



Annual Financial Statements and Independent Auditor's Report



MAKING
PROGRESS

For Fiscal Year Ended
June 30, 2018

City of Lawton, OKLAHOMA

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

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Independent Auditor's Report

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lawton Urban Renewal Authority, 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 86%, 838% and 72% of the assets, net position and revenues, respectively, of the discretely presented component units. We also did not audit the financial statements of the City Employees Retirement Trust Fund, the City's pension trust fund included in the aggregate remaining fund information of the City, which represents 59%, 64% and 26% of the assets, net position and revenues/additions, respectively, of the aggregate remaining fund information of the City. 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 the above listed discretely presented component units and the City Employees 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.

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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 of Lawton, Oklahoma as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change in Accounting Principle

As discussed in *Note 3.H.* to the financial statements, in 2018 the City implemented the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Error Correction

As discussed in *Note 2.F.* to the financial statements, the 2018 beginning net position of the City has been restated to correct a misstatement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require 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.

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City of Lawton, Oklahoma
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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
February 14, 2019

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**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2018**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2018**

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, 2018. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2018, the City's total net position increased by \$12.2 million or 4.91% from the prior year.
- During the year, the City's expenses for governmental activities were \$80.2 million and were funded by program revenues of \$18.2 million and further funded with taxes and other general revenues, including transfers in, that totaled \$58.8 million.
- In the City's business-type activities, such as utilities, program revenues exceeded expenses by \$15.1 million.
- Sales and use taxes increased by \$0.9 million or 1.8% over the prior fiscal year.
- At June 30, 2018, the General Fund reported an unassigned fund balance of \$8.3 million.
- For budgetary reporting purposes, the General Fund reported revenues above estimates by \$847,629 or 1.52%, while expenditures were under final appropriations by \$1,504,813 or 2.81%.
- The City and the Lawton Water Authority issued new debt totaling \$13,074,985, excluding judgments payable. The debt was issued to provide funding for capital improvements for sanitation, public safety and refinancing of water debt.
- In 2018, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Prior year comparative information has not been restated herein for the adoption of GASB No. 75 and the correction of an error.

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, 2018**

The City's Financial Reporting Entity

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

The City's financial reporting entity includes the City of Lawton, four active blended component units and 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 Homesteading Agency** – 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 Agency, when active, is reported as the Special Revenue Lawton Urban Homestead 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.

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- **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 and the Lawton Enhancement Trust 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, 2018**

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, 2018**

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 \$261 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.)
	2018	2017		2018	2017		2018	2017	
Current assets	\$ 87,309	\$ 104,323	-16%	\$ 16,137	\$ 18,036	-11%	\$ 103,446	\$ 122,359	-15%
Capital assets, net	137,092	131,356	4%	222,339	220,511	1%	359,431	351,867	2%
Other noncurrent assets	-	-	-	12,215	11,137	10%	12,215	11,137	-
Total assets	<u>224,401</u>	<u>235,679</u>	-5%	<u>250,691</u>	<u>249,684</u>	0%	<u>475,092</u>	<u>485,363</u>	-2%
Deferred outflows	<u>14,284</u>	<u>16,525</u>	-14%	<u>3,260</u>	<u>2,032</u>	60%	<u>17,544</u>	<u>18,557</u>	-5%
Current liabilities	21,930	15,346	43%	10,561	10,420	1%	32,491	25,766	26%
Noncurrent liabilities	128,211	133,438	-4%	65,635	75,909	-14%	193,846	209,347	-7%
Total liabilities	<u>150,141</u>	<u>148,784</u>	1%	<u>76,196</u>	<u>86,329</u>	-12%	<u>226,337</u>	<u>235,113</u>	-4%
Deferred inflows	<u>4,623</u>	<u>1,774</u>	161%	<u>646</u>	<u>413</u>	56%	<u>5,269</u>	<u>2,187</u>	141%
Net position									
Net investment in capital assets	107,549	104,963	2%	186,970	169,396	10%	294,519	274,359	7%
Restricted	25,471	39,387	-35%	5,401	5,905	-9%	30,872	45,292	-32%
Unrestricted (deficit)	(49,099)	(42,704)	-15%	(15,262)	(10,326)	-48%	(64,361)	(53,030)	-21%
Total net position	<u>\$ 83,921</u>	<u>\$ 101,646</u>	-17%	<u>\$ 177,109</u>	<u>\$ 164,975</u>	7%	<u>\$ 261,030</u>	<u>\$ 266,621</u>	-2%

The largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). For 2018, this net investment in capital assets amounted to \$294.5 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, \$30.9 million also represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position creates an unrestricted net position deficit of \$64.4 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
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Explanations of significant changes displayed in Table 1 are as follows:

Governmental Activities:

Current liabilities – Increase of \$6.03 million (39%) due to an increase in the current portion of debt due in the next fiscal year.

Deferred inflow – Increase of \$2.8 million (161%) due to an increase in deferred pension and OPEB inflows.

Business-Type Activities:

Deferred outflow – Increase of \$1.0 million (47%) due to an increase in deferred pension outflows, deferred OPEB outflows and a deferred amount on a refunding recorded in the current year.

Changes in Net Position

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

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

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2018	2017		2018	2017		2018	2017	
Revenues									
Charges for service	\$ 8,511	\$ 7,846	8%	\$ 43,817	\$ 43,945	0%	\$ 52,328	\$ 51,791	1%
Operating grants and contributions	6,459	7,230	-11%	-	528	-100%	6,459	7,758	-17%
Capital grants and contributions	3,223	569	466%	926	638	45%	4,149	1,207	244%
General revenues:	-	-							
Sales and use taxes	47,853	46,990	2%	-	-	-	47,853	46,990	2%
Other taxes and intergovernmental revenues	8,658	9,033	-4%	-	-	-	8,658	9,033	-4%
Investment income	1,038	478	117%	109	21	419%	1,147	499	130%
Miscellaneous	1,259	1,154	9%	214	222	-4%	1,473	1,376	7%
Total revenues	77,001	73,300	5%	45,066	45,354	-1%	122,067	118,654	3%
Expenses									
General government	18,551	17,391	7%	-	-	-	18,551	17,391	7%
Public safety	38,204	37,551	2%	-	-	-	38,204	37,551	2%
Streets	8,227	7,750	6%	-	-	-	8,227	7,750	6%
Education	2,500	2,500	-	-	-	-	2,500	2,500	-
Transportation	2,409	2,594	-7%	-	-	-	2,409	2,594	-7%
Culture and recreation	7,796	7,519	4%	-	-	-	7,796	7,519	4%
Community/economic development	833	569	46%	-	-	-	833	569	46%
Interest	1,694	1,418	19%	-	-	-	1,694	1,418	19%
Water	-	-	-	10,337	14,721	-30%	10,337	14,721	-30%
Wastewater	-	-	-	12,385	8,786	41%	12,385	8,786	41%
Sanitation	-	-	-	6,925	5,484	26%	6,925	5,484	26%
Total expenses	80,214	77,292	4%	29,647	28,991	2%	109,861	106,283	-3%
Excess (deficiency) before transfers	(3,213)	(3,992)	-20%	15,419	16,363	-6%	12,206	12,371	-1%
Transfers	(1,834)	11,261	116%	1,834	(11,261)	-116%	-	-	-
Change in net position	(5,047)	7,269	-169%	17,253	5,102	238%	12,206	12,371	-1%

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

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental Activities:

Capital grants and contributions – Increase of \$2.7 million (466%) due to an increase in infrastructure capital assets contributed by developer in 2018.

Transfers – Net decrease of \$13.1 million (116%) of transfers in due to the transfer of transfer of capital asset cost to the enterprise funds.

Business-Type Activities:

Water expenses – decrease of \$4.4 million (30%) due to the decrease in repair and maintenance cost, chemical expense and utility cost.

Wastewater expenses – increase of \$3.6 million (41%) due to the increase in repair and maintenance cost and utility cost.

Sanitation expense - increase of \$1.4 million (26%) due to the increase in landfill closure post-closure cost.

Transfers – Net increase of \$13.1 million (116%) of transfers in due to the transfer of capital asset cost to the business-type activities.

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.)
	2018	2017		2018	2017	
General government	\$ 18,551	\$ 17,391	7%	\$ (11,976)	\$ (10,712)	12%
Public safety	38,204	37,551	2%	(33,041)	(32,184)	3%
Streets	8,227	7,750	6%	(4,976)	(7,427)	-33%
Education	2,500	2,500	-	(2,500)	(2,500)	-
Transportation	2,409	2,594	-7%	(725)	(758)	-4%
Community/economic development	833	569	46%	120	270	-56%
Culture, parks and recreation	7,796	7,519	4%	(7,228)	(6,917)	4%
Interest on long-term debt	1,694	1,418	19%	(1,695)	(1,418)	20%
Total	\$ 80,214	\$ 77,292	4%	\$ (62,021)	\$ (61,646)	1%

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MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2018**

For the year ended June 30, 2018 total expenses for governmental activities amounted to \$80.2 million which was consistent with the prior year. See Table 2 above for explanations of changes in excess of \$1 million and 20%.

Business-type Activities

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2018	2017		2018	2017	
Water	\$ 10,337	\$ 14,721	-30%	\$ 14,366	\$ 9,824	46%
Wastewater	12,385	8,786	41%	(2,664)	1,287	-307%
Sanitation	6,925	5,484	26%	3,395	5,009	-32%
Total	\$ 29,647	\$ 28,991	2%	\$ 15,097	\$ 16,120	-6%

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 \$15.4 million for the year ended June 30, 2018.
- Individual activities/services reported net revenue for the year ended June 30, 2018, with the exception of wastewater.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2018 fiscal year, the governmental funds reported a combined total fund balance of \$77.2 million or a 19.54% decrease from 2017. The proprietary funds reported combined total net position of \$177 million or a 10.79% increase from 2017.

Other fund highlights include:

- For the year ended June 30, 2018, the General Fund's total fund balance increased by \$1,383,053 or 8.61%.
- The 2005 CIP Fund's total fund balance decreased by \$5.5 million or 154% due to an increase in spending on capital projects.
- The Lawton Industrial Development Authority fund balance decreased by \$0.9 million due to an increase in debt service cost.

General Fund Budgetary Highlights

- For budgetary reporting purposes, the General Fund reported revenues above estimates by \$847,629 or 1.52%, while expenditures were under final appropriations by \$1,504,813 or 2.81%.

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2018**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2018, the City had \$359.4 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 \$15.9 million or 4.6% over last year.

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	Restated,		Restated,		Restated,	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 3,889	\$ 3,781	\$ 1,893	\$ 1,632	5,782	\$ 5,413
Buildings and utility infrastructure	34,069	27,606	176,205	156,713	210,274	184,319
Machinery, furniture and equipment	9,162	49,459	7,192	5,791	16,354	55,250
Infrastructure	56,833	9,874	-	-	56,833	9,874
Water rights	-	-	29,199	29,582	29,199	29,582
Construction in progress	33,139	35,650	7,850	23,426	40,989	59,076
Totals	\$ 137,092	\$ 126,370	\$ 222,339	\$ 217,144	\$ 359,431	\$ 343,514

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 \$125.9 million in long-term debt outstanding which represents a \$15.8 million or 11.1% decrease from the prior year. The decrease is due to the City issuing \$143.4 million of new debt and retiring \$30.4 million. The City's changes in long-term debt by type of debt are as follows:

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Accrued compensated absences	\$ 6,131	\$ 5,867	\$ 1,003	\$ 930	\$ 7,134	\$ 6,797
General obligation bonds	13,865	15,505	-	-	13,865	15,505
Debt premium	104	143	1,155	-	1,259	143
Worker's Compensation liability	855	856	547	547	1,402	1,403
Judgment payable	1,015	1,376	-	-	1,015	1,376
Revenue Bonds payable	38,059	41,041	20,925	26,760	58,984	67,801
Notes payable	1,305	1,389	1,326	9,260	2,631	10,649
Contracts payable	-	-	29,157	29,952	29,157	29,952
Capital lease obligations	3,937	2,874	-	-	3,937	2,874
Landfill Closure and Post-Closure	-	-	6,527	5,225	6,527	5,225
Totals	\$ 65,271	\$ 69,051	\$ 60,640	\$ 72,674	\$ 125,911	\$ 141,725

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2018**

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 2018-2019

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 again continues to decline due to citizen conservation in addition of the loss of accounts.

In June 2012, the Council approved a Sales Tax Rebate Agreement between the Lawton Marketplace Inventors LP and the City of Lawton, Oklahoma, restricting retail sales beginning on January 1, 2014 and ending on December 31, 2018 or at such time that \$2.5 million dollars of the eligible sales taxes have been collected. This agreement will end during the 2018-19 fiscal year shifting those sales tax receipts back to the General Fund.

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.

In June 2018, the OWRB (Oklahoma Water Resources Board) awarded the City of Lawton a Clean Water State Revolving Fund Loan in the amount of \$12.7 million for the final phase of the Sewer Rehab Program.

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, 2018**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Statement of Net Position– June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 61,603,624	\$ 2,262,011	\$ 63,865,635	\$ 2,554,909
Cash and cash equivalents, restricted current	-	4,046,176	4,046,176	142,904
Investments	14,595,796	500,000	15,095,796	1,026,468
Interest receivable	45,912	33	45,945	1,296
Accounts receivable, net	1,283,828	6,745,884	8,029,712	687,227
Inventory	268,108	-	268,108	106,106
Prepaid items	309	-	309	318,668
Taxes receivable	9,097,387	2,582,733	11,680,120	671,802
Other assets	-	-	-	5,727
Advance to component unit	414,322	-	414,322	-
Cash and cash equivalents, restricted noncurrent	-	12,214,997	12,214,997	2,429,837
Land held for resale	-	-	-	2,690,928
Capital assets:				
Land and construction in progress	37,027,674	9,743,159	46,770,833	1,131,225
Other capital assets, net of depreciation	100,064,444	212,596,492	312,660,936	22,541,991
Total Assets	224,401,404	250,691,485	475,092,889	34,309,088
DEFERRED OUTFLOWS:				
Deferred amount related to pensions	13,736,905	1,505,930	15,242,835	-
Deferred amount related to OPEB	546,675	145,056	691,731	-
Deferred amount on refunding	-	1,608,754	1,608,754	-
Total deferred outflows	14,283,580	3,259,740	17,543,320	-
LIABILITIES				
Accounts payable and accrued liabilities	9,457,916	1,099,849	10,557,765	363,982
Due to other governments	-	-	-	102,266
Accrued interest payable	508,313	211,274	719,587	496,536
Unearned revenue	-	-	-	216,003
Advance from primary government	-	-	-	414,322
Long-term liabilities:				
Due within one year	11,964,590	9,249,177	21,213,767	898,804
Due in more than one year	128,210,668	65,634,964	193,845,632	28,377,780
Total liabilities	150,141,487	76,195,264	226,336,751	30,869,693
DEFERRED INFLOWS:				
Deferred amounts related to pensions	3,723,130	407,911	4,131,041	-
Deferred amounts related to OPEB	899,416	238,653	1,138,069	-
Total deferred inflows	4,622,546	646,564	5,269,110	-
NET POSITION:				
Net investment in capital assets	107,548,943	186,970,189	294,519,132	23,646,904
Net Position:				
Restricted	25,470,923	5,400,620	30,871,543	3,602,073
Unrestricted (deficit)	(49,098,915)	(15,261,412)	(64,360,327)	(23,809,582)
Total net position	\$ 83,920,951	\$ 177,109,397	\$ 261,030,348	\$ 3,439,395

See accompanying notes to the basic financial statements.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Statement of Activities –Year Ended June 30, 2018

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Discretely Presented Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental activities:								
General government	\$ 18,550,494	\$ 6,269,288	\$ 305,410	\$ 5	\$ (11,975,791)	\$ -	\$ (11,975,791)	\$ -
Public Safety	38,204,041	1,148,113	3,967,833	46,652	(33,041,443)	-	(33,041,443)	-
Streets	8,227,335	25,166	48,990	3,176,789	(4,976,390)	-	(4,976,390)	-
Culture and recreation	7,795,958	486,951	80,630	-	(7,228,377)	-	(7,228,377)	-
Community development	832,760	230,318	722,567	-	120,125	-	120,125	-
Education	2,500,000	-	-	-	(2,500,000)	-	(2,500,000)	-
Transportation	2,409,232	350,664	1,333,857	-	(724,711)	-	(724,711)	-
Interest on long-term debt	1,694,471	-	-	-	(1,694,471)	-	(1,694,471)	-
Total governmental activities	80,214,291	8,510,500	6,459,287	3,223,446	(62,021,058)	-	(62,021,058)	-
Business-type activities:								
Water	10,336,660	23,818,964	-	883,878	-	14,366,182	14,366,182	-
Wastewater	12,384,979	9,678,282	-	42,527	-	(2,664,170)	(2,664,170)	-
Sanitation	6,924,679	10,319,671	-	-	-	3,394,992	3,394,992	-
Total business-type activities	29,646,318	43,816,917	-	926,405	-	15,097,004	15,097,004	-
Total primary government	109,860,609	52,327,417	6,459,287	4,149,851	(62,021,058)	15,097,004	(46,924,054)	-
Component Units:								
Airport	3,660,116	2,090,473	1,992,365	889,304	-	-	-	1,312,026
Culture and Recreation	1,222,126	317,177	951,135	-	-	-	-	46,186
Economic Development	1,955,271	-	2,236,945	-	-	-	-	281,674
Transportation	159,526	-	172,825	-	-	-	-	13,299
Total component units	6,997,039	2,407,650	5,353,270	889,304	-	-	-	1,653,185
General revenues:								
Taxes:								
Sales and use taxes					47,853,290	-	47,853,290	-
Property tax					2,743,281	-	2,743,281	-
Franchise and public service taxes					2,622,909	-	2,622,909	-
Hotel/motel taxes					1,382,471	-	1,382,471	-
Intergovernmental revenue not restricted to specific programs					1,909,422	-	1,909,422	-
Investment income					1,037,512	108,964	1,146,476	-
Miscellaneous					1,258,790	213,754	1,472,544	48,000
Transfers - internal activity					(1,833,829)	1,833,829	-	-
Total general revenues and transfers					56,973,846	2,156,547	59,130,393	48,000
Change in net position					(5,047,212)	17,253,551	12,206,339	1,701,185
Net position - beginning, restated					88,968,163	159,855,846	248,824,009	1,738,210
Net position - ending					\$ 83,920,951	\$ 177,109,397	\$ 261,030,348	\$ 3,439,395

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Governmental Funds Balance Sheet - June 30, 2018

