



THE CITY OF LAWTON, OKLAHOMA

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2005**

**Prepared By:
City of Lawton Finance Department**

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

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**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report on Financial Statements and Schedules..... | 5-6 |
| Management's Discussion and Analysis Summary - Executive Summary | 7-12 |
| Basic Financial Statements and Analysis: | |
| Financial Statements and Analysis of the City as a Whole | 13-27 |
| <i>Management's Discussion and Analysis on Government-Wide Financial Condition</i> | |
| Government-Wide Financial Statements: | |
| Statement of Net Assets | |
| Statement of Activities | |
| Footnotes to Statement of Net Assets and Activities | |
| Financial Statements and Analysis of the City's Governmental Funds | 28-39 |
| <i>Management's Discussion and Analysis on the Governmental Funds</i> | |
| Balance Sheet and Statement of Changes in Fund Balances | |
| Reconciliation of Governmental Fund and Government-Wide Financial Statements | |
| Footnotes to Governmental Fund Financial Statements and Reconciliations | |
| Financial Statements and Analysis of the City's Proprietary Funds | 40-47 |
| <i>Management's Discussion and Analysis on the Proprietary Funds</i> | |
| Statements of Net Assets, Changes in Net Assets, and Cash Flows | |
| Footnotes to Proprietary Funds Financial Statements | |
| Financial Statements and Analysis of the City's Fiduciary Funds | 48-55 |
| <i>Management's Discussion and Analysis on the Fiduciary Funds</i> | |
| Statements of Net Assets, and Pension Trust Fund Changes in Net Assets | |
| Schedules of Funding Progress and Plan Contributions | |
| Footnotes to Fiduciary Funds Financial Statements and Schedules | |
| Combining Statements - Component Units | 56-59 |
| Combining Statements of Net Assets, and Changes in Net Assets | |
| Footnotes to Component Units Financial Statements | |

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

Supplementary Financial Schedules and Analysis:

Budgetary Comparison Information 60-63

Management's Discussion and Analysis on Budgetary Comparison Information
Budgetary Comparison Schedule – General Fund
Footnotes to Budgetary Comparison Schedule

Deposit and Investment Risk Management 64-67

Management's Discussion and Analysis on Deposit and Investment Risks
Schedule of Deposits and Investments by Type
Footnotes to Schedule of Deposits and Investments by Type

Capital Assets Management 68-72

Management's Discussion and Analysis on Capital Assets
Schedule of Changes in Capital Assets
Footnotes to Schedule of Changes in Capital Assets

Long-Term Debt Management 73-79

Management's Discussion and Analysis on Long-Term Debt
Schedule of Changes in Long-Term Debt
Footnotes to Schedule of Changes in Long-Term Debt

Federal and State Awards Management 80-83

Management's Discussion and Analysis on Federal Awards
Schedule of Expenditures of Federal Awards
Footnotes to Schedule of Expenditures of Federal Awards

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawton, Oklahoma (the "City") as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the Table of Contents. We have also audited the accompanying supplementary financial schedules related to budgetary comparisons, deposits and investments, changes in capital assets and long-term debt, and expenditures of federal and state awards, as listed in the Table of Contents. These financial statements and schedules are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements and schedules based on our audit. We did not audit the financial statements of the City's discretely presented component units. Additionally, we did not audit the City Employees Retirement Trust Fund, which the City reports as a Pension Trust Fund. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions insofar as they relate to the amounts included for the discretely presented component units and the Pension Trust Fund, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement and schedule presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawton, Oklahoma, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, based on our audit and the reports of the other auditors, the supplementary financial schedules related to budgetary comparisons, deposits and investments, changes in capital assets and long-term debt, and expenditures of federal and state awards, as listed in the Table of Contents, are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

The information presented within the sections of the accompanying annual financial report labeled Management's Discussion and Analysis, as identified in the Table of Contents, are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentations within the required supplementary information. However, we did not audit this information and express no opinion on it. The information provided in Management's Discussion and Analysis differs from the required content and placement of the information as required by accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 17, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


Edmond, Oklahoma
November 17, 2005

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

MANAGEMENT'S DISCUSSION AND ANALYSIS SUMMARY – EXECUTIVE SUMMARY

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

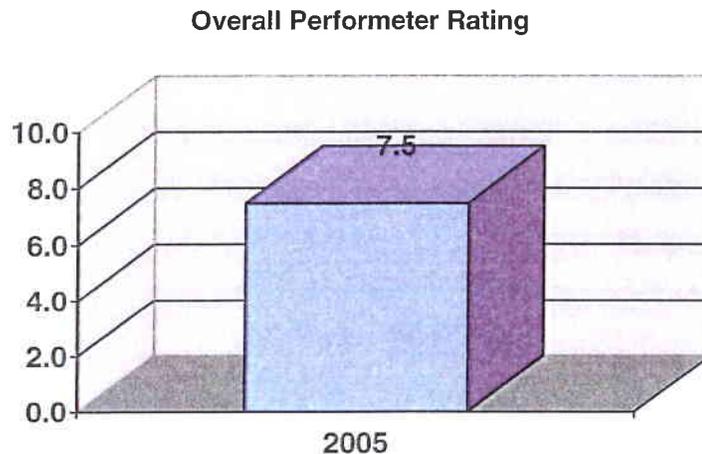
Management's Discussion and Analysis Summary - Executive Summary

The management of the City of Lawton is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the fiscal year ended June 30, 2005. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules in accordance with accounting principles generally accepted in the United States of America.

The Performer® Analysis

At the end of the fiscal year, City management employed the firm of Crawford & Associates, P.C. to perform a financial analysis of the City's financial health and performance. The firm's trademarked financial analysis tool, **The Performer®**, uses various financial ratios and a weighted scoring methodology to evaluate and rate the City's financial health and performance. The ratings are based on a weighted ten-point scale with 10 representing the most positive rating, 5 a satisfactory rating, and 1 the most negative rating.

For the year ended June 30, 2005, the City's Overall Performer® Rating was **7.5**. This represents the evaluator's opinion that the City's overall financial health and performance was well above satisfactory in 2005.¹



¹ Performer® is a registered trademark of Crawford and Associates, P.C., Oklahoma City, OK. All Performer® evaluations and ratings are the opinion of Crawford & Associates, P.C. and are not audited. The charts and rating are included in this report to facilitate historical comparisons of financial health and performance to prior periods, and are not intended to be used for any other purpose. The ratings are based on benchmarks established solely by Crawford & Associates, P.C.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Management's Discussion and Analysis Summary - Executive Summary (Continued)

For the year ended June 30, 2005, the annual report reflects the following Performer® ratios.

| Performer® Ratio | What Does the Ratio Mean? | Performer® Minimum Goal | 2005 Ratio |
|-------------------------------------|--|--------------------------|------------|
| Financial Position Ratios | | | |
| Unrestricted Net Assets | How do our unrestricted and expendable rainy day funds look? | 30-50% of annual revenue | 20% |
| Budgetary Fund Balance | How does our General Fund budgetary carryover position look? | 10-30% of fund revenue | 15% |
| Capital Asset Condition | How much useful life do we have left in our capital assets? | At least 50% remaining | 62% |
| Debt to Assets | Who really owns the City? | Less than 50% | 37% |
| Liquidity Ratio | Will our vendors and employees be pleased with our ability to pay them on time? | At least 2.00 times | 15 times |
| Financial Performance Ratios | | | |
| Change in Net Assets | Did our overall financial condition improve, decline, or remain steady over the past year? | 0% change | +12.6% |
| Interperiod Equity | Who paid for the cost of operating the City, current, past or future tax and rate payers? | 95-100% current | 145% |
| Sales Tax Growth | What is the state of our local economy? | 1% growth | +2.5% |
| BTA Self Sufficiency | Did our current year utility services pay for themselves? | At least 95% | 100% |
| Debt Service Coverage | Were our revenue debt investors pleased with our ability to pay them on time? | At least 1.25 times | 2.43 times |
| Financial Capability Ratios | | | |
| Revenue Dispersion | How much of our revenue is within our direct control? | More than 50% | 41% |
| Bonded Debt Per Capita | What is our long-term general obligation debt burden on our taxpayers? | Less than \$500 | \$223 |
| Available Legal Debt Limit | Will we be able to issues more long-term general bonded debt, if needed? | At least 50% available | 41% |
| Property Taxes Per Capita | What is our property tax burden on our taxpayers? | Less than \$50 | \$42 |
| Sales Tax Rate | Will our citizens be likely to approve an increase in sales tax rates, if needed? | 3.5% or less | 3.25% |
| Debt Service Load | How much of our annual budget is loaded with disbursements to pay off long-term debt? | Less than 20% | 18% |

| Ratio Category | Performer® Rating |
|-----------------------|-------------------|
| Financial Position | 6.8 |
| Financial Performance | 9.5 |
| Financial Capability | 5.4 |
| Overall Rating | 7.5 |

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

About the City

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

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

The City provides typical municipal services such as public safety (fire and police), streets, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include water and wastewater utilities and refuse disposal.

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 blended component units, and six discretely presented component units as follows.

Primary Government:

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

Blended Component Units:

- **Lawton Water Authority** – public trust that operates the water, wastewater, and sanitation services of the City
- **City Transit Trust** – public trust that operates and maintain public transportation systems and facilities
- **Lawton Urban Homestead Authority** – public trust created to purchase and maintain property, buildings and facilities to upgrade neighborhood areas in accordance with the Urban Homesteading Program of the City

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

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

Discretely Presented Component Units:

- **Lawton Metropolitan Area Airport Authority** – public trust that operates to develop and maintain airport operations for the City
- **Lawton Arts and Humanities Council** – public trust that operates to encourage and promote knowledge of the fine arts and humanities
- **McMahon Auditorium Authority** – public trust created to operate and maintain the McMahon Auditorium, a public and municipal auditorium of the City
- **Museum of the Great Plains Trust Authority** – public trust created to collect, preserve, and exhibit items relevant to cultural history of man in the Great Plains of North America
- **Lawton Economic Development Authority (Presently Inactive)** – public trust created to promote economic development within the Lawton area
- **Lawton Industrial Development Authority (Presently Inactive)** – public trust created to promote industrial development within the Lawton area

Related Organizations:

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

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

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)

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

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

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

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

The 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, including a **Performer® Analysis** that presents a historical financial condition and performance analysis including various financial ratios over an extended period of time
- **Footnotes** - that elaborate on the City's accounting principles used in the preparation of the financial statements and further explain financial statement elements
- **Supplemental Schedules** - that provide additional information about specified elements of the financial statements, such as budgetary comparison information, and capital assets and long-term debt information

Contacting the City's Financial Management

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

Mr. Rick Endicott, Finance Director
City of Lawton
103 S.W. 4th 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, 2005**

FINANCIAL STATEMENTS AND ANALYSIS OF THE CITY AS A WHOLE

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Management's Discussion and Analysis on Government-Wide Financial Condition:

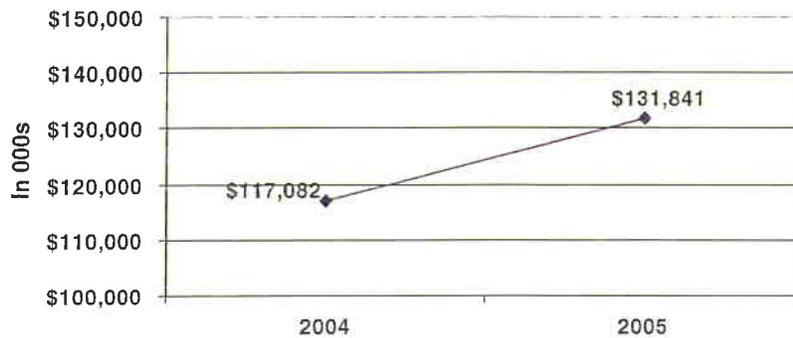
Performer[®] Ratio – Change in Net Assets

One of the most important questions asked about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a Whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's infrastructure, and quality of service to assess the overall health of the City.

The primary financial indicator in evaluating the overall change in the City's financial condition is the Change in Net Assets ratio. This ratio measures the dollar and percentage change in the City's net assets (the difference between total assets and total liabilities) from the prior year.

**Change in Government-Wide Net Assets
(Did our overall financial condition improve, decline or remain steady over the past year?)**

| | | |
|-------------------------------|-----|----|
| Performer [®] Rating | 10 | 5 |
| Benchmarks | 10% | 0% |



| | |
|----------|--------|
| Year | 2005 |
| % Change | +12.6% |

For the year ended June 30, 2005, the City experienced a \$14.8 million or 12.6% increase in total government-wide net assets. This indicates that the City's overall financial condition improved over the past year. The City's governmental activities recorded a \$17.3 million increase in net assets, while business-type activities net assets decreased by \$2.5 million.

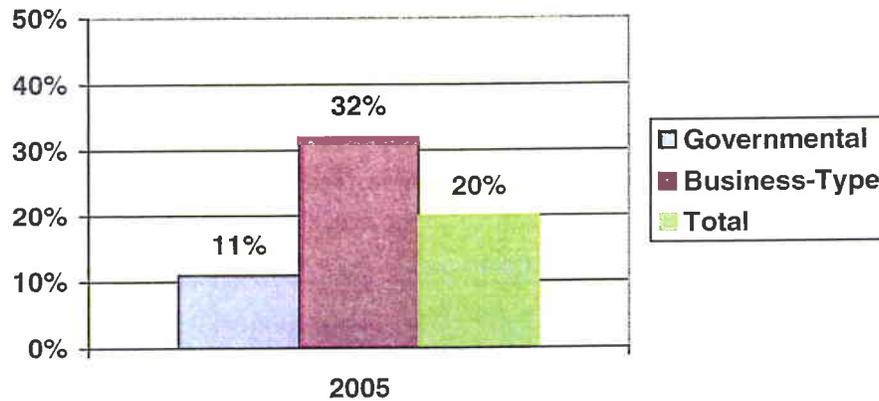
CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

Performer® Ratio – Level of Unrestricted Net Assets

The level of unrestricted net assets of the City as compared to annual revenue is an indicator of the City's ability to absorb short-term financial difficulties that may result from revenue shortfalls or unexpected expenditure needs.

Unrestricted Net Assets as a Percentage of Annual Revenue
 (How do the City's rainy day funds look?)

| | | |
|-------------------|-----|-----|
| Performer® Rating | 10 | 5 |
| Benchmarks | 50% | 30% |



| | |
|--------------|------|
| Year | 2005 |
| % of Revenue | 20% |

At June 30, 2005, the total City-wide amount of unrestricted, expendable rainy days funds approximated \$19.2 million or 20% of annual revenues. While governmental activities reported unrestricted net assets at 11% of annual revenues, the business-type activities held 32% of annual revenues as unrestricted net assets. It should be noted that while the amounts reported above are considered unrestricted net assets, certain portions of these amounts are reserved internally for specific fund purposes.

