
|--|-----------|-------------------|
| Cash and cash equivalents, current | \$ | 23,875,927 |
| Cash and cash equivalents, non current | | 260,005 |
| Investments, current | | 153,846 |
| | <u>\$</u> | <u>24,289,778</u> |

Restricted cash of the Lawton Economic Development Authority is related to debt service accounts for the outstanding note payable totaling \$141,100.

2.B. Accounts Receivable

Significant account receivable balances at June 30, 2016 were:

| | <u>Governmental Activities</u> | <u>Business Type Activites</u> | <u>Total</u> |
|------------------------------|------------------------------------|------------------------------------|---------------------|
| Accounts Receivable: | | | |
| Emergency Communication Fees | \$ 170,213 | - | \$ 170,213 |
| Utilities | - | \$7,056,538 | 7,056,538 |
| Capital Fee | - | 607,525 | 607,525 |
| Landfill fees | 44,222 | - | 44,222 |
| Drainage maintenance fee | 161,621 | - | 161,621 |
| Hotel/Motel | 228,461 | - | 228,461 |
| Stormwater mainteance fees | 65,332 | 9,833 | 75,165 |
| Sewer rehab fees | - | 44,642 | 44,642 |
| Pumping fee | - | 23,574 | 23,574 |
| Miscellaneous | 50,195 | - | 50,195 |
| Mortgages receivable | 364,965 | - | 364,965 |
| Allowance for uncollectible | (74,861) | (2,011,917) | (2,086,778) |
| | <u>\$ 1,010,148</u> | <u>\$ 5,730,195</u> | <u>\$ 6,740,343</u> |

2.C. Capital Assets and Depreciation

Capital Assets:

For the year ended June 30, 2016, capital assets balances changed as follows:

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| | Balance at July 1, 2015 | Additions | Deductions | Transfers | Balance at June 30, 2016 |
|--|----------------------------|---------------|----------------|-----------|-----------------------------|
| PRIMARY GOVERNMENT: | | | | | |
| <i>Governmental activities:</i> | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 3,764,123 | \$ - | \$ - | \$ - | \$ 3,764,123 |
| Construction in progress | 25,610,273 | 8,553,073 | (2,210,621) | - | 31,952,725 |
| Total capital assets not being depreciated | 29,374,396 | 8,553,073 | (2,210,621) | - | 35,716,848 |
| Other capital assets: | | | | | |
| Buildings and improvements | 35,695,736 | 2,828,319 | (649,100) | - | 37,874,955 |
| Infrastructure | 76,929,125 | 5,523,713 | - | - | 82,452,838 |
| Machinery, furniture and equipment | 38,090,253 | 3,343,560 | (1,788,341) | 182,529 | 39,828,001 |
| Intangibles | 96,363 | - | - | - | 96,363 |
| Total other capital assets | 150,811,477 | 11,695,592 | (2,437,441) | 182,529 | 160,252,157 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | 19,682,775 | 751,379 | (649,100) | - | 19,785,054 |
| Infrastructure | 31,330,864 | 2,530,773 | - | - | 33,861,637 |
| Machinery, furniture and equipment | 29,861,214 | 2,494,732 | (1,772,714) | 182,509 | 30,765,741 |
| Total accumulated depreciation | 80,874,853 | 5,776,884 | (2,421,814) | 182,509 | 84,412,432 |
| Other capital assets, net | 69,936,624 | 5,918,708 | (15,627) | 20 | 75,839,725 |
| Governmental activities capital assets, net | \$ 99,311,020 | \$ 14,471,781 | \$ (2,226,248) | \$ 20 | \$ 111,556,573 |
| | | | | | |
| | Balance at July 1, 2015 | Additions | Deductions | Transfers | Balance at June 30, 2016 |
| <i>Business-type activities:</i> | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 1,632,327 | \$ - | \$ - | \$ - | \$ 1,632,327 |
| Construction in progress | 29,448,271 | 7,848,315 | (9,026,684) | - | 28,269,902 |
| Total capital assets not being depreciated | 31,080,598 | 7,848,315 | (9,026,684) | - | 29,902,229 |
| Other capital assets: | | | | | |
| Buildings and utility infrastructure | 247,252,981 | 9,584,726 | (5,555) | - | 256,843,262 |
| Machinery, furniture and equipment | 22,421,229 | 1,590,178 | (352,638) | (182,529) | 23,476,240 |
| Water rights | 38,371,150 | - | - | - | 38,371,150 |
| Total other capital assets | 308,045,360 | 11,174,904 | (358,193) | (182,529) | 318,690,652 |
| Less accumulated depreciation for: | | | | | |
| Buildings and utility infrastructure | 101,433,997 | 6,616,161 | (5,550) | - | 108,055,708 |
| Machinery, furniture and equipment | 15,888,440 | 1,856,538 | (347,199) | (182,509) | 17,215,270 |
| Water rights | 8,021,382 | 383,711 | - | - | 8,405,093 |
| Total accumulated depreciation | 125,343,819 | 8,856,410 | (352,749) | (182,509) | 133,676,071 |
| Other capital assets, net | 182,701,541 | 2,318,494 | (5,444) | (20) | 185,014,581 |
| Business-type activities capital assets, net | \$ 213,782,139 | \$ 10,166,809 | \$ (9,032,128) | \$ (20) | \$ 214,916,810 |

Included in the business-type activities addition is \$7,610,479 of assets being constructed by the city's governmental funds (recognized as expenditures) and transferred by the City to the Lawton Water Authority Fund. These assets relate to water, sewer and landfill projects.

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| | Balance at July 1, 2015 | Additions | Deductions | Balance at June 30, 2016 |
|---|----------------------------|---------------------|---------------------|-----------------------------|
| COMPONENT UNITS: | | | | |
| Lawton Metropolitan Area Airport Authority | | | | |
| Non-depreciable: | | | | |
| Land | \$ 7,800 | \$ - | \$ - | \$ 7,800 |
| Construction-in-progress | 1,931,576 | 909,467 | 764,171 | 2,076,872 |
| Total non-depreciable assets at historical cost | <u>1,939,376</u> | <u>909,467</u> | <u>764,171</u> | <u>2,084,672</u> |
| Depreciable: | | | | |
| Runways, ramps, and roads | 27,165,741 | - | - | 27,165,741 |
| Buildings and improvements | 7,205,696 | 1,303,781 | 4,676 | 8,504,801 |
| Equipment and fixtures | 2,336,269 | 393,216 | 2,201 | 2,727,284 |
| Furniture and equipment | 103,319 | - | 1,746 | 101,573 |
| Total depreciable assets at historical cost | <u>36,811,025</u> | <u>1,696,997</u> | <u>8,623</u> | <u>38,499,399</u> |
| Less accumulated depreciation | | | | |
| Runways, ramps, and roads | 16,205,271 | 933,968 | - | 17,139,239 |
| Buildings and improvements | 3,254,742 | 163,625 | 2,468 | 3,415,899 |
| Equipment and fixtures | 1,553,822 | 152,792 | 1,284 | 1,705,330 |
| Furniture and equipment | 91,477 | 28,180 | 1,544 | 118,113 |
| Total accumulated depreciation | <u>21,105,312</u> | <u>1,278,565</u> | <u>5,296</u> | <u>22,378,581</u> |
| Other capital assets, net | <u>15,705,713</u> | <u>418,432</u> | <u>3,327</u> | <u>16,120,818</u> |
| Net depreciable assets | <u>\$ 17,645,089</u> | <u>\$ 1,327,899</u> | <u>\$ 767,498</u> | <u>\$ 18,205,490</u> |
| Museum of the Great Plains Trust Authority | | | | |
| Non-depreciable: | | | | |
| Land | \$ 2,360,611 | \$ - | \$ 2,360,611 | \$ - |
| Depreciable: | | | | |
| Furniture and equipment | \$ 297,806 | \$ 10,870 | \$ 14,003 | \$ 294,673 |
| Displays | 17,307 | - | 17,307 | - |
| Leasehold improvements | 167,917 | 4,456,490 | 3,023 | 4,621,384 |
| Collections and exhibits | 1,155,356 | 115 | 28,813 | 1,126,658 |
| Total depreciable assets at historical cost | <u>1,638,386</u> | <u>4,467,475</u> | <u>63,146</u> | <u>6,042,715</u> |
| Less accumulated depreciation | | | | |
| Total accumulated depreciation | <u>308,509</u> | <u>87,397</u> | <u>32,469</u> | <u>363,437</u> |
| Net depreciable assets | <u>\$ 1,329,877</u> | <u>\$ 4,380,078</u> | <u>\$ 30,677</u> | <u>\$ 5,679,278</u> |
| Net assets | <u>\$ 3,690,488</u> | <u>\$ 4,380,078</u> | <u>\$ 2,391,288</u> | <u>\$ 5,679,278</u> |
| Lawton Urban Renewal Authority: | | | | |
| Non-depreciable: | | | | |
| Land | \$ 309,196 | \$ - | \$ 51,997 | \$ 257,199 |
| McMahon Auditorium Authority | | | | |
| Depreciable: | | | | |
| Furniture and fixtures | \$ 24,628 | \$ - | \$ - | \$ 24,628 |
| Buildings improvements | 113,857 | - | - | 113,857 |
| Machinery and equipment | 72,127 | - | - | 72,127 |
| Total depreciable assets at historical cost | <u>210,612</u> | <u>-</u> | <u>-</u> | <u>210,612</u> |
| Less accumulated depreciation | | | | |
| Furniture and fixtures | 24,628 | - | - | 24,628 |
| Buildings improvements | 61,445 | 8,182 | - | 69,627 |
| Machinery and equipment | 35,686 | 9,838 | - | 45,524 |
| Total accumulated depreciation | <u>121,759</u> | <u>18,020</u> | <u>-</u> | <u>139,779</u> |
| Net depreciable assets | <u>\$ 88,853</u> | <u>\$ (18,020)</u> | <u>\$ -</u> | <u>\$ 70,833</u> |
| Lawton Arts and Humanities Council | | | | |
| Machinery and equipment | \$ 18,456 | \$ - | \$ - | \$ 18,456 |
| Less accumulated depreciation | <u>18,456</u> | <u>-</u> | <u>-</u> | <u>18,456</u> |
| Net depreciable assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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Depreciation:

Depreciation expense has been allocated as follows:

| Governmental Activities: | |
|--|--------------|
| General Government | \$ 3,845,987 |
| Public Safety | 1,235,216 |
| Streets | 453,766 |
| Culture and Recreation | 200,972 |
| Sub-total governmental funds depreciation | 5,735,941 |
| Allocated Internal Service Fund Depreciation | 40,943 |
| Total | \$ 5,776,884 |
| Business-Type Activities: | |
| Water | \$ 3,667,190 |
| Wastewater | 2,717,742 |
| Sanitation | 2,471,478 |
| Total depreciation | \$ 8,856,410 |

2.D. Internal and Interfund Balances and Transfers

Internal Balances:

| Receivable Fund | Payable Fund | Amount | Nature of Interfund Balance | |
|--|-----------------------|-------------|-----------------------------|--------------|
| General Fund | CDBG Fund | \$ 2,134 | Grant funding | |
| General Fund | HOME | 258 | Reimbursement | |
| General fund | Workers' Compensation | 1,352 | Reimbursement | |
| Total | | \$ 3,744 | | |
| Reconciliation to Fund Financial Statements: | | Due From | Due To | Net Internal |
| | | Other Funds | Other Funds | Balances |
| Governmental Funds | | \$ 3,744 | \$ 2,392 | \$ 1,352 |
| Internal Service Funds | | - | 1,352 | (1,352) |
| Total | | \$ 3,744 | \$ 3,744 | \$ - |

There is a receivable from LEDA to LURA for \$568,658 for property acquisition costs which have been paid by LURA.

LEDA entered into an agreement with the City where the city made interest payments on certain long-term debts. LEDA must repay the city with interest at 2.0%. At June 30, 2016, LEDA owed the City \$414,322.

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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, 2016, were as follows:

| <u>Transfer In</u> | <u>Transfer Out</u> | <u>Amount</u> | <u>Nature of Interfund Transfer</u> |
|-----------------------------------|-----------------------|----------------------|-------------------------------------|
| General Fund | Water Authority | \$ 172,013 | Debt service |
| General Fund | Water Authority | 20,319,550 | Excess utility collections |
| CIP Fund | General Fund | 65,000 | Project transfer |
| General Fund | Officer Training Fund | 4,296 | Transfer of revenues |
| LETA Beautification | General Fund | 25,530 | Transfer of revenues |
| Animal Shelter | General Fund | 920 | Transfer of revenues |
| Officer Training | General Fund | 60,205 | Transfer of revenues |
| General Fund | Mass Transit | 16,536 | Operating subsidy |
| Police and Fire Training Fund | General Fund | 46,130 | Transfer of revenues |
| CIP Fund | General Fund | 8,790,774 | Sales tax transfer |
| General Fund | 2015 CIP Fund | 471,742 | Reserve transfer |
| TIF Fund | General Fund | 1,038,914 | Sales tax transfer |
| 2016 CIP Fund | General Fund | 4,445,028 | Sales tax transfer |
| 2012 CIP Fund | General Fund | 9,303,696 | Sales tax transfer |
| 2008 CIP Fund | Water Authority | 3,657,752 | Loan proceeds |
| 2016 CIP Fund | Water Authority | 408,001 | Loan proceeds |
| Emergency Communication | General Fund | 701,818 | Operating subsidy |
| Mass Transit Fund | General Fund | 650,000 | Operating subsidy |
| Water Authority | 2012 CIP Fund | 3,500,000 | Operating subsidy |
| General Fund | 2015 CIP Fund | 1,975,907 | Operating subsidy |
| Water Authority | 2015 CIP Fund | 1,289,851 | Debt service |
| Water Authority | 2005 CIP Fund | 304,259 | Debt service |
| Water Authority | 2008 CIP Fund | 2,978,833 | Debt service |
| CIP Fund | Water Authority | 1,360,091 | Debt service |
| Capital Outlay Rolling Stock Fund | Water Authority | 2,906,397 | Revenue transfer |
| 2012 CIP Fund | Water Authority | 4,929,269 | Operating subsidy |
| LIDA | General Fund | 95,550 | Debt service |
| Water Authority | 2012 CIP Fund | 3,669,768 | Debt service |
| Water Authority | 2016 CIP Fund | 12,038,400 | Debt service |
| Water Authority | General Fund | 370,000 | Operating subsidy |
| | | <u>\$ 85,596,230</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 | \$ (51,843,157) | \$ 61,623,802 | \$ 9,780,645 |
| Water Authority | (33,753,073) | 23,972,428 | (9,780,645) |
| Totals | <u>\$ (85,596,230)</u> | <u>\$ 85,596,230</u> | <u>\$ -</u> |

| <u>Reconciliation to Statement of Activities:</u> | |
|---|---------------------|
| Net Transfers | \$ 9,780,645 |
| Capital contributions transferred from governmental funds | (7,610,478) |
| Transfers - Internal Activity | <u>\$ 2,170,167</u> |

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2.E. Long-Term Debt

For the year ended June 30, 2016, the City's long-term debt balances changed as follows:

Primary Government:

| <u>Type of Debt</u> | <u>Balance July 1, 2015</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2016</u> | <u>Due Within One Year</u> |
|---|---------------------------------|----------------------|----------------------|----------------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| General Obligation Bonds | \$ 13,430,000 | \$ 2,900,000 | \$ 2,505,000 | \$ 13,825,000 | \$ 1,320,000 |
| General Obligation Bond Premium | 146,309 | 50,646 | 74,895 | 122,060 | - |
| Revenue Notes | 620,927 | 12,100,497 | 965,218 | 11,756,206 | 1,714,384 |
| Judgments Payable | 1,773,766 | 813,088 | 1,003,897 | 1,582,957 | 840,691 |
| Notes Payable | 1,544,000 | - | 75,000 | 1,469,000 | 80,000 |
| Capital Lease Obligations | 1,352,925 | - | 783,038 | 569,887 | 569,887 |
| Workers Comp Liability | 1,387,137 | - | 444,351 | 942,786 | 471,393 |
| Accrued Compensated Absences - city | 5,428,643 | - | 49,916 | 5,378,727 | 642,757 |
| Accrued Compensated Absences - internal service | 205,649 | - | 9,952 | 195,697 | 23,386 |
| Total Governmental Activities | <u>\$ 25,889,356</u> | <u>\$ 15,864,231</u> | <u>\$ 5,911,267</u> | <u>\$ 35,842,320</u> | <u>\$ 5,662,498</u> |
| Reconciliation to Statement of Net Position: | | | | | |
| Net OPEB Obligation | | | | 4,308,411 | |
| Net Pension Liability | | | | <u>52,578,275</u> | |
| | | | | <u>\$ 92,729,006</u> | |
| Business-Type Activities: | | | | | |
| Notes Payable | \$ 13,817,899 | \$ - | \$ 3,580,486 | \$ 10,237,413 | \$ 977,429 |
| Revenue Bonds Payable | 28,179,242 | 9,259,594 | 4,869,416 | 32,569,420 | 5,809,725 |
| Contracts Payable | 27,494,605 | 17,526,998 | 13,669,383 | 31,352,220 | 1,379,446 |
| Accrued Compensated Absences | 791,742 | 108,715 | - | 900,457 | 107,605 |
| Workers Comp Liability | 886,859 | - | 284,094 | 602,765 | 301,383 |
| Landfill Closure and Post-closure | 5,193,583 | 421,707 | - | 5,615,290 | 607,977 |
| Total Business-Type Activities | <u>\$ 76,363,930</u> | <u>\$ 27,317,014</u> | <u>\$ 22,403,379</u> | <u>\$ 81,277,565</u> | <u>\$ 9,183,565</u> |
| Reconciliation to Statement of Net Position: | | | | | |
| Net OPEB Obligation | | | | 1,435,252 | |
| Net Pension Liability | | | | <u>9,237,660</u> | |
| | | | | <u>\$ 91,950,477</u> | |

