

Annual Financial Statements and Independent Auditor's Report

MAKING PROGRESS



City of Lawton, OKLAHOMA



For Fiscal Year Ended
June 30, 2017

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

TABLE OF CONTENTS

	Page
Independent Auditor’s Report	3-4
Management’s Discussion and Analysis	7-17
 The Basic Financial Statements:	
 Government-Wide Financial Statements:	
Statement of Net Position	19
Statement of Activities	20
 Governmental Funds Financial Statements:	
Balance Sheet	22
Reconciliation of Governmental Funds and Government-Wide Financial Statements.....	23
Statement of Revenues, Expenditures and Changes in Fund Balances.....	24
Reconciliation of Governmental Funds and Government-Wide Financial Statements.....	25
 Proprietary Funds Financial Statements:	
Statement of Net Position.....	27
Statement of Revenues, Expenses and Changes in Net Position.....	28
Statement of Cash Flows.....	29
 Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Position.....	31
Pension Trust Fund Statement of Changes in Fiduciary Net Position.....	32
 Combining Financial Statements – Discretely-Presented Component Units:	
Combining Statement of Net Position.....	34
Combining Statement of Activities.....	35
Balance Sheet, Governmental Funds.....	36
Statement of Revenues, Expenditures and Changes in Fund Balances, Governmental Funds	37
 Notes to the Basic Financial Statements	 38-80
 Required Supplementary Information:	
 Budgetary Comparison Information	
Budgetary Comparison Schedule (Budgetary Basis) – General Fund.....	82
Notes to Budgetary Comparison Schedule.....	82-83
 Schedules of Required Supplementary Information – Pensions	
Schedules of Required Supplementary Information – Oklahoma Police Pension & Retirement System.....	84
Schedules of Required Supplementary Information – Oklahoma Firefighter’s Pension & Retirement System.....	85

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

TABLE OF CONTENTS, Cont.

	Page
Schedule of Required Supplementary Information – City Defined Benefit Pension Plan.....	86-87
 Post-Employment Benefits Trend Information	
Schedule of Funding Progress – Other Post Employment Benefits.....	88
 Other Supplementary Information:	
 General Fund Accounts Combining Schedules	
Combining Balance Sheet – General Fund Accounts.....	90-91
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts.....	92-93
 Nonmajor Governmental Combining Statements	
Combining Balance Sheet – Nonmajor Governmental Funds.....	94-98
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds.....	99-103
 LWA Enterprise Fund Accounts Combining Schedules	
Combining Schedule of Net Position– LWA Enterprise Fund Accounts.....	104
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position – LWA Enterprise Fund Accounts.....	105
Combining Cash Flow Schedule – Enterprise Fund Accounts.....	106
 Internal Service Funds Combining Statements	
Combining Statement of Net Position– Internal Service Funds.....	107
Combining Statement of Revenues, Expenses and Changes in Net Position – Internal Service Funds.....	108
Combining Cash Flow Statement – Internal Service Funds.....	109
Debt Service Coverage Schedule.....	110

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 70% 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.

Opinions

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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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

Rogers, Arkansas
April 20, 2018

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2017**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2017**

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2017**

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, 2017. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2017, the City's total net position increased by \$12.4 million or 4.81% from the prior year.
- During the year, the City's expenses for governmental activities were \$77.2 million and were funded by program revenues of \$15.6 million and further funded with taxes and other general revenues, including transfers in, that totaled \$68.9 million.
- In the City's business-type activities, such as utilities, program revenues exceeded expenses by \$16.1 million.
- Sales and use taxes decreased by \$2.3 million or 4.6% over the prior fiscal year.
- At June 30, 2017, the General Fund reported an unassigned fund balance of \$7.7 million.
- For budgetary reporting purposes, the General Fund reported revenues below estimates by \$1,574,633 or 2.78%, while expenditures were under final appropriations by \$1,672,898 or 3.18%.
- The City and the Lawton Water Authority issued new debt totaling \$37,205,302, excluding judgments payable. The debt was issued to provide funding for capital improvements for streets, public safety and industrial development.

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, 2017**

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, five active 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 (LWA)** – 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 (LIDA)**– public trust created to promote industrial development within the Lawton area. The Trust is reported as the Special Revenue LIDA Fund and is considered a major governmental fund.

Discretely Presented Component Units:

- **Lawton Metropolitan Area Airport Authority (LMAAA)** – 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 (MAA)** – 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, 2017**

- **Lawton Economic Development Authority (LEDA)** – public trust created to promote economic development within the Lawton area.
- **Lawton Metropolitan Planning Organization (LMPO)**– public trust created to coordinate planning and development of transportation activities within the Lawton Metropolitan area.
- **Lawton Enhancement Trust Authority (LETA)** – public trust created to beautify and aesthetically enhance the appearance of the City of Lawton.
- **Lawton Urban Renewal Authority (LURA)** – 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.

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2017**

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, 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

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2017**

in the government-wide statements but provide more detail and additional information, such as cash flows.

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 \$266.6 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.)
	2017	2016		2017	2016		2017	2016	
Current assets	\$ 104,323	\$ 81,825	27%	\$ 18,036	\$ 37,530	-52%	\$ 122,359	\$ 119,355	3%
Capital assets, net	131,356	111,557	18%	220,511	214,917	3%	351,867	326,474	8%
Other non-current assets	-	-	-	11,137	260	4183%	11,137	260	-
Total assets	<u>235,679</u>	<u>193,382</u>	22%	<u>249,684</u>	<u>252,707</u>	-1%	<u>485,363</u>	<u>446,089</u>	9%
Deferred outflows	16,525	6,670	148%	2,032	984	107%	18,557	7,654	142%
Current liabilities	15,346	13,585	13%	10,420	10,547	-1%	25,766	24,132	7%
Non-current liabilities	133,438	87,067	53%	75,909	82,767	-8%	209,347	169,834	23%
Total liabilities	<u>148,784</u>	<u>100,652</u>	48%	<u>86,329</u>	<u>93,314</u>	-7%	<u>235,113</u>	<u>193,966</u>	21%
Deferred inflows	1,774	5,023	-65%	413	505	-18%	2,187	5,528	-60%
Net position									
Net investment in capital assets	104,963	89,746	17%	169,396	164,829	3%	274,359	254,575	8%
Restricted	39,387	54,566	-28%	5,905	5,289	12%	45,292	59,855	-24%
Unrestricted (deficit)	(42,704)	(49,935)	14%	(10,326)	(10,245)	-1%	(53,030)	(60,180)	12%
Total net position	<u>\$ 101,646</u>	<u>\$ 94,377</u>	8%	<u>\$ 164,975</u>	<u>\$ 159,873</u>	3%	<u>\$ 266,621</u>	<u>\$ 254,250</u>	5%

The largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). For 2017, this net investment in capital assets amounted to \$274.4 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, \$45.3 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 \$53.0 million, that when positive, may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2017**

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

Governmental Activities:

Current assets – Increase of \$22.5 million (27%) due to bond proceeds on hand related to bonds issued at the end of fiscal year

Deferred outflow – Increase of \$9.5 million (148%) due to an increase in deferred pension outflows.

Non-current liabilities – Increase of \$45.6 million (53%) due to an increase in pension liability and the issuance of the 2017 LIDA revenue note.

Business-Type Activities:

Non-current assets – Increase of \$10.9 million (4183%) due to unspent construction proceeds on hand at year end.

Deferred outflow – Increase of \$1.0 million (107%) due to an increase in deferred pension outflows.

Changes in Net Position

For the year ended June 30, 2017, 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, 2017**

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

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2017	2016		2017	2016		2017	2016	
Revenues									
Charges for service	\$ 7,846	\$ 7,444	5%	\$ 43,945	\$ 43,255	2%	\$ 51,791	\$ 50,699	2%
Operating grants and contributions	7,230	7,575	-5%	528	2,055	-74%	7,758	9,630	-19%
Capital grants and contributions	569	8,946	-94%	638	2,629	-76%	1,207	11,575	-90%
General revenues:									
Sales and use taxes	46,990	49,253	-5%	-	-	-	46,990	49,253	-5%
Other taxes and intergovernmental revenues	9,033	9,298	-3%	-	-	-	9,033	9,298	-3%
Investment income	478	461	4%	21	30	-30%	499	491	2%
Miscellaneous	1,154	1,319	-13%	222	180	23%	1,376	1,499	-8%
Total revenues	73,300	84,296	-13%	45,354	48,149	-6%	118,654	132,445	-10%
Expenses									
General government	17,391	16,854	3%	-	-	-	17,391	16,854	3%
Public safety	37,551	38,223	-2%	-	-	-	37,551	38,223	-2%
Streets	7,750	7,397	5%	-	-	-	7,750	7,397	5%
Education	2,500	2,500	-	-	-	-	2,500	2,500	-
Transportation	2,594	2,614	-1%	-	-	-	2,594	2,614	-1%
Culture and recreation	7,519	8,051	-7%	-	-	-	7,519	8,051	-7%
Community/economic development	569	744	-24%	-	-	-	569	744	-24%
Interest	1,418	1,409	1%	-	-	-	1,418	1,409	1%
Water	-	-	-	14,721	18,901	-22%	14,721	18,901	-22%
Wastewater	-	-	-	8,786	10,142	-13%	8,786	10,142	-13%
Sanitation	-	-	-	5,484	5,696	-4%	5,484	5,696	-4%
Total expenses	77,292	77,792	-1%	28,991	34,739	-17%	106,283	112,531	6%
Excess (deficiency) before transfers	(3,992)	6,504	-161%	16,363	13,410	22%	12,371	19,914	-38%
Transfers	11,261	2,170	-419%	(11,261)	(2,170)	419%	-	-	-
Change in net position	7,269	8,674	-16%	5,102	11,240	-55%	12,371	19,914	-38%

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

Governmental Activities:

Capital grants and contributions – Decrease of \$8.4 million (94%) due to a decrease in capital asset contributions by developers. In the prior year developers contributed in excess of \$8.2 million of streets and drainage assets.

Transfers – Net increase of \$9.1 million (419%) of transfers in due to the transfer of debt proceeds from the Water Authority to the capital project funds.

Business-Type Activities:

Capital grants and contributions – Decrease of \$2.0 million (76%) due to a decrease in wastewater assets constructed and contributed by developers.

Water expenses – decrease of \$4.2 million (22%) due to the prior year one time expense of silt removal at Waurika Lake.

Transfers – Net increase of \$9.1 million (419%) in transfers out due to the transfer of debt proceeds to the capital project funds from the Water Authority.

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2017**

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.)
	2017	2016		2017	2016	
General government	\$ 17,390	\$ 16,854	3%	\$ (10,712)	\$ (10,410)	3%
Public safety	37,551	38,223	-2%	(32,184)	(33,089)	-3%
Streets	7,750	7,397	5%	(7,427)	1,054	-805%
Education	2,500	2,500	-	(2,500)	(2,500)	-
Transportation	2,594	2,614	-1%	(758)	(758)	-
Community/economic development	569	744	-24%	270	159	70%
Culture, parks and recreation	7,519	8,051	-7%	(6,917)	(6,873)	1%
Interest on long-term debt	1,418	1,409	1%	(1,418)	(1,409)	1%
Total	\$ 77,291	\$ 77,792	-1%	\$ (61,646)	\$ (53,826)	15%

For the year ended June 30, 2017 total expenses for governmental activities amounted to \$77.3 million which was consistent with the prior year. See Table 2 above for explanations of changes in excess of \$1 million and 20%.

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2017**

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.
	<u>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>	
	Water	\$ 14,720		\$ 18,900	-22%	
Wastewater	8,786	10,142	-13%	1,287	2,011	-36%
Sanitation	5,484	5,697	-4%	5,009	3,053	64%
Total	\$ 28,990	\$ 34,739	-17%	\$ 16,120	\$ 11,145	45%

The City's business-type activities include utility services for water, wastewater, and sanitation. In reviewing the business-type activities net (expense)/revenue, the following highlights should be noted:

- Total business-type activities reported net revenues, before transfers, of \$16.1 million for the year ended June 30, 2017.
- All individual activities/services reported net revenue for the year ended June 30, 2017.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2017 fiscal year, the governmental funds reported a combined fund balance of \$96.0 million or a 28.1% increase from 2016. The proprietary funds reported combined net position of \$165 million or a 2.85% increase from 2016.

Other fund highlights include:

- For the year ended June 30, 2017, the General Fund's total fund balance increased by \$643,515 or 1.11%.
- The 2012 CIP Fund's total fund balance decreased by \$9.8 million or 36.2% due to an increase in in spending of capital projects.
- The 2016 CIP Fund's total fund balance decreased by \$3.7 million or 196.2% due to an increase in spending of capital projects.
- The Lawton Industrial Development Authority fund balance increased by \$30.7 million due to the issuance of debt totaling \$31.0 million for public safety improvements.

General Fund Budgetary Highlights

- For budgetary reporting purposes, the General Fund reported revenues below estimates by \$1,574,633 or 2.78 %, while expenditures were under final appropriations by \$1,672,898 or 3.2%.

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2017**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2017, the City had \$351.9 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 \$25 million or 7.8% over last year.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 3,781	\$ 3,764	\$ 1,632	\$ 1,632	5,413	\$ 5,396
Buildings and utility infrastructure	17,874	18,090	160,080	148,788	177,954	166,878
Machinery, furniture and equipment	47,996	48,591	5,790	6,261	53,786	54,852
Infrastructure	9,874	9,159	29,582	-	39,456	9,159
Water rights	-	-	-	29,966	-	29,966
Construction in progress	51,831	31,953	23,426	28,270	75,257	60,223
Totals	<u>\$ 131,356</u>	<u>\$ 111,557</u>	<u>\$ 220,510</u>	<u>\$ 214,917</u>	<u>\$ 351,866</u>	<u>\$ 326,474</u>

This year's more significant capital asset additions included:

Street projects	\$2,277,437
Waterlines	\$349,689
Sewerlines	\$6,272,862

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 \$141.7 million in long-term debt outstanding which represents a \$24.6 million or 21.0% increase from the prior year. The increase is due to the city issuing \$38.3 million of new debt and retiring \$13.7 million. The City's changes in long-term debt by type of debt are as follows:

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2017**

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	2017	2016	2017	2016	2017	2016
Accrued compensated absences	\$ 5,867	\$ 5,574	\$ 930	\$ 900	\$ 6,797	\$ 6,474
General obligation bonds	15,505	13,825	-	-	15,505	13,825
General obligation bonds premium	143	122	-	-	143	122
Worker's Compensation liability	856	943	547	603	1,403	1,546
Judgment payable	1,376	1,583	-	-	1,376	1,583
Revenue Bonds payable	41,041	11,756	26,760	32,570	67,801	44,326
Notes payable	1,389	1,469	9,260	10,237	10,649	11,706
Contracts payable	-	-	29,952	31,352	29,952	31,352
Capital lease obligations	2,874	570	-	-	2,874	570
Landfill Closure and Post-Closure	-	-	5,225	5,615	5,225	5,615
Totals	<u>\$ 69,051</u>	<u>\$ 35,842</u>	<u>\$ 72,674</u>	<u>\$ 81,277</u>	<u>\$ 141,725</u>	<u>\$ 117,119</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 2017-2018

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, as well as to try to locate new revenue sources. 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 in addition of the loss of accounts. 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. Additionally, in February 2017, the Citizens of Lawton further approved a series of general obligation bonds in the amount of \$55,300,000 to be funded over a thirteen year period for improvements to the City's streets and roadways.

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 Department
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, 2017**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Statement of Net Position– June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 67,335,192	\$ 2,999,664	\$ 70,334,856	\$ 3,242,213
Cash and cash equivalents, restricted current	-	5,877,372	5,877,372	141,552
Investments	26,113,477	499,026	26,612,503	56,962
Interest receivable	18,845	81	18,926	1,424
Accounts receivable, net	1,041,310	6,077,152	7,118,462	592,889
Inventory	484,020	-	484,020	76,968
Land held for resale	-	-	-	2,690,928
Taxes receivable	8,915,433	2,582,733	11,498,166	633,709
Goodwill	-	-	-	5,727
Advance to component unit	414,322	-	414,322	-
Prepaid items	-	-	-	332,393
Cash and cash equivalents, restricted non-current	-	11,136,517	11,136,517	747,847
Other asset	-	-	-	970,957
Capital assets:				
Land and construction in progress	55,612,174	25,058,340	80,670,514	1,391,310
Other capital assets, net of depreciation	75,744,034	195,452,787	271,196,821	22,140,292
Total Assets	235,678,807	249,683,672	485,362,479	33,025,171
DEFERRED OUTFLOWS:				
Deferred amount related to pensions	16,525,288	2,032,101	18,557,389	-
Total deferred outflows	16,525,288	2,032,101	18,557,389	-
LIABILITIES				
Accounts payable and accrued liabilities	8,539,189	872,379	9,411,568	290,541
Due to other governments	-	-	-	102,266
Accrued interest payable	206,834	328,847	535,681	438,892
Unearned revenue	-	-	-	64,556
Advance from primary government	-	-	-	414,322
Long-term liabilities:				
Due within one year	6,599,737	9,218,509	15,818,246	869,384
Due in more than one year	133,438,092	75,908,591	209,346,683	29,107,000
Total liabilities	148,783,852	86,328,326	235,112,178	31,286,961
DEFERRED INFLOWS:				
Deferred amounts related to pensions	1,774,119	412,706	2,186,825	-
Total deferred inflows	1,774,119	412,706	2,186,825	-
NET POSITION:				
Net investment in capital assets	104,963,027	169,395,632	274,358,659	23,258,471
Net Position:				
Restricted	39,386,906	5,905,438	45,292,344	2,308,551
Unrestricted (deficit)	(42,703,809)	(10,326,329)	(53,030,138)	(23,828,812)
Total net position	\$ 101,646,124	\$ 164,974,741	\$ 266,620,865	\$ 1,738,210

See accompanying notes to the basic financial statements.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Statement of Activities –Year Ended June 30, 2017

