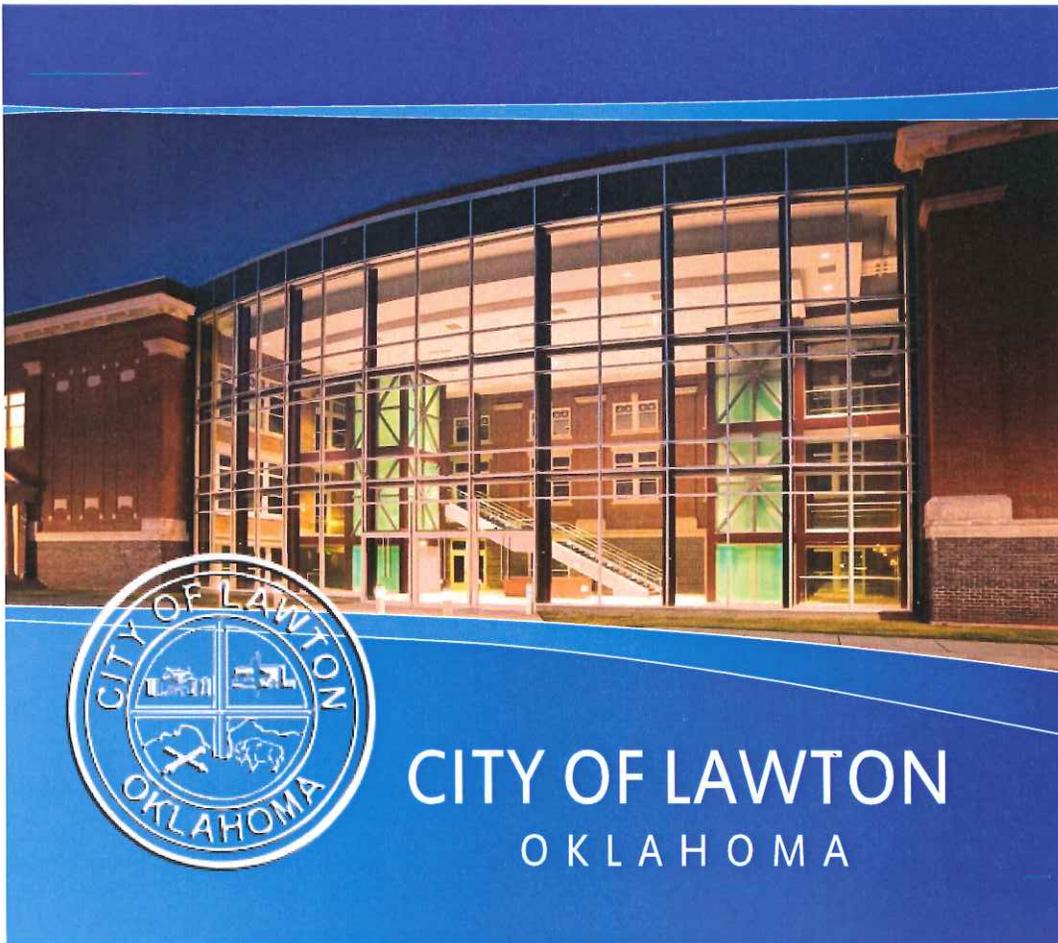




**ANNUAL FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS**

For the Fiscal Year Ended June 30, 2013



**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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 City of Lawton, Oklahoma (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lawton Metropolitan Area Airport Authority, the Lawton Arts and Humanities Council, the McMahon Auditorium Authority, the Museum of the Great Plains Trust Authority, the Lawton Urban Renewal Authority and the Lawton Metropolitan Planning Organization, which represent 86 percent, 207 percent, and 50 percent, respectively, of assets, net position, and program revenues of the discretely presented component units. We also did not audit the City Employee Retirement Trust Fund. Those statements were audited by other auditors whose reports have been furnished to us and our opinions, insofar as they relate to the amounts included for discretely presented component units and the City Employee Retirement Trust Fund, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Opinions

In our opinion, 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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 15 to the financial statements, in fiscal year 2013 the City adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will also issue a report 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Arledge & Associates, P.C.

July 10, 2014

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2013**

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**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2013**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2013**

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, 2013. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2013, the City's total net position increased by \$6.4 million or 2.6% from the prior year.
- During the year, the City's expenses for governmental activities were \$77.6 million and were funded by program revenues of \$17.1 million and further funded with taxes and other general revenues that totaled \$54.6 million.
- In the City's business-type activities, such as utilities, program revenues exceeded expenses by \$11.9 million.
- Sales and use taxes decreased by \$0.8 million or 1.7% over the prior fiscal year.
- At June 30, 2013, the General Fund reported an unassigned fund balance of \$8.1 million.
- For budgetary reporting purposes, the General Fund reported revenues over estimates by \$2,340,841 or 4.4%, while expenditures were under final appropriations by \$4,146,560 or 7.4%.
- The City and the Authority issued new debt totaling \$3,369,281, excluding judgments payable. The new debt included \$3.3 million of General Obligation Bonds. The debt was issued to provide funding for capital improvements.
- The city implemented several new accounting standards issued by the Governmental Accounting Standards Board. These standards required changes in accounting principles that resulted in the restatement of beginning net position.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Lawton (the "City") and its component units using the integrated approach as prescribed by GASB Statements No. 14, 34, 39 and 61. Included in this report are government-wide statements for each of three categories of activities – governmental, business-type and discretely-presented component units. The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. These statements include all assets of the City (including infrastructure capital assets), deferred outflows, all liabilities (including all long-term debt) and deferred inflows.

About the City

The City of Lawton is an incorporated municipality with a population of approximately 96,800 located in southwestern Oklahoma. The City operates under a council-manager form of government with a charter that provides for three branches of government.

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

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2013**

The City's Financial Reporting Entity

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

The City's financial reporting entity includes the City of Lawton, four active blended component units and 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, culture and recreation, and administrative activities as a home rule charter city.

Blended Component Units:

- **Lawton Water Authority** – public trust that operates the water, wastewater, and sanitation services of the City. The Trust is reported as an enterprise fund.
- **City Transit Trust** – public trust that operates and maintains public transportation systems and facilities. The Trust is reported as the Special Revenue Mass Transit Fund.
- **Lawton Urban Homestead Authority** – public trust created to purchase and maintain property, buildings and facilities to upgrade neighborhood areas in accordance with the Urban Homesteading Program of the City. The Authority is reported as the Special Revenue Lawton Urban Housing Fund.
- **Lawton Parking Authority (Presently Inactive)** – public trust created to operate and maintain public parking systems and facilities.
- **Lawton Industrial Development Authority** – public trust created to promote industrial development within the Lawton area. The Trust is reported as the Special Revenue LIDA Fund.

Discretely Presented Component Units:

- **Lawton Metropolitan Area Airport Authority** – public trust that operates to develop and maintain airport operations for the City, the trust issues separate financial statements.
- **Lawton Arts and Humanities Council** – public trust that operates to encourage and promote knowledge of the fine arts and humanities, the trust issues separate financial statements.
- **McMahon Auditorium Authority** – public trust created to operate and maintain the McMahon Auditorium, a public and municipal auditorium of the City, the trust issues separate financial statements.
- **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, the trust issues separate financial statements.

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2013**

- **Lawton Economic Development Authority** – public trust created to promote economic development within the Lawton area.
- **Lawton Metropolitan Planning Organization** – public trust created to coordinate planning and development of transportation activities within the Lawton Metropolitan area, the trust issues separate financial statements.
- **Lawton Enhancement Trust Authority** – public trust created to beautify and aesthetically enhance the appearance of the City of Lawton.
- **Lawton Urban Renewal Authority** – public trust created to administer approved urban renewal projects within the City of Lawton.

All of the above discretely presented component units, except for the Lawton Economic Development Authority and the Lawton Enhancement Trust Authority, issue separate financial statement reports which may be obtained by contacting their respective offices.

Using This Annual Report

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

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

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

- **Management's Discussion and Analysis** – that provides useful analysis that facilitates a better understanding of the City's financial condition and changes therein.
- **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 long-term debt service coverage.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

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

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2013**

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Proprietary funds - When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2013**

Position, the Statement of Revenues, Expenses and Changes in Fund Net Position and Statement of Cash Flows. In fact, the City's enterprise funds are essentially the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows.

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

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities by \$257,550,857 at the close of the most recent fiscal year.

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

	Governmental Activities		% Inc. (Dec.)	Business-type Activities		% Inc. (Dec.)	Total Primary Government		% Inc. (Dec.)
	Restated			Restated			Restated		
	2013	2012		2013	2012		2013	2012	
Current and other assets	\$ 88,501	\$ 81,618	8%	\$ 71,333	\$ 75,270	-5%	\$ 159,834	\$ 156,888	2%
Capital assets	94,338	90,622	4%	205,043	206,405	-1%	299,381	297,027	1%
Total assets	182,839	172,240	6%	276,376	281,675	-2%	459,215	453,915	1%
Deferred outflows	88	118	-25%	-	202	-100%	88	320	-73%
Long-term liabilities outstanding	43,146	40,131	8%	148,449	155,319	-4%	191,595	195,450	-2%
Other liabilities	7,233	4,947	46%	2,509	2,329	8%	9,742	7,276	34%
Total liabilities	50,379	45,078	12%	150,958	157,648	-4%	201,337	202,726	-1%
Net position:									
Net invested in capital assets	75,302	68,882	9%	102,275	100,153	2%	177,577	169,035	5%
Restricted	65,937	62,505	5%	25,702	20,007	28%	91,639	82,512	11%
Unrestricted (deficit)	(8,691)	(4,107)	-112%	(2,559)	4,069	-163%	(11,250)	(38)	29505%
Total net position	\$ 132,548	\$ 127,280	4%	\$ 125,418	\$ 124,229	1%	\$ 257,966	\$ 251,509	3%

The largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). For 2013, this net investment in capital assets amounted to \$177,577,430. 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.

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2013**

A major portion of the City's net position, \$91,639,409 also represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$(11,251,660), if positive, may be used to meet the government's ongoing obligations to citizens and creditors.

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

Governmental Activities:

Other liabilities – Increase of \$2.3 million or 46% due to an increase in accounts payable related to construction projects.

Unrestricted Net Position (Deficit) – Decrease of \$4.6 million (112%) due to an increase in excess unrestricted net position and expenses exceeding revenues.

Business-Type Activities:

Restricted Net Position – Increase of \$5.7 million (28%) due to an increase in restricted debt service monies.

Unrestricted Net Position(Deficit) – Decrease of \$6.6 million (163%) due to an increase in excess unrestricted net position and expenses exceeding revenues.

Changes in Net Position

For the year ended June 30, 2013, net position of the primary government changed as follows:

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2013**

**Table 2
Changes in Net Position
(In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total Primary Government		% Inc. (Dec.)
	Restated,			Restated,			Restated,		
	2013	2012	2013	2012	2013	2012	2013	2012	
Revenues:									
Program revenues:									
Charges for services	\$ 7,445	\$ 8,010	-7%	\$ 43,791	\$ 42,744	2%	\$ 51,236	\$ 50,754	1%
Operating grants and contributions	5,721	5,146	11%	-	-	-	5,721	5,146	11%
Capital grants and contributions	3,935	8,482	-54%	-	1,014	-100%	3,935	9,496	-59%
General revenues:									
Sales and use taxes	45,624	46,393	-2%	-	-	-	45,624	46,393	-2%
Other taxes	7,159	9,998	-28%	-	-	-	7,159	9,998	-28%
Other general revenue	1,797	1,622	11%	418	409	2%	2,215	2,031	9%
Total revenues	71,681	79,651	-10%	44,209	44,167	0%	115,890	123,818	-6%
Program expenses:									
General government	13,001	11,808	10%	-	-	-	13,001	11,808	10%
Public safety	35,951	33,172	8%	-	-	-	35,951	33,172	8%
Streets	10,588	8,575	23%	-	-	-	10,588	8,575	23%
Education	5,255	5,356	-2%	-	-	-	5,255	5,356	-2%
Transportation	2,299	3,214	-28%	-	-	-	2,299	3,214	-28%
Cultural and recreation	8,501	8,003	6%	-	-	-	8,501	8,003	6%
Community/economic development	1,022	1,126	-9%	-	-	-	1,022	1,126	-9%
Interest	978	1,053	-7%	-	-	-	978	1,053	-7%
Water	-	-	-	18,771	18,377	2%	18,771	18,377	2%
Sewer	-	-	-	8,355	8,503	-2%	8,355	8,503	-2%
Sanitation	-	-	-	4,713	4,730	0%	4,713	4,730	0%
Total expenses	77,595	72,307	7%	31,839	31,610	1%	109,434	103,917	5%
Excess (deficiency) before transfers	(5,914)	7,344	181%	12,370	12,557	-1%	6,456	19,901	-68%
Transfers	11,182	8,831	27%	(11,182)	(8,831)	27%	-	-	-
Increase (decrease) in net position	5,268	16,175	67%	1,188	3,726	-68%	6,456	19,901	-68%
Net Position, Beginning, restated	127,280	111,105	15%	124,230	120,503	3%	251,510	231,608	9%
Net Position, Ending	\$ 132,548	\$ 127,280	4%	\$ 125,418	\$ 124,229	1%	\$ 257,966	\$ 251,509	3%

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

Governmental Activities:

Capital grants and contributions – Decrease of \$4.5 million (54%) due to a reduction in capital assets donated by developers.

