CITY OF LAWTON

OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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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 basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lawton, Oklahoma (the City), as of and for the year ended June 30, 2014, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements 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 basic 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 85% and 87% of assets and program revenues, respectively, of the discretely presented component units. We also did not audit the City Employee Retirement Trust Fund. Those statements were audited by other auditors whose reports have been furnished to us and our opinions, insofar as they relate to the amounts included for discretely presented component units and the City Employee Retirement Trust Fund, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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, based on our audit and the reports of other accountants, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

The 2013 financial statements, before they were restated for the matters discussed in *Note 2.F.*, were audited by other auditors and their report thereon, dated July 10, 2014, expressed an unmodified opinion. Our opinion is not modified with respect to this matter.

As discussed in *Note 2.F.*, the 2014 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the management's discussion and analysis and budgetary and pension/other postemployment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 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.

Supplementary 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 listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 have also issued our report dated September 25, 2015, except for the additional restatements included in *Note 2.F.* as to which the date is April 18, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BKD, LLP

Oklahoma City, Oklahoma
September 25, 2015, except for the
additional restatements included in *Note 2.F.*
as to which the date is April 18, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2014. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2014, the City's total net position increased by $18.0 million or 6.92% from the prior year.
- During the year, the City's expenses for governmental activities were $73.8 million and were funded by program revenues of $15.8 million and further funded with taxes and other general revenues that totaled $62.2 million.
- In the City's business-type activities, such as utilities, program revenues exceeded expenses by $13.3 million.
- Sales and use taxes increased by $1.8 million or 4.0% over the prior fiscal year.
- At June 30, 2014, the General Fund reported an unassigned fund balance of $10.0 million.
- For budgetary reporting purposes, the General Fund reported revenues over estimates by $13,532,117 or 29.6%, while expenditures were under final appropriations by $4,849,518 or 8.9%. Transfers out the General Fund exceeded the appropriated amount by $12,368,495; the excess transfers were for capital improvements.
- The City and the Lawton Water Authority issued new debt totaling $10,920,000, excluding judgments payable. The new debt included $10.9 million of Revenue Bonds. The debt was issued to provide funding for capital improvements.

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 Administrative Officer and is appointed by the City Council.
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council.

The City's Financial Reporting Entity

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

The City's financial reporting entity includes the City of Lawton, five active blended component units and eight 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.

- **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, the trust issues separate financial statements

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.

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Proprietary funds - When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Fund Net Position and Statement of Cash Flows. In fact, the City's enterprise funds are essentially the same as the business-type activities reported

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 $276,817,598 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 2014	Restated 2013		2014	Restated 2013		2014	Restated 2013	
Current and other assets	$ 64,269	$ 88,995	-28%	$ 67,953	$ 71,333	-5%	$ 132,222	$ 160,328	-18%
Capital assets	95,980	95,876	0%	210,392	204,801	3%	306,372	300,677	2%
Total assets	160,249	184,871	-13%	278,345	276,134	1%	438,594	461,005	-5%
Deferred outflows	59	88	-33%	-	-	0%	59	88	-33%
Long-term liabilities outstanding	40,739	43,146	-6%	112,189	148,449	-24%	152,928	191,595	-20%
Other liabilities	5,795	7,233	-20%	2,210	2,509	-12%	8,005	9,742	-18%
Total liabilities	46,534	50,379	-8%	114,399	150,958	-24%	160,933	201,337	-20%
Net position:									
Net investment in capital assets	76,291	75,160	2%	134,880	102,033	32%	211,171	177,193	19%
Restricted	37,925	65,937	-42%	29,337	25,702	14%	67,262	91,639	-27%
Unrestricted (deficit)	(441)	(6,517)	-93%	(271)	(2,559)	-89%	(712)	(9,076)	-92%
Total net position	$ 113,775	$ 134,580	-15%	$ 163,946	$ 125,176	31%	$ 277,721	$ 259,756	7%

The largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). For 2014, this net investment in capital assets amounted to $211,170,347. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A major portion of the City's net position, $67,261,669 also represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $(1,614,418), if positive, may be used to meet the government's ongoing obligations to citizens and creditors. However, this amount is currently reported as an unrestricted net position deficit.

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

Governmental Activities:

Current and other assets – Decrease of $24.7 million (28%) due to the use of restricted cash and investments for construction projects.

Other Liabilities – Decrease of $1.4 million (20%) due to a decrease in accounts payable related to construction projects.

Unrestricted Net Position (Deficit) – Decrease of $6.1 million (93%) due to an increase in excess unrestricted net position.

Business-Type Activities:

Long-term liabilities – Decrease of $36.3 million (24%) due to the current refunding of debt.

Unrestricted Net Position (Deficit) – Decrease of $2.3 million (89%) due to an increase in excess unrestricted net position and revenues exceeding expenses.