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	\$ 17,390,585	\$ 5,708,751	\$ 950,490	\$ 19,800	\$ (10,711,544)	\$ -	\$ (10,711,544)	\$ -
Public Safety	37,550,868	1,017,538	4,154,242	194,942	(32,184,146)	-	(32,184,146)	-
Streets	7,750,125	16,098	-	305,557	(7,428,470)	-	(7,428,470)	-
Culture and recreation	7,519,106	480,287	87,070	35,127	(6,916,622)	-	(6,916,622)	-
Community development	568,856	286,332	552,291	-	269,767	-	269,767	-
Education	2,500,000	-	-	-	(2,500,000)	-	(2,500,000)	-
Transportation	2,593,847	337,057	1,485,557	13,500	(757,733)	-	(757,733)	-
Interest on long-term debt	1,417,701	-	-	-	(1,417,701)	-	(1,417,701)	-
Total governmental activities	77,291,088	7,846,063	7,229,650	568,926	(61,646,449)	-	(61,646,449)	-
Business-type activities:								
Water	14,720,133	23,906,346	-	637,842	-	9,824,055	9,824,055	-
Wastewater	8,786,000	9,545,259	527,544	-	-	1,286,803	1,286,803	-
Sanitation	5,483,975	10,493,339	-	-	-	5,009,364	5,009,364	-
Total business-type activities	28,990,108	43,944,944	527,544	637,842	-	16,120,222	16,120,222	-
Total primary government	106,281,196	51,791,007	7,757,194	1,206,768	(61,646,449)	16,120,222	(45,526,227)	-
Component Units:								
Airport	3,691,695	1,936,103	722,845	562,200	-	-	-	(470,547)
Culture and Recreation	1,276,109	318,338	879,393	525,000	-	-	-	446,622
Economic Development	1,854,692	-	1,907,183	-	-	-	-	52,491
Transportation	142,996	-	141,294	-	-	-	-	(1,702)
Total component units	6,965,492	2,254,441	3,650,715	1,087,200	-	-	-	26,864
General revenues:								
Taxes:								
Sales and use taxes	-	-	-	-	46,990,205	-	46,990,205	-
Property tax	-	-	-	-	3,002,886	-	3,002,886	-
Franchise and public service taxes	-	-	-	-	2,421,696	-	2,421,696	-
Hotel/motel taxes	-	-	-	-	1,448,150	-	1,448,150	-
Intergovernmental revenue not restricted to specific programs	-	-	-	-	2,159,741	-	2,159,741	-
Investment income	-	-	-	-	478,346	20,930	499,276	-
Miscellaneous	-	-	-	-	1,153,052	221,860	1,374,912	55,041
Transfers - internal activity	-	-	-	-	11,261,130	(11,261,130)	-	-
Total general revenues and transfers	-	-	-	-	68,915,206	(11,018,340)	57,896,866	55,041
Change in net position	-	-	-	-	7,268,757	5,101,882	12,370,639	81,905
Net position - beginning, restated	-	-	-	-	94,377,367	159,872,859	254,250,226	1,656,305
Net position - ending	-	-	-	-	\$ 101,646,124	\$ 164,974,741	\$ 266,620,865	\$ 1,738,210

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

Governmental Funds Balance Sheet - June 30, 2017

	<u>General Fund</u>	<u>2016 CIP Fund</u>	<u>2012 CIP Fund</u>	<u>Lawton Industrial Development Authority</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 7,444,638	\$ 97,985	\$ 4,602,801	\$ 30,686,796	\$ 24,213,456	\$ 67,045,676
Investments	1,525,000	-	13,505,476	-	11,083,001	26,113,477
Receivables:						
Accounts receivable	88,509	-	-	-	518,226	606,735
Accrued interest receivable	5,973	-	9,962	-	2,910	18,845
Advance to component unit	-	-	-	-	414,322	414,322
Due from other funds	237,257	-	-	-	235,625	472,882
Due from other governments	8,658,320	-	47,500	-	209,613	8,915,433
Inventory	484,020	-	-	-	-	484,020
Total assets	<u>\$ 18,443,717</u>	<u>\$ 97,985</u>	<u>\$ 18,165,739</u>	<u>\$ 30,686,796</u>	<u>\$ 36,677,153</u>	<u>\$ 104,071,390</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 2,269,870	\$ 1,725,280	\$ 807,979	\$ -	\$ 2,738,652	\$ 7,541,781
Due to other funds	1,549	174,066	-	-	234,779	410,394
Total liabilities	<u>2,271,419</u>	<u>1,899,346</u>	<u>807,979</u>	<u>-</u>	<u>2,973,431</u>	<u>7,952,175</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	101,603	-	47,500	-	-	149,103
Fund balances:						
Nonspendable	484,020	-	-	-	-	484,020
Restricted	-	-	17,310,260	30,686,796	26,094,332	74,091,388
Committed	1,762,984	-	-	-	43,103	1,806,087
Assigned	6,104,700	-	-	-	7,568,225	13,672,925
Unassigned (deficit)	7,718,991	(1,801,361)	-	-	(1,938)	5,915,692
Total fund balances	<u>16,070,695</u>	<u>(1,801,361)</u>	<u>17,310,260</u>	<u>30,686,796</u>	<u>33,703,722</u>	<u>95,970,112</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 18,443,717</u>	<u>\$ 97,985</u>	<u>\$ 18,165,739</u>	<u>\$ 30,686,796</u>	<u>\$ 36,677,153</u>	<u>\$ 104,071,390</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, 2017

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Total fund balance, governmental funds	\$	95,970,112
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 \$88,145,863 and net of Internal Service Fund capital assets of \$59,924		
		131,296,284
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		433,245
Pension related deferred outflows		16,525,288
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		149,103
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		(2,874,352)
General obligations bonds		(15,505,000)
Accrued interest payable		(206,834)
Unamortized bond premium		(143,093)
Notes payable		(1,389,000)
Judgments payable		(1,375,782)
Revenue notes payable		(41,041,308)
Other post employment benefit obligation		(4,741,815)
Accrued compensated absences		(5,730,592)
Net pension liability		(66,244,515)
Pension related deferred inflows		(1,774,119)
Accrued workers compensation claims		(855,624)
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)		(845,874)
Net Position of Governmental Activities in the Statement of Net Position	\$	101,646,124

See accompanying notes to the basic financial statements.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2017

	<u>General Fund</u>	<u>2016 CIP Fund</u>	<u>2012 CIP Fund</u>	<u>Lawton Industrial Development Authority</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes	\$ 49,954,488	\$ -	\$ -	\$ -	\$ 4,451,036	\$ 54,405,524
Intergovernmental	5,960,500	-	-	-	4,270,532	10,231,032
Charges for services	542,672	-	-	-	1,482,236	2,024,908
Fines and forfeitures	3,054,843	-	-	-	1,119,090	4,173,933
Licenses and permits	881,687	-	-	-	-	881,687
Investment income	190,560	4,070	116,179	24	167,513	478,346
Miscellaneous	744,252	-	-	-	832,711	1,576,963
Total revenues	<u>61,329,002</u>	<u>4,070</u>	<u>116,179</u>	<u>24</u>	<u>12,323,118</u>	<u>73,772,393</u>
EXPENDITURES						
Current:						
General government	9,121,010	1,379	-	1,500	2,347,172	11,471,061
Public Safety	34,521,888	-	-	408,606	2,024,110	36,954,604
Public works and streets	7,563,451	-	-	-	851,438	8,414,889
Education	-	-	-	-	2,500,000	2,500,000
Culture and recreation	5,756,970	-	-	-	1,184,324	6,941,294
Community development	-	-	-	-	665,168	665,168
Transportation	-	-	-	-	2,593,847	2,593,847
Capital Outlay	520,378	19,691,784	2,936,802	-	15,247,205	38,396,169
Debt Service:						
Principal	-	1,163,544	-	-	3,422,615	4,586,159
Interest and fiscal charges	-	308,370	-	-	575,362	883,732
Total expenditures	<u>57,483,697</u>	<u>21,165,077</u>	<u>2,936,802</u>	<u>410,106</u>	<u>31,411,241</u>	<u>113,406,923</u>
Excess (deficiency) of revenues over expenditures	<u>3,845,305</u>	<u>(21,161,007)</u>	<u>(2,820,623)</u>	<u>(410,082)</u>	<u>(19,088,123)</u>	<u>(39,634,530)</u>
OTHER FINANCING SOURCES (USES)						
Debt proceeds	-	-	-	31,000,000	6,010,234	37,010,234
Debt issuance premium	-	-	-	-	40,440	40,440
Transfers in	23,050,662	23,125,447	-	96,155	19,748,064	66,020,328
Transfers out	(26,261,452)	(5,637,464)	(7,000,928)	-	(3,475,865)	(42,375,709)
Total other financing sources (uses)	<u>(3,210,790)</u>	<u>17,487,983</u>	<u>(7,000,928)</u>	<u>31,096,155</u>	<u>22,322,873</u>	<u>60,695,293</u>
Net change in fund balances	634,515	(3,673,024)	(9,821,551)	30,686,073	3,234,750	21,060,763
Fund balances - beginning	15,436,180	1,871,663	27,131,811	723	30,468,972	74,909,349
Fund balances - ending	<u>\$ 16,070,695</u>	<u>\$ (1,801,361)</u>	<u>\$ 17,310,260</u>	<u>\$ 30,686,796</u>	<u>\$ 33,703,722</u>	<u>\$ 95,970,112</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, 2017

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds: \$ 21,060,763

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	25,733,657
Capital assets donated	479,615
Capital assets transferred from business type activities	49,140
Depreciation expense	(6,429,416)
Disposed capital assets	(2,768)

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.

(562,410)

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	(404,868)
-------------------------------	-----------

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	(641,849)
Judgment payments	849,024
Debt proceeds	(37,010,235)
Debt premium	(40,440)
General obligation bonds principal payments	1,320,000
Revenue note principal payments	1,850,781
Note payable principal payments	80,000
Capital lease principal payments	569,887

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	2,740
Change in accrued compensated absences	(351,865)
Change in net OPEB obligation	(433,405)
Amortization of bond premium	19,407
Change in accrued workers comp claim	87,162
Change in mortgages receivable	68,280

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	975,557
---	---------

Change in net position of governmental activities	\$ 7,268,757
---	--------------

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Proprietary Funds Statement of Net Position - June 30, 2017

	<u>Lawton Water Authority - Enterprise Fund</u>	<u>Internal Service Funds</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,999,664	\$ 289,488
Investments	499,026	-
Cash and cash equivalents, restricted	5,877,372	-
Investments, restricted	-	1,330
Accounts receivable, net of allowance \$1,949,503	6,077,152	-
Interest receivable	81	-
Due from other governments	2,582,733	-
Total current assets	18,036,028	290,818
Non-current assets:		
Cash and cash equivalents, restricted	11,136,517	-
Land and construction in progress	25,058,340	-
Other capital assets, net	195,452,787	59,924
Total non-current assets	231,647,644	59,924
Total assets	249,683,672	350,742
DEFERRED OUTFLOW OF RESOURCES		
Deferred amounts related to pensions	2,032,101	-
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	872,379	90,250
Accrued interest payable	328,847	-
Due to other funds	-	62,488
Accrued compensated absences	111,192	16,341
Landfill post closure liability	557,514	-
Contract payable - Waurika note	1,442,740	-
Worker's compensation liability	273,519	-
Notes payable	998,960	-
Revenue bonds payable	5,834,584	-
Total current liabilities	10,419,735	169,079
Non-current liabilities:		
Accrued compensated absences	819,286	120,407
Landfill post closure liability	4,667,845	-
Claims liability	-	907,130
Contract payable - Waurika note	28,508,834	-
Worker's compensation liability	273,520	-
Net OPEB obligation	1,547,098	-
Notes payable	8,261,025	-
Revenue bond payable, net	20,925,111	-
Net pension liability	10,905,872	-
Total non-current liabilities	75,908,591	1,027,537
Total liabilities	86,328,326	1,196,616
DEFERRED INFLOW OF RESOURCES		
Deferred amounts related to pensions	412,706	-
NET POSITION		
Net investment in capital assets	169,395,632	59,924
Restricted for debt service	5,751,569	-
Restricted for landfill financial assurance	153,869	-
Unrestricted (deficit)	(10,326,329)	(905,798)
Total net position	\$ 164,974,741	\$ (845,874)

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position - Year Ended June 30, 2017

	Lawton Water Authority - Enterprise Fund	Internal Service Fund
REVENUES		
Charges for services	\$ 43,944,944	\$ 10,764,768
Other sources	181,645	-
Operating grants	527,544	
Total operating revenues	44,654,133	10,764,768
OPERATING EXPENSES		
General government and claims	-	8,595,108
Public works operations	16,512,233	-
Computer service operations	-	1,161,841
Depreciation expense	10,938,553	38,989
Landfill closure expense	(389,931)	-
Total operating expenses	27,060,855	9,795,938
Operating income	17,593,278	968,830
NON-OPERATING REVENUES (EXPENSES)		
Investment income	20,930	3,309
Interest expense and fiscal charges	(1,960,520)	-
Gain (loss) on asset retirement	31,267	(1,520)
Other non-operating revenue	40,215	2,923
Capital grants	190,000	-
Capital asset transfers in and contributions	-	2,015
Capital assets purchased for governmental activities	(49,140)	-
Total non-operating revenue (expenses)	(1,727,248)	6,727
Income before contributions and transfers	15,866,030	975,557
Capital asset transfers in and capital contributions	12,880,471	-
Transfers in	10,583,882	-
Transfers out	(34,228,501)	-
Change in net position	5,101,882	975,557
Total net position - beginning	159,872,859	(1,821,431)
Total net position - ending	\$ 164,974,741	\$ (845,874)

See accompanying notes to the basic financial statements.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2017

	Lawton Water Authority - Enterprise Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 43,819,847	\$ 12,641
Receipts from interfund services provided	-	10,753,720
Payments to suppliers	(8,441,184)	(261,368)
Payments to employees	(7,554,062)	(950,572)
Grants for operations	527,544	-
Receipts from (payments on) interfund loan	-	62,488
Claims and benefits paid	-	(9,436,978)
Net cash provided by operating activities	28,352,145	179,931
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	10,583,882	-
Transfers to other funds	(34,228,501)	-
Principal paid on debt	(181,477)	-
Interest and fiscal agent fees paid on debt	(206,846)	-
Net cash provided by (used in) noncapital financing activities	(24,032,942)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital assets purchased	(4,197,816)	(7,901)
Principal paid on debt	(8,011,390)	-
Interest and fiscal charges paid on debt	(1,818,869)	-
Proceeds from debt	195,068	-
Net cash provided by (used in) capital and related financing activities	(13,833,007)	(7,901)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	554	-
Interest and dividends	20,930	3,309
Net cash provided by investing activities	175,353	3,309
Net increase (decrease) in cash and cash equivalents	(9,338,451)	175,339
Balances - beginning of year	29,352,004	114,149
Balances - end of year	\$ 20,013,553	\$ 289,488
Reconciliation to Statement of Net Position:		
Cash and cash equivalents	\$ 2,999,664	\$ 289,488
Restricted cash and cash equivalents - current	5,877,372	-
Restricted cash and cash equivalents - noncurrent	11,136,517	-
Total cash and cash equivalents, end of year	\$ 20,013,553	\$ 289,488
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income	\$ 17,593,278	\$ 968,830
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	10,938,553	38,989
Other miscellaneous revenue	40,215	2,923
Change in assets and liabilities:		
Receivables, net	(346,957)	(1,330)
Deferred outflows related to pension	(1,198,091)	-
Accounts payable	(117,925)	49,817
Due from other funds	-	62,488
Due to employees	20,847	-
Claims liability	(55,726)	(882,837)
Landfill closure liability	(389,931)	-
Net OPEB obligation	111,846	-
Net pension liability	1,668,212	-
Accrued compensated absences	30,021	(58,949)
Deferred inflows related to pension	57,803	-
Net cash provided by operating activities	\$ 28,352,145	\$ 179,931
Noncash activities:		
Principal forgiveness on debt	\$ 190,000	\$ -
Non-cash capital contributions received	12,432,629	-
	\$ 12,622,629	\$ -

See accompanying notes to the basic financial statements.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

BASIC FINANCIAL STATEMENTS - FIDUCIARY FUNDS

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
June 30, 2017

Fiduciary Funds Statement of Fiduciary Net Position - June 30, 2017

	City Employees Retirement Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 1,004,178	\$ 1,472,577
Investments, at amortized cost	-	1,565,000
Investments, at fair value:		
Purchased judgements	1,317,449	-
United States government securities and agencies	1,650,112	-
Common stock	11,469,238	-
Mutual funds	37,530,307	-
Interest receivable	42,003	22
Employer contributions receivable	67,151	-
Employee contributions receivable	45,368	-
Total assets	\$ 53,125,806	\$ 3,037,599
 LIABILITIES		
Due to depositors	\$ -	\$ 2,953,949
Other payables	315,378	83,650
Total liabilities	\$ 315,378	\$ 3,037,599
 NET POSITION:		
Net position restricted for pensions	\$ 52,810,428	

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

Pension Trust Fund Statement of Changes in Fiduciary Net Position – Year Ended June 30, 2017

	City Employees Retirement Trust Fund
ADDITIONS	
Contributions:	
Members	\$ 1,322,450
Employer	2,095,587
Total Contributions	3,418,037
Investment Income:	
Net increase in fair value of investments	5,049,330
Interest, dividends and other	1,347,909
Total Investment Income	6,397,239
Less investment expense:	
Investment activity expense	(282,222)
Net Investment Income	6,115,017
Total Additions	9,533,054
DEDUCTIONS	
Benefits paid to participants or beneficiaries	4,344,309
Refunds and transfers to other systems	910,000
Administrative expense	29,687
Total Deductions	5,283,996
Change in net position restricted for employees' pension benefits	4,249,058
Net position - beginning	48,561,370
Net position - ending	\$ 52,810,428