Other Taxes – Decrease of \$2.8 million (28%) due to a reduction in the property taxes levied and collected.

Streets expenses – Increase of \$2.0 million (23%) due to an increase in street costs and funding.

Transfers – Increase of \$2.4 million (27%) due to an increase in the transfer from the Water Authority and an increase in sales tax transfers.

Business-Type Activities:

Capital grants and contributions – Decrease of \$1.0 million (100%) due to a decrease in capital grant for wastewater purposes.

Transfers – Increase of \$2.4 million (27%). See above for explanation.

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2013**

Governmental Activities

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

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	Restated,			Restated,		
	2013	2012		2013	2012	
General government	\$ 13,001	\$ 11,808	10%	\$ (2,836)	\$ (4,911)	42%
Public safety	35,951	33,172	8%	(34,090)	(31,199)	-9%
Streets	10,588	8,575	23%	(8,159)	1,401	682%
Culture, parks and recreation	8,501	8,003	6%	(7,862)	(7,551)	-4%
Community/economic development	1,022	1,126	-9%	(1,022)	(1,126)	9%
Education	5,255	5,356	-2%	(5,255)	(5,356)	2%
Transportation	2,299	3,214	-28%	(292)	(874)	67%
Interest on long-term debt	978	1,053	-7%	(978)	(1,053)	7%
Total	\$ 77,595	\$ 72,307	7%	\$ (60,494)	\$ (50,669)	-19%

For the year ended June 30, 2013 total expenses for governmental activities amounted to \$77.6 million which was an increase from the prior year of 7%. 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.
	Restated,			Restated,		
	2013	2012		2013	2012	
Water	\$ 18,771	\$ 18,377	2%	\$ 5,021	\$ 5,583	-10%
Wastewater	8,355	8,433	-1%	3,644	3,209	14%
Sanitation	4,713	4,730	0%	3,287	3,032	8%
Total	\$ 31,839	\$ 31,540	1%	\$ 11,952	\$ 11,824	1%

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

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2013**

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

- Total business-type activities reported net revenues of \$12.0 million for the year ended June 30, 2013.
- All individual activities reported net revenue for the year ended June 30, 2013 and 2012.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2013 fiscal year, the governmental funds reported a combined fund balance of \$81.7 million or a 7.2% increase from 2012. The enterprise funds reported combined net position of \$125.4 million or a 1.7% increase from 2012.

Other fund highlights include:

- For the year ended June 30, 2013, the General Fund's total fund balance increased by \$2,007,362 or 21.1%.
- The 2005 CIP Fund's total fund balance decreased by \$5.8 million or 11.7%.

General Fund Budgetary Highlights

- For budgetary reporting purposes, the General Fund reported revenues over estimates by \$2,340,841 or 4.4%, while expenditures were under final appropriations by \$4,146,560 or 7.4%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2013, the City had \$299.4 million invested in capital assets including police and fire equipment, buildings, park facilities, water lines and sewer lines. (See table below). This represents a net increase of \$2.4 million or .8% over last year.

**Table 5
Primary Government Capital Assets
(Net of accumulated depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	Restated, <u>2012</u>	<u>2013</u>	Restated <u>2012</u>	<u>2013</u>	Restated <u>2012</u>
Land	\$ 3,764,123	\$ 3,010,956	\$ 1,431,864	\$ 1,405,813	\$ 5,195,987	\$ 4,416,769
Buildings and utility infrastructure	16,708,387	17,225,689	149,466,333	152,844,324	166,174,720	170,070,013
Machinery, furniture and equipment	9,578,636	9,485,673	6,581,553	6,774,880	16,160,189	16,260,553
Infrastructure	38,672,251	38,552,283	-	-	38,672,251	38,552,283
Unamortized water rights	-	-	31,132,068	31,515,779	31,132,068	31,515,779
Construction in progress	25,615,275	22,347,234	16,430,696	13,864,870	42,045,971	36,212,104
Totals	<u>\$ 94,338,672</u>	<u>\$ 90,621,835</u>	<u>\$ 205,042,514</u>	<u>\$ 206,405,666</u>	<u>\$ 299,381,186</u>	<u>\$ 297,027,501</u>

This year's more significant capital asset additions included:

Santa Fe Bridge	\$1,899,652
Elmer Thomas Recreation Area	85,000

See Note 5 to the financial statements for more detail information on the City's capital assets and changes therein.

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2013**

Long- Term Debt

At year-end, the City had \$179.7 million in long-term debt outstanding which represents a \$5.6 million or 3% decrease from the prior year. The decrease is due to the city retiring \$10.6 million in debt and issuing only \$4.9 million. 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>2013</u>	<u>Restated 2012</u>	<u>2013</u>	<u>Restated 2012</u>	<u>2013</u>	<u>Restated 2012</u>
Accrued compensated absences	\$ 6,174,677	\$ 5,991,917	\$ 809,463	\$ 798,560	\$ 6,984,140	\$ 6,790,477
General Obligation Bonds	18,135,000	17,030,000	-	-	18,135,000	17,030,000
General Obligation Bond Premium	292,273	330,876	-	-	292,273	330,876
Unamortized loss on refunding	(88,341)	(117,788)	-	(201,604)	(88,341)	(319,392)
Worker's Compensation liability	1,344,523	1,292,027	810,904	775,074	2,155,427	2,067,101
Judgments Payable	2,306,333	1,860,911	-	-	2,306,333	1,860,911
Revenue Bonds Payable	2,304,722	2,500,000	25,865,000	28,680,000	28,169,722	31,180,000
Revenue Bonds Premium	-	-	-	-	-	-
Notes Payable	1,683,000	1,747,000	85,894,364	89,203,964	87,577,364	90,950,964
Contracts Payable	-	-	29,736,326	30,786,292	29,736,326	30,786,292
Landfill Closure and Post-closure	-	-	4,466,132	4,391,101	4,466,132	4,391,101
Capital Lease Obligations	-	249,977	-	-	-	249,977
Totals	\$ 32,152,187	\$ 30,884,920	\$ 147,582,189	\$ 154,433,387	\$ 179,734,376	\$ 185,318,307

See Note 7 to the financial statements for more detail information on the City's long-term debt and changes therein.

The Upcoming Year FY 2013-2014

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

Because Lawton is an expanding city the Council will always be challenged to grow revenues. The City has not seen consistent growth in its revenues over the past three years. Water rates are stable and the City does not anticipate a huge increase in its rate structure for the services it provides to its citizens. The City needs to secure a source of revenue to continue its roadway, utility and public safety projects.

The remaining challenge for the City of Lawton will be to continually monitor its Employee Health Insurance Plan and Retirement Plan to meet their funding needs without placing undue burden or financial hardship upon Employee's families or the current group of retirees.

**CITY OF LAWTON, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2013**

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. Brooks Mitchell, Finance Director
City of Lawton
102 S.W. 5th Street
Lawton, Oklahoma 73501

Telephone at 580-581-3305

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

Statement of Net Position– June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and cash equivalents	\$27,419,810	\$64,582,100	92,001,910	\$2,214,693
Investments	50,614,341	849,713	51,464,054	-
Interest receivable	39,065	105	39,170	-
Accounts receivable, net	918,385	5,901,161	6,819,546	501,289
Inventory	-	-	-	3,520,625
Due from other governments	9,094,149	-	9,094,149	820,478
Due from component unit	414,322	-	414,322	-
Prepaid items	-	-	-	11,542
Other assets	-	-	-	15,420
Capital assets:				
Land and construction in progress	29,379,398	17,862,560	47,241,958	5,153,458
Other capital assets, net of depreciation	64,959,274	187,179,954	252,139,228	14,999,294
Total assets	182,838,744	276,375,593	459,214,337	27,236,799
DEFERRED OUTFLOW OF RESOURCES				
Deferred loss on refunding	88,341	-	88,341	-
LIABILITIES:				
Accounts payable and accrued liabilities	6,856,531	970,213	7,826,744	361,678
Escrow liability	236,676	-	236,676	-
Due to other governments	-	-	-	686,095
Accrued interest payable	141,024	1,539,125	1,680,149	142,419
Unearned revenue	-	-	-	48,269
Due to primary government	-	-	-	414,322
Long-term liabilities:				
Due within one year	4,944,566	19,244,066	24,188,632	35,333
Due in more than one year	38,200,621	129,204,677	167,405,298	14,504,088
Total liabilities	50,379,418	150,958,081	201,337,499	16,192,204
NET POSITION:				
Net investment in capital assets	75,302,308	102,275,122	177,577,430	20,104,813
Restricted	65,937,534	25,701,875	91,639,409	1,055,157
Unrestricted (deficit)	(8,692,175)	(2,559,485)	(11,251,660)	(10,115,375)
Total net position	132,547,667	\$125,417,512	\$257,965,179	\$11,044,595

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

Statement of Activities –Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			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	\$13,001,034	\$4,570,099	\$2,669,283	\$2,925,338	(\$2,836,314)	-	(\$2,836,314)	-
Public safety	35,950,569	1,138,965	432,638	289,401	(34,089,565)	-	(34,089,565)	-
Streets	10,587,885	921,141	978,607	529,232	(8,158,905)	-	(8,158,905)	-
Culture and recreation	7,841,467	383,081	65,285	191,307	(7,201,794)	-	(7,201,794)	-
Community development	1,022,112	-	-	-	(1,022,112)	-	(1,022,112)	-
Education	5,255,446	-	-	-	(5,255,446)	-	(5,255,446)	-
Transportation	2,299,011	431,966	1,574,906	-	(292,139)	-	(292,139)	-
Culture and recreation - payment to component unit	660,013	-	-	-	(660,013)	-	(660,013)	-
Interest on long-term debt	977,505	-	-	-	(977,505)	-	(977,505)	-
Total governmental activities	77,595,042	7,445,252	5,720,719	3,935,278	(60,493,793)	-	(60,493,793)	-
Business-type activities:								
Water	18,771,078	23,792,111	-	-	-	5,021,033	5,021,033	-
Wastewater	8,355,571	11,999,522	-	-	-	3,643,951	3,643,951	-
Sanitation	4,712,578	7,999,696	-	-	-	3,287,118	3,287,118	-
Total business-type activities	31,839,227	43,791,329	-	-	-	11,952,102	11,952,102	-
Total primary government	\$109,434,269	\$51,236,581	\$5,720,719	\$3,935,278	(60,493,793)	11,952,102	(48,541,691)	-
Component Units:								
Airport	\$2,529,339	\$1,012,177	\$671,110	\$3,873,251	-	-	-	\$3,027,199
Culture and recreation	1,532,150	284,165	1,168,933	84,675	-	-	-	5,623
Economic development	17,758,405	6,903,364	-	-	-	-	-	(10,855,041)
Transportation	69,012	-	137,503	-	-	-	-	67,591
Total component units	\$21,889,806	\$8,199,706	\$1,977,546	\$3,957,926	-	-	-	(7,754,628)
General revenues:								
Taxes:								
Sales and use taxes	-	-	-	-	45,624,305	-	45,624,305	-
Property tax	-	-	-	-	3,030,897	-	3,030,897	17,131
Franchise and public service taxes	-	-	-	-	2,161,482	-	2,161,482	-
Hotel/motel taxes	-	-	-	-	1,098,903	-	1,098,903	-
Intergovernmental revenue not restricted to specific programs	-	-	-	-	867,604	-	867,604	-
Investment income	-	-	-	-	333,773	240,124	573,897	3,474
Miscellaneous	-	-	-	-	1,461,204	178,056	1,639,260	-
Payment from primary government	-	-	-	-	-	-	-	660,013
Payment to primary government	-	-	-	-	-	-	-	(53,616)
Transfers - Internal activity	-	-	-	-	11,182,304	(11,182,304)	-	-
Total general revenues and transfers	-	-	-	-	65,760,472	(10,764,124)	54,996,348	627,002
Change in net position	-	-	-	-	5,266,679	1,187,978	6,454,657	(7,127,626)
Net position - beginning (restated)	-	-	-	-	127,280,988	124,229,534	251,510,522	18,172,221
Net position - ending	-	-	-	-	\$132,547,667	\$125,417,512	\$257,965,179	\$11,044,595