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

General Obligation Bonds:

| | |
|--|-------------|
| \$2,900,000 general obligation bonds dated June 1, 2016, payable in annual installments of \$320,000, with interest rates of 2.00% repaid by property tax levies | \$2,900,000 |
| \$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 | 465,000 |
| \$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 | 790,000 |
| \$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 | 1,620,000 |

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| | |
|---|---------------------|
| \$3,300,000 general obligation bonds dated May 1, 2013, payable in annual installments of \$365,000, beginning in May 2015, with an average interest rate of 2.00%, repaid by property tax levies | 2,570,000 |
| \$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>5,480,000</u> |
| Total general obligation bonds | \$13,825,000 |
| Premium on bonds outstanding | <u>122,060</u> |
| Net general obligation bonds | <u>\$13,947,060</u> |

Judgments Payable:

| | |
|---|--------------------|
| Court-assessed judgments to be paid with ad valorem taxes with periods ranging from one to three years. | <u>\$1,582,957</u> |
|---|--------------------|

Note Payable:

| | |
|--|--------------------|
| \$2,000,000 note payable related to section 108 debt to be repaid with CDBG Funds, payable in varying installments with interest at 5% | <u>\$1,469,000</u> |
|--|--------------------|

Revenue Notes:

| | |
|--|---------------------|
| \$9,500,000 Utility Authority Utility Sales Tax Revenue Note for various improvements matures December 2019, with interest at 1.95%, debt is split 87.78% for Governmental activities and 12.22% business-like activities. Total draws to date \$1,681,090 | \$467,821 |
| \$20,000,000 Utility Authority Utility Sales Tax Revenue Note for various improvements matures July 2024, with interest at 1.98%, debt is split 55.14% for Governmental activities and 44.86% business-like activities. | 11,028,848 |
| \$415,000 LIDA Replacement Funding Note for the renovations of city hall, matures June 2019, with variable interest rate | <u>259,537</u> |
| Total revenue notes | <u>\$11,756,206</u> |

Capital Leases:

| | |
|---|------------------|
| \$649,830 capital lease for the purchase of two fire trucks, matures August 2016 with interest at 1.46% | \$286,465 |
| \$703,095 capital lease for the purchase of a ladder truck, matures August 2016 with interest at 1.46% | <u>283,422</u> |
| Total capital leases | <u>\$569,887</u> |

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

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Note Payable:

| | |
|---|---------------------|
| Series 2001A for \$2,008,570 and Series 2001B for \$2,600,000 with interest on Series 2001B subject to annual adjustment (1.82% at June 30, 2015), 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. | \$1,582,142 |
| Series 2003C for \$1,020,000 and Series 2003A for \$1,819,430 with interest on 2003A ranging from 1.345% to 5.245%. No interest is charged on Series 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. | 946,475 |
| Series 2004E for \$1,310,000, no interest is charged on Series 2004E; however, there is a .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September 2028. Note is secured by the revenues of the Authority's water, sewer, and garbage collection and disposal systems. | 503,848 |
| 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 14, 2021. Secured by revenues of the Authority's water, sewer, and garbage collection and disposal systems. At June 30, 2016 only \$9,677,219 had been drawn on the note. | 7,204,948 |
| Total Notes Payable | <u>\$10,237,413</u> |

Revenue Bonds Payable:

| | |
|---|---------------------|
| \$5,270,000 revenue bond issue of 2011, with interest at 2.70%, used to refund a portion of the outstanding OWRB loans to be repaid by water, sewer, and refuse revenue. Debt service payments are due October 1 and April 1 through October 1, 2027. | \$4,135,000 |
| \$23,410,000 revenue bond issue of 2012, with interest at 1.67%, 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, 2019. | 10,730,000 |
| \$10,920,000 revenue bond issue of 2013, with interest at 2.890%, refund the OWRB Series 2006 DW and 2008 DW series notes to be repaid by sales tax revenue. Debt service payments are due March 1 and September 1 through September 1, 2024. | 8,620,000 |
| \$9,500,000 Utility Authority Utility Sales Tax Revenue Note for various improvements matures December 2019, with interest at 1.95%, debt is split 87.78% for Governmental activities and 12.22% business-like activities. Total draws to date approximates \$321,000 | 113,269 |
| \$20,000,000 Utility Authority Utility Sales Tax Revenue Note for various improvements matures July 2024, with interest at 1.98%, debt is split 55.14% for Governmental activities and 44.86% business-like activities. | <u>8,971,151</u> |
| Revenue Bonds Payable | <u>\$32,569,420</u> |

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Contract Payable:

| | |
|--|----------------------------|
| <p>\$20,634,941 contract payable with the Waurika Project Master Conservancy District. The contract provides the City with a 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)</p> | \$1,004,628 |
| <p>\$12,356,290 contract payable with the Waurika Project Master Conservancy District. The contract provides the City with a 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 3.00% (subject to adjustment)</p> | 11,416,076 |
| <p>\$5,170,708 contract payable with the Waurika Project Master Conservancy District. The contract provides the City with a share of the District's cost for lake maintenance and silt removal. 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 3.00% (subject to adjustment)</p> | 5,040,747 |
| <p>\$16,628,473 addendum to contract payable with the Waurika Project Master Conservancy District. The contract provides the City with a 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)</p> | <u>13,890,769</u> |
| Total Contracts Payable | <u>\$31,352,220</u> |

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

| Year Ending June 30, | Governmental-Type Activities | | | | | | | | | |
|----------------------|------------------------------|---------------------|---------------------|-------------------|---------------------|-------------------|----------------------|---------------------|-------------------|-----------------|
| | G.O. Bonds Payable | | Note Payable | | Judgments Payable | | Revenue Note | | Capital Leases | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2017 | \$ 1,320,000 | \$ 355,678 | \$ 80,000 | \$ 73,157 | \$ 840,691 | \$ 84,316 | \$ 1,714,384 | \$ 241,404 | \$ 569,887 | \$ 8,376 |
| 2018 | 1,640,000 | 374,264 | 84,000 | 69,450 | 486,471 | 39,896 | 1,296,870 | 196,898 | - | - |
| 2019 | 1,640,000 | 325,583 | 89,000 | 65,478 | 255,795 | 14,074 | 1,327,885 | 169,092 | - | - |
| 2020 | 1,675,000 | 277,387 | 94,000 | 61,134 | - | - | 1,276,491 | 140,566 | - | - |
| 2021 | 1,335,000 | 227,166 | 99,000 | 56,390 | - | - | 1,309,575 | 115,155 | - | - |
| 2022-2026 | 4,935,000 | 600,194 | 586,000 | 197,670 | - | - | 4,831,001 | 193,844 | - | - |
| 2027-2030 | 1,280,000 | 89,280 | 437,000 | 36,198 | - | - | - | - | - | - |
| Total | \$ 13,825,000 | \$ 2,249,552 | \$ 1,469,000 | \$ 559,477 | \$ 1,582,957 | \$ 138,286 | \$ 11,756,206 | \$ 1,056,959 | \$ 569,887 | \$ 8,376 |

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| Business-Type Activities | | | | | | |
|---------------------------------|----------------------|---------------------|-----------------------|---------------------|----------------------|----------------------|
| Year Ending June 30, | Notes Payable | | Revenue Bonds Payable | | Contract Payable | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2017 | \$ 977,429 | \$ 243,387 | \$ 5,809,725 | \$ 698,855 | \$ 1,379,446 | \$ 1,155,819 |
| 2018 | 998,960 | 221,409 | 5,834,677 | 576,171 | 1,442,740 | 1,118,258 |
| 2019 | 1,020,815 | 198,323 | 5,967,107 | 460,214 | 1,485,685 | 1,078,303 |
| 2020 | 1,042,567 | 174,564 | 2,388,509 | 356,767 | 1,537,830 | 1,021,400 |
| 2021 | 770,527 | 153,868 | 2,450,425 | 297,451 | 1,587,863 | 974,489 |
| 2022-2026 | 2,873,307 | 276,447 | 9,609,647 | 588,162 | 8,740,159 | 4,049,712 |
| 2027-2031 | 2,553,808 | 125,183 | 509,330 | 12,083 | 9,619,973 | 2,482,281 |
| 2032-2036 | - | - | - | - | 5,558,524 | 924,445 |
| Total | <u>\$ 10,237,413</u> | <u>\$ 1,393,181</u> | <u>\$ 32,569,420</u> | <u>\$ 2,989,703</u> | <u>\$ 31,352,220</u> | <u>\$ 12,804,707</u> |

On July 1, 2015, the City issued \$12,356,290 Contract Payable, with annual interest rate of 3.0% to current refund \$12,055,950 of the 2013 Waurika Master Conservancy District Water Storage Facility Contract. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$0. The net present value savings between the old debt and the new debt totals \$283,163 with a total gross debt service savings of \$428,760.

Component Unit Notes Payable

| <u>Type of Debt</u> | <u>Balance July 1, 2015</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2016</u> | <u>Amount due in one year</u> |
|---|---------------------------------|-------------------|-------------------|----------------------------------|-----------------------------------|
| Component Units: | | | | | |
| Lawton Metropolitan Area Airport Authority | | | | | |
| Note payable | \$ 48,324 | \$ 428,457 | \$ 201,445 | \$ 275,336 | \$ 259,298 |
| Total Debt | <u>\$ 48,324</u> | <u>\$ 428,457</u> | <u>\$ 201,445</u> | <u>\$ 275,336</u> | <u>\$ 259,298</u> |
| Lawton Economic Development Authority: | | | | | |
| Note payable | \$ 29,492,054 | \$ 81,150 | \$ 275,000 | \$ 29,298,204 | \$ 600,000 |
| Total Debt | <u>\$ 29,492,054</u> | <u>\$ 81,150</u> | <u>\$ 275,000</u> | <u>\$ 29,298,204</u> | <u>\$ 600,000</u> |

\$31,600,000 LEDA Tax Apportionment Note payable to Bank of Oklahoma. The note is to provide funds to pay off the existing line of credit and provide funds for implementation of the Downtown Redevelopment Project consisting of Increment District No. 1, and Increment District No. 2, including acquiring and developing land and new infrastructure. The note is a line of credit and draws cannot exceed \$31,600,000. The note is secured with pledged revenues consisting of increment ad valorem, sales tax, and hotel/motel tax revenues and land sale revenues. The note has an initial interest rate of 4.00% from delivery through August 2015, thereafter, the rate is based on prime rate plus 1.25% with a minimum rate of 4.50% and the maximum rate as allowed by law of 14%. The note has a 20 year amortization. It is subject to redemption with sixty days-notice after March 1, 2015. Interest payment are due in March and September. The first semi-annual principal payment of \$250,000 was due September 1, 2015. \$27,798,204

\$1,500,000 Loan from the Comanche County Industrial Development Authority (CCIDA). The note is to provide funds for the Redeveloper for project cost, including public facilities, infrastructure, parking and other cost associated with the development of the Hotel and Conference Center. The note is dated August 2012 and bears interest at an annual rate of 3.14%. The note and accrued interest is due one month after the availability of Hotel-Conference Center Increment funds are available. 1,500,000

Total LEDA Debt

\$29,298,204

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Pledge of Future Revenues

Utility Net Revenues Pledge - The City has pledged net utility revenues to repay the \$2,008,570, \$3,445,000, \$1,020,000, \$1,745,000, \$1,310,000, \$12,270,000 and \$4,725,000 of the OWRB Series 2001A, 2001B, 2003C, 2003D, 2004A, 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, 2026, 2026, 2030 and 2030 respectively. The total principal and interest payable for the remainder of the life of these notes is \$10,644,658. Net utility revenues received in the current year were \$19,491,347. Debt service payments of \$3,886,304 for the current fiscal year were 19.9% 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.

The \$5,615,290 reported as accrued landfill closure cost liability at June 30, 2016, represents the cumulative amount of such costs reported to date based on the use of 67.16% 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 \$2,229,297 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 2016. The City has \$758,588 set aside to fund the estimated landfill closure cost liability. At June 30, 2016, the landfill had a remaining estimated useful life of approximately eleven years.

2.F. Net Position and Fund Balances

At June 30, 2016, the City's governmental activities had total restricted net position of \$54,565,684, of that amount \$2,898,764 was restricted by enabling legislation.

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, 2016, the General Fund has committed fund balance for stabilization of \$1,802,513.

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| | General Fund | Major Special Revenue | | Other Governmental Funds | Total |
|------------------------------------|----------------------|--------------------------|----------------------|--------------------------------|----------------------|
| | | Fund 2012 CIP Fund | | | |
| Fund Balance: | | | | | |
| Nonspendable: | | | | | |
| Inventory | \$ 468,796 | \$ - | \$ - | \$ - | \$ 468,796 |
| | <u>468,796</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>468,796</u> |
| Restricted For: | | | | | |
| Animal control | \$ - | \$ - | \$ 126,175 | \$ 126,175 | \$ 126,175 |
| Police operations | - | - | 7,363 | 7,363 | 7,363 |
| Public safety training | - | - | 258,274 | 258,274 | 258,274 |
| General obligation debt service | - | - | 931,033 | 931,033 | 931,033 |
| Capital improvements | - | 27,131,811 | 21,324,202 | 48,456,013 | 48,456,013 |
| Drainage maintenance fund | - | - | 1,301,794 | 1,301,794 | 1,301,794 |
| Transportation programs | - | - | 113,073 | 113,073 | 113,073 |
| Culture and rec programs | - | - | 106,351 | 106,351 | 106,351 |
| Economic development | - | - | 904,394 | 904,394 | 904,394 |
| Landfill programs | - | - | 54,482 | 54,482 | 54,482 |
| General government programs | - | - | 29,177 | 29,177 | 29,177 |
| General government grants | - | - | 1,808,556 | 1,808,556 | 1,808,556 |
| Fire education programs | - | - | 12,776 | 12,776 | 12,776 |
| Police - drug programs | - | - | 117,943 | 117,943 | 117,943 |
| Cemetery improvements | - | - | 235,369 | 235,369 | 235,369 |
| Park improvements | - | - | 33,754 | 33,754 | 33,754 |
| Sub-total restricted | - | 27,131,811 | 27,364,716 | 54,496,527 | 54,496,527 |
| Committed to: | | | | | |
| Beautification | - | - | 45,367 | 45,367 | 45,367 |
| Stabilization | 1,802,513 | - | - | 1,802,513 | 1,802,513 |
| Sub-total committed | 1,802,513 | - | 45,367 | 1,847,880 | 1,847,880 |
| Assigned to: | | | | | |
| Insurance proceeds | 199,512 | - | - | 199,512 | 199,512 |
| General government | 1,588,728 | - | - | 1,588,728 | 1,588,728 |
| Police | 72,988 | - | 296,334 | 369,322 | 369,322 |
| Culture and rec programs | 54,632 | - | - | 54,632 | 54,632 |
| Stormwater mitigation | 505,365 | - | - | 505,365 | 505,365 |
| Recycling | 131,866 | - | - | 131,866 | 131,866 |
| Facilities management | - | - | 29,950 | 29,950 | 29,950 |
| Supplement next fiscal year budget | 1,654,056 | - | - | 1,654,056 | 1,654,056 |
| Capital improvements | - | - | 4,604,991 | 4,604,991 | 4,604,991 |
| Sub-total assigned | 4,207,147 | - | 4,931,275 | 9,138,422 | 9,138,422 |
| Unassigned: | 8,957,724 | - | - | 8,957,724 | 8,957,724 |
| TOTAL FUND BALANCE | <u>\$ 15,436,180</u> | <u>\$ 27,131,811</u> | <u>\$ 32,341,358</u> | <u>\$ 74,909,349</u> | <u>\$ 74,909,349</u> |

Note 3. OTHER NOTES

3.A. 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.