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

COMBINING FINANCIAL STATEMENTS - COMPONENT UNITS

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

Component Units – Combining Statement of Net Position - June 30, 2017

	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	\$ 446,234	\$ 103,604	\$ 87,696	\$ 751,054	\$ 136,821	\$ 1,613,088	\$ 66,467	\$ 37,249	\$ 3,242,213
Restricted cash	-	-	-	-	-	141,552	-	-	141,552
Investments	-	-	-	56,962	-	-	-	-	56,962
Accounts receivable	43,577	-	-	43,831	18,112	391,192	-	96,177	592,889
Accrued interest receivable	-	-	-	1,424	-	-	-	-	1,424
Inventory	41,167	-	-	35,801	-	-	-	-	76,968
Land held for resale	-	-	-	-	-	2,690,928	-	-	2,690,928
Due from other governments	65,051	-	-	-	-	-	-	-	65,051
Prepaid items	13,449	562	112	9,962	-	-	-	-	24,085
Other assets	-	-	-	970,957	-	-	-	-	970,957
Total current assets	609,478	104,166	87,808	1,869,991	154,933	4,836,760	66,467	133,426	7,863,029
Noncurrent Assets:									
Cash, including time deposits	747,847	-	-	-	-	-	-	-	747,847
Due from other governments	-	-	-	-	-	-	568,658	-	568,658
Prepaid land lease	308,308	-	-	-	-	-	-	-	308,308
Goodwill	5,727	-	-	-	-	-	-	-	5,727
Capital Assets:									
Land and construction in progress	942,821	-	-	191,290	-	-	257,199	-	1,391,310
Depreciable, net of accumulated depreciation	16,490,275	-	61,433	5,579,754	-	-	-	8,830	22,140,292
Total noncurrent assets	18,494,978	-	61,433	5,771,044	-	-	825,857	8,830	25,162,142
Total Assets	19,104,456	104,166	149,241	7,641,035	154,933	4,836,760	892,324	142,256	33,025,171
LIABILITIES									
Current Liabilities:									
Accounts payable and accrued liabilities	146,541	310	1,083	55,345	17,701	-	-	69,561	290,541
Unearned revenue	13,216	7,810	1,030	-	-	42,500	-	-	64,556
Interest payable	-	-	-	-	-	438,892	-	-	438,892
Due to primary government	-	-	-	-	-	-	102,266	-	102,266
Notes payable	169,384	-	-	-	-	700,000	-	-	869,384
Total current liabilities	329,141	8,120	2,113	55,345	17,701	1,181,392	102,266	69,561	1,765,639
Noncurrent Liabilities:									
Accrued compensated absences	12,039	-	-	18,245	-	-	-	-	30,284
Due to primary government	-	-	-	-	-	414,322	-	-	414,322
Due to other governments	-	-	-	-	-	568,658	-	-	568,658
Notes payable	8,724	-	-	-	-	28,499,334	-	-	28,508,058
Total noncurrent liabilities	20,763	-	-	18,245	-	29,482,314	-	-	29,521,322
Total Liabilities	349,904	8,120	2,113	73,590	17,701	30,663,706	102,266	69,561	31,286,961
NET POSITION									
Net investment in capital assets	17,417,164	-	61,433	5,771,044	-	-	-	8,830	23,258,471
Restricted for construction projects	747,847	-	-	-	-	-	-	-	747,847
Restricted for grant projects	-	-	-	1,560,704	-	-	-	-	1,560,704
Unrestricted (deficit)	589,541	96,046	85,695	235,697	137,232	(25,826,946)	790,058	63,865	(23,828,212)
Total Net Position	\$ 18,754,552	\$ 96,046	\$ 147,128	\$ 7,567,445	\$ 137,232	\$ (25,826,946)	\$ 790,058	\$ 72,695	\$ 1,738,210

See accompanying notes to the basic financial statements.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Component Units - Combining Statement of Activities - Year Ended June 30, 2017

	<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	\$ 3,680,288	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,680,288
Culture and recreation	-	102,178	57,306	854,864	244,491	-	-	-	1,258,839
Economic development	-	-	-	-	-	512,193	17,270	-	529,463
Transportation	-	-	-	-	-	-	-	142,996	142,996
Interest expense	11,407	-	-	-	-	1,342,499	-	-	1,353,906
Total expenses	3,691,695	102,178	57,306	854,864	244,491	1,854,692	17,270	142,996	6,965,492
Program Revenues:									
Charges for services	1,936,103	48,153	44,607	225,578	-	-	-	-	2,254,441
Operating grants and contributions	722,845	58,443	-	599,523	221,427	1,907,183	-	141,294	3,650,715
Capital grants and contributions	562,200	-	-	525,000	-	-	-	-	1,087,200
Total program revenues	3,221,148	106,596	44,607	1,350,101	221,427	1,907,183	-	141,294	6,992,356
Net revenue (expense)	(470,547)	4,418	(12,699)	495,237	(23,064)	52,491	(17,270)	(1,702)	26,864
General Revenues (Expense):									
Investment income	388	-	272	52,194	103	1,977	41	66	55,041
Total general revenues	388	-	272	52,194	103	1,977	41	66	55,041
Change in Net Position	(470,159)	4,418	(12,427)	547,431	(22,961)	54,468	(17,229)	(1,636)	81,905
Net Position, beginning of year, restated	19,224,711	91,628	159,555	7,020,014	160,193	(25,881,414)	807,287	74,331	1,656,305
Net Position, end of year	\$ 18,754,552	\$ 96,046	\$ 147,128	\$ 7,567,445	\$ 137,232	\$ (25,826,946)	\$ 790,058	\$ 72,695	\$ 1,738,210

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

Component Units Combining - Governmental Funds Balance Sheet - June 30, 2017

	LAWTON ENHANCEMENT TRUST AUTHORITY	LAWTON ECONOMIC DEVELOPMENT AUTHORITY	LAWTON URBAN RENEWAL AUTHORITY	TOTALS
ASSETS				
Cash and cash equivalents	\$ 136,821	\$ 1,754,640	\$ 66,467	\$ 1,957,928
Accounts receivable	18,112	391,192	-	409,304
Due from other governments	-	-	568,658	568,658
Land held for resale	-	2,690,928	-	2,690,928
Total assets	<u>154,933</u>	<u>4,836,760</u>	<u>635,125</u>	<u>5,626,818</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	17,701	-	-	17,701
Due to other primary government	-	414,322	102,266	516,588
Due to other government	-	568,658	-	568,658
Interest payable	-	3,839	-	3,839
	<u>17,701</u>	<u>986,819</u>	<u>102,266</u>	<u>1,106,786</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	42,500	-	42,500
Fund balances:				
Nonspendable	-	260,928	-	260,928
Committed	137,232	-	532,859	670,091
Unassigned	-	3,546,513	-	3,546,513
Total fund balances	<u>137,232</u>	<u>3,807,441</u>	<u>532,859</u>	<u>4,477,532</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 154,933</u>	<u>\$ 4,836,760</u>	<u>\$ 635,125</u>	<u>\$ 5,626,818</u>
Reconciliation to Government Wide Statement of Net Position:				
Total fund balance, governmental discretely presented component units	137,232	3,807,441	532,859	4,477,532
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
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	-	(435,053)	-	(435,053)
Notes payable	-	(29,199,334)	-	(29,199,334)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 137,232</u>	<u>\$ (25,826,946)</u>	<u>\$ 790,058</u>	<u>\$ (24,899,656)</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, 2017

Component Units Combining - Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2017

	LAWTON ENHANCEMENT TRUST AUTHORITY	LAWTON ECONOMIC DEVELOPMENT AUTHORITY	LAWTON URBAN RENEWAL AUTHORITY	TOTALS
REVENUES				
Intergovernmental	\$ -	\$ 1,294,880	\$ -	\$ 1,294,880
Investment income	103	1,977	41	2,121
Miscellaneous	221,427	974,106	-	1,195,533
Total revenues	<u>221,530</u>	<u>2,270,963</u>	<u>41</u>	<u>2,492,534</u>
EXPENDITURES				
Current:				
Culture and recreation	244,491	-	-	244,491
Economic development	-	512,193	17,270	529,463
Debt Service:				
Principal	-	612,364	-	612,364
Interest and fiscal charges	-	1,324,280	-	1,324,280
Total expenditures	<u>244,491</u>	<u>2,448,837</u>	<u>17,270</u>	<u>2,710,598</u>
Excess (deficiency) of revenues over expenditures	<u>(22,961)</u>	<u>(177,874)</u>	<u>(17,229)</u>	<u>(218,064)</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds	-	513,493	-	513,493
Total other financing sources (uses)	<u>-</u>	<u>513,493</u>	<u>-</u>	<u>513,493</u>
Net change in fund balances	(22,961)	335,619	(17,229)	295,429
Fund balances - beginning	160,193	3,471,822	550,088	4,182,103
Fund balances - ending	<u>\$ 137,232</u>	<u>\$ 3,807,441</u>	<u>\$ 532,859</u>	<u>\$ 4,477,532</u>
Reconciliation to Government Wide Statement of Activities:				
Net change in fund balance :	(22,961)	335,619	(17,229)	295,429
Amounts reported for Governmental Activities in the Statement of Activities are different because:				
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	-	(361,802)	-	(361,802)
Debt proceeds	-	(513,493)	-	(513,493)
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	-	612,363	-	612,363
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	-	(18,219)	-	(18,219)
Change in Net Position of Governmental Activities in the Statement of Activities	<u>\$ (22,961)</u>	<u>\$ 54,468</u>	<u>\$ (17,229)</u>	<u>\$ 14,278</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, 2017**

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 (LIDA) – created to promote industrial development within the Lawton area. The Authority is reported as a major special revenue fund.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

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 (LMAAA) – 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 (MAA) – 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 (LEDA) – created to promote economic development within the Lawton area.

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

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

Lawton Urban Renewal Authority (LURA) – 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)

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

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 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.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

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.
- 2016 CIP Fund (capital project fund) – accounts for projects related to the fire station construction.
- Lawton Industrial Development Authority – accounts for industrial development in the Lawton area.

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, McMahon Authority Grants Fund, Drainage Maintenance Fund, Animal Donation 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, and Gifts and Grants.

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 fund is the Prior to 1972 Fund.

Capital Project Funds:

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

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

- 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.
- 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 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.
- Street and GO Bond Fund – accounts for projects related to the 2016 GO Bond issue.
- Capital Outlay Rolling Stock Fund – accounts for transfers from other funds for the purchase of capital assets

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 and operating revenues. Principal operating expenses are the costs of providing goods or service and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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 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 and are charged to expense as incurred.

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.

Interest is capitalized on enterprise fund capital assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There was no capitalized interest in 2017.

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.

Accrued compensated absences liability and pension liability of the governmental activities is normally liquidated by the General Fund.

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.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

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 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 in 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.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

- 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.

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:

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

- 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.

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, 2017, the City's net assessed valuation of taxable property was \$418,342,236. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2017 was \$7.00.

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

Allocation of Indirect Expenses:

The City allocates indirect expenses primarily comprised of general administrative services in the enterprise funds. Administrative services includes revenue collections services and financial administration. Allocations are charged to programs based on use of these services determined by various allocation methodologies. These charges are reported within the water, sewer and sanitation functions.

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 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.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

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, 2017 by these entities are as follows:

Schedule of Deposits and Investments by Type - June 30, 2017

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	\$ 44,138,912	n/a	n/a	\$ 44,138,912	\$ -	\$ -	\$ -	\$ -
Time deposits	6,893,256	n/a	n/a	-	3,893,256	3,000,000	-	-
Money Market Accounts	45,731,834	n/a	n/a	45,731,834	-	-	-	-
U.S. Agencies Obligations	22,889,113	AA+	Level II	-	5,292,476	15,946,525	-	1,650,112
Sub-Total	\$ 119,653,115			\$ 89,870,746	\$ 9,185,732	\$ 18,946,525	\$ -	\$ 1,650,112
Mutual Funds	37,530,307	n/a	Level I					
Common stock	11,469,238	n/a	Level I					
Purchased judgments	1,317,449	n/a	Level III					
Total Deposits and Investments	\$ 169,970,109							
Reconciliation to Financial Statements:								
Cash and cash equivalents	\$ 70,334,856							
Cash and cash equivalents, restricted - current	5,877,372							
Cash and cash equivalents, restricted - noncurrent	11,136,517							
Investments	26,612,503							
Retirement fund investments:								
Judgements purchased as investments	1,317,449							
Mutual funds and other investments	37,530,307							
U.S. government security agencies	1,650,112							
Common stock	11,469,238							
Retirement fund cash and cash equivalents	1,004,178							
Agency fund cash and cash equivalents	1,472,577							
Agency fund investments	1,565,000							
	\$ 169,970,109							

GASB Statement No. 72, *Fair Value Measurement and Application*, categorizes the 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.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

At June 30, 2017, 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;
- 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, 2017, 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 19.72% of their investments in FHLB, 30.25% in FMLMC, and 10.82% 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, 2017 are as follows:

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Restricted Cash and Cash Equivalents and Investments:

Landfill Financial Trust	\$	153,869
Public Works Debt Service		1,729,897
Series 2001B Promissory Note Debt Service		490,947
Series 2001B Promissory Note Debt Reserve		
Series 2009D OWRB Promissory Note Debt Service		152,040
Series 2011 Sales Tax Utility Revenue Bond Debt Service		108,306
Series 2012 Sales Tax Utility Revenue Bond:		
Proceeds		1,077
Debt Service		1,844,934
Series 2013 Sales Tax Utility Revenue note - debt service		392,292
Series 2016 Sales Tax Utility Revenue Bond:		
Debt Service		1,264,015
Construction		10,876,512
	<u>\$</u>	<u>17,013,889</u>

Reconciliation to Proprietary Statement of Net Position:

Cash and cash equivalents, current	\$	5,877,372
Cash and cash equivalents, non current		11,136,517
	<u>\$</u>	<u>17,013,889</u>

Restricted cash of the Lawton Economic Development Authority is related to debt service accounts for the outstanding note payable totaling \$141,552.

2.B. Accounts Receivable

Significant account receivable balances at June 30, 2017 were:

	<u>Governmental Activities</u>	<u>Business Type Activites</u>	<u>Total</u>
Accounts Receivable:			
Emergency Communication Fees	\$ 128,442	-	\$ 128,442
Utilities	-	\$7,488,088	7,488,088
Capital Fee	-	638,397	638,397
Landfill fees	38,206	-	38,206
Drainage maintenance fee	169,193	-	169,193
Hotel/Motel	239,248	-	239,248
Stormwater mainteance fees	26,595	28,730	55,325
Sewer rehab fees	-	53,269	53,269
Miscellaneous	85,816	-	85,816
Mortgages receivable	433,245	-	433,245
Allowance for uncollectible	(79,435)	(2,131,332)	(2,210,767)
	<u>\$ 1,041,310</u>	<u>\$ 6,077,152</u>	<u>\$ 7,118,462</u>

2.C. Capital Assets and Depreciation

Capital Assets:

For the year ended June 30, 2017, capital assets balances changed as follows:

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

	Balance at July 1, 2016	Additions	Deductions	Transfers	Balance at June 30, 2017
PRIMARY GOVERNMENT:					
<i>Governmental activities:</i>					
Capital assets not being depreciated:					
Land	\$ 3,764,123	\$ 16,800	\$ -	\$ -	\$ 3,780,923
Construction in progress	31,952,725	25,684,625	(5,806,099)	-	51,831,251
Total capital assets not being depreciated	<u>35,716,848</u>	<u>25,701,425</u>	<u>(5,806,099)</u>	<u>-</u>	<u>55,612,174</u>
Other capital assets:					
Buildings and improvements	37,874,855	605,886	-	-	38,480,741
Infrastructure	82,452,838	2,346,383	-	-	84,799,221
Machinery, furniture and equipment	39,828,001	3,422,818	(1,197,349)	55,182	42,108,652
Intangibles	96,363	-	-	-	96,363
Total other capital assets	<u>160,252,057</u>	<u>6,375,087</u>	<u>(1,197,349)</u>	<u>55,182</u>	<u>165,484,977</u>
Less accumulated depreciation for:					
Buildings and improvements	19,785,054	821,330	-	-	20,606,384
Infrastructure	33,861,637	2,941,679	-	-	36,803,316
Machinery, furniture and equipment	30,765,741	2,705,396	(1,195,076)	55,182	32,331,243
Total accumulated depreciation	<u>84,412,432</u>	<u>6,468,405</u>	<u>(1,195,076)</u>	<u>55,182</u>	<u>89,740,943</u>
Other capital assets, net	<u>75,839,625</u>	<u>(93,318)</u>	<u>(2,273)</u>	<u>-</u>	<u>75,744,034</u>
Governmental activities capital assets, net	<u>\$ 111,556,473</u>	<u>\$ 25,608,107</u>	<u>\$ (5,808,372)</u>	<u>\$ -</u>	<u>\$ 131,356,208</u>
	Balance at July 1, 2016	Additions	Deductions	Transfers	Balance at June 30, 2017
<i>Business-type activities:</i>					
Capital assets not being depreciated:					
Land	\$ 1,632,327	\$ -	\$ -	\$ -	\$ 1,632,327
Construction in progress	28,269,902	3,253,528	(8,097,417)	-	23,426,013
Total capital assets not being depreciated	<u>29,902,229</u>	<u>3,253,528</u>	<u>(8,097,417)</u>	<u>-</u>	<u>25,058,340</u>
Other capital assets:					
Buildings and utility infrastructure	256,843,262	19,960,136	-	-	276,803,398
Machinery, furniture and equipment	23,476,240	1,417,447	(457,643)	(28,342)	24,407,702
Water rights	38,371,150	-	-	-	38,371,150
Total other capital assets	<u>318,690,652</u>	<u>21,377,583</u>	<u>(457,643)</u>	<u>(28,342)</u>	<u>339,582,250</u>
Less accumulated depreciation for:					
Buildings and utility infrastructure	108,055,708	8,667,526	-	-	116,723,234
Machinery, furniture and equipment	17,215,270	1,887,316	(456,819)	(28,342)	18,617,425
Water rights	8,405,093	383,711	-	-	8,788,804
Total accumulated depreciation	<u>133,676,071</u>	<u>10,938,553</u>	<u>(456,819)</u>	<u>(28,342)</u>	<u>144,129,463</u>
Other capital assets, net	<u>185,014,581</u>	<u>10,439,030</u>	<u>(824)</u>	<u>-</u>	<u>195,452,787</u>
Business-type activities capital assets, net	<u>\$ 214,916,810</u>	<u>\$ 13,692,558</u>	<u>\$ (8,098,241)</u>	<u>\$ -</u>	<u>\$ 220,511,127</u>

Included in the business-type activities addition is \$11,474,772 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.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