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

Governmental Funds Balance Sheet - June 30, 2013

	<u>General Fund</u>	<u>2005 CIP Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and cash equivalents	\$ 3,705,064	\$ 2,620,163	\$ 20,549,795	\$ 26,875,022
Investments	1,491,053	41,746,688	7,376,600	50,614,341
Receivables:				
Accounts receivable	168,881	-	326,178	495,059
Accrued interest receivable	7,214	29,349	2,502	39,065
Due from component unit	-	-	414,322	414,322
Due from other funds	641,759	1,600	2,464	645,823
Due from other governments and entities	8,066,098	351,588	676,463	9,094,149
 Total assets	 <u>\$ 14,080,069</u>	 <u>\$ 44,749,388</u>	 <u>\$ 29,348,324</u>	 <u>\$ 88,177,781</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,558,200	\$ 1,082,143	\$ 1,973,912	\$ 5,614,255
Escrow liability	-	235,076	1,600	236,676
Due to other funds	1,600	-	644,223	645,823
 Total liabilities	 <u>2,559,800</u>	 <u>1,317,219</u>	 <u>2,619,735</u>	 <u>6,496,754</u>
Fund Balances:				
Restricted	-	43,432,169	22,760,664	66,192,833
Committed	1,738,794	-	40,620	1,779,414
Assigned	1,692,891	-	4,019,130	5,712,021
Unassigned (deficit)	8,088,584	-	(91,825)	7,996,759
 Total fund balances	 <u>11,520,269</u>	 <u>43,432,169</u>	 <u>26,728,589</u>	 <u>81,681,027</u>
 Total liabilities and fund balances	 <u>\$ 14,080,069</u>	 <u>\$ 44,749,388</u>	 <u>\$ 29,348,324</u>	 <u>\$ 88,177,781</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, 2013**

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2013

	General Fund	2005 CIP Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$43,348,814	-	\$9,385,246	\$52,734,060
Intergovernmental	2,436,389	351,588	5,487,234	8,275,211
Charges for services	181,082	-	920,124	1,101,206
Fines and forfeitures	2,735,990	-	1,746,766	4,482,756
Licenses and permits	1,629,306	-	39,459	1,668,765
Investment income	176,557	131,687	25,528	333,772
Miscellaneous	815,242	-	819,983	1,635,225
Total Revenues	51,323,380	483,275	18,424,340	70,230,995
Expenditures:				
Current:				
General government	8,325,615	-	1,423,606	9,749,221
Public safety	28,059,211	-	2,229,277	30,288,488
Public works and streets	8,975,035	-	-	8,975,035
Education	-	-	5,255,446	5,255,446
Culture and recreation	5,664,735	-	1,012,343	6,677,078
Community development	-	-	887,013	887,013
Transportation	-	-	2,299,011	2,299,011
Capital outlay	260,164	3,643,573	9,254,052	13,157,789
Debt service:				
Principal retirement	195,278	-	2,508,977	2,704,255
Interest and fiscal charges	206,094	-	803,646	1,009,740
Judgments	-	-	832,210	832,210
Bond issue cost	-	-	43,697	43,697
Total Expenditures	51,686,132	3,643,573	26,549,278	81,878,983
Excess (deficiency) of revenues over expenditures	(362,752)	(3,160,298)	(8,124,938)	(11,647,988)
Other Financing Sources (Uses):				
Debt proceeds	-	-	3,300,000	3,300,000
Bond premium	-	-	32,677	32,677
Transfers in	22,668,631	69,281	25,698,359	48,436,271
Transfers out	(19,800,112)	(2,672,830)	(11,547,400)	(34,020,342)
Transfer from discretely presented component unit	53,616	-	-	53,616
Transfer to discretely presented component unit	(552,021)	-	(107,992)	(660,013)
Total Other Financing Sources (Uses)	2,370,114	(2,603,549)	17,375,644	17,142,209
Net change in fund balances	2,007,362	(5,763,847)	9,250,706	5,494,221
Fund balances - beginning, restated	9,512,907	49,196,016	17,477,883	76,186,806
Fund balances - ending	\$11,520,269	\$43,432,169	\$26,728,589	\$81,681,027

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Fund balances of governmental funds	\$81,681,027
 Amounts reported for governmental activities in the Statement of Net Position 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 \$72,879,841	<u>94,195,493</u>
Certain long-term assets are not available to pay for current fund liabilities:	
Mortgages receivable	<u>423,326</u>
	<u>423,326</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 position.	<u>(787,154)</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	(18,135,000)
Unamortized debt premium	(292,273)
Accrued interest payable	(141,024)
Accrued compensated absences	(5,941,832)
Accrued workers compensation claims	(1,344,523)
OPEB liability	(2,540,908)
Note payable	(1,683,000)
Judgments payable	(2,306,333)
Revenue note payable	(2,304,722)
Deferred amount on refunding	88,341
Net pension obligation	<u>(8,363,751)</u>
	<u>(42,965,025)</u>
 Net position of governmental activities	 <u><u>\$132,547,667</u></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, 2013

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds \$5,494,221

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	10,994,009
Loss on disposal of capital assets	(23,352)
Capital asset donated by outside sources	1,364,327
Capital assets transferred to business-type activities	(3,233,625)
Depreciation expense	(5,385,552)
	3,715,807

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

Incurrence of judgments rendered against the City	(1,277,632)
Judgment payments	832,210
Capital lease principal payments	249,977
General obligation bond principal payments	2,195,000
General obligation bond proceeds	(3,300,000)
Note payable principal payments	64,000
Revenue note principal payments	195,278
Bond premium	(32,677)
	(1,073,844)

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	(9,598)
Change in OPEB liability	(567,020)
Change in accrued compensated absences	(194,908)
Amortization of bond premium	71,280
Change in mortgages receivable	21,687
Amortization of deferred amount on refunding	(29,447)
Change in net pension obligation	(1,209,860)
Change in accrued worker's compensation claims	(52,496)
	(1,970,362)

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 position for internal service funds	(899,143)
	(899,143)

Change in net position of governmental activities \$5,266,679

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Proprietary Funds Statement of Net Position - June 30, 2013

	Lawton Water Authority	Internal Service Funds
ASSETS:		
Current assets:		
Cash and cash equivalents	\$1,900,407	\$544,788
Cash and cash equivalents, restricted	62,267,859	-
Investments	849,713	-
Accounts receivable, net of allowance \$2,662,046	5,901,161	-
Interest receivable	105	-
Total current assets	70,919,245	544,788
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	413,834	-
Land and construction in progress	17,862,560	-
Other capital assets, net	187,179,954	143,179
Total noncurrent assets	205,456,348	143,179
Total assets	276,375,593	687,967
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued liabilities	785,577	571
Accrued wages payable	184,636	17,681
Accrued interest payable	1,539,125	-
Accrued compensated absences	96,731	27,825
Landfill post closure liability	364,114	-
Claims liability	-	1,224,024
Contract payable - Waurika note	1,073,235	-
Worker's compensation liability	405,452	-
Notes payable	13,714,534	-
Revenue bonds payable	3,590,000	-
Total current liabilities	21,753,404	1,270,101
Noncurrent liabilities:		
Accrued compensated absences	712,732	205,020
Landfill post closure liability	4,102,018	-
Contract payable	28,663,091	-
Worker's compensation liability	405,452	-
OPEB liability	866,554	-
Notes payable	72,179,830	-
Revenue bonds payable, net	22,275,000	-
Total noncurrent liabilities	129,204,677	205,020
Total liabilities	150,958,081	1,475,121
NET POSITION:		
Net investment in capital assets	102,275,122	143,179
Restricted for debt service	25,548,044	-
Restricted for landfill financial assurance	153,831	-
Unrestricted (deficit)	(2,559,485)	(930,333)
Total net position	\$125,417,512	(\$787,154)

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position - Year Ended June 30, 2013

	Lawton Water Authority	Internal Service Funds
Operating Revenues:		
Charges for services	\$43,791,329	\$8,628,658
Total operating revenues	43,791,329	8,628,658
Operating Expenses:		
General government and claims	-	8,355,263
Public works operations	17,488,399	-
Computer service operations	-	1,172,000
Depreciation expense	9,004,862	53,897
Amortization expense	-	-
Landfill closure expense	75,031	-
Total operating expenses	26,568,292	9,581,160
Operating income (loss)	17,223,037	(952,502)
Non-Operating Revenues (Expenses):		
Investment income	240,124	3,951
Interest expense and fiscal charges	(5,270,934)	-
Gain (Loss) on asset retirement	175,556	(2,756)
Other non-operating revenue	2,500	-
Total non-operating revenues (expenses)	(4,852,754)	1,195
Net income (loss) before contributions and transfers	12,370,283	(951,307)
Capital contributions	3,233,624	52,164
Transfers in	14,550,750	-
Transfers out	(28,966,679)	-
Change in net position	1,187,978	(899,143)
Total net position - beginning, restated	124,229,534	111,989
Total net position (deficit) - ending	\$125,417,512	(\$787,154)

See accompanying notes to the basic financial statements.

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Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2013

	<u>Lawton Water Authority</u>	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 42,465,401	\$ 8,631,547
Payments to suppliers	(8,812,743)	-
Payments to employees	(8,288,491)	(1,181,872)
Receipts from interfund loan	18,859	-
Claims and benefits paid	-	(8,207,516)
Net Cash Provided by (Used in) Operating Activities	<u>25,383,026</u>	<u>(757,841)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	14,550,750	-
Transfers to other funds	(28,966,679)	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>(14,415,929)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from notes issued	69,281	-
Capital assets purchased	(4,409,259)	(5,520)
Principal paid on capital debt	(7,243,847)	-
Interest and fiscal charges paid on capital debt	(5,046,862)	-
Proceeds from sale of capital assets	176,731	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(16,453,956)</u>	<u>(5,520)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	246,357	-
Interest and dividends	241,609	3,951
Net Cash Provided by Investing Activities	<u>487,966</u>	<u>3,951</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,998,893)	(759,410)
Balances - beginning of the year	<u>69,580,993</u>	<u>1,304,198</u>
Balances - end of the year	<u>\$ 64,582,100</u>	<u>\$ 544,788</u>
Reconciliation to Statement of Net Position:		
Cash and cash equivalents	\$ 1,900,407	\$ 544,788
Restricted cash and cash equivalents	62,681,693	-
Total cash and cash equivalents	<u>\$ 64,582,100</u>	<u>\$ 544,788</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 17,223,037	\$ (952,502)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) by operating activities:		
Depreciation expense	9,004,862	53,897
Landfill closure expense	75,031	-
Other miscellaneous revenue	2,500	-
Change in assets and liabilities:		
Receivables, net	(1,328,428)	2,889
Due from other funds	18,859	-
Accounts payables	140,041	(25,664)
Claims liability	35,830	173,411
Due to other funds	-	-
OPEB liability	182,440	-
Accrued wages payable	17,951	2,276
Accrued compensated absences	10,903	(12,148)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 25,383,026</u>	<u>\$ (757,841)</u>
Non-cash activity:		
Non-cash capital contributions received	\$ 3,233,625	\$ 52,164
	<u>\$ 3,233,625</u>	<u>\$ 52,164</u>

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 Position - June 30, 2013

	City Employees Retirement Trust Fund	Agency Funds
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ 925,786	\$ 1,074,935
Investments, at book value	-	1,840,695
Investments, at market value:		
United States government securities and agencies	17,431,181	-
Common stock	4,981,923	-
Mutual funds	21,742,129	-
Other investments	2,167,212	-
Interest receivable	127,425	959
Employer contributions receivable	119,547	-
Employee contributions receivable	79,697	-
Prepaid investment expense	22,476	-
Total assets	<u>\$ 47,597,376</u>	<u>\$ 2,916,589</u>
 LIABILITIES:		
Due to depositors	\$ -	\$ 2,793,251
Other payables	60,055	123,338
Total liabilities	<u>60,055</u>	<u>\$ 2,916,589</u>
 NET POSITION:		
Held in trust for pension benefits	<u>\$ 47,537,321</u>	

See accompanying notes to the basic financial statements.