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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, 2014 | \$ 3,493,378 | \$ 869,374 | 4,362,752 |
| Claims and changes in estimates | 74,735 | 8,362,979 | 8,437,714 |
| Claims payments | <u>(1,294,117)</u> | <u>(7,875,998)</u> | <u>(9,170,115)</u> |
| Claim liability, June 30, 2015 | 2,273,996 | 1,356,355 | 3,630,351 |
| Claims and changes in estimates | 136,851 | 9,042,022 | 9,178,873 |
| Claims payments | <u>(865,296)</u> | <u>(8,608,410)</u> | <u>(9,473,706)</u> |
| Claim liability, June 30, 2016 | <u>\$ 1,545,551</u> | <u>\$ 1,789,967</u> | <u>\$ 3,335,518</u> |

3.B. 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

Aggregate Pension Information for all plans was as follows:

| | <u>Governmental</u> <u>Activities</u> | <u>Business-type</u> <u>Activities</u> | <u>Plan</u> <u>Totals</u> |
|---------------------------------------|--|---|------------------------------|
| Net Pension Liability | | | |
| Employee Retirement System | \$ 19,861,295 | \$ 9,237,660 | \$ 29,098,955 |
| Police | 133,268 | - | 133,268 |
| Firefighters | <u>32,583,712</u> | <u>-</u> | <u>32,583,712</u> |
| | <u>52,578,275</u> | <u>9,237,660</u> | <u>61,815,935</u> |
| Deferred Outflows of Resources | | | |
| Employee Retirement System | 2,114,913 | 983,664 | 3,098,577 |
| Police | 1,291,715 | - | 1,291,715 |
| Firefighters | <u>3,263,805</u> | <u>-</u> | <u>3,263,805</u> |
| | <u>6,670,433</u> | <u>983,664</u> | <u>7,654,097</u> |
| Deferred Inflows of Resources | | | |
| Employee Retirement System | 1,262,384 | 504,557 | 1,766,941 |
| Police | 1,282,851 | - | 1,282,851 |
| Firefighters | <u>2,477,859</u> | <u>-</u> | <u>2,477,859</u> |
| | <u>5,023,094</u> | <u>504,557</u> | <u>5,527,651</u> |
| Pension Expense | | | |
| Employee Retirement System | 1,919,399 | 892,729 | 2,812,128 |
| Police | 492,038 | - | 492,038 |
| Firefighters | <u>3,016,284</u> | <u>-</u> | <u>3,016,284</u> |
| | <u>\$ 5,427,721</u> | <u>\$ 892,729</u> | <u>\$ 6,320,450</u> |

Lawton City Employee Retirement System

A. Plan Description

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 and firefighters. 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 or referring to the City's website at www.cityof.lawton.ok.us.

B. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's plan and additions to/deductions from the City's fiduciary net position have been prepared using the accrual basis of accounting. Employer contributions to the System are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the System.

The System's investments in U.S. government securities and agencies, money markets, marketable common stocks, and cash equivalents are stated at fair value, which is determined by quoted market prices. The System's investments in judgments are valued at fair value, determined by original purchase price less principal collected to date, 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, 2016, 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 position available for benefits.

C. Eligibility Factors and Benefit Provisions

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 | 10% |
| Plan members | 6.3% |
| 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 |

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| | |
|---|------------|
| <i>Employees Covered by Benefit Terms</i> | |
| Active Employees | 508 |
| Retirees or Retiree Beneficiaries | <u>222</u> |
| Total | <u>730</u> |

D. Contribution Requirements

The funding policy is established by Ordinance No. 692. Therefore, contributions are determined by ordinance rather than by actuarial determination. Each year, employees contribute 6.3% of annual pre-tax wages and the City contributes an amount required to provide benefits under the retirement system, subject to a maximum of 10% of annual pre-tax gross wages. For the year ended June 30, 2016, the City recognized \$2,068,439 of employer contributions to the plan which equals the amount determined by ordinance based on covered payroll of \$20,903,375. Employee contributions for FY 2016 were \$1,296,400.

E. Changes in Net Pension Liability

The total pension liability was determined based on an actuarial valuation performed as of July 1, 2015 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. The City amended the System plan subsequent to year end prohibiting employees hired after June 30, 2017 from participating in the plan and providing for additional contributions to be made by the City to the System plan. The following table reports the components of changes in net pension liability:

| | Total Pension Liability | Plan Net Position | Net Pension Liability |
|---|-------------------------|-------------------|-----------------------|
| Balances at beginning of year | \$ 79,184,675 | \$ 51,570,032 | \$ 27,614,643 |
| Charges for year: | | | |
| Service cost | 2,377,346 | - | 2,377,346 |
| Interest expense | 5,344,966 | - | 5,344,966 |
| Contributions - employer | - | 2,021,594 | (2,021,594) |
| Contributions - employee | - | 1,279,749 | (1,279,749) |
| Net investment income | - | 853,380 | (853,380) |
| Benefits paid | (4,738,899) | (4,738,899) | - |
| Benefit changes due to plan amendments | - | - | - |
| Difference between actual and expected experience | (2,103,217) | | (2,103,217) |
| Plan administrative expenses | - | (19,940) | 19,940 |
| Net changes | \$ 880,196 | \$ (604,116) | \$ 1,484,312 |
| Balances at end of year | \$ 80,064,871 | \$ 50,965,916 | \$ 29,098,955 |

The City reported \$2,812,128 in pension expense for the year ended June 30, 2016. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 441,424 | \$ 1,766,941 |
| Net difference between projected and actual earnings on pension plan investments | 595,394 | - |
| City contributions subsequent to the measurement date | 2,061,759 | - |
| Total | \$ 3,098,577 | \$ 1,766,941 |

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The \$2,061,759 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|----------------------------|---------------------|
| 2017 | \$ (217,121) |
| 2018 | (217,120) |
| 2019 | (217,119) |
| 2020 | 272,379 |
| 2021 | (250,772) |
| Thereafter | (100,370) |
| | <u>\$ (730,123)</u> |

F. Actuarial Assumptions

Key Assumptions used in the plan actuarial valuation were:

| | |
|-----------------------------------|-------------------------------|
| Measurement date | July 1, 2015 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level dollar |
| Projected salary increases | 4.25% |
| Mortality | RP 2000 Projected |
| Retirement rates | Lawton experience |
| Turnover | Oklahoma municipal experience |
| Discount rate | 6.75% |
| Long-term expected rate of return | 6.75% |

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (2.5%) and deducting expenses. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2015 are summarized in the following table:

| | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------|------------------------------|---|
| Domestic Equity | 40% | 6.00% |
| International Equity | 10% | 6.20% |
| Fixed Income | 22% | 2.75% |
| Government Securities | 28% | 2.25% |

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G. Discount Rate –

The discount rate used to value total pension liability was the long-term expected rate of return on plan investments, 6.75% since the plan’s net fiduciary position is projected to be sufficient to make projected benefit payments.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 6.75 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

| | 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
|-----------------------|---------------------------|-------------------------------------|---------------------------|
| Net Pension Liability | \$ 38,749,829 | \$ 29,098,955 | \$ 21,127,249 |

Oklahoma Firefighter’s Pension – Statewide Cost Sharing Plan

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

Summary Significant Accounting Policies - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Firefighters Pension & Retirement System (FPRS) and additions to/deductions from FPRS’s fiduciary net position have been determined on the same basis as they are reported by FPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

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

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

In the 2003 Legislative Session, Senate Bill 286 and House Bill 1464 created a “Back” DROP for members of the System effective July 1, 2003. The “Back” DROP is a modified deferred retirement option plan. The “Back” DROP allows the member flexibility by not having to commit to terminate employment within 5 years. Once a member has met their normal retirement period of 20 years for those hired prior to November 1, 2013, and 22 years for those hired after November 1, 2013, the member can choose, upon retirement, to be treated as if the member had entered into the Deferred Option Plan. A member, however, cannot receive credit to the Deferred Option Plan account based upon any years prior to when the member reached their normal retirement date. Once a member is ready to retire, the member can make the election to participate in the “Back” DROP and can receive a Deferred Option Plan benefit based upon up to 5 years of participation. The member’s regular retirement benefit will not take into account any years of service credited to the “Back” DROP.

Contributions - The contribution requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent of their annual pay. Participating cities are required to contribute 14% of the employees’ annual pay. Contributions to the pension plan from the City were \$1,251,646. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$3,084,534 this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state’s on-behalf contributions on an accrual basis of \$2,800,808. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of \$32,583,712 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City’s proportion of the net pension liability was based on the City’s contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the City’s proportion was 3.07% at June 30, 2015, which was an increase of .14% from its proportion measured at June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$3,016,284. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|----------------------------------|
| Difference between expected and actual plan experience | \$ 643,752 | \$ - |
| Net difference between projected and actual earnings on pension plan investments | - | 2,428,882 |
| Employer change in proportion | 1,368,407 | - |
| Difference between proportionate share and City contributions during measurement period | - | 48,977 |
| City contributions subsequent to the measurement date | 1,251,646 | - |
| Total | \$ 3,263,805 | \$ 2,477,859 |

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The \$1,251,646 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | | | | | |
|---------------------|------------|----|--------------|--|--|
| Year ended June 30: | | | | | |
| | 2017 | \$ | (505,236) | | |
| | 2018 | | (505,236) | | |
| | 2019 | | (505,236) | | |
| | 2020 | | 689,427 | | |
| | 2021 | | 281,708 | | |
| | Thereafter | | 78,873 | | |
| | | | \$ (465,700) | | |

Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

| | | |
|----------------------------|---|--|
| Inflation: | 3% | |
| Salary increases: | 3.5% to 9.0% average, including inflation | |
| Investment rate of return: | 7.5% net of pension plan investment expense | |

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Fixed income | 20% | 5.13% |
| Domestic equity | 37% | 8.02% |
| International equity | 20% | 9.94% |
| Real estate | 10% | 7.47% |
| Other assets | 13% | 6.25% |

Discount Rate-The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing

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36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate-The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|----------------------------------|-----------------------|---------------------------------|-----------------------|
| Employers' net pension liability | \$ 42,306,527 | \$ 32,583,712 | \$ 24,429,134 |

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS; which can be located at www.ok.gov/fprs.

Oklahoma Police Pension – Statewide Cost Sharing Plan

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

Summary of significant accounting policies - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Firefighters Pension & Retirement System (OPPRS) and additions to/deductions from OPPRS's fiduciary net position have been determined on the same basis as they are reported by OPPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is

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granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit. Effective July 1, 1999, a \$5,000 death benefit is also paid, in addition to any survivor's pension benefits under the Plan, to the participant's beneficiary or estate for active or retired members.

In the 2003 Legislative Session, Senate Bill 688 and House Bill 1464 created a "Back" DROP for members of the System. The "Back" DROP is a modified deferred retirement option plan. The "Back" DROP allows the member flexibility by not having to commit to terminate employment within 5 years. Once a member has met their normal retirement period of 20 years, the member can choose, upon retirement, to be treated as if the member had entered into the "Back" DROP. A member, however, cannot receive credit to the "Back" DROP account based upon any years prior to when the member reached their normal retirement date. Once a member is ready to retire, the member can make the election to participate in the "Back" DROP and can receive a "Back" DROP benefit based upon up to 5 years of participation. The member's regular retirement benefit will not take into account any years of service credited to the "Back" DROP.

Contributions - The contribution requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. For the year ended June 30, 2016, contributions to the pension plan from the City were \$1,291,715. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$1,196,923 for FY 2016 this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$1,159,972 for FY 2016. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported an liability of \$133,268 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the City's proportion was 3.27% at June 30, 2015, which was a decrease of .25% from its proportion measured at June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$492,038. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | \$ 736,923 |
| Net difference between projected and actual earnings on pension plan investments | | 512,811 |
| Employer change in proportion | - | 21,028 |
| Difference between proportionate share and City contributions during measurement period | - | 12,089 |
| City contributions subsequent to the measurement date | 1,291,715 | - |
| Total | \$ 1,291,715 | \$ 1,282,851 |

The \$1,291,715 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|---------------------|----------------|
| 2017 | \$ (551,551) |
| 2018 | (551,551) |
| 2019 | (551,551) |
| 2020 | 432,825 |
| 2021 | (61,023) |
| | \$ (1,282,851) |

Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

| | |
|-----------------------------|--|
| Inflation: | 3% |
| Salary increases: | 4.5% to 17% average, including inflation |
| Investment rate of return: | 7.5% net of pension plan investment expense |
| Cost of living adjustments: | Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to an order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary. |
| Mortality rates: | Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA. |

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Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA.

Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|---|
| Fixed income | 2.24% |
| Domestic equity | 4.87% |
| International equity | 7.68% |
| Real estate | 5.47% |
| Private Equity | 5.80% |
| Commodities | 2.96% |

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

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate-The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

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| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|--|-----------------------|---------------------------------|-----------------------|
| Employers' net pension liability (asset) | \$ 8,007,730 | \$ 133,268 | \$ (6,505,451) |

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

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.

Effective January 1, 2015 coverage for retirees and spouses age 65 and over was changed from the City medical plan to a fully insured Medicare Supplement. Retirees pay the full cost of the Medicare Supplement. This eliminates the employer subsidy and thus eliminates the OPEB liability for ages 65 and over. The July 1, 2015, actuary reflects this plan change which reduced the OPEB liability by approximately 37%.

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 2016, the actuarially expected City contribution was \$693,772 to the Plan. Plan members receiving benefits contributed \$273,794 of the total premiums, through their payment of the full determined premium in fiscal year 2016.

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, 2016:

| | | |
|---|----|-----------|
| Normal Cost | \$ | 792,197 |
| Interest on NOO | | 163,919 |
| Amortization of OPEB Obligation | | (205,129) |
| Amortization of Actuarial Accrued Liability (AAL) | | 657,787 |
| Annual OPEB cost (expense) | | 1,408,774 |
| Expected net benefits during the year | | (693,772) |
| Increase in net OPEB obligation | | 715,002 |
| Net OPEB obligation - beginning of year | | 5,028,661 |
| Net OPEB obligation - end of year | \$ | 5,743,663 |

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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 |
|-------------|------------------|--|------------------------|
| 6/30/14 | \$1,664,953 | 46% | \$4,313,659 |
| 6/30/15 | \$1,408,774 | 49% | \$5,028,661 |
| 6/30/16 | \$1,408,774 | 49% | \$5,743,663 |

Funded Status and Funding Progress. As of July 1, 2014, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability (AAL) for benefits was \$15,906,961, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$15,906,961. The covered payroll (annual payroll of active employees covered by the plan) was \$36,200,000, and the ratio of the UAAL to the covered payroll was 44 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, 2014, actuarial valuation, the Entry Age Normal actuarial cost method was used. The prior valuation used the Projected Unit Credit Method. The actuarial assumptions included a 3.8 percent discount rate, which is based on market rates of interest at the end of the year for 20-year municipal bonds (Moody's index of municipal bonds), and an annual healthcare cost trend rate of 5.015 percent initially, reduced by decrements to an ultimate rate of 4.87 percent in 2060. Mortality assumptions were based on the RP2000 Mortality with cohort mortality projection. The discount rate used in the prior valuation was 4.5%. 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, 2014, was twenty-four 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.

3.C. Commitments and Contingencies

Construction Contracts Outstanding

The following construction contracts were outstanding at June 30, 2016:

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| | | |
|-----------------------------------|----|-----------|
| Nine Mile Creek Sewer Line | \$ | 2,263,658 |
| SE 45th ST(Gore-Lee) | | 501,374 |
| Landfill Subtitle "D" | | 347,937 |
| SW 52ND ST (Gore to RR Tracks) | | 4,022,466 |
| Ward 4 ST Proj | | 293,557 |
| NW 2nd Street Columbia to Ferris | | 1,544,050 |
| SE 45th St (Lee Blvd to Bell Ave) | | 7,488,922 |
| Firestation #8 | | 2,871,244 |
| Street Recon Proj 12-11 Ph2 | | 463,656 |
| Landfill Maintenance Building | | 13,973 |
| I-44 Ramp Waterline | | 299,052 |

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 and state grant/loan programs from year to year. In 2016, 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.

In August 2015, an investigation of the Housing Division of the City was initiated based on internal reports of questionable practices within the Division relative to various programs funded by U.S. Department of Housing and Urban Development (HUD) grants. In coordination with HUD, representatives from the Lawton Police Department and City Attorney's Office conducted the extensive investigation that concluded on October 27, 2015. Evidence of improper procedures/practices in several areas was uncovered during the investigation and reported to both HUD and the Lawton City Council in executive session. As a result of the investigative findings, the Division Supervisor resigned while facing disciplinary action and the next senior employee was terminated by the City Manager. The terminated employee appealed the City Manager's disciplinary action to the Lawton Personnel Board who upheld the City Manager's action. Additionally, HUD presented to the U.S. Attorney's Office in Oklahoma City evidence uncovered in the investigation particularly including reports of lead-based paint testing for possible criminal charges. To date, no criminal charges are known to have been filed. No loss or misappropriation of funds by employees was discovered during the investigation. A new supervisor with a proven track record of strong performance in another division of the City was brought in to replace the supervisor who resigned shortly after the investigation concluded. HUD's local office in Oklahoma City commended Lawton for the thorough investigation that was conducted and the prompt remedial action taken to return the Housing Division to a highly reputable operation.

Additionally, in 2015, the City did discover approximately \$18,000 in HUD grant funds was missing from the Housing Division, but the responsible party has made restitution of the funds.

Any liability for reimbursement which may arise as a result of the ongoing audit/investigation cannot be reasonably determined at this time.

Securities and Exchange Commission

The Securities and Exchange Commission is conducting a formal investigation regarding amendment of the continuing disclosure agreement in connection with the City's \$3,300,000 General Obligation Combined Purpose Bonds, Series 2013. The City is fully cooperating with the investigation.