	<u>General Fund</u>	<u>2015 CIP</u>	<u>Lawton Industrial Development Authority</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 8,436,367	\$ -	\$ 29,753,390	\$ 22,035,852	\$ 60,225,609
Investments	1,874,474	1,831,001	-	10,890,320	14,595,795
Receivables:					
Accounts receivable	129,176	-	-	731,585	860,761
Accrued interest receivable	6,965	19,801	-	19,146	45,912
Advance to component unit	-	-	-	414,322	414,322
Due from other funds	547,242	-	-	205,439	752,681
Due from other governments	8,695,830	-	-	401,557	9,097,387
Inventory	268,108	-	-	-	268,108
Prepaid item	309	-	-	-	309
Other receivables	1,736	-	-	-	1,736
Total assets	\$ 19,960,207	\$ 1,850,802	\$ 29,753,390	\$ 34,698,221	\$ 86,262,620
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 2,229,536	\$ 3,269,115	\$ -	\$ 2,720,926	\$ 8,219,577
Due to other funds	205,439	524,551	-	22,691	752,681
Total liabilities	2,434,975	3,793,666	-	2,743,617	8,972,258
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	71,484	-	-	-	71,484
Fund balances:					
Nonspendable	268,108	-	-	-	268,108
Restricted	-	-	29,753,390	24,122,615	53,876,005
Committed	1,999,998	-	-	62,501	2,062,499
Assigned	6,912,227	-	-	7,789,439	14,701,666
Unassigned (deficit)	8,273,415	(1,942,864)	-	(19,951)	6,310,600
Total fund balances	17,453,748	(1,942,864)	29,753,390	31,954,604	77,218,878
Total liabilities, deferred inflows and fund balances	\$ 19,960,207	\$ 1,850,802	\$ 29,753,390	\$ 34,698,221	\$ 86,262,620

See accompanying notes to the basic financial statements.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Total fund balance, governmental funds	\$	77,218,878
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 \$93,410,475 and net of Internal Service Fund capital assets of \$34,847		
		137,057,271
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		421,331
Pension related deferred outflows		13,736,905
OPEB related deferred outflows		546,675
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		71,484
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		(3,936,830)
General obligations bonds		(13,865,000)
Accrued interest payable		(508,313)
Unamortized bond premium		(104,028)
Notes payable		(1,305,000)
Judgments payable		(1,015,444)
Revenue notes payable		(38,058,998)
Total OPEB liability		(12,530,408)
Accrued compensated absences		(5,877,246)
Net pension liability		(62,373,983)
Pension related deferred inflows		(3,723,130)
OPEB related deferred inflows		(899,416)
Accrued workers compensation claims		(854,910)
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 position (deficit)		(78,887)
Net Position of Governmental Activities in the Statement of Net Position	\$	83,920,951

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

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

	<u>General Fund</u>	<u>2015 CIP</u>	<u>Lawton Industrial Development Authority</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 50,982,748	\$ -	\$ -	\$ 4,125,752	\$ 55,108,500
Intergovernmental	5,085,681	-	-	3,476,706	8,562,387
Charges for services	785,128	-	-	1,641,746	2,426,874
Fines and forfeitures	3,222,178	-	-	1,108,867	4,331,045
Licenses and permits	805,389	-	-	-	805,389
Investment income	261,722	35,479	327,747	412,564	1,037,512
Miscellaneous	921,273	-	-	799,797	1,721,070
Total revenues	<u>62,064,119</u>	<u>35,479</u>	<u>327,747</u>	<u>11,565,432</u>	<u>73,992,777</u>
EXPENDITURES					
Current:					
General government	8,748,991	26,447	189,331	3,600,352	12,565,121
Public Safety	34,339,398	195,789	-	2,044,837	36,580,024
Public works and streets	7,772,778	-	-	767,843	8,540,621
Education	-	2,500,000	-	-	2,500,000
Culture and recreation	6,024,650	-	-	1,274,480	7,299,130
Community development	-	-	-	901,508	901,508
Transportation	-	-	-	2,409,232	2,409,232
Capital Outlay	159,477	8,037,264	-	15,748,247	23,944,988
Debt Service:					
Principal	105,907	-	1,685,000	3,659,203	5,450,110
Interest and fiscal charges	60,638	-	346,356	769,120	1,176,114
Total expenditures	<u>57,211,839</u>	<u>10,759,500</u>	<u>2,220,687</u>	<u>31,174,822</u>	<u>101,366,848</u>
Excess (deficiency) of revenues over expenditures	<u>4,852,280</u>	<u>(10,724,021)</u>	<u>(1,892,940)</u>	<u>(19,609,390)</u>	<u>(27,374,071)</u>
OTHER FINANCING SOURCES (USES)					
Debt proceeds	-	-	-	1,168,385	1,168,385
Transfers in	23,308,556	12,553,153	4,050,287	21,906,855	61,818,851
Transfers out	<u>(26,777,783)</u>	<u>(7,343,345)</u>	<u>(3,090,753)</u>	<u>(17,152,518)</u>	<u>(54,364,399)</u>
Total other financing sources (uses)	<u>(3,469,227)</u>	<u>5,209,808</u>	<u>959,534</u>	<u>5,922,722</u>	<u>8,622,837</u>
Net change in fund balances	1,383,053	(5,514,213)	(933,406)	(13,686,668)	(18,751,234)
Fund balances - beginning	16,070,695	3,571,349	30,686,796	45,641,272	95,970,112
Fund balances - ending	<u>\$ 17,453,748</u>	<u>\$ (1,942,864)</u>	<u>\$ 29,753,390</u>	<u>\$ 31,954,604</u>	<u>\$ 77,218,878</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, 2018

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds: \$ (18,751,234)

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	14,899,408
Capital assets donated	3,175,946
Depreciation expense	(6,710,656)
Disposed capital assets	(617,809)

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.

(866,862)

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	(77,619)
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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	(329,450)
Judgment payments	689,787
Debt proceeds	(1,168,385)
General obligation bonds principal payments	1,640,000
Revenue note principal payments	2,982,310
Note payable principal payments	84,000
Capital lease principal payments	105,907

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	(301,479)
Change in accrued compensated absences	(146,654)
Change in total OPEB liability	(449,274)
Amortization of bond premium	39,065
Change in accrued workers comp claim	714
Change in mortgages receivable	(11,914)

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	766,987
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Change in net position of governmental activities	\$ (5,047,212)
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See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Proprietary Funds Statement of Net Position - June 30, 2018

	Lawton Water Authority - Enterprise Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,262,011	\$ 1,378,016
Investments	500,000	-
Cash and cash equivalents, restricted	4,046,176	-
Accounts receivable, net of allowance \$1,949,503	6,745,884	-
Interest receivable	33	-
Due from other governments	2,582,733	-
Total current assets	16,136,837	1,378,016
Noncurrent assets:		
Cash and cash equivalents, restricted	12,214,997	-
Land and construction in progress	9,743,159	-
Other capital assets, net	212,596,492	34,847
Total noncurrent assets	234,554,648	34,847
Total assets	250,691,485	1,412,863
DEFERRED OUTFLOW OF RESOURCES		
Deferred amounts related to pensions	1,505,930	-
Deferred amounts related to OPEB	145,056	-
Deferred amount on refunding	1,608,754	-
	3,259,740	-
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	1,099,849	48,650
Accrued interest payable	211,274	-
Accrued compensated absences	119,821	30,283
Landfill post closure liability	942,818	-
Contract payable - Waurika note	1,485,685	-
Worker's compensation liability	273,291	-
Total OPEB liability	146,790	-
Notes payable	313,760	-
Revenue bonds payable	5,967,012	-
Total current liabilities	10,560,300	78,933
Noncurrent liabilities:		
Accrued compensated absences	882,866	223,128
Landfill post closure liability	5,584,003	-
Claims liability	-	1,189,689
Contract payable - Waurika note	28,826,824	-
Worker's compensation liability	273,291	-
Total OPEB liability	3,178,057	-
Notes payable	1,012,266	-
Revenue bond payable, net	14,958,099	-
Net pension liability	10,919,558	-
Total noncurrent liabilities	65,634,964	1,412,817
Total liabilities	76,195,264	1,491,750
DEFERRED INFLOW OF RESOURCES		
Deferred amounts related to pensions	407,911	-
Deferred amounts related to OPEB	238,653	-
	646,564	-
NET POSITION		
Net investment in capital assets	186,970,189	34,847
Restricted for debt service	5,245,886	-
Restricted for landfill financial assurance	154,734	-
Unrestricted (deficit)	(15,261,412)	(113,734)
Total net position	\$ 177,109,397	\$ (78,887)

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position - Year Ended June 30, 2018

	Lawton Water Authority - Enterprise Fund	Internal Service Fund
REVENUES		
Charges for services	\$ 43,816,917	\$ 11,078,614
Other sources	186,612	-
Total operating revenues	44,003,529	11,078,614
OPERATING EXPENSES		
General government and claims	-	8,838,524
Public works operations	16,832,424	-
Computer service operations	-	1,415,673
Depreciation expense	9,560,147	18,173
Landfill closure expense	1,301,462	-
Total operating expenses	27,694,033	10,272,370
Operating income	16,309,496	806,244
NONOPERATING REVENUES (EXPENSES)		
Investment income	108,964	21,484
Interest expense and fiscal charges	(1,922,176)	-
Gain (loss) on asset retirement	(30,109)	(6,904)
Other non-operating revenue	27,142	3,728
Capital grants	10,000	-
Total nonoperating revenue (expenses)	(1,806,179)	18,308
Income before contributions and transfers	14,503,317	824,552
Capital asset transfers in and capital contributions	10,147,121	-
Transfers in	17,513,152	-
Transfers out	(24,910,039)	(57,565)
Change in net position	17,253,551	766,987
Total net position - beginning, restated	159,855,846	(845,874)
Total net position - ending	\$ 177,109,397	\$ (78,887)

See accompanying notes to the basic financial statements.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2018

	Lawton Water Authority - Enterprise Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 43,361,939	\$ -
Receipts from interfund services provided	-	11,083,672
Payments to suppliers	(5,807,042)	(1,030,254)
Payments to employees	(10,071,887)	(1,009,047)
Receipts from (payments on) interfund loan	-	(62,488)
Claims and benefits paid	-	(7,857,274)
Net cash provided by operating activities	27,483,010	1,124,609
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	17,513,152	-
Transfers to other funds	(24,910,039)	(57,565)
Principal paid on debt	(213,089)	-
Interest and fiscal agent fees paid on debt	(171,548)	-
Net cash provided by (used in) noncapital financing activities	(7,781,524)	(57,565)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital assets purchased	(4,638,419)	-
Principal paid on debt	(26,246,653)	-
Interest and fiscal charges paid on debt	(1,852,875)	-
Proceeds from capital grants	10,000	-
Proceeds from debt	11,896,600	-
Premium on issuance of capital debt	1,194,610	-
Loss on refunding	(1,663,156)	-
Net cash provided by (used in) capital and related financing activities	(21,299,893)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale (purchase) of investments	(974)	-
Interest and dividends	109,012	21,484
Net cash provided by investing activities	108,038	21,484
Net increase (decrease) in cash and cash equivalents	(1,490,369)	1,088,528
Balances - beginning of year	20,013,553	289,488
Balances - end of year	\$ 18,523,184	\$ 1,378,016
Reconciliation to Statement of Net Position:		
Cash and cash equivalents	\$ 2,262,011	\$ 1,378,016
Restricted cash and cash equivalents - current	4,046,176	-
Restricted cash and cash equivalents - noncurrent	12,214,997	-
Total cash and cash equivalents, end of year	\$ 18,523,184	\$ 1,378,016
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 16,309,496	\$ 806,244
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	9,560,147	18,173
Other miscellaneous revenue	27,142	3,728
Change in assets and liabilities:		
Receivables, net	(668,732)	1,330
Deferred outflows related to pension	675,825	-
Deferred outflows related to OPEB	34,482	-
Accounts payable	222,334	(41,600)
Due from other funds	-	(62,488)
Due to employees	5,135	-
Claims liability	(457)	282,559
Landfill closure liability	1,301,462	-
Total OPEB liability	(153,923)	-
Net pension liability	13,686	-
Accrued compensated absences	72,209	116,663
Deferred inflows related to OPEB	238,653	-
Deferred inflows related to pension	(154,449)	-
Net cash provided by operating activities	\$ 27,483,010	\$ 1,124,609
Noncash investing, capital and financing activities:		
Principal forgiveness on debt	\$ 10,000	\$ -
Noncash capital contributions received	10,147,121	-
	\$ 10,157,121	\$ -

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

BASIC FINANCIAL STATEMENTS - FIDUCIARY FUNDS

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
June 30, 2018

Fiduciary Funds Statement of Fiduciary Net Position - June 30, 2018

	City Employees Retirement Trust Fund	Agency Funds
	Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 743,644
Investments, at amortized cost	-	2,303,045
Investments, at fair value:		
Purchased judgements	982,111	-
United States government securities and agencies	1,641,174	-
Common stock	8,927,757	-
Mutual funds	44,152,589	-
Interest receivable	38,431	108
Employer contributions receivable	388,614	-
Employee contributions receivable	236,716	-
Total assets	\$ 56,367,392	\$ 3,046,797
LIABILITIES		
Due to depositors	\$ -	\$ 2,941,356
Other payables	328,885	105,441
Total liabilities	\$ 328,885	\$ 3,046,797
NET POSITION:		
Net position restricted for pensions	\$ 56,038,507	

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Pension Trust Fund Statement of Changes in Fiduciary Net Position – Year Ended June 30, 2018

	City Employees Retirement Trust Fund
ADDITIONS	
Contributions:	
Members	\$ 1,265,354
Employer	<u>2,073,681</u>
Total Contributions	<u>3,339,035</u>
Investment Income:	
Net increase in fair value of investments	2,696,119
Interest, dividends and other	<u>2,335,017</u>
Total Investment Income	5,031,136
Less investment expense:	
Investment activity expense	<u>(310,348)</u>
Net Investment Income	<u>4,720,788</u>
Total Additions	<u>8,059,823</u>
DEDUCTIONS	
Benefits paid to participants or beneficiaries	4,418,207
Refunds and transfers to other systems	369,553
Administrative expense	<u>43,984</u>
Total Deductions	<u>4,831,744</u>
Change in net position restricted for pensions	3,228,079
Net position - beginning	<u>52,810,428</u>
Net position - ending	<u>\$ 56,038,507</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, 2018**

COMBINING FINANCIAL STATEMENTS - COMPONENT UNITS

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Component Units – Combining Statement of Net Position - June 30, 2018

	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	\$ 231,907	\$ 106,228	\$ 351,626	\$ 380,945	\$ 152,292	\$ 1,176,527	\$ 56,466	\$ 98,918	\$ 2,554,909
Restricted cash	-	-	-	-	-	142,904	-	-	142,904
Investments	-	-	-	1,026,468	-	-	-	-	1,026,468
Accounts receivable	74,709	-	2,243	8,760	11,934	527,238	-	62,343	687,227
Accrued interest receivable	-	-	-	1,296	-	-	-	-	1,296
Inventory	73,640	-	-	32,466	-	-	-	-	106,106
Land held for resale	-	-	-	-	-	2,690,928	-	-	2,690,928
Due from other governments	103,144	-	-	-	-	-	-	-	103,144
Prepaid items	9,543	375	120	7,329	-	-	-	-	17,367
Total current assets	492,943	106,603	353,989	1,457,264	164,226	4,537,597	56,466	161,261	7,330,349
Noncurrent Assets:									
Cash, including time deposits	2,429,837	-	-	-	-	-	-	-	2,429,837
Due from other governments	-	-	-	-	-	-	568,658	-	568,658
Prepaid land lease	301,301	-	-	-	-	-	-	-	301,301
Other assets	5,727	-	-	-	-	-	-	-	5,727
Capital Assets:									
Land and construction in progress	713,251	-	159,026	1,749	-	-	257,199	-	1,131,225
Depreciable, net of accumulated depreciation	16,369,969	-	42,132	6,120,899	-	-	-	8,991	22,541,991
Total noncurrent assets	19,820,085	-	201,158	6,122,648	-	-	825,857	8,991	26,978,739
Total Assets	20,313,028	106,603	555,147	7,579,912	164,226	4,537,597	882,323	170,252	34,309,088
LIABILITIES									
Current Liabilities:									
Accounts payable and accrued liabilities	94,131	465	115,592	59,588	10,032	-	-	84,174	363,982
Unearned revenue	14,394	8,135	150,974	-	-	42,500	-	-	216,003
Interest payable	-	-	-	-	-	496,536	-	-	496,536
Due to primary government	-	-	-	-	-	-	102,266	-	102,266
Notes payable	98,804	-	-	-	-	800,000	-	-	898,804
Total current liabilities	207,329	8,600	266,566	59,588	10,032	1,339,036	102,266	84,174	2,077,591
Noncurrent Liabilities:									
Accrued compensated absences	16,226	-	-	14,447	-	-	-	-	30,673
Due to primary government	-	-	-	-	-	414,322	-	-	414,322
Due to other governments	-	-	-	-	-	568,658	-	-	568,658
Notes payable	20,820	-	-	-	-	27,757,629	-	-	27,778,449
Total noncurrent liabilities	37,046	-	-	14,447	-	28,740,609	-	-	28,792,102
Total Liabilities	244,375	8,600	266,566	74,035	10,032	30,079,645	102,266	84,174	30,869,693
NET POSITION									
Net investment in capital assets	17,056,908	-	201,158	6,122,648	-	-	257,199	8,991	23,646,904
Restricted for construction projects	2,429,837	-	-	-	-	-	-	-	2,429,837
Restricted for grant projects	-	-	-	1,172,236	-	-	-	-	1,172,236
Unrestricted (deficit)	581,908	98,003	87,423	210,993	154,194	(25,542,048)	522,858	77,087	(23,809,582)
Total Net Position	\$ 20,068,653	\$ 98,003	\$ 288,581	\$ 7,505,877	\$ 154,194	\$ (25,542,048)	\$ 780,057	\$ 86,078	\$ 3,439,395

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Component Units - Combining Statement of Activities - Year Ended June 30, 2018

	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
Expenses:									
Airport	\$ 3,655,371	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,655,371
Culture and recreation	-	109,863	53,350	913,106	135,680	-	-	-	1,211,999
Economic development	-	-	-	-	-	448,040	10,127	-	458,167
Transportation	-	-	-	-	-	-	-	159,526	159,526
Interest expense	4,745	-	-	-	-	1,507,231	-	-	1,511,976
Total expenses	3,660,116	109,863	53,350	913,106	135,680	1,955,271	10,127	159,526	6,997,039
Program Revenues:									
Charges for services	2,090,473	53,422	35,230	228,525	-	-	-	-	2,407,650
Operating grants and contributions	1,992,365	58,398	159,026	581,177	152,534	2,236,945	-	172,825	5,353,270
Capital grants and contributions	889,304	-	-	-	-	-	-	-	889,304
Total program revenues	4,972,142	111,820	194,256	809,702	152,534	2,236,945	-	172,825	8,650,224
Net revenue (expense)	1,312,026	1,957	140,906	(103,404)	16,854	281,674	(10,127)	13,299	1,653,185
General Revenues (Expense):									
Investment income	2,075	-	547	41,836	108	3,224	126	84	48,000
Total general revenues	2,075	-	547	41,836	108	3,224	126	84	48,000
Change in Net Position	1,314,101	1,957	141,453	(61,568)	16,962	284,898	(10,001)	13,383	1,701,185
Net Position, beginning of year	18,754,552	96,046	147,128	7,567,445	137,232	(25,826,946)	790,058	72,695	1,738,210
Net Position, end of year	\$ 20,068,653	\$ 98,003	\$ 288,581	\$ 7,505,877	\$ 154,194	\$ (25,542,048)	\$ 780,057	\$ 86,078	\$ 3,439,395