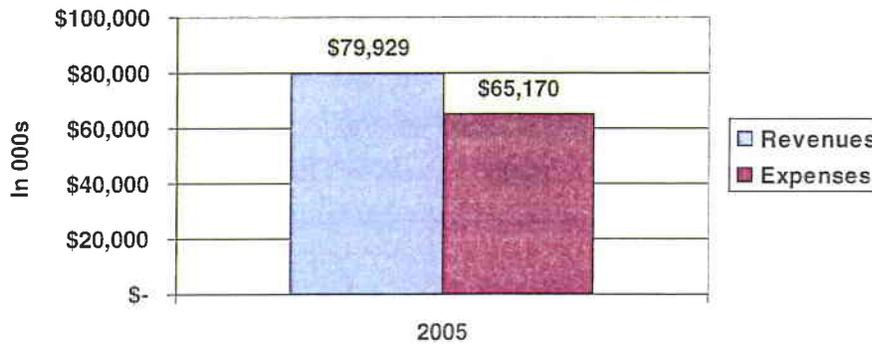
**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Performer® Ratio – Interperiod Equity

One measure of financial performance over a given period of time is through the determination of interperiod equity. Interperiod equity is a determination of who actually paid for the cost of current year costs of operation. If current year revenues were sufficient to cover current year expenses (100% or higher coverage), then it can be said that interperiod equity has been achieved. If current year expenses were subsidized by prior year net assets, then it can be said that interperiod equity was not achieved and a portion of the current year costs were financed by prior year tax and rate payers, while if a portion of current year costs were financed with proceeds of long-term debt, then it can be said that some of the current year costs have been shifted to future year tax and rate payers.

**Percentage of Current Year Expenses Funded by Current Year Revenues
(Who paid for current year services?)**

| | | |
|-------------------|------|-----|
| Performer® Rating | 10 | 5 |
| Benchmarks | 100% | 95% |



| | |
|------------------|------|
| Year | 2005 |
| % Current Funded | 123% |

For the year ended June 30, 2005, the full cost of operations was paid by current rate-payers and taxpayers. Current year tax and rate payers provided income that exceeded current year costs for all activities combined by 45%.

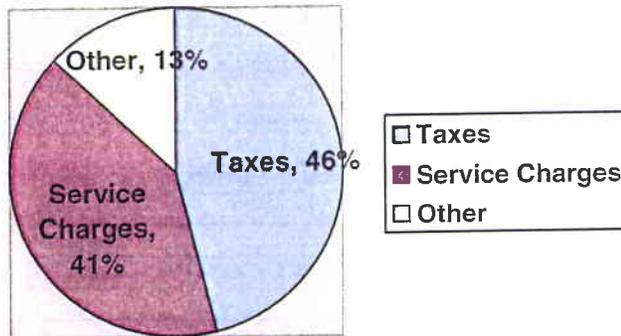
**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Performer® Ratio – Revenue Dispersion

The measurement of revenue dispersion is an indicator of how dependent the City is on certain types of revenue. The more dependent the City is on revenue sources beyond its direct control, such as taxes requiring voter approval, grants and other contributions, the less favorable the dispersion.

**Percentage of Annual Revenue Not Subject to Direct Control Compared to Total Revenue
(How much of our revenue is within our direct control?)**

| | | |
|-------------------|-----|-----|
| Performer® Rating | 10 | 5 |
| Benchmarks | 90% | 50% |



| | |
|-----------------------------|------|
| Year | 2005 |
| % Within our Direct Control | 41% |

Because Oklahoma municipalities are not provided the constitutional authority to levy a property tax for operations, they are significantly reliant on sales taxes to finance general government operations. The City of Lawton is no exception. The City of Lawton is dependent (59% in 2005) on taxes and other revenues that require voter approval or are outside the City's direct control to finance its operations. The City had direct control of 41% of its annual revenues in 2005 in the form of service charges. This indicates the presence of some exposure to financial difficulties resulting from the reliance on economy based taxes.

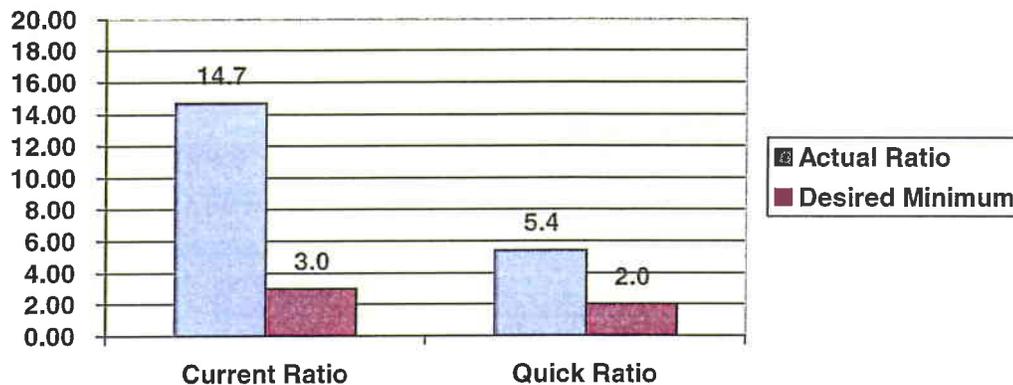
**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Performer® Ratio – Liquidity Ratios

Liquidity ratios measure the City's ability to pay short-term obligations as they become due. The current ratio compares total current assets to current liabilities. The quick ratio is more conservative and compares cash and cash equivalents to current operating liabilities such as accounts payable and accruals. A current ratio of at least 3.0 to 1 and a quick ratio of 2.0 to 1 are indicators of favorable liquidity.

Current Assets Compared to Current Liabilities
(Will our vendors and employees be pleased with our ability to pay them on time?)

| Performer® Rating Benchmarks | 10 | 5 |
|------------------------------|---------|---------|
| Current ratio | 3.0 - 1 | 2.0 - 1 |
| Quick ratio | 2.0 - 1 | 1.0 - 1 |



| | |
|---------------|------|
| Year | 2005 |
| Current ratio | 14.7 |
| Quick ratio | 5.4 |

For the year ended June 30, 2005, the City's liquidity was quite strong with current and quick ratios well in excess of the benchmark levels.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

Statement of Net Assets— June 30, 2005

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|----------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| ASSETS: | | | | |
| Cash and cash equivalents | \$13,825,219 | \$1,737,841 | \$15,563,060 | \$471,701 |
| Restricted cash and cash equivalents | 757,263 | 2,578,463 | 3,335,726 | 77,190 |
| Investments | 12,349,369 | 2,559,541 | 14,908,910 | 148,740 |
| Restricted investments | - | 11,499,591 | 11,499,591 | - |
| Interest receivable | 138,628 | 40,543 | 179,171 | 361 |
| Accounts receivable, net | 229,261 | 3,446,415 | 3,675,676 | 25,161 |
| Other receivables | 4,994,837 | - | 4,994,837 | - |
| Inventory | - | - | - | 45,830 |
| Due from other governments | 45,118 | - | 45,118 | 90,366 |
| Prepaid items | - | - | - | 8,659 |
| Other assets | - | - | - | 10,861 |
| Capital assets: | | | | - |
| Land and construction in progress | 3,634,556 | 2,796,082 | 6,430,638 | - |
| Other capital assets, net of depreciation | 24,205,492 | 124,745,114 | 148,950,606 | 14,730,241 |
| Unamortized bond issuance costs | - | 588,950 | 588,950 | - |
| Total assets | 60,179,743 | 149,992,540 | 210,172,283 | 15,609,110 |
| LIABILITIES: | | | | |
| Accounts payable and accrued liabilities | 1,915,613 | 939,996 | 2,855,609 | 182,036 |
| Accrued interest payable | 24,539 | 808,724 | 833,263 | - |
| Refundable deposits | 1,600 | - | 1,600 | - |
| Deferred revenue | - | - | - | 17,772 |
| Net pension obligation | 1,950,364 | - | 1,950,364 | - |
| Long-term liabilities: | | | | |
| Due within one year | 3,680,014 | 2,469,071 | 6,149,085 | 9,810 |
| Due in more than one year | 21,506,704 | 45,034,281 | 66,540,985 | 49,903 |
| Total liabilities | 29,078,834 | 49,252,072 | 78,330,906 | 259,521 |
| NET ASSETS: | | | | |
| Invested in capital assets, net of related debt | 12,043,860 | 84,119,938 | 96,163,798 | 14,625,296 |
| Restricted for: | | | | |
| Debt service | 1,919,926 | 3,177,181 | 5,097,107 | 77,190 |
| Capital projects | 10,564,806 | - | 10,564,806 | - |
| Grantor purposes | 186,734 | - | 186,734 | 3,053 |
| Other purposes | 608,754 | - | 608,754 | - |
| Unrestricted | 5,776,829 | 13,443,349 | 19,220,178 | 644,050 |
| Total net assets | \$31,100,909 | \$100,740,468 | \$131,841,377 | \$15,349,589 |

See accompanying notes to the statements of net assets and activities.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Statement of Activities – Year Ended June 30, 2005

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | Component Units |
|---|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total | |
| | | | | | Governmental Activities | Business-Type Activities | | |
| Primary Government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$9,709,582 | \$4,043,659 | 663,323 | - | (5,002,600) | - | (\$5,002,600) | - |
| Public safety | 24,467,258 | 1,039,446 | 829,338 | 382,861 | (22,235,613) | - | (\$22,235,613) | - |
| Public works and streets | 5,294,104 | - | 847,609 | 3,298,593 | (1,147,902) | - | (\$1,147,902) | - |
| Health | 19,147 | - | - | - | (19,147) | - | (\$19,147) | - |
| Culture and recreation | 6,687,733 | 327,617 | 91,794 | - | (6,268,322) | - | (\$6,268,322) | - |
| Community development | 532,363 | - | 587,206 | 915,005 | 969,848 | - | \$969,848 | - |
| Transportation | 1,557,132 | 155,416 | 743,275 | - | (658,441) | - | (\$658,441) | - |
| Interest on long-term debt | 990,195 | - | - | - | (990,195) | - | (\$990,195) | - |
| Total governmental activities | <u>49,277,514</u> | <u>5,566,138</u> | <u>3,762,545</u> | <u>4,596,459</u> | <u>(35,352,372)</u> | <u>-</u> | <u>(35,352,372)</u> | <u>-</u> |
| Business-type activities: | | | | | | | | |
| Water | 7,116,485 | 14,848,053 | - | - | - | 7,731,568 | 7,731,568 | - |
| Wastewater | 6,547,457 | 7,531,388 | - | - | - | 983,931 | 983,931 | - |
| Sanitation | 2,228,867 | 5,009,409 | - | - | - | 2,780,542 | 2,780,542 | - |
| Total business-type activities | <u>15,892,809</u> | <u>27,388,850</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>11,496,041</u> | <u>11,496,041</u> | <u>-</u> |
| Total primary government | <u>\$65,170,323</u> | <u>\$32,954,988</u> | <u>\$3,762,545</u> | <u>\$4,596,459</u> | <u>(35,352,372)</u> | <u>11,496,041</u> | <u>(23,856,331)</u> | <u>-</u> |
| Component Units: | | | | | | | | |
| Airport | \$1,738,014 | \$916,271 | \$448,877 | \$3,280,712 | | | | \$2,907,846 |
| Culture and recreation | 817,984 | 274,036 | 547,847 | - | | | | 3,899 |
| Total component units | <u>\$2,555,998</u> | <u>\$1,190,307</u> | <u>\$996,724</u> | <u>\$3,280,712</u> | | | | <u>2,911,745</u> |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Sales and use taxes | | | | | 29,396,270 | - | 29,396,270 | - |
| Property tax | | | | | 3,911,915 | - | 3,911,915 | - |
| Franchise and public service taxes | | | | | 2,400,475 | - | 2,400,475 | - |
| Hotel/motel taxes | | | | | 720,230 | - | 720,230 | - |
| Intergovernmental revenue not restricted to specific programs | | | | | 370,455 | - | 370,455 | - |
| Investment income | | | | | 719,340 | 248,433 | 967,773 | 8,195 |
| Miscellaneous | | | | | 697,199 | 151,232 | 848,431 | - |
| Transfers - Internal activity | | | | | 14,409,909 | (14,409,909) | - | - |
| Total general revenues and transfers | | | | | <u>52,625,793</u> | <u>(14,010,244)</u> | <u>38,615,549</u> | <u>8,195</u> |
| Change in net assets | | | | | 17,273,421 | (2,514,203) | 14,759,218 | 2,919,940 |
| Net assets - beginning, restated | | | | | 13,827,488 | 103,254,671 | 117,082,159 | 12,429,649 |
| Net assets - ending | | | | | <u>\$31,100,909</u> | <u>\$100,740,468</u> | <u>\$131,841,377</u> | <u>\$15,349,589</u> |

See accompanying notes to the statements of net assets and activities.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Footnotes to the Statement of Net Assets and Activities:

A1. The City's financial reporting entity primary government presentation includes the City of Lawton and the four blended component units as follows:

- **The City of Lawton** – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities

Blended Component Units:

- **Lawton Water Authority** – that operates the water, wastewater, and sanitation services of the City
- **City Transit Trust** – that operates and maintain public transportation systems and facilities
- **Lawton Urban Homestead Authority** – created to purchase and maintain property, buildings and facilities to upgrade neighborhood areas in accordance with the Urban Homesteading Program of the City

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

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

- **Lawton Metropolitan Area Airport Authority** – that operates to develop and maintain airport operations for the City
- **Lawton Arts and Humanities Council** – that operates to encourage and promote knowledge of the fine arts and humanities
- **McMahon Auditorium Authority** – created to operate and maintain the McMahon Auditorium, a public and municipal auditorium of the City
- **Museum of the Great Plains Trust Authority** – created to collect, preserve, and exhibit items relevant to cultural history of man in the Great Plains of North America
- **Lawton Economic Development Authority (Presently Inactive)** – created to promote economic development within the Lawton area
- **Lawton Industrial Development Authority (Presently Inactive)** – created to promote industrial development within the Lawton area

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

Related Organizations:

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

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

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and includes all component units for which the City is financially accountable.

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 for 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.

- A2. The statements of net assets and activities are reported on the accrual basis of accounting and economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

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

- A3. 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.
- A4. Investments consist of long-term certificates of deposit, U.S. Treasury bonds and notes, U.S. agency securities, and government money market funds. Certificates of deposit are reported at cost, while the U.S. Treasury and agency securities are reported at fair value. (See the Deposits and Investments Management subsection of this report.)
- A5. Capital assets are reported at historical cost net of accumulated depreciation where applicable. (See the subsequent section of this report on Capital Assets Management)

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

A6. Net assets are displayed in three components:

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

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

A7. The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows:

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

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

A8. The City's policy is to eliminate interfund receivable and payables between funds in the statement of net assets to avoid the grossing up of balances. Only the residual balances due between governmental and business-type activities are reported as internal balances and then offset in the total column. There were no material interfund receivables and payables at June 30, 2005.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

A9. The following construction contracts were outstanding at June 30, 2005:

| | |
|-------------------------------------|-----------|
| Landfill expansion | \$ 97,400 |
| Gore Boulevard | 27,850 |
| Landfill cells | 50,155 |
| Medicine Park Water Treatment Plant | 77,806 |
| SE Water Treatment Plant | 1,195,550 |
| 67 th Street | 67,988 |
| 34 th Street Drainage | 1,267,657 |
| Sewer Systems | 124,565 |
| Flower Mound – Gore to Cache Road | 162,992 |
| Street Chipping | 122,640 |

A10. 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.

A11. Sales tax revenue represents a 3.25 cents tax on each dollar of taxable sales of which is collected by the Oklahoma Tax Commission and remitted to the City. (See Note B5.)

A12. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City. The City's property taxes are billed and collected by the County and remitted to the City. (See Note B6.)