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Pension Trust Fund Statement of Changes in Plan Net Position – Year Ended June 30, 2013

	City Employees Retirement Trust Fund
ADDITIONS:	
Contributions:	
Members	\$ 1,420,508
Employer	2,239,853
Total Contributions	3,660,361
Investment Income :	
Net appreciation in fair value of investments	2,128,832
Interest, dividends, and other	1,529,896
Total investment income	3,658,728
Less investment expense:	
Investment activity expense	(225,768)
Net investment income	3,432,960
Total Additions	7,093,321
DEDUCTIONS:	
Benefits paid to participants or beneficiaries	3,537,261
Refunds and transfers to other systems	886,201
Administrative expense	21,796
Total Deductions	4,445,258
Change in net position held in trust for employees' pension benefits	2,648,063
Net position -beginning	44,889,258
Net position -ending	\$ 47,537,321

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 Position - June 30, 2013

	LAWTON METROPOLITAN AREA AIRPORT AUTHORITY	LAWTON ARTS AND HUMANITIES COUNCIL	MICHAHON AUDITORIUM AUTHORITY	MUSEUM OF THE GREAT PLAINS TRUST AUTHORITY	LAWTON ENHANCEMENT TRUST AUTHORITY	LAWTON ECONOMIC DEVELOPMENT AUTHORITY	LAWTON URBAN RENEWAL AUTHORITY	LAWTON METROPOLITAN PLANNING ORGANIZATION	TOTALS
ASSETS									
Current Assets:									
Cash, including time deposits	\$ 563,181	\$ 84,065	\$ 76,591	\$ 909,148	\$ 119,099	\$ 35,912	\$ 140,324	\$ 59,924	\$ 1,988,244
Restricted cash	-	-	-	-	-	226,449	-	-	226,449
Accounts receivable	55,579	-	3,825	355,594	-	-	1,304	84,987	501,289
Inventory	45,045	-	-	32,989	-	3,442,591	-	-	3,520,625
Due from other governments	276,362	4,100	-	-	-	-	-	-	280,462
Prepaid items	10,950	592	-	-	-	-	-	-	11,542
Other assets	-	-	-	15,420	-	-	-	-	15,420
Total current assets	951,117	88,757	80,416	1,313,151	119,099	3,704,952	141,628	144,911	6,544,031
Noncurrent Assets:									
Due from other governments	-	-	-	-	-	-	540,016	-	540,016
Capital Assets:									
Land and construction in progress	4,809,685	-	-	-	-	-	343,773	-	5,153,458
Depreciable, net of accumulated depreciation	13,588,136	-	66,664	1,344,494	-	-	-	-	14,999,294
Total noncurrent assets	18,397,821	-	66,664	1,344,494	-	-	883,789	-	20,692,768
Total Assets	19,348,938	88,757	147,080	2,657,645	119,099	3,704,952	1,025,417	144,911	27,236,799
LIABILITIES									
Current Liabilities:									
Accounts payable and accrued liabilities	276,613	1,750	3,048	26,557	-	-	-	53,710	361,678
Unearned revenue	-	5,769	-	-	-	42,500	-	-	48,269
Interest payable	-	-	-	-	-	142,419	-	-	142,419
Due to other governments	-	-	-	-	-	50,000	96,079	-	146,079
Total current liabilities	276,613	7,519	3,048	26,557	-	234,919	96,079	53,710	698,445
Noncurrent Liabilities:									
Accrued compensated absences	9,730	-	-	25,603	-	-	-	-	35,333
Due to primary government	-	-	-	-	-	414,322	-	-	414,322
Due to other governments	-	-	-	-	-	540,016	-	-	540,016
Notes payable	47,939	-	-	-	-	14,456,149	-	-	14,504,088
Total noncurrent liabilities	57,669	-	-	25,603	-	15,410,487	-	-	15,493,759
Total Liabilities	334,282	7,519	3,048	52,160	-	15,645,406	96,079	53,710	16,192,204
NET POSITION									
Net investment in capital assets	18,349,882	-	66,664	1,344,494	-	-	343,773	-	20,104,813
Restricted for construction projects	79,755	8,491	-	-	-	-	-	-	88,246
Restricted for grant projects	-	-	-	966,911	-	-	-	-	966,911
Unrestricted (deficit)	585,019	72,747	77,368	294,080	119,099	(11,940,454)	585,565	91,201	(10,115,375)
Total Net Position	\$ 19,014,656	\$ 81,238	\$ 144,032	\$ 2,605,485	\$ 119,099	\$ (11,940,454)	\$ 929,338	\$ 91,201	\$ 11,044,595

See accompanying notes to the basic financial statements.

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Government-Wide Financial Statements:

In the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities:

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

1.5

2.15

6.33

9.91

2.67

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.

9.70

7.64

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

5.17

4.62

1.15

7.73

7.73

3.01

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

1.00

7.62

1.59

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 the major funding source is sales tax. For financial reporting purpose the General Fund includes activity of the General Fund, Hunting and Fishing Account, Reserve Account, Insurance Proceeds Account, Payroll Claims Account, Adult Softball Account, Court Credit Card Maintenance Account, Animal License Account, Elmer Thomas Park Account, Storm Water Mitigation Account, RSVP Account, Application Fee Account, Senior Craft Account, Special Jail Account, Real Property Account, and Recycling Account.

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- 2005 CIP Fund (capital project fund) – accounts for various projects such as the southeast water treatment plant and street projects. The projects are funded by restricted revenues from the General Fund and Authority.

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

- Special Revenue Funds: Public Library Fund, Small Business Loan Fund, CDBG Fund, HOME Investment CDBG Fund, Lawton Urban Housing Fund, Police Grant Fund, Park Fee Fund, Narcotics Fund, Animal Sterilization Fund, Emergency 911 Fund, Cemetery Care Fund, Officers Training Fund, Lawton Parking Authority Fund, 2009 LPS Sales Tax, State Landfill Fund, Police Sentinel Fund, Fire Prevention Education, McMahon Authority Grants Fund, Drainage Maintenance Fund, Animal Donation Fund, Capital Outlay Rolling Stock Fund, LETA Beautification Fund, Cemetery Reward Fund, Centennial Fund, Hotel/Motel Tax Fund, Project Impact Fund, Mass Transit Fund, Federal Grant Fund, Impact Fees Fund, Police and Fire Training Fund, Cellular Service Fee Fund, Rental Revenue Fund, TIF Fund, Worker's Compensation Fund, Gifts and Grants, and Lawton Industrial Development Authority .

Debt Service Funds – accounts for ad-valorem taxes levied by the City for use in retiring court-assessed judgments, general obligation bonds, and their related interest expenses. The city's debt service funds are the Prior to 1972 Fund and the Ad Valorem 2005 Fund.

Capital Project Funds:

- Capital Improvement Fund – accounts for transfers from other City funds for various capital acquisitions and projects.
- 2008 CIP Sales Tax Fund – accounts for sales tax restricted for streets, waterline improvements, sewerline improvements, and sewer rehabilitation program.
- 2012 CIP Fund – accounts for loan proceeds for construction.
- 2012 Ad Valorem – accounts for loan proceeds for construction.

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.

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The City's proprietary funds include the following:

Enterprise Fund

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

Internal Service Funds (combined for reporting purposes)

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

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

Pension Trust Fund

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

Agency Funds

Used to account for assets held on behalf of others including the License & Permits Fund, Meter Deposits Fund, Municipal Court Fund, 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 which is determined by quoted market value.

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The retirement plan's investments in judgments are valued at original judgment value, less principal collected since no quoted market price is available.

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, 2013 by these entities are as follows:

Schedule of Deposits and Investments by Type - June 30, 2013

Type	Fair Value	Credit Rating	Maturities in Years				
			On Demand	Less Than One	1 - 5	6 - 10	More than 10
Demand deposits	\$ 31,063,849	n/a	\$ 31,063,849	\$ -	\$ -	\$ -	\$ -
Time deposits	6,232,755	n/a	-	4,398,321	1,834,434	-	-
Money Market Accounts	62,980,509	n/a	62,980,509	-	-	-	-
U.S. Treasury Obligations	14,101,675	AA+	-	12,766,836	-	492,754	842,085
U.S. Agencies Obligations	50,359,723	AA+	-	13,897,515	22,165,862	-	14,296,396
Sub-Total	\$ 164,738,561		\$ 94,044,358	\$ 31,062,672	\$ 24,000,296	\$ 492,754	\$ 15,138,481
Mutual Funds	21,742,129	n/a					
Common stock	4,981,923	n/a					
Other Investments	2,167,212	n/a					
Total Deposits and Investments	\$ 193,629,825						
Reconciliation to Financial Statements:							
Cash and cash equivalents	\$ 92,001,910						
Investments	51,464,054						
Retirement fund investments:							
Investments	23,909,341						
U.S. gov't security agencies	17,431,181						
Common stock	4,981,923						
Retirement fund cash and cash equivalents	925,786						
Agency fund cash and cash equivalents	1,074,935						
Agency fund investments	1,840,695						
	\$ 193,629,825						

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, 2013, the City was not exposed to custodial credit risk. The discreetly presented component units were not exposed to custodial credit risk.

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

- a. Obligations of the U. S. Government, its agencies and instrumentalities;
- b. Collateralized or insured non-negotiable certificates of deposit or other evidences of deposit that are either insured or secured with acceptable collateral with an in-state financial institution, and fully insured deposits in out-of-state institutions;
- c. Insured or fully collateralized negotiable certificates of deposit;
- d. Repurchase agreements that have underlying collateral consisting of those items specified in paragraph (a) above; and
- e. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraph a. Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City and retirement plan have no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations—rating agencies—as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City’s and Retirement Plan’s investment policy indicates that the investment portfolio, except for retirement trust fund investments, shall remain sufficiently liquid to enable the City to meet all operating requirements as anticipated. It sets a desired limit on investment maturities to a period of three years, as a means of managing exposure to fair value losses arising from increasing interest rates, for non-retirement investments. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments by date range.

As noted in the schedule of deposits and investments above, at June 30, 2013, the investments held by the City mature between 2013 through 2040.

Concentration of Investment Credit Risk - Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City’s investment policy requires diversification of investments and indicates that, with the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City’s total investment portfolio will be invested in a single financial institution. The city has 26.8% of their investments in FHLB, 16.9% in FMLMC, and 16.9% in FFCB , and 22.2% in FNMA.

Restricted Cash and Investments

The amounts reported as restricted assets of the Enterprise Fund on the Statement of Net Position are comprised of amounts held by the Lawton Water Authority in accounts of the trustee bank for revenue bond retirement, and other accounts with restricted uses. The restricted assets as of June 30, 2013 are as follows:

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Restricted Cash and Cash Equivalents:	
Landfill Financial Trust	\$ 153,831
Series 2001B Promissory Note Debt Svc	215,929
Series 2001B Promissory Note Debt Reserve	260,003
Series 209D OWRB Promissory Note Debt Service	207,660
Series 2011 Sales Tax Utility Revenue Bond Debt Service	103,887
Series 2012 Sales Tax Utility Revenue Bond	
Proceeds	1,072
Debt Service	1,819,203
Construction	21,627,291
Sales Tax Collections - Bank of America Sinking fund	21,192,882
Series 2008 - Sales Tax Utility Rev -construction	17,099,935
	\$ 62,681,693
 Reconciliation to Proprietary Statement of Net Position:	
Cash and cash equivalents, current	\$ 62,267,859
Cash and cash equivalents, non current	413,834
	\$ 62,681,693

Restricted cash of the Lawton Economic Development Authority is related to debt service accounts for the outstanding note payable totaling \$226,449.