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Component Units Combining - Governmental Funds Balance Sheet - June 30, 2018

	LAWTON ENHANCEMENT TRUST AUTHORITY	LAWTON ECONOMIC DEVELOPMENT AUTHORITY	TOTALS
<u>ASSETS</u>			
Cash and cash equivalents	\$ 152,292	\$ 1,319,431	\$ 1,471,723
Accounts receivable	11,934	527,238	539,172
Land held for resale	-	2,690,928	2,690,928
Total assets	<u>164,226</u>	<u>4,537,597</u>	<u>4,701,823</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued liabilities	10,032	-	10,032
Due to other primary government	-	414,322	414,322
Due to other government	-	568,658	568,658
Interest payable	-	3,748	3,748
	<u>10,032</u>	<u>986,728</u>	<u>996,760</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue	-	42,500	42,500
Fund balances:			
Nonspendable	-	2,690,928	2,690,928
Committed	154,194	-	154,194
Unassigned	-	817,441	817,441
Total fund balances	<u>154,194</u>	<u>3,508,369</u>	<u>3,662,563</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 164,226</u>	<u>\$ 4,537,597</u>	<u>\$ 4,701,823</u>
Reconciliation to Government Wide Statement of Net Position:			
Total fund balance, governmental discretely presented component units	154,194	3,508,369	3,662,563
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.			
	-	-	-
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	-	(492,788)	(492,788)
Notes payable	-	(28,557,629)	(28,557,629)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 154,194</u>	<u>\$ (25,542,048)</u>	<u>\$ (25,387,854)</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, 2018**

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

	LAWTON ENHANCEMENT TRUST AUTHORITY	LAWTON ECONOMIC DEVELOPMENT AUTHORITY	TOTALS
REVENUES			
Intergovernmental	\$ -	\$ 1,323,434	\$ 1,323,434
Investment income	108	3,223	3,331
Miscellaneous	152,534	913,510	1,066,044
Total revenues	<u>152,642</u>	<u>2,240,167</u>	<u>2,392,809</u>
EXPENDITURES			
Current:			
Culture and recreation	135,680	-	135,680
Economic development	-	448,039	448,039
Debt Service:			
Principal	-	735,205	735,205
Interest and fiscal charges	-	1,449,495	1,449,495
Total expenditures	<u>135,680</u>	<u>2,632,739</u>	<u>2,768,419</u>
Excess (deficiency) of revenues over expenditures	<u>16,962</u>	<u>(392,572)</u>	<u>(375,610)</u>
OTHER FINANCING SOURCES (USES)			
Debt proceeds	-	93,500	93,500
Total other financing sources (uses)	<u>-</u>	<u>93,500</u>	<u>93,500</u>
Net change in fund balances	16,962	(299,072)	(282,110)
Fund balances - beginning	137,232	3,807,441	3,944,673
Fund balances - ending	<u>\$ 154,194</u>	<u>\$ 3,508,369</u>	<u>\$ 3,662,563</u>
Reconciliation to Government Wide Statement of Activities:			
Net change in fund balance :	16,962	(299,072)	(282,110)
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:			
Debt proceeds	-	(93,500)	(93,500)
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	-	735,205	735,205
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	-	(57,735)	(57,735)
Change in Net Position of Governmental Activities in the Statement of Activities	<u>\$ 16,962</u>	<u>\$ 284,898</u>	<u>\$ 301,860</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, 2018**

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

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Government-Wide Financial Statements:

The Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. In the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities:

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

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

Discretely presented component units - These account for activities of the City's reporting entity that do not meet the criteria for blending, specifically the Lawton Metropolitan Area Airport Authority, Lawton Arts and Humanities Council, McMahon Auditorium Authority, Museum of the Great Plains Trust Authority, Lawton Economic Development Authority, Lawton Enhancement Trust Authority, Lawton Urban Renewal Authority and Lawton Metropolitan Planning Organization.

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

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

Fund Financial Statements:

Governmental Funds:

Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on the modified accrual basis of accounting and current financial resources measurement focus that is different from other funds. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is 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.

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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.
- 2015 CIP Fund – account for various projects related to the public safety facility, ADA compliance improvements, fire station remodeling, and street improvements.
- Lawton Industrial Development Authority – accounts for industrial development in the Lawton area.

Aggregated Nonmajor 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, 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.
- Ad Valorem 2005 Fund- accounts for sales tax restricted for capital projects.

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- 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.
- 2012 Ad Valorem – accounts for loan proceeds for construction.
- 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
- 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.

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 \$5,000 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.

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

- Buildings 50 years
- Improvements other than buildings 20-40 years
- Utility property and improvements 15-50 years
- Infrastructure 15-50 years
- Machinery, furniture, and equipment 3-25 years
- Water rights 100 years

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

Long-term obligations:

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

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

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

Accrued compensated absences liability and pension and OPEB liabilities 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.

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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 Outflows/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 reporting 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 certain pension and OPEB items.

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 reporting period(s) and will not be recognized as in inflow of resources (revenues) until that time. The government reports deferred inflows related to certain pension and OPEB items. 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.

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- 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:

- 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, 2018, the City's net assessed valuation of taxable property was \$418,490,883. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2018 was \$6.30.

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.

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4. Interfund transfers - flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

1.F. USE OF ESTIMATES

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

Note 2. DETAILED NOTES ON FINANCIAL STATEMENTS

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

Deposits and Investments Risks

The City of Lawton primary government and blended component units are governed by the deposit and investment limitations of state law and trust indentures. The deposits and investments held at June 30, 2018 by these entities are as follows:

Schedule of Deposits and Investments by Type - June 30, 2018

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	\$ 36,339,439	n/a	n/a	\$ 36,339,439	\$ -	\$ -	\$ -	\$ -	
Time deposits	4,000,000	n/a	n/a	-	4,000,000	-	-	-	
Money Market Accounts	44,554,429	n/a	n/a	44,554,429	-	-	-	-	
U.S. Treasury Obligations	999,475	AA+	Level I	-	999,475	-	-	-	
U.S. Agencies Obligations	14,017,124	AA+	Level II	-	8,441,470	3,934,480	-	1,641,174	
Sub-Total	\$ 99,910,467			\$ 80,893,868	\$ 13,440,945	\$ 3,934,480	\$ -	\$ 1,641,174	
Mutual Funds	44,152,589	n/a	Level I						
Common stock	8,927,757	n/a	Level I						
Purchased judgments	982,111	n/a	Level III						
Total Deposits and Investments	\$ 153,972,924								
Reconciliation to Financial Statements:									
Cash and cash equivalents	\$ 63,865,635								
Cash and cash equivalents, restricted - current	4,046,176								
Cash and cash equivalents, restricted - noncurrent	12,214,997								
Investments	15,095,796								
Retirement fund investments:									
Judgements purchased as investments	982,111								
Mutual funds and other investments	44,152,589								
U.S. government security agencies	1,641,174								
Common stock	8,927,757								
Agency fund cash and cash equivalents	743,644								
Agency fund investments	2,303,045								
	\$ 153,972,924								

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

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without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

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

At June 30, 2018, 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, 2018, the investments held by the City mature between 2018 through 2040.

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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. At June 30, 2018, the City has 14.53% of their investments in FHLB, 12.14% in FMLMC, 23.62% in FNMA, 37.29% in common stock, 4.18% in US Treasury, and 8.22% in FFCB Bonds.

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, 2018 are as follows:

Restricted Cash and Cash Equivalents and Investments:	
Landfill Financial Trust	\$ 154,734
Public Works Debt Service	1,532,864
Series 2001B Promissory Note Debt Service	103
Series 2009D OWRB Promissory Note Debt Service	51
Series 2011 Sales Tax Utility Revenue Bond Debt Service	113,694
Series 2012 Sales Tax Utility Revenue Bond:	
Proceeds	1,085
Debt Service	1,851,749
Series 2013 Sales Tax Utility Revenue note - debt service	391,895
Series 2016 Sales Tax Utility Revenue Bond:	
Debt Service	1,276,884
Construction	10,938,114
	<u>\$ 16,261,173</u>
 Reconciliation to Proprietary Statement of Net Position:	
Cash and cash equivalents, current	\$ 4,046,176
Cash and cash equivalents, non current	12,214,997
	<u>\$ 16,261,173</u>

Restricted cash of the Lawton Economic Development Authority is related to debt service accounts for the outstanding note payable totaling \$142,904.

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2.B. Accounts Receivable

Significant account receivable balances at June 30, 2018 were:

	<u>Governmental Activities</u>	<u>Business Type Activites</u>	<u>Total</u>
Accounts Receivable:			
Emergency Communication Fees	\$ 143,062	\$ -	\$ 143,062
Utilities	-	8,335,061	8,335,061
Capital Fee	-	377,415	377,415
Landfill fees	39,863	-	39,863
Drainage maintenance fee	164,852	-	164,852
Hotel/Motel	246,367	-	246,367
Stormwater mainteance fees	70,396	-	70,396
Sewer rehab fees	-	59,950	59,950
Miscellaneous	249,046	-	249,046
Mortgages receivable	421,331	-	421,331
Allowance for uncollectible	(51,089)	(2,026,542)	(2,077,631)
	<u>\$ 1,283,828</u>	<u>\$ 6,745,884</u>	<u>\$ 8,029,712</u>

2.C. Capital Assets and Depreciation

Capital Assets:

For the year ended June 30, 2018, capital assets balances changed as follows:

	Restated, Balance at July 1, 2017	Additions	Deductions	Transfers	Balance at June 30, 2018
PRIMARY GOVERNMENT:					
<i>Governmental activities:</i>					
Capital assets not being depreciated:					
Land	\$ 3,780,923	\$ 108,067	\$ -	\$ -	\$ 3,888,990
Construction in progress	35,649,754	24,743,561	(14,952,768)	(12,301,863)	33,138,684
Total capital assets not being depreciated	<u>39,430,677</u>	<u>24,851,628</u>	<u>(14,952,768)</u>	<u>(12,301,863)</u>	<u>37,027,674</u>
Other capital assets:					
Buildings and improvements	49,170,220	7,878,550	(271,565)	-	56,777,205
Infrastructure	86,287,857	10,485,100	(165,400)	-	96,607,557
Machinery, furniture and equipment	42,108,903	2,261,430	(4,238,819)	(133,320)	39,998,194
Intangibles	96,363	-	(4,400)	-	91,963
Total other capital assets	<u>177,663,343</u>	<u>20,625,080</u>	<u>(4,680,184)</u>	<u>(133,320)</u>	<u>193,474,919</u>
Less accumulated depreciation for:					
Buildings and improvements	21,563,986	1,276,953	(132,306)	-	22,708,633
Infrastructure	36,828,132	3,012,871	(67,460)	-	39,773,543
Machinery, furniture and equipment	32,331,244	2,439,005	(3,709,510)	(132,440)	30,928,299
Total accumulated depreciation	<u>90,723,362</u>	<u>6,728,829</u>	<u>(3,909,276)</u>	<u>(132,440)</u>	<u>93,410,475</u>
Other capital assets, net	86,939,981	13,896,251	(770,908)	(880)	100,064,444
Governmental activities capital assets, net	<u>\$ 126,370,658</u>	<u>\$ 38,747,879</u>	<u>\$ (15,723,676)</u>	<u>\$ (12,302,743)</u>	<u>\$ 137,092,118</u>

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	Restated, Balance at July 1, 2017	Additions	Deductions	Transfers	Balance at June 30, 2018
<i>Business-type activities:</i>					
Capital assets not being depreciated:					
Land	\$ 1,632,327	\$ 261,244	\$ -	\$ -	\$ 1,893,571
Construction in progress	23,426,013	4,513,693	(32,391,984)	12,301,866	7,849,588
Total capital assets not being depreciated	<u>25,058,340</u>	<u>4,774,937</u>	<u>(32,391,984)</u>	<u>12,301,866</u>	<u>9,743,159</u>
Other capital assets:					
Buildings and utility infrastructure	273,436,637	27,086,207	(107,763)	-	300,415,081
Machinery, furniture and equipment	24,407,702	3,177,766	(2,695,899)	133,320	25,022,889
Water rights	38,371,150	-	-	-	38,371,150
Total other capital assets	<u>336,215,489</u>	<u>30,263,973</u>	<u>(2,803,662)</u>	<u>133,320</u>	<u>363,809,120</u>
Less accumulated depreciation for:					
Buildings and utility infrastructure	116,723,234	7,505,631	(18,538)	-	124,210,327
Machinery, furniture and equipment	18,617,425	1,670,805	(2,591,764)	133,320	17,829,786
Water rights	8,788,804	383,711	-	-	9,172,515
Total accumulated depreciation	<u>144,129,463</u>	<u>9,560,147</u>	<u>(2,610,302)</u>	<u>133,320</u>	<u>151,212,628</u>
Other capital assets, net	192,086,026	20,703,826	(193,360)	-	212,596,492
Business-type activities capital assets, net	<u>\$ 217,144,366</u>	<u>\$ 25,478,763</u>	<u>\$ (32,585,344)</u>	<u>\$ 12,301,866</u>	<u>\$ 222,339,651</u>

Included in the business-type activities addition is \$12,301,866 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.

	Balance at July 1, 2017	Additions	Deductions	Balance at June 30, 2018
COMPONENT UNITS:				
Lawton Metropolitan Area Airport Authority				
Non-depreciable:				
Land	\$ 7,800	\$ -	\$ -	\$ 7,800
Construction-in-progress	935,021	325,529	555,099	705,451
Total non-depreciable assets at historical cost	<u>942,821</u>	<u>325,529</u>	<u>555,099</u>	<u>713,251</u>
Depreciable:				
Runways, ramps, and roads	28,394,107	-	-	28,394,107
Buildings and improvements	8,848,702	1,249,515	-	10,098,217
Equipment and fixtures	2,897,355	28,587	-	2,925,942
Furniture and equipment	114,512	-	-	114,512
Total depreciable assets at historical cost	<u>40,254,676</u>	<u>1,278,102</u>	<u>\$ -</u>	<u>41,532,778</u>
Less accumulated depreciation				
Runways, ramps, and roads	18,115,014	975,411	-	19,090,425
Buildings and improvements	3,636,995	215,273	-	3,852,268
Equipment and fixtures	1,915,722	204,516	-	2,120,238
Furniture and equipment	96,670	3,208	-	99,878
Total accumulated depreciation	<u>23,764,401</u>	<u>1,398,408</u>	<u>\$ -</u>	<u>25,162,809</u>
Other capital assets, net	<u>16,490,275</u>	<u>(120,306)</u>	<u>\$ -</u>	<u>16,369,969</u>
Net depreciable assets	<u>\$ 17,433,096</u>	<u>\$ 205,223</u>	<u>\$ 555,099</u>	<u>\$ 17,083,220</u>

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	Balance at July 1, 2017	Additions	Deductions	Balance at June 30, 2018
Museum of the Great Plains Trust Authority				
Non-depreciable:				
Construction-in-progress	\$ 191,290	\$ 1,749	\$ 191,290	\$ 1,749
Depreciable:				
Furniture and equipment	\$ 298,345	\$ 86,872	\$ 241	\$ 384,976
Leasehold improvements	4,633,308	583,710	-	5,217,018
Collections and exhibits	1,134,158	3,965	-	1,138,123
Copyrights	3,000	-	-	3,000
Total depreciable assets at historical cost	<u>6,068,811</u>	<u>674,547</u>	<u>241</u>	<u>6,743,117</u>
Less accumulated depreciation				
Total accumulated depreciation	<u>489,057</u>	<u>133,161</u>	<u>-</u>	<u>622,218</u>
Net depreciable assets	<u>\$ 5,579,754</u>	<u>\$ 541,386</u>	<u>\$ 241</u>	<u>\$ 6,120,899</u>
Net assets	<u>\$ 5,771,044</u>	<u>\$ 543,135</u>	<u>\$ 191,531</u>	<u>\$ 6,122,648</u>
Lawton Urban Renewal Authority:				
Non-depreciable:				
Land	<u>\$ 257,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 257,199</u>
McMahon Auditorium Authority				
Non-depreciable:				
Construction-in-progress	<u>\$ -</u>	<u>\$ 159,026</u>	<u>\$ -</u>	<u>\$ 159,026</u>
Depreciable:				
Furniture and fixtures	\$ 33,910		\$ -	\$ 33,910
Buildings improvements	113,857	-	-	113,857
Machinery and equipment	72,127	-	-	72,127
Total depreciable assets at historical cost	<u>219,894</u>	<u>-</u>	<u>-</u>	<u>219,894</u>
Less accumulated depreciation				
Furniture and fixtures	25,291	1,326	-	26,617
Buildings improvements	77,808	8,182	-	85,990
Machinery and equipment	55,362	9,793	-	65,155
Total accumulated depreciation	<u>158,461</u>	<u>19,301</u>	<u>-</u>	<u>177,762</u>
Net depreciable assets	<u>\$ 61,433</u>	<u>\$ (19,301)</u>	<u>\$ -</u>	<u>\$ 42,132</u>
Net assets	<u>\$ 61,433</u>	<u>\$ 139,725</u>	<u>\$ -</u>	<u>\$ 201,158</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>
Lawton Metro Planning Organization				
Machinery and equipment	\$ 11,126	\$ 1,655	\$ -	\$ 12,781
Less accumulated depreciation	<u>2,296</u>	<u>1,494</u>	<u>-</u>	<u>3,790</u>
Net depreciable assets	<u>\$ 8,830</u>	<u>\$ 161</u>	<u>\$ -</u>	<u>\$ 8,991</u>

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Depreciation:

Depreciation expense has been allocated as follows:

Governmental Activities:

General Government	\$	4,643,398
Public Safety		1,389,128
Streets		463,680
Culture and Recreation		214,450
Sub-total governmental funds depreciation		6,710,656
Allocated Internal Service Fund Depreciation		18,173
Total	\$	6,728,829

Business-Type Activities:

Water	\$	3,999,835
Wastewater		3,229,866
Sanitation		2,330,446
Total depreciation	\$	9,560,147

2.D. Internal and Interfund Balances and Transfers

Internal Balances:

Receivable Fund	Payable Fund	Amount	Nature of Interfund Balance	
General Fund	CDBG Fund	\$ 595	Grant funding	
General Fund	HOME	1,734	Reimbursement	
General Fund	2015 CIP	524,551	Negative cash	
General Fund	Public Library	4,924	Negative cash	
General Fund	Landfill	1,790	Negative cash	
General Fund	Mass Transit	13,648	Negative cash	
TIF	General Fund	205,439	Reimbursement	
Total		\$ 752,681		
Reconciliation to Fund Financial Statements:		Due From	Due To	Net Internal
		Other Funds	Other Funds	Balances
Governmental Funds		\$ 752,681	\$ 752,681	\$ -
Total		\$ 752,681	\$ 752,681	\$ -

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, 2018, LEDA owed the City \$414,322.