Changes in Net Position

For the year ended June 30, 2014, net position of the primary government changed as follows:

Table 2
Changes in Net Position
(In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total Primary Government		% Inc. (Dec.)
	Restated, 2014	Restated, 2013		2014	Restated, 2013		Restated, 2014	Restated, 2013	
Revenues:									
Program revenues:									
Charges for services	$ 6,872	$ 7,445	-8%	$ 43,917	$ 43,791	0%	$ 50,789	$ 51,236	-1%
Operating grants and contributions	5,047	5,721	-12%	-	-	-	5,047	5,721	-12%
Capital grants and contributions	3,845	4,351	-12%	246	-	100%	4,091	4,351	-6%
General revenues:									
Sales and use taxes	47,455	45,624	4%	-	-	-	47,455	45,624	4%
Other taxes and intergovernmental revenues	10,898	7,159	52%	-	-	-	10,898	7,159	52%
Other general revenue	3,849	1,797	114%	248	418	-41%	4,097	2,215	85%
Total revenues	77,966	72,097	8%	44,411	44,209	0%	122,377	116,306	5%
Program expenses:									
General government	13,398	13,001	3%	-	-	-	13,398	13,001	3%
Public safety	33,399	35,951	-7%	-	-	-	33,399	35,951	-7%
Streets	9,368	8,090	16%	-	-	-	9,368	8,090	16%
Education	5,452	5,255	4%	-	-	-	5,452	5,255	4%
Transportation	2,737	2,299	19%	-	-	-	2,737	2,299	19%
Cultural and recreation	7,716	8,501	-9%	-	-	-	7,716	8,501	-9%
Community/economic development	830	1,022	-19%	-	-	-	830	1,022	-19%
Interest	895	978	-8%	-	-	-	895	978	-8%
Water	-	-	-	17,764	18,771	-5%	17,764	18,771	-5%
Sewer	-	-	-	8,251	8,314	-1%	8,251	8,314	-1%
Wastewater	-	-	-	4,603	4,713	-2%	4,603	4,713	-2%
Total expenses	73,795	75,097	-2%	30,618	31,798	-4%	104,413	106,895	-2%
Excess (deficiency) before transfers	4,171	(3,000)	239%	13,793	12,411	11%	17,964	9,411	91%
Transfers	(24,977)	10,251	-344%	24,977	(10,251)	-344%	-	-	-
Increase (decrease) in net position	(20,806)	7,251	387%	38,770	2,160	1695%	17,964	9,411	91%
Net Position, Beginning, restated	134,580	127,329	6%	125,176	123,016	2%	259,756	250,345	4%
Net Position, Ending	$ 113,774	$ 134,580	-15%	$ 163,946	$ 125,176	31%	$ 277,720	$ 259,756	7%

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

Governmental Activities:

Other Taxes – Increase of $3.7 million (52%) due to an increase in the property taxes levied and collected and an increase in sales and use tax earned.

Other general revenues – Increase of $2.1 million (114%) due to the sale of land.

Transfers – Net increase of $35.2 million (344%) due to an increase in the transfer to the Water Authority for debt service payments.

Business-Type Activities:

Transfers – Net decrease of $35.2 million (344%). See above for explanation.

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.)
	2014	Restated, 2013		Restated, 2014	Restated, 2013	
General government	$ 13,398	$ 13,001	3%	$ (7,475)	$ (2,420)	209%
Public safety	33,399	35,951	-7%	(30,871)	(34,090)	-9%
Streets	9,368	8,090	16%	(4,721)	(5,661)	-17%
Culture, parks and recreation	7,716	8,501	-9%	(7,061)	(7,862)	-10%
Community/economic development	830	1,022	-19%	(830)	(1,022)	-19%
Education	5,452	5,255	4%	(5,452)	(5,255)	4%
Transportation	2,737	2,299	19%	(726)	(292)	149%
Interest on long-term debt	895	978	-8%	(895)	(978)	-8%
Total	$ 73,795	$ 75,097	-2%	$ (58,031)	$ (57,580)	-1%

For the year ended June 30, 2014 total expenses for governmental activities amounted to $73.8 million which was a decrease from the prior year of 2%. 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.
	2014	Restated, 2013		2014	Restated, 2013	
Water	$ 17,764	$ 18,771	-5%	$ 6,003	$ 5,021	20%
Wastewater	8,251	8,314	-1%	4,041	3,685	10%
Sanitation	4,603	4,713	-2%	3,500	3,287	6%
Total	$ 30,618	$ 31,798	-4%	$ 13,544	$ 11,993	13%

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

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

- Total business-type activities reported net revenues, before transfers, of $13.3 million for the year ended June 30, 2014.
- All individual activities/services reported net revenue for the year ended June 30, 2014.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2014 fiscal year, the governmental funds reported a combined fund balance of $57.7 million or a 29.9% decrease from 2013. The enterprise funds reported combined net position of $164 million or a 30.8% increase from 2013.

Other fund highlights include:

- For the year ended June 30, 2014, the General Fund's total fund balance increased by $2,095,043 or 18.2%.
- The 2005 CIP Fund's total fund balance decreased by $37.0 million or 84.4% due to an increase in debt service payment transfers out and construction of capital assets.
- The 2012 CIP Fund's total fund balance increased by $7.7 million or 70% due to an increase in sales tax transfers in.

General Fund Budgetary Highlights

- For budgetary reporting purposes, the General Fund reported revenues over estimates by $13,532,117 or 29.5%, while expenditures were under final appropriations by $4,849,518 or 8.9%. Transfers out the General Fund exceeded the appropriated amount by $12,368,495; the excess transfers were for capital improvements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2014, the City had $306.4 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 $5.6 million or 1.8 % over last year.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	Restated, 2013	2014	Restated 2013	2014	Restated 2013
Land	$ 3,764,123	$ 3,764,123	$ 1,512,864	$ 1,431,864	$ 5,276,987	$ 5,195,987
Buildings and utility infrastructure	15,924,736	16,646,047	148,227,880	148,564,915	164,152,616	165,210,962
Machinery, furniture and equipment	8,019,565	9,515,062	5,900,377	6,570,482	13,919,942	16,085,544
Infrastructure	46,078,063	39,038,249	-	-	46,078,063	39,038,249
Unamortized water rights	-	-	30,740,918	31,132,068	30,740,918	31,132,068
Construction in progress	22,193,491	27,055,637	24,009,471	17,101,603	46,202,962	44,157,240
Totals	$ 95,979,978	$ 96,019,118	$ 210,391,510	$ 204,800,932	$ 306,371,488	$ 300,820,050

This year's more significant capital asset additions included:

NW 38th Street – Cache to Gore	$6,337,465
NW 67th Street – Roger Land to Cache	$2,662,760
112th Street Improvement Project	$1,149,385
Citywide mill and overlay program	$1,841,102
WWTP Phase II	$3,813,117

See Note 2.C. to the financial statements for more detail information on the City's capital assets and changes therein.