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The City has covenanted for the benefit of Bondholders to provide certain financial information and operating data relating to the City (the “Annual Financial Information”) by specified times following the end of the fiscal year, and to provide notice of the occurrence of certain enumerated events. The City has covenanted to file the Annual Financial Information and notices of material events by sending such filings in an electronic format, as prescribed by the Municipal Securities Rulemaking Board (“MSRB”), to the MSRB’s Electronic Municipal Market Access System (“EMMA”). These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5).

During the last five years, the City has failed to satisfy the provisions of its continuing disclosure agreements to provide Annual Financial Information by the stated deadlines in such agreements. At this time, the City has not received notice of any penalties or other consequence as a result of the SEC’s investigation.

3.D. Budgetary Compliance and Deficit Fund Balance/Net Position

State law prohibits deficit fund balance. The following funds had deficit fund balance at June 30, 2016:

| | |
|---|---------------|
| Group Health Insurance – Internal Service Fund | (\$1,680,778) |
| Information Technology Fund – Internal Service Fund | (\$139,301) |

The City plans to adjust the future internal fee structure of the internal service funds to eliminate or reduce the deficit position in these funds.

The Lawton Economic Development Authority (LEDA) has entered into an agreement with a private developer to cost share in the redevelopment of Second Street in Lawton, OK. This is known as the TIF 2 District. The majority of expenses incurred by LEDA between 2013 and 2016 represent land development costs and redevelopment construction costs funded by LEDA in accordance with this redevelopment agreement. The assets being constructed are not assets owned by LEDA and are therefore not reported as such in the accompanying financial statements. Since the assets are not owned by LEDA, this activity results in a deficit net position for LEDA. Redevelopment assets constructed in the form of infrastructure assets will be donated to the City of Lawton in the future. A tax apportionment note totaling \$31,600,000 was secured from the Bank of Oklahoma by LEDA to fund these redevelopment activities. The June 30, 2016, unrestricted deficit of \$25,881,414 in LEDA’s statement will be reduced as the sales tax, use tax, property tax and hotel/motel tax revenue that is pledged to the TIF 2 District is used to liquidate the apportionment note.

3.E. Related Party Transaction

Pursuant to a pledge agreement dated April 27, 2007, LURA is to acquire land and other property identified in the downtown revitalization project Phase IA and other downtown Lawton TIF projects. The funds used to acquire this property were obtained from LEDA which sold a capital improvement note not to exceed \$12,000,000 at any one time to BancFirst. As a condition of this note, the lender required an agreement from LURA that upon the sale or lease of any acquired assets the proceeds of such sale or lease shall be used to reduce the principal and accrued interest on the note until such time as the note has been paid in full.

The accounts receivable from LEDA are the results of expenses paid for acquisition of properties described in the previous paragraph for which LURA has not been reimbursed. The amount of these receivables at June 30, 2016 are \$568,658. This amount represents property acquisition costs which have been paid by LURA, which pursuant to the agreement with LEDA are to be reimbursed by LEDA.

3.F. Subsequent Events

The City established a defined contribution plan for employees hired after June 30, 2017. The proposal was approved by the City Council during April 2017 and prohibits employees hired after June 30, 2017, from

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participating in the City's defined benefit pension plan. Employees currently enrolled in the defined benefit pension plan would continue to participate and would not be allowed to also participate in the defined contribution plan. The City will continue to fund the defined benefit pension plan and also fund the defined contribution plan. The City will match specified employee contributions into the defined contribution plan and also contribute certain amounts to the defined benefit pension plan.

In February 2017, the voters approved for the city to incur up to \$55,300,000 in General Obligation Bonds to be used for street improvements. The bonds will be issued in increments over the next thirteen years to maintain the current mill levy at or below 10%. The first series of bonds will be issued in June 2017.

3.G. New Accounting Pronouncements

Effective July 1, 2015, the City implemented GASB 72, *Fair Value Measurement and Application*. The statement required the City to use the following techniques that are appropriate to measure fair value: market approach, cost approach, or the income approach. This statement establishes three hierarchy levels of inputs as to the valuation techniques used to measure fair value. These additional disclosures can be found in Note 3.A.

3.H. Future Accounting Pronouncements

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – GASB No., 75 was issued in June 2015, and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For a defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for fiscal years beginning after June 15, 2017. The City has not yet determined the impact that implementation of GASB 75 will have on its net position, although it may be material.

GASB Statement No. 77, *Tax Abatement Disclosures* - GASB 77 was issued in August 2015, and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* – GASB 79 was issued in December 2015, and addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. At this time, the impact to the City is unknown.

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GASB Statement No. 80, *Blending Requirements for Certain Component Units* – An Amendment of GASB Statement No. 14 – GASB 80 was issued in January 2016, and amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. At this time, the impact to the City is unknown.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* – GASB 81 was issued in March 2016, to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The City does not believe that GASB No. 81 will have significant impact on its financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued December 2016, will be effective for the City beginning with its fiscal year ending June 30, 2019. Under Statement No. 83, a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. The Statement identifies the circumstances that trigger the recognition of these transactions. The Statement also requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred while the deferred outflow of resources associated with the asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. The Statement requires disclosures including a general description of the asset retirement obligation and associated tangible capital assets; the source of the obligation to retire the assets; the methods and assumptions used to measure the liability; and other relevant information.

GASB Statement 84, *Fiduciary Activities*, issued January 2017, will be effective for the City beginning with its fiscal year ending June 30, 2019. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The City has not yet determined the impact that implementation of GASB 84 will have on its net position.

GASB Statement 85, *Omnibus 2017*, issued March 2017, will be effective for the City beginning with its fiscal year ending June 30, 2018. This Statement address a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The City has not yet determined the impact that implementation of GASB 85 will have on its net position.

GASB Statement 86, *Certain Debt Extinguishment Issues*, issued May 2017, will be effective for the City beginning with its fiscal year ending June 30, 2018. The primary objective of this Statement is to improve the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The City has not yet determined the impact that implementation of GASB 86 will have on its net position.

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REQUIRED SUPPLEMENTARY INFORMATION

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General Fund Budgetary Comparison Schedules (Budgetary Basis) – Year Ended June 30, 2016

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|--|-------------------------|--------------------|---|---|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> <u>(Budget basis)</u> | <u>Final Budget</u> <u>Positive (Negative)</u> |
| Beginning Budgetary Fund Balance: | \$ 900,000 | \$ 900,000 | \$ 2,721,266 | \$ 1,821,266 |
| Resources (Inflows): | | | | |
| Taxes and assessments | 50,475,221 | 50,475,221 | 50,725,822 | 250,601 |
| Fees, licenses and permits | 1,189,814 | 1,189,814 | 1,186,305 | (3,509) |
| Rentals and sales of property | 140,058 | 140,058 | 271,099 | 131,041 |
| Fines and forfeitures | 2,731,680 | 2,731,680 | 1,893,854 | (837,826) |
| Interest earned | 69,977 | 69,977 | 121,191 | 51,214 |
| Other sources | 527,077 | 527,077 | 595,698 | 68,621 |
| Intergovernmental | 958,416 | 958,416 | 885,424 | (72,992) |
| Grants | 60,000 | 60,000 | 15,265 | (44,735) |
| Total Resources (Inflows) | <u>56,152,243</u> | <u>56,152,243</u> | <u>55,694,658</u> | <u>(457,585)</u> |
| Amounts available for appropriation | <u>57,052,243</u> | <u>57,052,243</u> | <u>58,415,924</u> | <u>1,363,681</u> |
| Charges to Appropriations (Outflows): | | | | |
| General Government | 9,047,196 | 9,047,196 | 8,531,635 | 515,561 |
| Public Safety | 30,971,021 | 30,971,021 | 30,748,535 | 222,486 |
| Streets | 7,478,619 | 7,478,619 | 6,667,539 | 811,080 |
| Culture and Recreation | 5,855,843 | 5,855,843 | 5,661,536 | 194,307 |
| Total Charges to Appropriations | <u>53,352,679</u> | <u>53,352,679</u> | <u>51,609,245</u> | <u>1,743,434</u> |
| Other financing sources (uses) | | | | |
| Transfers from other funds | 22,411,387 | 22,411,387 | 22,486,260 | 74,873 |
| Transfers to other funds | (25,815,035) | (25,815,035) | (25,743,262) | 71,773 |
| Total other financing sources (uses) | <u>(3,403,648)</u> | <u>(3,403,648)</u> | <u>(3,257,002)</u> | <u>146,646</u> |
| Ending Budgetary Fund Balance | <u>\$ 295,916</u> | <u>\$ 295,916</u> | <u>\$ 3,549,677</u> | <u>\$ 3,253,761</u> |

Notes 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 unassigned budgetary fund balance. This presentation of unassigned fund balances on a budgetary basis is used to demonstrate compliance with Article 10, § 26 of the Oklahoma State Constitution. Presentation is for the General Fund on the City's financial records and does not include all funds or accounts of the General Fund as reflected in the accompanying financial statements.

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

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

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| | <u>Fund Balance</u> <u>June 30, 2015</u> | <u>Net Change in</u> <u>Fund Balance</u> | <u>Fund Balance</u> <u>June 30, 2016</u> |
|---------------------------------------|---|---|---|
| Budget to GAAP Reconciliation: | | | |
| Fund Balance - GAAP Basis | \$ 14,031,625 | \$ 1,404,555 | \$ 15,436,180 |
| Increases (Decreases): | | | |
| Revenues: | | | |
| Taxes receivable | (8,753,315) | 409,698 | (8,343,617) |
| Accounts receivable | (340,643) | 275,663 | (64,980) |
| Accrued interest | (55,869) | 49,364 | (6,505) |
| Expenditures: | | | |
| Accounts payable | 1,702,346 | (47,910) | 1,654,436 |
| Encumbrances | (245,736) | (178,825) | (424,561) |
| Other items | (489,721) | 146,899 | (342,822) |
| Accounts of the General Fund: | | | |
| Hunting and Fishing | 3,457 | (4,791) | (1,334) |
| Reserve Account | (1,319,683) | (482,830) | (1,802,513) |
| Insurance Proceeds Account | (146,993) | (52,519) | (199,512) |
| Adult Softball Account | (47,453) | 1,951 | (45,502) |
| Court Credit Card Maint. Account | (350,112) | (862,167) | (1,212,279) |
| Animal License Account | (430,646) | 123,104 | (307,542) |
| Elmer Thomas Park Account | (7,796) | - | (7,796) |
| Stormwater Mitigation | (582,898) | 77,533 | (505,365) |
| RSVP Account | 10,438 | (13,288) | (2,850) |
| Application Fee Account | (65,920) | (712) | (66,632) |
| Special Jail Account | (55,674) | (17,314) | (72,988) |
| Real Property Account | (2,275) | - | (2,275) |
| Recycling Account | (131,866) | - | (131,866) |
| Fund Balance - Budgetary Basis | <u>\$ 2,721,266</u> | <u>\$ 828,411</u> | <u>\$ 3,549,677</u> |

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Schedules of Required Supplementary Information - Pensions

Schedule of the City of Lawton's Proportionate Share of the Net Pension Liability (Asset) –
Oklahoma Police Pension & Retirement System
Last Ten Fiscal Years*

| | <u>2015</u> | <u>2016</u> |
|---|----------------|--------------|
| City's proportion of the net pension liability (asset) | 3.2939% | 3.2684% |
| City's proportionate share of the net pension liability (asset) | \$ (1,109,030) | \$ 133,268 |
| City's covered-employee payroll | \$ 9,205,946 | \$ 9,261,686 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 12.05% | 1.44% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 101.53% | 99.82% |

*The amounts present for each fiscal year were determined as of the beginning of the fiscal year

Notes to Schedule:

Only the two fiscal years are presented because 10-year data is not yet available.

Schedule of City Contributions
Oklahoma Police Pension & Retirement System

| | <u>2015</u> | <u>2016</u> |
|--|------------------|------------------|
| Statutorily required contribution | \$ 1,203,232 | \$ 1,291,715 |
| Contributions in relation to the statutorily required contribution | <u>1,203,232</u> | <u>1,291,715</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| City's covered-employee payroll | \$ 9,261,686 | \$ 9,936,252 |
| Contributions as a percentage of covered-employee payroll | 12.99% | 13.00% |

Notes to Schedule:

Only the two fiscal years are presented because 10-year data is not yet available.

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Schedule of the City of Lawton's Proportionate Share of the Net Pension Liability –
Oklahoma Fire Fighter's Pension & Retirement System
Last Ten Fiscal Years*

| | <u>2015</u> | <u>2016</u> |
|---|---------------|---------------|
| City's proportion of the net pension liability | 2.929600% | 3.069856% |
| City's proportionate share of the net pension liability | \$ 30,126,632 | \$ 32,583,712 |
| City's covered-employee payroll | \$ 7,829,286 | \$ 8,115,293 |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 385% | 402% |
| Plan fiduciary net position as a percentage of the total pension liability | 68.12% | 68.27% |

*The amounts present for each fiscal year were determined as of the beginning of the fiscal year

Notes to Schedule:

Only the two fiscal years are presented because 10-year data is not yet available.

Schedule of City Contributions
Oklahoma Fire Fighter's Pension & Retirement System

| | <u>2015</u> | <u>2016</u> |
|--|------------------|------------------|
| Statutorily required contribution | \$ 1,135,232 | \$ 1,251,646 |
| Contributions in relation to the statutorily required contribution | <u>1,135,232</u> | <u>1,251,646</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| City's covered-employee payroll | \$ 8,115,293 | \$ 8,940,679 |
| Contributions as a percentage of covered-employee payroll | 13.99% | 14.00% |

Notes to Schedule:

Only the two fiscal years are presented because 10-year data is not yet available.

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City Retirement Plan

Schedule of Changes in Net Pension Liability and Related Ratios

Last Two Fiscal Years

| | 2015 | 2016 |
|---|-----------------------------|-----------------------------|
| Total pension liability | | |
| Service cost | \$ 2,421,404 | \$ 2,377,346 |
| Interest | 5,130,919 | 5,344,966 |
| Changes of benefit terms | - | - |
| Differences between expected and actual experience | 620,866 | (2,103,217) |
| Changes of assumptions | - | - |
| Benefit payments, including refunds of member contributions | (5,002,125) | (4,738,899) |
| Net change in total pension liability | <u>3,171,064</u> | <u>880,196</u> |
| Total pension liability - beginning | <u>76,013,611</u> | <u>79,184,675</u> |
| Total pension liability - ending (a) | <u><u>\$ 79,184,675</u></u> | <u><u>\$ 80,064,871</u></u> |
| Plan fiduciary net position | | |
| Contributions - employer | \$ 2,144,569 | \$ 2,021,594 |
| Contributions - member | 1,311,923 | 1,279,749 |
| Net investment income | 5,604,962 | 853,380 |
| Benefit payments, including refunds of member contributions | (5,002,125) | (4,738,899) |
| Administrative expense | (26,618) | (19,940) |
| Other | - | - |
| Net change in plan fiduciary net position | <u>4,032,711</u> | <u>(604,116)</u> |
| Plan fiduciary net position - beginning | <u>47,537,321</u> | <u>51,570,032</u> |
| Plan fiduciary net position - ending (b) | <u><u>\$ 51,570,032</u></u> | <u><u>\$ 50,965,916</u></u> |
| Net pension liability (asset) - ending (a) - (b) | <u><u>\$ 27,614,643</u></u> | <u><u>\$ 29,098,955</u></u> |
| Plan fiduciary net position as a percentage of the total pension liability | 65.13% | 63.66% |
| Covered employee payroll | \$ 20,593,547 | \$ 20,580,295 |
| Net pension liability as a percentage of covered-employee payroll | 134.09% | 141.39% |

*The amounts present for each fiscal year were determined as of the beginning of the fiscal year

Notes to Schedule:

Only the two fiscal years are presented because 10-year data is not yet available.

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City Retirement Plan, (continued)

| Schedule of Employer Contributions | Fiscal Year | | | | |
|--|---------------------|---------------------|---------------------|-------------------|---------------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Actuarially determined contribution | \$ 3,271,543 | \$ 3,179,977 | \$ 3,225,198 | \$ 3,182,857 | \$ 3,182,857 |
| Contributions in relation to the actuarially determined contribution | 2,068,439 | 2,021,594 | 2,144,569 | 2,239,853 | 2,113,599 |
| Contribution deficiency (excess) | <u>\$ 1,203,104</u> | <u>\$ 1,158,383</u> | <u>\$ 1,080,629</u> | <u>\$ 943,004</u> | <u>\$ 1,069,258</u> |
| Covered employee payroll | \$ 20,903,375 | \$ 20,580,295 | \$ 20,593,547 | \$ 21,615,172 | \$ 22,095,022 |
| Contributions as a percentage of covered-employee payroll | 9.90% | 9.82% | 10.41% | 10.36% | 9.57% |
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| Actuarially determined contribution | \$ 2,965,333 | \$ 2,965,333 | \$ 2,376,870 | \$ 2,376,870 | \$ 1,790,694 |
| Contributions in relation to the actuarially determined contribution | 1,920,223 | 1,717,742 | 1,628,972 | 1,553,635 | 1,412,087 |
| Contribution deficiency (excess) | <u>\$ 1,045,110</u> | <u>\$ 1,247,591</u> | <u>\$ 747,898</u> | <u>\$ 823,235</u> | <u>\$ 378,607</u> |
| Covered employee payroll | \$ 22,591,000 | \$ 21,472,000 | \$ 20,362,000 | \$ 19,420,000 | \$ 18,828,000 |
| Contributions as a percentage of covered-employee payroll | 8.50% | 8.00% | 8.00% | 8.00% | 7.50% |

Notes to Schedule:

Latest Valuation Date: July 1, 2014

Actuarially determined contribution rate is calculated as of July 1, 2015
July 2015 through June 2016 contributions were at a rate of 10%.