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

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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, 2018, were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Nature of Interfund Transfer</u>
General Fund	Water Authority	\$ 20,676,132	Excess utility collections
CIP Fund	General Fund	541,703	Project transfer
General Fund	Officer Training Fund	4,916	Transfer of revenues
CIP Fund	Information Technology Fund	57,565	Project transfer
LETA Beautification	General Fund	31,190	Transfer of revenues
Animal Shelter	General Fund	173	Transfer of revenues
Officer Training	General Fund	62,470	Transfer of revenues
General Fund	Mass Transit	34,450	Operating subsidy
Police and Fire Training Fund	General Fund	56,190	Transfer of revenues
General Fund	2015 CIP Fund	229,078	Reserve transfer
LIDA	2015 CIP Fund	4,050,287	Debt service
Ad Valorem 2012	2015 CIP Fund	700,000	Reimbursement
2015 CIP	LIDA	3,090,753	Transfer of revenues
TIF Fund	General Fund	1,165,392	Sales tax transfer
2015 CIP	General Fund	9,462,400	Sales tax transfer
2016 CIP Fund	General Fund	13,517,714	Sales tax transfer
2016 CIP Fund	Water Authority	1,475,766	Loan proceeds
Emergency Communication	General Fund	830,551	Operating subsidy
Mass Transit Fund	General Fund	710,000	Operating subsidy
General Fund	2015 CIP Fund	2,363,980	Operating subsidy
Water Authority	2008 CIP Fund	3,440,480	Debt service
Water Authority	2005 CIP Fund	3,440,479	Debt service
Water Authority	2016 CIP Fund	4,000,000	Debt service
Water Authority	2012 CIP Fund	3,682,943	Debt service
Capital Outlay Rolling Stock Fund	Water Authority	2,758,141	Revenue transfer
Water Authority	2016 CIP Fund	2,549,250	Debt service
Water Authority	General Fund	400,000	Operating subsidy
		<u>\$ 79,332,003</u>	

<u>Reconciliation to fund financial statements:</u>	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>	<u>Net Transfers</u>
Governmental Funds	\$ (54,364,399)	\$ 61,818,851	\$ 7,454,452
Water Authority	(24,910,039)	17,513,152	(7,396,887)
Internal Service Funds	(57,565)	-	(57,565)
Totals	<u>\$ (79,332,003)</u>	<u>\$ 79,332,003</u>	<u>\$ -</u>

<u>Reconciliation to Statement of Activities:</u>	
Net Transfers	\$ 7,396,887
Capital contributions transferred from governmental funds	(9,230,716)
Transfers - Internal Activity	<u>\$ (1,833,829)</u>

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2.E. Long-Term Debt

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

Primary Government:

<u>Type of Debt</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 15,505,000	\$ -	\$ 1,640,000	\$ 13,865,000	\$ 4,640,000
General Obligation Bond Premium	143,093	-	39,065	104,028	-
Revenue Notes	41,041,308	-	2,982,310	38,058,998	4,717,098
Judgments Payable	1,375,781	329,450	689,787	1,015,444	592,495
Notes Payable	1,389,000	-	84,000	1,305,000	89,000
Capital lease Obligation	2,874,352	1,168,385	105,907	3,936,830	212,718
Workers Comp Liability	855,624	-	714	854,910	427,455
Accrued Compensated Absences - city	5,730,592	146,654	-	5,877,246	702,331
Accrued Compensated Absences - internal service	136,748	116,663	-	253,411	30,283
Total Governmental Activities	<u>\$ 69,051,498</u>	<u>\$ 1,761,152</u>	<u>\$ 5,541,783</u>	<u>\$ 65,270,867</u>	<u>\$ 11,411,380</u>
Reconciliation to Statement of Net Position:					
Total OPEB liability				12,530,408	\$ 553,210
Net Pension Liability				62,373,983	-
				<u>\$ 140,175,258</u>	<u>\$ 11,964,590</u>
Business-Type Activities:					
Notes Payable	\$ 9,259,984	\$ 10,000	\$ 7,943,959	\$ 1,326,025	\$ 313,760
Revenue Bonds Payable	26,759,695	-	5,834,584	20,925,111	5,967,012
Contracts Payable	29,951,575	11,896,600	12,691,199	29,156,976	1,485,685
Contract Premium	-	1,194,610	39,076	1,155,534	-
Accrued Compensated Absences	930,478	72,209	-	1,002,687	119,821
Workers Comp Liability	547,039	-	457	546,582	273,291
Landfill Closure and Post-closure	5,225,359	1,301,462	-	6,526,821	942,818
Total Business-Type Activities	<u>\$ 72,674,130</u>	<u>\$ 14,474,881</u>	<u>\$ 26,509,275</u>	<u>\$ 60,639,736</u>	<u>\$ 9,102,387</u>
Reconciliation to Statement of Net Position:					
Total OPEB liability				3,324,847	146,790
Net Pension Liability				10,919,558	-
				<u>\$ 74,884,141</u>	<u>\$ 9,249,177</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	\$2,580,000
\$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	235,000
\$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	410,000
\$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	1,160,000

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\$3,300,000 general obligation bonds dated May 1, 2013, payable in annual installments of \$365,000, beginning in May 2015, with an average interest rate of 2.00%, repaid by property tax levies	1,840,000
\$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>4,640,000</u>
Total general obligation bonds	\$13,865,000
Premium on bonds outstanding	<u>104,028</u>
Net general obligation bonds	<u>\$13,969,028</u>
Judgments Payable:	
Court-assessed judgments to be paid with ad valorem taxes	<u>\$1,015,444</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>\$1,305,000</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	\$8,654,888
\$31,000,000 LIDA Sales Tax Revenue Note for various improvements matures January 2026, with interest at 2.210%	29,315,000
\$415,000 LIDA Replacement Funding Note for the renovations of city hall, matures June 2019, with variable interest rate	<u>89,110</u>
Total revenue notes	<u>\$38,058,998</u>
Capital Leases:	
\$2,874,352 capital lease for IT equipment, matures August 2032 with interest at 2.55%	\$2,768,445
\$822,500 capital lease for sanitation trucks, matures August 2019 with interest at 2.199%	822,500
\$345,885 capital lease for E911 phone system, matures December 2022 with interest at 2.49%	<u>345,885</u>
Total capital leases	<u>\$3,936,830</u>

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

Note Payable:

Series 2001A for \$2,008,570 and Series 2001B for \$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.	\$301,285
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.	655,250
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.	<u>369,490</u>
Total Notes Payable	<u>\$1,326,025</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.	\$3,495,000
\$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.	3,650,000
\$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.	6,740,000
\$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>7,040,111</u>
Revenue Bonds Payable	<u>\$20,925,111</u>

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Contract Payable:

<p>\$20,634,941 contract payable with the Waurika Project Master Conservancy District. The contract provides the City with a share of the District’s water supply and the City pays its share of the costs of the facilities and its operations to the District. The City has pledged water revenues to secure this obligation and also has the ability to levy property taxes to pay the obligation. Debt principal payments are due annually, with interest at 3.46% (subject to adjustment)</p>	\$848,526
<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>	10,136,577
<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>	4,646,181
<p>\$11,896,600 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 contract refunded a portion of the 2010 contract. The City has pledged water revenues to secure this obligation and also has the ability to levy property taxes to pay the obligation. Debt principal payments are due annually, with interest at 3.00% (subject to adjustment)</p>	11,896,600
<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>1,629,092</u>
<p>Total Contracts Payable</p>	<u>\$29,156,976</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
2019	\$ 4,640,000	\$ 340,077	\$ 89,000	\$ 65,479	\$ 592,495	\$ 57,138	\$ 4,717,098	\$ 798,225	\$ 212,718	\$ 78,292
2020	1,675,000	277,387	94,000	61,134	313,133	24,293	4,741,491	694,336	1,043,687	101,942
2021	1,335,000	227,166	99,000	56,389	109,816	6,397	4,849,575	591,962	229,903	67,145
2022	1,335,000	190,418	105,000	51,283	-	-	4,946,117	487,220	238,874	61,241
2023	1,360,000	153,132	110,000	45,810	-	-	5,084,014	380,246	248,104	55,105
2024-2028	3,080,000	330,612	655,000	132,628	-	-	13,720,703	494,473	997,482	193,952
2029-2033	440,000	45,114	153,000	4,146	-	-	-	-	966,062	55,038
Total	<u>\$ 13,865,000</u>	<u>\$ 1,563,906</u>	<u>\$ 1,305,000</u>	<u>\$ 416,869</u>	<u>\$ 1,015,444</u>	<u>\$ 87,828</u>	<u>\$ 38,058,998</u>	<u>\$ 3,446,462</u>	<u>\$ 3,936,830</u>	<u>\$ 612,715</u>

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Business-Type Activities

Year Ending June 30,	Notes Payable		Revenue Bonds Payable		Contract Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 313,760	\$ 6,232	\$ 5,967,012	\$ 460,214	\$ 1,485,685	\$ 1,587,054
2020	313,220	4,734	2,388,509	356,767	1,537,831	1,507,956
2021	313,220	3,156	2,450,425	297,451	2,149,977	1,431,810
2022	212,791	1,687	2,508,883	236,541	1,634,261	841,196
2023	139,985	608	2,590,986	174,116	1,688,606	790,807
2024-2028	33,049	84	5,019,296	189,587	9,116,204	3,144,898
2029-2033	-	-	-	-	7,987,773	1,533,265
2034-2036	-	-	-	-	3,556,639	245,764
Total	<u>\$ 1,326,025</u>	<u>\$ 16,501</u>	<u>\$ 20,925,111</u>	<u>\$ 1,714,676</u>	<u>\$ 29,156,976</u>	<u>\$ 11,082,750</u>

Component Unit Notes Payable

<u>Type of Debt</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>	<u>Amount due in one year</u>
Component Units:					
Lawton Metropolitan Area Airport Authority					
Note payable	\$ 178,108	\$ 28,587	\$ 87,071	\$ 119,624	\$ 98,804
Total Debt	<u>\$ 178,108</u>	<u>\$ 28,587</u>	<u>\$ 87,071</u>	<u>\$ 119,624</u>	<u>\$ 98,804</u>
Lawton Economic Development Authority:					
Note payable	\$ 29,199,334	\$ 93,500	\$ 735,206	\$ 28,557,628	\$ 800,000
Total Debt	<u>\$ 29,199,334</u>	<u>\$ 93,500</u>	<u>\$ 735,206</u>	<u>\$ 28,557,628</u>	<u>\$ 800,000</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.

\$27,105,198

\$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.

1,452,431

Total LEDA Debt

\$28,557,629

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Pledge of Future Revenues

Utility Net Revenues Pledge - The City has pledged net utility revenues to repay the \$2,008,570, \$1,020,000, and \$1,310,000 of the OWRB Series 2001A, 2003C, and 2004E, 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 \$1,342,526. Net utility revenues received in the current year were \$15,975,036. Debt service payments of \$8,164,471 for the current fiscal year were 51.1% 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 \$6,526,821 reported as accrued landfill closure cost liability at June 30, 2018, represents the cumulative amount of such costs reported to date based on the use of 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 \$2,000,476 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2018. The City has \$763,578 set aside to fund the estimated landfill closure cost liability. At June 30, 2018, the landfill had a remaining estimated useful life of approximately seven years.

2.F. Net Position and Fund Balances

At June 30, 2018, the City's governmental activities had total restricted net position of \$25,470,923, of that amount \$2,332,275 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, 2018, the General Fund has committed fund balance for stabilization of \$1,999,998.

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	General Fund	LIDA	Major Capital Project Fund		Other Governmental Funds	Total
			2015 CIP Fund			
Fund Balance:						
Nonspendable:						
Inventory	\$ 268,108	\$ -	\$ -	\$ -	\$ -	\$ 268,108
	268,108	-	-	-	-	268,108
Restricted For:						
Animal control	\$ -	\$ -	\$ -	\$ 73,729	\$ 73,729	\$ 73,729
Police operations	-	-	-	7,123	7,123	7,123
Public safety training	-	-	-	287,024	287,024	287,024
Debt service	-	-	-	1,219,007	1,219,007	1,219,007
Capital improvements	-	-	-	18,095,436	18,095,436	18,095,436
Drainage maintenance fund	-	-	-	1,357,003	1,357,003	1,357,003
Transportation programs	-	-	-	31,199	31,199	31,199
Culture and rec programs	-	-	-	24,563	24,563	24,563
Economic development	-	29,753,390	-	1,299,480	31,052,870	31,052,870
General government programs	-	-	-	200,775	200,775	200,775
General government grants	-	-	-	1,127,384	1,127,384	1,127,384
Fire education programs	-	-	-	12,776	12,776	12,776
Police - drug programs	-	-	-	198,504	198,504	198,504
Cemetery improvements	-	-	-	169,527	169,527	169,527
Park improvements	-	-	-	19,085	19,085	19,085
Sub-total restricted	-	29,753,390	-	24,122,615	53,876,005	53,876,005
Committed to:						
Beautification	-	-	-	62,501	62,501	62,501
Stabilization	1,999,998	-	-	-	1,999,998	1,999,998
Sub-total committed	1,999,998	-	-	62,501	2,062,499	2,062,499
Assigned to:						
Insurance proceeds	158,887	-	-	-	158,887	158,887
General government	3,416,214	-	-	-	3,416,214	3,416,214
Police	58,053	-	-	360,133	418,186	418,186
Culture and rec programs	91,210	-	-	-	91,210	91,210
Stormwater mitigation	443,926	-	-	-	443,926	443,926
Recycling	156,993	-	-	-	156,993	156,993
Facilities management	-	-	-	48,657	48,657	48,657
Supplement next fiscal year budget	2,586,944	-	-	-	2,586,944	2,586,944
Capital improvements	-	-	-	7,380,649	7,380,649	7,380,649
Sub-total assigned	6,912,227	-	-	7,789,439	14,701,666	14,701,666
Unassigned (deficit):	8,273,415	-	(1,942,864)	(19,951)	6,310,600	6,310,600
TOTAL FUND BALANCE	\$ 17,453,748	\$ 29,753,390	\$ (1,942,864)	\$ 31,954,604	\$ 77,218,878	\$ 77,218,878

The City restated beginning net position of the governmental activities, business-type activities, and enterprise funds.

	Governmental Activities	Business-type Activities/Enterprise Funds
Beginning net position as previously reported	\$101,646,124	\$164,974,741
Correction of capital assets	(4,985,901)	(3,366,761)
Implementation of GASB Statement 75 OPEB	(7,692,060)	(1,752,134)
Beginning net position, restated	\$88,968,163	\$159,855,846

The net position was restated due to adoption of a new accounting principle related to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and for a correction related to capital assets.

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The City recorded a prior period adjustment in 2018 to correctly record governmental assets that were placed into service in prior years, which resulted in an adjustment to record depreciation from prior years, and to remove certain construction in progress projects recorded at prior year end which were not capital assets. The City also recorded a prior period adjustment to correctly remove an asset included in business-type activities and enterprise funds infrastructure that was duplicated in governmental activities infrastructure in the prior year. No depreciation had been recorded with the asset duplicated in business-type activities and enterprise funds.

The effect of the correction on the governmental activities change in net position for the year ended June 30, 2017 was to increase the depreciation expense by \$292,054, thereby reducing the change in net position by the same amount. The correction to business-type activities and enterprise funds had no impact on the change in net position for the year-ended June 30, 2017.

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.

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, 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	1,402,663	907,130	2,309,793
Claims and changes in estimates	780,584	8,422,392	9,202,976
Claims payments	<u>(781,755)</u>	<u>(8,139,833)</u>	<u>(8,921,588)</u>
Claim liability, June 30, 2018	<u>\$ 1,401,492</u>	<u>\$ 1,189,689</u>	<u>\$ 2,591,181</u>

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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:

	Governmental Activities	Business-type Activities	Plan Totals
Net Pension Liability			
Employee Retirement System	\$ 23,021,037	\$ 10,919,557	\$ 33,940,594
Police	255,232	-	255,232
Firefighters	39,097,714	-	39,097,714
	<u>62,373,983</u>	<u>10,919,557</u>	<u>73,293,540</u>
Deferred Outflows of Resources			
Employee Retirement System	2,765,206	1,505,930	4,271,136
Police	3,275,910	-	3,275,910
Firefighters	7,695,789	-	7,695,789
	<u>13,736,905</u>	<u>1,505,930</u>	<u>15,242,835</u>
Deferred Inflows of Resources			
Employee Retirement System	887,532	407,911	1,295,443
Police	1,626,500	-	1,626,500
Firefighters	1,209,098	-	1,209,098
	<u>3,723,130</u>	<u>407,911</u>	<u>4,131,041</u>
Pension Expense			
Employee Retirement System	2,501,348	1,186,463	3,687,811
Police	1,554,129	-	1,554,129
Firefighters	4,636,215	-	4,636,215
	<u>\$ 8,691,692</u>	<u>\$ 1,186,463</u>	<u>\$ 9,878,155</u>

Lawton City Employee Retirement System

A. Plan Description

The City contributes to the City of Lawton Employee Retirement System (the "System"), which is a single employer defined benefit pension plan administered by the City of Lawton. After November 1, 1975, all regular, full-time employees become a participant after completing thirty days of creditable service except for full-time police officers and firefighters. The City performs actuarial valuations in each odd-numbered year to determine if the City's fixed contribution rate is funding the actuarially determined liability. The defined pension plan was closed to new entrants effective June 30, 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.

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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, 2018, 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

Employees Covered by Benefit Terms

Active Employees	426
Retirees or Beneficiaries receiving benefits	233
Terminated employees entitled to benefits	
Not yet received	<u>6</u>
Total	<u>665</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

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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, 2018, the City recognized \$2,121,384 of employer contributions to the plan which equals the amount determined by ordinance based on covered payroll of \$21,213,840. Employee contributions for FY 2018 were \$1,267,004.

E. Changes in Net Pension Liability

The total pension liability was determined based on an actuarial valuation performed as of July 1, 2017 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. The City amended the System plan 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:

	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balances at beginning of year	\$ 82,922,019	\$ 48,561,369	\$ 34,360,650
Charges for year:			
Service cost	2,372,993	-	2,372,993
Interest expense	5,597,236	-	5,597,236
Contributions - employer	-	2,095,587	(2,095,587)
Contributions - employee	-	1,322,450	(1,322,450)
Net investment income	-	6,115,016	(6,115,016)
Benefits paid	(5,254,309)	(5,254,309)	-
Benefit changes due to plan amendments	-	-	-
Difference between actual and expected experience	1,113,082	-	1,113,082
Plan administrative expenses	-	(29,686)	29,686
Net changes	\$ 3,829,002	\$ 4,249,058	\$ (420,056)
Balances at end of year	<u>\$ 86,751,021</u>	<u>\$ 52,810,427</u>	<u>\$ 33,940,594</u>

The City reported \$3,687,811 in pension expense for the year ended June 30, 2018. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,210,817	\$ 1,103,272
Net difference between projected and actual earnings on pension plan investments	744,624	-
Changes in proportion and differences between City contributions and proportionate share of contributions	194,311	192,171
City contributions subsequent to the measurement date	2,121,384	-
Total	<u>\$ 4,271,136</u>	<u>\$ 1,295,443</u>

The \$2,121,384 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30:

2019	\$	227,731
2020		717,232
2021		194,080
2022		(499,092)
2023		181,840
Thereafter		32,518
	\$	854,309

F. Actuarial Assumptions

Key Assumptions used in the plan actuarial valuation were:

Measurement date	July 1, 2017
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, 2017 are summarized in the following table:

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

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G. Discount Rate –

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability	\$ 43,775,715	\$ 33,940,594	\$ 25,652,218

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.