Long- Term Debt

At year-end, the City had $139.4 million in long-term debt outstanding which represents a $40.4 million or 22.5% decrease from the prior year. The decrease is due to the city retiring $53.7 million related to the Brac loan and OWRB and issuing $12.3 million. The City's changes in long-term debt by type of debt are as follows:

Table 6
Primary Government Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Accrued compensated absences	$ 5,664,218	$ 6,174,677	$ 811,737	$ 809,463	$ 6,475,955	$ 6,984,140
General Obligation Bonds	15,955,000	18,135,000	-	-	15,955,000	18,135,000
General Obligation Bond Premium	220,993	292,273	-	-	220,993	292,273
Unamortized loss on refunding	(58,894)	(88,341)	-	-	(58,894)	(88,341)
Worker's Compensation liability	2,160,463	1,344,523	1,332,915	810,904	3,493,378	2,155,427
Judgments Payable	2,247,949	2,306,333	-	-	2,247,949	2,306,333
Revenue Bonds Payable	1,616,000	2,304,722	32,690,000	25,865,000	34,306,000	28,169,722
Revenue Bonds Premium	-	-	-	-	-	-
Notes Payable	415,000	1,683,000	42,892,221	85,894,364	43,307,221	87,577,364
Contracts Payable	-	-	28,653,178	29,736,326	28,653,178	29,736,326
Landfill Closure and Post-closure	-	-	4,759,833	4,466,132	4,759,833	4,466,132
Totals	$ 28,220,729	$ 32,152,187	$ 111,139,884	$ 147,582,189	$ 139,360,613	$ 179,734,376

See Note 2.E. to the financial statements for more detail information on the City's long-term debt and changes therein.

The Upcoming Year FY 2014-2015

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. In August 2014 the Citizens of Lawton passed an eleven year one hundred million dollar Sales Tax Extension 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.

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

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

Statement of Net Position– June 30, 2014

	Primary Government			
	Governmental Activities, Restated	Business-Type Activities	Total	Component Units
ASSETS:				
Cash and cash equivalents	$30,434,996	$4,584,780	$35,019,776	$1,633,237
Cash and cash equivalents, restricted	-	33,929,857	33,929,857	470,613
Investments	20,345,252	499,930	20,845,182	724,972
Investments, restricted	-	23,150,444	23,150,444	-
Interest receivable	20,270	78	20,348	-
Accounts receivable, net	2,130,507	5,527,461	7,657,968	820,661
Inventory	295,089	-	295,089	51,996
Land held for resale	-	-	-	2,690,928
Taxes receivable	10,629,538	-	10,629,538	585,627
Advance to component unit	414,322	-	414,322	-
Internal balances	(323)	323	-	-
Prepaid items	-	-	-	341,082
Other assets	-	-	-	16,758
Cash and cash equivalents, restricted	-	260,005	260,005	-
Capital assets:				
Land and construction in progress	25,957,614	25,522,335	51,479,949	506,525
Other capital assets, net of depreciation	70,022,364	184,869,175	254,891,539	18,734,786
Total Assets	160,249,629	278,344,388	438,594,017	26,577,185
DEFERRED OUTFLOW OF RESOURCES				
Deferred amount on refunding	58,894	-	58,894	-
LIABILITIES:				
Accounts payable and accrued liabilities	5,658,343	976,181	6,634,524	706,963
Due to other governments	-	-	-	96,079
Accrued interest payable	136,377	1,233,705	1,370,082	364,171
Unearned revenue	-	-	-	49,535
Advance from primary government	-	-	-	414,322
Long-term liabilities:				
Due within one year	5,549,216	35,891,189	41,440,405	22,991
Due in more than one year	35,190,112	76,297,690	111,487,802	28,151,091
Total Liabilities	46,534,048	114,398,765	160,932,813	29,805,152
NET POSITION (DEFICIT):				
Net investement in capital assets	76,290,704	134,879,643	211,170,347	19,170,080
Restricted	37,925,146	29,336,523	67,261,669	1,294,318
Unrestricted (deficit)	(441,375)	(270,543)	(711,918)	(23,692,365)
Total Net Position (deficit)	$113,774,475	$163,945,623	$277,720,098	($3,227,967)

See accompanying notes to the basic financial statements.

