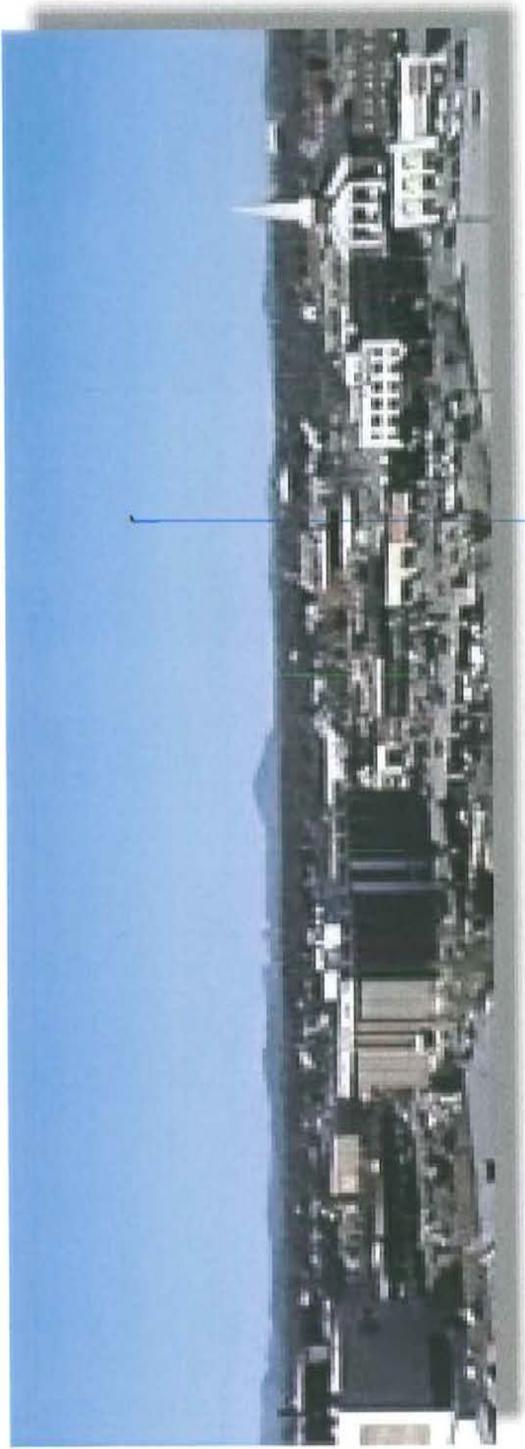


*City of
Lawton, Oklahoma*



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

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2008



THE CITY OF LAWTON, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2008**

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2008**

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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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lawton Metropolitan Area Airport Authority, the Lawton Arts and Humanities Council, the McMahon Auditorium Authority, the Lawton Area Transit System, and the Museum of the Great Plains Trust Authority, which represent, which represent 97 percent, 99 percent, and 59 percent, respectively, of the assets, net assets, and revenues of the 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 opinion, insofar as it relates to the amounts included for the discretely presented component units and the Pension Trust Fund, is based on the report of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawton, Oklahoma, as of June 30, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2009, 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.

The Management's Discussion and Analysis, Pension Plan Funding Schedules, and Budgetary Comparison Schedules, as listed in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal and State Awards, Schedule of Changes in Fund Balances – Non-major Governmental Funds, and The Debt Service Coverage Schedule, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Performer Analysis, as listed in the table of contents, has not been audited by us and, accordingly, we express no opinion on such data.


July 27, 2008
Edmond, Oklahoma

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2008**

MANAGEMENT DISCUSSION AND ANALYSIS

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2008**

Our discussion and analysis of the City of Lawton's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2008, the City's total net assets increased by \$8.6 million or 4.7% from the prior year.
- During the year, the City's expenses for governmental activities were \$64.2 million and were funded by program revenues of \$15 million and further funded with taxes and other general revenues that totaled \$47.9 million.
- In the City's business-type activities, such as utilities, program revenues exceeded expenses by \$9.2 million.
- Sales and use taxes increased by \$3.3 million or 10% over the prior fiscal year. In January 2008, the voters approved to increase the sales tax by .375 cents.
- At June 30, 2008, the General Fund reported an unreserved, undesignated fund balance of \$8.4 million, which is an increase of 7.1% from the prior year.
- For budgetary reporting purposes, the General Fund reported revenues in excess of estimates by \$2,181,108 or 5.0%, while expenditures were under final appropriations by \$2,616,438 or 5.8%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

About the City

The City of Lawton is an incorporated municipality with a population of approximately 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'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 seven 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. The Trust is report a the Special Revenue Mass Transit Fund.
- **Lawton Urban Homestead Authority** – public trust created to purchase and maintain property, buildings and facilities to upgrade neighborhood areas in accordance with the Urban Homesteading Program of the City
- **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

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2008**

- **Lawton Economic Development Authority** – 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
- **Lawton Metropolitan Planning Organization** – public trust created to coordinate planning and development of transportation activities within the Lawton Metropolitan area.

Using This Annual Report

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

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

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

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

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2008**

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2008**

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

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$189,860,739 at the close of the most recent fiscal year.

**Table 1
Net Assets
(In Thousands)**

	Governmental		% Inc. (Dec.)	Business-type		% Inc. (Dec.)	Total		% Inc. (Dec.)
	Activities			Activities			Primary Government		
	2008	(Restated) 2007	2008	(Restated) 2007	2008	(Restated) 2007			
Current and other assets	\$ 64,704	\$ 46,549	39%	\$ 14,602	\$ 24,002	-39%	\$ 79,306	\$ 70,551	12%
Capital assets	68,210	69,067	-1%	157,415	138,785	13%	225,625	207,852	9%
Total assets	132,914	115,616	15%	172,017	162,787	6%	304,931	278,403	10%
Long-term debt outstanding	25,135	26,559	-5%	74,554	59,910	24%	99,689	86,469	15%
Other liabilities	13,929	8,015	74%	1,453	1,608	-10%	15,382	9,623	60%
Total liabilities	39,064	34,574	13%	76,007	61,518	24%	115,071	96,092	20%
Net assets:									
Invested in capital assets, net of debt	50,071	51,625	-3%	86,669	89,983	-4%	136,740	141,608	-3%
Restricted	39,806	27,179	46%	4,787	5,733	-17%	44,593	32,912	35%
Unrestricted	3,973	2,238	78%	4,554	5,553	-18%	8,527	7,791	9%
Total net assets	\$ 93,850	\$ 81,042	16%	\$96,010	\$ 101,269	-5%	\$189,860	182,311	4%

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. For 2008, this investment in capital assets, net of related debt amounted to \$136,739,931. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A major portion of the City's net assets, \$44,593,144 also represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$8,527,664, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets for the government as a whole, as well as for the governmental and business-type activities.

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

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2008**

Governmental Activities:

Other Liabilities – Increase of \$5.9 million (74%) due to an increase in accrued payables related to large capital purchases and an escrow account of \$500,000.

Restricted Net Assets – Increase of \$12.6 million (46%) due mainly to an increase in the 2005 CIP restricted funds of \$8.8 million from unspent transfers from the Enterprise Fund related to draws on the OWRB notes.

Business-Type Activities:

Long-term Debt Outstanding – Increase of \$14.6 million (24%) due primarily to draws on OWRB notes of \$18.4 million and normal debt service principal payments of \$1.2 million.

Changes in Net Assets

For the year ended June 30, 2008, net assets of the primary government changed as follows:

Table 2
Changes in Net Assets
(In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total Primary Government		% Inc. (Dec.)
	2008	2007		2008	2007		2008	2007	
Revenues:									
Program revenues:									
Charges for services	\$ 8,784	\$ 6,935	27%	\$ 32,022	\$ 31,280	2%	\$ 40,806	\$ 38,215	7%
Operating grants and contributions	6,130	4,190	46%	430	761	-43%	6,560	4,951	32%
Capital grants and contributions	90	389	-77%	269	-	-	359	389	-8%
General revenues:									
Sales and use taxes	35,980	32,713	10%	-	-	-	35,980	32,713	10%
Other taxes	8,918	7,147	25%	-	-	-	8,918	7,147	25%
Other general revenue	3,056	4,428	-31%	630	888	-29%	3,686	5,316	-31%
Total revenues	<u>62,958</u>	<u>55,802</u>	13%	<u>33,351</u>	<u>32,929</u>	1%	<u>96,309</u>	<u>88,731</u>	9%
Program expenses:									
General government	9,594	10,346	-7%	-	-	-	9,594	10,346	-7%
Public safety	30,314	25,594	18%	-	-	-	30,314	25,594	18%
Public works and streets	10,478	8,644	21%	-	-	-	10,478	8,644	21%
Health	-	-	-	-	-	-	-	-	-
Transportation	4,044	1,806	124%	-	-	-	4,044	1,806	124%
Cultural, parks and recreation	7,915	7,282	9%	-	-	-	7,915	7,282	9%
Community/economic development	862	1,020	-15%	-	-	-	862	1,020	-15%
Interest	982	977	1%	-	-	-	982	977	1%
Water	-	-	-	10,907	13,782	-21%	10,907	13,782	-21%
Sewer	-	-	-	9,253	8,565	8%	9,253	8,565	8%
Sanitation	-	-	-	3,406	3,359	1%	3,406	3,359	1%
Total expenses	<u>64,189</u>	<u>55,669</u>	15%	<u>23,566</u>	<u>25,706</u>	-8%	<u>87,755</u>	<u>81,375</u>	8%
Excess (deficiency) before transfers	(1,231)	133	1026%	9,785	7,223	35%	8,554	7,356	16%
Transfers	<u>15,829</u>	<u>11,521</u>	37%	<u>(15,829)</u>	<u>(11,521)</u>	37%	<u>-</u>	<u>-</u>	-
Increase (decrease) in net assets	<u>\$ 14,598</u>	<u>\$ 11,654</u>	25%	<u>\$ (6,044)</u>	<u>\$ (4,298)</u>	-41%	<u>\$ 8,554</u>	<u>\$ 7,356</u>	16%

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2008**

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

Governmental Activities:

Charges for Services – Increase of \$1.8 million (27%) due to an increase in the impact fees, cellular service fees, and other items.

Operating grants and contributions – Increase of \$ 1.9 million (46%) due to an increase in grants for the mass transit system of \$1.3 million.