	Balance at July 1, 2016	Additions	Deductions	Balance at June 30, 2017
COMPONENT UNITS:				
Lawton Metropolitan Area Airport Authority				
Non-depreciable:				
Land	\$ 7,800	\$ -	\$ -	\$ 7,800
Construction-in-progress	2,076,872	335,828	(1,477,679)	935,021
Total non-depreciable assets at historical cost	<u>2,084,672</u>	<u>335,828</u>	<u>(1,477,679)</u>	<u>942,821</u>
Depreciable:				
Runways, ramps, and roads	27,165,741	1,228,366	-	28,394,107
Buildings and improvements	8,504,801	343,901	-	8,848,702
Equipment and fixtures	2,727,284	170,886	(815)	2,897,355
Furniture and equipment	101,572	12,940	-	114,512
Total depreciable assets at historical cost	<u>38,499,398</u>	<u>1,756,093</u>	<u>(815)</u>	<u>40,254,676</u>
Less accumulated depreciation				
Runways, ramps, and roads	17,139,239	975,775	-	18,115,014
Buildings and improvements	3,435,497	201,498	-	3,636,995
Equipment and fixtures	1,710,845	205,692	(815)	1,915,722
Furniture and equipment	93,000	3,670	-	96,670
Total accumulated depreciation	<u>22,378,581</u>	<u>1,386,635</u>	<u>(815)</u>	<u>23,764,401</u>
Other capital assets, net	<u>16,120,817</u>	<u>369,458</u>	<u>-</u>	<u>16,490,275</u>
Net depreciable assets	<u>\$ 18,205,489</u>	<u>\$ 705,286</u>	<u>\$ (1,477,679)</u>	<u>\$ 17,433,096</u>
Museum of the Great Plains Trust Authority				
Non-depreciable:				
Construction-in-progress	\$ -	\$ 191,290	\$ -	\$ 191,290
Depreciable:				
Furniture and equipment	\$ 294,564	\$ 3,781	\$ -	\$ 298,345
Displays	-	-	-	-
Leasehold improvements	4,621,308	12,000	-	4,633,308
Collections and exhibits	1,126,658	7,500	-	1,134,158
Copyrights	3,000	-	-	3,000
Total depreciable assets at historical cost	<u>6,045,530</u>	<u>23,281</u>	<u>-</u>	<u>6,068,811</u>
Less accumulated depreciation				
Total accumulated depreciation	<u>364,495</u>	<u>124,562</u>	<u>-</u>	<u>489,057</u>
Net depreciable assets	<u>\$ 5,681,035</u>	<u>\$ (101,281)</u>	<u>\$ -</u>	<u>\$ 5,579,754</u>
Net assets	<u>\$ 5,681,035</u>	<u>\$ 90,009</u>	<u>\$ -</u>	<u>\$ 5,771,044</u>
Lawton Urban Renewal Authority:				
Non-depreciable:				
Land	<u>\$ 257,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 257,199</u>
McMahon Auditorium Authority				
Depreciable:				
Furniture and fixtures	\$ 24,628	\$ 9,282	\$ -	\$ 33,910
Buildings improvements	113,857	-	-	113,857
Machinery and equipment	72,127	-	-	72,127
Total depreciable assets at historical cost	<u>210,612</u>	<u>9,282</u>	<u>-</u>	<u>219,894</u>
Less accumulated depreciation				
Furniture and fixtures	24,628	663	-	25,291
Buildings improvements	69,626	8,182	-	77,808
Machinery and equipment	45,524	9,838	-	55,362
Total accumulated depreciation	<u>139,778</u>	<u>18,683</u>	<u>-</u>	<u>158,461</u>
Net depreciable assets	<u>\$ 70,834</u>	<u>\$ (9,401)</u>	<u>\$ -</u>	<u>\$ 61,433</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>

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

Depreciation:

Depreciation expense has been allocated as follows:

Governmental Activities:	
General Government	\$ 4,326,454
Public Safety	1,459,478
Streets	467,452
Culture and Recreation	176,032
Sub-total governmental funds depreciation	6,429,416
Allocated Internal Service Fund Depreciation	38,989
Total	\$ 6,468,405
Business-Type Activities:	
Water	\$ 4,727,372
Wastewater	3,395,375
Sanitation	2,815,806
Total depreciation	\$ 10,938,553

2.D. Internal and Interfund Balances and Transfers

Internal Balances:

Receivable Fund	Payable Fund	Amount	Nature of Interfund Balance	
General Fund	CDBG Fund	\$ 527	Grant funding	
General Fund	HOME	135	Reimbursement	
General Fund	Group Health	62,488	Reimbursement	
HOME	CDBG Fund	41	Reimbursement	
CDBG Fund	General fund	1,549	Reimbursement	
General Fund	2016 CIP	174,066	Negative cash	
CIP	Federal Grants	234,076	Reimbursement	
Total		\$ 472,882		
Reconciliation to Fund Financial Statements:		Due From	Due To	Net Internal
		Other Funds	Other Funds	Balances
Governmental Funds		\$ 472,882	\$ 410,394	\$ 62,488
Internal Service Funds		-	62,488	(62,488)
Total		\$ 472,882	\$ 472,882	\$ -

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, 2017, LEDA owed the City \$414,322.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

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, 2017, were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Nature of Interfund Transfer</u>
General Fund	Water Authority	\$ 20,675,794	Excess utility collections
CIP Fund	General Fund	30,000	Project transfer
General Fund	Officer Training Fund	4,517	Transfer of revenues
Officer Training Fund	Police Sentinel Program	240	Closing of fund
LETA Beautification	General Fund	25,825	Transfer of revenues
Animal Shelter	General Fund	265	Transfer of revenues
Officer Training	General Fund	130,285	Transfer of revenues
General Fund	Mass Transit	16,536	Operating subsidy
Police and Fire Training Fund	General Fund	46,660	Transfer of revenues
General Fund	2015 CIP Fund	1,986,441	Reserve transfer
TIF Fund	General Fund	906,002	Sales tax transfer
2015 CIP	General Fund	9,468,817	Sales tax transfer
2016 CIP Fund	General Fund	13,526,881	Sales tax transfer
CIP Fund	Federal Grant Fund	234,076	Project transfer
2008 CIP Fund	Water Authority	1,840,858	Loan proceeds
2005 CIP Fund	Water Authority	1,480,332	Loan proceeds
2016 CIP Fund	Water Authority	9,598,566	Loan proceeds
2008 CIP Fund	Water Authority	928,867	Operating subsidy
Emergency Communication	General Fund	880,562	Operating subsidy
Mass Transit Fund	General Fund	750,000	Operating subsidy
General Fund	2015 CIP Fund	367,375	Operating subsidy
Water Authority	2015 CIP Fund	257,226	Debt service
Water Authority	2005 CIP Fund	303,977	Debt service
Water Authority	2008 CIP Fund	305,477	Debt service
Water Authority	2016 CIP Fund	2,537,464	Debt service
Water Authority	2012 CIP Fund	3,679,738	Debt service
Capital Outlay Rolling Stock Fund	Water Authority	2,884,307	Revenue transfer
2015 CIP Fund	Water Authority	140,967	Loan proceeds
LIDA	General Fund	96,155	Debt service
Water Authority	2016 CIP Fund	3,100,000	Debt service
Water Authority	General Fund	400,000	Operating subsidy
		<u>\$ 76,604,210</u>	
Reconciliation to fund financial statements:			
	<u>Transfers to</u>	<u>Transfers from</u>	<u>Net</u>
	<u>Other Funds</u>	<u>Other Funds</u>	<u>Transfers</u>
Governmental Funds	\$ (42,375,709)	\$ 66,020,328	\$ 23,644,619
Water Authority	(34,228,501)	10,583,882	(23,644,619)
Totals	<u>\$ (76,604,210)</u>	<u>\$ 76,604,210</u>	<u>\$ -</u>
Reconciliation to Statement of Activities:			
Net Transfers			\$ 23,644,619
Capital contributions transferred from governmental funds			(12,432,629)
Capital contributions transferred from business type activities			49,140
Transfers - Internal Activity			<u>\$ 11,261,130</u>

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

2.E. Long-Term Debt

For the year ended June 30, 2017, the City's long-term debt balances changed as follows:

Primary Government:

<u>Type of Debt</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 13,825,000	\$ 3,000,000	\$ 1,320,000	\$ 15,505,000	\$ 1,640,000
General Obligation Bond Premium	122,060	40,440	19,407	143,093	-
Revenue Notes	11,756,206	31,135,883	1,850,781	41,041,308	2,981,963
Judgments Payable	1,582,957	641,849	849,024	1,375,782	689,787
Notes Payable	1,469,000	-	80,000	1,389,000	84,000
Capital Lease Obligations	569,887	2,874,352	569,887	2,874,352	75,028
Workers Comp Liability	942,786	-	87,162	855,624	427,812
Accrued Compensated Absences - city	5,378,727	351,865	-	5,730,592	684,806
Accrued Compensated Absences - internal service	195,697	-	58,949	136,748	16,341
Total Governmental Activities	<u>\$ 35,842,320</u>	<u>\$ 38,044,389</u>	<u>\$ 4,835,210</u>	<u>\$ 69,051,499</u>	<u>\$ 6,599,737</u>

Reconciliation to Statement of Net Position:

Net OPEB Obligation	4,741,815
Net Pension Liability	66,244,515
	<u>\$ 140,037,829</u>

Business-Type Activities:

Notes Payable	\$ 10,237,413	\$ 190,000	\$ 1,167,429	\$ 9,259,984	\$ 998,960
Revenue Bonds Payable	32,569,420	5,067	5,814,792	26,759,695	5,834,584
Contracts Payable	31,352,220	-	1,400,645	29,951,575	1,442,740
Accrued Compensated Absences	900,457	30,021	-	930,478	111,192
Workers Comp Liability	602,765	-	55,726	547,039	273,519
Landfill Closure and Post-closure	5,615,290	-	389,931	5,225,359	557,514
Total Business-Type Activities	<u>\$ 81,277,565</u>	<u>\$ 225,088</u>	<u>\$ 8,828,523</u>	<u>\$ 72,674,130</u>	<u>\$ 9,218,509</u>

Reconciliation to Statement of Net Position:

Net OPEB Obligation	1,547,098
Net Pension Liability	10,905,872
	<u>\$ 85,127,100</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	350,000
\$2,500,000 general obligation bonds dated October 1, 2005, payable in annual installments of \$190,000, with an average interest rate of 5.00%, repaid by property tax levies	600,000
\$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	1,390,000

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

\$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	2,205,000
\$3,000,000 general obligation bonds dated June 1, 2017, payable in one annual installment on June 1, 2019, with an interest rate of 2.00%, repaid by property tax levies	3,000,000
\$8,000,000 general obligation bonds dated October 1, 2008, payable in annual installments of \$420,000, with an average interest rate of 3.14%, repaid by property tax levies	<u>5,060,000</u>
Total general obligation bonds	\$15,505,000
Premium on bonds outstanding	<u>143,093</u>
Net general obligation bonds	<u>\$15,648,093</u>

Judgments Payable:

Court-assessed judgments to be paid with ad valorem taxes	<u>\$1,375,782</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 2.34%	<u>\$1,389,000</u>
---	--------------------

Revenue Notes:

\$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	\$9,865,304
\$31,000,000 LIDA Sales Tax Revenue Note for various improvements matures January 2026, with interest at 2.210%	\$31,000,000
\$415,000 LIDA Replacement Funding Note for the renovations of city hall, matures June 2019, with variable interest rate	<u>176,004</u>
Total revenue notes	<u>\$41,041,308</u>

Capital Leases:

\$2,874,352 capital lease for IT equipment, matures August 2032 with interest at 2.55%	<u>\$2,874,352</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:

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

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.	\$1,226,713
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.	800,863
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.	436,669
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.	<u>6,795,739</u>
Total Notes Payable	<u>\$9,259,984</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.	\$3,820,000
\$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.	7,225,000
\$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.	7,690,000
\$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>8,024,695</u>
Revenue Bonds Payable	<u>\$26,759,695</u>

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

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>	\$928,038
<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>	10,785,795
<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>	4,859,270
<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>13,378,472</u>
Total Contracts Payable	<u>\$29,951,575</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
2018	\$ 1,640,000	\$ 381,458	\$ 84,000	\$ 69,450	\$ 689,787	\$ 84,316	\$ 2,981,963	\$ 543,255	\$ 75,028	\$ 91,571
2019	4,640,000	385,583	89,000	65,478	482,679	39,896	4,717,885	798,225	146,901	69,679
2020	1,675,000	277,387	94,000	61,134	203,316	14,074	4,741,491	694,336	153,731	65,854
2021	1,335,000	227,166	99,000	56,390	-	-	4,849,575	591,962	160,768	61,852
2022	1,335,000	190,418	105,000	51,283	-	-	4,946,117	487,220	168,017	57,668
2023-2027	4,020,000	453,942	619,000	166,218	-	-	18,804,277	809,248	956,663	218,822
2028-2032	860,000	45,114	299,000	16,366	-	-	-	-	1,170,762	83,631
2033-	-	-	-	-	-	-	-	-	42,482	135
Total	\$ 15,505,000	\$ 1,961,068	\$ 1,389,000	\$ 486,319	\$ 1,375,782	\$ 138,286	\$ 41,041,308	\$ 3,924,246	\$ 2,874,352	\$ 649,212

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

Business-Type Activities						
Year Ending June 30,	Notes Payable		Revenue Bonds Payable		Contract Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 998,960	\$ 186,731	\$ 5,834,584	\$ 576,171	\$ 1,442,740	\$ 1,118,258
2019	1,020,815	166,093	5,967,107	460,214	1,485,685	1,078,303
2020	1,042,567	144,163	2,388,509	356,767	1,537,830	1,021,400
2021	770,527	126,565	2,450,425	297,451	1,587,863	974,489
2022	682,985	114,544	2,508,883	236,541	1,634,262	926,959
2023-2027	2,730,596	396,251	7,525,764	262,555	9,035,857	3,746,185
2028-2032	2,013,534	93,783	84,423	1,148	8,798,135	2,162,603
2033-2036	-	-	-	-	4,429,203	620,690
Total	<u>\$ 9,259,984</u>	<u>\$ 1,228,130</u>	<u>\$ 26,759,695</u>	<u>\$ 2,190,847</u>	<u>\$ 29,951,575</u>	<u>\$ 11,648,887</u>

Component Unit Notes Payable

Type of Debt	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Amount due in one year
Component Units:					
Lawton Metropolitan Area Airport Authority					
Note payable	\$ 275,336	\$ 51,077	\$ 148,305	\$ 178,108	\$ 169,384
Total Debt	<u>\$ 275,336</u>	<u>\$ 51,077</u>	<u>\$ 148,305</u>	<u>\$ 178,108</u>	<u>\$ 169,384</u>
Lawton Economic Development Authority:					
Note payable	\$ 29,298,204	\$ 513,493	\$ 612,363	\$ 29,199,334	\$ 700,000
Total Debt	<u>\$ 29,298,204</u>	<u>\$ 513,493</u>	<u>\$ 612,363</u>	<u>\$ 29,199,334</u>	<u>\$ 700,000</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.

\$27,711,697

\$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.

1,487,637

Total LEDA Debt

\$29,199,334

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

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, and 2009 CWSRF 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, and 2030 respectively. The total principal and interest payable for the remainder of the life of these notes is \$10,488,114. Net utility revenues received in the current year were \$28,025,217. Debt service payments of \$1,174,525 for the current fiscal year were 4.19% of pledged net utility revenues.

Landfill Closure Liability

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 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 \$5,225,359 reported as accrued landfill closure cost liability at June 30, 2017, represents the cumulative amount of such costs reported to date based on the use of 61.91% 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 \$3,214,994 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 2017. The City has \$759,903 set aside to fund the estimated landfill closure cost liability. At June 30, 2017, the landfill had a remaining estimated useful life of approximately nine years.

2.F. Net Position and Fund Balances

At June 30, 2017, the City's governmental activities had total restricted net position of \$39,386,906, of that amount \$2,358,300 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, 2017, the General Fund has committed fund balance for stabilization of \$1,762,984.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

	General Fund	Major Capital Project Fund		Other Governmental Funds	Total
		2016 CIP Fund	2012 CIP Fund		
Fund Balance:					
Nonspendable:					
Inventory	\$ 484,020	\$ -	\$ -	\$ -	\$ 484,020
	484,020	-	-	-	484,020
Restricted For:					
Animal control	\$ -	\$ -	\$ -	\$ 348,898	\$ 348,898
Police operations	-	-	-	7,123	7,123
Public safety training	-	-	-	396,281	396,281
Debt service	-	-	-	1,278,713	1,278,713
Capital improvements	-	-	17,310,260	48,979,749	66,290,009
Drainage maintenance fund	-	-	-	1,259,800	1,259,800
Transportation programs	-	-	-	75,304	75,304
Culture and rec programs	-	-	-	106,351	106,351
Economic development	-	-	-	1,275,632	1,275,632
Landfill programs	-	-	-	6,866	6,866
General government programs	-	-	-	137,604	137,604
General government grants	-	-	-	2,496,583	2,496,583
Fire education programs	-	-	-	12,776	12,776
Police - drug programs	-	-	-	124,724	124,724
Cemetery improvements	-	-	-	255,639	255,639
Park improvements	-	-	-	19,085	19,085
Sub-total restricted	-	-	17,310,260	56,781,128	74,091,388
Committed to:					
Beautification	-	-	-	43,103	43,103
Stabilization	1,762,984	-	-	-	1,762,984
Sub-total committed	1,762,984	-	-	43,103	1,806,087
Assigned to:					
Insurance proceeds	169,364	-	-	-	169,364
General government	2,372,792	-	-	-	2,372,792
Police	64,888	-	-	327,030	391,918
Culture and rec programs	89,798	-	-	-	89,798
Stormwater mitigation	453,189	-	-	-	453,189
Recycling	145,964	-	-	-	145,964
Facilities management	-	-	-	44,625	44,625
Supplement next fiscal year budget	2,808,705	-	-	-	2,808,705
Capital improvements	-	-	-	7,196,570	7,196,570
Sub-total assigned	6,104,700	-	-	7,568,225	13,672,925
Unassigned (deficit):	7,718,991	(1,801,361)	-	(1,938)	5,915,692
TOTAL FUND BALANCE	\$ 16,070,695	\$ (1,801,361)	\$ 17,310,260	\$ 64,390,518	\$ 95,970,112

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. The City uses the third party processor's estimates to record group insurance claims payable.
- 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.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

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, 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	1,545,551	1,789,967	3,335,518
Claims and changes in estimates	462,234	8,554,141	9,016,375
Claims payments	<u>(605,122)</u>	<u>(9,436,978)</u>	<u>(10,042,100)</u>
Claim liability, June 30, 2017	<u>\$ 1,402,663</u>	<u>\$ 907,130</u>	<u>\$ 2,309,793</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	\$ 23,454,778	\$ 10,905,872	\$ 34,360,650
Police	5,336,339	-	5,336,339
Firefighters	<u>37,453,398</u>	<u>-</u>	<u>37,453,398</u>
	<u>66,244,515</u>	<u>10,905,872</u>	<u>77,150,387</u>
Deferred Outflows of Resources			
Employee Retirement System	4,370,350	2,032,101	6,402,451
Police	6,520,275	-	6,520,275
Firefighters	<u>5,634,663</u>	<u>-</u>	<u>5,634,663</u>
	<u>16,525,288</u>	<u>2,032,101</u>	<u>18,557,389</u>
Deferred Inflows of Resources			
Employee Retirement System	1,027,112	412,706	1,439,818
Police	667,608	-	667,608
Firefighters	<u>79,399</u>	<u>-</u>	<u>79,399</u>
	<u>1,774,119</u>	<u>412,706</u>	<u>2,186,825</u>
Pension Expense			
Employee Retirement System	2,547,896	1,184,706	3,732,602
Police	1,911,246	-	1,911,246
Firefighters	<u>4,116,628</u>	<u>-</u>	<u>4,116,628</u>
	<u>\$ 8,575,770</u>	<u>\$ 1,184,706</u>	<u>\$ 9,760,476</u>

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

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 defined pension plan was closed to new entrants effective July 1, 2017. The System is administered by the Board of Pension Commissioner (the "Board"). The Commissioners are appointed by the City for a five year term. 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, 2017, 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

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

<i>Employees Covered by Benefit Terms</i>	
Active Employees	513
Retirees or Retiree Beneficiaries	<u>232</u>
Total	<u>743</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, 2017, the City recognized \$2,095,587 of employer contributions to the plan which equals the amount determined by ordinance based on covered payroll of \$21,452,987. Employee contributions for FY 2017 were \$1,322,450.