Statement of Activities –Year Ended June 30, 2014

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Restated, Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Restated, Total	Component Units
Primary Government:								
Governmental activities:								
General government	$13,397,852	$3,978,253	$1,285,745	$658,779	($7,475,075)	-	($7,475,075)	-
Public safety	33,399,212	1,221,833	1,206,036	100,152	(30,871,191)	-	(30,871,191)	-
Streets	9,368,231	795,183	932,926	2,918,627	(4,721,495)	-	(4,721,495)	-
Culture and recreation	7,088,143	417,807	69,686	167,575	(6,433,075)	-	(6,433,075)	-
Community development	829,710	-	-	-	(829,710)	-	(829,710)	-
Education	5,451,715	-	-	-	(5,451,715)	-	(5,451,715)	-
Transportation	2,737,494	458,887	1,552,193	-	(726,414)	-	(726,414)	-
Culture and recreation - payment to component unit	627,540	-	-	-	(627,540)	-	(627,540)	-
Interest on long-term debt	895,348	-	-	-	(895,348)	-	(895,348)	-
Total governmental activities	73,795,245	6,871,963	5,046,586	3,845,133	(58,031,563)	-	(58,031,563)	-
Business-type activities:								
Water	17,764,173	23,660,613	-	106,697	-	6,003,137	6,003,137	-
Wastewater	8,251,298	12,153,942	-	138,876	-	4,041,520	4,041,520	-
Sanitation	4,602,967	8,102,546	-	-	-	3,499,579	3,499,579	-
Total business-type activities	30,618,438	43,917,101	-	245,573	-	13,544,236	13,544,236	-
Total primary government	$104,413,683	$50,789,064	$5,046,586	$4,090,706	(58,031,563)	13,544,236	(44,487,327)	-
Component Units:								
Airport	$2,749,254	$830,420	$945,370	$30,618				($942,846)
Culture and recreation	1,089,323	363,305	1,183,756	50,468				508,206
Economic development	14,189,831	2,455	323,859	-				(13,863,517)
Transportation	169,568	-	175,988	-				6,420
Total component units	$18,197,976	$1,196,180	$2,628,973	$81,086				(14,291,737)
General revenues:								
Taxes:								
Sales and use taxes					47,455,104	-	47,455,104	294,651
Property tax					4,613,373	-	4,613,373	70,828
Franchise and public service taxes					2,711,010	-	2,711,010	-
Hotel/motel taxes					1,251,330	-	1,251,330	-
Intergovernmental revenue not restricted to specific programs					2,322,653	-	2,322,653	-
Investment income					144,143	200,957	345,100	47,699
Miscellaneous					1,572,988	47,816	1,620,804	-
Gain on sale of land					2,131,892	-	2,131,892	-
Transfers - Internal activity					(24,976,680)	24,976,680	-	-
Total general revenues and transfers					37,225,813	25,225,453	62,451,266	413,178
Change in net position					(20,805,750)	38,769,689	17,963,939	(13,878,559)
Net position - beginning (restated)					134,580,225	125,175,934	259,756,159	10,650,592
Net position - ending (restated)					$113,774,475	$163,945,623	$277,720,098	($3,227,967)

See accompanying notes to the basic financial statements.

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

Governmental Funds Balance Sheet - June 30, 2014

	General Fund	2005 CIP Fund	2012 CIP Fund, Restated	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	$ 5,294,043	$ 631,339	$ 6,502,613	$ 17,485,028	$ 29,913,023
Investments	240,264	7,160,677	12,495,665	448,646	20,345,252
Receivables:					
Accounts receivable	65,742	-	902,500	751,336	1,719,578
Accrued interest receivable	6,220	6,877	7,036	137	20,270
Advance to component unit	-	-	-	414,322	414,322
Due from other funds	812,874	-	-	3,052	815,926
Taxes receivable	8,543,776	-	1,988,027	97,735	10,629,538
Inventory	295,089	-	-	-	295,089
Total Assets	$ 15,258,008	$ 7,798,893	$ 21,895,841	$ 19,200,256	$ 64,152,998
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable and accrued liabilities	$ 1,639,816	$ 170,962	$ 2,247,992	$ 695,525	$ 4,754,295
Due to other funds	2,880	784,697	-	884	788,461
Total Liabilities	1,642,696	955,659	2,247,992	696,409	5,542,756
DEFERRED INFLOW OF RESOURCES:					
Unavailable revenue	-	-	902,500	-	902,500
Fund Balances:					
Nonspendable	295,089	-	-	-	295,089
Restricted	-	6,843,234	18,745,349	12,472,940	38,061,523
Committed	1,472,949	-	-	34,664	1,507,613
Assigned	1,866,804	-	-	6,219,672	8,086,476
Unassigned (deficit)	9,980,470	-	-	(223,429)	9,757,041
Total Fund Balances	13,615,312	6,843,234	18,745,349	18,503,847	57,707,742
Total Liabilities and Fund Balances	$ 15,258,008	$ 7,798,893	$ 21,895,841	$ 19,200,256	$ 64,152,998

See accompanying notes to the basic financial statements.