A13. Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. (See the Capital Assets Management section of this report). Depreciation expense has been allocated as follows:

| | |
|--|---------------------|
| Governmental Activities: | |
| General Government | \$ 747,998 |
| Public Safety | 705,256 |
| Public Works and Streets | 235,085 |
| Culture and Recreation | 448,800 |
| Sub-total governmental funds depreciation | <u>2,137,139</u> |
| Allocated Internal Service Fund Depreciation | 98,118 |
| Total | <u>\$ 2,235,257</u> |
| Business-Type Activities: | |
| Water | \$ 2,082,455 |
| Sewer | 1,119,054 |
| Sanitation | 682,714 |
| Total depreciation | <u>3,884,223</u> |
| Amortization of water rights | 217,426 |
| Total depreciation and amortization | <u>4,101,649</u> |

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

A14. The City's policy is to eliminate interfund transfers between funds in the statement of activities to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and then offset in the total column. Internal activities between funds and activities for the year ended June 30, 2005 was as follows:

| Transfer to | Transfer from | Amount | Nature of Interfund Transfer |
|------------------------------|--------------------------------|---------------------|--|
| HOME | Lawton Urban Housing Authority | 17,004 | Operating transfer |
| General Fund | Officer Training | 503 | Court fines |
| General Fund | Reserve Fund | 110,000 | Operating transfer |
| General Fund | Officer Training | 6,183 | Court fines |
| General Fund | Court Credit Card Fund | 228,000 | Excess revenues |
| General Fund | Enterprise Fund | 12,133,858 | Excess utility collections |
| General Fund | Enterprise Fund | 94,358 | Lease payments |
| Lakes Fund | General Fund | 461,000 | Operating transfer |
| Reserve Fund | Enterprise Fund | 203,573 | Reserve transfer |
| Officer Training | Court Credit Card Fund | 25,000 | Excess revenues |
| Mass Transit Fund | General Fund | 474,982 | Operating transfer |
| Capital Outlay Rolling Stock | Enterprise Fund | 1,255,687 | Capital purchases |
| CIP | General Fund | 5,315 | Grant match |
| CIP | Enterprise Fund | 70,000 | Operating transfer |
| CIP | General Fund | 289,820 | Operating transfer |
| CIP | General Fund | 4,995 | Operating transfer |
| CIP | Lakes Fund | 50,000 | Capital project |
| 2000 CIP | General Fund | 7,280,328 | Sales tax transfer |
| 2005 CIP | General Fund | 3,642,332 | Sales tax transfer |
| 2000 CIP | Enterprise Fund | 6,707,004 | Debt proceeds drawn for capital projects |
| 2005 CIP | Enterprise Fund | 501,086 | Debt proceeds drawn for capital projects |
| RSVP | General Fund | 43,078 | Operating transfer |
| Enterprise Fund | 2000 CIP | 3,535,410 | Debt service |
| Enterprise Fund | 2005 CIP | 645,881 | Debt service |
| Communications Fund | General Fund | 900,000 | Operating transfer |
| Enterprise Fund | General Fund | 424,175 | Operating transfer |
| Internal Service Fund | | 1,130 | One-sided capital asset transfer |
| | | <u>\$39,110,702</u> | |

Reconciliation to fund financial statements:

| | |
|--|--|
| Governmental Funds | |
| Enterprise Funds | |
| Internal Service Funds | |
| Totals | |
| Transfer of capital asset to governmental fund | |

| Transfers to Other Funds | Transfers from Other Funds |
|-----------------------------|-------------------------------|
| \$ 18,144,007 | \$ 34,504,107 |
| 20,965,565 | 4,605,465 |
| 1,130 | - |
| <u>39,110,702</u> | <u>39,109,572</u> |
| - | 1,130 |
| <u>\$ 39,110,702</u> | <u>\$ 39,110,702</u> |

Reconciliation to Statement of Activities:

| | | |
|---|--|--|
| Net transfers for governmental activities: | | |
| Governmental Funds | | |
| Internal Service Funds | | |
| Capital asset transfers | | |
| Total Net transfers for governmental activities | | |

| Transfers to Other Funds | Transfers from Other Funds | Net Transfers |
|-----------------------------|-------------------------------|----------------------|
| \$ (18,144,007) | \$ 34,504,107 | \$ 16,360,100 |
| (1,130) | - | (1,130) |
| (1,949,061) | - | (1,949,061) |
| <u>\$ (20,094,198)</u> | <u>\$ 34,504,107</u> | <u>\$ 14,409,909</u> |

Net transfers for business-type activities:

| | |
|--|--|
| Enterprise Funds | |
| Capital asset transfers | |
| Total Net transfers for business-type activities | |

| | | |
|------------------------|---------------------|------------------------|
| \$ (20,965,565) | \$ 4,605,465 | \$ (16,360,100) |
| - | 1,950,191 | 1,950,191 |
| <u>\$ (20,965,565)</u> | <u>\$ 6,555,656</u> | <u>\$ (14,409,909)</u> |

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

A15. Program revenues within the statement of activities in the Statement of Activities, revenues that are derived directly from each activity or from parties outside of the City's taxpayers are reported as program revenues. 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
- Community development – operating and 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, operating and capital grants
- Transportation – bus fees and operating grants
- General Government – license and permits, fines and forfeitures, cemetery revenue, impact fees, and operating grants

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

A16. The beginning net assets of governmental activities were restated as follows:

Governmental Activities:

| | |
|---|----------------------|
| Beginning Net Assets, as previously reported | \$ 15,161,999 |
| Deduct Understatement of Net Pension Obligation | (1,334,511) |
| Beginning Net Assets, restated | <u>\$ 13,827,488</u> |

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

FINANCIAL STATEMENTS AND ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Management's Discussion and Analysis on the Governmental Funds:

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

Major Funds:

- General Fund
- 2000 CIP Fund
- 2005 CIP Fund

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

Special Revenue Funds:

- Real Property Proceeds
- RSVP
- Public Library
- Small Business Loan
- CDBG
- HOME Investment CDBG
- Lawton Urban Housing
- Police Grant
- Park Fee Fund
- Hunting & Fishing Permits
- Narcotics Fund
- Animal Serilization Fund
- Insurance Proceeds
- Emergency 911
- Adult Softball
- Cemetery Care
- Officers Training
- Court Credit Card Maintenance
- Lawton Parking Authority

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

- Senior Crafts Fund
- Animal License Fund
- State Landfill Fund
- Police Sentinel
- Fire Prevention Education
- Park Fund
- McMahon Authority Grants
- Drainage Maintenance
- Animal Donation
- Application Fees
- Capital Outlay Rolling Stock
- LLEBG
- Cemetery Reward
- Centennial Fund
- Hotel/Motel Tax
- Project Impact
- Mass Transit
- Reserve Fund
- Federal Grant
- Impact Fees

Debt Service Fund:

- Prior to 1972 Fund

Capital Project Funds:

- CIP
- Ad Valorem
- CIP 1995

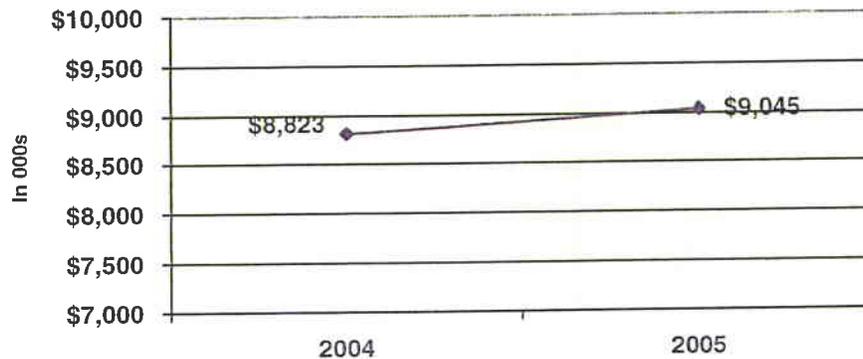
**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Performer® Ratio – Sales Tax Growth

As previously discussed, Oklahoma municipalities are not provided the constitutional authority to levy an annual property tax for operations. As a result, they are significantly reliant on sales and use taxes to finance general government operations. As such, the City's ability to finance general government operations is highly dependent on the state of the City's local economy.

**Sales and Use Tax Revenue Collections per One Percent Rate
(How is our local economy doing?)**

| | | |
|------------------------------|-----|----|
| Performer® Rating Benchmarks | 10 | 5 |
| % Growth | >5% | 1% |



| Year | 2004 | 2005 |
|----------------------------------|--------|--------|
| Total Tax Collected (in 000s) | \$28.7 | \$29.4 |
| Average Tax Rate | 3.25% | 3.25% |
| Collected per One Cent (in 000s) | \$8.8 | \$9.0 |
| % Change per One Cent | - | +2.5% |

For the year ended June 30, 2005, the City's sales and use tax collections increased by approximately \$722,000 or 2.5% from the prior year. Considering the City's 3.25 cents on the dollar rate in effect for both years, the \$722,000 increase in sales and use tax collections in 2005 translates into an increase in taxable sales over 2004 of \$22.2 million.

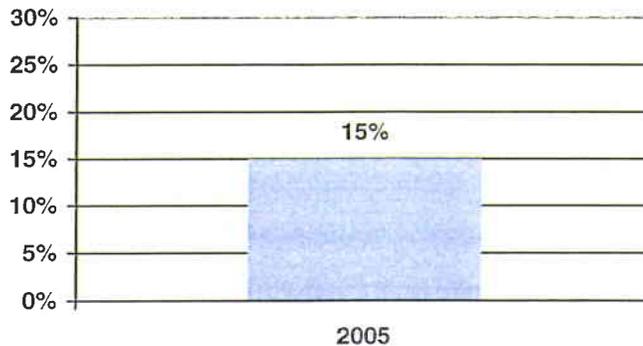
**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Performer® Ratio – General Fund Unreserved Fund Balance

One meaningful financial indicator of the City's operating financial condition is a comparison of the amount of unreserved fund balance of the General Fund to its annual fund revenue. Unreserved fund balances are needed in order to provide a funding source to manage occurrences such as revenue shortfalls, unexpected expenditure needs, and monthly cash flow requirements.

Unreserved Fund Balance as a Percentage of Fund Annual Revenue
(How are our General Fund reserves for emergencies and other non-recurring needs?)

| | | |
|-------------------|-----|-----|
| Performer® Rating | 10 | 5 |
| Benchmarks | 30% | 10% |



| | |
|--------------|------|
| General Fund | 2005 |
| Unreserved % | 15% |

At June 30, 2005, the General Fund's total unreserved fund balance on a modified accrual basis of accounting amounted to \$5.7 million or 15% of total General Fund revenues. The unreserved fund balance of 15% level is below the desired level of 30% but is in the range considered by management to be fiscally responsible. The unreserved portion of fund balance is significantly lower than the amount reported in the prior year due to a change in the City's policy for reserving fund balance for compensated absences obligations existing at year end. As a result of recent court cases in the State of Oklahoma, it has become clear that these obligations must be funded from current year resources pursuant to Article 10, Section 26 of the State Constitution. As a result, fund balance has now been reserved for these obligations (approximately \$3.8 million) at June 30, 2005. It should also be noted that this amount reported for unreserved fund balance is significantly different from the budgetary basis unreserved fund balance (see pages 62 and 63).

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

Governmental Funds Balance Sheet - June 30, 2005

| | <u>General Fund</u> | <u>2000 CIP Fund</u> | <u>2005 CIP Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|--------------------------|--------------------------|---|---|
| ASSETS: | | | | | |
| Cash and cash equivalents | \$1,791,416 | \$1,621,086 | \$2,996,057 | \$6,632,637 | \$13,041,196 |
| Restricted cash and cash equivalents | - | - | - | 757,263 | 757,263 |
| Investments | 3,818,287 | 5,617,690 | - | 2,913,392 | 12,349,369 |
| Receivables: | | | | | |
| Accounts receivable | 13,686 | - | - | 216,206 | 229,892 |
| Accrued interest receivable | 49,703 | 62,470 | - | 26,455 | 138,628 |
| Due from other governments and entities | 4,994,206 | - | - | 45,118 | 5,039,324 |
| Total assets | <u>\$10,667,298</u> | <u>\$7,301,246</u> | <u>\$2,996,057</u> | <u>\$10,591,071</u> | <u>\$31,555,672</u> |
| LIABILITIES AND FUND BALANCES: | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$1,077,243 | \$104,081 | - | 320,440 | \$1,501,764 |
| Due to refundable deposits | - | - | - | 1,600 | 1,600 |
| Deferred revenue | - | - | - | 48,308 | 48,308 |
| Total liabilities | <u>1,077,243</u> | <u>104,081</u> | <u>-</u> | <u>370,348</u> | <u>1,551,672</u> |
| Fund Balances: | | | | | |
| Reserved for: | | | | | |
| Compensated absences obligation | 3,794,138 | - | - | - | 3,794,138 |
| Encumbrances and other purposes | 133,160 | 1,778,184 | 625,064 | 2,162,105 | 4,698,513 |
| Unreserved | 5,662,757 | - | - | - | 5,662,757 |
| Unreserved, reported in: | | | | | |
| Special Revenue Funds | - | - | - | 3,390,789 | 3,390,789 |
| Capital Project Funds | - | 5,418,981 | 2,370,993 | 3,398,503 | 11,188,477 |
| Debt Service Funds | - | - | - | 1,269,326 | 1,269,326 |
| Total fund balances | <u>9,590,055</u> | <u>7,197,165</u> | <u>2,996,057</u> | <u>10,220,723</u> | <u>30,004,000</u> |
| Total liabilities and fund balances | <u>\$10,667,298</u> | <u>\$7,301,246</u> | <u>\$2,996,057</u> | <u>\$10,591,071</u> | <u>\$31,555,672</u> |

See accompanying notes to the governmental funds financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Governmental Funds Statement of Changes in Fund Balances – Year Ended June 30, 2005

| | General Fund | 2000 CIP Fund | 2005 CIP Fund | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|--------------------|--------------------|--------------------------------|--------------------------------|
| Revenues: | | | | | |
| Taxes | \$32,143,291 | - | - | \$4,496,828 | \$36,640,119 |
| Intergovernmental | 983,158 | - | - | 3,586,131 | 4,569,289 |
| Charges for services | - | - | - | 3,110 | 3,110 |
| Fines and forfeitures | 2,790,697 | - | - | 293,703 | 3,084,400 |
| Licenses and permits | 954,695 | - | - | 1,523,934 | 2,478,629 |
| Investment income | 231,712 | \$229,346 | \$38,913 | 219,369 | 719,340 |
| Miscellaneous | 451,163 | - | - | 848,075 | 1,299,238 |
| Total Revenues | 37,554,716 | 229,346 | 38,913 | 10,971,150 | 48,794,125 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 6,022,594 | - | - | 1,390,804 | 7,413,398 |
| Public safety | 20,013,518 | - | - | 1,682,454 | 21,695,972 |
| Public works and streets | 4,615,269 | - | - | - | 4,615,269 |
| Health | 19,147 | - | - | - | 19,147 |
| Culture and recreation | 4,420,853 | - | - | 1,270,834 | 5,691,687 |
| Community development | - | - | - | 532,363 | 532,363 |
| Transportation | - | - | - | 1,557,132 | 1,557,132 |
| Capital outlay | 304,623 | 5,316,160 | 540,393 | 3,656,575 | 9,817,751 |
| Debt service: | | | | | |
| Principal retirement | - | - | - | 2,320,000 | 2,320,000 |
| Interest and fiscal charges | - | - | - | 950,884 | 950,884 |
| Judgments | - | - | - | 698,333 | 698,333 |
| Total Expenditures | 35,396,004 | 5,316,160 | 540,393 | 14,059,379 | 55,311,936 |
| Excess (deficiency) of revenues over expenditures | 2,158,712 | (5,086,814) | (501,480) | (3,088,229) | (6,517,811) |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | 12,572,903 | 13,987,332 | 4,143,418 | 3,800,454 | 34,504,107 |
| Transfers out | (13,526,025) | (3,535,410) | (645,881) | (436,691) | (18,144,007) |
| Total Other Financing Sources (Uses) | (953,122) | 10,451,922 | 3,497,537 | 3,363,763 | 16,360,100 |
| Net change in fund balances | 1,205,590 | 5,365,108 | 2,996,057 | 275,534 | 9,842,289 |
| Fund balances - beginning | 8,384,465 | 1,832,057 | - | 9,945,189 | 20,161,711 |
| Fund balances - ending | \$9,590,055 | \$7,197,165 | \$2,996,057 | \$10,220,723 | \$30,004,000 |