Methods and assumptions used to determine contribution rates:

- Actuarial cost method - Entry age normal
- Amortization method - Level dollar
- Remaining amortization period - 30 years rolling
- Asset valuation method - Actuarial:
 - Smoothing period - 4 years
 - Recognition method - Non-asymptotic
 - Corridor - 70% - 130%
- Salary increases -4.25% per year (3.0% general increases and 1.25% allowance for promotions)
- Investment rate of return - 6.75% per annum
- Mortality RP 2000 with cohort projection

| Schedule of Investment Returns | Last Two Fiscal Years | |
|---|-----------------------------|-----------------------------|
| | Year Ended June 30, 2015 | Year Ended June 30, 2016 |
| Annual money-weighted rate of return, net of investment expense | 1.54% | 1.64% |

Ten year historical data was not available

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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 | July 1, 2012 | July 1, 2014 |
|---|--------------|--------------|--------------|--------------|
| Actuarial accrued liability - AAL (a) | \$15,764,535 | \$16,543,865 | \$19,110,068 | \$15,906,961 |
| Actuarial value of plan assets (b) | - | - | - | - |
| Unfunded actuarial accrued liability – UAAL (funding excess) (a) – (b) | \$15,764,535 | \$16,543,865 | \$19,110,068 | \$15,906,961 |
| Funded ratio (b)/(a) | 0% | 0% | 0% | 0% |
| Covered payroll (c) | \$28,400,000 | \$34,500,000 | \$37,100,000 | \$36,200,000 |
| UAAL (funding excess) as a % of covered payroll [UAAL/(c)] | 56% | 48% | 52% | 44% |

Changes in plan benefits:

Effective January 1, 2015 coverage for retirees and spouses age 65 and over was changed from the City medical plan to a fully insured Medicare Supplement. Retirees pay the full cost of the Medicare Supplement. This eliminates the employer subsidy and thus eliminates the OPEB liability for ages 65 and over. The July 1, 2014, actuary reflects this plan change which reduced the OPEB liability by approximately 37%.

Changes in actuarial assumptions:

1. The relative age curve for medical claims cost was adjusted to reflect a recent study of the age–relationship of healthcare claims by the Society of Actuaries.
2. Healthcare trends were updated to reflect projections made by the Office of the Actuary, Centers for Medicare and Medicaid and the Society of Actuaries Getzen economic model as described in this report.
3. The discount rate was decreased from 4.50% to 3.80% based of market rates of interest at the end of the year for 20-year municipal bonds (Moody's index of municipal bonds). The municipal bond discount rate will be required under GASB 75.
4. Retirement rates and turnover rates for police and firefighters were updated to those used in the most recent actuarial valuations of the statewide retirement programs for such employees (OPPRS and OFPRS).
5. The actuarial cost method was changed from the Projected Unit Credit method to the Entry Age Normal cost method in preparation for the change that will be required by GASB 75 effective for the 2017-18 fiscal year.

**CITY OF LAWTON, OKLAHOMA
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OTHER SUPPLEMENTARY INFORMATION

CITY OF LAWTON, OKLAHOMA
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Combining Balance Sheet – General Fund Accounts – June 30, 2016

| | <u>General Fund</u> | <u>Hunting and Fishing Account</u> | <u>Reserve Account</u> | <u>Insurance Proceeds Account</u> | <u>Payroll Claims Account</u> | <u>Adult Softball Account</u> | <u>Court Credit Card Maint. Account</u> | <u>Animal License Account</u> |
|--|----------------------|--|------------------------|---------------------------------------|-----------------------------------|-----------------------------------|---|-----------------------------------|
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 3,901,062 | \$ 34,400 | \$ 561,580 | \$ 202,041 | \$ - | \$ 45,502 | \$ 1,212,279 | \$ 307,427 |
| Investments | - | - | 1,240,608 | - | - | - | - | - |
| Receivables: | | | | | | | | |
| Accounts receivable | 13,710 | - | - | 696 | 4,095 | - | - | 115 |
| Accrued interest receivable | 6,180 | - | 325 | - | - | - | - | - |
| Due from other funds | 2,384 | - | - | - | 1,360 | - | - | - |
| Due from other accounts | 61,331 | - | - | - | 54,529 | - | - | - |
| Due from other governments | 8,332,400 | - | - | - | - | - | - | - |
| Inventory | 468,796 | - | - | - | - | - | - | - |
| Total assets | <u>12,785,863</u> | <u>34,400</u> | <u>1,802,513</u> | <u>202,737</u> | <u>59,984</u> | <u>45,502</u> | <u>1,212,279</u> | <u>307,542</u> |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable and accrued liabilities | 1,601,666 | 33,066 | - | 3,225 | (1,089) | - | - | - |
| Due to other accounts | - | - | - | - | 61,073 | - | - | - |
| Total liabilities | <u>1,601,666</u> | <u>33,066</u> | <u>-</u> | <u>3,225</u> | <u>59,984</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | |
| Unavailable revenue | <u>106,471</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances: | | | | | | | | |
| Nonspendable | 468,796 | - | - | - | - | - | - | - |
| Committed | - | - | 1,802,513 | - | - | - | - | - |
| Assigned | 1,654,056 | 1,334 | - | 199,512 | - | 45,502 | 1,212,279 | 307,542 |
| Unassigned | 8,954,874 | - | - | - | - | - | - | - |
| Total fund balances | <u>11,077,726</u> | <u>1,334</u> | <u>1,802,513</u> | <u>199,512</u> | <u>-</u> | <u>45,502</u> | <u>1,212,279</u> | <u>307,542</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 12,785,863</u> | <u>\$ 34,400</u> | <u>\$ 1,802,513</u> | <u>\$ 202,737</u> | <u>\$ 59,984</u> | <u>\$ 45,502</u> | <u>\$ 1,212,279</u> | <u>\$ 307,542</u> |

(Continued)

CITY OF LAWTON, OKLAHOMA
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Combining Balance Sheet – General Fund Accounts – June 30, 2016, (Continued)

| | <u>Elmer Thomas Park Account</u> | <u>Stormwater Mitigation</u> | <u>RSVP Account</u> | <u>Application Fee</u> | <u>Special Jail Account</u> | <u>Real Property Account</u> | <u>Recycling Account</u> | <u>Total General Fund</u> |
|--|--------------------------------------|----------------------------------|---------------------|------------------------|---------------------------------|----------------------------------|--------------------------|-------------------------------|
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 7,796 | \$ 471,826 | \$ 50,743 | \$ 67,052 | \$ 72,988 | \$ 2,275 | \$ 131,866 | \$ 7,068,837 |
| Investments | - | - | - | - | - | - | - | 1,240,608 |
| Receivables: | | | | | | | | |
| Accounts receivable | - | 46,364 | - | - | - | - | - | 64,980 |
| Accrued interest receivable | - | - | - | - | - | - | - | 6,505 |
| Due from other funds | - | - | - | - | - | - | - | 3,744 |
| Due from other accounts | - | - | - | - | - | - | - | 115,860 |
| Due from other governments | - | - | 11,217 | - | - | - | - | 8,343,617 |
| Inventory | - | - | - | - | - | - | - | 468,796 |
| Total assets | <u>7,796</u> | <u>518,190</u> | <u>61,960</u> | <u>67,052</u> | <u>72,988</u> | <u>2,275</u> | <u>131,866</u> | <u>17,312,947</u> |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable and accrued liabilities | - | 12,825 | 4,323 | 420 | - | - | - | 1,654,436 |
| Due to other accounts | - | - | 54,787 | - | - | - | - | 115,860 |
| Total liabilities | <u>-</u> | <u>12,825</u> | <u>59,110</u> | <u>420</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,770,296</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | |
| Unavailable revenue | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>106,471</u> |
| Fund balances: | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | 468,796 |
| Committed | - | - | - | - | - | - | - | 1,802,513 |
| Assigned | 7,796 | 505,365 | - | 66,632 | 72,988 | 2,275 | 131,866 | 4,207,147 |
| Unassigned | - | - | 2,850 | - | - | - | - | 8,957,724 |
| Total fund balances | <u>7,796</u> | <u>505,365</u> | <u>2,850</u> | <u>66,632</u> | <u>72,988</u> | <u>2,275</u> | <u>131,866</u> | <u>15,436,180</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 7,796</u> | <u>\$ 518,190</u> | <u>\$ 61,960</u> | <u>\$ 67,052</u> | <u>\$ 72,988</u> | <u>\$ 2,275</u> | <u>\$ 131,866</u> | <u>\$ 17,312,947</u> |

CITY OF LAWTON, OKLAHOMA
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Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts – Year Ended June 30, 2016

| | <u>General Fund</u> | <u>Hunting and Fishing Account</u> | <u>Reserve Account</u> | <u>Insurance Proceeds Account</u> | <u>Payroll Claims Account</u> | <u>Adult Softball Account</u> | <u>Court Credit Card Maint. Account</u> | <u>Animal License Account</u> |
|---|----------------------|--|------------------------|---|-----------------------------------|-----------------------------------|---|-----------------------------------|
| REVENUES | | | | | | | | |
| Taxes | \$ 50,122,229 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | 5,364,487 | - | - | - | - | - | - | - |
| Charges for services | 410,385 | - | - | - | - | 2,352 | - | - |
| Fines and forfeitures | 1,553,854 | - | - | - | - | - | 1,342,216 | 957 |
| Licenses and permits | 863,127 | 52,928 | - | - | - | - | - | 49,815 |
| Investment income | 121,502 | - | 11,088 | - | - | - | - | - |
| Miscellaneous | 558,003 | - | - | 106,313 | - | - | - | - |
| Total revenues | <u>58,993,587</u> | <u>52,928</u> | <u>11,088</u> | <u>106,313</u> | <u>-</u> | <u>2,352</u> | <u>1,342,216</u> | <u>50,772</u> |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government | 8,532,509 | - | - | 35,317 | - | - | 7,264 | - |
| Public safety | 35,021,639 | - | - | - | - | - | - | 36,347 |
| Public works and streets | 6,643,788 | - | - | - | - | - | - | - |
| Culture and recreation | 5,211,199 | 444,159 | - | - | - | 4,303 | - | - |
| Capital Outlay | 359,780 | 8,249 | - | 18,477 | - | - | - | 137,529 |
| Total expenditures | <u>55,768,915</u> | <u>452,408</u> | <u>-</u> | <u>53,794</u> | <u>-</u> | <u>4,303</u> | <u>7,264</u> | <u>173,876</u> |
| Excess (deficiency) of revenues over expenditures | <u>3,224,672</u> | <u>(399,480)</u> | <u>11,088</u> | <u>52,519</u> | <u>-</u> | <u>(1,951)</u> | <u>1,334,952</u> | <u>(123,104)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | 22,488,302 | - | 471,742 | - | - | - | - | - |
| Transfers out | (25,460,780) | - | - | - | - | - | (132,785) | - |
| Transfers in - interaccount | 364,360 | 404,271 | - | - | - | - | - | - |
| Transfers out - interaccount | (443,032) | - | - | - | - | - | (340,000) | - |
| Total other financing sources and uses | <u>(3,051,150)</u> | <u>404,271</u> | <u>471,742</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(472,785)</u> | <u>-</u> |
| Net change in fund balances | 173,522 | 4,791 | 482,830 | 52,519 | - | (1,951) | 862,167 | (123,104) |
| Fund balances - beginning | 10,904,204 | (3,457) | 1,319,683 | 146,993 | - | 47,453 | 350,112 | 430,646 |
| Fund balances - ending | <u>\$ 11,077,726</u> | <u>\$ 1,334</u> | <u>\$ 1,802,513</u> | <u>\$ 199,512</u> | <u>\$ -</u> | <u>\$ 45,502</u> | <u>\$ 1,212,279</u> | <u>\$ 307,542</u> |

(Continued)

CITY OF LAWTON, OKLAHOMA
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Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts – Year Ended June 30, 2016,
(Continued)

| | Elmer Thomas Park Account | Stormwater Mitigation | RSVP Account | Application Fee | Special Jail Account | Real Property Account | Recycling Account | Total General Fund |
|---|--------------------------------------|----------------------------------|---------------------|------------------------|---------------------------------|----------------------------------|------------------------------|-------------------------------|
| REVENUES | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 50,122,229 |
| Intergovernmental | - | - | 45,701 | - | - | - | - | 5,410,188 |
| Charges for services | - | - | - | - | - | - | - | 412,737 |
| Fines and forfeitures | - | - | - | - | 49,665 | - | - | 2,946,692 |
| Licenses and permits | - | - | - | 4,500 | - | - | - | 970,370 |
| Investment income | - | - | 125 | - | - | - | - | 132,715 |
| Miscellaneous | - | 337,051 | - | - | - | - | - | 1,001,367 |
| Total revenues | <u>-</u> | <u>337,051</u> | <u>45,826</u> | <u>4,500</u> | <u>49,665</u> | <u>-</u> | <u>-</u> | <u>60,996,298</u> |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government | - | - | - | 3,788 | - | - | - | 8,578,878 |
| Public safety | - | - | - | - | 7,991 | - | - | 35,065,977 |
| Public works and streets | - | 414,584 | - | - | - | - | - | 7,058,372 |
| Culture and recreation | - | - | 71,299 | - | - | - | - | 5,730,960 |
| Capital Outlay | - | - | - | - | - | - | - | 524,035 |
| Total expenditures | <u>-</u> | <u>414,584</u> | <u>71,299</u> | <u>3,788</u> | <u>7,991</u> | <u>-</u> | <u>-</u> | <u>56,958,222</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>(77,533)</u> | <u>(25,473)</u> | <u>712</u> | <u>41,674</u> | <u>-</u> | <u>-</u> | <u>4,038,076</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | 22,960,044 |
| Transfers out | - | - | - | - | - | - | - | (25,593,565) |
| Transfers in - interaccount | - | - | 38,761 | - | - | - | - | 807,392 |
| Transfers out - interaccount | - | - | - | - | (24,360) | - | - | (807,392) |
| Total other financing sources and uses | <u>-</u> | <u>-</u> | <u>38,761</u> | <u>-</u> | <u>(24,360)</u> | <u>-</u> | <u>-</u> | <u>(2,633,521)</u> |
| Net change in fund balances | - | (77,533) | 13,288 | 712 | 17,314 | - | - | 1,404,555 |
| Fund balances - beginning | 7,796 | 582,898 | (10,438) | 65,920 | 55,674 | 2,275 | 131,866 | 14,031,625 |
| Fund balances - ending | <u>\$ 7,796</u> | <u>\$ 505,365</u> | <u>\$ 2,850</u> | <u>\$ 66,632</u> | <u>\$ 72,988</u> | <u>\$ 2,275</u> | <u>\$ 131,866</u> | <u>\$ 15,436,180</u> |

CITY OF LAWTON, OKLAHOMA
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Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2016

| | SPECIAL REVENUE FUNDS | | | | | | | |
|--|-----------------------|------------------------|-------------------|----------------------------|-------------------------|-----------------|------------------|-------------------|
| | PUBLIC LIBRARY | SMALL BUSINESS LOAN | CDBG | HOME INVESTMENT CDBG | LAWTON URBAN HOUSING | POLICE GRANT | PARK FEE FUND | |
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 22,585 | \$ 163,724 | \$ 614,067 | \$ 26,053 | \$ 238 | \$ 7,123 | \$ 19,085 | \$ 119,472 |
| Investments | - | - | - | - | - | - | - | - |
| Receivables: | | | | | | | | |
| Accounts receivable | - | - | - | - | - | - | - | - |
| Accrued interest receivable | - | - | - | - | - | - | - | - |
| Advance to component unit | - | - | - | - | - | - | - | - |
| Due from other funds | - | - | - | - | - | - | - | - |
| Due from other governments | 5,331 | - | 10,063 | 258 | - | - | - | - |
| Inventory | - | - | - | - | - | - | - | - |
| Total assets | <u>\$ 27,916</u> | <u>\$ 163,724</u> | <u>\$ 624,130</u> | <u>\$ 26,311</u> | <u>\$ 238</u> | <u>\$ 7,123</u> | <u>\$ 19,085</u> | <u>\$ 119,472</u> |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 13,247 | \$ - | \$ 28,016 | \$ 7,856 | \$ - | \$ - | \$ - | \$ 1,529 |
| Due to other funds | - | - | 2,134 | 258 | - | - | - | - |
| Total liabilities | <u>13,247</u> | <u>-</u> | <u>30,150</u> | <u>8,114</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,529</u> |
| Deferred Inflows: | | | | | | | | |
| Unavailable revenue | - | - | - | - | - | - | - | - |
| Fund balances: | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - |
| Restricted | 14,669 | 163,724 | 593,980 | 18,197 | 238 | 7,123 | 19,085 | 117,943 |
| Committed | - | - | - | - | - | - | - | - |
| Assigned | - | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - | - |
| Total fund balances | <u>14,669</u> | <u>163,724</u> | <u>593,980</u> | <u>18,197</u> | <u>238</u> | <u>7,123</u> | <u>19,085</u> | <u>117,943</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 27,916</u> | <u>\$ 163,724</u> | <u>\$ 624,130</u> | <u>\$ 26,311</u> | <u>\$ 238</u> | <u>\$ 7,123</u> | <u>\$ 19,085</u> | <u>\$ 119,472</u> |