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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 \$1,183,595. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$2,654,634 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 \$2,739,731. 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, 2018, the City reported a liability of \$39,097,714 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2017. Based upon this information, the City's proportion was 3.11% at June 30, 2017 which was an increase from its proportion measured at June 30, 2016 of 3.07%.

For the year ended June 30, 2018, the City recognized pension expense of \$4,636,215. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual plan experience	\$ 5,222,781	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,089,520
Employer change in proportion	1,254,896	32,108
Difference between proportionate share and City contributions during measurement period	34,517	87,470
City contributions subsequent to the measurement date	1,183,595	-
Total	<u>\$ 7,695,789</u>	<u>\$ 1,209,098</u>

The \$1,183,595 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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:

2019	\$ 619,673
2020	1,829,417
2021	1,447,638
2022	253,058
2023	942,431
Thereafter	210,879
	<u>\$ 5,303,096</u>

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

Inflation:	3%
Salary increases:	3.5% to 9.0% 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, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

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

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asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	4.38%
Domestic equity	47%	7.72%
International equity	15%	9.70%
Real estate	10%	6.96%
Other assets	8%	5.75%

Discount Rate-The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be 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	\$ 51,290,486	\$ 39,097,714	\$ 28,764,630

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.

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

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

Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is 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, 2018, contributions to the pension plan from the City were \$1,294,420. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$1,226,157 for FY 2018 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 \$1,137,559 for FY 2018. 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, 2018, the City reported a liability of \$255,232 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June

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30, 2017. Based upon this information, the City's proportion was 3.32% at June 30, 2017, which was a decrease of 0.16% from its proportion measured at June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$1,554,129. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,818	\$ 1,543,060
Net difference between projected and actual earnings on pension plan investments	1,901,032	-
Employer change in proportion	59,236	43,392
Difference between proportionate share and City contributions during measurement period	8,404	40,048
City contributions subsequent to the measurement date	1,294,420	-
Total	\$ 3,275,910	\$ 1,626,500

The \$1,294,420 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, 2019. 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:	
2019	\$ (65,759)
2020	933,584
2021	432,203
2022	(766,202)
2023	(178,836)
	\$ 354,990

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

Inflation:	3%	
Salary increases:	4.5% to 17% average, including inflation	
Investment rate of return:	7.5% net of pension plan investment expense	
Cost of living adjustments:	Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to an order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary.	

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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.

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

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	4.51%
Domestic equity	6.62%
International equity	9.70%
Real estate	6.96%
Private Equity	9.86%
Commodities	5.18%

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

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

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

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	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability (asset)	\$ 8,626,143	\$ 255,232	\$ (6,815,266)

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 .

City of Lawton Defined Contribution Plan Administered by OkMRF (the Plan)

Plan Description – Effective July 2017, the City began providing a defined contribution plan and trust known as the City of Lawton Plan “the Plan” in the form of The Oklahoma Municipal Retirement Master Defined Contribution Plan (OkMRF). OkMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The defined contribution plan is available to all full-time employees hired after June 30, 2017 except those participating in state police or fire programs.

Funding Policy – Benefits depend solely on amounts contributed to the Plan plus investment earnings. Employees must make a mandatory minimum pre-tax contribution of 3.5%. By City ordinance, the City, as employer, is required to make contributions to the plan based upon employee contributions at a current rate of 3.50% of covered payroll. The City’s contributions for each employee (and interest allocated to the employee’s account) begin vesting at after 3 years of service with 20% vesting and vesting increases by 20% each year with full vesting at 7 years of service. The authority to establish and amend the provisions of the Plan rests with the City Council. Contributions to the Plan for the year ended June 30, 2018, for employees and employer were \$30,910 and \$88,316, respectively, on a covered payroll of \$1,920,136. Employer and employee contributions are held in trust by OkMRF.

Other Postemployment Benefits (OPEB)

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 OPEB plan. A substantive plan is one in which the plan terms are understood by the employer and the plan member. This understanding is based on communications between the employer and plan member and the historical pattern of practice with regard to the sharing of benefit costs. 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 a portion of the carrier premium rate until the retiree reached age 65. Authority to establish and amend benefit provisions rest with the city council. 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. Benefits are paid from general operating assets of the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits provided - The Plan covers all current retirees of the City who elected postretirement medical coverage through the City Health Plan and future retired employees of the City. In accordance with administrative policy, the benefit levels are the same as those afforded to active employees; this creates an implicit rate subsidy. The benefits offered by the City to retirees include health and prescription drug benefits. The retiree retains coverage with the City, by making an election within 30 days of termination of service and have 10+ years of creditable service in with the City and are at least 55 years old at the time of termination. Police and fire employees must have 20 years of service.

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Employees Covered by Benefit Terms at June 30, 2017:

Active Employees	820
Inactive not yet receiving benefits	118
Inactive or beneficiaries receiving benefits	<u>39</u>
Total	<u>977</u>

Total OPEB Liability – The total OPEB liability was determined based on actuarial valuation performed as of June 30, 2017 which is also the measurement date.

Actuarial Assumptions- The total OPEB liability in the June 30, 2017 valuation, was determined using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Discount Rate – 3.58% based on the 20 year municipal bond yield from the Bond Buyer’s index
- Pay increases – 3% (pay increases used to allocate the EAN actuarial liability and service cost of the OPEB plan)
- Retirement Age – Civilians - 55 with 10 years of service, Police and Fire 20 years of service
- Mortality – RP 2000 fully projected with scale AA
- Inflation rate – 2.5%
- Medical Trend Rates – Society of Actuaries Getzen healthcare economics model

Year	Rate
2017	6.09%
2018	6.05%
2019	6.02%
2020	5.99%
2025	5.86%
2030	5.99%
2035	5.87%
2040	5.33%
2045	5.15%
2050	5.03%
2060	4.87%

Changes in the Total OPEB Liability –

	Total OPEB Liability
Balance, Beginning of Year	<u>\$ 16,589,271</u>
Changes for the Year:	
Service cost	966,960
Interest expense	448,307
Change of assumptions	(1,293,119)
Benefits paid	<u>(856,164)</u>
Net Changes	<u>(734,016)</u>
Balance, End of Year	<u>\$ 15,855,255</u>

The total liability of \$15,855,255 is allocated \$12,530,408 to governmental activities and \$3,324,847 to business-type activities based on the number of employees covered by benefit terms.

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The changes in assumptions relate to a change in the discount rate from 2.85% at June 30, 2016 to 3.58% at June 30, 2017 the measurement date. The health care trend rates were modified to reflect the actual changes in budgeted premium rates for this period. Similarly the assumed rate of retiree contribution increase for the known period was adjusted to match the actual changes in required contributions from the retiree and spouse.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2018, the City recognized OPEB expense of \$1,260,217. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 1,138,069
City benefit payments subsequent to the measurement date	691,731	-
Total	\$ 691,731	\$ 1,138,069

The \$691,731 reported as deferred outflows of resources related to OPEB resulting from City benefit payments subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ended June 30:		
	2019	\$ (155,050)
	2020	(155,050)
	2021	(155,050)
	2022	(155,050)
	2023	(155,050)
	Thereafter	(362,819)
		\$ (1,138,069)

Sensitivity of the City's total OPEB liability to changes in the discount rate- The following presents the City's total OPEB liability, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
City's total OPEB liability	\$ 19,061,115	\$ 15,855,255	\$ 13,378,691

Sensitivity of the City's total OPEB liability to changes in the healthcare cost trend rates – The following presents the City's total OPEB liability, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.09 percent decreasing to 3.876 percent) or 1-percentage-point higher (7.09 percent decreasing to 5.87 percent) than the current healthcare cost trend rates:

	1% Decrease (5.09 % decreasing to 3.87%)	Current Healthcare Cost Trend Rates (6.09 % decreasing to 4.87%)	1% Increase (7.09% decreasing to 5.87%)
City's total OPEB liability	\$ 13,468,227	\$ 15,855,255	\$ 18,862,889

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3.C. Commitments and Contingencies

Construction Contracts Outstanding

The following construction contracts were outstanding at June 30, 2018:

SW Bishop/67th to 52ns Streets	\$ 44,371
WWTP Phase III	1,191,666
SW 52ND ST (Gore to RR Tracks)	3,871,415
SE 45th St (Lee Blvd to Bell Ave)	937,379
Firestation #8	50,693
Public Safety Facility	22,716,816
SW Bishop road - Phase II	779,852
NW 2nd Street (Columbia-Ferris)	153,540
LATS Transfer Station	1,036,227
Lake Dam Improvements	139,653
SE 40th to 41st (Elmhurts-Bedford)	44,226

The City entered into a lease purchase for police cars totaling \$1,240,049. The lease was approved in May 2018, and the lease term is expected to begin in September 2018 and carries interest at 3.25%.

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 2018, 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.

Issuance of Debt

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%. At June 30, 2018, the city had \$52,300,000 available to issue.

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

State law prohibits deficit fund balance. The following funds had a deficit fund balance at June 30, 2018:

2015 CIP Fund	(\$1,942,864)
Public Library Fund	(\$5,590)
State Landfill Fund	(\$14,361)

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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, 2018, unrestricted deficit of \$25,542,048 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, 2018 are \$568,658. This amount represents property acquisition costs which have been paid by LURA, which pursuant to the agreement with LEDA are to be reimbursed by LEDA.

3.F. 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, 2018:

- A developer received rebated sales tax during fiscal year 2018. 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. New Accounting Pronouncements

Effective July 1, 2017 the City implemented GASB 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. The effect of adopting GASB No. 75 is disclosed in note 2.F.

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The City early implemented GASB No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* – This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or proprietary type funds. Adoption of GASB No. 89 had no effect on the City’s financial statements.

3.I. Future Accounting Pronouncements

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

GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued November 2016, will be effective for the City beginning with its fiscal year ending June 30, 2019. Under 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 No. 84, *Fiduciary Activities*, issued January 2017, will be effective for the City beginning with its fiscal year ending June 30, 2020. 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 No. 84 will have on its net position.

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the City beginning with its fiscal year ending June 30, 2021. The primary objective of 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 No. 87 will have on its net position.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* - GASB No. 88 was issued April 2018 and will be effective for the City beginning with its fiscal year ending June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in the notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date of the

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contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The City has not yet determined the impact that implementation of GASB No. 88 will have on its net position.

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

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REQUIRED SUPPLEMENTARY INFORMATION

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General Fund Budgetary Comparison Schedules (Budgetary Basis) – Year Ended June 30, 2018

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budget basis)	Final Budget Positive (Negative)
Beginning Budgetary Fund Balance:	\$ 2,808,705	\$ 2,808,705	\$ 3,246,567	\$ 437,862
Resources (Inflows):				
Taxes and assessments	50,797,000	50,797,000	51,045,285	248,285
Fees, licenses and permits	1,041,000	1,041,000	1,389,593	348,593
Rentals and sales of property	129,000	129,000	221,866	92,866
Fines and forfeitures	1,938,000	1,938,000	2,038,510	100,510
Interest earned	104,000	104,000	243,956	139,956
Other sources	673,000	673,000	544,419	(128,581)
Intergovernmental	696,000	696,000	1,014,985	318,985
Grants	319,000	319,000	46,015	(272,985)
Total Resources (Inflows)	<u>55,697,000</u>	<u>55,697,000</u>	<u>56,544,629</u>	<u>847,629</u>
Amounts available for appropriation	<u>58,505,705</u>	<u>58,505,705</u>	<u>59,791,196</u>	<u>1,285,491</u>
Charges to Appropriations (Outflows):				
General Government	10,210,889	10,210,889	9,022,215	1,188,674
Public Safety	29,398,558	29,398,558	30,338,440	(939,882)
Streets	7,871,626	7,871,626	6,965,575	906,051
Culture and Recreation	5,994,955	5,994,955	5,644,985	349,970
Total Charges to Appropriations	<u>53,476,028</u>	<u>53,476,028</u>	<u>51,971,215</u>	<u>1,504,813</u>
Other financing sources (uses)				
Transfers from other funds	20,686,520	20,686,520	23,069,713	2,383,193
Transfers to other funds	(25,716,197)	(25,716,197)	(27,012,754)	(1,296,557)
Total other financing sources (uses)	<u>(5,029,677)</u>	<u>(5,029,677)</u>	<u>(3,943,041)</u>	<u>1,086,636</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,876,940</u>	<u>\$ 3,876,940</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 \$939,882 and transfer out exceeded appropriations by \$1,296,557.

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

	<u>Fund Balance</u> <u>June 30, 2017</u>	<u>Net Change in</u> <u>Fund Balance</u>	<u>Fund Balance</u> <u>June 30, 2018</u>
Budget to GAAP Reconciliation:			
Fund Balance - GAAP Basis	\$ 16,070,695	\$ 1,383,053	\$ 17,453,748
Increases (Decreases):			
Revenues:			
Taxes receivable	(8,658,209)	138	(8,658,071)
Accounts receivable	(33,694)	(22,337)	(56,031)
Accrued interest	(5,973)	(992)	(6,965)
Expenditures:			
Accounts payable	2,148,060	(64,951)	2,083,109
Encumbrances	(353,126)	(101,676)	(454,802)
Other items	(863,366)	676,215	(187,151)
Accounts of the General Fund:			
Hunting and Fishing	(23,984)	31,803	7,819
Reserve Account	(1,762,984)	(237,014)	(1,999,998)
Insurance Proceeds Account	(169,364)	10,477	(158,887)
Adult Softball Account	(58,018)	(25,396)	(83,414)
Court Credit Card Maint. Account	(1,974,150)	(1,007,485)	(2,981,635)
Animal License Account	(327,025)	(33,222)	(360,247)
Elmer Thomas Park Account	(7,796)	-	(7,796)
Stormwater Mitigation	(453,189)	9,263	(443,926)
RSVP Account	1,159	19,406	20,565
Application Fee Account	(69,342)	(2,715)	(72,057)
Special Jail Account	(64,888)	6,835	(58,053)
Real Property Account	(2,275)	-	(2,275)
Recycling Account	(145,964)	(11,029)	(156,993)
Fund Balance - Budgetary Basis	<u>\$ 3,246,567</u>	<u>\$ 630,373</u>	<u>\$ 3,876,940</u>

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Schedules of Required Supplementary Information - Pensions

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City's proportion of the net pension liability (asset)	3.2939%	3.2684%	3.4845%	3.3181%
City's proportionate share of the net pension liability (asset)	\$ (1,109,030)	\$ 133,268	\$ 5,336,339	\$ 255,232
City's covered-employee payroll	\$ 9,205,946	\$ 9,261,686	\$ 9,936,252	\$ 9,894,779
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	12.05%	1.44%	53.71%	2.58%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.82%	93.50%	99.68%

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

Notes to Schedule:

Only the four 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>	<u>2018</u>
Statutorially required contribution	\$ 1,203,232	\$ 1,291,715	\$ 1,300,511	\$ 1,294,420
Contributions in relation to the statutorially required contribution	<u>1,203,232</u>	<u>1,291,715</u>	<u>1,300,511</u>	<u>1,294,420</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 9,261,686	\$ 9,936,252	\$ 9,894,779	\$ 9,957,075
Contributions as a percentage of covered-employee payroll	12.99%	13.00%	13.14%	13.00%

Notes to Schedule:

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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City's proportion of the net pension liability	2.929600%	3.069856%	3.065642%	3.108600%
City's proportionate share of the net pension liability	\$ 30,126,632	\$ 32,583,712	\$ 37,453,398	\$ 39,097,714
City's covered-employee payroll	\$ 7,829,286	\$ 8,115,293	\$ 8,940,679	\$ 8,469,559
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	385%	402%	419%	462%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%	66.61%

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

Notes to Schedule:

Only the four 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>	<u>2018</u>
Statutorially required contribution	\$ 1,135,232	\$ 1,251,646	\$ 1,185,745	\$ 1,183,595
Contributions in relation to the statutorially required contribution	<u>1,135,232</u>	<u>1,251,646</u>	<u>1,185,745</u>	<u>1,183,595</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 8,115,293	\$ 8,940,679	\$ 8,469,559	\$ 8,454,219
Contributions as a percentage of covered-employee payroll	13.99%	14.00%	14.00%	14.00%

Notes to Schedule:

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

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City Retirement Plan

Schedule of Changes in Net Pension Liability and Related Ratios	Last Four Fiscal Years			
	2015	2016	2017	2018
Total pension liability				
Service cost	\$ 2,421,404	\$ 2,377,346	\$ 2,355,200	\$ 2,372,993
Interest	5,130,919	5,344,966	5,404,379	5,597,236
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	620,866	(2,103,217)	23,241	1,113,082
Changes of assumptions	-	-	-	-
Benefit payments, including refunds of member contributions	(5,002,125)	(4,738,899)	(4,925,672)	(5,254,309)
Net change in total pension liability	<u>3,171,064</u>	<u>880,196</u>	<u>2,857,148</u>	<u>3,829,002</u>
Total pension liability - beginning	<u>76,013,611</u>	<u>79,184,675</u>	<u>80,064,871</u>	<u>82,922,019</u>
Total pension liability - ending (a)	<u>\$ 79,184,675</u>	<u>\$ 80,064,871</u>	<u>\$ 82,922,019</u>	<u>\$ 86,751,021</u>
Plan fiduciary net position				
Contributions - employer	\$ 2,144,569	\$ 2,021,594	\$ 2,068,439	\$ 2,095,587
Contributions - member	1,311,923	1,279,749	1,296,400	1,322,450
Net investment income	5,604,962	853,380	(812,694)	6,115,016
Benefit payments, including refunds of member contributions	(5,002,125)	(4,738,899)	(4,925,672)	(5,254,309)
Administrative expense	(26,618)	(19,940)	(31,020)	(29,686)
Other	-	-	-	-
Net change in plan fiduciary net position	<u>4,032,711</u>	<u>(604,116)</u>	<u>(2,404,547)</u>	<u>4,249,058</u>
Plan fiduciary net position - beginning	<u>47,537,321</u>	<u>51,570,032</u>	<u>50,965,916</u>	<u>48,561,369</u>
Plan fiduciary net position - ending (b)	<u>\$ 51,570,032</u>	<u>\$ 50,965,916</u>	<u>\$ 48,561,369</u>	<u>\$ 52,810,427</u>
Net pension liability - ending (a) - (b)	<u>\$ 27,614,643</u>	<u>\$ 29,098,955</u>	<u>\$ 34,360,650</u>	<u>\$ 33,940,594</u>
Plan fiduciary net position as a percentage of the total pension liability	65.13%	63.66%	58.56%	60.88%
Covered employee payroll	\$ 20,593,547	\$ 20,580,295	\$ 20,903,375	\$ 21,452,987
Net pension liability as a percentage of covered-employee payroll	134.09%	141.39%	164.38%	158.21%

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

Notes to Schedule:

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

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City Retirement Plan, (continued)

Schedule of Employer Contributions	Fiscal Year				
	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 3,590,720	\$ 3,669,120	\$ 3,271,543	\$ 3,179,977	\$ 3,225,198
Contributions in relation to the actuarially determined contribution	2,067,324	2,095,587	2,068,439	2,021,594	2,144,569
Contribution deficiency (excess)	<u>\$ 1,523,396</u>	<u>\$ 1,573,533</u>	<u>\$ 1,203,104</u>	<u>\$ 1,158,383</u>	<u>\$ 1,080,629</u>
Covered employee payroll	\$ 21,452,987	\$ 20,903,375	\$ 20,580,295	\$ 20,593,547	\$ 21,612,172
Contributions as a percentage of covered-employee payroll	9.64%	10.03%	10.05%	9.82%	9.92%
	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 3,182,857	\$ 3,182,857	\$ 2,965,333	\$ 2,965,333	\$ 2,376,870
Contributions in relation to the actuarially determined contribution	2,239,853	2,113,599	1,920,223	1,717,742	1,628,972
Contribution deficiency (excess)	<u>\$ 943,004</u>	<u>\$ 1,069,258</u>	<u>\$ 1,045,110</u>	<u>\$ 1,247,591</u>	<u>\$ 747,898</u>
Covered employee payroll	\$ 22,095,022	\$ 21,136,000	\$ 22,591,000	\$ 21,472,000	\$ 20,362,000
Contributions as a percentage of covered-employee payroll	10.14%	10.00%	8.50%	8.00%	8.00%

Notes to Schedule:

Latest Valuation Date: July 1, 2017

Actuarially determined contribution rate is calculated as of July 1, 2017
July 2017 through June 2018 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 Four Fiscal Years

	Year Ended June 30, 2015	Year Ended June 30, 2016	Year Ended June 30, 2017	Year Ended June 30, 2018
Annual money-weighted rate of return, net of investment expense	12.36%	1.54%	-1.88%	13.15%

Ten year historical data was not available

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Other Postemployment Benefits

Schedule of Changes in the City's Total OPEB Liability and Related Ratios
Postemployment Health Insurance Implicit Rate Subsidy Plan

		<u>2018</u>
Total OPEB Liability		
Service cost	\$	966,960
Interest		448,307
Changes of assumptions		(1,293,119)
Benefit payments		(856,164)
Net (decrease) in total OPEB liability		<u>(734,016)</u>
Balances at Beginning of Year		<u>16,589,271</u>
Balances End of Year	\$	<u><u>15,855,255</u></u>
Covered employee payroll	\$	37,800,000
Total OPEB liability as a percentage of covered- employee payroll		41.95%

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available
The plan is not held in a trust and no assets are accumulated.