See accompanying notes to the governmental funds financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Assets Reconciliation:

| | |
|---|---|
| Fund balances of governmental funds | \$30,004,000 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$30,761,127. | <u>27,678,693</u> |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. | <u>401,306</u> |
| Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds: Receivable from other governments | <u>48,308</u> |
| Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds: General obligation bonds payable Accrued compensated absences Accrued interest payable Accrued workers compensation claims Judgments payable Net pension obligation | (19,660,000) (3,688,239) (24,094) (676,710) (1,031,991) (1,950,364) <u>(27,031,398)</u> |
| Net assets of governmental activities | <u><u>\$31,100,909</u></u> |

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Changes in Fund Balances – Changes in Net Assets Reconciliation:

Net change in fund balances - total governmental funds \$9,842,289

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 | 4,824,913 |
| Donated capital assets | 3,298,593 |
| Loss on disposal of capital asset | (154,676) |
| Depreciation expense | (2,137,139) |
| | 5,831,691 |

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

| | |
|------------------|--------|
| Deferred revenue | 48,308 |
| | 48,308 |

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

| | |
|---|-----------|
| Incurrence of judgments rendered against the City | (680,725) |
| Judgment payments | 619,765 |
| General obligation bond principal payments | 2,320,000 |
| Net pension obligation increase | (615,853) |
| | 1,643,187 |

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

| | |
|--------------------------------------|-----------|
| Accrued interest payable | 39,257 |
| Accrued compensated absences | (224,695) |
| Accrued worker's compensation claims | (303,041) |
| | (488,479) |

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

| | |
|---|---------|
| Total change in net assets for internal service funds | 396,425 |
| | 396,425 |

Change in net assets of governmental activities **\$17,273,421**

See accompanying notes to these reconciliations.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

Footnotes to Governmental Fund Statements:

B1. The City's governmental funds are comprised of the following:

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds
- 2000 CIP Fund – accounts for improvements to the water treatment plant, streets and other miscellaneous water projects
- 2005 CIP Fund – accounts for various projects such as the southeast water treatment plant and street projects

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

Special Revenue Funds include the Real Property Proceeds Fund, RSVP Fund, Public Library Fund, Small Business Loan Fund, CDBG Fund, HOME Investment CDBG Fund, Lawton Urban Housing Fund, Police Grant Fund, Park Fee Fund, Hunting and Fishing Permits Fund, Narcotics Fund, Animal Sterilization Fund, Insurance Proceeds Fund, Emergency 911 Fund, Adult Softball Fund, Cemetery Care Fund, Officers Training Fund, Court Credit Card Maintenance Fund, Lawton Parking Authority Fund, Senior Crafts Fund, Animal License Fund, State Landfill Fund, Police Sentinel Fund, Fire Prevention Education Fund, Park Fund, McMahon Authority Grants Fund, Drainage Maintenance Fund, Animal Donation Fund, Application Fees Fund, Capital Outlay Rolling Stock Fund, LLEBG Fund, Cemetery Reward Fund, Centennial Fund, Hotel/Motel Tax Fund, Project Impact Fund, Mass Transit Fund, Reserve Fund, Federal Grant Fund, and Impact Fees Fund.

Debt Service Fund – accounts for ad-valorem taxes levied by the City for use in retiring court-assessed judgments, general obligation bonds, and their related interest expenses

Capital Project Funds:

- Capital Improvement Fund – accounts for transfers from other City funds for various capital acquisitions and projects.
- Ad Valorem Fund – accounts for G.O. Bond proceeds used for capital projects.
- CIP 1995 Fund – accounts for sales taxes restricted for specified capital projects.

B2. The governmental funds are reported on the modified accrual basis of accounting. On the modified accrual basis of accounting, revenues are recorded when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and normally due and payable from current financial resources. The City defines revenue availability as collected within 60 days of period end.

B3. 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.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

B4. The General Fund, 2005 CIP Fund, and the 2000 CIP Fund are considered major funds and are therefore displayed in separate columns. All other governmental funds are considered non-major funds and are aggregated under the column Other Governmental Funds. The fund balances, reported on the modified accrual basis for these aggregated non-major funds changed as follows for the year ended June 30, 2005.

| Fund | Fund Balance 7/1/2004 | Changes in Fund Balance | Fund Balance 6/30/2005 |
|-------------------------------|-----------------------------|-------------------------------|------------------------------|
| Special Revenue Funds: | | | |
| Real Property Proceeds | \$ 2,275 | \$ - | 2,275 |
| RSVP | 9,420 | 1,190 | 10,610 |
| Public Library | 4,254 | 12,858 | 17,112 |
| Small Business Loan | 148,519 | 10,286 | 158,805 |
| CDBG | - | - | - |
| HOME Investment CDBG | - | - | - |
| Lawton Urban Housing | 197 | 10 | 207 |
| Police Grant | 12,646 | 10,764 | 23,410 |
| Park Fee Fund | 57,107 | 434 | 57,541 |
| Hunting & Fishing Permits | 28,607 | (29,496) | (889) |
| Narcotics Fund | 10,365 | 53,991 | 64,356 |
| Animal Sterilization Fund | 147,553 | 15,869 | 163,422 |
| Insurance Proceeds | 54,754 | (1,649) | 53,105 |
| Emergency 911 | 25,633 | 99,136 | 124,769 |
| Adult Softball | 9,348 | 1,194 | 10,542 |
| Cemetery Care | 307,123 | (63,014) | 244,109 |
| Officers Training | 19,772 | (8,487) | 11,285 |
| Court Credit Card Maintenance | 301,764 | 33,952 | 335,716 |
| Lawton Parking Authority | 1,191 | - | 1,191 |
| Senior Crafts Fund | - | 158 | 158 |
| Animal License Fund | 73,679 | 5,706 | 79,385 |
| State Landfill Fund | 42,205 | (356) | 41,849 |
| Police Sentinel | 252 | 519 | 771 |
| Fire Prevention Education | 3,462 | 814 | 4,276 |
| Park Fund | 78 | 3,314 | 3,392 |
| McMahon Authority Grants | 653,489 | (218,522) | 434,967 |
| Drainage Maintenance Fund | 441,431 | (81,079) | 360,352 |
| Animal Donation Fund | 1,076 | 538 | 1,614 |
| Application Fees Fund | 9,218 | (1,385) | 7,833 |
| Capital Outlay Rolling Stock | 464,468 | 784,199 | 1,248,667 |
| LLEBG | 86,810 | (64,744) | 22,066 |
| Cemetery Reward | 5,500 | - | 5,500 |
| Centennial Fund | 42,219 | (17,015) | 25,204 |
| Hotel/Motel Tax Fund | 123,262 | 105,330 | 228,592 |
| Project Impact | 58,738 | 6,134 | 64,872 |
| Mass Transit Fund | 63,211 | (103,796) | (40,585) |
| Reserve Fund | 364,437 | 77,701 | 442,138 |
| Federal Grant Fund | 33,869 | 36,980 | 70,849 |
| Impact Fees | - | 5,000 | 5,000 |
| Capital Project: | | | |
| CIP | 335,507 | 120,454 | 455,961 |
| Ad Valorem | 3,996,958 | (157,573) | 3,839,385 |
| CIP 1995 | 544,182 | (172,597) | 371,585 |
| Debt Service - Prior to 1972 | 1,460,610 | (191,284) | 1,269,326 |
| Total | <u>\$ 9,945,189</u> | <u>\$ 275,534</u> | <u>10,220,723</u> |

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

- B5. Sales tax revenue represents a 3.25 cents tax on each dollar of taxable sales of which is recorded as follows:

3.25 cents is recorded in the General Fund. Then two-thirds of 1.25 cents is transferred to the 2000 CIP Fund and one-third of 1.25 cents is transferred to the 2005 CIP Fund for specific capital projects approved by voters. If needed, the 2005 CIP and 2000 CIP Funds transfer a portion of the dedicated sales taxes to the Enterprise Fund for debt service on voter-approved projects as well.

- B6. Property taxes levied by the City are billed and collected by the County Treasurer's Office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October. For the year ended June 30, 2005, the City's net assessed valuation of taxable property was \$334,524,536. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2005 was \$11.67.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

FINANCIAL STATEMENTS AND ANALYSIS OF THE CITY'S PROPRIETARY FUNDS

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Management's Discussion and Analysis on the Proprietary Funds:

Proprietary funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds include enterprise funds and internal service funds. Enterprise funds are used to account for business-like activities provided to the general public. Internal service funds are used to account for business-like activities provided to other funds or departments of the City. Proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability.

The City's proprietary funds include the following:

Enterprise Fund

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

Internal Service Funds (combined for reporting purposes)

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

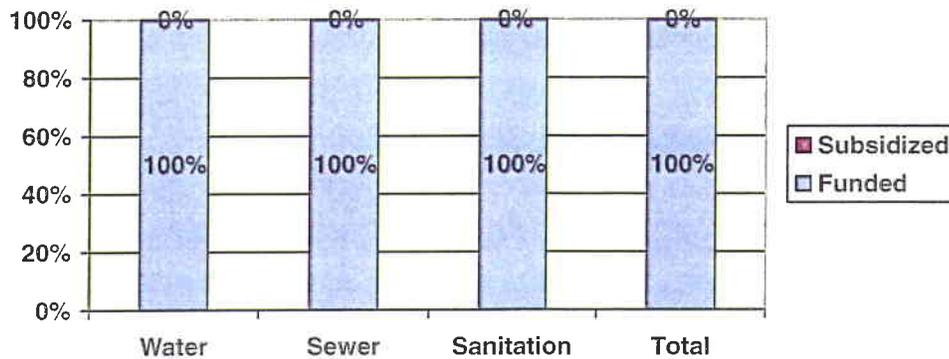
**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Performeter® Ratio – Business-Type Activities (BTA) Self-Sufficiency

Business-type activities are generally considered activities that should generate sufficient income to cover their costs of operation, such as utility services. However, sometimes governments subsidize these services with general revenues, such as dedicated sales tax. A comparison of service charges generated by the services to the annual costs of operation is an indicator of the level at which business-type activities are self-sufficient.

**Percentage of BTA Costs Covered by Service Charges
(Are utility operations paying for themselves?)**

| | | |
|---------------------|------|-----|
| Performeter® Rating | 10 | 5 |
| Benchmarks | 105% | 95% |



| | |
|-------------------|------|
| Year | 2005 |
| % Self-Sufficient | 100% |

The chart above indicates that the City's utility services were 100% self-sufficient. The City's enterprise fund reported an increase in net assets before transfers to governmental activities of \$13.8 million, but a \$2.5 million decrease in net assets after transfers were made to governmental activities for the year ended June 30, 2005. The rates charged for utility usage were sufficient to fund the direct cost of operation of these utilities and the related depreciation on capital assets.

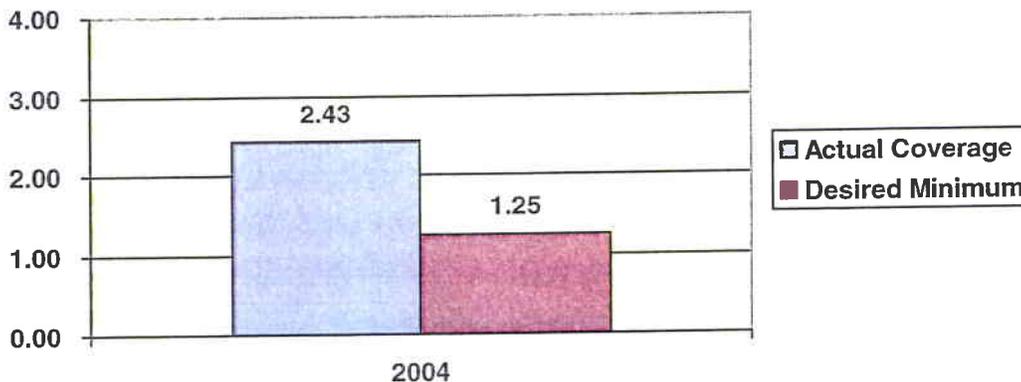
**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Performer® Ratio – Debt Service Coverage

One measure of the City's solvency, or ability to pay long-term obligations as they become due, is the ratio of debt service coverage. This ratio compares the net revenues pledged to the repayment of revenue bond and note debt to the annual debt service requirements of such debt. A ratio of 1.00 to 1 indicates that net revenue pledged was equal to the amount of annual debt service requirements.

**Net Revenues Compared to Average Annual Debt Service Requirements
(Will our revenue bond investors be pleased with our ability to pay them on time?)**

| | | |
|-------------------|-----|--------|
| Performer® Rating | 10 | 5 |
| Benchmarks | 2-1 | 1.25-1 |



| | |
|-------------------------|------|
| Year | 2005 |
| Number of Times Covered | 2.43 |

For the year ended June 30, 2005, the City's net revenues from utility rates and other pledged revenues were 2.43 times the year's debt service. This is a favorable indication of solvency.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

Proprietary Funds Statement of Net Assets - June 30, 2005

| | Enterprise Fund | Internal Service Funds |
|---|--------------------|------------------------------|
| ASSETS: | | |
| Current Assets: | | |
| Cash and cash equivalents | \$1,737,841 | \$784,022 |
| Investments | 2,559,541 | - |
| Interest receivable | 40,543 | - |
| Accounts receivable, net | 3,446,415 | - |
| Total current assets | 7,784,340 | 784,022 |
| Noncurrent Assets: | | |
| Restricted Assets: | | |
| Cash and cash equivalents | 2,578,463 | - |
| Investments | 11,499,591 | - |
| Unamortized bond and note issue costs | 588,950 | - |
| Land and construction in progress | 2,796,082 | - |
| Other capital assets, net | 124,745,114 | 161,355 |
| Total noncurrent assets | 142,208,200 | 161,355 |
| Total assets | 149,992,540 | 945,377 |
| LIABILITIES: | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | 939,996 | 413,848 |
| Accrued interest payable | 808,724 | 445 |
| Accrued compensated absences | 77,268 | 12,655 |
| Contract payable - Waurika note | 461,744 | - |
| Capital lease obligations | 110,439 | 23,880 |
| Notes payable | 604,620 | - |
| Revenue bonds payable | 1,215,000 | - |
| Total current liabilities | 4,217,791 | 450,828 |
| Noncurrent liabilities: | | |
| Accrued compensated absences | 569,330 | 93,243 |
| Landfill post closure liability | 2,846,546 | - |
| Contract payable | 18,047,511 | - |
| Notes payable | 14,715,062 | - |
| Revenue bonds payable, net | 8,855,832 | - |
| Total noncurrent liabilities | 45,034,281 | 93,243 |
| Total liabilities | 49,252,072 | 544,071 |
| NET ASSETS: | | |
| Invested in capital assets, net of related debt | 84,119,938 | 137,475 |
| Restricted for debt service | 3,177,181 | - |
| Unrestricted | 13,443,349 | 263,831 |
| Total net assets | \$100,740,468 | \$401,306 |