4. Accounts Receivable

Significant account receivable balances at June 30, 2013 were:

	Governmental Activities	Business Type Activites	Total
Accounts Receivable:			
Emergency Communication Fees	\$125,127	-	\$125,127
Utilites	-	\$7,672,982	7,672,982
Capital Fee	-	242,430	242,430
Landfill fees	45,877	-	45,877
Drainage maintenance fee	156,400	-	156,400
Grants	6,400	-	6,400
Stormwater mainteance fees	39,979	-	39,979
Sewer rehab fees	-	9,833	9,833
Pumping fee	-	27,979	27,979
Miscellaneous	189,299	-	189,299
Mortgages receivable	423,326	-	423,326
Allowance for uncollectible	(68,023)	(2,052,063)	(2,120,086)
	\$918,385	\$5,901,161	\$6,819,546

5. 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.

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For the year ended June 30, 2013, capital assets balances changed as follows:

	Restated Balance at July 1, 2012	Additions	Deductions	Transfers	Balance at June 30, 2013
PRIMARY GOVERNMENT:					
<i>Governmental activities:</i>					
Capital assets not being depreciated:					
Land	\$ 3,010,956	\$ 753,167	\$ -	\$ -	\$ 3,764,123
Construction in progress	22,347,234	5,263,587	1,995,546	-	25,615,275
Total capital assets not being depreciated	<u>25,358,190</u>	<u>6,016,754</u>	<u>1,995,546</u>	<u>-</u>	<u>29,379,398</u>
Other capital assets:					
Buildings and improvements	34,675,413	228,576	-	-	34,903,989
Infrastructure	63,561,133	2,204,873	-	-	65,766,006
Machinery, furniture and equipment	35,814,117	2,734,112	1,647,390	171,916	37,072,755
Intangibles	96,363	-	-	-	96,363
Total other capital assets	<u>134,147,026</u>	<u>5,167,561</u>	<u>1,647,390</u>	<u>171,916</u>	<u>137,839,113</u>
Less accumulated depreciation for:					
Buildings and improvements	17,546,087	745,878	-	-	18,291,965
Infrastructure	25,008,850	2,084,905	-	-	27,093,755
Machinery, furniture and equipment	26,328,444	2,608,665	1,619,473	176,483	27,494,119
Total accumulated depreciation	<u>68,883,381</u>	<u>5,439,448</u>	<u>1,619,473</u>	<u>176,483</u>	<u>72,879,839</u>
Other capital assets, net	<u>65,263,645</u>	<u>(271,887)</u>	<u>27,917</u>	<u>(4,567)</u>	<u>64,959,274</u>
Governmental activities capital assets, net	<u>\$ 90,621,835</u>	<u>\$ 5,744,867</u>	<u>\$ 2,023,463</u>	<u>\$ (4,567)</u>	<u>\$ 94,338,672</u>

	Restated Balance at July 1, 2012	Additions	Deductions	Transfers	Balance at June 30, 2013
<i>Business-type activities:</i>					
Capital assets not being depreciated:					
Land	\$ 1,405,813	\$ 26,051	\$ -	\$ -	\$ 1,431,864
Construction in progress	13,864,870	6,017,055	3,451,229	-	16,430,696
Total capital assets not being depreciated	<u>15,270,683</u>	<u>6,043,106</u>	<u>3,451,229</u>	<u>-</u>	<u>17,862,560</u>
Other capital assets:					
Buildings and utility infrastructure	232,761,799	3,502,277	-	-	236,264,076
Machinery, furniture and equipment	20,001,753	1,548,733	629,680	166,730	20,754,076
Water rights	38,371,150	-	-	-	38,371,150
Total other capital assets	<u>291,134,702</u>	<u>5,051,010</u>	<u>629,680</u>	<u>166,730</u>	<u>295,389,302</u>
Less accumulated depreciation for:					
Buildings and utility infrastructure	79,917,475	6,880,268	-	-	86,797,743
Machinery, furniture and equipment	13,226,873	1,740,883	628,595	166,638	14,172,523
Water rights	6,855,371	383,711	-	-	7,239,082
Total accumulated depreciation	<u>99,999,719</u>	<u>9,004,862</u>	<u>628,595</u>	<u>166,638</u>	<u>108,209,348</u>
Other capital assets, net	<u>191,134,983</u>	<u>(3,953,852)</u>	<u>1,085</u>	<u>92</u>	<u>187,179,954</u>
Business-type activities capital assets, net	<u>\$ 206,405,666</u>	<u>\$ 2,089,254</u>	<u>\$ 3,452,314</u>	<u>\$ 92</u>	<u>\$ 205,042,514</u>

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	Balance at July 1, 2012	Additions	Deductions	Balance at June 30, 2013
COMPONENT UNITS:				
Lawton Metropolitan Area Airport Authority				
Non-depreciable:				
Land	\$ 387,783	\$ -	\$ -	\$ 387,783
Construction-in-progress	593,896	4,328,676	500,670	4,421,902
Total non-depreciable assets at historical cost	<u>981,679</u>	<u>4,328,676</u>	<u>500,670</u>	<u>4,809,685</u>
Depreciable:				
Runways, ramps, and roads	22,283,230	509,830	-	22,793,060
Buildings and improvements	7,143,836	23,820	-	7,167,656
Equipment and fixtures	2,166,466	45,676	6,824	2,205,318
Furniture and equipment	102,854	-	-	102,854
Total depreciable assets at historical cost	<u>31,696,386</u>	<u>579,326</u>	<u>6,824</u>	<u>32,268,888</u>
Less accumulated depreciation				
Runways, ramps, and roads	13,594,758	773,151	-	14,367,909
Buildings and improvements	2,760,056	144,271	-	2,904,327
Equipment and fixtures	1,178,039	147,683	3,632	1,322,090
Furniture and equipment	83,433	2,993	-	86,426
Total accumulated depreciation	<u>17,616,286</u>	<u>1,068,098</u>	<u>3,632</u>	<u>18,680,752</u>
Other capital assets, net	<u>14,080,100</u>	<u>(488,772)</u>	<u>3,192</u>	<u>13,588,136</u>
Net depreciable assets	<u>\$ 15,061,779</u>	<u>\$ 3,839,904</u>	<u>\$ 503,862</u>	<u>\$ 18,397,821</u>
Museum of the Great Plains Trust Authority				
Depreciable:				
Furniture and equipment	\$ 311,884	\$ -	\$ -	\$ 311,884
Displays	17,725	-	-	17,725
Leasehold improvements	169,378	-	-	169,378
Collections and exhibits	1,140,675	3,242	-	1,143,917
Total depreciable assets at historical cost	<u>1,639,662</u>	<u>3,242</u>	<u>-</u>	<u>1,642,904</u>
Less accumulated depreciation				
Total accumulated depreciation	<u>283,214</u>	<u>15,196</u>	<u>-</u>	<u>298,410</u>
Net depreciable assets	<u>\$ 1,356,448</u>	<u>\$ (11,954)</u>	<u>\$ -</u>	<u>\$ 1,344,494</u>
Lawton Urban Renewal Authority:				
Non-depreciable:				
Land	<u>\$ 11,638,226</u>	<u>\$ 307,817</u>	<u>\$ 11,602,270</u>	<u>\$ 343,773</u>
McMahon Auditorium Authority				
Depreciable:				
Furniture and fixtures	\$ 24,628	\$ -	\$ -	\$ 24,628
Buildings improvements	68,295	-	-	68,295
Machinery and equipment	64,039	-	-	64,039
Total depreciable assets at historical cost	<u>156,962</u>	<u>-</u>	<u>-</u>	<u>156,962</u>
Less accumulated depreciation				
Furniture and fixtures	24,628	-	-	24,628
Buildings improvements	42,590	5,855	-	48,445
Machinery and equipment	9,005	8,220	-	17,225
Total accumulated depreciation	<u>76,223</u>	<u>14,075</u>	<u>-</u>	<u>90,298</u>
Net depreciable assets	<u>\$ 80,739</u>	<u>\$ (14,075)</u>	<u>\$ -</u>	<u>\$ 66,664</u>

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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 3-25 years
- Water rights 50 years

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

Governmental Activities:		
General Government		\$ 862,770
Public Safety		2,680,420
Streets		794,258
Community Development		465,087
Culture and Recreation		583,016
Sub-total governmental funds depreciation		<u>5,385,551</u>
Allocated Internal Service Fund Depreciation		53,897
Total		<u><u>\$ 5,439,448</u></u>
Business-Type Activities:		
Water		\$ 4,480,503
Sewer		2,885,642
Sanitation		1,638,717
Total depreciation		<u><u>\$ 9,004,862</u></u>

6. Internal and Interfund Balances and Transfers

Internal Balances:

Receivable Fund	Payable Fund	Amount	Nature of Interfund Balance	
General Fund	CDBG Fund	\$ 907	Grant funding	
General Fund	Mass Transit	449,423	Negative cash	
General fund	Workers' Compensation	31,088	Negative cash	
General Fund	Emergency Comm	30,472	Negative cash	
Payroll Claims Fund	Emergency Comm	121,676	Payroll payable	
Payroll Claims Fund	HOME	1,350	Payroll payable	
Payroll Claims Fund	CDBG Fund	6,843	Payroll payable	
Workers' Comp	CDBG Fund	2,464	Reimbursement	
2005 CIP	Reserve Fund	1,600	Reimbursement	
Total		<u><u>\$ 645,823</u></u>		
Reconciliation to Fund Financial Statements:		Due From	Due To	Net Internal
Governmental Funds		Other Funds	Other Funds	Balances
		\$ 645,823	\$ 645,823	\$ -
Total		\$ 645,823	\$ 645,823	\$ -

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The LEDA entered into an agreement with the City where the city will pay interest payments on long-term debt. LEDA must repay the city by August 2014 with interest at 2.0%. At June 30, 2013, LEDA owed the city \$414,322.

There is a long term receivable from LEDA to LURA for \$540,016 for property acquisition cost which have been paid by LURA.

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, 2013 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Nature of Interfund Transfer</u>
General Fund	Water Authority	\$ 184,151	Debt service
General Fund	Water Authority	22,480,000	Excess utility collections
General Fund	Officer Training Fund	4,480	Court fines
Officer Training	General Fund	90	Transfer of revenues
LETA Beautification	General Fund	11,265	Transfer of revenues
Animal Sterilization	General Fund	118	Transfer of revenues
Police and Fire Training Fund	General Fund	23,040	Transfer of revenues
2008 CIP Fund	General Fund	3,938,034	Sales tax transfer
2012 CIP Fund	General Fund	13,126,781	Sales tax transfer
2008 CIP Fund	Water Authority	2,015,393	BRAC Loan proceeds
2005 CIP Fund	Water Authority	69,281	Debt service
Mass Transit Fund	General Fund	950,000	Operating subsidy
Emergency Communication	General Fund	1,091,237	Operating subsidy
CIP Fund	Animal Sterilization	150,000	Operating subsidy
CIP Fund	General Fund	125,000	Operating subsidy
Water Authority	2005 CIP Ad Valorem Fund	1,450,000	Operating subsidy
Water Authority	2005 CIP Fund	2,672,830	Debt service
Water Authority	2008 CIP Fund	6,370,534	Transfer of revenues
Capital Outlay Rolling Stock Fund	Water Authority	2,712,507	Revenue transfer
LIDA	General Fund	49,547	Debt service
Water Authority	2012 CIP Fund	5,077,733	Debt service
Water Authority	General Fund	485,000	Operating subsidy
		<u>\$ 62,987,021</u>	
		Transfers to	Transfers from
		Other Funds	Other Funds
<u>Reconciliation to fund financial statements:</u>			Net
			Transfers
Governmental Funds		\$ (34,020,342)	\$ 48,436,271
Water Authority		(28,966,679)	14,550,750
Totals		<u>\$ (62,987,021)</u>	<u>\$ 62,987,021</u>
			\$ 14,415,929
<u>Reconciliation to Statement of Activities:</u>			(3,233,625)
Net Transfers			<u>\$ 11,182,304</u>
Capital contributions transferred from governmental funds			
Transfers - Internal Activity			

Activities of the discretely presented component units financed by the primary government are reported as an expense of the primary government in the Statement of Changes in Net Position. Activity between the primary government and discretely presented component units as of June 30, 2013 was as follows:

<u>Component Unit</u>	<u>Amount</u>	<u>Purpose</u>
Museum of the Great Plains Trust Authority	\$603,047	Operating Subsidy

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Lawton Metropolitan Planning Organization	(53,616)	Grant
Lawton Enhancement Trust Authority	54,945	Hotel/Motel Tax
Lawton Arts and Humanities Council	<u>2,021</u>	Operating Subsidy
	<u>\$606,397</u>	

Activities of LEDA and LURA during the fiscal year included the transfer of land for development totaling \$11,602,270. And LEDA reimbursing LURA \$195,460.