Other taxes – Increase of \$1.7 million (25%) due to an increase in ad valorm taxes of .7 million and an increase in hotel/motel tax and franchise taxes.

Public Works and Streets Expenses – Increase of \$1.8 million (21%) due mainly to a \$1.1 2 million for on uncapitalized capital outlay.

Transportation Expense – Increase of \$3.9 (124%) million due to payments to the component units related to transportation.

Business-Type Activities:

Water, Expenses – Decrease of \$2.9 million (21%) due primarily to decrease in uncapitalized capital outlay.

Transfers Out – Increase of \$4.3 million (37%) resulting from increase in excess utility payments transferred to the General Fund of \$1.9 million and \$1.2 million increase in transfer to 2008 CIP Fund for restricted sales tax.

Governmental Activities

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

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2008**

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2008	2007		2008	2007	
	General government	\$9,594		\$10,346	-7%	
Public safety	30,314	25,594	18%	(27,787)	(23,840)	17%
Public works and streets	10,478	8,644	21%	(8,459)	(6,872)	23%
Culture, parks and recreation	7,915	7,282	9%	(7,354)	(6,852)	7%
Community/economic development	862	1,020	-15%	(862)	586	247%
Transportation	4,044	1,806	124%	(2,465)	(423)	483%
Interest on long-term debt	982	977	1%	(982)	(977)	1%
Total	\$64,189	\$55,669	15%	(\$49,185)	(\$44,155)	11%

For the year ended June 30, 2008 total expenses for governmental activities amounted to \$64.2 million which was a slight increase from the prior year of 15%. See Table 2 above for explanations of changes in excess of \$1 million and 20%.

Business-type Activities

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2008	2007		2008	2007	
	Water	\$ 10,907		\$ 13,782	-21%	
Wastewater	9,253	8,565	8%	511	713	-28%
Sanitation	3,406	3,359	1%	2,636	2,319	14%
Total	\$ 23,566	\$ 25,706	-8%	\$ 9,155	\$ 6,335	45%

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

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

- Total business-type activities reported net revenues of \$9.2 million for the year ended June 30, 2008.
- All individual activities reported net revenue for the years ended June 30, 2008 and June 30, 2007.

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2008**

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2008 fiscal year, the governmental funds reported a combined fund balance of \$55.8 million or a 32.5% increase of \$13.7 million mainly due to unspent transfers into the 2005 CIP Fund of \$8.7 million. The enterprise funds reported combined net assets of \$96 million or a 5.9% decrease from 2007.

Other fund highlights include:

- For the year ended June 30, 2008, the General Fund's total fund balance increased by \$571,268 or 7.1% due mainly to increased tax revenues of \$4.1 million.
- The 2005 CIP Fund's total fund balance increased by \$8.8 million or 41.6% due to an increase in transfers in of approximately \$13.5 million.

		<u>Fund Balance/Net Assets</u>	
Governmental Funds		Proprietary Funds	
Reserved for encumbrances and other purposes	\$ 5,672,126	Invested in capital assets, net of related debt	\$ 86,668,647
Unreserved	<u>50,080,983</u>	Restricted for debt service and other	4,787,306
		Unrestricted	<u>4,554,482</u>
Total Fund Balance	<u>\$ 55,753,109</u>	Total Net Assets	<u>\$ 96,010,435</u>

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the General Fund budget various times. Actual revenues exceeded estimates by \$2,181,108 or 5.0%, while expenditures were under final appropriations by \$2,616,438 or 5.8%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2008, the City had \$225.6 million invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines. (See table below). This represents a net increase of \$19.6 million or 9.5% over last year.

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2008</u>	<u>Restated 2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>Restated 2007</u>
Land	\$ 3,010,956	\$ 3,010,956	\$ 1,405,554	\$ 1,405,554	\$ 4,416,510	\$ 4,416,510
Buildings and utility infrastructure	13,248,699	13,757,735	105,039,154	109,120,723	118,287,853	122,878,458
Machinery, furniture and equipment	7,590,064	6,521,415	4,041,426	3,669,776	11,631,490	10,191,191
Infrastructure	25,850,277	27,313,652	-	-	25,850,277	27,313,652
Unamortized water rights	-	-	16,307,008	16,307,008	16,307,008	16,307,008
Construction in progress	<u>18,509,588</u>	<u>16,640,123</u>	<u>30,622,202</u>	<u>8,281,926</u>	<u>49,131,790</u>	<u>24,922,049</u>
Totals	<u>\$ 68,209,584</u>	<u>\$ 67,243,881</u>	<u>\$ 157,415,344</u>	<u>\$ 138,784,987</u>	<u>\$ 225,624,928</u>	<u>\$ 206,028,868</u>

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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This year's more significant capital asset additions included:

Water Infrastructure PH 2 – Tower	\$1,444,609
Water Infrastructure PH – Lines	\$2,225,212
SE Water Treatment Plant	\$18,855,660

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

Long- Term Debt

At year-end, the City had \$100 million in long-term debt outstanding which represents a \$13.7 million or 15.9% increase from the prior year. The City's changes in long-term debt by type of debt are as follows:

**TABLE 6
Primary Government Long-Term Debt**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2008</u>	Restated <u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	Restated <u>2007</u>
Accrued absences	\$ 4,463,411	\$ 4,233,686	\$ 690,367	\$ 639,016	\$ 5,153,778	\$ 4,872,702
General Obligation Bonds	16,395,000	19,020,000	-	-	16,395,000	19,020,000
General Obligation Bond Premium	126,047	135,743	-	-	126,047	135,743
Worker's Compensation	571,395	745,339	392,633	515,270	964,028	1,260,609
Judgments Payable	1,173,928	1,079,274	-	-	1,173,928	1,079,274
Revenue Bonds	-	-	5,785,000	7,105,000	5,785,000	7,105,000
Revenue Bonds Premium	-	-	240,416	320,554	240,416	320,554
Notes Payable	2,000,000	-	46,759,089	30,363,537	48,759,089	30,363,537
Contracts Payable	-	-	17,075,497	17,569,776	17,075,497	17,569,776
Landfill Closure and Post-closure	-	-	3,610,793	3,397,120	3,610,793	3,397,120
Capital Leases	976,887	1,344,730	-	-	976,887	1,344,730
Totals	<u>\$ 25,706,668</u>	<u>\$ 26,558,772</u>	<u>\$ 74,553,795</u>	<u>\$ 59,910,273</u>	<u>\$ 100,260,463</u>	<u>\$ 86,469,045</u>

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

The Upcoming Year

For Fiscal Year 2008-2009 the City of Lawton will be facing some very difficult rate increase issues. Although sales tax continues to grow at a very steady pace it is not enough to keep up with the cost of doing service. The National economy is seeing unprecedented increases in fuel and fuel related products which are driving up the cost of goods and services for the City of Lawton. Therefore it is necessary for the City to implement significant rate increases in its water, sewer and refuse services.

The FY 2008-2009 expenditures budget will increase approximately \$8 million dollars. These increases are primarily a reflection of the national and state economic trends in areas such as fuel, electricity and natural gas. Of course the cost of materials and chemicals to operate our Water Plants has in some cases increased by 35% - 40%. The City will be recommending a \$2.00 surcharge to specifically address our

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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fuel shortages. Also during this fiscal year the City's general employee group will be organized under the bargaining unit know as AFSCME and will have obligations under that particular contract to fund employee wages and benefits. For this fiscal year the City also has contract with both Fire and Police bargaining units.

The capital needs of the city will continue to play a dominant role in the over all success of the city in fulfilling its service requirements to the citizens of Lawton. The will continue with a \$6.00 "Rolling Stock" fee on each City of Lawton service bill to help purchase much needed Police and Fire vehicles, as well as Automated Trash Trucks. Projected resources from this special fund are approximately \$2.8 million.

As mentioned above Water and Sewer rates are expected to significantly increase during this fiscal year in order to fund some of the increases that we continue to see from the cost of materials and supplies. The City is not only anticipating revenue increases but has taken an active role to reduces costs by implementing many energy related cost effective measures by installing more efficient lighting, heat and air conditioning systems. We have also instituted measures to conserve fuel in the operation of our vehicles.

Due to the instability of our National and State economy we anticipate this to be a very unpredictable year from a revenue standpoint and will be as prepared as possible to address any revenue issues that may come our way,

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
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BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF LAWTON, OKLAHOMA
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Statement of Net Assets— June 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and cash equivalents	\$23,614,457	\$4,687,236	\$28,301,693	\$1,337,852
Investments	33,525,224	4,896,104	38,421,328	-
Interest receivable	168,307	25,614	193,921	3,821
Accounts receivable, net	513,193	4,332,642	4,845,835	47,656
Inventory	-	-	-	29,070
Due from primary government	-	-	-	378,036
Due from other governments	6,685,837	-	6,685,837	68,480
Internal balances	166,171	(166,171)	-	-
Prepaid items	-	-	-	11,110
Other assets	-	-	-	8,943
Capital assets:				
Land and construction in progress	21,520,544	32,027,756	53,548,300	1,603,725
Other capital assets, net of depreciation	46,689,040	125,387,587	172,076,627	14,265,481
Unamortized bond issuance costs	31,258	826,167	857,425	66,250
Total assets	132,914,031	172,016,935	304,930,966	17,820,424
LIABILITIES:				
Accounts payable and accrued liabilities	8,723,192	566,011	9,289,203	148,927
Escrow liability	595,221	-	595,221	-
Due to component unit	378,036	-	378,036	-
Grants payable	-	-	-	4,500
Accrued interest payable	62,594	886,694	949,288	-
Deferred revenue	-	-	-	2,895
Net pension obligation	3,598,016	-	3,598,016	-
Long-term liabilities:				
Due within one year	4,639,846	4,954,661	9,594,507	-
Due in more than one year	21,066,822	69,599,134	90,665,956	3,721,108
Total liabilities	39,063,727	76,006,500	115,070,227	3,877,430
NET ASSETS:				
Invested in capital assets, net of related debt	50,071,284	86,668,647	136,739,931	15,869,206
Restricted for:				
Debt service	1,452,423	4,049,015	5,501,438	116,963
Capital projects	34,238,876	-	34,238,876	-
Grantor purposes	2,536,551	-	2,536,551	-
Landfill financial assurance	-	738,291	738,291	-
Other purposes	1,577,988	-	1,577,988	364,251
Unrestricted	3,973,182	4,554,482	8,527,664	(2,407,426)
Total net assets	\$93,850,304	\$96,010,435	\$189,860,739	13,942,994

See accompanying notes to the basic financial statements.