E. Changes in Net Pension Liability

The total pension liability was determined based on an actuarial valuation performed as of July 1, 2016 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	\$ 80,064,871	\$ 50,965,916	\$ 29,098,955
Charges for year:			
Service cost	2,355,200	-	2,355,200
Interest expense	5,404,379	-	5,404,379
Contributions - employer	-	2,068,439	(2,068,439)
Contributions - employee	-	1,296,400	(1,296,400)
Net investment income	-	(812,694)	812,694
Benefits paid	(4,925,672)	(4,925,672)	-
Benefit changes due to plan amendments	-	-	-
Difference between actual and expected experience	23,241		23,241
Plan administrative expenses	-	(31,020)	31,020
Net changes	\$ 2,857,148	\$ (2,404,547)	\$ 5,261,695
Balances at end of year	\$ 82,922,019	\$ 48,561,369	\$ 34,360,650

The City reported \$3,732,602 in pension expense for the year ended June 30, 2017. At June 30, 2017, 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	\$ 371,255	\$ 1,436,587
Net difference between projected and actual earnings on pension plan investments	3,929,782	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	3,231
City contributions subsequent to the measurement date	2,101,414	-
Total	\$ 6,402,451	\$ 1,439,818

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

The \$2,101,414 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, 2018. 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:

2018	\$	626,295
2019		626,295
2020		1,115,796
2021		592,644
2022		(100,528)
Thereafter		717
	<u>\$</u>	<u>2,861,219</u>

F. Actuarial Assumptions

Key Assumptions used in the plan actuarial valuation were:

Measurement date	July 1, 2016
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, 2016 are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	63%	6.00%
International Equity	8%	6.20%
Fixed Income	20%	2.75%
Government Securities	10%	2.25%

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

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	\$ 43,899,156	\$ 34,360,650	\$ 26,334,384

H. Plan Changes

During fiscal year 2017, the City established a defined contribution plan for employees hired after June 30, 2017. With the creation of the defined contribution plan, employees hired after June 30, 2017, are prohibited from participating in the City’s defined benefit pension plan. Employees currently enrolled in the defined benefit pension plan will continue to participate and will 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 3.5% of employee contributions into the defined contribution plan and also contribute 6.5% of employee pay to the defined benefit pension plan.

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.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

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.

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 \$1,185,745. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$3,489,458 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 \$2,830,515. 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, 2017, the City reported a liability of \$37,453,398 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2016. Based upon this information, the City’s proportion was 3.07% at June 30, 2016, which was unchanged from its proportion measured at June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$4,116,628. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual plan experience	\$ 1,004,023	\$ -
Net difference between projected and actual earnings on pension plan investments	2,291,573	-
Employer change in proportion	1,110,702	39,645
Difference between proportionate share and City contributions during measurement period	42,620	39,754
City contributions subsequent to the measurement date	1,185,745	-
Total	<u>\$ 5,634,663</u>	<u>\$ 79,399</u>

The \$1,185,745 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, 2018. 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:

2018	\$ 539,738
2019	539,737
2020	1,732,760
2021	1,356,258
2022	175,820
Thereafter	25,206
	<u>\$ 4,369,519</u>

Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of July 1, 2016, 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, 2016, 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

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

each major asset class included in the pension plan's target asset allocation as of June 30, 2016, 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%	5.18%
Domestic equity	47%	8.70%
International equity	15%	10.87%
Real estate	10%	7.23%
Other assets	8%	6.24%

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

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Employers' net pension liability	\$ 47,412,889	\$ 37,453,398	\$ 29,103,224

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

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

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 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, 2017, contributions to the pension plan from the City were \$1,300,511. The State of Oklahoma also made on-behalf contributions to OPFRS in the amount of \$1,132,229 for FY 2017 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 \$1,251,467 for FY 2017. 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, 2017, the City reported a liability of \$5,336,339 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2016. Based upon this information, the City's proportion was 3.48% at June 30, 2016, which was a increase of .22% from its proportion measured at June 30, 2015.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

For the year ended June 30, 2017, the City recognized pension expense of \$1,911,246. At June 30, 2017, 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	\$ 17,119	\$ 599,431
Net difference between projected and actual earnings on pension plan investments	5,127,312	-
Employer change in proportion	75,333	16,620
Difference between proportionate share and City contributions during measurement period	-	51,557
City contributions subsequent to the measurement date	1,300,511	-
Total	\$ 6,520,275	\$ 667,608

The \$1,300,511 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, 2018. 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:	
2018	\$ 743,130
2019	743,130
2020	1,792,583
2021	1,265,982
2022	7,331
	\$ 4,552,156

Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of July 1, 2016, 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 a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary.
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

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, 2016, 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, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	3.27%
Domestic equity	5.16%
International equity	8.61%
Real estate	4.97%
Private Equity	8.32%
Commodities	2.42%

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:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability (asset)	\$ 14,000,815	\$ 5,336,339	\$ (1,979,488)

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

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, 2016, 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 2017, the actuarially expected City contribution was \$856,164 to the Plan. Plan members receiving benefits contributed \$374,387 of the total premiums, through their payment of the full determined premium in fiscal year 2017.

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, 2017:

Normal Cost	\$	818,936
Interest on NOO		205,996
Amortization of OPEB Obligation		(291,408)
Amortization of Actuarial Accrued Liability (AAL)		657,484
Annual OPEB cost (expense)		1,391,008
Expected net benefits during the year		(856,164)
Increase in net OPEB obligation		534,844
Net OPEB obligation - beginning of year		5,754,069
Net OPEB obligation - end of year	\$	6,288,913

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

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

6/30/16	\$1,408,774	49%	\$5,743,663
6/30/17	\$1,391,008	62%	\$6,288,913

Funded Status and Funding Progress. As of July 1, 2016, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability (AAL) for benefits was \$15,357,862, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$15,357,862. The covered payroll (annual payroll of active employees covered by the plan) was \$37,800,000, and the ratio of the UAAL to the covered payroll was 41 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, 2016, actuarial valuation, the Entry Age Normal actuarial cost method was used. The actuarial assumptions included a 3.58 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 6.09 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 3.8%. 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, 2016, was twenty-two 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, 2017:

Nine Mile Creek Sewer Line	\$	3,708,933
SW Bishop/67th to 52ns Streets		1,203,464
WWTP Phase III		1,274,283
SW 52ND ST (Gore to RR Tracks)		3,997,358
Elmer Thomas Park Splash Pad		1,969,827
Phase III Sewer Rehab		29,474,835
SE 45th St (Lee Blvd to Bell Ave)		1,311,379
Firestation #8		1,356,648
Public Safety Facility		27,515,450

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

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 2017, 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.

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, 2017:

2016 CIP Fund	(\$1,801,361)
Public Library Fund	(\$1,938)

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, 2017, unrestricted deficit of \$25,826,946 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, 2017 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.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

3.F. Tax abatements

The City enters into sales tax rebate agreements with local businesses as allowed in the Oklahoma State Constitution, Article 10, Section 14. Under this law, the City may establish economic development programs and provide sales tax increments for development as part of its economic development plan.

Due to confidentiality laws in Oklahoma Statutes Title 68, Section 1354.11, the amounts of sales taxes rebated will not be disclosed. The following businesses had rebate agreements with the City as of June 30, 2017:

- A developer received rebated sales tax during fiscal year 2017. The city agrees to rebate up to \$2,500,000 of sales tax to the developer for sales tax generated from the project. The agreement is until the rebate is paid in full or for 5 years, whichever occurs first. The rebate will be 1% of taxable sales from the project based upon information obtained from the Oklahoma Tax Commission.

3.G. 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 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%.

3.H. New Accounting Pronouncements

Effective July 1, 2016 the City implemented 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 implementation resulted in note disclosures related to tax abatements.

3.I. 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.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

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.

GASB Statement 87, *Leases*, issued June 2017, will be effective for the City beginning with its fiscal year ending December 31, 2020. The primary objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City has not yet determined the impact that implementation of GASB 87 will have on its net position.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

General Fund Budgetary Comparison Schedules (Budgetary Basis) – Year Ended June 30, 2017

	<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:	\$ 1,654,056	\$ 1,654,056	\$ 3,549,677	\$ 1,895,621
Resources (Inflows):				
Taxes and assessments	51,209,447	51,209,447	50,158,803	(1,050,644)
Fees, licenses and permits	1,176,500	1,176,500	1,205,452	28,952
Rentals and sales of property	166,000	166,000	255,363	89,363
Fines and forfeitures	2,265,000	2,265,000	2,042,775	(222,225)
Interest earned	91,000	91,000	157,037	66,037
Other sources	681,000	681,000	381,043	(299,957)
Intergovernmental	823,000	823,000	715,555	(107,445)
Grants	130,000	130,000	51,286	(78,714)
Total Resources (Inflows)	<u>56,541,947</u>	<u>56,541,947</u>	<u>54,967,314</u>	<u>(1,574,633)</u>
Amounts available for appropriation	<u>58,196,003</u>	<u>58,196,003</u>	<u>58,516,991</u>	<u>320,988</u>
Charges to Appropriations (Outflows):				
General Government	9,451,402	9,451,402	8,600,511	850,891
Public Safety	29,566,365	29,566,365	29,821,987	(255,622)
Streets	7,756,464	7,756,464	6,990,535	765,929
Culture and Recreation	5,894,860	5,894,860	5,583,160	311,700
Total Charges to Appropriations	<u>52,669,091</u>	<u>52,669,091</u>	<u>50,996,193</u>	<u>1,672,898</u>
Other financing sources (uses)				
Transfers from other funds	20,600,149	20,600,149	22,678,731	2,078,582
Transfers to other funds	(26,127,061)	(26,127,061)	(26,952,962)	(825,901)
Total other financing sources (uses)	<u>(5,526,912)</u>	<u>(5,526,912)</u>	<u>(4,274,231)</u>	<u>1,252,681</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,246,567</u>	<u>\$ 3,246,567</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. The city had expenditures exceeding appropriations in the Public Safety function by \$255,622 and transfer out exceeded appropriations by \$825,901.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

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

	<u>Fund Balance</u> <u>June 30, 2016</u>	<u>Net Change in</u> <u>Fund Balance</u>	<u>Fund Balance</u> <u>June 30, 2017</u>
Budget to GAAP Reconciliation:			
Fund Balance - GAAP Basis	\$ 15,436,180	\$ 634,515	\$ 16,070,695
Increases (Decreases):			
Revenues:			
Taxes receivable	(8,343,617)	(314,592)	(8,658,209)
Accounts receivable	(64,980)	31,286	(33,694)
Accrued interest	(6,505)	532	(5,973)
Expenditures:			
Accounts payable	1,654,436	493,624	2,148,060
Encumbrances	(424,561)	71,435	(353,126)
Other items	(342,822)	(520,544)	(863,366)
Accounts of the General Fund:			
Hunting and Fishing	(1,334)	(22,650)	(23,984)
Reserve Account	(1,802,513)	39,529	(1,762,984)
Insurance Proceeds Account	(199,512)	30,148	(169,364)
Adult Softball Account	(45,502)	(12,516)	(58,018)
Court Credit Card Maint. Account	(1,212,279)	(761,871)	(1,974,150)
Animal License Account	(307,542)	(19,483)	(327,025)
Elmer Thomas Park Account	(7,796)	-	(7,796)
Stormwater Mitigation	(505,365)	52,176	(453,189)
RSVP Account	(2,850)	4,009	1,159
Application Fee Account	(66,632)	(2,710)	(69,342)
Special Jail Account	(72,988)	8,100	(64,888)
Real Property Account	(2,275)	-	(2,275)
Recycling Account	(131,866)	(14,098)	(145,964)
Fund Balance - Budgetary Basis	<u>\$ 3,549,677</u>	<u>\$ (303,110)</u>	<u>\$ 3,246,567</u>

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

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>	<u>2017</u>
City's proportion of the net pension liability (asset)	3.2939%	3.2684%	3.4845%
City's proportionate share of the net pension liability (asset)	\$ (1,109,030)	\$ 133,268	\$ 5,336,339
City's covered-employee payroll	\$ 9,205,946	\$ 9,261,686	\$ 9,936,252
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	12.05%	1.44%	53.71%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.53%	99.82%	93.50%

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

Notes to Schedule:

Only the three 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>	<u>2017</u>
Statutorily required contribution	\$ 1,203,232	\$ 1,291,715	\$ 1,300,511
Contributions in relation to the statutorily required contribution	<u>1,203,232</u>	<u>1,291,715</u>	<u>1,300,511</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 9,261,686	\$ 9,936,252	\$ 9,894,779
Contributions as a percentage of covered-employee payroll	12.99%	13.00%	13.14%

Notes to Schedule:

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

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

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>	<u>2017</u>
City's proportion of the net pension liability	2.929600%	3.069856%	3.065642%
City's proportionate share of the net pension liability	\$ 30,126,632	\$ 32,583,712	\$ 37,453,398
City's covered-employee payroll	\$ 7,829,286	\$ 8,115,293	\$ 8,940,679
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	385%	402%	419%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%

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

Notes to Schedule:

Only the three 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>	<u>2017</u>
Statutorially required contribution	\$ 1,135,232	\$ 1,251,646	\$ 1,185,745
Contributions in relation to the statutorially required contribution	<u>1,135,232</u>	<u>1,251,646</u>	<u>1,185,745</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 8,115,293	\$ 8,940,679	\$ 8,469,559
Contributions as a percentage of covered-employee payroll	13.99%	14.00%	14.00%

Notes to Schedule:

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

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

City Retirement Plan

Schedule of Changes in Net Pension Liability and Related Ratios

Last Three Fiscal Years

	2015	2016	2017
Total pension liability			
Service cost	\$ 2,421,404	\$ 2,377,346	\$ 2,355,200
Interest	5,130,919	5,344,966	5,404,379
Changes of benefit terms	-	-	-
Differences between expected and actual experience	620,866	(2,103,217)	23,241
Changes of assumptions	-	-	-
Benefit payments, including refunds of member contributions	(5,002,125)	(4,738,899)	(4,925,672)
Net change in total pension liability	<u>3,171,064</u>	<u>880,196</u>	<u>2,857,148</u>
Total pension liability - beginning	<u>76,013,611</u>	<u>79,184,675</u>	<u>80,064,871</u>
Total pension liability - ending (a)	<u>\$ 79,184,675</u>	<u>\$ 80,064,871</u>	<u>\$ 82,922,019</u>
Plan fiduciary net position			
Contributions - employer	\$ 2,144,569	\$ 2,021,594	\$ 2,068,439
Contributions - member	1,311,923	1,279,749	1,296,400
Net investment income	5,604,962	853,380	(812,694)
Benefit payments, including refunds of member contributions	(5,002,125)	(4,738,899)	(4,925,672)
Administrative expense	(26,618)	(19,940)	(31,020)
Other	-	-	-
Net change in plan fiduciary net position	<u>4,032,711</u>	<u>(604,116)</u>	<u>(2,404,547)</u>
Plan fiduciary net position - beginning	<u>47,537,321</u>	<u>51,570,032</u>	<u>50,965,916</u>
Plan fiduciary net position - ending (b)	<u>\$ 51,570,032</u>	<u>\$ 50,965,916</u>	<u>\$ 48,561,369</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ 27,614,643</u>	<u>\$ 29,098,955</u>	<u>\$ 34,360,650</u>
Plan fiduciary net position as a percentage of the total pension liability	65.13%	63.66%	58.56%
Covered employee payroll	\$ 20,593,547	\$ 20,580,295	\$ 20,903,375
Net pension liability as a percentage of covered-employee payroll	134.09%	141.39%	164.38%

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

Notes to Schedule:

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

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

City Retirement Plan, (continued)