Changes in assumption (measurement date)

Discount rate	Increased from 2.85% 6/30/16 to 3.58% 6/30/17
Health care trend	Decreased from 6.12% 6/30/16 to 6.09% 6/30/17

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OTHER SUPPLEMENTARY INFORMATION

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Combining Balance Sheet – General Fund Accounts – June 30, 2018

	<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	\$ 3,954,605	\$ 20,615	\$ 125,524	\$ 175,666	\$ 37,009	\$ 83,331	\$ 2,979,982	\$ 360,032
Investments	-	-	1,874,474	-	-	-	-	-
Receivables:								
Accounts receivable	56,031	-	-	194	2,300	-	-	255
Accrued interest receivable	6,965	-	-	-	-	-	-	-
Due from other funds	545,706	-	-	-	1,536	-	-	-
Due from other accounts	397	-	-	-	32,085	-	-	-
Due from other governments	8,685,071	-	-	-	-	-	-	-
Inventory	268,108	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	309	-	-	-
Other receivables	-	-	-	-	-	83	1,653	-
Total assets	<u>13,516,883</u>	<u>20,615</u>	<u>1,999,998</u>	<u>175,860</u>	<u>73,239</u>	<u>83,414</u>	<u>2,981,635</u>	<u>360,287</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	2,083,109	28,434	-	16,973	73,239	-	-	40
Due to other funds	205,439	-	-	-	-	-	-	-
Due to other accounts	-	-	-	-	-	-	-	-
Total liabilities	<u>2,288,548</u>	<u>28,434</u>	<u>-</u>	<u>16,973</u>	<u>73,239</u>	<u>-</u>	<u>-</u>	<u>40</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	71,484	-	-	-	-	-	-	-
Fund balances:								
Nonspendable	268,108	-	-	-	-	-	-	-
Committed	-	-	1,999,998	-	-	-	-	-
Assigned	2,586,944	-	-	158,887	-	83,414	2,981,635	360,247
Unassigned (deficit)	8,301,799	(7,819)	-	-	-	-	-	-
Total fund balances	<u>11,156,851</u>	<u>(7,819)</u>	<u>1,999,998</u>	<u>158,887</u>	<u>-</u>	<u>83,414</u>	<u>2,981,635</u>	<u>360,247</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 13,516,883</u>	<u>\$ 20,615</u>	<u>\$ 1,999,998</u>	<u>\$ 175,860</u>	<u>\$ 73,239</u>	<u>\$ 83,414</u>	<u>\$ 2,981,635</u>	<u>\$ 360,287</u>

(Continued)

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Combining Balance Sheet – General Fund Accounts – June 30, 2018, (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	\$ 388,677	\$ 13,542	\$ 72,267	\$ 58,053	\$ 2,275	\$ 156,993	\$ 8,436,367
Investments	-	-	-	-	-	-	-	1,874,474
Receivables:								
Accounts receivable	-	70,396	-	-	-	-	-	129,176
Accrued interest receivable	-	-	-	-	-	-	-	6,965
Due from other funds	-	-	-	-	-	-	-	547,242
Due from other accounts	-	-	-	-	-	-	-	32,482
Due from other governments	-	-	10,759	-	-	-	-	8,695,830
Inventory	-	-	-	-	-	-	-	268,108
Prepaid items	-	-	-	-	-	-	-	309
Other receivables	-	-	-	-	-	-	-	1,736
Total assets	<u>7,796</u>	<u>459,073</u>	<u>24,301</u>	<u>72,267</u>	<u>58,053</u>	<u>2,275</u>	<u>156,993</u>	<u>19,992,689</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	-	15,147	12,384	210	-	-	-	2,229,536
Due to other funds	-	-	-	-	-	-	-	205,439
Due to other accounts	-	-	32,482	-	-	-	-	32,482
Total liabilities	<u>-</u>	<u>15,147</u>	<u>44,866</u>	<u>210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,467,457</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,484</u>
Fund balances:								
Nonspendable	-	-	-	-	-	-	-	268,108
Committed	-	-	-	-	-	-	-	1,999,998
Assigned	7,796	443,926	-	72,057	58,053	2,275	156,993	6,912,227
Unassigned (deficit)	-	-	(20,565)	-	-	-	-	8,273,415
Total fund balances	<u>7,796</u>	<u>443,926</u>	<u>(20,565)</u>	<u>72,057</u>	<u>58,053</u>	<u>2,275</u>	<u>156,993</u>	<u>17,453,748</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 7,796</u>	<u>\$ 459,073</u>	<u>\$ 24,301</u>	<u>\$ 72,267</u>	<u>\$ 58,053</u>	<u>\$ 2,275</u>	<u>\$ 156,993</u>	<u>\$ 19,992,689</u>

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts – Year Ended June 30, 2018

	<u>General Fund</u>	<u>Hunting and Fishing Account</u>	<u>Reserve Account</u>	<u>Insurance Proceeds Account</u>	<u>Payroll Claims Account</u>	<u>Adult Softball Account</u>	<u>Court Credit Card Maint. Account</u>	<u>Animal License Account</u>
REVENUES								
Taxes	\$ 50,982,748	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	5,061,309	-	-	-	-	-	-	-
Charges for services	743,485	-	-	-	-	30,614	-	-
Fines and forfeitures	1,512,010	-	-	-	-	-	1,687,018	470
Licenses and permits	715,179	46,491	-	-	-	-	-	38,834
Investment income	244,952	-	7,936	-	-	-	8,556	-
Miscellaneous	520,183	-	-	53,041	-	-	-	-
Total revenues	<u>59,779,866</u>	<u>46,491</u>	<u>7,936</u>	<u>53,041</u>	<u>-</u>	<u>30,614</u>	<u>1,695,574</u>	<u>39,304</u>
EXPENDITURES								
Current:								
General government	8,640,952	-	-	14,024	-	-	9,066	-
Public safety	34,321,506	-	-	-	-	-	-	6,082
Public works and streets	7,416,705	-	-	-	-	-	-	-
Culture and recreation	5,625,435	393,539	-	-	-	5,218	-	-
Capital Outlay	90,407	15,837	-	49,494	-	-	2,500	-
Debt Service:								
Principal retirement	105,907	-	-	-	-	-	-	-
Interest and fiscal charges	60,638	-	-	-	-	-	-	-
Total expenditures	<u>56,261,550</u>	<u>409,376</u>	<u>-</u>	<u>63,518</u>	<u>-</u>	<u>5,218</u>	<u>11,566</u>	<u>6,082</u>
Excess (deficiency) of revenues over expenditures	<u>3,518,316</u>	<u>(362,885)</u>	<u>7,936</u>	<u>(10,477)</u>	<u>-</u>	<u>25,396</u>	<u>1,684,008</u>	<u>33,222</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	23,079,478	-	229,078	-	-	-	-	-
Transfers out	(26,558,842)	(68,918)	-	-	-	-	(150,023)	-
Transfers in - interaccount	544,205	400,000	-	-	-	-	-	-
Transfers out - interaccount	(439,181)	-	-	-	-	-	(526,500)	-
Total other financing sources and uses	<u>(3,374,340)</u>	<u>331,082</u>	<u>229,078</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(676,523)</u>	<u>-</u>
Net change in fund balances	143,976	(31,803)	237,014	(10,477)	-	25,396	1,007,485	33,222
Fund balances - beginning	11,012,875	23,984	1,762,984	169,364	-	58,018	1,974,150	327,025
Fund balances - ending	<u>\$ 11,156,851</u>	<u>\$ (7,819)</u>	<u>\$ 1,999,998</u>	<u>\$ 158,887</u>	<u>\$ -</u>	<u>\$ 83,414</u>	<u>\$ 2,981,635</u>	<u>\$ 360,247</u>

(Continued)

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts – Year Ended June 30, 2018,
(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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,982,748
Intergovernmental	-	-	24,372	-	-	-	-	5,085,681
Charges for services	-	-	-	-	-	-	11,029	785,128
Fines and forfeitures	-	-	-	-	22,680	-	-	3,222,178
Licenses and permits	-	-	-	4,885	-	-	-	805,389
Investment income	-	-	278	-	-	-	-	261,722
Miscellaneous	-	348,049	-	-	-	-	-	921,273
Total revenues	<u>-</u>	<u>348,049</u>	<u>24,650</u>	<u>4,885</u>	<u>22,680</u>	<u>-</u>	<u>11,029</u>	<u>62,064,119</u>
EXPENDITURES								
Current:								
General government	-	-	82,779	2,170	-	-	-	8,748,991
Public safety	-	-	-	-	11,810	-	-	34,339,398
Public works and streets	-	356,073	-	-	-	-	-	7,772,778
Culture and recreation	-	-	458	-	-	-	-	6,024,650
Capital Outlay	-	1,239	-	-	-	-	-	159,477
Debt Service:								
Principal	-	-	-	-	-	-	-	105,907
Interest and fiscal charges	-	-	-	-	-	-	-	60,638
Total expenditures	<u>-</u>	<u>357,312</u>	<u>83,237</u>	<u>2,170</u>	<u>11,810</u>	<u>-</u>	<u>-</u>	<u>57,211,839</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(9,263)</u>	<u>(58,587)</u>	<u>2,715</u>	<u>10,870</u>	<u>-</u>	<u>11,029</u>	<u>4,852,280</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	23,308,556
Transfers out	-	-	-	-	-	-	-	(26,777,783)
Transfers in - interaccount	-	-	39,181	-	-	-	-	983,386
Transfers out - interaccount	-	-	-	-	(17,705)	-	-	(983,386)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>39,181</u>	<u>-</u>	<u>(17,705)</u>	<u>-</u>	<u>-</u>	<u>(3,469,227)</u>
Net change in fund balances	-	(9,263)	(19,406)	2,715	(6,835)	-	11,029	1,383,053
Fund balances - beginning	7,796	453,189	(1,159)	69,342	64,888	2,275	145,964	16,070,695
Fund balances - ending	<u>\$ 7,796</u>	<u>\$ 443,926</u>	<u>\$ (20,565)</u>	<u>\$ 72,057</u>	<u>\$ 58,053</u>	<u>\$ 2,275</u>	<u>\$ 156,993</u>	<u>\$ 17,453,748</u>

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2018

	SPECIAL REVENUE FUNDS							
	PUBLIC LIBRARY	SMALL BUSINESS LOAN	CDBG	HOME INVESTMENT CDBG	LAWTON URBAN HOMESTEADING	POLICE GRANT	PARK FEE FUND	NARCOTICS FUND
ASSETS								
Cash and cash equivalents	\$ -	\$ 167,184	\$ 632,932	\$ 47,917	\$ 243	\$ 7,123	\$ 19,085	\$ 199,986
Investments	-	-	-	-	-	-	-	-
Receivables:								
Accounts receivable	-	-	55	-	-	-	-	-
Accrued interest receivable	-	-	-	-	-	-	-	-
Advance to component unit	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Due from other governments	-	-	898	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 167,184</u>	<u>\$ 633,885</u>	<u>\$ 47,917</u>	<u>\$ 243</u>	<u>\$ 7,123</u>	<u>\$ 19,085</u>	<u>\$ 199,986</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	\$ 666	\$ -	\$ 30,963	\$ 21,240	-	\$ -	\$ -	\$ 1,482
Due to other funds	4,924	-	595	1,734	-	-	-	-
Total liabilities	<u>5,590</u>	<u>-</u>	<u>31,558</u>	<u>22,974</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,482</u>
Fund balances:								
Restricted	-	167,184	602,327	24,943	243	7,123	19,085	198,504
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned (deficit)	(5,590)	-	-	-	-	-	-	-
Total fund balances	<u>(5,590)</u>	<u>167,184</u>	<u>602,327</u>	<u>24,943</u>	<u>243</u>	<u>7,123</u>	<u>19,085</u>	<u>198,504</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 167,184</u>	<u>\$ 633,885</u>	<u>\$ 47,917</u>	<u>\$ 243</u>	<u>\$ 7,123</u>	<u>\$ 19,085</u>	<u>\$ 199,986</u>

(continued)

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2018, (Continued)

	SPECIAL REVENUE FUNDS						
	ANIMAL SHELTER FUND	EMERGENCY 911	CEMETERY CARE	OFFICERS TRAINING	LAWTON PARKING AUTHORITY	STATE LANDFILL FUND	FIRE PREVENTION EDUCATION
ASSETS							
Cash and cash equivalents	\$ 46,587	\$ 42,595	\$ 164,027	\$ 18,160	\$ 1,191	\$ -	\$ 12,776
Investments	-	-	-	-	-	-	-
Receivables:							
Accounts receivable	135	143,062	-	130	-	39,863	-
Accrued interest receivable	-	-	-	-	-	-	-
Advance to component unit	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Total assets	<u>\$ 46,722</u>	<u>\$ 185,657</u>	<u>\$ 164,027</u>	<u>\$ 18,290</u>	<u>\$ 1,191</u>	<u>\$ 39,863</u>	<u>\$ 12,776</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ -	\$ 66,839	\$ -	\$ 18,160	\$ -	\$ 52,434	\$ -
Due to other funds	-	-	-	-	-	1,790	-
Total liabilities	<u>-</u>	<u>66,839</u>	<u>-</u>	<u>18,160</u>	<u>-</u>	<u>54,224</u>	<u>-</u>
Fund balances:							
Restricted	46,722	118,818	164,027	130	1,191	-	12,776
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-	(14,361)	-
Total fund balances	<u>46,722</u>	<u>118,818</u>	<u>164,027</u>	<u>130</u>	<u>1,191</u>	<u>(14,361)</u>	<u>12,776</u>
Total liabilities and fund balances	<u>\$ 46,722</u>	<u>\$ 185,657</u>	<u>\$ 164,027</u>	<u>\$ 18,290</u>	<u>\$ 1,191</u>	<u>\$ 39,863</u>	<u>\$ 12,776</u>

(continued)

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2018, (Continued)

	SPECIAL REVENUE FUNDS						
	TIF FUND	GRANTS GIFTS	MCPHON AUTHORITY GRANTS	DRAINAGE MAINTENANCE FUND	ANIMAL DONATION FUND	LETA BEAUTIFICATION	CEMETERY REWARD
ASSETS							
Cash and cash equivalents	\$ 121,291	\$ 2,609	\$ 24,563	\$ 1,275,095	\$ 27,007	\$ 62,246	\$ 5,500
Investments	-	-	-	-	-	-	-
Receivables:							
Accounts receivable	-	-	-	113,763	-	255	-
Accrued interest receivable	-	-	-	-	-	-	-
Advance to component unit	-	-	-	-	-	-	-
Due from other funds	205,439	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Total assets	<u>\$ 326,730</u>	<u>\$ 2,609</u>	<u>\$ 24,563</u>	<u>\$ 1,388,858</u>	<u>\$ 27,007</u>	<u>\$ 62,501</u>	<u>\$ 5,500</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 155,132	\$ -	\$ -	\$ 31,855	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>155,132</u>	<u>-</u>	<u>-</u>	<u>31,855</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:							
Restricted	171,598	2,609	24,563	1,357,003	27,007	-	5,500
Committed	-	-	-	-	-	62,501	-
Assigned	-	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-	-	-
Total fund balances	<u>171,598</u>	<u>2,609</u>	<u>24,563</u>	<u>1,357,003</u>	<u>27,007</u>	<u>62,501</u>	<u>5,500</u>
Total liabilities and fund balances	<u>\$ 326,730</u>	<u>\$ 2,609</u>	<u>\$ 24,563</u>	<u>\$ 1,388,858</u>	<u>\$ 27,007</u>	<u>\$ 62,501</u>	<u>\$ 5,500</u>

(continued)

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2018, (Continued)