See accompanying notes to the proprietary funds financial statements.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

Proprietary Funds Statement of Changes in Net Assets - Year Ended June 30, 2005

| | Enterprise Fund | Internal Service Funds |
|--|----------------------|------------------------------|
| Operating Revenues: | | |
| Pledged as security for revenue bonds and notes: | | |
| Charges for services | \$27,371,576 | - |
| Unpledged revenues: | | |
| Charges for services | | \$5,648,325 |
| Fees, licenses and permits | 17,226 | - |
| Rentals | 133,624 | - |
| Other sources | 17,125 | - |
| Miscellaneous | 308 | - |
| Total operating revenues | 27,539,859 | 5,648,325 |
| Operating Expenses: | | |
| General government and claims | 650 | 4,795,940 |
| Public works operations | 9,976,360 | - |
| Computer service operations | - | 431,004 |
| Depreciation expense | 3,884,223 | 98,118 |
| Amortization expense | 367,044 | - |
| Landfill closure expense | 446,301 | - |
| Total operating expenses | 14,674,578 | 5,325,062 |
| Operating income (loss) | 12,865,281 | 323,263 |
| Non-Operating Revenues (Expenses): | | |
| Investment income | 248,433 | 18,302 |
| Interest expense and fiscal charges | (1,167,542) | - |
| Loss on asset retirement | (50,466) | (93) |
| Other non-operating revenue | - | 2,418 |
| Total non-operating revenues (expenses) | (969,575) | 20,627 |
| Net income (loss) before contributions and transfers | 11,895,706 | 343,890 |
| Capital contributions | 1,950,191 | 53,665 |
| Transfers in | 4,605,465 | - |
| Transfers out | (20,965,565) | (1,130) |
| Change in net assets | (2,514,203) | 396,425 |
| Total net assets - beginning | 103,254,671 | 4,881 |
| Total net assets - ending | <u>\$100,740,468</u> | <u>\$401,306</u> |

See accompanying notes to the proprietary funds financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2005

| | Enterprise Fund | Internal Service Funds |
|--|----------------------------|---------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | \$27,564,900 | \$5,648,325 |
| Payments to suppliers | (3,711,927) | (208,304) |
| Payments to employees | (5,873,094) | (527,996) |
| Claims and benefits paid | - | (4,431,837) |
| Net Cash Provided by (Used in) Operating Activities | 17,979,879 | 480,188 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Transfers from other funds | 29,580,518 | - |
| Transfers to other funds | (45,940,617) | (1,130) |
| Net Cash Provided by (Used in) Non-Capital Financing Activities | (16,360,099) | (1,130) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds from revenue bonds issued | 9,590,000 | - |
| Purchases of capital assets | (6,538,451) | (61,081) |
| Principal paid on capital debt | (6,263,749) | (41,858) |
| Interest and fiscal charges paid on capital debt | (1,234,132) | - |
| Bond issue costs paid | (242,577) | - |
| Receipt of bond premium | 560,970 | - |
| Net Cash Provided by (Used in) Capital and Related Financing Activities | (4,127,939) | (102,939) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Sale of investments | 845,881 | - |
| Interest and dividends | 261,580 | 18,302 |
| Net Cash Provided by (Used in) Investing Activities | 1,107,461 | 18,302 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (1,400,698) | 394,421 |
| Balances - beginning of the year | 5,717,002 | 389,601 |
| Balances - end of the year | \$4,316,304 | \$784,022 |
| Reconciliation to Statement of Net Assets: | | |
| Cash and cash equivalents | \$1,737,841 | \$784,022 |
| Restricted cash and cash equivalents | 2,578,463 | - |
| Total cash and cash equivalents | \$4,316,304 | \$784,022 |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | |
| Operating income (loss) | \$12,865,281 | \$323,263 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | |
| Cash flows reported in other categories: | | |
| Depreciation expense | 3,884,223 | 98,118 |
| Amortization expense | 367,044 | - |
| Landfill closure costs | 446,301 | - |
| Change in assets and liabilities: | | |
| Receivables, net | 25,041 | - |
| Accounts payables | 294,848 | 28,853 |
| Claims liability | - | 11,464 |
| Accrued compensated absences | 97,141 | 18,490 |
| Net Cash Provided by (Used in) Operating Activities | \$17,979,879 | \$480,188 |
| Non-cash activity: | | |
| Non-cash capital contributions received | | \$53,665 |

See accompanying notes to the proprietary fund financial statements.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

Footnotes to Proprietary Fund Statements:

- C1. The proprietary funds are reported on the accrual basis of accounting (defined in note A2.) and economic resources measurement focus.
- C2. For the purposes of the cash flow statement, cash and cash equivalents includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three-months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents.
- C3. The amounts reported as restricted assets of the Enterprise Fund on the statement of net assets are comprised of amounts held by the Lawton Water Authority in accounts of the trustee bank for revenue bond retirement, and other accounts with restricted uses. The Enterprise Fund restricted assets as of June 30, 2005 are as follows:

| | |
|--|---------------|
| Pooled Cash Restricted for Debt Service | \$ 3,335,726 |
| Investments: | |
| Landfill Financial Trust | \$ 137,368 |
| Series 2001B Promissory Note Debt Service | 68,750 |
| Series 2001B Promissory Note Debt Reserve | 344,500 |
| Series 2003B OWRB Promissory Note Debt Service | 98,278 |
| Series 2003B OWRB Promissory Note Debt Reserve | 223,719 |
| Series 2003D OWRB Promissory Note Debt Service | 53,225 |
| Series 2003D OWRB Promissory Note Debt Reserve | 127,380 |
| Series 2004F OWRB Promissory Note Debt Service | 67,671 |
| Series 2004F OWRB Promissory Note Debt Reserve | 155,906 |
| Series 2004 Sales Tax & Utility Revenue Bonds: | |
| Construction Funds | 9,569,329 |
| Debt Service | 653,465 |
| | \$ 11,499,591 |

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

FINANCIAL STATEMENTS AND ANALYSIS OF THE CITY'S FIDUCIARY FUNDS

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Management's Discussion and Analysis on the Fiduciary Funds:

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

- **City Employees Retirement Trust Fund** – used to account for the net assets and changes therein of the Lawton Employee Retirement System
- **Agency Funds** – used to account for assets held on behalf of others including the License and Permit Fund, Meter Deposit Fund, Municipal Court Fund, Payroll Savings Fund and Flexible Benefits Fund

Pension Plan Management

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

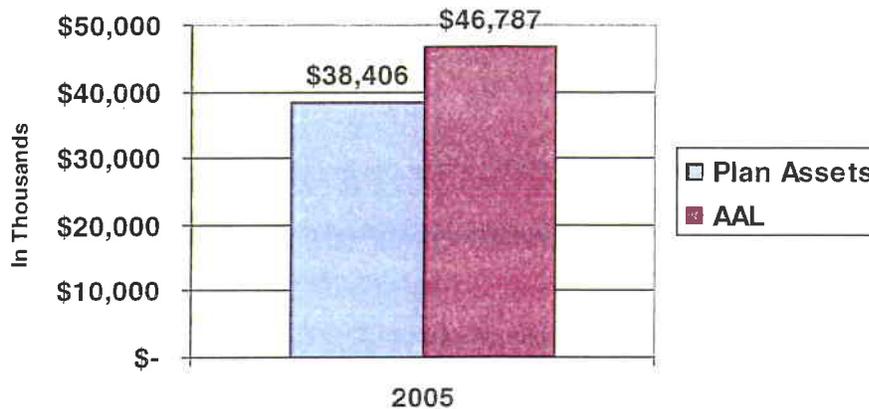
1. Lawton City Employee Retirement System (the "System") – single-employer, defined benefit pension plan
2. Oklahoma Police Pension and Retirement System (OPPRS) - a statewide cost-sharing plan
3. Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Performer® Ratio – Pension Plan Funding Status of the City’s Single-Employer Defined Benefit Plan

Fair Value of Plan Assets as a Percentage of the Actuarial Accrued Liabilities (AAL)
(Will our employees be pleased with us when they retire?)

| | | |
|-------------------|------|-----|
| Performer® Rating | 10 | 5 |
| Benchmarks | 110% | 95% |



| | |
|----------|------|
| Year | 2005 |
| Funded % | 82% |

At June 30, 2005, the City’s defined benefit pension plan was only 82% funded, indicating that the plan is funded at a level where the fair value of the plan’s net assets is below the actuarial plan liability. In addition, at June 30, 2005, the City had an accumulated net pension obligation (resulting from actual plan contributions made that were less than the actuarially required contributions) in the amount of \$1.9 million.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

Fiduciary Funds Statement of Net Assets - June 30, 2005

| | City Employees Retirement Trust Fund | Agency Funds |
|--|---|-------------------------|
| ASSETS: | | |
| Cash and cash equivalents | \$779,024 | \$335,567 |
| Investments | 1,031,991 | 717,830 |
| Investments, at market value: | | |
| United States government securities and agencies | 31,014,357 | - |
| United States government money market | 486,099 | - |
| Common stock | 4,954,989 | - |
| Interest receivable | 79,772 | 5,694 |
| Other receivables | - | 6,199 |
| Employer contributions receivable | 35,717 | - |
| Employee contributions receivable | 23,811 | - |
| Total assets | \$38,405,760 | \$1,065,290 |
| LIABILITIES: | | |
| Due to depositors | - | 1,058,378 |
| Bank overdraft | - | 6,199 |
| Other payables | - | 713 |
| Total liabilities | - | \$1,065,290 |
| NET ASSETS: | | |
| Held in trust for pension benefits | \$38,405,760 | |

See accompanying notes to the fiduciary funds financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Pension Trust Fund Statement of Changes in Plan Net Assets – Year Ended June 30, 2005

| | <u>City Employees Retirement Trust Fund</u> |
|---|---|
| ADDITIONS: | |
| Contributions: | |
| Members | \$ 800,713 |
| Employer | 1,189,519 |
| Total Contributions | <u>1,990,232</u> |
| Investment Income: | |
| Net increase in fair value of investments | 1,971,574 |
| Interest, dividends, and other | 1,954,316 |
| Total investment income | <u>3,925,890</u> |
| Less investment expense: | |
| Investment activity expense | 44,064 |
| Net investment income | <u>3,881,826</u> |
| Total Additions | <u>5,872,058</u> |
| DEDUCTIONS: | |
| Benefits paid to participants or beneficiaries | 2,080,039 |
| Refunds and transfers to other systems | 278,452 |
| Administrative expense | 30,093 |
| Total Deductions | <u>2,388,584</u> |
| Change in net assets held in trust for employees' pension benefits | <u>3,483,474</u> |
| Net assets--beginning | <u>34,922,286</u> |
| Net assets--ending | <u><u>\$ 38,405,760</u></u> |

See accompanying notes to the fiduciary funds financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Schedule of Funding Progress – City Employee Retirement System

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (a - b) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a)/c) |
|--------------------------|-------------------------------|---|-----------------------------|--------------------|---------------------|---|
| July 1, 2005 | 38,405,760 | 46,786,796 | (8,381,036) | 82.1% | 15,860,253 | 52.8% |
| July 1, 2003 | 34,278,831 | 38,738,865 | (4,460,034) | 88.5% | 14,583,355 | 30.6% |
| July 1, 2001 | 30,861,366 | 37,391,605 | (6,530,239) | 82.5% | 14,267,470 | 45.8% |
| July 1, 1999 | 25,660,421 | 30,041,920 | (4,381,499) | 85.4% | 12,032,296 | 36.4% |
| July 1, 1997 | 22,446,867 | 23,154,791 | (707,924) | 96.9% | 10,652,523 | 6.6% |
| July 1, 1995 | 18,707,013 | 19,280,903 | (573,890) | 97.0% | 9,644,285 | 6.0% |

Schedule of Retirement Plan Employer Contributions – City Employee Retirement System

| Fiscal Year | Annual Pension Cost (APC) | Actual Employer Contribution | Percentage of APC Contributed | Net Pension Obligation |
|-------------|---------------------------|------------------------------|-------------------------------|------------------------|
| 2003 | \$ 1,639,380 | \$ 1,088,548 | 66.4% | \$ 598,964 |
| 2004 | 1,805,450 | 1,069,903 | 59.3% | 1,334,511 |
| 2005 | 1,797,664 | 1,181,811 | 65.7% | 1,950,364 |

Schedule of Retirement Plan Contributions – OFPRS and OPPRS Cost-Sharing Plans

| Oklahoma Police Pension and Retirement System | | | Oklahoma Firefighter's Pension and Retirement System | | |
|---|-----------------------|------------------------|--|-----------------------|------------------------|
| Fiscal Year | Required Contribution | Percentage Contributed | Fiscal Year | Required Contribution | Percentage Contributed |
| 2003 | \$ 837,954 | 100% | 2003 | \$ 712,326 | 100% |
| 2004 | 874,960 | 100% | 2004 | 727,942 | 100% |
| 2005 | 904,289 | 100% | 2005 | 771,981 | 100% |

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

Footnotes to Fiduciary Funds Statements and Schedules:

D1. The fiduciary funds are reported on the accrual basis of accounting and economic resources measurement focus. The City's fiduciary funds include:

Pension Trust Fund

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

Agency Funds

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

D2. For the City Employees retirement Plan, the actuarial assumptions used in the above schedules are as follows:

| | |
|-------------------------------|-------------------|
| Valuation date | July 1, 2005 |
| Actuarial cost method | Entry age |
| Amortization method | Level dollar open |
| Remaining amortization period | 30 years |
| Asset valuation method | Market value |
| Investment rate of return | 7.0% |
| Projected salary increases | 5.0% |
| Inflation rate | 2.0% |

D3. Effective July 1, 1998, the pension benefit formula multiplier increased from 2.0% to 2.3%. Based on the July 1, 2004, actuarial valuation, this resulted in an increase of \$2,984,285 in the unfunded actuarial accrued liability. The unfunded actuarial accrued liability was also increased by \$302,650 due to a sliding scale, the ad hoc cost-of-living increase for retirees and beneficiaries that became effective April 1, 1998. The number of active plan members decreased from 481 in the July 1, 2003, actuarial valuation to 440 in the July 1, 2005, actuarial valuation. The number of retirees and beneficiaries receiving benefits increased from 168 in the July 1, 2003, actuarial valuation to 175 in the July 1, 2005, actuarial valuation.