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As of and for the Year Ended June 30, 2008

Statement of Activities –Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental activities:								
General government	\$11,887,424	\$5,187,705	3,129,843	-	(3,569,876)	-	(\$3,569,876)	-
Public safety	30,159,018	1,694,683	742,118	90,000	(27,632,217)	-	(\$27,632,217)	-
Public works and streets	10,430,944	1,183,522	835,640	-	(8,411,782)	-	(\$8,411,782)	-
Culture and recreation	7,872,782	419,524	141,609	-	(7,311,649)	-	(\$7,311,649)	-
Community development	669,435	-	-	-	(669,435)	-	(\$669,435)	-
Transportation	1,990,743	298,770	1,280,430	-	(411,543)	-	(\$411,543)	-
Economic development - payment to component unit	193,200	-	-	-	(193,200)	-	(\$193,200)	-
Culture and recreation - payment to component unit	3,429	-	-	-	(3,429)	-	(\$3,429)	-
Interest on long-term debt	982,191	-	-	-	(982,191)	-	(\$982,191)	-
Total governmental activities	64,189,166	8,784,204	6,129,640	90,000	(49,185,322)	-	(49,185,322)	-
Business-type activities:								
Water	10,906,754	16,914,621	-	-	-	6,007,867	6,007,867	-
Wastewater	9,252,935	9,065,031	430,194	268,694	-	510,984	510,984	-
Sanitation	3,406,227	6,042,097	-	-	-	2,635,870	2,635,870	-
Total business-type activities	23,565,916	32,021,749	430,194	268,694	-	9,154,721	9,154,721	-
Total primary government	\$87,755,082	\$40,805,953	\$6,559,834	\$358,694	(49,185,322)	9,154,721	(40,030,601)	-
Component Units:								
Airport	\$2,333,876	\$1,094,766	607,852	1,627,849	-	-	-	\$996,591
Culture and recreation	875,716	245,644	602,041	-	-	-	-	(28,031)
Economic development	3,887,022	-	264,185	-	-	-	-	(3,622,837)
Total component units	\$7,096,614	\$1,340,410	\$1,474,078	1,627,849	-	-	-	(2,654,277)
General revenues:								
Taxes:								
Sales and use taxes					35,979,796	-	35,979,796	-
Tax increment financing sales taxes					847,549	-	847,549	-
Property tax					4,174,720	-	4,174,720	-
Franchise and public service taxes					2,872,815	-	2,872,815	-
Hotel motel taxes					1,023,228	-	1,023,228	-
Intergovernmental revenue not restricted to specific programs					734,946	-	734,946	-
Investment income					1,724,238	475,695	2,199,933	37,058
Miscellaneous					597,251	154,098	751,349	-
Payment from primary government					-	-	-	196,629
Transfers - Internal activity					15,829,144	(15,829,144)	-	-
Total general revenues and transfers					63,783,687	(15,199,351)	48,584,336	233,687
Change in net assets					14,598,365	(6,044,630)	8,553,735	(2,420,590)
Net assets - beginning, restated					79,251,939	102,055,065	181,307,004	16,363,584
Net assets - ending					\$93,850,304	\$96,010,435	\$189,860,739	\$13,942,994

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
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BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Governmental Funds Balance Sheet - June 30, 2008

	<u>General Fund</u>	<u>2005 CIP Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and cash equivalents	\$ 924,526	\$ 7,489,680	\$ 13,815,132	\$ 22,229,338
Investments	2,582,193	26,691,806	4,251,225	33,525,224
Receivables:				
Accounts receivable	16,117	-	497,076	513,193
Accrued interest receivable	43,660	106,481	18,166	168,307
Due from other funds	427,497	-	420,837	848,334
Due from other governments and entities	6,619,958	-	65,879	6,685,837
 Total assets	 <u>\$ 10,613,951</u>	 <u>\$ 34,287,967</u>	 <u>\$ 19,068,315</u>	 <u>\$ 63,970,233</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,026,578	\$ 3,907,910	\$ 927,215	\$ 6,861,703
Escrow liability	-	595,221	-	595,221
Due to other funds	-	-	382,163	382,163
Due to component unit	-	-	378,036	378,036
 Total liabilities	 <u>2,026,578</u>	 <u>4,503,131</u>	 <u>1,687,414</u>	 <u>8,217,123</u>
Fund Balances:				
Reserved for:				
Encumbrances and other purposes	154,198	3,934,436	1,583,492	5,672,126
Unreserved	8,433,175	25,850,400	-	34,283,575
Unreserved, reported in:				
Special Revenue Funds	-	-	10,598,335	10,598,335
Capital Project Funds	-	-	4,451,425	4,451,425
Debt Service Funds	-	-	747,649	747,649
 Total fund balances	 <u>8,587,373</u>	 <u>29,784,836</u>	 <u>17,380,901</u>	 <u>55,753,110</u>
 Total liabilities and fund balances	 <u>\$ 10,613,951</u>	 <u>\$ 34,287,967</u>	 <u>\$ 19,068,315</u>	 <u>\$ 63,970,233</u>

See accompanying notes to the basic financial statements.

CITY OF LAWTON, OKLAHOMA
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As of and for the Year Ended June 30, 2008

Governmental Funds Statement of Changes in Fund Balances – Year Ended June 30, 2008

	General Fund	2005 CIP Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$40,411,133	-	\$5,197,948	\$45,609,081
Intergovernmental	931,146	-	3,624,510	4,555,656
Charges for services	-	-	-	-
Fines and forfeitures	2,826,662	-	558,219	3,384,881
Licenses and permits	1,181,036	-	4,035,360	5,216,396
Investment income	621,745	\$842,845	259,648	1,724,238
Miscellaneous	568,714	1,154,039	745,382	2,468,135
Total Revenues	46,540,436	1,996,884	14,421,067	62,958,387
Expenditures:				
Current:				
General government	7,103,190	-	1,822,934	8,926,124
Public safety	23,299,792	-	2,139,374	25,439,166
Public works and streets	7,768,898	-	-	7,768,898
Culture and recreation	4,947,474	-	1,408,656	6,356,130
Community development	-	-	617,058	617,058
Transportation	-	-	1,990,743	1,990,743
Capital outlay	470,956	27,490,900	5,707,474	33,669,330
Debt service:				
Principal retirement	-	-	3,261,537	3,261,537
Interest and fiscal charges	-	-	929,294	929,294
Judgments	-	-	547,221	547,221
Total Expenditures	43,590,310	27,490,900	18,424,291	89,505,501
Excess (deficiency) of revenues over expenditures	2,950,126	(25,494,016)	(4,003,224)	(26,547,114)
Other Financing Sources (Uses):				
Bond proceeds	-	-	2,268,694	2,268,694
Transfers in	14,632,639	36,234,081	6,613,332	57,480,052
Transfers out	(17,008,068)	(1,982,893)	(325,892)	(19,316,853)
Transfer to discretely presented component unit	(3,429)	-	(193,200)	(196,629)
Total Other Financing Sources (Uses)	(2,378,858)	34,251,188	8,362,934	40,235,264
Net change in fund balances	571,268	8,757,172	4,359,710	13,688,150
Fund balances - beginning, restated	8,016,105	21,027,664	13,021,191	42,064,960
Fund balances - ending	\$8,587,373	\$29,784,836	\$17,380,901	\$55,753,110

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
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As of and for the Year Ended June 30, 2008**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Assets Reconciliation:

Fund balances of governmental funds	\$55,753,110
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 \$52,292,512.	<u>67,875,591</u>
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Unamortized bond issuance costs	<u>31,258</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>(607,316)</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	(16,395,000)
Unamortized debt premium	(126,047)
Accrued interest payable	(62,594)
Capital lease payables	(976,887)
Accrued compensated absences	(4,298,472)
Accrued workers compensation claims	(571,395)
Note payable	(2,000,000)
Judgments payable	(1,173,928)
Net pension obligation	<u>(3,598,016)</u>
	<u>(29,202,339)</u>
Net assets of governmental activities	<u><u>\$93,850,304</u></u>

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Changes in Fund Balances – Changes in Net Assets Reconciliation:

Net change in fund balances - total governmental funds \$13,688,150

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	27,154,008
Loss on disposal of capital asset	(12,605)
Capital assets transferred to business-type activities	(22,340,276)
Depreciation expense	(3,769,717)
	1,031,410

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	(641,875)
Judgment payments	547,221
Capital lease proceeds	(268,694)
Capital lease principal payments	636,537
General obligation bond principal payments	2,625,000
Note payable proceeds	(2,000,000)
Net pension obligation increase	(784,097)
	114,092

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

Change in accrued interest payable	(62,594)
Change in accrued compensated absences	(211,168)
Change in amortization of bond premium	9,696
Change in amortization of bond issue costs	(2,405)
Change in accrued worker's compensation claims	173,944
	(92,527)

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	(142,760)
	(142,760)

Change in net assets of governmental activities \$14,598,365

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
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BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Proprietary Funds Statement of Net Assets - June 30, 2008

	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$2,638,433	\$1,385,119
Investments	2,743,010	-
Accounts receivable, net	4,332,642	-
Interest receivable	25,614	-
	<u>9,739,699</u>	<u>1,385,119</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and cash equivalents	2,048,803	-
Investments	2,153,094	-
Unamortized bond and note issue costs	826,167	-
Land and construction in progress	32,027,756	-
Other capital assets, net	125,387,587	333,993
Total noncurrent assets	<u>162,443,407</u>	<u>333,993</u>
Total assets	<u>172,183,106</u>	<u>1,719,112</u>
LIABILITIES:		
Current Liabilities:		
Accounts payable and accrued liabilities	226,503	1,824,667
Accrued wages payable	339,508	36,822
Accrued interest payable	886,694	-
Due to other funds	166,171	300,000
Accrued compensated absences	82,499	19,709
Claims liability	196,217	-
Contract payable - Waurika note	511,395	-
Settlement obligation	-	-
Capital lease obligations	-	-
Notes payable	2,804,550	-
Revenue bonds payable	1,360,000	-
Total current liabilities	<u>6,573,537</u>	<u>2,181,198</u>
Noncurrent liabilities:		
Accrued compensated absences	607,868	145,230
Claims liability	196,416	-
Landfill post closure liability	3,610,793	-
Contract payable	16,564,102	-
Notes payable	43,954,539	-
Revenue bonds payable, net	4,665,416	-
Total noncurrent liabilities	<u>69,599,134</u>	<u>145,230</u>
Total liabilities	<u>76,172,671</u>	<u>2,326,428</u>
NET ASSETS:		
Invested in capital assets, net of related debt	86,668,647	333,993
Restricted for debt service	4,049,015	-
Restricted for landfill financial assurance	738,291	-
Unrestricted	4,554,482	(941,309)
Total net assets	<u>\$96,010,435</u>	<u>(\$607,316)</u>

See accompanying notes to the basic financial statements.