Schedule of Employer Contributions	Fiscal Year				
	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 3,669,120	\$ 3,271,543	\$ 3,179,977	\$ 3,225,198	\$ 3,182,857
Contributions in relation to the actuarially determined contribution	2,095,587	2,068,439	2,021,594	2,144,569	2,239,853
Contribution deficiency (excess)	<u>\$ 1,573,533</u>	<u>\$ 1,203,104</u>	<u>\$ 1,158,383</u>	<u>\$ 1,080,629</u>	<u>\$ 943,004</u>
Covered employee payroll	\$ 20,903,375	\$ 20,580,295	\$ 20,593,547	\$ 21,612,172	\$ 22,095,022
Contributions as a percentage of covered-employee payroll	10.03%	10.05%	9.82%	9.92%	10.14%
	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 3,182,857	\$ 2,965,333	\$ 2,965,333	\$ 2,376,870	\$ 2,376,870
Contributions in relation to the actuarially determined contribution	2,113,599	1,920,223	1,717,742	1,628,972	1,553,635
Contribution deficiency (excess)	<u>\$ 1,069,258</u>	<u>\$ 1,045,110</u>	<u>\$ 1,247,591</u>	<u>\$ 747,898</u>	<u>\$ 823,235</u>
Covered employee payroll	\$ 21,136,000	\$ 22,591,000	\$ 21,472,000	\$ 20,362,000	\$ 19,420,000
Contributions as a percentage of covered-employee payroll	10.00%	8.50%	8.00%	8.00%	8.00%

Notes to Schedule:

Latest Valuation Date: July 1, 2016

Actuarially determined contribution rate is calculated as of July 1, 2016
July 2016 through June 2017 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 Three Fiscal Years

	Year Ended June 30, 2015	Year Ended June 30, 2016	Year Ended June 30, 2017
Annual money-weighted rate of return, net of investment expense	1.54%	1.64%	-1.88%

Ten year historical data was not available

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

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	July 1, 2016
Actuarial accrued liability - AAL (a)	\$15,764,535	\$16,543,865	\$19,110,068	\$15,906,961	\$15,357,862
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	\$15,357,862
Funded ratio (b)/(a)	0%	0%	0%	0%	0%
Covered payroll (c)	\$28,400,000	\$34,500,000	\$37,100,000	\$36,200,000	\$37,800,000
UAAL (funding excess) as a % of covered payroll [UAAL/(c)]	56%	48%	52%	44%	41%

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 3.80% to 3.58% 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
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

OTHER SUPPLEMENTARY INFORMATION

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Balance Sheet – General Fund Accounts – June 30, 2017

	<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	\$ 3,832,334	\$ 120,363	\$ 237,984	\$ 173,665	\$ -	\$ 58,018	\$ 1,974,150	\$ 327,005
Investments	-	-	1,525,000	-	-	-	-	-
Receivables:								
Accounts receivable	33,694	-	-	4,622	2,378	-	-	60
Accrued interest receivable	5,973	-	-	-	-	-	-	-
Due from other funds	174,769	-	-	-	62,488	-	-	-
Due from other accounts	73,539	-	-	-	10,101	-	-	-
Due from other governments	8,658,209	-	-	-	-	-	-	-
Inventory	484,020	-	-	-	-	-	-	-
Total assets	<u>13,262,538</u>	<u>120,363</u>	<u>1,762,984</u>	<u>178,287</u>	<u>74,967</u>	<u>58,018</u>	<u>1,974,150</u>	<u>327,065</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	2,148,060	96,379	-	8,923	230	-	-	40
Due to other funds	-	-	-	-	1,549	-	-	-
Due to other accounts	-	-	-	-	73,188	-	-	-
Total liabilities	<u>2,148,060</u>	<u>96,379</u>	<u>-</u>	<u>8,923</u>	<u>74,967</u>	<u>-</u>	<u>-</u>	<u>40</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	<u>101,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:								
Nonspendable	484,020	-	-	-	-	-	-	-
Committed	-	-	1,762,984	-	-	-	-	-
Assigned	2,808,705	23,984	-	169,364	-	58,018	1,974,150	327,025
Unassigned	7,720,150	-	-	-	-	-	-	-
Total fund balances	<u>11,012,875</u>	<u>23,984</u>	<u>1,762,984</u>	<u>169,364</u>	<u>-</u>	<u>58,018</u>	<u>1,974,150</u>	<u>327,025</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 13,262,538</u>	<u>\$ 120,363</u>	<u>\$ 1,762,984</u>	<u>\$ 178,287</u>	<u>\$ 74,967</u>	<u>\$ 58,018</u>	<u>\$ 1,974,150</u>	<u>\$ 327,065</u>

(Continued)

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Balance Sheet – General Fund Accounts – June 30, 2017, (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	\$ 419,013	\$ 11,736	\$ 69,447	\$ 64,888	\$ 2,275	\$ 145,964	\$ 7,444,638
Investments	-	-	-	-	-	-	-	1,525,000
Receivables:								
Accounts receivable	-	47,755	-	-	-	-	-	88,509
Accrued interest receivable	-	-	-	-	-	-	-	5,973
Due from other funds	-	-	-	-	-	-	-	237,257
Due from other accounts	-	-	-	-	-	-	-	83,640
Due from other governments	-	-	111	-	-	-	-	8,658,320
Inventory	-	-	-	-	-	-	-	484,020
Total assets	<u>7,796</u>	<u>466,768</u>	<u>11,847</u>	<u>69,447</u>	<u>64,888</u>	<u>2,275</u>	<u>145,964</u>	<u>18,527,357</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	-	13,579	2,554	105	-	-	-	2,269,870
Due to other funds	-	-	-	-	-	-	-	1,549
Due to other accounts	-	-	10,452	-	-	-	-	83,640
Total liabilities	<u>-</u>	<u>13,579</u>	<u>13,006</u>	<u>105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,355,059</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,603</u>
Fund balances:								
Nonspendable	-	-	-	-	-	-	-	484,020
Committed	-	-	-	-	-	-	-	1,762,984
Assigned	7,796	453,189	-	69,342	64,888	2,275	145,964	6,104,700
Unassigned	<u>-</u>	<u>-</u>	<u>(1,159)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,718,991</u>
Total fund balances	<u>7,796</u>	<u>453,189</u>	<u>(1,159)</u>	<u>69,342</u>	<u>64,888</u>	<u>2,275</u>	<u>145,964</u>	<u>16,070,695</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 7,796</u>	<u>\$ 466,768</u>	<u>\$ 11,847</u>	<u>\$ 69,447</u>	<u>\$ 64,888</u>	<u>\$ 2,275</u>	<u>\$ 145,964</u>	<u>\$ 18,527,357</u>

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts – Year Ended June 30, 2017

	<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	\$ 49,954,488	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	5,917,000	-	-	-	-	-	-	-
Charges for services	509,107	-	-	-	-	19,467	-	-
Fines and forfeitures	1,617,775	-	-	-	-	-	1,398,970	1,348
Licenses and permits	786,835	49,450	-	-	-	-	-	39,517
Investment income	156,830	-	31,701	-	-	-	1,763	-
Miscellaneous	389,604	-	-	25,546	-	-	-	-
Total revenues	<u>59,331,639</u>	<u>49,450</u>	<u>31,701</u>	<u>25,546</u>	<u>-</u>	<u>19,467</u>	<u>1,400,733</u>	<u>40,865</u>
EXPENDITURES								
Current:								
General government	8,584,190	-	438,605	1,777	-	-	10,827	-
Public safety	34,487,544	-	-	-	-	-	-	19,419
Public works and streets	7,203,401	-	-	-	-	-	-	-
Culture and recreation	5,292,540	456,782	-	-	-	6,951	-	-
Capital Outlay	373,252	70,018	-	53,917	-	-	-	1,963
Total expenditures	<u>55,940,927</u>	<u>526,800</u>	<u>438,605</u>	<u>55,694</u>	<u>-</u>	<u>6,951</u>	<u>10,827</u>	<u>21,382</u>
Excess (deficiency) of revenues over expenditures	<u>3,390,712</u>	<u>(477,350)</u>	<u>(406,904)</u>	<u>(30,148)</u>	<u>-</u>	<u>12,516</u>	<u>1,389,906</u>	<u>19,483</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	22,683,287	-	367,375	-	-	-	-	-
Transfers out	(26,058,417)	-	-	-	-	-	(203,035)	-
Transfers in - interaccount	454,925	500,000	-	-	-	-	-	-
Transfers out - interaccount	(535,358)	-	-	-	-	-	(425,000)	-
Total other financing sources and uses	<u>(3,455,563)</u>	<u>500,000</u>	<u>367,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(628,035)</u>	<u>-</u>
Net change in fund balances	(64,851)	22,650	(39,529)	(30,148)	-	12,516	761,871	19,483
Fund balances - beginning	11,077,726	1,334	1,802,513	199,512	-	45,502	1,212,279	307,542
Fund balances - ending	<u>\$ 11,012,875</u>	<u>\$ 23,984</u>	<u>\$ 1,762,984</u>	<u>\$ 169,364</u>	<u>\$ -</u>	<u>\$ 58,018</u>	<u>\$ 1,974,150</u>	<u>\$ 327,025</u>

(Continued)

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts – Year Ended June 30, 2017,
(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>
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,954,488
Intergovernmental	-	-	43,500	-	-	-	-	5,960,500
Charges for services	-	-	-	-	-	-	14,098	542,672
Fines and forfeitures	-	-	-	-	36,750	-	-	3,054,843
Licenses and permits	-	-	-	5,885	-	-	-	881,687
Investment income	-	-	266	-	-	-	-	190,560
Miscellaneous	-	329,102	-	-	-	-	-	744,252
Total revenues	<u>-</u>	<u>329,102</u>	<u>43,766</u>	<u>5,885</u>	<u>36,750</u>	<u>-</u>	<u>14,098</u>	<u>61,329,002</u>
EXPENDITURES								
Current:								
General government	-	-	82,436	3,175	-	-	-	9,121,010
Public safety	-	-	-	-	14,925	-	-	34,521,888
Public works and streets	-	360,050	-	-	-	-	-	7,563,451
Culture and recreation	-	-	697	-	-	-	-	5,756,970
Capital Outlay	-	21,228	-	-	-	-	-	520,378
Total expenditures	<u>-</u>	<u>381,278</u>	<u>83,133</u>	<u>3,175</u>	<u>14,925</u>	<u>-</u>	<u>-</u>	<u>57,483,697</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(52,176)</u>	<u>(39,367)</u>	<u>2,710</u>	<u>21,825</u>	<u>-</u>	<u>14,098</u>	<u>3,845,305</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	23,050,662
Transfers out	-	-	-	-	-	-	-	(26,261,452)
Transfers in - interaccount	-	-	35,358	-	-	-	-	990,283
Transfers out - interaccount	-	-	-	-	(29,925)	-	-	(990,283)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>35,358</u>	<u>-</u>	<u>(29,925)</u>	<u>-</u>	<u>-</u>	<u>(3,210,790)</u>
Net change in fund balances	-	(52,176)	(4,009)	2,710	(8,100)	-	14,098	634,515
Fund balances - beginning	7,796	505,365	2,850	66,632	72,988	2,275	131,866	15,436,180
Fund balances - ending	<u>\$ 7,796</u>	<u>\$ 453,189</u>	<u>\$ (1,159)</u>	<u>\$ 69,342</u>	<u>\$ 64,888</u>	<u>\$ 2,275</u>	<u>\$ 145,964</u>	<u>\$ 16,070,695</u>

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2017

	SPECIAL REVENUE FUNDS							
	PUBLIC LIBRARY	SMALL BUSINESS LOAN	CDBG	HOME INVESTMENT CDBG	LAWTON URBAN HOUSING	POLICE GRANT	PARK FEE FUND	NARCOTICS FUND
ASSETS								
Cash and cash equivalents	\$ 1,112	\$ 164,742	\$ 623,230	\$ 35,480	\$ 240	\$ 7,123	\$ 19,085	\$ 131,216
Investments	-	-	-	-	-	-	-	-
Receivables:								
Accounts receivable	-	-	-	-	-	-	-	-
Accrued interest receivable	-	-	-	-	-	-	-	-
Advance to component unit	-	-	-	-	-	-	-	-
Due from other funds	-	-	1,549	-	-	-	-	-
Due from other governments	-	-	3,610	176	-	-	-	-
Total assets	<u>\$ 1,112</u>	<u>\$ 164,742</u>	<u>\$ 628,389</u>	<u>\$ 35,656</u>	<u>\$ 240</u>	<u>\$ 7,123</u>	<u>\$ 19,085</u>	<u>\$ 131,216</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	\$ 3,050	\$ -	\$ 20,377	\$ 1,290	-	\$ -	\$ -	\$ 6,492
Due to other funds	-	-	568	135	-	-	-	-
Total liabilities	<u>3,050</u>	<u>-</u>	<u>20,945</u>	<u>1,425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,492</u>
Fund balances:								
Restricted	-	164,742	607,444	34,231	240	7,123	19,085	124,724
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned (deficit)	(1,938)	-	-	-	-	-	-	-
Total fund balances	<u>(1,938)</u>	<u>164,742</u>	<u>607,444</u>	<u>34,231</u>	<u>240</u>	<u>7,123</u>	<u>19,085</u>	<u>124,724</u>
Total liabilities and fund balances	<u>\$ 1,112</u>	<u>\$ 164,742</u>	<u>\$ 628,389</u>	<u>\$ 35,656</u>	<u>\$ 240</u>	<u>\$ 7,123</u>	<u>\$ 19,085</u>	<u>\$ 131,216</u>

(continued)

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2017, (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	\$ 83,282	\$ 119,514	\$ 252,129	\$ 64,129	\$ 1,191	\$ 32,056	\$ -	\$ 12,776
Investments	-	-	-	-	-	-	-	-
Receivables:								
Accounts receivable	20	128,442	-	-	-	32,570	-	-
Accrued interest receivable	-	-	-	-	-	-	-	-
Advance to component unit	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-
Total assets	<u>\$ 83,302</u>	<u>\$ 247,956</u>	<u>\$ 252,129</u>	<u>\$ 64,129</u>	<u>\$ 1,191</u>	<u>\$ 64,626</u>	<u>\$ -</u>	<u>\$ 12,776</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	\$ -	\$ 54,076	\$ 1,990	\$ 20,999	\$ -	\$ 57,760	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>54,076</u>	<u>1,990</u>	<u>20,999</u>	<u>-</u>	<u>57,760</u>	<u>-</u>	<u>-</u>
Fund balances:								
Restricted	83,302	193,880	250,139	43,130	1,191	6,866	-	12,776
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-	-	-	-
Total fund balances	<u>83,302</u>	<u>193,880</u>	<u>250,139</u>	<u>43,130</u>	<u>1,191</u>	<u>6,866</u>	<u>-</u>	<u>12,776</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 83,302</u>	<u>\$ 247,956</u>	<u>\$ 252,129</u>	<u>\$ 64,129</u>	<u>\$ 1,191</u>	<u>\$ 64,626</u>	<u>\$ -</u>	<u>\$ 12,776</u>

(continued)

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2017, (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	\$ 157,086	\$ 2,609	\$ 106,351	\$ 1,177,187	\$ 26,596	\$ 48,400	\$ 5,500
Investments	-	-	-	-	-	-	-
Receivables:							
Accounts receivable	-	-	-	115,521	-	-	-
Accrued interest receivable	-	-	-	-	-	-	-
Advance to component unit	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Total assets	<u>\$ 157,086</u>	<u>\$ 2,609</u>	<u>\$ 106,351</u>	<u>\$ 1,292,708</u>	<u>\$ 26,596</u>	<u>\$ 48,400</u>	<u>\$ 5,500</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 48,659	\$ -	\$ -	\$ 32,908	\$ -	\$ 5,297	\$ -
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>48,659</u>	<u>-</u>	<u>-</u>	<u>32,908</u>	<u>-</u>	<u>5,297</u>	<u>-</u>
Fund balances:							
Restricted	108,427	2,609	106,351	1,259,800	26,596	-	5,500
Committed	-	-	-	-	-	43,103	-
Assigned	-	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-	-	-
Total fund balances	<u>108,427</u>	<u>2,609</u>	<u>106,351</u>	<u>1,259,800</u>	<u>26,596</u>	<u>43,103</u>	<u>5,500</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 157,086</u>	<u>\$ 2,609</u>	<u>\$ 106,351</u>	<u>\$ 1,292,708</u>	<u>\$ 26,596</u>	<u>\$ 48,400</u>	<u>\$ 5,500</u>

(continued)

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2017, (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	\$ 858,137	\$ 29,177	\$ 74,113	\$ 2,101,161	\$ 725,980	\$ 44,300	\$ 628,529	\$ 488,991
Investments	-	-	-	-	-	-	-	-
Receivables:								
Accounts receivable	239,248	-	-	-	-	325	-	1,676
Accrued interest receivable	-	-	-	-	-	-	-	-
Advance to component unit	114,328	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	10,104	-	-	-	-
Total assets	<u>\$ 1,211,713</u>	<u>\$ 29,177</u>	<u>\$ 74,113</u>	<u>\$ 2,111,265</u>	<u>\$ 725,980</u>	<u>\$ 44,625</u>	<u>\$ 628,529</u>	<u>\$ 490,667</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	\$ 196,465	\$ -	\$ -	\$ 24,890	\$ 147	\$ -	\$ 10,793	\$ 4,366
Due to other funds	-	-	-	234,076	-	-	-	-
Total liabilities	<u>196,465</u>	<u>-</u>	<u>-</u>	<u>258,966</u>	<u>147</u>	<u>-</u>	<u>10,793</u>	<u>4,366</u>
Fund balances:								
Restricted	1,015,248	29,177	74,113	1,852,299	725,833	-	617,736	159,271
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	44,625	-	327,030
Unassigned (deficit)	-	-	-	-	-	-	-	-
Total fund balances	<u>1,015,248</u>	<u>29,177</u>	<u>74,113</u>	<u>1,852,299</u>	<u>725,833</u>	<u>44,625</u>	<u>617,736</u>	<u>486,301</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,211,713</u>	<u>\$ 29,177</u>	<u>\$ 74,113</u>	<u>\$ 2,111,265</u>	<u>\$ 725,980</u>	<u>\$ 44,625</u>	<u>\$ 628,529</u>	<u>\$ 490,667</u>

(continued)

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2017, (Continued)