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2014

	General Fund	2005 CIP Fund, Restated	2012 CIP Fund	Other Governmental Funds	Total Governmental Funds, Restated
Revenues:					
Taxes	$45,519,744	-	-	$11,316,418	$56,836,162
Intergovernmental	1,751,426	$210,925	$1,988,027	5,086,029	9,036,407
Charges for services	144,933	-	-	890,618	1,035,551
Fines and forfeitures	2,698,023	-	-	1,648,988	4,347,011
Licenses and permits	1,356,687	-	-	-	1,356,687
Investment income (loss)	(34,228)	75,467	88,870	14,093	144,202
Miscellaneous	944,519	-	-	988,861	1,933,380
Total Revenues	52,381,104	286,392	2,076,897	19,945,007	74,689,400
Expenditures:					
Current:					
General government	8,495,363	-	-	2,207,245	10,702,608
Public safety	27,993,939	-	-	1,797,635	29,791,574
Public works and streets	8,171,187	-	-	-	8,171,187
Education	-	-	-	5,451,715	5,451,715
Culture and recreation	5,942,713	-	-	893,073	6,835,786
Community development	-	-	-	753,000	753,000
Transportation	-	-	-	2,737,494	2,737,494
Capital outlay	226,273	2,104,694	9,775,405	3,069,101	15,175,473
Debt service:					
Principal retirement	-	-	-	5,186,728	5,186,728
Interest and fiscal charges	-	-	-	941,828	941,828
Total Expenditures	50,829,475	2,104,694	9,775,405	23,037,819	85,747,393
Excess (deficiency) of revenues over expenditures	1,551,629	(1,818,302)	(7,698,508)	(3,092,812)	(11,057,993)
Other Financing Sources (Uses):					
Debt proceeds	-	-	-	21,857	21,857
Proceeds from sale of property	2,131,892	-	-	-	2,131,892
Transfers in	20,737,133	-	19,418,329	15,456,694	55,612,156
Transfers out	(22,325,611)	(35,186,745)	(3,998,432)	(9,551,145)	(71,061,933)
Total Other Financing Sources (Uses)	543,414	(35,186,745)	15,419,897	5,927,406	(13,296,028)
Net change in fund balances	2,095,043	(37,005,047)	7,721,389	2,834,594	(24,354,021)
Fund balances - beginning, restated	11,520,269	43,848,281	11,023,960	15,669,253	82,061,763
Fund balances - ending	$13,615,312	$6,843,234	$18,745,349	$18,503,847	$57,707,742

See accompanying notes to the basic financial statements.

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Fund balances of governmental funds	$57,707,742
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 $76,583,831, and net Internal Service Fund capital assets of $96,419.	95,883,559
Certain long-term assets are not available to pay for current fund liabilities:	
Unavailable revenue	902,500
Mortgages receivable	410,929
	1,313,429
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.	(560,479)
Certain long-term liabilities and deferred outflow of resources are not due and payable from current financial resources and, therefore, are not reported in the funds:	
General obligation bonds payable	(15,955,000)
Unamortized debt premium	(220,993)
Accrued interest payable	(136,377)
Accrued compensated absences	(5,417,183)
Accrued workers compensation claims	(2,160,463)
OPEB liability	(3,107,930)
Revenue notes payable	(415,000)
Judgments payable	(2,247,949)
Notes payable	(1,616,000)
Deferred amount on refunding	58,894
Net pension obligation	(9,351,775)
	(40,569,776)
Net position of governmental activities, restated	$113,774,475

See accompanying notes to the basic financial statements.

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds, restated	($24,354,021)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets	
Capital asset purchases capitalized	14,478,115
Loss on disposal of capital assets	3,937
Capital asset donated by outside sources	251,403
Capital assets transferred to business-type activities	(9,526,903)
Depreciation expense	(5,198,932)
	7,620
Revenues on the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Unavailable revenue	902,500
Incurrence of judgments rendered against the City	(969,765)
Judgment payments	1,028,149
General obligation bond principal payments	2,180,000
Note payable principal payments	67,000
Revenue note principal payments	1,911,579
Revenue note proceeds	(21,857)
	4,195,106
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	4,647
Change in OPEB liability	(567,022)
Change in accrued compensated absences	524,649
Amortization of bond premium	71,280
Change in mortgages receivable	(12,397)
Amortization of deferred amount on refunding	(29,447)
Change in net pension obligation	(988,024)
Change in accrued worker's compensation claims	(815,940)
	(1,812,254)
Internal service fund activity is reported as a proprietary fund in the fund financial statements, but is reported in governmental activities on the Statement of Activities	
Total change in net position for internal service funds	255,299
	255,299
Change in net position of governmental activities, restated	($20,805,750)

See accompanying notes to the basic financial statements.

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

Proprietary Funds Statement of Net Position - June 30, 2014

	Lawton Water Authority - Enterprise Fund	Internal Service Funds
ASSETS:		
Current assets:		
Cash and cash equivalents	$4,584,780	$521,973
Cash and cash equivalents, restricted	33,929,857	-
Investments	499,930	-
Investments, restricted	23,150,444	-
Accounts receivable, net of allowance $1,936,624	5,527,461	-
Interest receivable	78	-
Due from other funds	323	
Total Current Assets	67,692,873	521,973
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	260,005	-
Land and construction in progress	25,522,335	-
Other capital assets, net	184,869,175	96,419
Total Noncurrent Assets	210,651,515	96,419
Total Assets	278,344,388	618,392
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued liabilities	803,928	13,412
Accrued wages payable	172,253	21,262
Accrued interest payable	1,233,705	-
Due to other funds	-	27,788
Accrued compensated absences	97,003	29,521
Landfill post closure liability	394,306	-
Claims liability	-	869,374
Contract payable - Waurika note	1,109,100	-
Worker's compensation liability	666,458	-
Notes payable	29,074,322	-
Revenue bonds payable	4,550,000	-
Total Current Liabilities	38,101,075	961,357
Noncurrent liabilities:		
Accrued compensated absences	714,734	217,514
Landfill post closure liability	4,365,527	-
Contract payable	27,544,078	-
Worker's compensation liability	666,457	-
OPEB liability	1,048,995	-
Notes payable	13,817,899	-
Revenue bonds payable, net	28,140,000	-
Total Noncurrent Liabilities	76,297,690	217,514
Total Liabilities	114,398,765	1,178,871
NET POSITION:		
Net investment in capital assets	134,879,643	96,419
Restricted for debt service	29,182,689	-
Restricted for landfill financial assurance	153,834	-
Unrestricted (deficit)	(270,543)	(656,898)
Total Net Position	$163,945,623	($560,479)

See accompanying notes to the basic financial statements.