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2008

Proprietary Funds Statement of Changes in Net Assets - Year Ended June 30, 2008

	Enterprise Fund	Internal Service Funds
Operating Revenues:		
Pledged as security for revenue bonds and notes:		
Charges for services	\$32,005,905	-
Unpledged revenues:		
Charges for services	-	\$7,207,142
Fees, licenses and permits	-	-
Rentals	149,651	-
Other sources	444,204	-
 Total operating revenues	 32,599,760	 7,207,142
Operating Expenses:		
General government and claims	700	6,697,155
Public works operations	15,703,640	-
Computer service operations	-	580,594
Depreciation expense	4,991,856	133,742
Amortization expense	309,432	-
Landfill closure expense	213,673	-
 Total operating expenses	 21,219,301	 7,411,491
 Operating income (loss)	 11,380,459	 (204,349)
Non-Operating Revenues (Expenses):		
Investment income	475,693	27,189
Interest expense and fiscal charges	(2,278,222)	-
Non-capital grants	-	-
Gain (Loss) on asset retirement	(68,392)	34,400
Other non-operating revenue	6,282	-
 Total non-operating revenues (expenses)	 (1,864,639)	 61,589
 Net income (loss) before contributions and transfers	 9,515,820	 (142,760)
Capital contributions	22,602,749	-
Transfers in	2,451,997	-
Transfers out	(40,615,196)	-
 Change in net assets	 (6,044,630)	 (142,760)
 Total net assets - beginning	 102,055,065	 (464,556)
 Total net assets - ending	 \$96,010,435	 (\$607,316)

See accompanying notes to the basic financial statements.

CITY OF LAWTON, OKLAHOMA
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Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2008

	Enterprise Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 31,878,194	\$ 7,208,053
Payments to suppliers	(6,346,798)	-
Payments to employees	(9,685,340)	(562,038)
Receipts from interfund loan	166,171	-
Claims and benefits paid	-	(5,304,129)
Net Cash Provided by Operating Activities	16,012,227	1,341,886
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	2,451,997	-
Transfers to other funds	(40,615,194)	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	(38,163,197)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from notes issued	18,367,602	-
Capital assets purchased	(1,285,111)	(33,947)
Principal paid on capital debt	(3,006,947)	-
Interest and fiscal charges paid on capital debt	(2,277,002)	-
Proceeds from sale of capital assets	-	33,948
Net Cash Provided by (Used in) Capital and Related Financing Activities	11,798,542	1
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	7,172,861	-
Interest and dividends	522,169	27,189
Net Cash Provided by (Used in) Investing Activities	7,695,030	27,189
Net Increase (Decrease) in Cash and Cash Equivalents	(2,657,398)	1,369,076
Balances - beginning of the year	7,344,634	16,043
Balances - end of the year	\$ 4,687,236	\$ 1,385,119
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents	\$ 2,638,433	\$ 1,385,119
Restricted cash and cash equivalents	2,048,803	-
Total cash and cash equivalents	\$ 4,687,236	\$ 1,385,119
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$11,380,457	\$ (204,349)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	4,991,856	133,742
Amortization expense	309,432	-
Landfill closure expense	213,673	-
Other miscellaneous revenue	6,282	-
Change in assets and liabilities:		
Receivables, net	(727,846)	911
Accounts payables	(256,512)	1,393,026
Claims liability	(122,637)	-
Settlement liability	-	-
Due to other funds	166,171	-
Accrued wages payable	-	-
Accrued compensated absences	51,351	18,556
Net Cash Provided by Operating Activities	\$ 16,012,227	\$ 1,341,886
Non-cash activity:		
Non-cash capital contributions received	\$ 22,602,749	\$ -
Capital assets disposed	(260,574)	(89,568)

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS - FIDUCIARY FUNDS

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Fiduciary Funds Statement of Net Assets - June 30, 2008

	City Employees Retirement Trust Fund	Agency Funds
ASSETS:		
Cash and cash equivalents	\$492,150	\$664,553
Investments, at book value	1,166,709	619,404
Investments, at market value:		
United States government securities and agencies	22,959,931	-
United States government money market	913,710	-
Mutual Funds	13,834,702	-
Certificates of deposit	664,877	-
Interest receivable	101,305	6,165
Employer contributions receivable	60,511	-
Employee contributions receivable	36,306	-
Total assets	\$40,230,201	\$1,290,122
LIABILITIES:		
Due to depositors	-	1,262,634
Other payables	-	27,488
Total liabilities	-	\$1,290,122
NET ASSETS:		
Held in trust for pension benefits	\$40,230,201	

See accompanying notes to the basic financial statements.

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Pension Trust Fund Statement of Changes in Plan Net Assets – Year Ended June 30, 2008

	<u>City Employees Retirement Trust Fund</u>
ADDITIONS:	
Contributions:	
Members	\$ 929,956
Employer	1,553,635
Total Contributions	<u>2,483,591</u>
Investment Income (Loss):	
Net decrease in fair value of investments	(1,476,202)
Interest, dividends, and other	4,877,692
Total investment income (loss)	<u>3,401,490</u>
Less investment expense:	
Investment activity expense	<u>(178,638)</u>
Net investment income (loss)	<u>3,222,852</u>
Total Additions	<u>5,706,443</u>
DEDUCTIONS:	
Benefits paid to participants or beneficiaries	2,502,627
Refunds and transfers to other systems	786,762
Administrative expense	18,513
Total Deductions	<u>3,307,902</u>
Change in net assets held in trust for employees' pension benefits	2,398,541
Net assets--beginning	37,831,660
Net assets--ending	<u><u>\$ 40,230,201</u></u>

See accompanying notes to the basic financial statements.

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COMBINING FINANCIAL STATEMENTS - COMPONENT UNITS

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Component Units – Combining Statement of Net Assets - June 30, 2008

	LAWTON METROPOLITAN AREA AIRPORT AUTHORITY	LAWTON ARTS AND HUMANITIES COUNCIL	MCMAHON AUDITORIUM AUTHORITY	MUSEUM OF THE GREAT PLAINS TRUST AUTHORITY	LAWTON ECONOMIC DEVELOPMENT AUTHORITY	LAWTON METROPOLITAN PLANNING ORGANIZATION	TOTALS
ASSETS							
Current Assets:							
Cash, including time deposits	\$ 369,078	\$ 52,523	\$ 66,679	\$ 248,745	\$ -	\$ 62,707	\$ 799,732
Restricted cash	538,120	-	-	-	-	-	538,120
Accounts receivable	46,639	-	718	299	-	-	47,656
Inventory	-	-	-	29,070	-	-	29,070
Due from other governments	63,980	4,500	-	-	378,036	-	446,516
Restricted accrued interest receivable	3,821	-	-	-	-	-	3,821
Prepaid expenses	10,152	958	-	-	-	-	11,110
Other Assets	-	-	-	8,943	-	-	8,943
Total current assets	1,031,790	57,981	67,397	287,057	378,036	62,707	1,884,968
Noncurrent Assets:							
Capital Assets:							
Land and construction in progress	1,603,725	-	-	-	-	-	1,603,725
Depreciable, net of accumulated depreciation	12,945,456	3,870	51,490	1,256,984	-	7,681	14,265,481
Unamortized note issuance costs	-	-	-	-	66,250	-	66,250
Total noncurrent assets	14,549,181	3,870	51,490	1,256,984	66,250	7,681	15,935,456
Total Assets	\$ 15,580,971	61,851	118,887	1,544,041	444,286	70,388	\$ 17,820,424
LIABILITIES							
Current Liabilities:							
Accounts payable and accrued liabilities	78,265	-	782	33,580	36,300	-	148,927
Grants payable	-	4,500	-	-	-	-	4,500
Deferred revenue	-	2,775	120	-	-	-	2,895
Total current liabilities	78,265	7,275	902	33,580	36,300	-	156,322
Noncurrent Liabilities:							
Accrued compensated absences	9,291	-	-	31,330	-	-	40,621
Notes payable	-	-	-	-	3,680,487	-	3,680,487
Total noncurrent liabilities	9,291	-	-	31,330	3,680,487	-	3,721,108
Total Liabilities	87,556	7,275	902	64,910	3,716,787	-	3,877,430
NET ASSETS							
Investment in capital assets, net of related debt	14,549,181	3,870	51,490	1,256,984	-	7,681	15,869,206
Restricted for grant projects	-	-	-	-	-	-	-
Restricted for land lease	364,251	-	-	-	-	-	364,251
Restricted for debt service	116,963	-	-	-	-	-	116,963
Unrestricted	463,020	50,706	66,495	222,147	(3,272,501)	62,707	(2,407,426)
Total Net Assets	\$ 15,493,415	\$ 54,576	\$ 117,985	\$ 1,479,131	\$ (3,272,501)	\$ 70,388	\$ 13,942,994

See accompanying notes to the basic financial statements.