	DEBT SERVICE FUND		CAPITAL PROJECT FUNDS							TOTALS
	PRIOR 1972	CIP	CAPITAL OUTLAY ROLLING STOCK	2005 CIP Fund	CAPITAL IMPROVEMENT FUND 2008	AD Valorem 2005	AD Valorem 2012	2015 CIP	Street and GO Bond Fund	
ASSETS										
Cash and cash equivalents	\$ 1,276,213	\$ 3,353,791	\$ 3,436,634	\$ 777,814	\$ 1,883,245	\$ 412,180	\$ 291,369	\$ 1,805,563	\$ 2,955,225	\$ 24,213,456
Investments	-	495,156	-	3,490,805	4,000,000	250,000	-	2,847,040	-	11,083,001
Receivables:										
Accounts receivable	-	424	-	-	-	-	-	-	-	518,226
Accrued interest receivable	-	41	-	2,355	-	-	-	514	-	2,910
Advance to component unit	-	299,994	-	-	-	-	-	-	-	414,322
Due from other funds	-	234,076	-	-	-	-	-	-	-	235,625
Due from other governments	-	195,723	-	-	-	-	-	-	-	209,613
Total assets	<u>\$ 1,276,213</u>	<u>\$ 4,579,205</u>	<u>\$ 3,436,634</u>	<u>\$ 4,270,974</u>	<u>\$ 5,883,245</u>	<u>\$ 662,180</u>	<u>\$ 291,369</u>	<u>\$ 4,653,117</u>	<u>\$ 2,955,225</u>	<u>\$ 36,677,153</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES										
Liabilities:										
Accounts payable and accrued liabilities	\$ -	\$ 808,256	\$ 11,013	\$ 82,388	\$ 4,200	\$ -	\$ 261,468	\$ 1,081,768	\$ -	\$ 2,738,652
Due to other funds	-	-	-	-	-	-	-	-	-	234,779
Total liabilities	<u>-</u>	<u>808,256</u>	<u>11,013</u>	<u>82,388</u>	<u>4,200</u>	<u>-</u>	<u>261,468</u>	<u>1,081,768</u>	<u>-</u>	<u>2,973,431</u>
Fund balances:										
Restricted	1,276,213	-	-	4,188,586	5,879,045	662,180	29,901	3,571,349	2,955,225	26,094,332
Committed	-	-	-	-	-	-	-	-	-	43,103
Assigned	-	3,770,949	3,425,621	-	-	-	-	-	-	7,568,225
Unassigned (deficit)	-	-	-	-	-	-	-	-	-	(1,938)
Total fund balances	<u>1,276,213</u>	<u>3,770,949</u>	<u>3,425,621</u>	<u>4,188,586</u>	<u>5,879,045</u>	<u>662,180</u>	<u>29,901</u>	<u>3,571,349</u>	<u>2,955,225</u>	<u>33,703,722</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,276,213</u>	<u>\$ 4,579,205</u>	<u>\$ 3,436,634</u>	<u>\$ 4,270,974</u>	<u>\$ 5,883,245</u>	<u>\$ 662,180</u>	<u>\$ 291,369</u>	<u>\$ 4,653,117</u>	<u>\$ 2,955,225</u>	<u>\$ 36,677,153</u>

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2017

	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	33,761	-	570,605	247,268	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Investment income	-	1,018	354	-	2	-	-	-
Miscellaneous	3,306	-	13,047	16,548	-	-	-	65,320
Total revenues	<u>37,067</u>	<u>1,018</u>	<u>584,006</u>	<u>263,816</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>65,320</u>
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	55,744
Public works and streets	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Culture and recreation	11,713	-	-	-	-	-	-	-
Community development	-	-	417,386	247,782	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Capital Outlay	41,961	-	-	-	-	-	-	2,795
Debt Service								
Principal	-	-	80,000	-	-	-	-	-
Interest and fiscal charges	-	-	73,156	-	-	-	-	-
Total expenditures	<u>53,674</u>	<u>-</u>	<u>570,542</u>	<u>247,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,539</u>
Excess (deficiency) of revenues over expenditures	<u>(16,607)</u>	<u>1,018</u>	<u>13,464</u>	<u>16,034</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>6,781</u>
OTHER FINANCING SOURCES (USES)								
Debt proceeds	-	-	-	-	-	-	-	-
Debt issuance premium	-	-	-	-	-	-	-	-
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	(16,607)	1,018	13,464	16,034	2	-	-	6,781
Fund balances - beginning	14,669	163,724	593,980	18,197	238	7,123	19,085	117,943
Fund balances - ending	<u>\$ (1,938)</u>	<u>\$ 164,742</u>	<u>\$ 607,444</u>	<u>\$ 34,231</u>	<u>\$ 240</u>	<u>\$ 7,123</u>	<u>\$ 19,085</u>	<u>\$ 124,724</u>

(continued)

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2017, (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	-	384,057	-	-	-	-	-	-
Charges for services	16,115	-	17,768	-	-	179,675	-	-
Fines and forfeitures	-	-	-	130,012	-	-	-	-
Investment earnings	7	-	-	-	-	-	-	-
Miscellaneous	-	469,476	57,500	-	-	-	-	-
Total revenues	<u>16,122</u>	<u>853,533</u>	<u>75,268</u>	<u>130,012</u>	<u>-</u>	<u>179,675</u>	<u>-</u>	<u>-</u>
EXPENDITURES								
Current:								
General government	-	-	4,401	-	-	227,291	-	-
Public safety	38,185	1,447,774	-	213,343	-	-	-	-
Public works and streets	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Capital Outlay	-	203,852	50,597	-	-	-	-	-
Debt Service								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>38,185</u>	<u>1,651,626</u>	<u>54,998</u>	<u>213,343</u>	<u>-</u>	<u>227,291</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(22,063)</u>	<u>(798,093)</u>	<u>20,270</u>	<u>(83,331)</u>	<u>-</u>	<u>(47,616)</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)								
Debt proceeds	-	-	-	-	-	-	-	-
Debt issuance premium	-	-	-	-	-	-	-	-
Transfers in	265	880,562	-	130,285	-	-	-	-
Transfers out	-	-	-	(4,516)	-	-	(240)	-
Total other financing sources and uses	<u>265</u>	<u>880,562</u>	<u>-</u>	<u>125,769</u>	<u>-</u>	<u>-</u>	<u>(240)</u>	<u>-</u>
Net change in fund balances	(21,798)	82,469	20,270	42,438	-	(47,616)	(240)	-
Fund balances - beginning	105,100	111,411	229,869	692	1,191	54,482	240	12,776
Fund balances - ending	<u>\$ 83,302</u>	<u>\$ 193,880</u>	<u>\$ 250,139</u>	<u>\$ 43,130</u>	<u>\$ 1,191</u>	<u>\$ 6,866</u>	<u>\$ -</u>	<u>\$ 12,776</u>

(continued)

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2017, (Continued)

	SPECIAL REVENUE FUNDS						
	TIF FUND	GRANTS GIFTS	MCMAHON AUTHORITY GRANTS	DRAINAGE MAINTENANCE FUND	ANIMAL DONATION FUND	LETA BEAUTIFICATION	CEMETERY REWARD
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	874,433	-	38,715	-
Investment earnings	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	7,101	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>874,433</u>	<u>7,101</u>	<u>38,715</u>	<u>-</u>
EXPENDITURES							
Current:							
General government	952,904	-	-	-	-	66,804	-
Public safety	-	-	-	-	1,580	-	-
Public works and streets	-	-	-	763,723	-	-	-
Education	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-
Capital Outlay	-	-	-	152,704	-	-	-
Debt Service							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>952,904</u>	<u>-</u>	<u>-</u>	<u>916,427</u>	<u>1,580</u>	<u>66,804</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(952,904)</u>	<u>-</u>	<u>-</u>	<u>(41,994)</u>	<u>5,521</u>	<u>(28,089)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)							
Debt proceeds	-	-	-	-	-	-	-
Debt issuance premium	-	-	-	-	-	-	-
Transfers in	906,002	-	-	-	-	25,825	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources and uses	<u>906,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,825</u>	<u>-</u>
Net change in fund balances	(46,902)	-	-	(41,994)	5,521	(2,264)	-
Fund balances - beginning	155,329	2,609	106,351	1,301,794	21,075	45,367	5,500
Fund balances - ending	<u>\$ 108,427</u>	<u>\$ 2,609</u>	<u>\$ 106,351</u>	<u>\$ 1,259,800</u>	<u>\$ 26,596</u>	<u>\$ 43,103</u>	<u>\$ 5,500</u>

(continued)

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2017, (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	\$ 1,448,150	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	1,485,557	1,314,128	-	-	-	6,551
Charges for services	-	-	337,057	-	96,616	21,600	686,808	-
Fines and forfeitures	-	-	-	-	-	-	-	75,930
Investment earnings	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	<u>1,448,150</u>	<u>-</u>	<u>1,822,614</u>	<u>1,314,128</u>	<u>96,616</u>	<u>21,600</u>	<u>686,808</u>	<u>82,481</u>
EXPENDITURES								
Current:								
General government	-	-	-	87,383	9,000	6,925	746,162	-
Public safety	-	-	-	149,067	-	-	-	85,585
Public works and streets	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Culture and recreation	1,172,611	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Transportation	-	-	2,593,847	-	-	-	-	-
Capital Outlay	-	-	-	185,072	521,341	-	-	-
Debt Service								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>1,172,611</u>	<u>-</u>	<u>2,593,847</u>	<u>421,522</u>	<u>530,341</u>	<u>6,925</u>	<u>746,162</u>	<u>85,585</u>
Excess (deficiency) of revenues over expenditures	<u>275,539</u>	<u>-</u>	<u>(771,233)</u>	<u>892,606</u>	<u>(433,725)</u>	<u>14,675</u>	<u>(59,354)</u>	<u>(3,104)</u>
OTHER FINANCING SOURCES (USES)								
Debt proceeds	-	-	-	-	-	-	-	-
Debt issuance premium	-	-	-	-	-	-	-	-
Transfers in	-	-	750,000	-	-	-	-	46,900
Transfers out	-	-	(16,536)	(234,077)	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>733,464</u>	<u>(234,077)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,900</u>
Net change in fund balances	275,539	-	(37,769)	658,529	(433,725)	14,675	(59,354)	43,796
Fund balances - beginning	739,709	29,177	111,882	1,193,770	1,159,558	29,950	677,090	442,505
Fund balances - ending	<u>\$ 1,015,248</u>	<u>\$ 29,177</u>	<u>\$ 74,113</u>	<u>\$ 1,852,299</u>	<u>\$ 725,833</u>	<u>\$ 44,625</u>	<u>\$ 617,736</u>	<u>\$ 486,301</u>

(continued)

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2017, (Continued)

	DEBT SERVICE FUND	CAPITAL PROJECT FUNDS								TOTALS
	PRIOR TO 1972	CIP	CAPITAL OUTLAY ROLLING STOCK	2005 CIP Fund	CAPITAL IMPROVEMENT FUND 2008	AD Valorem 2005	AD Valorem 2012	2015 CIP	Street and GO Bond Fund	
REVENUES										
Taxes	\$ 3,002,886	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,451,036
Intergovernmental	-	228,605	-	-	-	-	-	-	-	4,270,532
Charges for services	-	126,597	-	-	-	-	-	-	-	1,482,236
Fines and forfeitures	-	-	-	-	-	-	-	-	-	1,119,090
Investment earnings	-	5,280	-	22,860	38,427	7,154	15,115	74,796	2,500	167,513
Miscellaneous	-	156,861	35,000	8,552	-	-	-	-	-	832,711
Total revenues	3,002,886	517,343	35,000	31,412	38,427	7,154	15,115	74,796	2,500	12,323,118
EXPENDITURES										
Current:										
General government	-	235,725	-	-	-	-	-	10,577	-	2,347,172
Public safety	-	-	-	-	-	-	-	32,832	-	2,024,110
Public works and streets	-	-	-	-	-	-	-	-	87,715	851,438
Education	-	-	-	-	-	-	-	2,500,000	-	2,500,000
Culture and recreation	-	-	-	-	-	-	-	-	-	1,184,324
Community development	-	-	-	-	-	-	-	-	-	665,168
Transportation	-	-	-	-	-	-	-	-	-	2,593,847
Capital Outlay	-	1,559,644	1,609,867	1,121,848	146,213	-	4,740,342	4,910,969	-	15,247,205
Debt Service										
Principal	2,169,024	-	569,887	-	-	-	-	603,704	-	3,422,615
Interest and fiscal charges	488,682	-	8,377	-	-	-	-	5,147	-	575,362
Total expenditures	2,657,706	1,795,369	2,188,131	1,121,848	146,213	-	4,740,342	8,063,229	87,715	31,411,241
Excess (deficiency) of revenues over expenditures	345,180	(1,278,026)	(2,153,131)	(1,090,436)	(107,786)	7,154	(4,725,227)	(7,988,433)	(85,215)	(19,088,123)
OTHER FINANCING SOURCES (USES)										
Debt proceeds	-	2,874,352	-	-	-	-	-	135,882	3,000,000	6,010,234
Debt issuance premium	-	-	-	-	-	-	-	-	40,440	40,440
Transfers in	-	264,077	2,884,307	1,480,332	2,769,725	-	-	9,609,784	-	19,748,064
Transfers out	-	-	-	(303,977)	(305,477)	-	-	(2,611,042)	-	(3,475,865)
Total other financing sources and uses	-	3,138,429	2,884,307	1,176,355	2,464,248	-	-	7,134,624	3,040,440	22,322,873
Net change in fund balances	345,180	1,860,403	731,176	85,919	2,356,462	7,154	(4,725,227)	(853,809)	2,955,225	3,234,750
Fund balances - beginning	931,033	1,910,546	2,694,445	4,102,667	3,522,583	655,026	4,755,128	4,425,158	-	30,468,972
Fund balances - ending	\$ 1,276,213	\$ 3,770,949	\$ 3,425,621	\$ 4,188,586	\$ 5,879,045	\$ 662,180	\$ 29,901	\$ 3,571,349	\$ 2,955,225	\$ 33,703,722

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Statement of Net Position – Lawton Water Authority Enterprise Fund – June 30, 2017

	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	
ASSETS										
Current assets:										
Cash and cash equivalents	\$ 1,151,491	\$ -	\$ 304,965	\$ 725,266	\$ 25,866	\$ 107,008	\$ (28,026)	\$ 140	\$ 712,954	\$ 2,999,664
Cash and cash equivalents, restricted	-	1,729,897	-	3,993,606	-	153,869	-	-	-	5,877,372
Investments	-	-	-	-	-	499,026	-	-	-	499,026
Accounts receivable, net	-	-	-	5,613,189	-	-	-	-	463,963	6,077,152
Interest receivable	-	-	-	-	-	81	-	-	-	81
Due from other governments	2,582,733	-	-	-	-	-	-	-	-	2,582,733
Total current assets	<u>3,734,224</u>	<u>1,729,897</u>	<u>304,965</u>	<u>10,332,061</u>	<u>25,866</u>	<u>759,984</u>	<u>(28,026)</u>	<u>140</u>	<u>1,176,917</u>	<u>18,036,028</u>
Non-current assets:										
Cash and cash equivalents, restricted	-	-	-	11,136,517	-	-	-	-	-	11,136,517
Land and construction in progress	5,528	-	25,052,548	-	264	-	-	-	-	25,058,340
Other capital assets, net	2,272,229	-	163,357,133	29,582,345	241,080	-	-	-	-	195,452,787
Total non-current assets	<u>2,277,757</u>	<u>-</u>	<u>188,409,681</u>	<u>40,718,862</u>	<u>241,344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,647,644</u>
Total assets	<u>6,011,981</u>	<u>1,729,897</u>	<u>188,714,646</u>	<u>51,050,923</u>	<u>267,210</u>	<u>759,984</u>	<u>(28,026)</u>	<u>140</u>	<u>1,176,917</u>	<u>249,683,672</u>
DEFERRED OUTFLOW OF RESOURCES										
Deferred amounts related to pension	342,733	-	1,603,852	-	85,516	-	-	-	-	2,032,101
LIABILITIES										
Current liabilities:										
Accounts payable and accrued liabilities	123,868	-	627,634	-	18,272	-	7,902	-	94,703	872,379
Accrued interest payable	-	-	-	328,847	-	-	-	-	-	328,847
Accrued compensated absences	17,123	-	94,069	-	-	-	-	-	-	111,192
Landfill post closure liability	-	-	557,514	-	-	-	-	-	-	557,514
Contract payable - Waurika note	-	-	-	1,442,740	-	-	-	-	-	1,442,740
Worker's compensation liability	-	-	273,519	-	-	-	-	-	-	273,519
Notes payable	-	-	-	998,960	-	-	-	-	-	998,960
Revenue bonds payable	-	-	-	5,834,584	-	-	-	-	-	5,834,584
Total current liabilities	<u>140,991</u>	<u>-</u>	<u>1,552,736</u>	<u>8,605,131</u>	<u>18,272</u>	<u>-</u>	<u>7,902</u>	<u>-</u>	<u>94,703</u>	<u>10,419,735</u>
Non-current liabilities:										
Accrued compensated absences	126,167	-	693,119	-	-	-	-	-	-	819,286
Landfill post closure liability	-	-	4,667,845	-	-	-	-	-	-	4,667,845
Contract payable - Waurika note	-	-	-	28,508,834	-	-	-	-	-	28,508,834
Worker's compensation liability	-	-	273,520	-	-	-	-	-	-	273,520
Net OPEB obligation	-	-	1,547,098	-	-	-	-	-	-	1,547,098
Notes payable	-	-	-	8,261,025	-	-	-	-	-	8,261,025
Revenue bond payable, net	-	-	-	20,925,111	-	-	-	-	-	20,925,111
Net pension liability	1,839,385	-	8,607,540	-	458,947	-	-	-	-	10,905,872
Total non-current liabilities	<u>1,965,552</u>	<u>-</u>	<u>15,789,122</u>	<u>57,694,970</u>	<u>458,947</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,908,591</u>
Total liabilities	<u>2,106,543</u>	<u>-</u>	<u>17,341,858</u>	<u>66,300,101</u>	<u>477,219</u>	<u>-</u>	<u>7,902</u>	<u>-</u>	<u>94,703</u>	<u>86,328,326</u>
DEFERRED INFLOW OF RESOURCES										
Deferred amounts related to pensions	149,777	-	210,220	-	52,709	-	-	-	-	412,706
NET POSITION										
Net investment in capital assets	2,277,757	-	187,769,925	(20,652,050)	-	-	-	-	-	169,395,632
Restricted for debt service	-	1,729,897	-	4,021,672	-	-	-	-	-	5,751,569
Restricted for landfill financial assurance	-	-	-	-	-	153,869	-	-	-	153,869
Unrestricted (deficit)	1,820,637	-	(15,003,505)	1,381,200	(177,202)	606,115	(35,928)	140	1,082,214	(10,326,329)
Total net position	<u>\$ 4,098,394</u>	<u>\$ 1,729,897</u>	<u>\$ 172,766,420</u>	<u>\$ (15,249,178)</u>	<u>\$ (177,202)</u>	<u>\$ 759,984</u>	<u>\$ (35,928)</u>	<u>\$ 140</u>	<u>\$ 1,082,214</u>	<u>\$ 164,974,741</u>