7. 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, and landfill closure and post closure.

For the year ended June 30, 2013, the City's long-term debt balances changed as follows:

Primary Government:

<u>Type of Debt</u>	<u>Restated Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 17,030,000	\$ 3,300,000	\$ 2,195,000	\$ 18,135,000	\$ 2,195,000
General Obligation Bond Premium	330,876	32,677	71,280	292,273	-
Revenue Note	2,500,000	-	195,278	2,304,722	215,067
Judgments Payable	1,860,911	1,277,632	832,210	2,306,333	1,057,364
Notes Payable	1,747,000	-	64,000	1,683,000	67,000
Capital Lease Obligations	249,977	-	249,977	-	-
Workers Comp Liability	1,292,027	52,496	-	1,344,523	672,261
Accrued Compensated Absences - city	5,746,924	194,908	-	5,941,832	710,049
Accrued Compensated Absences - internal service	244,993	-	12,148	232,845	27,825
Total Governmental Activities	<u>\$ 31,002,708</u>	<u>\$ 4,857,713</u>	<u>\$ 3,619,893</u>	<u>\$ 32,240,528</u>	<u>\$ 4,944,566</u>

Reconciliatin to Statement of Net Position:

OPEB Liability	2,540,908
Net Pension Obligation	8,363,751
	<u>\$ 43,145,187</u>

Business-Type Activities:

Notes Payable	\$ 89,203,964	\$ 69,281	\$ 3,378,881	\$ 85,894,364	\$ 13,714,534
Revenue Bonds Payable	28,680,000	-	2,815,000	25,865,000	3,590,000
Deferred amount on refunding	(201,604)	-	(201,604)	-	-
Contracts Payable	30,786,292	-	1,049,966	29,736,326	1,073,235
Accrued Compensated Absences	798,560	10,903	-	809,463	96,731
Workers Comp Liability	775,074	35,830	-	810,904	405,452
Landfill Closure and Post-closure	4,391,101	75,031	-	4,466,132	364,114
Total Business-Type Activities	<u>\$ 154,433,387</u>	<u>\$ 191,045</u>	<u>\$ 7,042,243</u>	<u>\$ 147,582,189</u>	<u>\$ 19,244,066</u>

Reconciliatin to Statement of Net Position:

OPEB Liability	866,554
	<u>\$ 148,448,743</u>

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

General Obligation Bonds:

\$6,080,000 general obligation bonds dated February 1, 2012, payable in annual installments of \$1,185,000 to \$1,240,000, with interest rates of 3.00% repaid by property tax levies	\$3,615,000
\$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	810,000
\$2,500,000 general obligation bonds dated October 1, 2005, payable in annual installments of \$190,000, with an average interest rate of 3.59%, repaid by property tax levies	1,360,000
\$3,000,000 general obligation bonds dated October 1, 2008, payable in annual installments of \$230,000, with an average interest rate of 4.22%, repaid by property tax levies	2,310,000
\$3,300,000 general obligation bonds dated May 1, 2013, payable in annual installments of \$365,000, with an average interest rate of 2.00%, repaid by property tax levies	3,300,000
\$8,000,000 general obligation bonds dated October 1, 2008, payable in annual installments of \$420,000, with an average interest rate of 2.96%, repaid by property tax levies	<u>6,740,000</u>
Total general obligation bonds	\$18,135,000
Premium on bonds outstanding	<u>292,273</u>
Net general obligation bonds	<u>\$18,427,273</u>

Judgments Payable:

Court-assessed judgments to be paid with ad valorem taxes with periods ranging from one to three years.	<u>\$2,306,333</u>
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Note Payable:

\$2,000,000 note payable related to section 108 debt to be repaid with CDBG Fund payable in varying installments with interest at 5%	<u>\$1,683,000</u>
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Revenue Note:

\$2,500,000 revenue note payable for the renovations of city hall, matures September 2021, with stated interest rate of 3.99%	<u>\$2,304,722</u>
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Business-type activities long-term debt payable from net revenues generated by and taxes pledged to the City's business-type activities include the following:

Note Payable:

<p>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.</p>	\$2,613,426
<p>Series C for \$1,020,000 and Series D for \$1,745,000 with interest on 2003D ranging from 1.345% to 5.245%. No interest is charged on Series 2003C; however, there is a .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September, 2027. All notes are secured by the revenues of the Authority's water, sanitary, and garbage collection and disposal systems.</p>	1,383,309
<p>Series 2004A for \$1,310,000, 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. Note is secured by the revenues of the Authority's water, sewer, and garbage collection and disposal systems.</p>	705,387
<p>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.</p>	5,438,797
<p>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.</p>	25,556,104
<p>Series 2008 Energy Conservation Measurers Note for \$2,375,000 with interest rate 4.357% Debt service payments are due June 1 and December 1 through June 1, 2024. Secured by revenues of the Authority's water, sewer, and garbage collection and disposal systems.</p>	1,920,000
<p>Series 2008 SRF for \$10,845,000 with interest rate of 3.08% and .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September 15, 2024. Secured by revenues of the Authority's water, sewer, and garbage collection and disposal Systems.</p>	9,037,543
<p>Series 2009 Clean Water SRF for \$12,270,000 with interest rate of 2.26% and .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September 14, 2021. Secured by revenues of the Authority's water, sewer, and garbage collection and disposal systems. At June 30, 2011 only \$9,677,219 had been drawn on the note.</p>	8,365,982
<p>Series 2009 Drinking Water SRF for \$4,725,000 with interest rate of 2.64% and .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September 15, 2030. Secured by revenues of the Authority's water, sewer, and garbage collection and disposal systems. At June 30, 2011 only \$4,396,605 had been drawn on the note.</p>	2,873,816

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\$28,000,000 Note Payable under the BRAC Program with interest rate of 5.20%. Debt service payments are due June and December interest only. Final principal and interest payment due June 30, 2015. Secured by sales tax. 28,000,000

Total Notes Payable \$85,894,364

Revenue Bonds Payable:

\$5,270,000 revenue bond issue of 2011, with interest at 2.70%, used to refund a portion of the outstanding OWRB loans to be repaid by water, sewer, and refuse revenue. Debt service payments are due October 1 and April 1 through October 1, 2027. \$5,020,000

\$23,410,000 revenue bond issue of 2012, with interest at 1.67%, used to construct and improve water and wastewater infrastructure to be repaid by sales tax revenue. Debt service payments are due January 1 and July 1 through January 1, 2019. 20,845,000

Revenue Bond Payable \$25,865,000

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) \$14,335,185

\$16,628,473 addendum to 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) \$15,401,141

Total Contracts Payable \$29,736,326

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		Revenue Note		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 2,195,000	\$ 590,822	\$ 67,000	\$ 82,517	\$ 1,057,364	\$ 235,389	\$ 215,067	\$ 99,311	\$ -	\$ -
2015	2,545,000	521,607	72,000	79,687	746,841	39,209	224,334	90,044	-	-
2016	2,525,000	452,361	75,000	76,573	502,128	26,356	234,001	80,377	-	-
2017	1,265,000	375,559	80,000	73,157	-	-	243,891	70,466	-	-
2018	1,320,000	316,264	84,000	69,450	-	-	254,593	59,785	-	-
2019-2023	5,745,000	979,686	497,000	280,095	-	-	1,132,836	124,676	-	-
2024-2028	2,100,000	291,012	655,000	132,628	-	-	-	-	-	-
2029-2030	440,000	15,312	153,000	4,146	-	-	-	-	-	-
Total	<u>\$ 18,135,000</u>	<u>\$ 3,542,623</u>	<u>\$ 1,683,000</u>	<u>\$ 798,253</u>	<u>\$ 2,306,333</u>	<u>\$ 300,954</u>	<u>\$ 2,304,722</u>	<u>\$ 524,659</u>	<u>\$ -</u>	<u>\$ -</u>

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Business-Type Activities

Year Ending June 30,	Notes Payable		Revenue Bonds Payable		Contract Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 13,714,534	\$ 2,732,043	\$ 3,590,000	\$ 468,026	\$ 1,073,235	\$ 1,131,291
2015	30,841,175	2,520,149	3,665,000	404,711	1,109,100	1,095,611
2016	2,925,867	1,000,963	3,745,000	340,216	1,142,720	1,058,794
2017	3,020,495	931,056	3,820,000	274,173	1,177,093	1,025,728
2018	3,116,099	860,856	3,900,000	206,708	1,209,268	991,630
2019-2024	16,053,886	3,175,329	5,430,000	412,504	6,689,027	4,304,712
2025-2029	15,556,072	1,207,480	1,715,000	111,040	7,878,298	2,982,406
2030-2034	2,048,796	34,597	-	-	6,875,035	1,525,164
2034-2038	-	-	-	-	2,582,550	306,959
Total	\$ 87,276,924	\$ 12,462,473	\$ 25,865,000	\$ 2,217,378	\$ 29,736,326	\$ 14,422,295
Less remaining proceeds to be drawn	(1,382,560)					
Principal balance	\$ 85,894,364					

Component Unit Debt

\$31,600,000 LEDA Tax Apportionment Note payable to Bank of Oklahoma. The note is to provide funds to pay off the existing line of credit and provide funds for implementation of the Downtown Redevelopment Project consisting of Increment District No. 1, and Increment District No. 2, including acquiring and developing land and new infrastructure. The note is a line of credit and draws cannot exceed \$31,600,000. The note is secured with pledged revenues consisting of increment ad valorem, sales tax, and hotel/motel tax revenues and land sale revenues. The note has an initial interest rate of 4.00% from delivery through August 2014, thereafter, the rate is based on prime rate plus 1.25% with a minimum rate of 4.50% and the maximum rate as allowed by law of 14%. The note has a 20 year amortization. It is subject to redemption with sixty days notice after March 1, 2014, in whole or in part, in increments of not less than \$5,000, with a minimum of \$250,000 for any one redemption.

\$14,456,149

Pledge of Future Revenues

Utility Net Revenues Pledge - The City has pledged net utility revenues to repay the \$2,008,570, \$3,445,000, \$1,020,000, \$1,745,000, \$1,310,000, \$10,815,000, \$33,653,600, \$10,845,000, \$12,270,000 and \$4,725,000 of the OWRB Series 2001A, 2001B, 2003C, 2003D, 2004A, 2005, 2006A, 2008 SRF, 2009 CWSRF and 2009 DWSRF promissory notes payable, respectively. Proceeds from the notes provided financing for capital assets. The notes are payable from net utility revenues and are payable through 2021, 2021, 2027, 2027, 2028, 2026, 2026, 2025, 2030 and 2030 respectively. The total principal and interest payable for the remainder of the life of these notes is \$66,865,570. Net utility revenues received in the current year were \$22,374,661. Debt service payments of \$6,515,815 for the current fiscal year were 29.1% of pledged net utility revenues.

Landfill Closure Liability

State and federal laws and regulations require the City to place a final cover on its 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.

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The \$4,466,132 reported as accrued landfill closure cost liability at June 30, 2013, represents the cumulative amount of such costs reported to date based on the use of 63.26% of the estimated capacity of the landfill. The Authority will recognize the remaining estimated costs of closure and post-closure care in the amount of \$2,593,364 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2013. The City has \$755,206 set aside to fund the estimated landfill closure cost liability. At June 30, 2013, the landfill had a remaining estimated useful life of approximately twelve years.