	SPECIAL REVENUE FUNDS							POLICE AND FIRE TRAINING	DEBT SERVICE FUND
	HOTEL/MOTEL TAX FUND	PROJECT IMPACT	MASS TRANSIT FUND	FEDERAL GRANT FUND	IMPACT FEES	RENTAL REVENUE	CELLULAR SERVICE FEE FUND	FUND	PRIOR 1972
ASSETS									
Cash and cash equivalents	\$ 988,985	\$ 29,177	\$ -	\$ 477,329	\$ 725,612	\$ 48,657	\$ 1,005,433	\$ 529,684	\$ 1,219,007
Investments	-	-	-	-	-	-	-	-	-
Receivables:									
Accounts receivable	246,367	-	43,656	-	-	-	-	-	-
Accrued interest receivable	-	-	-	-	-	-	-	-	-
Advance to component unit	114,328	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	42,625	-	-	-	-	-
Total assets	<u>\$ 1,349,680</u>	<u>\$ 29,177</u>	<u>\$ 43,656</u>	<u>\$ 519,954</u>	<u>\$ 725,612</u>	<u>\$ 48,657</u>	<u>\$ 1,005,433</u>	<u>\$ 529,684</u>	<u>\$ 1,219,007</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable and accrued liabilities	\$ 217,627	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,800	\$ 1,475	\$ -
Due to other funds	-	-	13,648	-	-	-	-	-	-
Total liabilities	<u>217,627</u>	<u>-</u>	<u>13,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,800</u>	<u>1,475</u>	<u>-</u>
Fund balances:									
Restricted	1,132,053	29,177	30,008	519,954	725,612	-	1,000,633	168,076	1,219,007
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	48,657	-	360,133	-
Unassigned (deficit)	-	-	-	-	-	-	-	-	-
Total fund balances	<u>1,132,053</u>	<u>29,177</u>	<u>30,008</u>	<u>519,954</u>	<u>725,612</u>	<u>48,657</u>	<u>1,000,633</u>	<u>528,209</u>	<u>1,219,007</u>
Total liabilities and fund balances	<u>\$ 1,349,680</u>	<u>\$ 29,177</u>	<u>\$ 43,656</u>	<u>\$ 519,954</u>	<u>\$ 725,612</u>	<u>\$ 48,657</u>	<u>\$ 1,005,433</u>	<u>\$ 529,684</u>	<u>\$ 1,219,007</u>

(continued)

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2018, (Continued)

	CAPITAL PROJECT FUNDS									TOTALS
	2012 CIP Fund	CIP	CAPITAL OUTLAY ROLLING STOCK	2005 CIP Fund	CAPITAL IMPROVEMENT FUND 2008	AD Valorem 2005	AD Valorem 2012	2016 CIP Fund	Street and GO Bond Fund	
ASSETS										
Cash and cash equivalents	\$ 3,435,815	\$ 988,202	\$ 4,151,932	\$ 317,348	\$ 2,192,821	\$ 177,587	\$ 799,287	\$ 609,611	\$ 1,461,248	\$ 22,035,852
Investments	8,142,789	1,750,416	-	497,115	-	500,000	-	-	-	10,890,320
Receivables:										
Accounts receivable	-	144,299	-	-	-	-	-	-	-	731,585
Accrued interest receivable	10,668	6,403	-	2,043	-	32	-	-	-	19,146
Advance to component unit	-	299,994	-	-	-	-	-	-	-	414,322
Due from other funds	-	-	-	-	-	-	-	-	-	205,439
Due from other governments	-	358,034	-	-	-	-	-	-	-	401,557
Total assets	<u>\$ 11,589,272</u>	<u>\$ 3,547,348</u>	<u>\$ 4,151,932</u>	<u>\$ 816,506</u>	<u>\$ 2,192,821</u>	<u>\$ 677,619</u>	<u>\$ 799,287</u>	<u>\$ 609,611</u>	<u>\$ 1,461,248</u>	<u>\$ 34,698,221</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable and accrued liabilities	\$ 719,946	\$ 316,569	\$ 2,062	\$ 55,268	\$ 89,497	\$ -	\$ 21,628	\$ 439,524	\$ 473,759	\$ 2,720,926
Due to other funds	-	-	-	-	-	-	-	-	-	22,691
Total liabilities	<u>719,946</u>	<u>316,569</u>	<u>2,062</u>	<u>55,268</u>	<u>89,497</u>	<u>-</u>	<u>21,628</u>	<u>439,524</u>	<u>473,759</u>	<u>2,743,617</u>
Fund balances:										
Restricted	10,869,326	-	-	761,238	2,103,324	677,619	777,659	170,087	987,489	24,122,615
Committed	-	-	-	-	-	-	-	-	-	62,501
Assigned	-	3,230,779	4,149,870	-	-	-	-	-	-	7,789,439
Unassigned (deficit)	-	-	-	-	-	-	-	-	-	(19,951)
Total fund balances	<u>10,869,326</u>	<u>3,230,779</u>	<u>4,149,870</u>	<u>761,238</u>	<u>2,103,324</u>	<u>677,619</u>	<u>777,659</u>	<u>170,087</u>	<u>987,489</u>	<u>31,954,604</u>
Total liabilities and fund balances	<u>\$ 11,589,272</u>	<u>\$ 3,547,348</u>	<u>\$ 4,151,932</u>	<u>\$ 816,506</u>	<u>\$ 2,192,821</u>	<u>\$ 677,619</u>	<u>\$ 799,287</u>	<u>\$ 609,611</u>	<u>\$ 1,461,248</u>	<u>\$ 34,698,221</u>

CITY OF LAWTON, OKLAHOMA
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As of and for the Year Ended June 30, 2018

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

	SPECIAL REVENUE FUNDS							
	PUBLIC LIBRARY	SMALL BUSINESS LOAN	CDBG	HOME INVESTMENT CDBG	LAWTON URBAN HOMESTEADING	POLICE GRANT	PARK FEE FUND	NARCOTICS FUND
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	45,868	-	574,683	403,985	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Investment income	-	2,442	843	-	3	-	-	-
Miscellaneous	8,157	-	29,299	31,742	-	-	-	132,944
Total revenues	<u>54,025</u>	<u>2,442</u>	<u>604,825</u>	<u>435,727</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>132,944</u>
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	52,464
Public works and streets	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Culture and recreation	8,814	-	-	-	-	-	-	-
Community development	-	-	456,493	445,015	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Capital Outlay	48,863	-	-	-	-	-	-	6,700
Debt Service								
Principal	-	-	84,000	-	-	-	-	-
Interest and fiscal charges	-	-	69,449	-	-	-	-	-
Total expenditures	<u>57,677</u>	<u>-</u>	<u>609,942</u>	<u>445,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,164</u>
Excess (deficiency) of revenues over expenditures	<u>(3,652)</u>	<u>2,442</u>	<u>(5,117)</u>	<u>(9,288)</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>73,780</u>
OTHER FINANCING SOURCES (USES)								
Debt proceeds	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(3,652)	2,442	(5,117)	(9,288)	3	-	-	73,780
Fund balances - beginning	(1,938)	164,742	607,444	34,231	240	7,123	19,085	124,724
Fund balances - ending	<u>\$ (5,590)</u>	<u>\$ 167,184</u>	<u>\$ 602,327</u>	<u>\$ 24,943</u>	<u>\$ 243</u>	<u>\$ 7,123</u>	<u>\$ 19,085</u>	<u>\$ 198,504</u>

(continued)

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2018, (Continued)

	SPECIAL REVENUE FUNDS						
	ANIMAL SHELTER FUND	EMERGENCY 911	CEMETERY CARE	OFFICERS TRAINING	LAWTON PARKING AUTHORITY	STATE LANDFILL FUND	FIRE PREVENTION EDUCATION
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	345,408	-	-	-	-	-
Charges for services	17,464	-	15,613	-	-	196,400	-
Fines and forfeitures	-	-	-	135,721	-	-	-
Investment earnings	19	-	-	-	-	-	-
Miscellaneous	-	496,060	-	-	-	-	-
Total revenues	<u>17,483</u>	<u>841,468</u>	<u>15,613</u>	<u>135,721</u>	<u>-</u>	<u>196,400</u>	<u>-</u>
EXPENDITURES							
Current:							
General government	-	-	552	-	-	217,627	-
Public safety	54,236	1,555,831	-	236,275	-	-	-
Public works and streets	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-
Capital Outlay	-	191,250	101,173	-	-	-	-
Debt Service							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>54,236</u>	<u>1,747,081</u>	<u>101,725</u>	<u>236,275</u>	<u>-</u>	<u>217,627</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(36,753)</u>	<u>(905,613)</u>	<u>(86,112)</u>	<u>(100,554)</u>	<u>-</u>	<u>(21,227)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)							
Debt proceeds	-	-	-	-	-	-	-
Transfers in	173	830,551	-	62,470	-	-	-
Transfers out	-	-	-	(4,916)	-	-	-
Total other financing sources and uses	<u>173</u>	<u>830,551</u>	<u>-</u>	<u>57,554</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(36,580)	(75,062)	(86,112)	(43,000)	-	(21,227)	-
Fund balances - beginning	83,302	193,880	250,139	43,130	1,191	6,866	12,776
Fund balances - ending	<u>\$ 46,722</u>	<u>\$ 118,818</u>	<u>\$ 164,027</u>	<u>\$ 130</u>	<u>\$ 1,191</u>	<u>\$ (14,361)</u>	<u>\$ 12,776</u>

(continued)

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2018, (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	-	-	-	865,046	-	37,595	-
Investment earnings	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	2,085	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>865,046</u>	<u>2,085</u>	<u>37,595</u>	<u>-</u>
EXPENDITURES							
Current:							
General government	1,102,221	-	-	-	-	49,387	-
Public safety	-	-	-	-	1,674	-	-
Public works and streets	-	-	-	767,843	-	-	-
Education	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-
Capital Outlay	-	-	81,788	-	-	-	-
Debt Service							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>1,102,221</u>	<u>-</u>	<u>81,788</u>	<u>767,843</u>	<u>1,674</u>	<u>49,387</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(1,102,221)</u>	<u>-</u>	<u>(81,788)</u>	<u>97,203</u>	<u>411</u>	<u>(11,792)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)							
Debt proceeds	-	-	-	-	-	-	-
Transfers in	1,165,392	-	-	-	-	31,190	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources and uses	<u>1,165,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,190</u>	<u>-</u>
Net change in fund balances	63,171	-	(81,788)	97,203	411	19,398	-
Fund balances - beginning	108,427	2,609	106,351	1,259,800	26,596	43,103	5,500
Fund balances - ending	<u>\$ 171,598</u>	<u>\$ 2,609</u>	<u>\$ 24,563</u>	<u>\$ 1,357,003</u>	<u>\$ 27,007</u>	<u>\$ 62,501</u>	<u>\$ 5,500</u>

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CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2018, (Continued)

	SPECIAL REVENUE FUNDS								DEBT SERVICE FUND
	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	PRIOR TO 1972
REVENUES									
Taxes	\$ 1,382,471	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,743,281
Intergovernmental	-	-	1,333,857	157,475	-	-	-	1	-
Charges for services	-	-	350,664	-	-	12,337	991,893	-	-
Fines and forfeitures	-	-	-	-	-	-	-	70,505	-
Investment earnings	-	-	5,056	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	5,032	-
Total revenues	<u>1,382,471</u>	<u>-</u>	<u>1,689,577</u>	<u>157,475</u>	<u>-</u>	<u>12,337</u>	<u>991,893</u>	<u>75,538</u>	<u>2,743,281</u>
EXPENDITURES									
Current:									
General government	-	-	-	1,430,132	-	8,305	608,996	-	-
Public safety	-	-	-	54,537	-	-	-	89,820	-
Public works and streets	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-
Culture and recreation	1,265,666	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-	-
Transportation	-	-	2,409,232	-	-	-	-	-	-
Capital Outlay	-	-	-	5,151	221	-	345,885	-	-
Debt Service									
Principal	-	-	-	-	-	-	-	-	2,364,787
Interest and fiscal charges	-	-	-	-	-	-	-	-	435,700
Total expenditures	<u>1,265,666</u>	<u>-</u>	<u>2,409,232</u>	<u>1,489,820</u>	<u>221</u>	<u>8,305</u>	<u>954,881</u>	<u>89,820</u>	<u>2,800,487</u>
Excess (deficiency) of revenues over expenditures	<u>116,805</u>	<u>-</u>	<u>(719,655)</u>	<u>(1,332,345)</u>	<u>(221)</u>	<u>4,032</u>	<u>37,012</u>	<u>(14,282)</u>	<u>(57,206)</u>
OTHER FINANCING SOURCES (USES)									
Debt proceeds	-	-	-	-	-	-	345,885	-	-
Transfers in	-	-	710,000	-	-	-	-	56,190	-
Transfers out	-	-	(34,450)	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>675,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>345,885</u>	<u>56,190</u>	<u>-</u>
Net change in fund balances	116,805	-	(44,105)	(1,332,345)	(221)	4,032	382,897	41,908	(57,206)
Fund balances - beginning	1,015,248	29,177	74,113	1,852,299	725,833	44,625	617,736	486,301	1,276,213
Fund balances - ending	<u>\$ 1,132,053</u>	<u>\$ 29,177</u>	<u>\$ 30,008</u>	<u>\$ 519,954</u>	<u>\$ 725,612</u>	<u>\$ 48,657</u>	<u>\$ 1,000,633</u>	<u>\$ 528,209</u>	<u>\$ 1,219,007</u>

(continued)

CITY OF LAWTON, OKLAHOMA
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Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2018, (Continued)

CAPITAL PROJECT FUNDS										
	2012 CIP Fund	CIP	CAPITAL OUTLAY ROLLING STOCK	2005 CIP Fund	CAPITAL IMPROVEMENT FUND 2008	AD Valorem 2005	AD Valorem 2012	2016 CIP Fund	Street and GO Bond Fund	TOTALS
REVENUES										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,125,752
Intergovernmental	47,500	567,929	-	-	-	-	-	-	-	3,476,706
Charges for services	-	57,375	-	-	-	-	-	-	-	1,641,746
Fines and forfeitures	-	-	-	-	-	-	-	-	-	1,108,867
Investment earnings	188,238	5,785	-	42,851	61,592	15,439	21,027	69,269	-	412,564
Miscellaneous	-	94,477	1	-	-	-	-	-	-	799,797
Total revenues	<u>235,738</u>	<u>725,566</u>	<u>1</u>	<u>42,851</u>	<u>61,592</u>	<u>15,439</u>	<u>21,027</u>	<u>69,269</u>	<u>-</u>	<u>11,565,432</u>
EXPENDITURES										
Current:										
General government	-	181,753	-	-	-	-	-	1,379	-	3,600,352
Public safety	-	-	-	-	-	-	-	-	-	2,044,837
Public works and streets	-	-	-	-	-	-	-	-	-	767,843
Education	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-	1,274,480
Community development	-	-	-	-	-	-	-	-	-	901,508
Transportation	-	-	-	-	-	-	-	-	-	2,409,232
Capital Outlay	2,993,729	1,683,251	2,856,393	29,720	396,833	-	(26,731)	5,066,285	1,967,736	15,748,247
Debt Service										
Principal	-	-	-	-	-	-	-	1,210,416	-	3,659,203
Interest and fiscal charges	-	-	-	-	-	-	-	263,971	-	769,120
Total expenditures	<u>2,993,729</u>	<u>1,865,004</u>	<u>2,856,393</u>	<u>29,720</u>	<u>396,833</u>	<u>-</u>	<u>(26,731)</u>	<u>6,542,051</u>	<u>1,967,736</u>	<u>31,174,822</u>
Excess (deficiency) of revenues over expenditures	<u>(2,757,991)</u>	<u>(1,139,438)</u>	<u>(2,856,392)</u>	<u>13,131</u>	<u>(335,241)</u>	<u>15,439</u>	<u>47,758</u>	<u>(6,472,782)</u>	<u>(1,967,736)</u>	<u>(19,609,390)</u>
OTHER FINANCING SOURCES (USES)										
Debt proceeds	-	-	822,500	-	-	-	-	-	-	1,168,385
Transfers in	-	599,268	2,758,141	-	-	-	700,000	14,993,480	-	21,906,855
Transfers out	(3,682,943)	-	-	(3,440,479)	(3,440,480)	-	-	(6,549,250)	-	(17,152,518)
Total other financing sources and uses	<u>(3,682,943)</u>	<u>599,268</u>	<u>3,580,641</u>	<u>(3,440,479)</u>	<u>(3,440,480)</u>	<u>-</u>	<u>700,000</u>	<u>8,444,230</u>	<u>-</u>	<u>5,922,722</u>
Net change in fund balances	(6,440,934)	(540,170)	724,249	(3,427,348)	(3,775,721)	15,439	747,758	1,971,448	(1,967,736)	(13,686,668)
Fund balances - beginning	17,310,260	3,770,949	3,425,621	4,188,586	5,879,045	662,180	29,901	(1,801,361)	2,955,225	45,641,272
Fund balances - ending	<u>\$ 10,869,326</u>	<u>\$ 3,230,779</u>	<u>\$ 4,149,870</u>	<u>\$ 761,238</u>	<u>\$ 2,103,324</u>	<u>\$ 677,619</u>	<u>\$ 777,659</u>	<u>\$ 170,087</u>	<u>\$ 987,489</u>	<u>\$ 31,954,604</u>

CITY OF LAWTON, OKLAHOMA
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As of and for the Year Ended June 30, 2018

Combining Statement of Net Position – Lawton Water Authority Enterprise Fund – June 30, 2018

	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
ASSETS										
Current assets:										
Cash and cash equivalents	\$ 488,884	\$ -	\$ 1,037,638	\$ 9,144	\$ 55,746	\$ 108,811	\$ (26,701)	\$ 140	\$ 588,349	\$ 2,262,011
Cash and cash equivalents, restricted	-	1,532,864	-	2,358,578	-	154,734	-	-	-	4,046,176
Investments	-	-	-	-	-	500,000	-	-	-	500,000
Accounts receivable, net	-	-	-	6,291,424	-	-	-	-	454,460	6,745,884
Interest receivable	-	-	-	-	-	33	-	-	-	33
Due from other governments	2,582,733	-	-	-	-	-	-	-	-	2,582,733
Total current assets	3,071,617	1,532,864	1,037,638	8,659,146	55,746	763,578	(26,701)	140	1,042,809	16,136,837
Non-current assets:										
Cash and cash equivalents, restricted	-	-	-	12,214,997	-	-	-	-	-	12,214,997
Land and construction in progress	5,528	-	9,737,631	-	-	-	-	-	-	9,743,159
Other capital assets, net	1,865,579	-	181,334,888	29,198,634	197,391	-	-	-	-	212,596,492
Total non-current assets	1,871,107	-	191,072,519	41,413,631	197,391	-	-	-	-	234,554,648
Total assets	4,942,724	1,532,864	192,110,157	50,072,777	253,137	763,578	(26,701)	140	1,042,809	250,691,485
DEFERRED OUTFLOW OF RESOURCES										
Deferred amounts related to pension	221,117	-	1,228,388	-	56,425	-	-	-	-	1,505,930
Deferred amounts related to OPEB	-	-	145,056	-	-	-	-	-	-	145,056
Deferred amount on refunding	-	-	-	1,608,754	-	-	-	-	-	1,608,754
Total deferred outflow of resources	221,117	-	1,373,444	1,608,754	56,425	-	-	-	-	3,259,740
LIABILITIES										
Current liabilities:										
Accounts payable and accrued liabilities	372,251	-	621,565	-	22,181	-	27,696	-	56,156	1,099,849
Accrued interest payable	-	-	-	211,274	-	-	-	-	-	211,274
Accrued compensated absences	17,140	-	102,681	-	-	-	-	-	-	119,821
Landfill post closure liability	-	-	942,818	-	-	-	-	-	-	942,818
Contract payable - Waurika note	-	-	-	1,485,685	-	-	-	-	-	1,485,685
Worker's compensation liability	-	-	273,291	-	-	-	-	-	-	273,291
Total OPEB liability	-	-	146,790	-	-	-	-	-	-	146,790
Notes payable	-	-	-	313,760	-	-	-	-	-	313,760
Revenue bonds payable	-	-	-	5,967,012	-	-	-	-	-	5,967,012
Total current liabilities	389,391	-	2,087,145	7,977,731	22,181	-	27,696	-	56,156	10,560,300
Non-current liabilities:										
Accrued compensated absences	126,295	-	756,571	-	-	-	-	-	-	882,866
Landfill post closure liability	-	-	5,584,003	-	-	-	-	-	-	5,584,003
Contract payable - Waurika note	-	-	-	28,826,824	-	-	-	-	-	28,826,824
Worker's compensation liability	-	-	273,291	-	-	-	-	-	-	273,291
Total OPEB liability	-	-	3,178,057	-	-	-	-	-	-	3,178,057
Notes payable	-	-	-	1,012,266	-	-	-	-	-	1,012,266
Revenue bond payable, net	-	-	-	14,958,099	-	-	-	-	-	14,958,099
Net pension liability	1,840,866	-	8,608,938	-	469,754	-	-	-	-	10,919,558
Total non-current liabilities	1,967,161	-	18,400,860	44,797,189	469,754	-	-	-	-	65,634,964
Total liabilities	2,356,552	-	20,488,005	52,774,920	491,935	-	27,696	-	56,156	76,195,264
DEFERRED INFLOW OF RESOURCES										
Deferred amounts related to pensions	98,901	-	279,843	-	29,167	-	-	-	-	407,911
Deferred amounts related to OPEB	-	-	238,653	-	-	-	-	-	-	238,653
Total deferred inflow of resources	98,901	-	518,496	-	29,167	-	-	-	-	646,564
NET POSITION										
Net investment in capital assets	1,871,107	-	191,072,519	(6,170,828)	197,391	-	-	-	-	186,970,189
Restricted for debt service	-	1,532,864	-	3,713,022	-	-	-	-	-	5,245,886
Restricted for landfill financial assurance	-	-	-	-	-	154,734	-	-	-	154,734
Unrestricted (deficit)	837,281	-	(18,595,419)	1,364,417	(408,931)	608,844	(54,397)	140	986,653	(15,261,412)
Total net position	\$ 2,708,388	\$ 1,532,864	\$ 172,477,100	\$ (1,093,389)	\$ (211,540)	\$ 763,578	\$ (54,397)	\$ 140	\$ 986,653	\$ 177,109,397