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Lawton Water Authority Enterprise Fund – Year ended June 30, 2017

	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
REVENUES										
Charges for services	\$ -	\$ -	\$ -	\$ 40,248,849	\$ -	\$ -	\$ 186,758	\$ -	\$ 3,509,337	\$ 43,944,944
Other sources	-	-	-	181,645	-	-	-	-	-	181,645
Operating grants	527,544	-	-	-	-	-	-	-	-	527,544
Total operating revenues	<u>527,544</u>	<u>-</u>	<u>-</u>	<u>40,430,494</u>	<u>-</u>	<u>-</u>	<u>186,758</u>	<u>-</u>	<u>3,509,337</u>	<u>44,654,133</u>
OPERATING EXPENSES										
Public works operations	795,594	-	14,122,694	155,161	512,231	648	210,929	-	714,976	16,512,233
Depreciation expense	493,867	-	9,993,262	383,711	67,713	-	-	-	-	10,938,553
Landfill closure expense	-	-	(389,931)	-	-	-	-	-	-	(389,931)
Total operating expenses	<u>1,289,461</u>	<u>-</u>	<u>23,726,025</u>	<u>538,872</u>	<u>579,944</u>	<u>648</u>	<u>210,929</u>	<u>-</u>	<u>714,976</u>	<u>27,060,855</u>
Operating income (loss)	<u>(761,917)</u>	<u>-</u>	<u>(23,726,025)</u>	<u>39,891,622</u>	<u>(579,944)</u>	<u>(648)</u>	<u>(24,171)</u>	<u>-</u>	<u>2,794,361</u>	<u>17,593,278</u>
NON-OPERATING REVENUES (EXPENSES)										
Investment income	9,870	-	-	9,016	-	2,044	-	-	-	20,930
Interest expense and fiscal charges	-	-	-	(802,283)	-	-	-	-	(1,158,237)	(1,960,520)
Bond issuance cost	-	-	-	-	-	-	-	-	-	-
Gain (Loss) on asset retirement	6,500	-	24,767	-	-	-	-	-	-	31,267
Other non-operating revenue	-	-	12,956	27,259	-	-	-	-	-	40,215
Capital Grants	-	-	-	190,000	-	-	-	-	-	190,000
Capital assets purchased for governmental activities	-	-	(49,140)	-	-	-	-	-	-	(49,140)
Total non-operating revenue (expenses)	<u>16,370</u>	<u>-</u>	<u>(11,417)</u>	<u>(576,008)</u>	<u>-</u>	<u>2,044</u>	<u>-</u>	<u>-</u>	<u>(1,158,237)</u>	<u>(1,727,248)</u>
Income (loss) before contributions and transfers	<u>(745,547)</u>	<u>-</u>	<u>(23,737,442)</u>	<u>39,315,614</u>	<u>(579,944)</u>	<u>1,396</u>	<u>(24,171)</u>	<u>-</u>	<u>1,636,124</u>	<u>15,866,030</u>
Capital Contributions	-	-	447,842	-	-	-	-	-	-	447,842
Capital Contributions from governmental activities	-	-	12,432,365	-	264	-	-	-	-	12,432,629
Interaccount transfers in	672,477	962,351	37,339,352	2,445,647	118,000	-	-	-	-	41,537,827
Interaccount transfers out	(3,222,352)	(1,045,001)	(672,477)	(35,197,351)	-	-	-	-	(1,400,646)	(41,537,827)
Transfers in	3,100,000	-	-	7,083,882	400,000	-	-	-	-	10,583,882
Transfers out	-	-	(20,494,149)	(13,734,352)	-	-	-	-	-	(34,228,501)
Change in net position	<u>(195,422)</u>	<u>(82,650)</u>	<u>5,315,491</u>	<u>(86,560)</u>	<u>(61,680)</u>	<u>1,396</u>	<u>(24,171)</u>	<u>-</u>	<u>235,478</u>	<u>5,101,882</u>
Total net position - beginning	<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>
Total net position - ending	<u>\$ 4,098,394</u>	<u>\$ 1,729,897</u>	<u>\$ 172,766,420</u>	<u>\$ (15,249,178)</u>	<u>\$ (177,202)</u>	<u>\$ 759,984</u>	<u>\$ (35,928)</u>	<u>\$ 140</u>	<u>\$ 1,082,214</u>	<u>\$ 164,974,741</u>

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Cash Flow Statement – Lawton Water Authority Enterprise Fund – Year ended June 30, 2017

	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	
CASH FLOWS FROM OPERATING ACTIVITIES										
Receipts from customers	\$ -	\$ -	\$ 12,956	\$ 40,128,569	\$ 9,833	\$ -	\$ 179,983	\$ -	\$ 3,488,506	\$ 43,819,847
Payments to suppliers	(499,336)	-	(6,626,131)	(155,177)	(74,288)	(648)	(206,143)	-	(879,461)	(8,441,184)
Payments to employees	(297,782)	-	(6,826,926)	-	(429,354)	-	-	-	-	(7,554,062)
Grants for operations	527,544	-	-	-	-	-	-	-	-	527,544
Net cash provided by (used in) operating activities	<u>(269,574)</u>	<u>-</u>	<u>(13,440,101)</u>	<u>39,973,392</u>	<u>(493,809)</u>	<u>(648)</u>	<u>(26,160)</u>	<u>-</u>	<u>2,609,045</u>	<u>28,352,145</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES										
Transfers from other funds	3,100,000	-	-	7,083,882	400,000	-	-	-	-	10,583,882
Transfers to other funds	-	-	(20,494,149)	(13,734,352)	-	-	-	-	-	(34,228,501)
Interaccount transfer in	672,477	962,351	37,339,352	2,445,647	118,000	-	-	-	-	41,537,827
Interaccount transfer out	(3,222,352)	(1,045,001)	(672,477)	(35,197,351)	-	-	-	-	(1,400,646)	(41,537,827)
Principal paid on debt	-	-	-	(181,477)	-	-	-	-	-	(181,477)
Interest and fiscal agent fees paid on debt	-	-	-	(206,846)	-	-	-	-	-	(206,846)
Net cash provided by (used in) noncapital financing activities	<u>550,125</u>	<u>(82,650)</u>	<u>16,172,726</u>	<u>(39,790,497)</u>	<u>518,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,400,646)</u>	<u>(24,032,942)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES										
Capital assets purchased	(1,584,246)	-	(2,610,767)	-	(2,803)	-	-	-	-	(4,197,816)
Principal paid on debt	-	-	-	(8,011,390)	-	-	-	-	-	(8,011,390)
Proceeds from debt	-	-	-	195,068	-	-	-	-	-	195,068
Interest and fiscal agent fees paid on debt	-	-	-	(660,632)	-	-	-	-	(1,158,237)	(1,818,869)
Net cash provided by (used in) capital and related financing activities	<u>(1,584,246)</u>	<u>-</u>	<u>(2,610,767)</u>	<u>(8,476,954)</u>	<u>(2,803)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,158,237)</u>	<u>(13,833,007)</u>
CASH FLOWS FROM INVESTING ACTIVITIES										
Sale of investments	-	-	-	-	-	153,869	-	-	-	153,869
Purchase of investments	-	-	-	-	-	554	-	-	-	554
Interest and dividends	9,870	-	-	9,016	-	2,044	-	-	-	20,930
Net cash provided by (used in) investing activities	<u>9,870</u>	<u>-</u>	<u>-</u>	<u>9,016</u>	<u>-</u>	<u>156,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,353</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,293,825)</u>	<u>(82,650)</u>	<u>121,858</u>	<u>(8,285,043)</u>	<u>21,388</u>	<u>155,819</u>	<u>(26,160)</u>	<u>-</u>	<u>50,162</u>	<u>(9,338,451)</u>
Balances - beginning of year	<u>2,445,316</u>	<u>1,812,547</u>	<u>183,107</u>	<u>24,140,432</u>	<u>4,478</u>	<u>105,058</u>	<u>(1,866)</u>	<u>140</u>	<u>662,792</u>	<u>29,352,004</u>
Balances - end of year	<u>\$ 1,151,491</u>	<u>\$ 1,729,897</u>	<u>\$ 304,965</u>	<u>\$ 15,855,389</u>	<u>\$ 25,866</u>	<u>\$ 260,877</u>	<u>\$ (28,026)</u>	<u>\$ 140</u>	<u>\$ 712,954</u>	<u>\$ 20,013,553</u>
Reconciliation to Statement of Net Position:										
Cash and cash equivalents	\$ 1,151,491	\$ -	\$ 304,965	\$ 725,266	\$ 25,866	\$ 107,008	\$ (28,026)	\$ 140	\$ 712,954	\$ 2,999,664
Restricted cash and cash equivalents - current	-	1,729,897	-	3,993,606	-	153,869	-	-	-	5,877,372
Restricted cash and cash equivalents - noncurrent	-	-	-	11,136,517	-	-	-	-	-	11,136,517
Total cash and cash equivalents, end of year	<u>\$ 1,151,491</u>	<u>\$ 1,729,897</u>	<u>\$ 304,965</u>	<u>\$ 15,855,389</u>	<u>\$ 25,866</u>	<u>\$ 260,877</u>	<u>\$ (28,026)</u>	<u>\$ 140</u>	<u>\$ 712,954</u>	<u>\$ 20,013,553</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:										
Operating income (loss)	\$ (761,917)	\$ -	\$ (23,726,025)	\$ 39,891,622	\$ (579,944)	\$ (648)	\$ (24,171)	\$ -	\$ 2,794,361	\$ 17,593,278
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:										
Depreciation expense	493,867	-	9,993,262	383,711	67,713	-	-	-	-	10,938,553
Other nonoperating revenue	-	-	12,956	27,259	-	-	-	-	-	40,215
Change in assets and liabilities:										
Receivables, net	-	-	-	(329,184)	9,833	-	(6,775)	-	(20,831)	(346,957)
Deferred outflows related to pension	(174,628)	-	(979,746)	-	(43,717)	-	-	-	-	(1,198,091)
Accounts payable	(87,884)	-	135,235	(16)	(5,561)	-	4,786	-	(164,485)	(113,925)
Due to employees	3,622	-	17,225	-	-	-	-	-	-	20,847
Claims liability	-	-	(55,726)	-	-	-	-	-	-	(55,726)
Landfill closure liability	-	-	(389,931)	-	-	-	-	-	-	(389,931)
OPEB obligation	-	-	111,846	-	-	-	-	-	-	111,846
Net pension liability	260,687	-	1,341,107	-	66,418	-	-	-	-	1,668,212
Accrued compensated absences	11,567	-	18,454	-	-	-	-	-	-	30,021
Deferred inflows related to pension	(14,888)	-	81,242	-	(8,551)	-	-	-	-	57,803
Net cash provided by (used in) operating activities	<u>\$ (269,574)</u>	<u>\$ -</u>	<u>\$ (13,440,101)</u>	<u>\$ 39,973,392</u>	<u>\$ (493,809)</u>	<u>\$ (648)</u>	<u>\$ (26,160)</u>	<u>\$ -</u>	<u>\$ 2,609,045</u>	<u>\$ 28,352,145</u>
Noncash activities:										
Principal forgiveness of debt	\$ -	\$ -	\$ -	\$ 190,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 190,000
Asset contributed by others	-	-	12,432,365	-	264	-	-	-	-	12,432,629
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,432,365</u>	<u>\$ 190,000</u>	<u>\$ 264</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,622,629</u>

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Statement of Net Position – Internal Service Funds – June 30, 2017

	<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	\$ 289,296	\$ 192	\$ -	\$ 289,488
Accounts receivable, net	1,330	-	-	1,330
Total current assets	<u>290,626</u>	<u>192</u>	<u>-</u>	<u>290,818</u>
Non-current assets:				
Capital assets:				
Land and construction in progress	-	-	-	-
Other capital assets, net	-	-	59,924	59,924
Total non-current assets	<u>-</u>	<u>-</u>	<u>59,924</u>	<u>59,924</u>
Total assets	<u>290,626</u>	<u>192</u>	<u>59,924</u>	<u>350,742</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	40,792	-	49,458	90,250
Due to other funds	62,488	-	-	62,488
Accrued compensated absences	-	-	16,341	16,341
Total current liabilities	<u>103,280</u>	<u>-</u>	<u>65,799</u>	<u>169,079</u>
Non-current liabilities:				
Accrued compensated absences	-	-	120,407	120,407
Claims liability	907,130	-	-	907,130
Total non-current liabilities	<u>907,130</u>	<u>-</u>	<u>120,407</u>	<u>1,027,537</u>
Total liabilities	<u>1,010,410</u>	<u>-</u>	<u>186,206</u>	<u>1,196,616</u>
NET POSITION				
Net investment in capital assets	-	-	59,924	59,924
Unrestricted (deficit)	(719,784)	192	(186,206)	(905,798)
Total net position	<u>\$ (719,784)</u>	<u>\$ 192</u>	<u>\$ (126,282)</u>	<u>\$ (845,874)</u>

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Internal Service Funds – Year ended June 30, 2017

	Internal Service Funds			Total
	Group Health Insurance	Worker's Comp	Information Technology Fund	
REVENUES				
Charges for services	\$ 9,551,414	\$ -	\$ 1,213,354	\$ 10,764,768
Total operating revenues	<u>9,551,414</u>	<u>-</u>	<u>1,213,354</u>	<u>10,764,768</u>
OPERATING EXPENSES				
General government and claims	8,596,460	(1,352)	-	8,595,108
Computer service operations	-	-	1,161,841	1,161,841
Depreciation expense	-	-	38,989	38,989
Total operating expenses	<u>8,596,460</u>	<u>(1,352)</u>	<u>1,200,830</u>	<u>9,795,938</u>
Operating income	<u>954,954</u>	<u>1,352</u>	<u>12,524</u>	<u>968,830</u>
NON-OPERATING REVENUES				
Investment income	3,117	192	-	3,309
Other non-operating revenue	2,923	-	-	2,923
Gain (loss) on asset retirement	-	-	(1,520)	(1,520)
Capital asset transfers in and contributions	-	-	2,015	2,015
Total non-operating revenues	<u>6,040</u>	<u>192</u>	<u>495</u>	<u>6,727</u>
Change in net position	960,994	1,544	13,019	975,557
Total net position - beginning	(1,680,778)	(1,352)	(139,301)	(1,821,431)
Total net position - ending	<u>\$ (719,784)</u>	<u>\$ 192</u>	<u>\$ (126,282)</u>	<u>\$ (845,874)</u>

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

Combining Cash Flow Statement – Internal Service Funds – Year ended June 30, 2017

	HEALTH INSURANCE FUND	WORKER'S COMPENSATION FUND	INFORMATION TECHNOLOGY FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 12,641	\$ -	\$ -	\$ 12,641
Receipts from interfund services provided	9,540,366	-	1,213,354	10,753,720
Payments to suppliers	(6,487)	-	(254,881)	(261,368)
Payments to employees	-	-	(950,572)	(950,572)
Payments from other funds	62,488	-	-	62,488
Claims and benefits paid	(9,436,978)	-	-	(9,436,978)
Net Cash Provided by Operating Activities	<u>172,030</u>	<u>-</u>	<u>7,901</u>	<u>179,931</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital assets purchased	-	-	(7,901)	(7,901)
Proceeds of capital grants	-	-	-	-
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(7,901)</u>	<u>(7,901)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	3,117	192	-	3,309
Net Cash Provided by Investing Activities	<u>3,117</u>	<u>192</u>	<u>-</u>	<u>3,309</u>
Net Increase in Cash and Cash Equivalents	175,147	192	-	175,339
Balances - beginning of the year	114,149	-	-	114,149
Balances - end of the year	<u>\$ 289,296</u>	<u>\$ 192</u>	<u>\$ -</u>	<u>\$ 289,488</u>
Reconciliation to Statement of Net Position:				
Cash and cash equivalents	\$ 289,296	\$ 192	\$ -	\$ 289,488
Total cash and cash equivalents	<u>\$ 289,296</u>	<u>\$ 192</u>	<u>\$ -</u>	<u>\$ 289,488</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 954,954	\$ 1,352	\$ 12,524	\$ 968,830
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	-	-	38,989	38,989
Other miscellaneous revenue	2,923	-	-	2,923
Change in assets and liabilities:				
Receivables, net	(1,330)	-	-	(1,330)
Due from other funds	62,488	-	-	62,488
Accounts payable	35,832	(1,352)	15,337	49,817
Accrued compensated absences	-	-	(58,949)	(58,949)
Claims liability	(882,837)	-	-	(882,837)
Net Cash Provided by Operating Activities	<u>\$ 172,030</u>	<u>\$ -</u>	<u>\$ 7,901</u>	<u>\$ 179,931</u>

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Debt Service Coverage Schedule - Year Ended June 30, 2017

		OWRB Series 2001A, 2001B, 2003A, 2003B, 2003C, 2003D, 2004A, 2005, 2006A, & 2009 Promissory Notes
GROSS REVENUE AVAILABLE:		
Charges for services (all utility revenues)	\$	43,944,944
Other resources		181,645
Investment income		20,930
Total Gross Revenue Available		44,147,519
OPERATING EXPENSES:		
Total Operating Expenses		16,122,302
Net Revenue Available for Debt Service		\$28,025,217
Maximum Annual Debt Service on all Obligations Payable From Revenues of the System		\$1,364,525
Computed Coverage		2054%
Coverage Requirement		125%