8. Net Position and Fund Balances

Net position is displayed in three components:

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

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

At June 30, 2013, the City’s governmental activities had total restricted net position of \$65,937,534, of that amount \$3,275,845 was restricted by enabling legislation.

Beginning net position was restated as follows:

	Governmental Funds	Governmental Activities	Business-type Activities/Proprietary Funds
Statement of Activities:			
Beginning net position as previously reported	\$75,778,482	\$127,203,491	\$123,302,126
Add: Understatement of due from component units	408,324	408,324	-
Add: Understatement of capital assets	-	-	968,473
Add: Overstatement of Landfill Closure Liability	-	-	1,261,725
Less: Removal of unamortized debt issue cost due to implementation of GASB 65	-	(330,827)	(1,302,790)
Beginning net position, restated	<u>\$76,186,806</u>	<u>\$127,280,988</u>	<u>\$124,229,534</u>

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Fund Balance:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the city's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for revenues in other governmental funds are made through budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

The City's policy for the use of fund balance amounts require that committed amounts would be reduced first followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The City by ordinance has created a stabilization amount within the General Fund for the purpose of responding to qualified emergencies and events in order to minimize or stabilize the financial impact such emergencies have on existing resources previously budgeted for the various functions and departments of the General Fund. The amount may be used to respond to federal and state emergencies, infrastructure repairs determined to be critical to protect the public health; and any legally mandated actions stemming from new federal and state regulations impacting municipal functions and any necessary expenditure associated therewith. At June 30, 2013 the General Fund has committed fund balance for stabilization of \$1,738,794.

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	General Fund	Major Special Revenue		Other Governmental Fund	Total
		2005 CIP Fund	Fund		
Fund Balance:					
Restricted For:					
Animal control	\$ -	\$ -		\$ 126,669	\$ 126,669
Police operations	-	-		8,122	8,122
Public safety training	-	-		228,450	228,450
General obligation debt service	-	-		377,501	377,501
Capital improvements	-	43,432,169		17,914,430	61,346,599
Drainage maintenance fund	-	-		1,220,115	1,220,115
Transportation programs	-	-		54,987	54,987
Culture and rec programs	-	-		31,016	31,016
Economic development	-	-		405,257	405,257
Landfill programs	-	-		66,201	66,201
General government programs	-	-		29,177	29,177
General government grants	-	-		1,929,986	1,929,986
Fire education programs	-	-		7,276	7,276
Police - drug programs	-	-		143,353	143,353
Cemetery improvements	-	-		194,460	194,460
Park improvements	-	-		23,664	23,664
Sub-total restricted	-	43,432,169		22,760,664	66,192,833
Committed to:					
Beautification	-	-		40,620	40,620
Emergency Reserve	1,738,794	-		-	1,738,794
Sub-total committed	1,738,794	-		40,620	1,779,414
Assigned to:					
Insurance proceeds	207,576	-		-	207,576
General government	424,729	-		-	424,729
Police	483,221	-		274,946	758,167
Culture and rec programs	55,798	-		-	55,798
Stormwater mitigation	437,654	-		-	437,654
Recycling	83,913	-		-	83,913
Facilities management	-	-		7,750	7,750
Capital improvements	-	-		3,736,434	3,736,434
Sub-total assigned	1,692,891	-		4,019,130	5,712,021
Unassigned:	8,088,584	-		(91,825)	7,996,759
TOTAL FUND BALANCE	\$ 11,520,269	\$ 43,432,169		\$ 26,728,589	\$ 81,681,027

9. Revenues

Program Revenues:

Revenues that are derived directly from each activity or from parties outside of the City's taxpayers are reported as program revenues within the Statement of Activities. The City has the following program revenues in each activity:

- Public Safety – Fire, Police, Ambulance – ambulance fees, fire run charges, officer's training charges for services, police sentinel charges for services, restricted operating grants, 911 revenue, and restricted capital grants.
- Streets – Commercial vehicle and gasoline excise tax shared by the State.
- Culture and recreation – lake fees, pool fees, library fees, hunting and fishing permits, softball fees, and operating grants.

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

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

Sales Tax Revenue:

Sales tax revenue represents a 4.125 cents tax on each dollar of taxable sales which is collected by the Oklahoma Tax Commission and remitted to the City. Sales tax revenue is recorded as follows:

Initially 3.625 cents is recorded in the General Fund. Then a 0.375 cent tax for capital improvements is transferred to the 2008 Sales Tax Capital Improvement Fund. Beginning in January 2012, voters approved a 1.25 cent tax for capital improvements to be transferred to the 2012 sales tax capital improvement fund. If needed, the 2008 CIP and 2012 CIP Funds transfer a portion of the dedicated sales taxes to the Water Authority for debt service on voter-approved projects as well.

In January 2010, the voters approved an additional 0.50 cent tax for the Lawton Public School District. The money is deposited into the LPS Sales Tax Fund and transferred to the School District the same month. The tax is restricted for construction, renovation, remodeling, and school buses.

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, 2013, the City's net assessed valuation of taxable property was \$446,503,338. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2013 was \$7.27.

10. 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.

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

	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Care</u>	<u>Total</u>
Claim liability, June 30, 2011	\$ 2,865,790	\$ 936,486	\$ 3,802,276
Claims and changes in estimates	657,952	6,846,732	\$7,504,684
Claims payments	<u>(1,456,641)</u>	<u>(6,732,605)</u>	<u>(8,189,246)</u>
Claim liability, June 30, 2012	2,067,101	1,050,613	3,117,714
Claims and changes in estimates	1,550,673	8,351,839	9,902,512
Claims payments	<u>(1,462,347)</u>	<u>(8,178,428)</u>	<u>(9,640,775)</u>
Claim liability, June 30, 2013	<u>\$ 2,155,427</u>	<u>\$ 1,224,024</u>	<u>\$ 3,379,451</u>

11. 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 Employee Retirement System (the "System"), which is a single employer defined benefit pension plan administered by the City of Lawton. After November 1, 1975, all regular, full-time employees become a participant after completing thirty days of creditable service except for full-time police officers, 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 6.3% of annual pre-tax wages and the City contributes an amount required to provide benefits under the retirement system, subject to a maximum of 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 which can be obtained by contacting the City of Lawton.

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%
Plan members	6.3%
Funding of administrative costs	Investment earnings

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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 June 30, 2013):

Active members	560
Retired participants	<u>213</u>
Total	<u>773</u>

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. The entire expense of the Plan administration is charged against the earnings of the Plan.

Method Used to Value Investments - Values of the System's assets are reported at fair value which approximates market. Investments in judgments are valued at original judgment value, less principal collected since no quoted market price is available. Purchases and sales of securities are recorded on a trade date basis, while interest income is recorded on the accrual basis. As of June 30, 2013, the System held no related party investments or individual investments (other than U.S. government and U.S. government guaranteed securities) whose market value exceeds five percent or more of the net position available for benefits.

C. 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, 2013. 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, 2013
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years rolling
Asset valuation method	Market value
Investment rate of return	6.75%
Projected salary increases	4.25%

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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>
2011	\$ 2,965,333	\$ 1,920,223	64.8%	\$ 6,506,614
2012	2,904,185	2,256,908	77.7%	7,153,891
2013	3,099,774	2,239,853	72.3%	8,363,751

F. Schedule of Funding Progress

As of July 1, 2012, the funded status of the City Employee Retirement System single employer defined benefit plan is as follows:

Actuarial accrued liability (AAL)	\$76,013,611
Actuarial value of plan assets	47,537,321
Unfunded actuarial accrued liability (UAAL)	\$(28,476,290)
Funded ratio (actuarial value of plan assets/AAL)	62.5%
Annual covered payroll (active plan members)	21,615,172
UAAL as a percentage of covered payroll	131.7%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 and police officers. The systems are funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

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<u>Oklahoma Police Pension and Retirement System</u>	<u>Oklahoma Firefighter's Pension and Retirement System</u>
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
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.
State Statute	State Statute
8%	8%
13%	13%
State appropriation to fund the unfunded actuarial accrued liability	State appropriation to fund the unfunded actuarial accrued liability
10 years	10 years
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.
-	20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered.
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.
Yes	Yes, if vested by 5/83
Yes	Yes
Yes	Yes
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
2011	\$ 1,146,816	100%	2011	\$ 1,000,468	100%
2012	1,071,762	100%	2012	1,242,546	100%
2013	1,115,435	100%	2013	980,998	100%

Other Post-Employment Benefits

Plan Description. The City sponsors medical and prescription drug insurance to qualifying retirees and their dependents. Coverage is provided through fully-insured arrangements that collectively operate as a substantive single-employer defined benefit plan. The plan does not issue separate financial statements. Qualifying retirees are those employees who are eligible for immediate disability or retirement benefits under the Oklahoma Police Pension and Retirement System, Oklahoma Firefighter's Pension and Retirement System, or the City of Lawton Employee Retirement Plan. Retirees may continue coverage with the City by paying the carrier premium rate. Coverage is available for each of the lifetimes of retirees and their spouses. Authority to establish and amend benefit provisions rest with the city council. Benefits are paid from general operating assets of the City.

Funding Policy. The contribution requirements of plan members and the City are established by the City Council. Annual health insurance premium amounts are established by the city council. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2013, the actuarially expected City contribution in the form of net age adjustment was \$758,759 to the Plan. Plan members receiving benefits contributed \$636,858 of the total premiums, through their payment of the full determined premium in fiscal year 2013.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the City's annual OPEB cost the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the year ended June 30, 2013:

Normal Cost	\$ 705,147
Interest on NOO	119,287
Amoritztaion of OPEB Obligation	(246,827)
Amortization of Actuarial Accrued Liablity (AAL)	937,805
Annual OPEB cost (expense)	1,515,412
Expected net benefits during the year	(758,759)
Increase in net OPEB obligation	756,653
Net OPEB obligation - beginning of year	2,650,812
Net OPEB obligation - end of year	<u>\$ 3,407,465</u>

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The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/09	\$1,275,234	48%	\$664,227
6/30/10	\$1,298,703	50%	\$1,339,033
6/30/11	\$1,296,343	49%	\$1,998,518
6/30/12	\$1,296,343	49%	\$2,658,003
6/30/13	\$1,515,412	50%	3,407,465

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability (AAL) for benefits was \$19,110,068, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$19,110,068. The covered payroll (annual payroll of active employees covered by the plan) was \$37,100,000, and the ratio of the UAAL to the covered payroll was 52 percent. Because the plan is a substantive plan there are no plan assets.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the Plan at the valuation date, and an annual healthcare cost trend rate of 6 percent initially, reduced by decrements to an ultimate rate of 5 percent in 2015. The UAAL is being amortized over 30 open years based on a level percent-of-pay open-period basis. The remaining amortization period at July 1, 2012, was twenty-six years. As of the date of this valuation, there are no plan assets. Retiree premiums are paid as they come due from general operating assets of the City.

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12. Commitments and Contingencies

Construction Contracts Outstanding

The following construction contracts were outstanding at June 30, 2013:

Nine Mile Creek Sewer Line	\$	2,595,890
Downtown Preservation		38,072
NW 38th (Cache - Gore)		164,985
WWTP Impr WK Pkg		199,879
Landfill Subtitle "D"		379,371
Greet Adtn Drainage NW35th-Arlington		4,001,248
SW 52ND ST (Gore to RR Tracks)		4,445,818

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 2013, 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.

13. Material Non-Compliance

In the General Fund, the City had expenditures exceeding appropriations at the legal level of control in the following departments and for the following amounts:

General Fund – Transfers Out - \$3,900,792

State law prohibits deficit fund balance. The following funds had deficit fund balance at June 30, 2013:

Emergency 911	(\$63,201)
Workers Compensation	(28,624)

14. Related Party Transaction

Pursuant to a pledge agreement dated April 27, 2007, LURA is to acquire land and other property identified in the downtown revitalization project Phase IA and other downtown Lawton TIF projects. The funds used to acquire this property were obtained from LEDA which sold a capital improvement note not to exceed \$12,000,000 at any one time to BancFirst. As a condition of this note, the lender required an agreement from LURA that upon the sale or lease of any acquired assets the proceeds of such sale or lease shall be used to reduce the principal and accrued interest on the note until such time as the note has been paid in full. The note has a maturity date of December 5, 2011, and can be extended, one or more occasions for a term or terms extending until October 1, 2014.