D4. Oklahoma Firefighter's and Police Pension and Retirement Systems

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

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

| | <u>Oklahoma Police Pension and Retirement System</u> | <u>Oklahoma Firefighter's Pension and Retirement System</u> |
|---|---|--|
| Obtaining separately issued financial statements | Police Pension and Retirement 1001 N.W. 63rd St., Suite 605 Oklahoma City, OK 73116-7335 | Oklahoma Firefighter's Pension and Retirement System 4545 N. Lincoln Blvd., Suite 265 Oklahoma City, OK 73105-3414 |
| Eligibility to participate | All full-time officers, employed by a participating municipality, not less than 21 years of age or more than 45 years of age when hired | All full-time or voluntary firefighters of a participating municipality hired before age 45. |
| Authority establishing contribution obligations and benefits | State Statute | State Statute |
| Employee's contribution rate (percent of covered payroll) | 8% | 8% |
| City's contribution rate (percent of covered payroll) | 13% | 13% |
| State obligation | State appropriation to fund the unfunded actuarial accrued liability | State appropriation to fund the unfunded actuarial accrued liability |
| Period required to vest | 10 years | 10 years |
| Eligibility and benefits for distribution (full-time) | 20 years credited service, 2 ½% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits. | 20 years credited service 2 ½% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits. |
| Eligibility and benefits for distribution (volunteer) | - | 20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered. |
| Deferred retirement option | Yes, 20 years credited service with additional option to participate in Louisiana Plan. | Yes, 20 years credited service with continued service for a maximum of 30 or more years. |
| Provisions for: Cost of living adjustments (normal retirement) | Yes | Yes, if vested by 5/83 |
| Death (duty, non-duty, post retirement) | Yes | Yes |
| Disability (duty, non-duty) | Yes | Yes |
| Cost of living allowances | Yes | Yes |

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

COMPONENT UNITS - COMBINING FINANCIAL STATEMENTS

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Component Units – Combining Statement of Net Assets - June 30, 2005

| | LAWTON METROPOLITAN AREA AIRPORT AUTHORITY | LAWTON ARTS AND HUMANITIES COUNCIL | MCMAHON AUDITORIUM AUTHORITY | MUSEUM OF THE GREAT PLAINS TRUST AUTHORITY | TOTALS |
|---|---|---|------------------------------------|---|----------------------|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash, including time deposits | \$ 226,220 | \$ 50,274 | \$ 66,346 | \$ 128,861 | \$ 471,701 |
| Restricted cash | 77,190 | - | - | - | 77,190 |
| Investments | 148,740 | - | - | - | 148,740 |
| Accounts receivable | 19,787 | 3,000 | 1,249 | 1,125 | 25,161 |
| Inventory | - | - | - | 45,830 | 45,830 |
| Due from other governments | 90,366 | - | - | - | 90,366 |
| Accrued interest receivable | 361 | - | - | - | 361 |
| Prepaid insurance | 8,659 | - | - | - | 8,659 |
| Other Assets | - | - | - | 10,861 | 10,861 |
| Total current assets | 571,323 | 53,274 | 67,595 | 186,677 | 878,869 |
| Noncurrent Assets: | | | | | |
| Capital Assets: | | | | | |
| Depreciable, net of accumulated depreciation | 13,354,760 | 13,949 | 63,381 | 1,298,151 | 14,730,241 |
| Total noncurrent assets | 13,354,760 | 13,949 | 63,381 | 1,298,151 | 14,730,241 |
| Total Assets | \$ 13,926,083 | 67,223 | 130,976 | 1,484,828 | \$ 15,609,110 |
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable and accrued liabilities | 140,035 | 2,000 | 300 | 39,701 | 182,036 |
| Deferred revenue | - | - | 17,772 | - | 17,772 |
| Current portion of capital leases payable | 6,001 | - | - | - | 6,001 |
| Current portion of notes payable | 3,809 | - | - | - | 3,809 |
| Total current liabilities | 149,845 | 2,000 | 18,072 | 39,701 | 209,618 |
| Noncurrent Liabilities: | | | | | |
| Accrued compensated absences | 5,753 | - | - | 26,344 | 32,097 |
| Capital leases payable | 9,736 | - | - | - | 9,736 |
| Notes payable | 8,070 | - | - | - | 8,070 |
| Total noncurrent liabilities | 23,559 | - | - | 26,344 | 49,903 |
| Total Liabilities | 173,404 | 2,000 | 18,072 | 66,045 | 259,521 |
| NET ASSETS | | | | | |
| Investment in capital assets, net of related debt | 13,327,145 | - | - | 1,298,151 | 14,625,296 |
| Restricted for grant projects | - | - | - | 3,053 | 3,053 |
| Restricted for debt service | 77,190 | - | - | - | 77,190 |
| Unrestricted | 348,344 | 65,223 | 112,904 | 117,579 | 644,050 |
| Total Net Assets | \$ 13,752,679 | \$ 65,223 | \$ 112,904 | \$ 1,418,783 | \$ 15,349,589 |

See accompanying notes to component units financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Component Units - Combining Statement of Changes in Net Assets - Year Ended June 30, 2005

| | LAWTON METROPOLITAN AREA AIRPORT AUTHORITY | LAWTON ARTS AND HUMANITIES COUNCIL | MCMAHON AUDITORIUM AUTHORITY | MUSEUM OF THE GREAT PLAINS TRUST AUTHORITY | TOTALS |
|--------------------------------------|---|---|------------------------------------|---|----------------------|
| Expenses: | | | | | |
| Airport | 1,738,014 | - | - | - | 1,738,014 |
| Culture and recreation | - | 60,870 | 66,883 | 690,231 | 817,984 |
| Total expenses | <u>1,738,014</u> | <u>60,870</u> | <u>66,883</u> | <u>690,231</u> | <u>2,555,998</u> |
| Program Revenues: | | | | | |
| Charges for services | \$ 916,271 | \$ 44,231 | \$ 66,251 | \$ 163,554 | \$ 1,190,307 |
| Operating grants and contributions | 448,877 | 18,000 | 6,452 | 523,395 | 996,724 |
| Capital grants and contributions | 3,280,712 | - | - | - | 3,280,712 |
| Total program revenues | <u>4,645,860</u> | <u>62,231</u> | <u>72,703</u> | <u>686,949</u> | <u>5,467,743</u> |
| Net revenue (expense) | 2,907,846 | 1,361 | 5,820 | (3,282) | 2,911,745 |
| General Revenues: | | | | | |
| Investment income | 5,409 | - | 465 | 2,321 | 8,195 |
| Total general revenues | <u>5,409</u> | <u>-</u> | <u>465</u> | <u>2,321</u> | <u>8,195</u> |
| Change in Net Assets | 2,913,255 | 1,361 | 6,285 | (961) | 2,919,940 |
| Net Assets, beginning of year | <u>10,839,424</u> | <u>63,862</u> | <u>106,619</u> | <u>1,419,744</u> | <u>12,429,649</u> |
| Net Assets, end of year | <u>\$ 13,752,679</u> | <u>\$ 65,223</u> | <u>\$ 112,904</u> | <u>\$ 1,418,783</u> | <u>\$ 15,349,589</u> |

See accompanying notes to component units financial statements.

Footnotes to Component Units Combining Statements:

These discretely presented component units are separate legal entities for which the City Council is fiscally responsible, but for whom they appoint a separate governing body:

- **Lawton Metropolitan Area Airport Authority** – that operates to develop and maintain airport operations for the City
- **Lawton Arts and Humanities Council** – that operates to encourage and promote knowledge of the fine arts and humanities
- **McMahon Auditorium Authority** – created to operate and maintain the McMahon Auditorium, a public and municipal auditorium of the City
- **Museum of the Great Plains Trust Authority** – created to collect, preserve, and exhibit items relevant to cultural history of man in the Great Plains of North America
- **Lawton Economic Development Authority (Presently Inactive)** – created to promote economic development within the Lawton area
- **Lawton Industrial Development Authority (Presently Inactive)** – created to promote industrial development within the Lawton area

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

The component units are reported on the accrual basis of accounting (defined in note A2.) and economic resources measurement focus.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

BUDGETARY COMPARISON INFORMATION

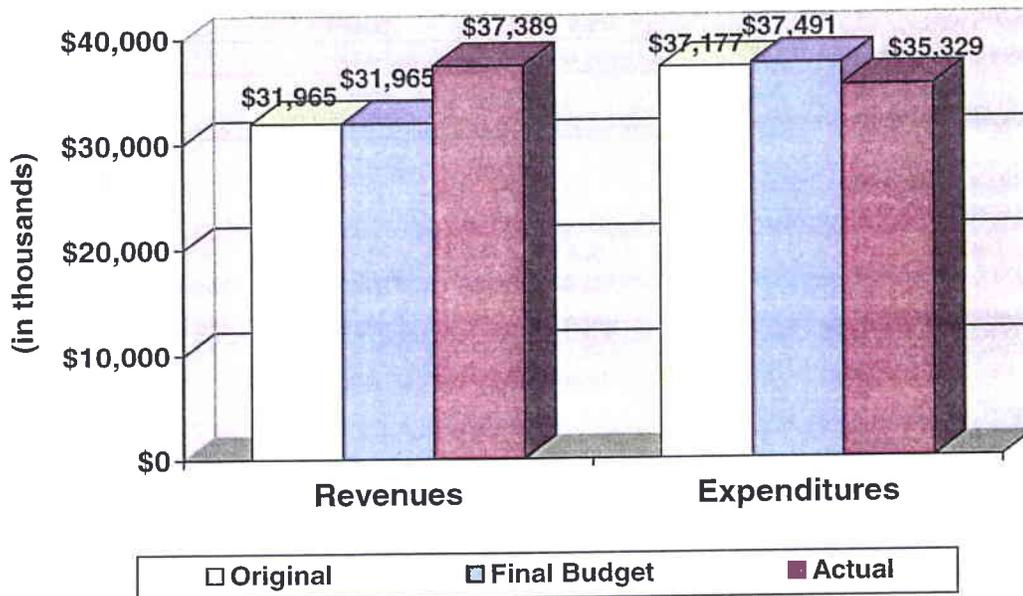
CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
 As of and for the Year Ended June 30, 2005

Management's Discussion and Analysis on the Budgetary Results:

One measure of annual budgetary performance of the City is a comparison of the actual revenues and expenditures of the General Fund to the original and final amended budget.

Budget and Actual Comparison – General Fund

General Fund Budget and Actual
 (How close did we come to our estimates?)



For the year ended June 30, 2005, the General Fund reported actual budgetary basis revenues, excluding interfund transfers, above final estimates by \$5.4 million or a 17% positive variance. The main reason for the variance is current year actual tax revenue exceeded estimated revenue by \$4.6 million. General Fund actual expenditures, excluding interfund transfers, were under final appropriations by \$2.1 million or a 5.6% positive variance.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Budgetary Comparison Schedules – Year Ended June 30, 2005

| | GENERAL FUND | | | |
|--|-------------------------|----------------------|-----------------------|----------------------------|
| | Budgeted Amounts | | Actual | Variance with |
| | Original | Final | Amounts | Final Budget |
| | | | (Budget basis) | Positive (Negative) |
| Beginning Budgetary Fund Balance: | \$3,850,257 | \$3,850,257 | \$4,312,001 | 461,744 |
| Resources (Inflows): | | | | |
| Taxes | 27,404,467 | 27,404,467 | 32,042,328 | 4,637,861 |
| Intergovernmental revenues | 1,029,576 | 1,029,576 | 983,558 | (46,018) |
| Charges for services | 98,569 | 98,569 | 59,539 | (39,030) |
| Fines and forfeitures | 2,181,742 | 2,181,742 | 2,790,697 | 608,955 |
| Licenses and permits | 905,288 | 905,288 | 953,347 | 48,059 |
| Investment income | 58,332 | 58,332 | 174,147 | 115,815 |
| Miscellaneous revenue | 286,918 | 286,918 | 385,137 | 98,219 |
| Total Resources (Inflows) | <u>31,964,892</u> | <u>31,964,892</u> | <u>37,388,753</u> | <u>5,423,861</u> |
| Amounts available for appropriation | <u>35,815,149</u> | <u>35,815,149</u> | <u>41,700,754</u> | <u>5,885,605</u> |
| Charges to Appropriations (Outflows): | | | | |
| General Government | \$ 6,528,514 | \$ 6,842,580 | \$ 5,760,044 | \$ 1,082,536 |
| Public Safety | 20,823,498 | 20,823,498 | 20,051,667 | 771,831 |
| Public Works and Streets | 4,653,304 | 4,653,304 | 4,790,308 | (137,004) |
| Culture and Recreation | 5,073,237 | 5,073,237 | 4,390,248 | 682,989 |
| Health | 98,000 | 98,000 | 19,147 | 78,853 |
| Capital Outlay | - | - | 304,623 | (304,623) |
| Prior year obligations expended | - | - | 13,004 | (13,004) |
| Total Charges to Appropriations | <u>\$ 37,176,553</u> | <u>\$ 37,490,619</u> | <u>\$ 35,329,041</u> | <u>\$ 2,161,578</u> |
| Transfers: | | | | |
| Transfers from other funds | 11,797,720 | 11,797,720 | 12,587,447 | 789,727 |
| Transfers to other funds | (9,081,665) | (9,081,665) | (13,526,026) | (4,444,361) |
| Net Transfers | <u>2,716,055</u> | <u>2,716,055</u> | <u>(938,579)</u> | <u>(3,654,634)</u> |
| Ending Budgetary Fund Balance | <u>\$ 1,354,651</u> | <u>\$ 1,040,585</u> | <u>\$ 5,433,134</u> | <u>\$ 4,392,549</u> |
| Less Fund Balance Reserves: | | | | |
| Compensated absences obligation | | | (3,794,138) | |
| Unreserved Budgetary Basis Fund Balance | | | <u>\$ 1,638,996</u> | |

See accompanying footnotes to this schedule.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

Footnotes to Budgetary Comparison Schedules:

- E1. The budgetary comparison schedules and budgetary fund balance amounts are reported on a non-GAAP basis that report revenues on a cash basis, and expenditures in the period the invoice is received, except for payroll expenditures that are recorded when paid. In addition, obligations that are required to be funded from ending budgetary fund balances are subtracted from total ending budgetary fund balances to arrive at the unreserved budgetary fund balance. This presentation of unreserved fund balances on a budgetary basis is used to demonstrate compliance with Article 10, § 26 of the Oklahoma State Constitution.
- E2. 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.
- E3. The budgetary basis differs from the modified accrual (GAAP) basis as shown in the schedule below:

| | Fund Balance June 30, 2004 | Net Change in Fund Balance | Fund Balance June 30, 2005 |
|---|---------------------------------------|---------------------------------------|---------------------------------------|
| Budget to GAAP Reconciliation: | | | |
| Fund Balance - GAAP Basis | 8,384,465 | 1,205,590 | 9,590,055 |
| Increases (Decreases): | | | |
| Revenues: | | | |
| Taxes receivable | (4,893,642) | (100,564) | (4,994,206) |
| Accounts receivable | (5,248) | (7,831) | (13,079) |
| Accrued interest | (4,184) | (45,519) | (49,703) |
| Fair value adjustment | 780 | 2,500 | 3,280 |
| Expenditures: | | | |
| Accrued payroll | 645,388 | 116,755 | 762,143 |
| Encumbrances | (6,543) | (126,617) | (133,160) |
| Other expenditures | 190,985 | 76,819 | 267,804 |
| Fund Balance - Budgetary Basis | \$4,312,001 | \$1,121,133 | \$5,433,134 |
| Less: Reserve for compensated absences obligation | | | (3,794,138) |
| Unreserved budgetary fund balance | | | \$1,638,996 |

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

DEPOSIT AND INVESTMENT RISK MANAGEMENT

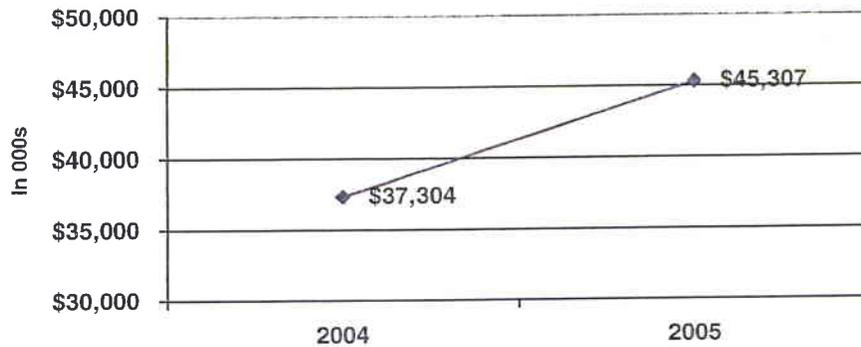
CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

Management's Discussion and Analysis on Deposit and Investment Risk:

The City's investment policy states that the administration of its cash and investments shall be handled as its highest public trust, with maximum security of principal and a reasonable market yield as its focus. As such the City limits its investments to those with low credit risk as allowed by Oklahoma state law, and protects uninsured deposits with sufficient collateral.