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Component Units - Combining Statement of Changes in Net Assets - Year Ended June 30, 2008

	LAWTON METROPOLITAN AREA AIRPORT AUTHORITY	LAWTON ARTS AND HUMANITIES COUNCIL	MCMAHON AUDITORIUM AUTHORITY	MUSEUM OF THE GREAT PLAINS TRUST AUTHORITY	LAWTON ECONOMIC DEVELOPMENT AUTHORITY	LAWTON METROPOLITAN PLANNING ORGANIZATION	TOTALS
Expenses:							
Airport	\$ 2,333,876	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,333,876
Culture and recreation	-	103,614	55,933	716,169	-	-	875,716
Economic Development	-	-	-	-	3,535,502	-	3,535,502
Transportation	-	-	-	-	-	236,485	236,485
Interest expense	-	-	-	-	62,035	-	62,035
Amortization expense	-	-	-	-	53,000	-	53,000
Total expenses	<u>2,333,876</u>	<u>103,614</u>	<u>55,933</u>	<u>716,169</u>	<u>3,650,537</u>	<u>236,485</u>	<u>7,096,614</u>
Program Revenues:							
Charges for services	1,094,766	38,955	49,817	156,872	-	-	1,340,410
Operating grants and contributions	607,852	59,136	-	542,905	-	264,185	1,474,078
Capital grants and contributions	1,627,849	-	-	-	-	-	1,627,849
Total program revenues	<u>3,330,467</u>	<u>98,091</u>	<u>49,817</u>	<u>699,777</u>	<u>-</u>	<u>264,185</u>	<u>4,442,337</u>
Net revenue (expense)	996,591	(5,523)	(6,116)	(16,392)	(3,650,537)	27,700	(2,654,277)
General Revenues:							
Investment income	26,970	-	1,041	8,768	-	279	37,058
Transfer from primary government	-	3,429	-	-	193,200	-	196,629
Total general revenues	<u>26,970</u>	<u>3,429</u>	<u>1,041</u>	<u>8,768</u>	<u>193,200</u>	<u>279</u>	<u>233,687</u>
Change in Net Assets	1,023,561	(2,094)	(5,075)	(7,624)	(3,457,337)	27,979	(2,420,590)
Net Assets, beginning of year, restated	<u>14,469,854</u>	<u>56,670</u>	<u>123,060</u>	<u>1,486,755</u>	<u>184,836</u>	<u>42,409</u>	<u>16,363,584</u>
Net Assets, end of year	<u>\$ 15,493,415</u>	<u>\$ 54,576</u>	<u>\$ 117,985</u>	<u>\$ 1,479,131</u>	<u>\$ (3,272,501)</u>	<u>\$ 70,388</u>	<u>\$ 13,942,994</u>

See accompanying notes to the basic financial statements.

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FOOTNOTES TO BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Financial Reporting Entity

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

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

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

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

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

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

City Transit Trust – public trust that operates and maintain public transportation systems and facilities. The Trust is report a the Special Revenue Mass Transit Fund.

Lawton Urban Homestead Authority – created to purchase and maintain property, buildings and facilities and 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

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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 – created to promote economic development within the Lawton area

Lawton Industrial Development Authority (Presently Inactive) – created to promote industrial development within the Lawton area

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

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

Related Organizations:

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

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

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

2. Basis of Presentation and Accounting

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

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

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Government-Wide Financial Statements:

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

Governmental activities - Most of the City's basic services are reported here, including the police, fire, general administration, streets, 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 statements of net assets and activities are reported on the accrual basis of accounting and economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

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

Fund Financial Statements:

Governmental Funds:

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

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds
- 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

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Fund, Senior Crafts Fund, Animal License Fund, Elmer Thomas Park Rental 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, Special Jail Fund, Cellular Service Fund, Impact Fees Fund, Police and Fire Training Fund, and TIF Fund.

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

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.
- 2000 CIP Fund – accounts for improvements to the water treatment plant, streets and other miscellaneous water projects.
- 2008 CIP Sales Tax Fund – accounts for sales tax restricted to streets, waterline improvements, sewerline improvements, and sewer rehabilitation program.

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

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

Proprietary Funds:

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

The City's proprietary funds include the following:

Enterprise Fund

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

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Internal Service Funds (combined for reporting purposes)

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

Fiduciary Funds:

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

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

Pension Trust Fund

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

Agency Funds

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

3. Cash and Cash Equivalents, Deposits and Investments

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

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

Deposits and Investments Risks

The City of Lawton primary government and blended component units are governed by the deposit and investment limitations of state law and trust indentures. The deposits and investments held at June 30, 2008 by these entities are as follows:

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Schedule of Deposits and Investments by Type - June 30, 2008

Type	Fair Value	Credit Rating	Maturities in Years			
			On Demand	Less Than One	1 - 5	6 - 10
Demand deposits	\$ 27,272,512	n/a	\$ 27,272,512	\$ -	\$ -	\$ -
Time deposits	6,230,628	n/a	-	5,860,734	369,894	-
Government Money Market Accounts	338,724	n/a	338,724	-	-	-
U.S. Treasury Obligations	34,799,569	n/a	-	8,334,112	498,905	3,006,621
U.S. Agencies Obligations	16,568,962	AAA	-	11,310,680	1,012,260	-
Sub-Total	\$ 85,210,395		\$ 27,611,236	\$ 25,505,526	\$ 1,881,059	\$ 3,006,621
Mutual Fund Pooled U.S. Government Obligations	21,661,953	AAAm				
Other Investments	1,166,709	n/a				
Total Deposits and Investments	\$ 108,039,057					
Reconciliation to Financial Statements:						
Cash and cash equivalents	\$ 28,301,693					
Investments	38,421,328					
Retirement fund investments:						
Investments	1,166,709					
U.S. gov't security agencies	22,959,931					
U.S. gov't money market	913,710					
Retirement fund cash and cash equivalents	14,991,729					
Agency fund cash and cash equivalents	664,553					
Agency fund investments	619,404					
	\$ 108,039,057					

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, 2008, the City was not exposed to custodial credit risk.

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

- a. Obligations of the U. S. Government, its agencies and instrumentalities;

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

Investment credit risk is the risk that an issuer or other 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.

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, 2008, the investments held by the City mature between 2008 through 2036.

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

Restricted Cash and Investments

The amounts reported as restricted assets of the Enterprise Fund on the statement of net assets are comprised of amounts held by the Lawton Water Authority in accounts of the trustee bank for revenue bond retirement, and other accounts with restricted uses. The restricted assets as of June 30, 2008 are as follows:

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Restricted Cash and Cash Equivalents:	
Pooled cash restricted for debt service	<u>\$ 2,048,803</u>

Restricted Investments:	
Landfill Financial Trust	\$ 153,009
Series 2001B Promissory Note Debt Svc	86,339
Series 2001B Promissory Note Debt Reserve	344,500
Series 2003B OWRB Promissory Note Debt Svc	105,966
Series 2003B OWRB Promissory Note Reserve	221,441
Series 2003D OWRB Promissory Note Debt Svc	59,236
Series 2003D OWRB Promissory Note Reserve	126,083
Series 2004F OWRB Promissory Note Debt Svc	75,993
Series 2004F OWRB Promissory Note Reserve	152,854
Series 2004 Sales Tax Utility Revenue Bond Debt Service	<u>827,673</u>
	<u>\$ 2,153,094</u>

4. Capital Assets and Depreciation

Capital Assets:

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

For the year ended June 30, 2008, capital assets balances changed as follows:

	(Restated) Balance at July 1, 2007	Additions	Transfers	Deductions	Balance at June 30, 2008
PRIMARY GOVERNMENT:					
<i>Governmental activities:</i>					
Capital assets not being depreciated:					
Land	\$ 3,010,956	\$ -	\$ -	\$ -	\$ 3,010,956
Construction in progress	16,640,123	24,209,741	22,340,276	-	18,509,588
Total capital assets not being depreciated	<u>19,651,079</u>	<u>24,209,741</u>	<u>22,340,276</u>	<u>-</u>	<u>21,520,544</u>
Other capital assets:					
Buildings and improvements	28,316,989	35,300	-	-	28,352,289
Infrastructure	44,749,267	-	-	17,830	44,731,437
Machinery, furniture and equipment	24,574,504	2,976,985	-	637,713	26,913,776
Intangibles	96,363	-	-	-	96,363
Total other capital assets at historical cost	<u>97,737,123</u>	<u>3,012,285</u>	<u>-</u>	<u>655,543</u>	<u>100,093,865</u>
Less accumulated depreciation for:					
Buildings and improvements	14,655,617	544,336	-	-	15,199,953
Infrastructure	17,435,615	1,450,770	-	5,225	18,881,160
Machinery, furniture and equipment	18,053,089	1,908,353	-	637,730	19,323,712
Total accumulated depreciation	<u>50,144,321</u>	<u>3,903,459</u>	<u>-</u>	<u>642,955</u>	<u>53,404,825</u>
Other capital assets, net	47,592,802	(891,174)	-	12,588	46,689,040
Governmental activities capital assets, net	<u>\$ 67,243,881</u>	<u>\$ 23,318,567</u>	<u>\$ 22,340,276</u>	<u>\$ 12,588</u>	<u>\$ 68,209,584</u>

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	Balance at July 1, 2007	Additions	Transfers	Deductions	Balance at June 30, 2008
<i>Business-type activities:</i>					
Capital assets not being depreciated:					
Land	\$ 1,405,554	\$ -	\$ -	\$ -	\$ 1,405,554
Construction in progress	8,281,926	-	22,340,276	-	30,622,202
Total capital assets not being depreciated	<u>9,687,480</u>	<u>-</u>	<u>22,340,276</u>	<u>-</u>	<u>32,027,756</u>
Other capital assets:					
Buildings and utility infrastructure	165,813,244	-	-	-	165,813,244
Machinery, furniture and equipment	14,140,501	1,563,772	-	260,574	15,443,699
Unamortized water rights	21,742,677	-	-	-	21,742,677
Total other capital assets at historical cost	<u>201,696,422</u>	<u>1,563,772</u>	<u>-</u>	<u>260,574</u>	<u>202,999,620</u>
Less accumulated depreciation for:					
Buildings and utility infrastructure	56,692,521	4,081,569	-	-	60,774,090
Machinery, furniture and equipment	10,470,725	1,127,714	-	196,166	11,402,273
Unamortized water rights	5,435,669	-	-	-	5,435,669
Total accumulated depreciation	<u>72,598,915</u>	<u>5,209,283</u>	<u>-</u>	<u>196,166</u>	<u>77,612,032</u>
Other capital assets, net	<u>129,097,507</u>	<u>(3,645,511)</u>	<u>-</u>	<u>64,408</u>	<u>125,387,588</u>
Business-type activities capital assets, net	<u>\$ 138,784,987</u>	<u>\$ (3,645,511)</u>	<u>\$ 22,340,276</u>	<u>\$ 64,408</u>	<u>\$ 157,415,344</u>