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Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Lawton Water Authority Enterprise Fund – Year ended June 30, 2018

	Enterprise Fund									Total
	Sewer System Tech	1972 & After	Enterprise Account	Lawton Water Authority	Sewer Maintenance Program	Landfill Financial Assurance	Pumping Fee Fund	Water Meter Fund	Waurika Payments	
REVENUES										
Charges for services	\$ -	\$ -	\$ -	\$ 40,254,396	\$ -	\$ -	\$ 100,091	\$ -	\$ 3,462,430	\$ 43,816,917
Other sources	-	-	-	186,612	-	-	-	-	-	186,612
Operating grants	-	-	-	-	-	-	-	-	-	-
Total operating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,441,008</u>	<u>-</u>	<u>-</u>	<u>100,091</u>	<u>-</u>	<u>3,462,430</u>	<u>44,003,529</u>
OPERATING EXPENSES										
Public works operations	4,392,474	-	10,381,188	580,513	508,384	724	118,560	-	850,581	16,832,424
Depreciation expense	425,199	-	8,692,527	383,711	58,710	-	-	-	-	9,560,147
Landfill closure expense	-	-	1,301,462	-	-	-	-	-	-	1,301,462
Total operating expenses	<u>4,817,673</u>	<u>-</u>	<u>20,375,177</u>	<u>964,224</u>	<u>567,094</u>	<u>724</u>	<u>118,560</u>	<u>-</u>	<u>850,581</u>	<u>27,694,033</u>
Operating income (loss)	<u>(4,817,673)</u>	<u>-</u>	<u>(20,375,177)</u>	<u>39,476,784</u>	<u>(567,094)</u>	<u>(724)</u>	<u>(18,469)</u>	<u>-</u>	<u>2,611,849</u>	<u>16,309,496</u>
NON-OPERATING REVENUES (EXPENSES)										
Investment income	23,683	-	-	80,963	-	4,318	-	-	-	108,964
Interest expense and fiscal charges	-	-	-	(855,687)	-	-	-	-	(1,066,489)	(1,922,176)
Gain (Loss) on asset retirement	17,739	-	(42,924)	-	(4,924)	-	-	-	-	(30,109)
Other non-operating revenue	-	-	-	27,142	-	-	-	-	-	27,142
Capital Grants	-	-	-	10,000	-	-	-	-	-	10,000
Capital assets purchased for governmental activities	-	-	-	-	-	-	-	-	-	-
Total non-operating revenue (expenses)	<u>41,422</u>	<u>-</u>	<u>(42,924)</u>	<u>(737,582)</u>	<u>(4,924)</u>	<u>4,318</u>	<u>-</u>	<u>-</u>	<u>(1,066,489)</u>	<u>(1,806,179)</u>
Income (loss) before contributions and transfers	<u>(4,776,251)</u>	<u>-</u>	<u>(20,418,101)</u>	<u>38,739,202</u>	<u>(572,018)</u>	<u>3,594</u>	<u>(18,469)</u>	<u>-</u>	<u>1,545,360</u>	<u>14,503,317</u>
Capital Contributions	-	-	916,405	-	-	-	-	-	-	916,405
Capital Contributions from governmental activities	-	-	9,211,036	-	19,680	-	-	-	-	9,230,716
Interaccount transfers in	-	917,484	35,609,755	2,755,438	118,000	-	-	-	-	39,400,677
Interaccount transfers out	(613,755)	(1,114,517)	-	(36,031,484)	-	-	-	-	(1,640,921)	(39,400,677)
Transfers in	4,000,000	-	-	13,113,152	400,000	-	-	-	-	17,513,152
Transfers out	-	-	(20,489,520)	(4,420,519)	-	-	-	-	-	(24,910,039)
Change in net position	<u>(1,390,006)</u>	<u>(197,033)</u>	<u>4,829,575</u>	<u>14,155,789</u>	<u>(34,338)</u>	<u>3,594</u>	<u>(18,469)</u>	<u>-</u>	<u>(95,561)</u>	<u>17,253,551</u>
Total net position - beginning, restated	<u>4,098,394</u>	<u>1,729,897</u>	<u>167,647,525</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>159,855,846</u>
Total net position - ending	<u>\$ 2,708,388</u>	<u>\$ 1,532,864</u>	<u>\$ 172,477,100</u>	<u>\$ (1,093,389)</u>	<u>\$ (211,540)</u>	<u>\$ 763,578</u>	<u>\$ (54,397)</u>	<u>\$ 140</u>	<u>\$ 986,653</u>	<u>\$ 177,109,397</u>

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Combining Cash Flow Statement – Lawton Water Authority Enterprise Fund – Year ended June 30, 2018

	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	\$ -	\$ -	\$ -	\$ 39,789,915	\$ -	\$ -	\$ 100,091	\$ -	\$ 3,471,933	\$ 43,361,939
Payments to suppliers	(2,153,549)	-	(2,045,790)	(580,513)	(38,572)	(724)	(98,766)	-	(889,128)	(5,807,042)
Payments to employees	(1,918,176)	-	(7,704,163)	-	(449,548)	-	-	-	-	(10,071,887)
Net cash provided by (used in) operating activities	(4,071,725)	-	(9,749,953)	39,209,402	(488,120)	(724)	1,325	-	2,582,805	27,483,010
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES										
Transfers from other funds	4,000,000	-	-	13,113,152	400,000	-	-	-	-	17,513,152
Transfers to other funds	-	-	(20,489,520)	(4,420,519)	-	-	-	-	-	(24,910,039)
Interaccount transfer in	-	917,484	34,996,000	2,755,438	118,000	-	-	-	-	38,786,922
Interaccount transfer out	-	(1,114,517)	-	(36,031,484)	-	-	-	-	(1,640,921)	(38,786,922)
Principal paid on debt	-	-	-	(213,089)	-	-	-	-	-	(213,089)
Interest and fiscal agent fees paid on debt	-	-	-	-	-	-	-	-	(171,548)	(171,548)
Net cash provided by (used in) noncapital financing activities	4,000,000	(197,033)	14,506,480	(24,796,502)	518,000	-	-	-	(1,812,469)	(7,781,524)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES										
Capital assets purchased	(614,565)	-	(4,023,854)	-	-	-	-	-	-	(4,638,419)
Principal paid on debt	-	-	-	(26,246,653)	-	-	-	-	-	(26,246,653)
Proceeds of capital grants	-	-	-	10,000	-	-	-	-	-	10,000
Proceeds from debt	-	-	-	11,896,600	-	-	-	-	-	11,896,600
Premium on issuance of capital debt	-	-	-	1,194,610	-	-	-	-	-	1,194,610
Loss on refunding	-	-	-	(1,663,156)	-	-	-	-	-	(1,663,156)
Interest and fiscal agent fees paid on debt	-	-	-	(957,934)	-	-	-	-	(894,941)	(1,852,875)
Net cash provided by (used in) capital and related financing activities	(614,565)	-	(4,023,854)	(15,766,533)	-	-	-	-	(894,941)	(21,299,893)
CASH FLOWS FROM INVESTING ACTIVITIES										
Purchase of investments	-	-	-	-	-	(974)	-	-	-	(974)
Interest and dividends	23,683	-	-	80,963	-	4,366	-	-	-	109,012
Net cash provided by investing activities	23,683	-	-	80,963	-	3,392	-	-	-	108,038
Net increase (decrease) in cash and cash equivalents	(662,607)	(197,033)	732,673	(1,272,670)	29,880	2,668	1,325	-	(124,605)	(1,490,369)
Balances - beginning of year	1,151,491	1,729,897	304,965	15,855,389	25,866	260,877	(28,026)	140	712,954	20,013,553
Balances - end of year	\$ 488,884	\$ 1,532,864	\$ 1,037,638	\$ 14,582,719	\$ 55,746	\$ 263,545	\$ (26,701)	\$ 140	\$ 588,349	\$ 18,523,184
Reconciliation to Statement of Net Position:										
Cash and cash equivalents	\$ 488,884	\$ -	\$ 1,037,638	\$ 9,144	\$ 55,746	\$ 108,811	\$ (26,701)	\$ 140	\$ 588,349	\$ 2,262,011
Restricted cash and cash equivalents - current	-	1,532,864	-	2,358,578	-	154,734	-	-	-	4,046,176
Restricted cash and cash equivalents - non-current	-	-	-	12,214,997	-	-	-	-	-	12,214,997
Total cash and cash equivalents, end of year	\$ 488,884	\$ 1,532,864	\$ 1,037,638	\$ 14,582,719	\$ 55,746	\$ 263,545	\$ (26,701)	\$ 140	\$ 588,349	\$ 18,523,184
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:										
Operating income (loss)	\$ (4,817,673)	\$ -	\$ (20,375,177)	\$ 39,476,784	\$ (567,094)	\$ (724)	\$ (18,469)	\$ -	\$ 2,611,849	\$ 16,309,496
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:										
Depreciation expense	425,199	-	8,692,527	383,711	58,710	-	-	-	-	9,560,147
Other nonoperating revenue	-	-	-	27,142	-	-	-	-	-	27,142
Change in assets and liabilities:										
Receivables, net	-	-	-	(678,235)	-	-	-	-	9,503	(668,732)
Deferred outflows related to pension	121,616	-	525,118	-	29,091	-	-	-	-	675,825
Deferred outflows related to OPEB	-	-	34,482	-	-	-	-	-	-	34,482
Accounts payable	243,136	-	(5,957)	-	3,908	-	19,794	-	(38,547)	222,334
Due to employees	5,247	-	(112)	-	-	-	-	-	-	5,135
Claims liability	-	-	(457)	-	-	-	-	-	-	(457)
Landfill closure liability	-	-	1,301,462	-	-	-	-	-	-	1,301,462
Total OPEB liability	-	-	(153,923)	-	-	-	-	-	-	(153,923)
Net pension liability	1,481	-	1,398	-	10,807	-	-	-	-	13,686
Accrued compensated absences	145	-	72,064	-	-	-	-	-	-	72,209
Deferred inflows related to OPEB	-	-	238,653	-	-	-	-	-	-	238,653
Deferred inflows related to pension	(50,876)	-	(80,031)	-	(23,542)	-	-	-	-	(154,449)
Net cash provided by (used in) operating activities	\$ (4,071,725)	\$ -	\$ (9,749,953)	\$ 39,209,402	\$ (488,120)	\$ (724)	\$ 1,325	\$ -	\$ 2,582,805	\$ 27,483,010
Noncash activities:										
Principal forgiveness of debt	\$ -	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000
Asset contributed by (to) others	(613,755)	-	10,741,196	-	19,680	-	-	-	-	10,147,121
	\$ (613,755)	\$ -	\$ 10,741,196	\$ 10,000	\$ 19,680	\$ -	\$ -	\$ -	\$ -	\$ 10,157,121

CITY OF LAWTON, OKLAHOMA
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Combining Statement of Net Position – Internal Service Funds – June 30, 2018

	<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	\$ 1,377,159	\$ 855	\$ 2	\$ 1,378,016
Total current assets	<u>1,377,159</u>	<u>855</u>	<u>2</u>	<u>1,378,016</u>
Non-current assets:				
Capital assets:				
Other capital assets, net	-	-	34,847	34,847
Total non-current assets	<u>-</u>	<u>-</u>	<u>34,847</u>	<u>34,847</u>
Total assets	<u>1,377,159</u>	<u>855</u>	<u>34,849</u>	<u>1,412,863</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	-	-	48,650	48,650
Accrued compensated absences	-	-	30,283	30,283
Total current liabilities	<u>-</u>	<u>-</u>	<u>78,933</u>	<u>78,933</u>
Non-current liabilities:				
Accrued compensated absences	-	-	223,128	223,128
Claims liability	1,189,689	-	-	1,189,689
Total non-current liabilities	<u>1,189,689</u>	<u>-</u>	<u>223,128</u>	<u>1,412,817</u>
Total liabilities	<u>1,189,689</u>	<u>-</u>	<u>302,061</u>	<u>1,491,750</u>
NET POSITION				
Net investment in capital assets	-	-	34,847	34,847
Unrestricted (deficit)	187,470	855	(302,059)	(113,734)
Total net position	<u>\$ 187,470</u>	<u>\$ 855</u>	<u>\$ (267,212)</u>	<u>\$ (78,887)</u>

CITY OF LAWTON, OKLAHOMA
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Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Internal Service Funds – Year ended June 30, 2018

	Internal Service Funds			Total
	Group Health Insurance	Worker's Comp	Information Technology Fund	
REVENUES				
Charges for services	\$ 9,721,229	\$ -	\$ 1,357,385	\$ 11,078,614
Total operating revenues	<u>9,721,229</u>	<u>-</u>	<u>1,357,385</u>	<u>11,078,614</u>
OPERATING EXPENSES				
General government and claims	8,838,524	-	-	8,838,524
Computer service operations	-	-	1,415,673	1,415,673
Depreciation expense	-	-	18,173	18,173
Total operating expenses	<u>8,838,524</u>	<u>-</u>	<u>1,433,846</u>	<u>10,272,370</u>
Operating income (loss)	<u>882,705</u>	<u>-</u>	<u>(76,461)</u>	<u>806,244</u>
NON-OPERATING REVENUES				
Investment income	20,821	663	-	21,484
Other non-operating revenue	3,728	-	-	3,728
Gain (loss) on asset retirement	-	-	(6,904)	(6,904)
Total non-operating revenues	<u>24,549</u>	<u>663</u>	<u>(6,904)</u>	<u>18,308</u>
Income (loss) before and transfers	<u>907,254</u>	<u>663</u>	<u>(83,365)</u>	<u>824,552</u>
Transfers out	<u>-</u>	<u>-</u>	<u>(57,565)</u>	<u>(57,565)</u>
Change in net position	907,254	663	(140,930)	766,987
Total net position - beginning	(719,784)	192	(126,282)	(845,874)
Total net position - ending	<u>\$ 187,470</u>	<u>\$ 855</u>	<u>\$ (267,212)</u>	<u>\$ (78,887)</u>

**CITY OF LAWTON, OKLAHOMA
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Combining Cash Flow Statement – Internal Service Funds – Year ended June 30, 2018

	HEALTH INSURANCE FUND	WORKER'S COMPENSATION FUND	INFORMATION TECHNOLOGY FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ -	\$ -	\$ -	\$ -
Receipts from interfund services provided	9,726,287	-	1,357,385	11,083,672
Payments to suppliers	(739,483)	-	(290,771)	(1,030,254)
Payments to employees	-	-	(1,009,047)	(1,009,047)
Payments from other funds	(62,488)	-	-	(62,488)
Claims and benefits paid	(7,857,274)	-	-	(7,857,274)
Net Cash Provided by Operating Activities	<u>1,067,042</u>	<u>-</u>	<u>57,567</u>	<u>1,124,609</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	-	-	(57,565)	(57,565)
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>-</u>	<u>-</u>	<u>(57,565)</u>	<u>(57,565)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	20,821	663	-	21,484
Net Cash Provided by Investing Activities	<u>20,821</u>	<u>663</u>	<u>-</u>	<u>21,484</u>
Net Increase in Cash and Cash Equivalents	1,087,863	663	2	1,088,528
Balances - beginning of the year	289,296	192	-	289,488
Balances - end of the year	<u>\$ 1,377,159</u>	<u>\$ 855</u>	<u>\$ 2</u>	<u>\$ 1,378,016</u>
Reconciliation to Statement of Net Position:				
Cash and cash equivalents	\$ 1,377,159	\$ 855	\$ 2	\$ 1,378,016
Total cash and cash equivalents	<u>\$ 1,377,159</u>	<u>\$ 855</u>	<u>\$ 2</u>	<u>\$ 1,378,016</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 882,705	\$ -	\$ (76,461)	\$ 806,244
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	-	-	18,173	18,173
Other miscellaneous revenue	3,728	-	-	3,728
Change in assets and liabilities:				
Receivables, net	1,330	-	-	1,330
Due from other funds	(62,488)	-	-	(62,488)
Accounts payable	(40,792)	-	(808)	(41,600)
Accrued compensated absences	-	-	116,663	116,663
Claims liability	282,559	-	-	282,559
Net Cash Provided by Operating Activities	<u>\$ 1,067,042</u>	<u>\$ -</u>	<u>\$ 57,567</u>	<u>\$ 1,124,609</u>

CITY OF LAWTON, OKLAHOMA
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Debt Service Coverage Schedule - Year Ended June 30, 2018

	OWRB Series 2001A, 2001B, 2003A, 2003B, 2003C, 2003D, 2004A, 2005, 2006A, & 2009 Promissory Notes
GROSS REVENUE AVAILABLE:	
Charges for services (all utility revenues)	\$ 43,816,917
Other resources	186,612
Investment income	108,964
Total Gross Revenue Available	44,112,493
OPERATING EXPENSES:	
Total Operating Expenses	18,133,886
Net Revenue Available for Debt Service	\$ 25,978,607
Maximum Annual Debt Service on all Obligations Payable From Revenues of the System	\$ 15,975,036
Computed Coverage	163%
Coverage Requirement	125%