Change in Cash and Investments

Cash and Investment Balances Change
 (How is our cash and investment position changing?)



| Year | 2004 | 2005 |
|-------------------------|----------|----------|
| Total Balance (in 000s) | \$37,304 | \$45,307 |
| % Change | - | +21% |

The City's total cash and investment balances at June 30, 2005 of approximately \$45.3 million increased from the prior year amount of \$37.3 million or 21%. For the year ended June 30, 2005, the City recognized \$967,773 of investment income. With the exception of the investments of the retirement trust fund, the City's investments are primarily composed of investments in U.S. government or agency securities, and non-negotiable certificates of deposit.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

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, 2005 by these entities are as follows:

Schedule of Deposits and Investments by Type - June 30, 2005

| Type | Fair Value | Maturities in Years | | | | |
|--|---------------|---------------------|---------------|--------------|--------------|---------------|
| | | On Demand | Less Than One | 1 - 5 | 6 - 10 | More than 10 |
| Demand deposits | \$ 20,013,377 | \$ 20,013,377 | | | | |
| Time deposits | 9,326,089 | | 9,231,746 | 94,343 | - | - |
| Government Money Market Accounts | 486,099 | 486,099 | | | | |
| U.S. Treasury Obligations | 31,110,268 | | | 942,941 | 5,935,000 | 24,232,322 |
| U.S. Agencies Obligations | 6,204,740 | | 6,204,740 | | | |
| Sub-Total | \$ 67,140,573 | \$ 20,499,476 | \$ 15,436,487 | \$ 1,037,283 | \$ 5,935,000 | \$ 24,232,322 |
| Mutual Fund Pooled U.S. Government Obligations | 11,499,591 | | | | | |
| Common Stock | 4,954,989 | | | | | |
| Other Investments | 1,031,991 | | | | | |
| Total Deposits and Investments | \$ 84,627,144 | | | | | |
| Reconciliation to Financial Statements: | | | | | | |
| Cash and cash equivalents | \$ 15,563,060 | | | | | |
| Investments | 14,908,910 | | | | | |
| Restricted cash and cash equivalents | 3,335,726 | | | | | |
| Current restricted investments | 11,499,591 | | | | | |
| | 45,307,287 | | | | | |
| Retirement fund investments | 38,266,460 | | | | | |
| Agency fund cash and cash equivalents | 335,567 | | | | | |
| Agency fund investments | 717,830 | | | | | |
| | \$ 84,627,144 | | | | | |

Footnotes to Schedule of Deposits and Investments by Type

F1. Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City’s name.

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

At June 30, 2005, the City was not exposed to custodial credit as defined above.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

F2. 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
- d. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a.

Investment credit risk is the risk that an issuer or other counterpart to an investment will not fulfill its obligations. The City has 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.

F3. 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 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. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments by date range.

As noted in the schedule of deposits and investments above, at June 30, 2005, the investments held by the City mature between 2006 through 2024 and are subject to early call or redemption.

F4. 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 through single financial institution.

At June 30, 2005, the City had no concentration of credit risk as defined above.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

CAPITAL ASSETS MANAGEMENT

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

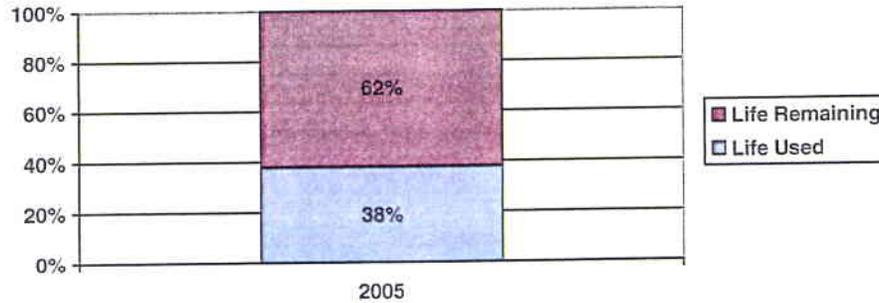
Management's Discussion and Analysis on Capital Assets:

Performer® Ratio – Capital Asset Condition

A measure of the average age of the City's capital assets is the capital asset condition ratio. This ratio compares the amount of accumulated depreciation on depreciable capital assets (such as buildings, vehicles and equipment, improvements, and infrastructure) to the historical cost of such assets.

Capital Asset Accumulated Depreciation as a Percentage of Asset Cost
(How old are our capital assets?)

| | | |
|-------------------|-----|-----|
| Performer® Rating | 10 | 5 |
| Benchmarks | 75% | 50% |



| | |
|----------------------------|------|
| Year | 2005 |
| % of Remaining Useful Life | 62% |

At June 30, 2005, the City owned \$241 million of depreciable capital assets with accumulated depreciation on such assets of \$92 million. This indicates that on the average, the City's capital assets have approximately 62% of the useful life remaining.

During the year ended June 30, 2005, the City expended the following amounts on significant capital assets or improvements:

- Street projects \$ 5,965,533
- Water Treatment Plant 35,848,272
- Sewer lines 2,821,599
- Fire Station 1,237,270
- Water lines 836,622

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

Schedule of Changes in Capital Assets –Year Ended June 30, 2005

| | Restated, Balance at July 1, 2004 | Additions | Transfers | Deductions | Balance at June 30, 2005 |
|---|---|----------------------|-----------------|----------------------|-----------------------------|
| PRIMARY GOVERNMENT: | | | | | |
| <i>Governmental activities:</i> | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 3,267,808.00 | \$ 366,748 | \$ - | \$ - | \$ 3,634,556 |
| Construction in progress | 1,214,200 | - | - | \$1,214,200 | - |
| Total capital assets not being depreciated | <u>4,482,008</u> | <u>366,748</u> | <u>-</u> | <u>1,214,200</u> | <u>3,634,556</u> |
| Other capital assets: | | | | | |
| Buildings | 14,623,751 | 1,376,848 | (125,237) | 24,838 | 15,850,524 |
| Infrastructure | 8,193,096 | 6,115,534 | - | - | 14,308,630 |
| Machinery, furniture and equipment | 23,563,533 | 1,593,324 | 178,018 | 527,411 | 24,807,464 |
| Total other capital assets at historical cost | <u>46,380,380</u> | <u>9,085,706</u> | <u>52,781</u> | <u>552,249</u> | <u>54,966,618</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | 10,734,379 | 457,586 | - | 23,999 | 11,167,966 |
| Infrastructure | 1,428,507 | 246,588 | - | - | 1,675,095 |
| Machinery, furniture and equipment | 16,707,683 | 1,531,083 | 52,781 | 373,482 | 17,918,065 |
| Total accumulated depreciation | <u>28,870,569</u> | <u>2,235,257</u> | <u>52,781</u> | <u>397,481</u> | <u>30,761,126</u> |
| Other capital assets, net | <u>17,509,811</u> | <u>6,850,449</u> | <u>-</u> | <u>154,768</u> | <u>24,205,492</u> |
| Governmental activities capital assets, net | <u>\$ 21,991,819</u> | <u>\$ 7,217,197</u> | <u>\$ -</u> | <u>\$ 1,368,968</u> | <u>\$ 27,840,048</u> |
| <i>Business-type activities:</i> | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 1,405,554 | \$ - | \$ - | \$ - | \$ 1,405,554 |
| Construction in progress | 35,665,933 | \$1,390,528 | - | \$35,665,933 | 1,390,528 |
| Total capital assets not being depreciated | <u>37,071,487</u> | <u>1,390,528</u> | <u>-</u> | <u>35,665,933</u> | <u>2,796,082</u> |
| Other capital assets: | | | | | |
| Buildings and utility infrastructure | 110,972,023 | 42,297,022 | - | - | 153,269,045 |
| Machinery, furniture and equipment | 12,092,319 | 464,268 | (52,774) | 1,674,691 | 10,829,122 |
| Unamortized water rights | 21,742,677 | - | - | - | 21,742,677 |
| Total other capital assets at historical cost | <u>144,807,019</u> | <u>42,761,290</u> | <u>(52,774)</u> | <u>1,674,691</u> | <u>185,893,618</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and utility infrastructure | 41,875,463 | 2,766,231 | - | - | 44,641,694 |
| Machinery, furniture and equipment | 12,014,986 | 1,117,992 | (52,774) | 1,626,983 | 11,453,221 |
| Unamortized water rights | 4,783,389 | 217,426 | - | - | 5,000,815 |
| Total accumulated depreciation | <u>58,673,838</u> | <u>4,101,649</u> | <u>(52,774)</u> | <u>1,626,983</u> | <u>61,148,504</u> |
| Other capital assets, net | <u>86,133,181</u> | <u>38,659,641</u> | <u>-</u> | <u>47,708</u> | <u>124,745,114</u> |
| Business-type activities capital assets, net | <u>\$ 123,204,668</u> | <u>\$ 40,050,169</u> | <u>\$ -</u> | <u>\$ 35,713,641</u> | <u>\$ 127,541,196</u> |

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

| | Balance at July 1, 2004 | Additions | Deductions | Balance at June 30, 2005 |
|---|----------------------------|---------------------|-----------------|-----------------------------|
| COMPONENT UNITS: | | | | |
| Lawton Metropolitan Area Airport Authority | | | | |
| Non-depreciable: | | | | |
| Land | \$ 2,400 | \$ - | \$ - | \$ 2,400 |
| Construction-in-progress | 204,160 | 3,461,337 | - | 3,665,497 |
| Total non-depreciable assets at historical cost | <u>206,560</u> | <u>3,461,337</u> | <u>-</u> | <u>3,667,897</u> |
| Depreciable: | | | | |
| Runways, ramps, and roads | 14,453,556 | | | 14,453,556 |
| Buildings and improvements | 5,351,856 | 26,396 | | 5,378,252 |
| Equipment and fixtures | 1,460,663 | 23,420 | | 1,484,083 |
| Furniture and equipment | 112,045 | 1,549 | | 113,594 |
| Total depreciable assets at historical cost | <u>21,378,120</u> | <u>51,365</u> | <u>-</u> | <u>21,429,485</u> |
| Less accumulated depreciation | | | | |
| Runways, ramps, and roads | (8,331,516) | (493,768) | | (8,825,284) |
| Buildings and improvements | (1,780,520) | (108,592) | | (1,889,112) |
| Equipment and fixtures | (830,558) | (93,909) | | (924,467) |
| Furniture and equipment | (97,493) | (6,266) | | (103,759) |
| Total accumulated depreciation | <u>(11,040,087)</u> | <u>(702,535)</u> | <u>-</u> | <u>(11,742,622)</u> |
| Net depreciable assets | <u>\$ 10,544,593</u> | <u>\$ 2,810,167</u> | <u>\$ -</u> | <u>\$ 13,354,760</u> |
| Museum of the Great Plains Trust Authority | | | | |
| Depreciable: | | | | |
| Furniture and equipment | \$ 296,058 | \$ 21,039 | \$ (28,676) | \$ 288,421 |
| Displays | 17,725 | - | | 17,725 |
| Leasehold improvements | 117,436 | 1,461 | | 118,897 |
| Collections and exhibits | 965,488 | 35,016 | | 1,000,504 |
| Total depreciable assets at historical cost | <u>1,396,707</u> | <u>57,516</u> | <u>(28,676)</u> | <u>1,425,547</u> |
| Less accumulated depreciation | | | | |
| Total accumulated depreciation | <u>(126,284)</u> | <u>(29,788)</u> | <u>28,676</u> | <u>(127,396)</u> |
| Net depreciable assets | <u>\$ 1,270,423</u> | <u>\$ 27,728</u> | <u>\$ -</u> | <u>\$ 1,298,151</u> |
| Balance at June 30, 2005 | | | | |
| Lawton Arts and Humanities Council | | | | |
| Machinery and equipment | \$ 18,456 | | | |
| Less accumulated depreciation | (4,507) | | | |
| Net depreciable assets | <u>\$ 13,949</u> | | | |
| McMahon Auditorium Authority | | | | |
| Furniture and fixtures | \$ 24,628 | | | |
| Machinery and equipment | 6,500 | | | |
| Buildings and improvements | 51,202 | | | |
| Total depreciable assets at historical cost | <u>\$ 82,330</u> | | | |
| Less accumulated depreciation | | | | |
| Furniture and fixtures | (12,103) | | | |
| Machinery and equipment | (2,222) | | | |
| Buildings and improvements | (4,624) | | | |
| Total accumulated depreciation | <u>(18,949)</u> | | | |
| Net depreciable assets | <u>\$ 63,381</u> | | | |

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

Footnotes to the Schedules of Changes in Capital Assets:

G1. For the primary government and component units, capital assets are reported at actual or estimated historical cost, net of accumulated depreciation where applicable. Donated capital assets are reported at their fair value at date of donation. Estimated historical cost was used to value the majority of the capital assets acquired prior to June 30, 1992. The capitalization threshold is capital assets with a cost of \$1,000 or more.

G2. Depreciable capital assets are depreciated on a straight-line basis over their useful lives. The range of estimated lives by type of assets is as follows:

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

LONG-TERM DEBT MANAGEMENT

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

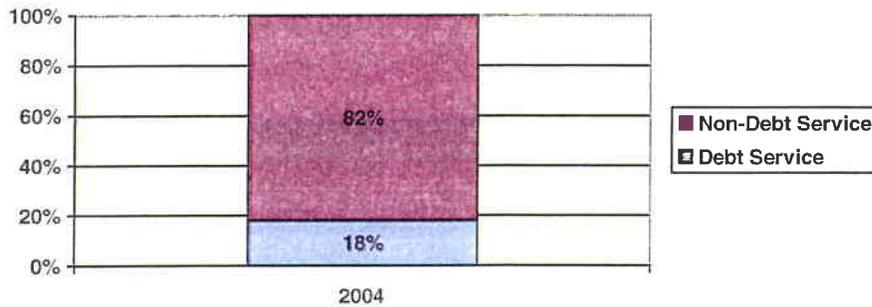
Management's Discussion and Analysis on Long-Term Debt:

The City's long term debt consists of general obligation bonds, judgments, revenue bonds and notes, capital lease obligations, accrued compensated absences, and long-term deposits subject to refund. Solvency ratios help measure the City's ability to pay its long-term obligations as they become due. One measure of the City's solvency is its debt service load ratio. This ratio compares the amount of debt service payments to the total non-capital expenditures of the City.

Performer[®] Ratio – Debt Service Load

**Percentage of Non-Capital Expenditures Comprised of Debt Service Payments
(How loaded are our operating expenditures with debt payments?)**

| | | |
|-------------------------------|----|-----|
| Performer [®] Rating | 10 | 5 |
| Benchmarks | 5% | 20% |



| | |
|----------------|------|
| Year | 2005 |
| % Debt Service | 18% |

In 2005, approximately \$11.5 million of the \$62.8 million of non-capital expenditures (or 18%) represented principal and interest payments on long-term debt. This is a relatively favorable indicator of solvency and indicates that for every dollar of non-capital expenditures made by the City, only 18 cents of that dollar was needed to pay principal and interest on the City's long-term debt.

For the year ended June 30, 2005, the following significant long-term debt transaction occurred:

- The City issued Series 2004 Revenue Bonds for \$9,590,000 and retired the Series 2002 Revenue Bonds.