	Balance at July 1, 2007	Additions	Deductions	Balance at June 30, 2008
COMPONENT UNITS:				
Lawton Metropolitan Area Airport Authority				
Non-depreciable:				
Land	\$ 2,400	\$ -	\$ -	\$ 2,400
Construction-in-progress	783,188	818,137	-	1,601,325
Total non-depreciable assets at historical cost	<u>785,588</u>	<u>818,137</u>	<u>-</u>	<u>1,603,725</u>
Depreciable:				
Runways, ramps, and roads	19,007,602	969,646	-	19,977,248
Buildings and improvements	5,429,101	39,689	-	5,468,790
Equipment and fixtures	1,530,953	47,105	15,000	1,563,058
Furniture and equipment	119,311	8,984	-	128,295
Total depreciable assets at historical cost	<u>26,086,967</u>	<u>1,065,424</u>	<u>15,000</u>	<u>27,137,391</u>
Less accumulated depreciation				
Runways, ramps, and roads	9,977,577	728,789	-	10,706,366
Buildings and improvements	2,108,463	113,000	-	2,221,463
Equipment and fixtures	1,090,905	65,118	3,375	1,152,648
Furniture and equipment	108,847	2,611	-	111,458
Total accumulated depreciation	<u>13,285,792</u>	<u>909,518</u>	<u>3,375</u>	<u>14,191,935</u>
Other capital assets, net	<u>12,801,175</u>	<u>155,906</u>	<u>11,625</u>	<u>12,945,456</u>
Net depreciable assets	<u>\$ 13,586,763</u>	<u>\$ 974,043</u>	<u>\$ 11,625</u>	<u>\$ 14,549,181</u>

Museum of the Great Plains Trust Authority				
Depreciable:				
Furniture and equipment	\$ 298,002	\$ 1,334	\$ -	\$ 299,336
Displays	17,725	-	-	17,725
Leasehold improvements	120,092	-	-	120,092
Collections and exhibits	1,019,712	12,547	-	1,032,259
Total depreciable assets at historical cost	<u>1,455,531</u>	<u>13,881</u>	<u>-</u>	<u>1,469,412</u>
Less accumulated depreciation				
Total accumulated depreciation	<u>(184,345)</u>	<u>(28,083)</u>	<u>-</u>	<u>(212,428)</u>
Net depreciable assets	<u>\$ 1,271,186</u>	<u>\$ (14,202)</u>	<u>\$ -</u>	<u>\$ 1,256,984</u>

Lawton Metropolitan Planning Organization:				
Depreciable:				
Furniture and equipment	\$ 33,993	\$ 2,961	\$ -	\$ 36,954
Less accumulated depreciation				
Total accumulated depreciation	<u>(25,706)</u>	<u>(3,567)</u>	<u>-</u>	<u>(29,273)</u>
Net depreciable assets	<u>\$ 8,287</u>	<u>\$ (606)</u>	<u>\$ -</u>	<u>\$ 7,681</u>

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	Balance at June 30, 2008
Lawton Arts and Humanities Council	
Machinery and equipment	\$ 18,456
Less accumulated depreciation	(14,586)
Net depreciable assets	\$ 3,870
 McMahon Auditorium Authority	
Furniture and fixtures	\$ 24,628
Machinery and equipment	68,295
Buildings and improvements	6,500
Total depreciable assets at historical cost	99,423
Less accumulated depreciation	(47,933)
Net depreciable assets	\$ 51,490

Depreciation:

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

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

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. Depreciation expense has been allocated as follows:

Governmental Activities:	
General Government	\$ 950,694
Public Safety	790,675
Public Works and Streets	1,471,977
Community Development	42,852
Culture and Recreation	513,519
Sub-total governmental funds depreciation	3,769,717
Allocated Internal Service Fund Depreciation	133,742
Total	\$ 3,903,459
 Business-Type Activities:	
Water	\$ 2,522,998
Sewer	1,764,057
Sanitation	922,228
Total depreciation	\$ 5,209,283

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5. Internal and Interfund Balances and Transfers

Internal and Interfund Transfers:

The City's policy is to eliminate interfund transfers between funds in the statement of activities to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and then offset in the total column. Internal activities between funds and activities for the year ended June 30, 2008 were as follows:

Transfer In	Transfer Out	Amount	Nature of Interfund Transfer
General Fund	Enterprise Fund	\$ 126,450	Debt service
General Fund	Special Jail Fund	25,690	Jail fees
General Fund	Officer Training Fund	5,500	Court fines
General Fund	Court Credit Card Fund	225,000	Excess revenues
Officer Training	Court Credit Card Fund	30,000	Excess revenues
General Fund	Enterprise Fund	14,250,000	Excess utility payments
2005 CIP Fund	General Fund	12,639,239	Sales tax transfer
2008 CIP Fund	General Fund	1,263,586	Sales tax transfer
Mass Transit Fund	General Fund	500,000	Operating subsidy
Lakes Fund	General Fund	491,430	Operating subsidy
Capital Improvement Fund	General Fund	54,765	Capital purchases
Capital Improvement Fund	Project impact	12,863	Capital purchases
E911 Fund	General Fund	1,338,493	Operating subsidy
Rolling Stock	Enterprise Fund	2,562,304	Operating subsidy
RSVP Fund	General Fund	58,251	Operating subsidy
2005 CIP Fund	Enterprise Fund	1,982,893	Debt proceeds drawn for capital projects
Enterprise Fund	2005 CIP Fund	17,776,262	Debt service
Enterprise Fund	2005 CIP Fund	5,818,579	CIP Funding
Officer Training	Court Credit Card Fund	26,840	Excess revenues
Capital Outlay Rolling Stock Fund	Enterprise Fund	81,600	Capital purchases
Enterprise Fund	General Fund	469,104	Operating subsidy
TIF Fund	General Fund	193,200	Operating subsidy
		<u>\$ 59,932,049</u>	

<u>Reconciliation to fund financial statements:</u>	Transfers to Other Funds	Transfers from Other Funds	Net Transfers
Governmental Funds	\$ (19,316,853)	\$ 57,480,052	\$ 38,163,199
Enterprise Funds	(40,615,196)	2,451,997	(38,163,199)
Internal Service Funds	-	-	-
Totals	<u>\$ (59,932,049)</u>	<u>\$ 59,932,049</u>	<u>\$ -</u>

<u>Reconciliation to Statement of Activities:</u>	
Net Transfers	\$ 38,163,199
Capital contributions transferred from governmental funds	(22,334,055)
Transfers - Internal Activity	<u>\$ 15,829,144</u>

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Activities of the discretely presented component units financed by the primary government are reported as expense of the primary government in the Statement of Changes in Net assets. Activity between the primary government and discretely presented component units as of June 30, 2008 was as follows:

Component Unit	Amount	Purpose
Lawton Economic Development Authority	\$193,200	Operating Subsidy
Lawton Arts and Humanities Council	<u>\$3,429</u>	Operating Subsidy
	<u>\$196,629</u>	

6. Long-Term Debt

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

For the year ended June 30, 2008, the City's long-term debt balances changed as follows:

Primary Government:

<u>Type of Debt</u>	<u>Restated, Balance July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 19,020,000	\$ -	\$ 2,625,000	\$ 16,395,000	\$ 2,625,000
General Obligation Bond Premium	135,743	-	9,696	126,047	-
Judgments Payable	1,079,274	641,875	547,221	1,173,928	562,501
Notes Payable	-	2,000,000	-	2,000,000	-
Capital Lease Obligations	1,344,730	268,694	636,537	976,887	633,271
Accrued worker's compensation claims	745,339	-	173,944	571,395	285,698
Accrued Compensated Absences	<u>4,233,686</u>	<u>229,725</u>	<u>-</u>	<u>4,463,411</u>	<u>533,376</u>
Total Governmental Activities	<u>\$ 26,558,772</u>	<u>\$ 3,140,294</u>	<u>\$ 3,992,398</u>	<u>\$ 25,706,668</u>	<u>\$ 4,639,846</u>
Business-Type Activities:					
Notes Payable	\$ 29,584,156	\$ 18,367,602	\$ 1,192,669	\$ 46,759,089	\$ 2,804,550
Revenue Bonds Payable	7,105,000	-	1,320,000	5,785,000	1,360,000
Revenue Bonds Premium	320,554	-	80,138	240,416	-
Contracts Payable	17,569,775	-	494,278	17,075,497	511,395
Accrued Compensated Absences	639,016	51,351	-	690,367	82,499
Health claims liability	515,270	-	122,637	392,633	196,217
Landfill Closure and Post-closure	<u>3,397,120</u>	<u>213,673</u>	<u>-</u>	<u>3,610,793</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 59,130,891</u>	<u>\$ 18,632,626</u>	<u>\$ 3,209,722</u>	<u>\$ 74,553,795</u>	<u>\$ 4,954,661</u>

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Component Units:

<u>Type of Debt</u>	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>	<u>Amount due in one year</u>
Component Units:					
Lawton Metropolitan Area Airport Authority					
Accrued Compensated Absences	\$ 2,470	\$ 6,821	\$ -	\$ 9,291	\$ -
Total Debt	<u>\$ 2,470</u>	<u>\$ 6,821</u>	<u>\$ -</u>	<u>\$ 9,291</u>	<u>\$ -</u>
Lawton Economic Development Authority:					
Note payable	\$ 119,250	\$ 3,561,237	\$ -	\$ 3,680,487	\$ -
Total Debt	<u>\$ -</u>	<u>\$ 3,561,237</u>	<u>\$ -</u>	<u>\$ 3,680,487</u>	<u>\$ -</u>
Museum of the Great Plains Trust Authority:					
Accrued Compensated Absences	\$ 32,065	\$ -	\$ 735	\$ 31,330	\$ -
Total Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 735</u>	<u>\$ 31,330</u>	<u>\$ -</u>

Governmental activities long-term debt payable from property tax levies or other governmental 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	\$1,115,000
\$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	9,360,000
\$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	1,775,000
\$1,500,000 general obligation bonds dated October 1, 2005, payable in annual installments of \$115,000, with an interest rate of 5%, repaid by property tax levies	
General Obligation Bond Payable	1,385,000
Unamortized General Obligation Bond Premium	<u>126,047</u>
Total General Obligation Bond, Net	1,511,047
\$2,500,000 general obligation bonds dated October 1, 2005, payable in annual installments of \$190,000, with an average interest rate of 3.59%, repaid by property tax levies	2,310,000
\$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>450,000</u>
Total general obligation bonds	<u>\$16,521,047</u>