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position - Year Ended June 30, 2014

	Lawton Water Authority	Internal Service Funds
Operating Revenues:		
Charges for services	$43,741,978	$8,677,845
Other sources	175,123	-
Total operating revenues	43,917,101	8,677,845
Operating Expenses:		
General government and claims	-	7,194,988
Public works operations	16,707,929	-
Computer service operations	-	1,200,010
Depreciation expense	8,888,330	50,106
Landfill closure expense	293,701	-
Total operating expenses	25,889,960	8,445,104
Operating income	18,027,141	232,741
Non-Operating Revenues (Expenses):		
Investment income	200,957	1,708
Interest expense and fiscal charges	(4,602,478)	-
Bond issuance cost	(126,000)	-
Gain (Loss) on asset retirement	31,461	(29)
Other non-operating revenue	16,355	17,503
Total non-operating revenues (expenses)	(4,479,705)	19,182
Net income before contributions and transfers	13,547,436	251,923
Capital asset transfers in and contributions	9,772,476	3,376
Transfers in	49,116,796	-
Transfers out	(33,667,019)	-
Change in net position	38,769,689	255,299
Total net position (deficit) - beginning, restated	125,175,934	(815,778)
Total net position (deficit) - ending	$163,945,623	($560,479)

See accompanying notes to the basic financial statements.

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2014

	Lawton Water Authority	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 44,307,156	$ 8,695,348
Payments to suppliers	(5,826,141)	-
Payments to employees	(10,169,094)	(1,182,239)
Payments on interfund loan	(323)	(836)
Claims and benefits paid	-	(7,536,796)
Net Cash Provided by (Used in) Operating Activities	28,311,598	(24,523)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	49,116,796	-
Transfers to other funds	(33,667,019)	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	15,449,777	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from revenue bonds issued	10,920,000	-
Capital assets purchased	(4,423,130)	
Principal paid on capital debt	(48,180,291)	-
Interest and fiscal charges paid on capital debt	(4,907,898)	-
Proceeds from sale of capital assets	4,180	-
Debt issuance cost paid	(126,000)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	(46,713,139)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	195,949	-
Purchase of investments	(15,145,267)	-
Interest and dividends	200,984	1,708
Net Cash Provided by Investing Activities	(14,748,334)	1,708
Net Decrease in Cash and Cash Equivalents	(17,700,098)	(22,815)
Balances - beginning of the year, as restated	56,474,740	544,788
Balances - end of the year	$ 38,774,642	$ 521,973
Reconciliation to Statement of Net Position:		
Cash and cash equivalents	$ 4,584,780	$ 521,973
Restricted cash and cash equivalents	33,929,857	-
Restricted cash and cash equivalents - non-current	260,005	-
Total cash and cash equivalents	$ 38,774,642	$ 521,973
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	$ 18,027,141	$ 232,741
Adjustments to reconcile operating income to net cash provided by (used in) by operating activities:		
Depreciation expense	8,888,330	50,106
Landfill closure expense	293,701	-
Other miscellaneous revenue	16,355	17,503
Change in assets and liabilities:		
Receivables, net	373,700	-
Due from other funds	(323)	2,464
Accounts payables	18,351	12,842
Claims liability	522,011	(354,650)
Due to other funds	-	(3,300)
OPEB liability	182,441	-
Accrued wages payable	(12,383)	3,581
Accrued compensated absences	2,274	14,190
Net Cash Provided by (Used in) Operating Activities	$ 28,311,598	$ (24,523)
Non-cash activity:		
Non-cash capital contributions received	$ 9,772,476	$ 3,376
	$ 9,772,476	$ 3,376

See accompanying notes to the basic financial statements.

BASIC FINANCIAL STATEMENTS - FIDUCIARY FUNDS

Fiduciary Funds Statement of Fiduciary Net Position - June 30, 2014

	City Employees Retirement Trust Fund	Agency Funds
ASSETS:		
Cash and cash equivalents	$ 762,602	$ 633,074
Investments, at book value	-	2,140,720
Investments, at market value:		
United States government securities and agencies	13,492,822	-
Common stock	8,736,808	-
Mutual funds	26,346,793	-
Other investments	2,260,105	-
Interest receivable	72,099	1,968
Employer contributions receivable	42,278	-
Employee contributions receivable	28,184	-
Total assets	$ 51,741,691	$ 2,775,762
LIABILITIES:		
Due to depositors	$ -	$ 2,690,538
Other payables	171,660	85,224
Total liabilities	171,660	$ 2,775,762
NET POSITION:		
Net position restricted for pensions	$ 51,570,031	

See accompanying notes to the basic financial statements.

Pension Trust Fund Statement of Changes in Fiduciary Net Position – Year Ended June 30, 2014

	City Employees Retirement Trust Fund
ADDITIONS:	
Contributions:	
Members	$ 1,311,923
Employer	2,144,570
Total Contributions	3,456,493
Investment Income :	
Net appreciation in fair value of investments	3,785,067
Interest, dividends, and other	2,088,017
Total investment income	5,873,084
Less investment expense:	
Investment activity expense	(268,122)
Net investment income	5,604,962
Total Additions	9,061,455
DEDUCTIONS:	
Benefits paid to participants or beneficiaries	3,955,622
Refunds and transfers to other systems	1,046,505
Administrative expense	26,618
Total Deductions	5,028,745
Net increase in net position	4,032,710
Net position restricted for pensions -beginning	47,537,321
Net position restricted for pensions-ending	$ 51,570,031

See accompanying notes to the basic financial statements.