(continued)

CITY OF LAWTON, OKLAHOMA
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Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2016, (Continued)

| | SPECIAL REVENUE FUNDS | | | | | | | |
|--|---------------------------|-------------------|-------------------|----------------------|--------------------------------|---------------------------|--------------------|---------------------------------|
| | ANIMAL SHELTER FUND | EMERGENCY 911 | CEMETERY CARE | OFFICERS TRAINING | LAWTON PARKING AUTHORITY | STATE LANDFILL FUND | POLICE SENTINEL | FIRE PREVENTION EDUCATION |
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 105,095 | \$ - | \$ 229,869 | \$ 18,159 | \$ 1,191 | \$ 69,974 | \$ 240 | \$ 12,776 |
| Investments | - | - | - | - | - | - | - | - |
| Receivables: | | | | | | | | |
| Accounts receivable | 20 | 170,213 | - | - | - | 38,911 | - | - |
| Accrued interest receivable | - | - | - | - | - | - | - | - |
| Advance to component unit | - | - | - | - | - | - | - | - |
| Due from other funds | - | - | - | - | - | - | - | - |
| Due from other governments | - | - | - | - | - | - | - | - |
| Inventory | - | - | - | - | - | - | - | - |
| Total assets | <u>\$ 105,115</u> | <u>\$ 170,213</u> | <u>\$ 229,869</u> | <u>\$ 18,159</u> | <u>\$ 1,191</u> | <u>\$ 108,885</u> | <u>\$ 240</u> | <u>\$ 12,776</u> |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 15 | \$ 58,802 | \$ - | \$ 17,467 | \$ - | \$ 54,403 | \$ - | \$ - |
| Due to other funds | - | - | - | - | - | - | - | - |
| Total liabilities | <u>15</u> | <u>58,802</u> | <u>-</u> | <u>17,467</u> | <u>-</u> | <u>54,403</u> | <u>-</u> | <u>-</u> |
| Deferred Inflows: | | | | | | | | |
| Unavailable revenue | - | - | - | - | - | - | - | - |
| Fund balances: | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - |
| Restricted | 105,100 | 111,411 | 229,869 | 692 | 1,191 | 54,482 | 240 | 12,776 |
| Committed | - | - | - | - | - | - | - | - |
| Assigned | - | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - | - |
| Total fund balances | <u>105,100</u> | <u>111,411</u> | <u>229,869</u> | <u>692</u> | <u>1,191</u> | <u>54,482</u> | <u>240</u> | <u>12,776</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 105,115</u> | <u>\$ 170,213</u> | <u>\$ 229,869</u> | <u>\$ 18,159</u> | <u>\$ 1,191</u> | <u>\$ 108,885</u> | <u>\$ 240</u> | <u>\$ 12,776</u> |

(continued)

CITY OF LAWTON, OKLAHOMA
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Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2016, (Continued)

| | SPECIAL REVENUE FUNDS | | | | | | |
|--|-----------------------|-----------------|--------------------------------|---------------------------------|----------------------------|------------------------|--------------------|
| | TIF FUND | GRANTS GIFTS | MCMAHON AUTHORITY GRANTS | DRAINAGE MAINTENANCE FUND | ANIMAL DONATION FUND | LETA BEAUTIFICATION | CEMETERY REWARD |
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 311,359 | \$ 2,609 | \$ 106,351 | \$ 1,208,001 | \$ 21,046 | \$ 55,555 | \$ 5,500 |
| Investments | - | - | - | - | - | - | - |
| Receivables: | | | | | | | |
| Accounts receivable | - | - | - | 111,039 | 29 | - | - |
| Accrued interest receivable | - | - | - | - | - | - | - |
| Advance to component unit | - | - | - | - | - | - | - |
| Due from other funds | - | - | - | - | - | - | - |
| Due from other governments | - | - | - | - | - | - | - |
| Inventory | - | - | - | - | - | - | - |
| Total assets | <u>\$ 311,359</u> | <u>\$ 2,609</u> | <u>\$ 106,351</u> | <u>\$ 1,319,040</u> | <u>\$ 21,075</u> | <u>\$ 55,555</u> | <u>\$ 5,500</u> |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable and accrued liabilities | \$ 156,030 | \$ - | \$ - | \$ 17,246 | \$ - | \$ 10,188 | \$ - |
| Due to other funds | - | - | - | - | - | - | - |
| Total liabilities | <u>156,030</u> | <u>-</u> | <u>-</u> | <u>17,246</u> | <u>-</u> | <u>10,188</u> | <u>-</u> |
| Deferred Inflows: | | | | | | | |
| Unavailable revenue | - | - | - | - | - | - | - |
| Fund balances: | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - |
| Restricted | 155,329 | 2,609 | 106,351 | 1,301,794 | 21,075 | - | 5,500 |
| Committed | - | - | - | - | - | 45,367 | - |
| Assigned | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - |
| Total fund balances | <u>155,329</u> | <u>2,609</u> | <u>106,351</u> | <u>1,301,794</u> | <u>21,075</u> | <u>45,367</u> | <u>5,500</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 311,359</u> | <u>\$ 2,609</u> | <u>\$ 106,351</u> | <u>\$ 1,319,040</u> | <u>\$ 21,075</u> | <u>\$ 55,555</u> | <u>\$ 5,500</u> |

(continued)

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2016, (Continued)

| | SPECIAL REVENUE FUNDS | | | | | | | |
|--|-------------------------|-------------------|----------------------|-----------------------|---------------------|-------------------|---------------------------------|--|
| | HOTEL/MOTEL TAX FUND | PROJECT IMPACT | MASS TRANSIT FUND | FEDERAL GRANT FUND | IMPACT FEES | RENTAL REVENUE | CELLULAR SERVICE FEE FUND | POLICE AND FIRE TRAINING FUND |
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 721,592 | \$ 29,177 | \$ 70,336 | \$ 1,222,268 | \$ 1,164,558 | \$ 28,875 | \$ 699,365 | \$ 451,702 |
| Investments | - | - | - | - | - | - | - | - |
| Receivables: | | | | | | | | |
| Accounts receivable | 114,133 | - | 37,328 | - | - | 1,075 | - | - |
| Accrued interest receivable | - | - | - | - | - | - | - | - |
| Advance to component unit | 114,328 | - | - | - | - | - | - | - |
| Due from other funds | - | - | - | - | - | - | - | - |
| Due from other governments | - | - | 4,218 | 432,890 | - | - | - | - |
| Inventory | - | - | - | - | - | - | - | - |
| Total assets | <u>\$ 950,053</u> | <u>\$ 29,177</u> | <u>\$ 111,882</u> | <u>\$ 1,655,158</u> | <u>\$ 1,164,558</u> | <u>\$ 29,950</u> | <u>\$ 699,365</u> | <u>\$ 451,702</u> |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 210,344 | \$ - | \$ - | \$ 61,388 | \$ 5,000 | \$ - | \$ 22,275 | \$ 9,197 |
| Due to other funds | - | - | - | - | - | - | - | - |
| Total liabilities | <u>210,344</u> | <u>-</u> | <u>-</u> | <u>61,388</u> | <u>5,000</u> | <u>-</u> | <u>22,275</u> | <u>9,197</u> |
| Deferred Inflows: | | | | | | | | |
| Unavailable revenue | - | - | - | 400,000 | - | - | - | - |
| Fund balances: | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - |
| Restricted | 739,709 | 29,177 | 111,882 | 1,193,770 | 1,159,558 | - | 677,090 | 146,171 |
| Committed | - | - | - | - | - | - | - | - |
| Assigned | - | - | - | - | - | 29,950 | - | 296,334 |
| Unassigned | - | - | - | - | - | - | - | - |
| Total fund balances | <u>739,709</u> | <u>29,177</u> | <u>111,882</u> | <u>1,193,770</u> | <u>1,159,558</u> | <u>29,950</u> | <u>677,090</u> | <u>442,505</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 950,053</u> | <u>\$ 29,177</u> | <u>\$ 111,882</u> | <u>\$ 1,655,158</u> | <u>\$ 1,164,558</u> | <u>\$ 29,950</u> | <u>\$ 699,365</u> | <u>\$ 451,702</u> |

(continued)

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2016, (Continued)

| | SPECIAL REVENUE FUNDS | | DEBT SERVICE FUND | | CAPITAL PROJECT FUNDS | | | | | | TOTALS |
|--|---|------------|-------------------|------------------------------|-----------------------|-------------------------------|-----------------|-----------------|--------------|--------------|---------------|
| | LAWTON INDUSTRIAL DEVELOPMENT AUTHORITY | PRIOR 1972 | CIP | CAPITAL OUTLAY ROLLING STOCK | 2005 CIP Fund | CAPITAL IMPROVEMENT FUND 2008 | AD Valorem 2005 | AD Valorem 2012 | 2015 CIP | 2016 CIP | |
| ASSETS | | | | | | | | | | | |
| Cash and cash equivalents | \$ 723 | \$ 877,648 | \$ 1,070,370 | \$ 2,731,753 | \$ 2,768,268 | \$ 3,906,236 | \$ 655,026 | \$ 5,276,442 | \$ 660,942 | \$ 2,350,771 | \$ 27,806,124 |
| Investments | - | - | 495,155 | - | 1,476,323 | - | - | - | 4,725,986 | - | 6,697,464 |
| Receivables: | | | | | | | | | | | |
| Accounts receivable | - | - | 107,455 | - | - | - | - | - | - | - | 580,203 |
| Accrued interest receivable | - | - | 41 | - | 1,479 | - | - | - | 77 | - | 1,597 |
| Advance to component unit | - | - | 299,994 | - | - | - | - | - | - | - | 414,322 |
| Due from other funds | - | - | - | - | - | - | - | - | - | - | - |
| Due from other governments | - | 53,385 | 144,030 | - | - | - | - | - | - | - | 650,175 |
| Inventory | - | - | - | - | - | - | - | - | - | - | - |
| Total assets | \$ 723 | \$ 931,033 | \$ 2,117,045 | \$ 2,731,753 | \$ 4,246,070 | \$ 3,906,236 | \$ 655,026 | \$ 5,276,442 | \$ 5,387,005 | \$ 2,350,771 | \$ 36,149,885 |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ - | \$ 206,499 | \$ 37,308 | \$ 143,403 | \$ 383,653 | \$ - | \$ 521,314 | \$ 706,982 | \$ 479,108 | \$ 3,151,270 |
| Due to other funds | - | - | - | - | - | - | - | - | - | - | 2,392 |
| Total liabilities | - | - | 206,499 | 37,308 | 143,403 | 383,653 | - | 521,314 | 706,982 | 479,108 | 3,153,662 |
| Deferred Inflows: | | | | | | | | | | | |
| Unavailable revenue | - | - | - | - | - | - | - | - | - | - | 400,000 |
| Fund balances: | | | | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - | - | - | - |
| Restricted | 723 | 931,033 | - | - | 4,102,667 | 3,522,583 | 655,026 | 4,755,128 | 4,425,158 | 1,871,663 | 27,364,716 |
| Committed | - | - | - | - | - | - | - | - | - | - | 45,367 |
| Assigned | - | - | 1,910,546 | 2,694,445 | - | - | - | - | - | - | 4,931,275 |
| Unassigned | - | - | - | - | - | - | - | - | - | - | - |
| Total fund balances | 723 | 931,033 | 1,910,546 | 2,694,445 | 4,102,667 | 3,522,583 | 655,026 | 4,755,128 | 4,425,158 | 1,871,663 | 32,341,358 |
| Total liabilities, deferred inflows and fund balances | \$ 723 | \$ 931,033 | \$ 2,117,045 | \$ 2,731,753 | \$ 4,246,070 | \$ 3,906,236 | \$ 655,026 | \$ 5,276,442 | \$ 5,132,140 | \$ 2,350,771 | \$ 35,895,020 |

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2016

| | SPECIAL REVENUE FUNDS | | | | | | | |
|---|-----------------------|------------------------|-------------------|----------------------------|-------------------------|-----------------|------------------|-------------------|
| | PUBLIC LIBRARY | SMALL BUSINESS LOAN | CDBG | HOME INVESTMENT CDBG | LAWTON URBAN HOUSING | POLICE GRANT | PARK FEE FUND | NARCOTICS FUND |
| REVENUES | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | 58,261 | - | 633,203 | 237,311 | - | - | - | - |
| Charges for services | - | - | - | - | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - | - | - | - |
| Investment income | - | 644 | 226 | - | 1 | - | - | - |
| Miscellaneous | 5,099 | - | 16,509 | 20,683 | - | - | - | 46,361 |
| Total revenues | <u>63,360</u> | <u>644</u> | <u>649,938</u> | <u>257,994</u> | <u>1</u> | <u>-</u> | <u>-</u> | <u>46,361</u> |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government | - | - | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - | - | 81,949 |
| Public works and streets | - | - | - | - | - | - | - | - |
| Education | - | - | - | - | - | - | - | - |
| Culture and recreation | 4,308 | - | - | - | - | - | - | - |
| Community development | - | - | 499,220 | 244,246 | - | - | - | - |
| Transportation | - | - | - | - | - | - | - | - |
| Capital Outlay | 48,605 | - | 11,337 | - | - | - | - | 9,200 |
| Debt Service | | | | | | | | |
| Principal | - | - | 75,000 | - | - | - | - | - |
| Interest and fiscal charges | - | - | 76,572 | - | - | - | - | - |
| Total expenditures | <u>52,913</u> | <u>-</u> | <u>662,129</u> | <u>244,246</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>91,149</u> |
| Excess (deficiency) of revenues over expenditures | <u>10,447</u> | <u>644</u> | <u>(12,191)</u> | <u>13,748</u> | <u>1</u> | <u>-</u> | <u>-</u> | <u>(44,788)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Debt proceeds | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 10,447 | 644 | (12,191) | 13,748 | 1 | - | - | (44,788) |
| Fund balances - beginning | 4,222 | 163,080 | 606,171 | 4,449 | 237 | 7,123 | 19,085 | 162,731 |
| Fund balances - ending | <u>\$ 14,669</u> | <u>\$ 163,724</u> | <u>\$ 593,980</u> | <u>\$ 18,197</u> | <u>\$ 238</u> | <u>\$ 7,123</u> | <u>\$ 19,085</u> | <u>\$ 117,943</u> |

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2016, (Continued)

| | SPECIAL REVENUE FUNDS | | | | | | | |
|---|------------------------|-------------------|-------------------|----------------------|--------------------------------|---------------------------|--------------------|---------------------------------|
| | ANIMAL SHELTER FUND | EMERGENCY 911 | CEMETERY CARE | OFFICERS TRAINING | LAWTON PARKING AUTHORITY | STATE LANDFILL FUND | POLICE SENTINEL | FIRE PREVENTION EDUCATION |
| REVENUES | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | 217,481 | - | - | - | - | - | - |
| Charges for services | 32,490 | - | 19,056 | - | - | 191,463 | - | - |
| Fines and forfeitures | - | - | - | 123,688 | - | - | 240 | - |
| Investment earnings | - | - | - | - | - | - | - | - |
| Miscellaneous | - | 548,080 | 62,999 | - | - | - | - | 500 |
| Total revenues | <u>32,490</u> | <u>765,561</u> | <u>82,055</u> | <u>123,688</u> | <u>-</u> | <u>191,463</u> | <u>240</u> | <u>500</u> |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government | - | - | 3,500 | - | - | 198,237 | - | - |
| Public safety | 23,594 | 1,409,744 | - | 203,552 | - | - | - | - |
| Public works and streets | - | - | - | - | - | - | - | - |
| Education | - | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - | - | - |
| Community development | - | - | - | - | - | - | - | - |
| Transportation | - | - | - | - | - | - | - | - |
| Capital Outlay | - | 41,141 | 23,988 | - | - | - | - | - |
| Debt Service | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - |
| Total expenditures | <u>23,594</u> | <u>1,450,885</u> | <u>27,488</u> | <u>203,552</u> | <u>-</u> | <u>198,237</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>8,896</u> | <u>(685,324)</u> | <u>54,567</u> | <u>(79,864)</u> | <u>-</u> | <u>(6,774)</u> | <u>240</u> | <u>500</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Debt proceeds | - | - | - | - | - | - | - | - |
| Transfers in | 920 | 701,818 | - | 60,205 | - | - | - | - |
| Transfers out | - | - | - | (4,296) | - | - | - | - |
| Total other financing sources and uses | <u>920</u> | <u>701,818</u> | <u>-</u> | <u>55,909</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 9,816 | 16,494 | 54,567 | (23,955) | - | (6,774) | 240 | 500 |
| Fund balances - beginning | 95,284 | 94,917 | 175,302 | 24,647 | 1,191 | 61,256 | - | 12,276 |
| Fund balances - ending | <u>\$ 105,100</u> | <u>\$ 111,411</u> | <u>\$ 229,869</u> | <u>\$ 692</u> | <u>\$ 1,191</u> | <u>\$ 54,482</u> | <u>\$ 240</u> | <u>\$ 12,776</u> |