On September 12, 2012, the Trustee of LURA approved the transfer to LEDA the land described as Lots 1 through 6, Block 1, Lawton Downtown Center. The property was transferred on the same date in the amount of \$11,602,270.

15. New Accounting Pronouncements

- The City implemented GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* – GASB 60 addresses issues related to service concession arrangements (SCA's), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. The Statement is effective for fiscal years ended June 30, 2013.
- The City implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*. GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity and also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The Statement is effective for periods beginning after June 15, 2012.
- The City implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements.
- The City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

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- The City early implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously recognized as assets and liabilities. The Statement is effective for fiscal years ended June 30, 2014, however, the City, as mentioned, above, has chosen to early implement Statement No. 65. This early implementation resulted in a prior period restatement for the removal of bond issuance costs from the Statement of Net Position in the Business Type Activities and the Proprietary Fund Statement of Changes in Net Position.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedules (Budgetary Basis) – Year Ended June 30, 2013

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budget basis)	Positive (Negative)
Beginning Budgetary Fund Balance:	\$ 890,677	\$ 890,677	\$ (1,775,641)	\$ (2,666,318)
Resources (Inflows):				
Taxes and assessments	45,615,166	45,615,166	48,642,246	3,027,080
Fees, licenses and permits	1,170,587	1,170,587	1,105,459	(65,128)
Rentals and sales of property	265,027	265,027	309,720	44,693
Fines and forfeitures	3,163,802	3,163,802	2,807,595	(356,207)
Interest earned	91,613	91,613	65,302	(26,311)
Other sources	782,563	782,563	732,741	(49,822)
Intergovernmental	866,324	866,324	948,825	82,501
Grants	1,455,039	1,455,039	1,139,074	(315,965)
Total Resources (Inflows)	<u>53,410,121</u>	<u>53,410,121</u>	<u>55,750,962</u>	<u>2,340,841</u>
Amounts available for appropriation	<u>54,300,798</u>	<u>54,300,798</u>	<u>53,975,321</u>	<u>(325,477)</u>
Charges to Appropriations (Outflows):				
General Government	10,144,669	10,144,669	8,859,314	1,285,355
Public Safety	30,390,500	30,390,500	28,177,760	2,212,740
Streets	9,026,441	9,026,441	8,903,762	122,679
Culture and Recreation	6,229,032	6,229,032	5,703,246	525,786
Total Charges to Appropriations	<u>55,790,642</u>	<u>55,790,642</u>	<u>51,644,082</u>	<u>4,146,560</u>
Other financing sources (uses)				
Transfers from other funds	24,203,108	24,203,108	23,040,405	(1,162,703)
Transfers to other funds	(21,423,900)	(21,423,900)	(25,324,692)	(3,900,792)
Total other financing sources (uses)	<u>2,779,208</u>	<u>2,779,208</u>	<u>(2,284,287)</u>	<u>(5,063,495)</u>
Ending Budgetary Fund Balance	<u>\$ 1,289,364</u>	<u>\$ 1,289,364</u>	<u>\$ 46,952</u>	<u>\$ (1,242,412)</u>

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:

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	<u>Fund Balance June 30, 2012</u>	<u>Net Change in Fund Balance</u>	<u>Fund Balance June 30, 2013</u>
Budget to GAAP Reconciliation:			
Fund Balance - GAAP Basis	\$ 9,512,907	\$ 2,007,362	\$ 11,520,269
Increases (Decreases):			
Revenues:			
Taxes receivable	(8,074,302)	8,204	(8,066,098)
Accounts receivable	(75,904)	(50,698)	(126,602)
Accrued interest	(7,257)	1,029	(6,228)
Fair value adjustment	(3,538)	3,538	-
Expenditures:			
Accrued payroll	591,200	169,003	760,203
Encumbrances	(227,256)	(402,214)	(629,470)
Other items	1,186	(3,530)	(2,344)
Accounts of the General Fund:			
Hunting and Fishing	23,201	(29,399)	(6,198)
Reserve Account	(1,842,554)	103,760	(1,738,794)
Insurance Proceeds Account	(83,629)	(123,947)	(207,576)
Adult Softball Account	(44,079)	(3,837)	(47,916)
Court Credit Card Maint. Account	(609,075)	183,600	(425,475)
Animal License Account	(434,251)	65,195	(369,056)
Elmer Thomas Park Account	(7,796)	-	(7,796)
Stormwater Mitigation	(350,349)	(87,305)	(437,654)
RSVP Account	18,315	16,790	35,105
Application Fee Account	(44,096)	(9,302)	(53,398)
Senior Craft Account	(86)	-	(86)
Special Jail Account	(50,256)	(7,490)	(57,746)
Real Property Account	(2,275)	-	(2,275)
Recycling Account	(65,747)	(18,166)	(83,913)
Fund Balance - Budgetary Basis	<u>\$ (1,775,641)</u>	<u>\$ 1,822,593</u>	<u>\$ 46,952</u>

4. In the General Fund, the City had expenditures exceeding appropriations at the legal level of control in the following departments and for the following amounts:

General Fund – Transfers Out - \$3,900,792

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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, 2013	\$ 47,537,321	\$ 76,013,611	EAN	\$ (28,476,290)	62.5%	\$ 21,615,172	131.7%
July 1, 2011	\$ 44,761,581	\$ 71,637,254	EAN	\$ (26,875,673)	62.5%	\$ 22,095,022	121.6%
July 1, 2009	37,963,510	60,084,860	EAN	(22,121,350)	63.2%	19,845,649	111.5%
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%

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:

Fiscal Year	Actual Employer Required Contribution per Retirement Plan	Percentage of APC Contributed
2005	\$ 1,189,519	100.0%
2006	1,259,042	100.0%
2007	1,412,087	100.0%
2008	1,553,635	65.4%
2009	1,628,972	68.5%
2010	1,703,544	72.7%
2011	1,920,223	64.8%
2012	2,256,908	77.7%
2013	2,239,853	72.3%

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Schedule of Funding Progress – Other Post Employment Benefits

The funded status and funding progress of the City's defined benefit OPEB plan for the most recent actuarial valuations is as follows:

	July 1, 2008	July 1, 2010	July 1, 2012
Actuarial accrued liability - AAL (a)	\$15,764,535	\$16,543,865	\$19,110,068
Actuarial value of plan assets (b)	-	-	-
Unfunded actuarial accrued liability – UAAL (funding excess) (a) – (b)	\$15,764,535	\$16,543,865	\$19,110,068
Funded ratio (b)/(a)	0%	0%	0%
Covered payroll (c)	\$28,400,000	\$34,500,000	\$37,100,000
UAAL (funding excess) as a % of covered payroll [UAAL/(c)]	56%	56%	52%

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OTHER SUPPLEMENTARY INFORMATION

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Schedule of Changes in Fund Balances/Net Position – General Fund Accounts, Non-Major Governmental Funds, and LWA Accounts, Year Ended June 30, 2013

Fund	Restated, Fund Balance/ Net Positin 7/1/2012	Changes in Fund Balance	Fund Balance/ Net Positin 6/30/2013
General Fund Accounts:			
General Fund	\$ 6,020,230	\$ 2,097,261	\$ 8,117,491
Hunting and Fishing	(23,201)	29,399	6,198
Reserve Account	1,842,554	(103,760)	1,738,794
Insurance Proceeds Account	83,629	123,947	207,576
Payroll Claims Account	-	-	-
Adult Softball Account	44,079	3,837	47,916
Court Credit Card Maint. Account	609,075	(183,600)	425,475
Animal Lieese Account	434,251	(65,195)	369,056
Elmer Thomas Park	7,796	-	7,796
Stormwataer Mitigations	350,349	87,305	437,654
RSVP	(18,315)	(16,790)	(35,105)
Application Fee	44,096	9,302	53,398
Senior Craft	86	-	86
Special Jail	50,256	7,490	57,746
Real Property	2,275	-	2,275
Recycling Account	65,747	18,166	83,913
Total General Fund Accounts	<u>\$ 9,512,907</u>	<u>\$ 2,007,362</u>	<u>\$ 11,520,269</u>
Special Revenue Funds:			
Public Library	\$ (2,634)	\$ 7,213	\$ 4,579
Small Business Loan	162,755	(453)	162,302
CDBG	67,241	560,310	627,551
HOME Investment CDBG	(4,255)	5,501	1,246
Lawton Urban Housing	236	-	236
Police Grant	7,653	(530)	7,123
Park Fee Fund	19,085	-	19,085
Narcotics Fund	168,003	(24,650)	143,353
Animal Sterilization Fund	241,750	(132,584)	109,166
Emergency 911	(117,239)	54,039	(63,200)
Cemetery Care	161,410	27,550	188,960
Officers Training	167,108	(47,074)	120,034
Lawton Parking Authority	1,191	-	1,191
State Landfill Fund	108,327	(42,126)	66,201
Police Sentinel	995	4	999
Fire Prevention Education	8,094	(818)	7,276
Park Fund	2,609	-	2,609
McMahon Authority Grants	23,915	-	23,915
Drainage Maintenance Fund	1,043,165	176,950	1,220,115
Animal Donation Fund	14,955	2,548	17,503
Capital Outlay Rolling Stock	2,429,899	(64,292)	2,365,607
LETA Beautification	24,300	16,320	40,620
Cemetery Reward	5,500	-	5,500
Centennial Fund	7,101	-	7,101
Hotel/Motel Tax Fund	262,106	(19,387)	242,719
Project Impact	29,177	-	29,177
Mass Transit Fund	(5,700)	59,496	53,796
Federal Grant Fund	1,296,991	1,589	1,298,580
Cellular Service Fee Fund	1,022,203	89,979	1,112,182
LIDA	51	(51)	-
Police and Fire Training Fund	385,716	(2,354)	383,362
Impact Fees	1,679,413	(101,380)	1,578,033
Rental Revenue Fund	1,700	6,050	7,750
Workers Comp	-	(28,624)	(28,624)
Capital Project:			
CIP	1,155,215	215,611	1,370,826
CIP Sales Tax 2008	643,524	(506,954)	136,570
CIP 2012	3,209,912	7,814,048	11,023,960
Debt Service			
Prior to 1972	1,036,627	(659,126)	377,501
Ad Valorem 2012	-	3,290,290	3,290,290
Ad Valorem 2005	2,219,784	(1,446,389)	773,395
Total Non Major Special Revenue	<u>\$ 17,477,883</u>	<u>\$ 9,250,706</u>	<u>\$ 26,728,589</u>
Lawton Water Authority Accounts:			
Sewer System Tech	\$ 2,858,693	\$ (3,261,646)	\$ (402,953)
1972 & After	1,959,622	44,756	2,004,378
Enterprise Account	170,370,334	(4,883,622)	165,486,712
Lawton Water Authority Account	(53,178,448)	9,335,071	(43,843,377)
Sewer Maintenance Program	229,636	(73,894)	155,742
Landfill Financial Assurance	755,664	(458)	755,206
Pumping Fee Account	(59,850)	18,697	(41,153)
Water Meter Account	5,157	(5,017)	140
Waurika Payments	1,288,726	14,091	1,302,817
Total LWA Accounts	<u>\$ 124,229,534</u>	<u>\$ 1,187,978</u>	<u>\$ 125,417,512</u>

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The 2005 CIP Fund is considered a major funds and therefore is displayed in a separate column. 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, 2013

DEBT SERVICE COVERAGE:

**OWRB Series
2001A, 2001B, 2003A, 2003B,
2003C, 2003D, 2004A, 2004B
2005, 2006A, 2008 & 2009
Promissory Notes**

GROSS REVENUE AVAILABLE:

Charges for services (all utility revenues)
Investment income

\$43,791,329
240,124

Total Gross Revenue Available

44,031,453

OPERATING EXPENSES:

Total Operating Expenses

17,488,399

Net Revenue Available for Debt Service

\$26,543,054

Maximum Annual Debt Service on all Obligations Payable From
Revenues of the System

\$9,751,369

Computed Coverage

272%

Coverage Requirement

125%

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