COMBINING FINANCIAL STATEMENTS - COMPONENT UNITS

Component Units – Combining Statement of Net Position - June 30, 2014

	LAWTON METROPOLITAN AREA AIRPORT AUTHORITY	LAWTON ARTS AND HUMANITIES COUNCIL	MCMAHON AUDITORIUM AUTHORITY	MUSEUM OF THE GREAT PLAINS TRUST AUTHORITY	LAWTON ENHANCEMENT TRUST AUTHORITY	LAWTON ECONOMIC DEVELOPMENT AUTHORITY	LAWTON URBAN RENEWAL AUTHORITY	LAWTON METROPOLITAN PLANNING ORGANIZATION	TOTALS
ASSETS									
Current Assets:									
Cash, including time deposits	$ 399,589	$ 86,120	$ 81,724	$ 561,688	$ 120,576	$ 235,303	$ 129,960	$ 18,277	$ 1,633,237
Restricted cash	-	-	-	-	-	226,472	-	-	226,472
Investments	-	-	-	724,972	-	-	-	-	724,972
Accounts receivable	68,416	-	3,691	58,399	20,562	588,831	-	80,762	820,661
Inventory	15,266	-	-	36,730	-	-	-	-	51,996
Land held for resale	-	-	-	-	-	2,690,928	-	-	2,690,928
Due from other governments	39,156	4,000	-	-	-	-	-	-	43,156
Prepaid items	10,905	848	-	-	-	-	-	-	11,753
Other assets	-	-	-	16,758	-	-	-	-	16,758
Total current assets	533,332	90,968	85,415	1,398,547	141,138	3,741,534	129,960	99,039	6,219,933
Noncurrent Assets:									
Cash, including time deposits	244,141	-	-	-	-	-	-	-	244,141
Due from other governments	-	-	-	-	-	-	542,471	-	542,471
Prepaid land lease	329,329	-	-	-	-	-	-	-	329,329
Capital Assets:									
Land and construction in progress	191,921	-	-	-	-	-	314,604	-	506,525
Depreciable, net of accumulated depreciation	16,862,795	-	72,523	1,799,468	-	-	-	-	18,734,786
Total noncurrent assets	17,628,186	-	72,523	1,799,468	-	-	857,075	-	20,357,252
Total Assets	18,161,518	90,968	157,938	3,198,015	141,138	3,741,534	987,035	99,039	26,577,185
LIABILITIES									
Current Liabilities:									
Accounts payable and accrued liabilities	63,801	2,000	3,550	27,858	2,848	605,447	-	1,459	706,963
Unearned revenue	-	7,035	-	-	-	42,500	-	-	49,535
Interest payable	-	-	-	-	-	364,171	-	-	364,171
Due to other governments	-	-	-	-	-	-	96,079	-	96,079
Notes payable	22,991	-	-	-	-	-	-	-	22,991
Total current liabilities	86,792	9,035	3,550	27,858	2,848	1,012,118	96,079	1,459	1,239,739
Noncurrent Liabilities:									
Accrued compensated absences	7,483	-	-	27,490	-	-	-	-	34,973
Due to primary government	-	-	-	-	-	414,322	-	-	414,322
Due to other governments	-	-	-	-	-	542,471	-	-	542,471
Notes payable	48,240	-	-	-	-	27,525,407	-	-	27,573,647
Total noncurrent liabilities	55,723	-	-	27,490	-	28,482,200	-	-	28,565,413
Total Liabilities	142,515	9,035	3,550	55,348	2,848	29,494,318	96,079	1,459	29,805,152
NET POSITION									
Net investment in capital assets	16,983,485	-	72,523	1,799,468	-	-	314,604	-	19,170,080
Restricted for construction projects	264,897	-	-	-	-	-	-	-	264,897
Restricted for grant projects	-	-	-	1,029,421	-	-	-	-	1,029,421
Unrestricted (deficit)	770,621	81,933	81,865	313,778	138,290	(25,752,784)	576,352	97,580	(23,692,365)
Total Net Position	$ 18,019,003	$ 81,933	$ 154,388	$ 3,142,667	$ 138,290	$ (25,752,784)	$ 890,956	$ 97,580	$ (3,227,967)

See accompanying notes to the basic financial statements.