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2016, (Continued)

| | SPECIAL REVENUE FUNDS | | | | | | |
|---|-----------------------|-----------------|--------------------------------|---------------------------------|-------------------------|------------------------|-----------------|
| | TIF FUND | GRANTS GIFTS | MCMAHON AUTHORITY GRANTS | DRAINAGE MAINTENANCE FUND | ANIMAL DONATION FUND | LETA BEAUTIFICATION | |
| REVENUES | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - | - |
| Fines and forfeitures | - | - | - | 798,733 | - | 37,090 | - |
| Investment earnings | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | 3,405 | - | - |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>798,733</u> | <u>3,405</u> | <u>37,090</u> | <u>-</u> |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | 1,046,767 | - | - | - | - | 56,597 | - |
| Public safety | - | - | - | - | 1,982 | - | - |
| Public works and streets | - | - | - | 610,133 | - | - | - |
| Education | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - | - |
| Community development | - | - | - | - | - | - | - |
| Transportation | - | - | - | - | - | - | - |
| Capital Outlay | - | - | 97,064 | 24,912 | - | - | - |
| Debt Service | | | | | | | |
| Principal | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - |
| Total expenditures | <u>1,046,767</u> | <u>-</u> | <u>97,064</u> | <u>635,045</u> | <u>1,982</u> | <u>56,597</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>(1,046,767)</u> | <u>-</u> | <u>(97,064)</u> | <u>163,688</u> | <u>1,423</u> | <u>(19,507)</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Debt proceeds | - | - | - | - | - | - | - |
| Transfers in | 1,038,914 | - | - | - | - | 25,530 | - |
| Transfers out | - | - | - | - | - | - | - |
| Total other financing sources and uses | <u>1,038,914</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>25,530</u> | <u>-</u> |
| Net change in fund balances | (7,853) | - | (97,064) | 163,688 | 1,423 | 6,023 | - |
| Fund balances - beginning | 163,182 | 2,609 | 203,415 | 1,138,106 | 19,652 | 39,344 | 5,500 |
| Fund balances - ending | <u>\$ 155,329</u> | <u>\$ 2,609</u> | <u>\$ 106,351</u> | <u>\$ 1,301,794</u> | <u>\$ 21,075</u> | <u>\$ 45,367</u> | <u>\$ 5,500</u> |

CITY OF LAWTON, OKLAHOMA
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As of and for the Year Ended June 30, 2016

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2016, (Continued)

| SPECIAL REVENUE FUNDS | | | | | | | | |
|---|-------------------------|-------------------|-------------------------|-----------------------|---------------------|-------------------|---------------------------------|----------------------------------|
| | HOTEL/MOTEL TAX FUND | PROJECT IMPACT | MASS TRANSIT FUND | FEDERAL GRANT FUND | IMPACT FEES | RENTAL REVENUE | CELLULAR SERVICE FEE FUND | POLICE AND FIRE TRAINING FUND |
| REVENUES | | | | | | | | |
| Taxes | \$ 1,197,607 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | 1,464,947 | 522,893 | - | - | - | - |
| Charges for services | - | - | 390,816 | - | 124,826 | 12,950 | 622,370 | - |
| Fines and forfeitures | - | - | - | - | - | - | - | 71,360 |
| Investment earnings | - | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - | - | 5,499 |
| Total revenues | <u>1,197,607</u> | <u>-</u> | <u>1,855,763</u> | <u>522,893</u> | <u>124,826</u> | <u>12,950</u> | <u>622,370</u> | <u>76,859</u> |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government | - | - | - | 194,200 | 12,999 | 7,950 | 766,242 | - |
| Public safety | - | - | - | 96,766 | - | - | - | 104,279 |
| Public works and streets | - | - | - | - | - | - | - | - |
| Education | - | - | - | - | - | - | - | - |
| Culture and recreation | 1,173,461 | - | - | - | - | - | - | - |
| Community development | - | - | - | - | - | - | - | - |
| Transportation | - | - | 2,613,510 | - | - | - | - | - |
| Capital Outlay | - | - | - | 716,491 | - | - | - | 1,106 |
| Debt Service | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - |
| Total expenditures | <u>1,173,461</u> | <u>-</u> | <u>2,613,510</u> | <u>1,007,457</u> | <u>12,999</u> | <u>7,950</u> | <u>766,242</u> | <u>105,385</u> |
| Excess (deficiency) of revenues over expenditures | <u>24,146</u> | <u>-</u> | <u>(757,747)</u> | <u>(484,564)</u> | <u>111,827</u> | <u>5,000</u> | <u>(143,872)</u> | <u>(28,526)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Debt proceeds | - | - | - | - | - | - | - | - |
| Transfers in | - | - | 650,000 | - | - | - | - | 46,130 |
| Transfers out | - | - | (16,536) | - | - | - | - | - |
| Total other financing sources and uses | <u>-</u> | <u>-</u> | <u>633,464</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>46,130</u> |
| Net change in fund balances | 24,146 | - | (124,283) | (484,564) | 111,827 | 5,000 | (143,872) | 17,604 |
| Fund balances - beginning | 715,563 | 29,177 | 236,165 | 1,678,334 | 1,047,731 | 24,950 | 820,962 | 424,901 |
| Fund balances - ending | <u>\$ 739,709</u> | <u>\$ 29,177</u> | <u>\$ 111,882</u> | <u>\$ 1,193,770</u> | <u>\$ 1,159,558</u> | <u>\$ 29,950</u> | <u>\$ 677,090</u> | <u>\$ 442,505</u> |

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2016, (Continued)

| | SPECIAL REVENUE FUNDS | | DEBT SERVICE FUND | | CAPITAL PROJECT FUNDS | | | | | | TOTALS |
|---|---|---------------|-------------------|-----------------------|-----------------------|-------------------------------|-----------------|-----------------|--------------|--------------|---------------|
| | LAWTON INDUSTRIAL DEVELOPMENT AUTHORITY | PRIOR TO 1972 | CIP | CAPITAL ROLLING STOCK | 2005 CIP Fund | CAPITAL IMPROVEMENT FUND 2008 | AD Valorem 2005 | AD Valorem 2012 | 2015 CIP | 2016 CIP | |
| REVENUES | | | | | | | | | | | |
| Taxes | \$ - | \$ 3,969,796 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 5,167,403 |
| Intergovernmental | - | - | 874,262 | - | - | - | - | - | - | - | 4,008,358 |
| Charges for services | - | - | 43,154 | - | - | - | - | - | - | - | 1,437,125 |
| Fines and forfeitures | - | - | - | - | - | - | - | - | - | - | 1,031,111 |
| Investment earnings | - | - | 1,854 | - | 20,291 | 12,290 | 3,219 | 15,411 | 43,890 | - | 97,826 |
| Miscellaneous | - | - | 227,080 | 17,135 | - | - | - | - | - | - | 953,350 |
| Total revenues | - | 3,969,796 | 1,146,350 | 17,135 | 20,291 | 12,290 | 3,219 | 15,411 | 43,890 | - | 12,695,173 |
| EXPENDITURES | | | | | | | | | | | |
| Current: | | | | | | | | | | | |
| General government | 95,550 | - | 141,687 | - | - | - | - | 50,999 | - | 228,849 | 2,803,577 |
| Public safety | - | - | - | - | - | - | - | - | - | - | 1,921,866 |
| Public works and streets | - | - | - | - | - | - | - | - | - | - | 610,133 |
| Education | - | - | - | - | - | - | - | - | 2,500,000 | - | 2,500,000 |
| Culture and recreation | - | - | - | - | - | - | - | - | - | - | 1,177,769 |
| Community development | - | - | - | - | - | - | - | - | - | - | 743,466 |
| Transportation | - | - | - | - | - | - | - | - | - | - | 2,613,510 |
| Capital Outlay | - | - | 606,153 | 2,236,632 | 651,058 | 3,520,692 | - | 681,959 | 2,836,075 | 1,921,650 | 13,428,063 |
| Debt Service | | | | | | | | | | | |
| Principal | - | 3,508,896 | - | 783,038 | - | - | - | - | 885,584 | - | 5,252,518 |
| Interest and fiscal charges | - | 518,030 | - | 8,359 | - | - | - | - | 7,380 | - | 610,341 |
| Total expenditures | 95,550 | 4,026,926 | 747,840 | 3,028,029 | 651,058 | 3,520,692 | - | 732,958 | 6,229,039 | 2,150,499 | 31,661,243 |
| Excess (deficiency) of revenues over expenditures | (95,550) | (57,130) | 398,510 | (3,010,894) | (630,767) | (3,508,402) | 3,219 | (717,547) | (6,185,149) | (2,150,499) | (18,966,070) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | |
| Debt proceeds | - | - | - | - | - | - | - | 2,950,646 | 1,071,648 | 11,028,849 | 15,051,143 |
| Transfers in | 95,550 | - | 65,000 | 2,906,397 | - | 3,657,752 | - | - | 10,150,864 | 5,031,713 | 24,430,793 |
| Transfers out | - | - | - | - | (304,259) | (2,978,833) | - | - | (3,737,500) | (12,038,400) | (19,079,824) |
| Total other financing sources and uses | 95,550 | - | 65,000 | 2,906,397 | (304,259) | 678,919 | - | 2,950,646 | 7,485,012 | 4,022,162 | 20,402,112 |
| Net change in fund balances | - | (57,130) | 463,510 | (104,497) | (935,026) | (2,829,483) | 3,219 | 2,233,099 | 1,299,863 | 1,871,663 | 1,436,042 |
| Fund balances - beginning | 723 | 988,163 | 1,447,036 | 2,798,942 | 5,037,693 | 6,352,066 | 651,807 | 2,522,029 | 3,125,295 | - | 30,905,316 |
| Fund balances - ending | \$ 723 | \$ 931,033 | \$ 1,910,546 | \$ 2,694,445 | \$ 4,102,667 | \$ 3,522,583 | \$ 655,026 | \$ 4,755,128 | \$ 4,425,158 | \$ 1,871,663 | \$ 32,341,358 |

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Combining Statement of Net Position – Lawton Water Authority Enterprise Fund – June 30, 2016

| | Sewer System Tech | 1972 & After | Enterprise Account | Lawton Water Authority | Sewer Maintenance Program | Landfill Financial Assurance | Pumping Fee Fund | Water Meter Fund | Waurika Payments | Total |
|---|---------------------|---------------------|-----------------------|------------------------|---------------------------|------------------------------|--------------------|------------------|-------------------|-----------------------|
| ASSETS | | | | | | | | | | |
| Current assets: | | | | | | | | | | |
| Cash and cash equivalents | \$ 2,445,316 | \$ 1,812,547 | \$ 183,107 | \$ 4,500 | \$ 4,478 | \$ 105,058 | \$ (1,866) | \$ 140 | \$ 662,792 | \$ 5,216,072 |
| Cash and cash equivalents, restricted | - | - | - | 23,875,927 | - | - | - | - | - | 23,875,927 |
| Investments | - | - | - | - | - | 499,603 | - | - | - | 499,603 |
| Investments, restricted | - | - | - | - | - | 153,846 | - | - | - | 153,846 |
| Accounts receivable, net | - | - | - | 5,284,005 | 9,833 | - | (6,775) | - | 443,132 | 5,730,195 |
| Interest receivable | - | - | - | - | - | 81 | - | - | - | 81 |
| Due from other governments | 2,055,189 | - | - | - | - | - | - | - | - | 2,055,189 |
| Total current assets | <u>4,500,505</u> | <u>1,812,547</u> | <u>183,107</u> | <u>29,164,432</u> | <u>14,311</u> | <u>758,588</u> | <u>(8,641)</u> | <u>140</u> | <u>1,105,924</u> | <u>37,530,913</u> |
| Non-current assets: | | | | | | | | | | |
| Cash and cash equivalents, restricted | - | - | - | 260,005 | - | - | - | - | - | 260,005 |
| Land and construction in progress | - | - | 29,902,229 | - | - | - | - | - | - | 29,902,229 |
| Other capital assets, net | 1,708,422 | - | 153,034,113 | 29,966,056 | 305,990 | - | - | - | - | 185,014,581 |
| Total non-current assets | <u>1,708,422</u> | <u>-</u> | <u>182,936,342</u> | <u>30,226,061</u> | <u>305,990</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>215,176,815</u> |
| Total assets | <u>6,208,927</u> | <u>1,812,547</u> | <u>183,119,449</u> | <u>59,390,493</u> | <u>320,301</u> | <u>758,588</u> | <u>(8,641)</u> | <u>140</u> | <u>1,105,924</u> | <u>252,707,728</u> |
| DEFERRED OUTFLOW OF RESOURCES | | | | | | | | | | |
| Deferred amounts related to pension | 168,105 | - | 773,760 | - | 41,799 | - | - | - | - | 983,664 |
| LIABILITIES | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | |
| Accounts payable and accrued liabilities | 208,130 | - | 475,174 | 16 | 23,833 | - | 3,116 | - | 259,188 | 969,457 |
| Accrued interest payable | - | - | - | 394,042 | - | - | - | - | - | 394,042 |
| Accrued compensated absences | 15,741 | - | 91,864 | - | - | - | - | - | - | 107,605 |
| Landfill post closure liability | - | - | 607,977 | - | - | - | - | - | - | 607,977 |
| Contract payable - Waurika note | - | - | - | 1,379,446 | - | - | - | - | - | 1,379,446 |
| Worker's compensation liability | - | - | 301,383 | - | - | - | - | - | - | 301,383 |
| Notes payable | - | - | - | 977,429 | - | - | - | - | - | 977,429 |
| Revenue bonds payable | - | - | - | 5,809,725 | - | - | - | - | - | 5,809,725 |
| Total current liabilities | <u>223,871</u> | <u>-</u> | <u>1,476,398</u> | <u>8,560,658</u> | <u>23,833</u> | <u>-</u> | <u>3,116</u> | <u>-</u> | <u>259,188</u> | <u>10,547,064</u> |
| Non-current liabilities: | | | | | | | | | | |
| Accrued compensated absences | 115,982 | - | 676,870 | - | - | - | - | - | - | 792,852 |
| Landfill post closure liability | - | - | 5,007,313 | - | - | - | - | - | - | 5,007,313 |
| Contract payable - Waurika note | - | - | - | 29,972,774 | - | - | - | - | - | 29,972,774 |
| Worker's compensation liability | - | - | 301,382 | - | - | - | - | - | - | 301,382 |
| Net OPEB obligation | - | - | 1,435,252 | - | - | - | - | - | - | 1,435,252 |
| Notes payable | - | - | - | 9,259,985 | - | - | - | - | - | 9,259,985 |
| Revenue bond payable, net | - | - | - | 26,759,694 | - | - | - | - | - | 26,759,694 |
| Net pension liability | 1,578,698 | - | 7,266,433 | - | 392,529 | - | - | - | - | 9,237,660 |
| Total non-current liabilities | <u>1,694,680</u> | <u>-</u> | <u>14,687,250</u> | <u>65,992,453</u> | <u>392,529</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>82,766,912</u> |
| Total liabilities | <u>1,918,551</u> | <u>-</u> | <u>16,163,648</u> | <u>74,553,111</u> | <u>416,362</u> | <u>-</u> | <u>3,116</u> | <u>-</u> | <u>259,188</u> | <u>93,313,976</u> |
| DEFERRED INFLOW OF RESOURCES | | | | | | | | | | |
| Deferred amounts related to pensions | 164,665 | - | 278,632 | - | 61,260 | - | - | - | - | 504,557 |
| NET POSITION | | | | | | | | | | |
| Net investment in capital assets | 1,708,422 | - | 182,966,859 | (20,151,972) | 305,990 | - | - | - | - | 164,829,299 |
| Restricted for debt service | - | - | - | 5,135,554 | - | - | - | - | - | 5,135,554 |
| Restricted for landfill financial assurance | - | - | - | - | - | 153,846 | - | - | - | 153,846 |
| Unrestricted (deficit) | 2,585,394 | 1,812,547 | (15,515,930) | (146,200) | (421,512) | 604,742 | (11,757) | 140 | 846,736 | (10,245,840) |
| Total net position | <u>\$ 4,293,816</u> | <u>\$ 1,812,547</u> | <u>\$ 167,450,929</u> | <u>\$ (15,162,618)</u> | <u>\$ (115,522)</u> | <u>\$ 758,588</u> | <u>\$ (11,757)</u> | <u>\$ 140</u> | <u>\$ 846,736</u> | <u>\$ 159,872,859</u> |