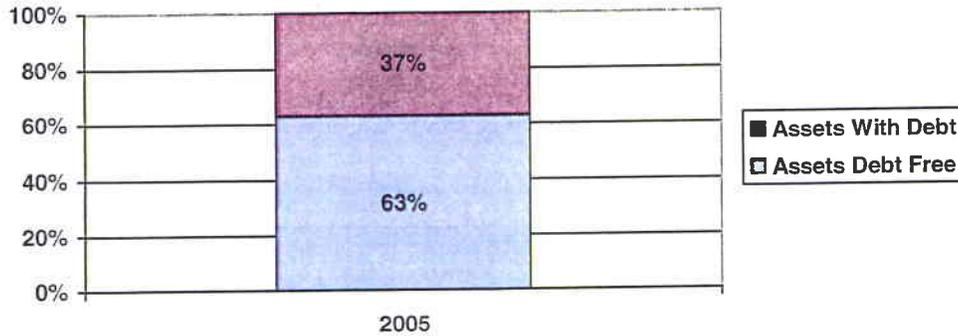
**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Performer[®] Ratio – Debt to Asset Solvency

Another measure of the overall solvency of the City is achieved through a comparison of the City's total assets to its total liabilities. The lower the percentage of assets funded with debt, the better the solvency.

**Percentage of Assets Funded With Outstanding Debt
(Who really owns the City?)**

| | | |
|-------------------------------|-----|-----|
| Performer [®] Rating | 10 | 5 |
| Benchmarks | 10% | 50% |



| | |
|------------------------------|------|
| Year | 2005 |
| % of Assets Funded with Debt | 37% |

The June 30, 2005 ratio of debt to assets indicates that for every dollar of assets the City owns, it owes 37 cents of that dollar to others. This ratio is considered a relatively favorable indicator of solvency.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

Schedule of Changes in Long-Term Debt – Year Ended June 30, 2005

Primary Government:

| <u>Type of Debt</u> | <u>Balance July 1, 2004</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2005</u> | <u>Amounts Due Within One Year</u> |
|---------------------------------------|---------------------------------|---------------------|--------------------|----------------------------------|--|
| Governmental Activities: | | | | | |
| General Obligation Bonds | \$21,980,000 | - | \$2,320,000 | \$19,660,000 | \$2,320,000 |
| Judgments Payable | 971,031 | \$680,725 | 619,765 | 1,031,991 | 544,379 |
| Capital Lease Obligations | 65,738 | - | 41,858 | 23,880 | 23,880 |
| Worker's Compensation | 373,669 | 303,041 | - | 676,710 | 338,356 |
| Accrued Compensated Absences | 3,550,952 | 243,185 | - | 3,794,137 | 453,399 |
| Total Governmental Activities | \$26,941,390 | \$1,226,951 | \$2,981,623 | \$25,186,718 | \$3,680,014 |
| Business-Type Activities: | | | | | |
| Notes Payable | \$15,886,702 | - | \$567,020 | \$15,319,682 | \$604,620 |
| Revenue Bonds Payable | 5,140,000 | \$9,590,000 | 5,140,000 | 9,590,000 | 1,215,000 |
| Revenue Bonds Premium | 131,125 | 560,970 | 211,263 | 480,832 | - |
| Contracts Payable | 18,955,545 | - | 446,290 | 18,509,255 | 461,744 |
| Capital Lease Obligations | 220,878 | - | 110,439 | 110,439 | 110,439 |
| Accrued Compensated Absences | 549,457 | 97,141 | - | 646,598 | 77,268 |
| Landfill Closure and Post-closure | 2,400,245 | 446,301 | - | 2,846,546 | - |
| Total Business-Type Activities | \$43,283,952 | \$10,694,412 | \$6,475,012 | \$47,503,352 | \$2,469,071 |

Component Units:

| <u>Type of Debt</u> | <u>Balance July 1, 2004</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2005</u> | <u>Amount due in one year</u> |
|---|---------------------------------|------------------|-------------------|----------------------------------|-----------------------------------|
| Component Units: | | | | | |
| Lawton Metropolitan Area Airport Authority | | | | | |
| Long-term debt: | | | | | |
| Line of credit | \$ 18,788 | - | \$ 18,788 | - | - |
| Note payable-auto | 1,116 | - | 1,116 | - | - |
| Note payable-truck | 15,539 | - | 3,661 | 11,878 | 3,809 |
| Capital Leases: | | | | | |
| Copier | 2,186 | - | 976 | 1,210 | 961 |
| Building | 19,568 | - | 5,040 | 14,528 | 5,040 |
| Total Debt | \$ 57,197 | \$ - | \$ 29,581 | \$ 27,616 | \$ 9,810 |

See accompanying notes to these schedules.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

Footnotes to the Schedules of Changes in Long-Term Debt:

H1. Governmental activities long-term debt payable from net revenues includes the following:

General Obligation Bonds:

| | |
|--|---------------------|
| \$5,000,000 general obligation bonds dated April 1, 2000, payable in annual installments of \$555,000, with interest rates of 4.8% to 7.7%, repaid by property tax levies | \$2,780,000 |
| \$15,580,000 general obligation bonds dated July 1, 2002, payable in annual installments of \$1,170,000, with interest rates of 3.75% to 6.0%, repaid by property tax levies | 12,870,000 |
| \$4,000,000 general obligation bonds dated April 1, 2002, payable in annual installments of \$445,000, with interest rates of 3.5% to 4.0%, repaid by property tax levies | 3,110,000 |
| \$1,050,000 general obligation bonds dated June 1, 2003, payable in annual installments of \$150,000, with interest rates of 2.0% to 3.0%, repaid by property tax levies | <u>900,000</u> |
| Total general obligation bonds | <u>\$19,660,000</u> |

Judgments Payable:

| | |
|---|--------------------|
| Court-assessed judgments to be paid with ad valorem taxes with periods ranging from one to three years. | <u>\$1,031,991</u> |
|---|--------------------|

Capital Lease Obligations:

| | |
|--|-----------------|
| Capital lease obligation for the purchase of an HP 3000 mainframe computer, final payment due 2006 | <u>\$23,880</u> |
|--|-----------------|

H2. *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 – Oklahoma Water Resources Board:

| | |
|--|-------------|
| Series 2001A for \$2,008,570 and Series 2001B for \$3,445,000 with interest on Series 2001B subject to annual adjustment (1.82% at June 30, 2005), 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") sanitary, and garbage collection and disposal systems. | \$4,718,656 |
| Series 2003A for \$1,819,430, Series 2003B for \$3,095,000, Series 2003C for \$1,020,000 and Series D for \$1,745,000 with interest on Series 2003B and 2003D ranging from 1.345% to 5.245%. No interest is charged on Series 2003A and 2003C; however, there is a .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September, 2027. Both notes are secured by the revenues of the Authority's water, sanitary, and garbage collection and disposal systems. | 7,178,205 |
| Series 2004A for \$1,310,000 and Series 2004B for \$2,215,000, with interest charged on Series | |

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

2004B ranging from 1.145% to 4.795%. No interest is charged on Series 2004A; however, there is a .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September, 2028. Both notes are secured by the revenues of the Authority's water, sewer, and garbage collection and disposal systems. \$3,422,821

Total Notes Payable – Oklahoma Water Resources Board \$15,319,682

Revenue Bonds Payable:

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

| | |
|----------------------------------|---------------------|
| Revenue Bond Payable | \$9,590,000 |
| Unamortized Revenue Bond Premium | 480,832 |
| Total Revenue Bonds, Net | <u>\$10,070,832</u> |

Contract Payable:

\$20,634,941 contract payable with the Waurika Project Master Conservancy District. The contract provides the City with share of the District's water supply and the City pays its share of the costs of the facilities and its operations to the District. The City has pledged water revenues to secure this obligation and also has the ability to levy property taxes to pay the obligation. Debt principal payments are due annually, with interest at 3.46% (subject to adjustment) \$18,509,255

Capital Lease Obligation:

Capital lease obligation for the purchase of a compactor, final payment due 2005-2006 \$110,439

H3. Long-term debt service requirements to maturity are as follows:

| Governmental-Type Activities | | | | |
|------------------------------|--------------------|--------------|-------------------|------------|
| Year Ending June 30, | G.O. Bonds Payable | | Judgments Payable | |
| | Principal | Interest | Principal | Interest |
| 2006 | 2,320,000 | 820,526 | 544,379 | 65,637 |
| 2007 | 2,320,000 | 724,100 | 478,743 | 34,133 |
| 2008 | 2,320,000 | 633,156 | 8,869 | 621 |
| 2009 | 2,320,000 | 539,021 | - | - |
| 2010 | 2,325,000 | 444,235 | - | - |
| 2011-2015 | 6,885,000 | 1,115,706 | - | - |
| 2016-2017 | 1,170,000 | 55,575 | - | - |
| Total | \$ 19,660,000 | \$ 4,332,319 | \$ 1,031,991 | \$ 100,391 |

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

Business-Type Activities

| Year Ending June 30, | Notes Payable | | Revenue Bonds Payable | | Contract Payable | |
|----------------------|----------------------|---------------------|-----------------------|---------------------|----------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2006 | 604,620 | 355,600 | 1,215,000 | 406,184 | 461,744 | 640,976 |
| 2007 | 622,920 | 349,887 | 1,270,000 | 352,450 | 477,735 | 624,985 |
| 2008 | 631,920 | 343,200 | 1,320,000 | 301,650 | 494,279 | 608,441 |
| 2009 | 646,520 | 335,485 | 1,360,000 | 262,050 | 511,394 | 591,326 |
| 2010 | 657,020 | 326,841 | 1,405,000 | 221,250 | 529,105 | 573,615 |
| 2011-2015 | 3,604,500 | 1,467,672 | 3,020,000 | 228,250 | 2,933,393 | 2,580,207 |
| 2016-2020 | 4,298,700 | 1,094,646 | - | - | 3,477,728 | 2,035,872 |
| 2021-2025 | 2,808,482 | 606,134 | - | - | 4,123,072 | 1,390,528 |
| 2026-2030 | 1,445,000 | 606,134 | - | - | 4,542,333 | 636,896 |
| 2031 | - | - | - | - | 958,472 | 32,873 |
| Total | <u>\$ 15,319,682</u> | <u>\$ 5,485,599</u> | <u>\$ 9,590,000</u> | <u>\$ 1,771,834</u> | <u>\$ 18,509,255</u> | <u>\$ 9,715,719</u> |

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

FEDERAL AWARDS MANAGEMENT

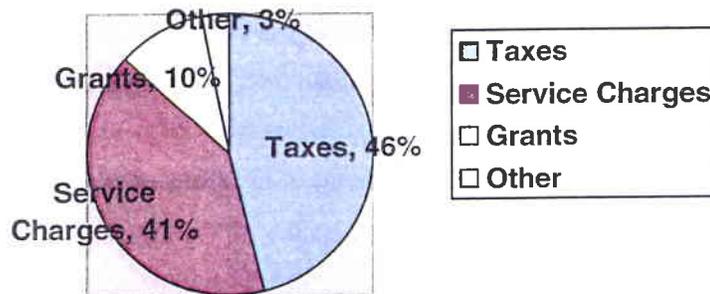
**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005**

Management's Discussion and Analysis on Federal and State Awards:

The City of Lawton participates in various federal or state grant/loan programs from year to year. In 2005, the City's involvement in federal and state award programs is relatively material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Percentage of Grant Revenue to Total

**Percentage of Grant Revenue as Compared to Total Revenue
(How active are we in federal and state award program funding?)**



| | |
|-----------------------------|------|
| Year | 2005 |
| % of Grant Revenue to Total | 10% |

The City received approximately \$8.3 million in federal and state awards and other contributions in the year ended June 30, 2005. Of this amount approximately \$3.2 million represented federal awards expended. The total \$8.3 million represents a relatively small percentage (10%) of the City's total revenue for the fiscal year.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

Schedule of Expenditures of Federal Awards – Year Ended June 30, 2005

| Federal Grantor/Pass Through Agency Grantor/Program Title | Federal CFDA# | Grant # | Award Amount | Awards Expended |
|---|------------------|---------------------|---------------------|---------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | | | |
| Community Development Block Grant | 14.218 | B-03-MC-40-0002 | \$ 1,094,000 | \$ 924,578 |
| | 14.218 | B-04-MC-40-0003 | 1,056,000 | - |
| Home Investment in Affordable Housing | 14.239 | M-00-MC-40-0201 | 511,000 | 12,669 |
| | 14.239 | M-01-MC-40-0201 | 569,000 | 109,977 |
| | 14.239 | M-02-MC-40-0201 | 569,000 | 362,250 |
| | 14.239 | M-03-MC-40-0202 | 557,461 | 81,078 |
| | 14.239 | M-04-MC-40-0202 | 556,544 | 11,129 |
| Sub-total CFDA 14.239 | | | | <u>577,103</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>\$ 4,913,005</u> | <u>\$ 1,501,681</u> |
| <u>U.S. Department of Justice</u> | | | | |
| Fitness and Wellness Grant | 97.044 | EMW-2003-FG-11871 | 57,274 | 19,358 |
| Pass through Oklahoma Highway Safety Department: Lawton Project Under 21 | 16.727 | 2002-AH-FX-0012-04B | | 6,028 |
| Weed and Seed Grant | 16.595 | 2004-WS-Q4-0224 | 225,000 | 137,649 |
| Total U.S. Department of Justice | | | <u>\$ 282,274</u> | <u>\$ 163,035</u> |
| <u>National Community Service Agency</u> | | | | |
| Retired Senior Volunteer Program | 94.002 | 04SRWOK008 | 27,143 | 27,143 |
| <u>Federal Emergency Management Agency</u> | | | | |
| Hazard Mitigation Grant | 97.039 | FEMA-1355-DR-OK | 254,003 | 254,003 |
| <u>U.S. Federal Highway Administration</u> | | | | |
| Pass through Oklahoma Highway Safety Department Lawton Traffic Enforcement Project | 20.600 | OP-04-03-02-01 | - | 21,651 |
| Lawton Traffic Enforcement Project | 20.600 | PT-05-03-14-02 | - | 22,222 |
| Total U.S. Federal Highway Administration | | | <u>\$ -</u> | <u>\$ 43,873</u> |
| <u>Federal Transit</u> | | | | |
| Urban Area Formula Program | 20.507 | OK-90-X064-00 | 1,022,239 | 326,430 |
| | 20.507 | OK-90-X070-00 | 863,668 | 417,277 |
| Total Federal Transit | | | <u>\$ 1,885,907</u> | <u>\$ 743,707</u> |
| <u>Department of Health and Human Services</u> | | | | |
| Medical Reserve Corps | 93.008 | US25G03059-01-1 | 50,000 | 47,179 |
| <u>Homeland Security</u> | | | | |
| First Responder Equipment Phase 2 | 16.007 | OKFREP 2 | 410,000 | 335,861 |
| First Responder Equipment Phase 3 | 16.007 | OKFREP3-29 | 35,000 | 35,000 |
| First Responder Equipment Phase 5 | 16.007 | OKFREP5-83 | 12,000 | 12,000 |
| Total Homeland Security | | | <u>\$ 457,000</u> | <u>\$ 382,861</u> |
| Total Federal Awards | | | <u>\$ 7,869,332</u> | <u>\$ 3,163,482</u> |

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ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

Footnotes to Schedule of Expenditures of Federal Awards:

- K1. The Schedule of Expenditures of Federal Awards is prepared on an accrual basis of accounting. The expenditures are recorded when the liability is incurred regardless of when the award proceeds are received.

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ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2005

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