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Judgments Payable:

Court-assessed judgments to be paid with ad valorem taxes with periods ranging from one to three years. \$1,173,928

Note Payable:

\$2,000,000 note payable related to section 108 debt to be repaid with CDBG Fund \$2,000,000

Capital Lease Obligation:

\$245,808 capital lease obligation for the purchase of a gradall, matures June 2009 with a stated interest rate of 4.97%. \$67,905

\$570,157 capital lease obligation for the purchase of a scraper, matures December 2008 with a stated interest rate of 5.7%. 242,053

\$268,694 capital lease obligation for the purchase of a flush and vacuum unit, matures September 30, 2009 with stated interest rate of 5.03% 187,094

\$720,777 capital lease obligation for the purchase of a pumper apparatus, matures September 2009 with a stated interest rate of 5.48%. 479,835

\$976,887

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, 2007), and no interest charged on Series 2001A; however, there is a .5% annual administrative fee. Debt service payments are due February 15 and August 15 through February, 2021. Both notes are secured by the revenues of the Lawton Water Authority's (the "Authority") water, sanitary, and garbage collection and disposal systems. \$4,057,571

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. 6,341,369

Series 2004A for \$1,310,000 and Series 2004B for \$2,215,000, with interest charged on Series 2004B ranging from 1.145% to 4.795%. No interest is charged on Series 2004A; however, there is a .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September, 2028. Both notes are secured by the revenues of the Authority's water, sewer, and garbage collection and disposal systems. 3,031,284

Series 2005 for \$10,815,000 with interest rate of 2.6% and .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September 15, 2026. Secured by revenues of the Authority's water, sewer, and garbage collection and disposal systems. At June 30, 2008 only \$9,120,545 had been drawn on the note. 7,688,873

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Series 2006A SRF for \$33,653,600 with interest rate of 3.05% and .5% annual administrative fee.

Debt service payments are due March 15 and September 15 through September 15, 2026.

Secured by revenues of the Authority's water, sewer, and garbage collection and disposal systems. At June 30, 2008 only \$25,639,991 had been drawn on the note.

25,639,991

Total Notes Payable – Oklahoma Water Resources Board

\$46,759,089

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

\$5,785,000

Unamortized Revenue Bond Premium

240,416

Total Revenue Bonds, Net

\$6,025,416

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)

\$17,075,497

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

Governmental-Type Activities

Year Ending June 30,	G.O. Bonds Payable		Note Payable		Judgments Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 2,625,000	\$ 690,606	\$ -	\$ 59,607	\$ 562,501	\$ 44,457	\$ 633,271	\$ 54,369
2010	2,630,000	580,570	135,000	91,938	444,633	35,173	343,616	17,980
2011	2,070,000	471,583	58,000	89,268	166,794	67,634	-	-
2012	1,915,000	390,268	60,000	87,334	-	-	-	-
2013	1,475,000	318,450	64,000	85,080	-	-	-	-
2014-2018	5,035,000	854,070	378,000	381,383	-	-	-	-
2019-2022	645,000	41,060	497,000	280,095	-	-	-	-
2023-2027	-	-	655,000	132,628	-	-	-	-
2028-2029	-	-	153,000	4,146	-	-	-	-
Total	<u>\$ 16,395,000</u>	<u>\$ 3,346,607</u>	<u>\$ 2,000,000</u>	<u>\$ 1,211,479</u>	<u>\$ 1,173,928</u>	<u>\$ 147,264</u>	<u>\$ 976,887</u>	<u>\$ 72,349</u>

Business-Type Activities

Year Ending June 30,	Notes Payable		Revenue Bonds Payable		Contract Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 2,804,550	\$ 1,453,109	\$ 1,360,000	\$ 262,050	\$ 511,396	\$ 591,324
2010	2,880,450	1,717,362	1,405,000	221,250	529,105	573,615
2011	2,906,749	1,631,895	1,475,000	151,000	547,428	555,292
2012	2,924,049	1,545,279	1,545,000	77,250	566,385	536,335
2013	2,937,250	1,457,873	-	-	585,990	516,721
2014-2018	15,100,949	5,940,894	-	-	3,248,819	2,264,781
2019-2023	14,938,686	3,450,842	-	-	3,851,686	1,661,914
2024-2028	11,584,093	1,129,923	-	-	4,455,050	947,170
2029-2032	134,000	3,357	-	-	2,779,638	194,390
Total	<u>\$ 56,210,776</u>	<u>\$ 18,330,534</u>	<u>\$ 5,785,000</u>	<u>\$ 711,550</u>	<u>\$ 17,075,497</u>	<u>\$ 7,841,542</u>
Less remaining proceeds to be drawn	<u>(9,451,687)</u>					
Principal balance	<u>\$ 46,759,089</u>					

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Pledge of Future Revenues

Utility Net Revenues Pledge_ - The City has pledged net utility revenues to repay the \$2,008,570, \$3,445,000, \$1,819,430, \$3,095,000, \$1,020,000, \$1,745,000, \$1,310,000, \$2,215,000, \$10,815,000 and \$33,653,600 of the OWRB Series 2001A, 2001B, 2003A, 2003B, 2003C, 2003D, 2004A, 2004B, 2005 and 2006A promissory notes payable, respectively. Proceeds from the notes provided financing for capital assets. The notes are payable from net utility revenues and are payable through 2021, 2021, 2027, 2027, 2027, 2027, 2028, 2028, 2026, and 2026, respectively. The total principal and interest payable for the remainder of the life of these notes is \$74,541,310. Net utility revenues received in the current year were \$8,984,075. Debt service payments of \$1,192,629 for the current fiscal year were 13.3% of pledged net utility revenues.

Landfill Closure Liability:

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

The \$3,610,793 reported as accrued landfill closure cost liability at June 30, 2008, represents the cumulative amount of such costs reported to date based on the use of 84% of the estimated capacity of the landfill. The Authority will recognize the remaining estimated costs of closure and post-closure care in the amount of \$667,661 as the remaining estimated capacity if filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2008. The City has \$583,411 set aside to fund the estimated landfill closure cost liability.

7. Net Assets and Fund Balances

Net assets are displayed in three components:

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

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

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Prior period adjustments:

Statement of Activities:

Governmental Activities:

Beginning net assets as previously reported	\$ 81,041,588
Add understatement of capital assets	34,105
Less overstatement of capital assets	<u>(1,823,754)</u>
Beginning net assets, restated	<u>\$ 79,251,939</u>

Business-type Activities:

Beginning net assets as previously reported	\$ 101,269,359
Add overstatement of notes payable	785,706
Beginning net assets, restated	<u>\$ 102,055,065</u>

Component Units:

Beginning net assets as previously reported	\$ 16,321,175
Add understatement of net assets	42,409
Beginning net assets, restated	<u>\$ 16,363,584</u>

8. Revenues

Program Revenues:

Program revenues within the statement of activities 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.

Sales Tax Revenue:

Sales tax revenue represents a 3.625 cents tax on each dollar of taxable sales of which is collected by the Oklahoma Tax Commission and remitted to the City. Sales tax revenue represents a 3.625 cents tax on each dollar of taxable sales of which is recorded as follows:

The total 3.625 cents is recorded initially in the General Fund. Then two-thirds of 1.25 cents is transferred to the 2000 CIP Fund and one-third of 1.25 cents is transferred to the 2005 CIP Fund for specific capital projects approved by voters. Beginning January 2008, the voters approved an additional .375 cent tax for capital improvements transferred to the 2008 Sales Tax Capital Improvement Fund. If needed, the 2005 CIP and 2000 CIP Funds transfer a portion of the dedicated sales taxes to the Enterprise Fund for debt service on voter-approved projects as well.

Property Tax Revenue:

In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City. The City's property taxes are billed and collected by the County and remitted to the City. Property taxes levied by the City are billed and collected by the County Treasurer's Office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October. For the year ended June 30, 2008, the City's net assessed valuation of taxable property was \$376,693,404. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2008 was \$11.03.

9. Risk Management

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

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

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

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10. Retirement Plan Participation

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

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

Lawton City Employee Retirement System

The City contributes to the City of Lawton Employees' Retirement System (the "System"), which is a single employer defined benefit pension plan administered by the City of Lawton. After November 1, 1975, all regular, full-time employees become a participant after completing thirty days of creditable service except for full-time police officers, firefighters and the city manager. The funding policy is established by Ordinance No. 692. Therefore, contributions are determined by ordinance rather than by actuarial determination. Each year, employees contribute 5.3% of annual pre-tax wages and the City contributes an amount required to provide benefits under the retirement system, subject to a maximum of 8% of annual pre-tax gross wages. The City performs actuarial valuations in each odd-numbered year to determine if the City's fixed contribution rate is funding the actuarially determined liability. The System issues separate audited annual financial statements.

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

Year established and governing authority	1970; City Ordinance No. 692
Determination of Contribution requirements	City Ordinance
Employer	8% maximum
Plan members	5.3%
Funding of administrative costs	Investment earnings
Period required to vest	Based on years of service; 100% vested after 10 years
Eligibility for distribution	Age 52 with 10 years credited service, or earlier with 25 years credited service
Provisions for:	
Disability benefits	Yes
Death benefits	Yes

Plan Membership (as of July 1, 2007):

Active members	503
Retired participants	127
Disabled participants	17
Beneficiaries	<u>33</u>
Total	<u>680</u>

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B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting - Disclosures of the System's financial condition are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as System revenues in the period in which they are due to the plan per the plan agreement. Benefits and refunds are recognized when due and payable per plan provisions.

Method Used to Value Investments - Values of System assets are reported at fair value which approximates market. As of June 30, 2007, the System held no related party investments or individual investments (other than U.S. government and U.S. government guaranteed securities) whose market value exceeds five percent or more of the net assets available for benefits.

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

Current year annual pension costs for the System is shown in the trend information provided in the Trend Information section. Annual required contributions were made by the plan. There were increases to net pension benefit obligation for the year ended June 30, 2008. See further explanation in paragraph D below.