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Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Lawton Water Authority Enterprise Fund – Year ended June 30, 2016

| | Enterprise Fund | | | | | | | | | Total |
|--|---------------------|---------------------|-----------------------|------------------------|---------------------------|------------------------------|--------------------|------------------|-------------------|-----------------------|
| | Sewer System Tech | 1972 & After | Enterprise Account | Lawton Water Authority | Sewer Maintenance Program | Landfill Financial Assurance | Pumping Fee Fund | Water Meter Fund | Waurika Payments | |
| REVENUES | | | | | | | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ 39,514,881 | \$ - | \$ - | \$ 166,751 | \$ - | \$ 3,572,849 | \$ 43,254,481 |
| Other sources | - | - | - | 168,370 | - | - | - | - | - | 168,370 |
| Total operating revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>39,683,251</u> | <u>-</u> | <u>-</u> | <u>166,751</u> | <u>-</u> | <u>3,572,849</u> | <u>43,422,851</u> |
| OPERATING EXPENSES | | | | | | | | | | |
| Public works operations | 2,660,452 | - | 13,406,518 | 5,338,955 | 510,988 | 650 | 178,042 | - | 1,444,090 | 23,539,695 |
| Depreciation expense | 397,042 | - | 8,001,801 | 383,711 | 73,856 | - | - | - | - | 8,856,410 |
| Landfill closure expense | - | - | 421,707 | - | - | - | - | - | - | 421,707 |
| Total operating expenses | <u>3,057,494</u> | <u>-</u> | <u>21,830,026</u> | <u>5,722,666</u> | <u>584,844</u> | <u>650</u> | <u>178,042</u> | <u>-</u> | <u>1,444,090</u> | <u>32,817,812</u> |
| Operating income (loss) | <u>(3,057,494)</u> | <u>-</u> | <u>(21,830,026)</u> | <u>33,960,585</u> | <u>(584,844)</u> | <u>(650)</u> | <u>(11,291)</u> | <u>-</u> | <u>2,128,759</u> | <u>10,605,039</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | | | | | | | |
| Investment income | 6,250 | 380 | - | 18,026 | - | 5,242 | - | - | - | 29,898 |
| Interest expense and fiscal charges | - | - | - | (878,875) | - | - | - | - | (740,615) | (1,619,490) |
| Bond issuance cost | - | - | - | (347,353) | - | - | - | - | - | (347,353) |
| Gain (Loss) on asset retirement | (406) | - | 46,506 | - | - | - | - | - | - | 46,100 |
| Other non-operating revenue | 3 | - | - | 11,476 | - | - | - | - | - | 11,479 |
| Capital Grants | 2,055,189 | - | - | - | - | - | - | - | - | 2,055,189 |
| Total non-operating revenue (expenses) | <u>2,061,036</u> | <u>380</u> | <u>46,506</u> | <u>(1,196,726)</u> | <u>-</u> | <u>5,242</u> | <u>-</u> | <u>-</u> | <u>(740,615)</u> | <u>175,823</u> |
| Income (loss) before contributions and transfers | <u>(996,458)</u> | <u>380</u> | <u>(21,783,520)</u> | <u>32,763,859</u> | <u>(584,844)</u> | <u>4,592</u> | <u>(11,291)</u> | <u>-</u> | <u>1,388,144</u> | <u>10,780,862</u> |
| Capital asset transfers in and capital contributions | - | - | 8,184,716 | - | - | - | - | - | - | 8,184,716 |
| Interaccount transfers in | - | 972,629 | 35,027,454 | 2,692,610 | 118,000 | - | - | - | - | 38,810,693 |
| Interaccount transfers out | (1,251,955) | (1,045,778) | - | (34,866,128) | - | - | - | - | (1,646,832) | (38,810,693) |
| Transfers in | 3,500,000 | - | - | 20,102,428 | 370,000 | - | - | - | - | 23,972,428 |
| Transfers out | - | - | (20,319,550) | (13,433,523) | - | - | - | - | - | (33,753,073) |
| Change in net position | <u>1,251,587</u> | <u>(72,769)</u> | <u>1,109,100</u> | <u>7,259,246</u> | <u>(96,844)</u> | <u>4,592</u> | <u>(11,291)</u> | <u>-</u> | <u>(258,688)</u> | <u>9,184,933</u> |
| Total net position - beginning | <u>3,042,229</u> | <u>1,885,316</u> | <u>166,341,829</u> | <u>(22,421,864)</u> | <u>(18,678)</u> | <u>753,996</u> | <u>(466)</u> | <u>140</u> | <u>1,105,424</u> | <u>150,687,926</u> |
| Total net position - ending | <u>\$ 4,293,816</u> | <u>\$ 1,812,547</u> | <u>\$ 167,450,929</u> | <u>\$ (15,162,618)</u> | <u>\$ (115,522)</u> | <u>\$ 758,588</u> | <u>\$ (11,757)</u> | <u>\$ 140</u> | <u>\$ 846,736</u> | <u>\$ 159,872,859</u> |

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Combining Cash Flow Statement – Lawton Water Authority Enterprise Fund – Year ended June 30, 2016

| | Enterprise Fund | | | | | | | | | |
|--|----------------------|---------------------|-----------------------|---------------------------|---------------------------------|------------------------------------|---------------------|---------------------|---------------------|----------------------|
| | Sewer System Tech | 1972 & After | Enterprise Account | Lawton Water Authority | Sewer Maintenance Program | Landfill Financial Assurance | Pumping Fee Fund | Water Meter Fund | Waurika Payments | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | | | |
| Receipts from customers | \$ 3 | \$ - | \$ - | \$ 39,295,401 | \$ - | \$ - | \$ 201,594 | \$ - | \$ 3,499,811 | \$ 42,996,809 |
| Payments to suppliers | (1,222,384) | - | (5,326,680) | (5,338,939) | (69,872) | (650) | (175,121) | - | (1,241,629) | (13,375,275) |
| Payments to employees | (1,175,923) | - | (6,565,070) | - | (379,535) | - | - | - | - | (8,120,528) |
| Payments for interfund services | (170,320) | - | (1,572,910) | - | (54,034) | - | - | - | - | (1,797,264) |
| Payments to other funds | - | - | - | (6,273,148) | - | - | - | - | - | (6,273,148) |
| Net cash provided by (used in) operating activities | (2,568,624) | - | (13,464,660) | 27,683,314 | (503,441) | (650) | 26,473 | - | 2,258,182 | 13,430,594 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | | | | |
| Transfers from other funds | 3,500,000 | - | - | 20,102,428 | 370,000 | - | - | - | - | 23,972,428 |
| Transfers to other funds | - | - | (20,319,550) | (13,433,523) | - | - | - | - | - | (33,753,073) |
| Interaccount transfer in | - | 972,629 | 35,027,454 | 2,692,610 | 118,000 | - | - | - | - | 38,810,693 |
| Interaccount transfer out | (1,251,955) | (1,045,778) | - | (34,866,128) | - | - | - | - | (1,646,832) | (38,810,693) |
| Principal paid on debt | - | - | - | (129,961) | - | - | - | - | - | (129,961) |
| Proceeds from debt | - | - | - | 5,170,708 | - | - | - | - | - | 5,170,708 |
| Issuance cost paid | - | - | - | (161,202) | - | - | - | - | - | (161,202) |
| Interest and fiscal agent fees paid on debt | - | - | - | (172,538) | - | - | - | - | - | (172,538) |
| Net cash provided by (used in) noncapital financing activities | 2,248,045 | (73,149) | 14,707,904 | (20,797,606) | 488,000 | - | - | - | (1,646,832) | (5,073,638) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | | | | |
| Capital assets purchased | (536,278) | - | (1,221,439) | - | (2,549) | - | - | - | - | (1,760,266) |
| Principal paid on debt | - | - | - | (9,933,773) | - | - | - | - | - | (9,933,773) |
| Proceeds from debt | - | - | - | 9,559,934 | - | - | - | - | - | 9,559,934 |
| Issuance cost paid | - | - | - | (186,151) | - | - | - | - | - | (186,151) |
| Interest and fiscal agent fees paid on debt | - | - | - | (994,463) | - | - | - | - | (740,615) | (1,735,078) |
| Net cash provided by (used in) capital and related financing activities | (536,278) | - | (1,221,439) | (1,554,453) | (2,549) | - | - | - | (740,615) | (4,055,334) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | | |
| Sale of investments | - | 250,147 | - | - | - | - | - | - | - | 250,147 |
| Purchase of investments | - | - | - | - | - | (499,613) | - | - | - | (499,613) |
| Interest and dividends | 6,250 | 414 | - | 18,425 | - | 5,161 | - | - | - | 30,250 |
| Net cash provided by (used in) investing activities | 6,250 | 250,561 | - | 18,425 | - | (494,452) | - | - | - | (219,216) |
| Net increase (decrease) in cash and cash equivalents | (850,607) | 177,412 | 21,805 | 5,349,680 | (17,990) | (495,102) | 26,473 | - | (129,265) | 4,082,406 |
| Balances - beginning of year | 3,295,923 | 1,635,135 | 161,302 | 18,790,752 | 22,468 | 600,160 | (28,339) | 140 | 792,057 | 25,269,598 |
| Balances - end of year | \$ 2,445,316 | \$ 1,812,547 | \$ 183,107 | \$ 24,140,432 | \$ 4,478 | \$ 105,058 | \$ (1,866) | \$ 140 | \$ 662,792 | \$ 29,352,004 |
| Reconciliation to Statement of Net Position: | | | | | | | | | | |
| Cash and cash equivalents | \$ 2,445,316 | \$ 1,812,547 | \$ 183,107 | \$ 4,500 | \$ 4,478 | \$ 105,058 | \$ (1,866) | \$ 140 | \$ 662,792 | \$ 5,216,072 |
| Restricted cash and cash equivalents - current | - | - | - | 23,875,927 | - | - | - | - | - | 23,875,927 |
| Restricted cash and cash equivalents - noncurrent | - | - | - | 260,005 | - | - | - | - | - | 260,005 |
| Total cash and cash equivalents, end of year | \$ 2,445,316 | \$ 1,812,547 | \$ 183,107 | \$ 24,140,432 | \$ 4,478 | \$ 105,058 | \$ (1,866) | \$ 140 | \$ 662,792 | \$ 29,352,004 |

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Combining Statement of Net Position – Internal Service Funds – June 30, 2016

| | <u>Internal Service Funds</u> | | | <u>Total</u> |
|--|-------------------------------|----------------------|------------------------------------|-----------------------|
| | <u>Group Health Insurance</u> | <u>Worker's Comp</u> | <u>Information Technology Fund</u> | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 114,149 | \$ - | \$ - | \$ 114,149 |
| Total current assets | <u>114,149</u> | <u>-</u> | <u>-</u> | <u>114,149</u> |
| Non-current assets: | | | | |
| Capital assets: | | | | |
| Land and construction in progress | - | - | - | - |
| Other capital assets, net | - | - | 90,517 | 90,517 |
| Total non-current assets | <u>-</u> | <u>-</u> | <u>90,517</u> | <u>90,517</u> |
| Total assets | <u>114,149</u> | <u>-</u> | <u>90,517</u> | <u>204,666</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | 4,960 | - | 34,121 | 39,081 |
| Due to other funds | - | 1,352 | - | 1,352 |
| Accrued compensated absences | - | - | 23,386 | 23,386 |
| Total current liabilities | <u>4,960</u> | <u>1,352</u> | <u>57,507</u> | <u>63,819</u> |
| Non-current liabilities: | | | | |
| Accrued compensated absences | - | - | 172,311 | 172,311 |
| Claims liability | <u>1,789,967</u> | <u>-</u> | <u>-</u> | <u>1,789,967</u> |
| Total non-current liabilities | <u>1,789,967</u> | <u>-</u> | <u>172,311</u> | <u>1,962,278</u> |
| Total liabilities | <u>1,794,927</u> | <u>1,352</u> | <u>229,818</u> | <u>2,026,097</u> |
| NET POSITION | | | | |
| Net investment in capital assets | - | - | - | - |
| Unrestricted (deficit) | <u>(1,680,778)</u> | <u>(1,352)</u> | <u>(139,301)</u> | <u>(1,821,431)</u> |
| Total net position | <u>\$ (1,680,778)</u> | <u>\$ (1,352)</u> | <u>\$ (139,301)</u> | <u>\$ (1,821,431)</u> |

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Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Internal Service Funds – Year ended June 30, 2016

| | Internal Service Funds | | | Total |
|---------------------------------|-------------------------------|----------------------|------------------------------------|-----------------------|
| | Group Health Insurance | Worker's Comp | Information Technology Fund | |
| REVENUES | | | | |
| Charges for services | \$ 6,351,598 | \$ - | \$ 1,309,525 | \$ 7,661,123 |
| Total operating revenues | <u>6,351,598</u> | <u>-</u> | <u>1,309,525</u> | <u>7,661,123</u> |
| OPERATING EXPENSES | | | | |
| General government and claims | 6,846,360 | 1,352 | - | 6,847,712 |
| Computer service operations | - | - | 1,197,624 | 1,197,624 |
| Depreciation expense | - | - | 40,943 | 40,943 |
| Total operating expenses | <u>6,846,360</u> | <u>1,352</u> | <u>1,238,567</u> | <u>8,086,279</u> |
| Operating income (loss) | <u>(494,762)</u> | <u>(1,352)</u> | <u>70,958</u> | <u>(425,156)</u> |
| NON-OPERATING REVENUES | | | | |
| Investment income | 1,908 | - | - | 1,908 |
| Other non-operating revenue | 6,500 | - | - | 6,500 |
| Gain (loss) on asset retirement | - | - | 36,564 | 36,564 |
| Total non-operating revenues | <u>8,408</u> | <u>-</u> | <u>36,564</u> | <u>44,972</u> |
| Change in net position | (486,354) | (1,352) | 107,522 | (380,184) |
| Total net position - beginning | (1,194,424) | - | (246,823) | (1,441,247) |
| Total net position - ending | <u>\$ (1,680,778)</u> | <u>\$ (1,352)</u> | <u>\$ (139,301)</u> | <u>\$ (1,821,431)</u> |

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Combining Cash Flow Statement – Internal Service Funds – Year ended June 30, 2016

| | HEALTH INSURANCE FUND | WORKER'S COMPENSATION FUND | INFORMATION TECHNOLOGY FUND | TOTALS |
|--|-----------------------------|----------------------------------|-----------------------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 10,830 | \$ - | \$ - | \$ 10,830 |
| Receipts from interfund services provided | 6,347,268 | - | 1,309,525 | 7,656,793 |
| Payments to suppliers | (95,893) | (1,352) | (374,785) | (472,030) |
| Payments to employees | - | - | (968,356) | (968,356) |
| Payments from other funds | - | 1,282 | - | 1,282 |
| Claims and benefits paid | (6,316,059) | - | - | (6,316,059) |
| Net Cash Provided by (used in) Operating Activities | <u>(53,854)</u> | <u>(70)</u> | <u>(33,616)</u> | <u>(87,540)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Capital assets purchased | - | - | (2,948) | (2,948) |
| Proceeds of capital grants | - | - | 36,564 | 36,564 |
| Net cash provided by (used in) capital and related financing activities | <u>-</u> | <u>-</u> | <u>33,616</u> | <u>33,616</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest and dividends | 1,908 | - | - | 1,908 |
| Net Cash Provided by Investing Activities | <u>1,908</u> | <u>-</u> | <u>-</u> | <u>1,908</u> |
| Net Increase (decrease) in Cash and Cash Equivalents | (51,946) | (70) | - | (52,016) |
| Balances - beginning of the year | 166,095 | 70 | - | 166,165 |
| Balances - end of the year | <u>\$ 114,149</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 114,149</u> |
| Reconciliation to Statement of Net Position: | | | | |
| Cash and cash equivalents | \$ 114,149 | \$ - | \$ - | \$ 114,149 |
| Total cash and cash equivalents | <u>\$ 114,149</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 114,149</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Operating income (loss) | \$ (494,762) | \$ (1,352) | \$ 70,958 | \$ (425,156) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation expense | - | - | 40,943 | 40,943 |
| Other miscellaneous revenue | 6,500 | - | - | 6,500 |
| Change in assets and liabilities: | | | | |
| Accounts payable | 796 | - | (135,565) | (134,769) |
| Due to other funds | - | 1,282 | - | 1,282 |
| Accrued compensated absences | - | - | (9,952) | (9,952) |
| Claims liability | 433,612 | - | - | 433,612 |
| Net Cash Provided by (used in) Operating Activities | <u>\$ (53,854)</u> | <u>\$ (70)</u> | <u>\$ (33,616)</u> | <u>\$ (87,540)</u> |

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Debt Service Coverage Schedule - Year Ended June 30, 2016

| | OWRB Series 2001A, 2001B, 2003A, 2003B, 2003C, 2003D, 2004A, 2005, 2006A, & 2009 Promissory Notes |
|---|--|
| GROSS REVENUE AVAILABLE: | |
| Charges for services (all utility revenues) | \$ 43,254,481 |
| Other resources | 168,370 |
| Investment income | 29,898 |
| Total Gross Revenue Available | 43,452,749 |
| OPERATING EXPENSES: | |
| Total Operating Expenses | 23,961,402 |
| Net Revenue Available for Debt Service | \$19,491,347 |
| Maximum Annual Debt Service on all Obligations Payable From Revenues of the System | \$3,886,304 |
| Computed Coverage | 502% |
| Coverage Requirement | 125% |