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

D. Actuarial Assumptions

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

Valuation date	July 1, 2007
Actuarial cost method	Entry age
Amortization method	Level dollar open
Remaining amortization period	30 years
Asset valuation method	Market value
Investment rate of return	7.5%
Projected salary increases	5.0%
Inflation rate	2.0%

E. Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Employer Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	2,335,586	1,551,489	66.4%	3,598,016

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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.

	<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

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Retirement Plan Contributions – OFPRS and OPFRS Cost-Sharing Plans

Oklahoma Police Pension and Retirement System			Oklahoma Firefighter's Pension and Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2006	942,314	100%	2006	802,798	100%
2007	1,014,119	100%	2007	853,848	100%
2008	1,055,258	100%	2008	883,763	100%

11. Commitments and Contingencies

Construction Contracts Outstanding

The following construction contracts were outstanding at June 30, 2008:

67th Street	\$ 9,537
NW 67th Street Waterline	696,884
SE Water Treatment Plant	3,776,097
Gore Blvd Street	14,800
Water Storage Tank Floor	47,000
Water Infrastructure Proj	140,763
Water Infrastructure- Tower Proj	257,309
SE 45th St Gore	84,000
Downtown Preservation	30,009
Medicine Park- Clearwell Proj	148,800

Litigation

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

Grant Programs

The City of Lawton participates in various federal or state grant/loan programs from year to year. In 2008, 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.

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12. New Accounting Pronouncements

In fiscal year 2009, the City will implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement establishes standards for the measurement, recognition, and display of other post-employment benefits expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The City is in the process of obtaining an actuary to assist in estimating the liability associated with the postemployment benefits provided by the City. This statement is not expected to impact or cause results of operation for fiscal 2008 to be restated when implemented; however, impact to the City is expected to be material.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedules – Year Ended June 30, 2008

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
			(Budget basis)	Positive (Negative)
Beginning Budgetary Fund Balance:	\$ 4,249,000	\$ 4,249,000	\$ 3,457,972	\$ (791,028)
Resources (Inflows):				
Taxes and assessments	37,003,341	37,003,341	39,326,531	2,323,190
Fees, licenses and permits	1,094,953	1,094,953	1,180,101	85,148
Rentals and sales of property	191,465	191,465	93,303	(98,162)
Fines and forfeitures	2,892,437	2,892,437	2,826,662	(65,775)
Interest earned	539,352	539,352	610,079	70,727
Other sources	478,814	478,814	483,626	4,812
Intergovernmental	897,725	897,725	839,247	(58,478)
Grants	175,860	175,860	95,506	(80,354)
Total Resources (Inflows)	<u>43,273,947</u>	<u>43,273,947</u>	<u>45,455,055</u>	<u>2,181,108</u>
Amounts available for appropriation	<u>47,522,947</u>	<u>47,522,947</u>	<u>48,913,027</u>	<u>1,390,080</u>
Charges to Appropriations (Outflows):				
General Government	7,909,680	7,909,680	6,990,389	919,291
Public Safety	24,837,046	24,837,046	23,188,277	1,648,769
Public Works and Streets	7,323,107	7,323,107	7,322,493	614
Culture and Recreation	5,076,372	5,076,372	5,028,608	47,764
Total Charges to Appropriations	<u>45,146,205</u>	<u>45,146,205</u>	<u>42,529,767</u>	<u>2,616,438</u>
Other financing sources (uses)				
Prior year obligation expense	-	-	46,472	46,472
Transfers from other funds	13,191,674	13,191,674	14,250,000	1,058,326
Transfers to other funds	(15,234,637)	(15,234,637)	(17,008,068)	(1,773,431)
Total other financing sources (uses)	<u>(2,042,963)</u>	<u>(2,042,963)</u>	<u>(2,711,596)</u>	<u>(668,633)</u>
Ending Budgetary Fund Balance	<u>\$ 333,779</u>	<u>\$ 333,779</u>	<u>\$ 3,671,664</u>	<u>\$ 3,337,885</u>

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Footnotes to Budgetary Comparison Schedule:

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

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

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

	Fund Balance June 30, 2007	Net Change in Fund Balance	Fund Balance June 30, 2008
Budget to GAAP Reconciliation:			
Fund Balance - GAAP Basis	\$ 8,016,105	\$ 571,268	\$ 8,587,373
Increases (Decreases):			
Revenues:			
Taxes receivable	(5,538,963)	(1,080,995)	(6,619,958)
Accounts receivable	(19,214)	3,097	(16,117)
Accrued interest	(49,684)	6,024	(43,660)
Fair value adjustment	(620)	(16,448)	(17,068)
Expenditures:			
Accrued payroll	1,013,320	299,523	1,312,843
Encumbrances	(267,276)	113,078	(154,198)
Other expenditures	304,304	318,145	622,449
Fund Balance - Budgetary Basis	\$ 3,457,972	\$ 213,692	\$ 3,671,664

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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, 2007	36,850,006	53,258,078	EAN	(16,408,072)	69.2%	18,344,200	89.4%
July 1, 2007	36,850,006	49,038,912	PUC	(12,188,906)	75.1%	18,344,200	66.4%
July 1, 2005	38,405,760	47,101,375	PUC	(8,695,615)	81.5%	15,889,024	54.7%
July 1, 2003	34,278,831	38,738,865	PUC	(4,460,034)	88.5%	14,583,355	30.6%
July 1, 2001	30,861,366	37,391,605	PUC	(6,530,239)	82.5%	14,627,470	44.6%
July 1, 1999	25,660,421	30,041,920	PUC	(4,381,499)	85.4%	12,032,296	36.4%
July 1, 1997	22,446,867	23,154,791	PUC	(707,924)	96.9%	10,652,523	6.6%
July 1, 1995	18,707,013	19,280,903	PUC	(573,890)	97.0%	9,644,285	6.0%

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

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

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

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

- A new mortality table (RP 2000: the most recent mortality table for US active workers and pensioners)
- New turnover assumption based on the actual demographic experience of other cities in Oklahoma (specifically the experience of 120 municipalities participating in the Oklahoma Municipal Retirement Fund)
- New retirement rates determined by reverse engineering retirement rates from the actual ages at retirement of the current group of retirees.
- Increase in discount rate from 7.0% to 7.5%. This change reflects the more liberal investment policy that has recently been adopted for the plan

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OTHER SUPPLEMENTARY INFORMATION

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Schedule of Changes in Fund Balances - Non-Major Governmental Funds, Year Ended June 30, 2008

Fund	Fund Balance 7/1/2007	Changes in Fund Balance	Fund Balance 6/30/2008
Special Revenue Funds:			
Real Property Proceeds	\$ 2,275	\$ -	\$ 2,275
RSVP	15,261	(23,679)	(8,418)
Public Library	4,328	(2,129)	2,199
Small Business Loan	170,065	(3,154)	166,911
CDBG	(38,382)	2,016,576	1,978,194
HOME Investment CDBG	-	(3,084)	(3,084)
Lawton Urban Housing	226	7	233
Police Grant	12,329	(10,617)	1,712
Park Fee Fund	72,650	15,843	88,493
Hunting & Fishing Permits	(23,040)	20,033	(3,007)
Narcotics Fund	46,688	(3,823)	42,865
Animal Sterilization Fund	202,605	(13,714)	188,891
Insurance Proceeds	40,944	15,704	56,648
Emergency 911	(42,626)	83,446	40,820
Adult Softball	11,893	350	12,243
Cemetery Care	185,914	16,045	201,959
Officers Training	76,818	(10,421)	66,397
Court Credit Card Maintenance	176,586	266,769	443,355
Lawton Parking Authority	1,191	-	1,191
Senior Crafts Fund	86	-	86
Animal License Fund	175,482	53,788	229,270
Elmer Thomas Park	2,450	4,976	7,426
State Landfill Fund	57,896	106,735	164,631
Police Sentinel	1,036	54	1,090
Fire Prevention Education	5,912	1,025	6,937
Park Fund	1,559	1,000	2,559
McMahon Authority Grants	34,353	(10,438)	23,915
Drainage Maintenance Fund	196,150	189,823	385,973
Animal Donation Fund	5,737	1,794	7,531
Application Fees Fund	8,530	7,219	15,749
Capital Outlay Rolling Stock	1,560,702	293,750	1,854,452
Cemetery Reward	5,500	-	5,500
Centennial Fund	30,441	(23,864)	6,577
Hotel/Motel Tax Fund	237,957	416,927	654,884
Project Impact	42,040	(12,863)	29,177
Mass Transit Fund	20,263	88,457	108,720
Reserve Fund	426,129	-	426,129
Federal Grant Fund	61,838	275,982	337,820
Special Jail Fund	15,221	4,795	20,016
Cellular Service Fee Fund	286,029	327,899	613,928
Stormwater Mitigation	127,472	59,979	187,451
Police and Fire Training Fund	37,727	114,288	152,015
Impact Fees	507,927	518,061	1,025,988
TIF Fund	-	2,668	2,668
Capital Project:			
CIP	553,649	(49,141)	504,508
Ad Valorem	1,396,970	(694,864)	702,106
CIP Sales Tax 2008	-	1,263,586	1,263,586
CIP 2000	4,050,358	(859,904)	3,190,454
Debt Service			
Prior to 1972	627,990	119,659	747,649
Ad Valorem 2005	1,628,061	(205,833)	1,422,228
Total	\$ 13,021,190	\$ 4,359,710	17,380,900

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

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Debt Service Coverage Schedule - Year Ended June 30, 2008

DEBT SERVICE COVERAGE:

	OWRB Series 2001A, 2001B, 2003A, 2003B, 2003B, 2003C, 2003D, 2004A, 2004B, 2005 & 2006A <u>Promissory Notes</u>
GROSS REVENUE AVAILABLE:	
Charges for services (all utility revenues)	\$32,005,905
Investment income	<u>475,693</u>
Total Gross Revenue Available	<u>32,481,598</u>
OPERATING EXPENSES:	
Total Operating Expenses	<u>23,497,523</u>
Net Revenue Available for Debt Service	<u><u>\$8,984,075</u></u>
Maximum Annual Debt Service on all Obligations Payable From Revenues of the System	<u><u>\$4,620,870</u></u>
Computed Coverage	<u><u>194%</u></u>
Coverage Requirement	<u><u>125%</u></u>

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