Component Units - Combining Statement of Activities - Year Ended June 30, 2014

	LAWTON METROPOLITAN AREA AIRPORT AUTHORITY	LAWTON ARTS AND HUMANITIES COUNCIL	MCMAHON AUDITORIUM AUTHORITY	MUSEUM OF THE GREAT PLAINS TRUST AUTHORITY	LAWTON ENHANCEMENT TRUST AUTHORITY	LAWTON ECONOMIC DEVELOPMENT AUTHORITY	LAWTON URBAN RENEWAL AUTHORITY	LAWTON METROPOLITAN PLANNING ORGANIZATION	TOTALS
Expenses:									
Airport	$ 2,749,254	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,749,254
Culture and recreation	-	133,079	76,445	742,121	137,678	-	-	-	1,089,323
Economic development	-	-	-	-	-	13,336,381	40,911	-	13,377,292
Transportation	-	-	-	-	-	-	-	168,109	168,109
Interest expense	4,081	-	-	-	-	808,458	-	-	812,539
Total expenses	2,753,335	133,079	76,445	742,121	137,678	14,144,839	40,911	168,109	18,196,517
Program Revenues:									
Charges for services	830,420	59,044	86,668	142,419	75,174	-	2,455	-	1,196,180
Operating grants and contributions	945,370	22,777	-	513,273	20,166	323,859	-	175,988	2,001,433
Capital grants and contributions	30,618	49,918	-	550	-	-	-	-	81,086
Total program revenues	1,806,408	131,739	86,668	656,242	95,340	323,859	2,455	175,988	3,278,699
Net revenue (expense)	(946,927)	(1,340)	10,223	(85,879)	(42,338)	(13,820,980)	(38,456)	7,879	(14,917,818)
General Revenues (Expense):									
Investment income	321	-	133	46,060	128	934	74	49	47,699
Property taxes	-	-	-	-	-	70,828	-	-	70,828
Sales and use taxes	-	-	-	-	-	294,651	-	-	294,651
Operating subsidy from primary government	-	2,035	-	577,000	48,505	-	-	-	627,540
Reimbursement to primary government	-	-	-	-	-	-	-	(1,459)	(1,459)
Total general revenues	321	2,035	133	623,060	48,633	366,413	74	(1,410)	1,039,259
Change in Net Position	(946,606)	695	10,356	537,181	6,295	(13,454,567)	(38,382)	6,469	(13,878,559)
Net Position (deficit), beginning of year, restated	18,965,609	81,238	144,032	2,605,486	131,995	(12,298,217)	929,338	91,111	10,650,592
Net Position (deficit), end of year	$ 18,019,003	$ 81,933	$ 154,388	$ 3,142,667	$ 138,290	$ (25,752,784)	$ 890,956	$ 97,580	$ (3,227,967)

See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lawton's (the City) accounting and financial reporting policeis conform to accounting principles generally accepted in the United State of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

1.A. Financial Reporting Entity

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statements No. 14, 34, 39, and 61 and includes all component units for which the City is financially accountable/fiscally responsible. The City's financial reporting entity's primary government presentation includes the City of Lawton and the certain component units as follows:

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

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

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

Blended Component Units - are separate legal entities that meet the GASB component unit criteria and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units funds are blended into the City's by appropriate fund type to comprise part of the primary government presentation.

Lawton Water Authority (LWA) – that operates the water, wastewater, and sanitation services of the City. The Authority is presented as a Major Proprietary Fund.

City Transit Trust – public trust that operates and maintains public transportation systems and facilities. The Trust is reported as the Special Revenue Mass Transit Fund.

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

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

Lawton Industrial Development Authority – created to promote industrial development within the Lawton area. The Authority is reported as a special revenue fund.

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

Lawton Metropolitan Area Airport Authority – that operates to develop and maintain airport operations for the City.

Lawton Arts and Humanities Council – that operates to encourage and promote knowledge of the fine arts and humanities.

McMahon Auditorium Authority – created to operate and maintain the McMahon Auditorium, a public and municipal auditorium of the City.

Museum of the Great Plains Trust Authority – created to collect, preserve, and exhibit items relevant to the cultural history of man in the Great Plains of North America.

Lawton Economic Development Authority – created to promote economic development within the Lawton area.

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

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.

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

1.B. Basis of Presentation and Accounting

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

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

Government-Wide Financial Statements:

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

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

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

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

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

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

Fund Financial Statements:

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

under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments are recorded only when payment is due.

Sales and use taxes, property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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.
- 2005 CIP Fund (capital project fund) – accounts for various projects such as the southeast water treatment plant and street projects. The projects are funded by restricted revenues from the General Fund and LWA.
- 2012 CIP Fund (capital project fund) – accounts for various projects funded through debt proceeds.

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

- Special Revenue Funds: Public Library Fund, Small Business Loan Fund, CDBG Fund, HOME Investment CDBG Fund, Lawton Urban Housing Fund, Police Grant Fund, Park Fee Fund, Narcotics Fund, Animal Shelter Fund, Emergency 911 Fund, Cemetery Care Fund, Officers Training Fund, Lawton Parking Authority Fund, 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, 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 non-major 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.

- 2005 CIP Fund (capital project fund) – accounts for various projects such as the southeast water treatment plant and street projects.

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.

The City's proprietary funds include the following:

Enterprise Fund

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

Internal Service Funds (combined for reporting purposes)

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

- Information Technology Fund that accounts for the cost of providing automation services to other funds and departments of the City.

- Worker's Comp Fund that accounts for the cost of providing worker's compensation coverage for the other funds and departments of the City.

Fiduciary Funds:

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

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

Pension Trust Fund

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

Agency Funds

Used to account for assets held on behalf of others including the License & Permits Fund, Meter Deposits Fund, Municipal Court Fund, and Fringe Benefit Fund.

1.C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Deposits and Investments:

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market investments. Trust Fund investments in open-ended 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, state bonds, common stock and judgments in the City Employee Retirement Trust 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.

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

Restricted Assets:

Certain proceeds of the Lawton Water Authority's enterprise fund promissory notes, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because they are maintained in separate bank accounts, and their use is limited by applicable loan covenants. The projects fund accounts are used to report those proceeds that are restricted for use in construction. The debt service fund accounts are used to segregate resources accumulated for debt service payments over the next 12 months. The debt service reserve account is used to report resources set aside to make up potential future deficiencies in the debt services account.

Receivables and Payables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants and court fines. Business-type activities report utilities as its major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the

government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories:

Inventories are valued at cost. Governmental fund inventory is related to parts of vehicle and equipment maintenance. The cost of governmental funds inventories are recoded as expenditures when consumed rather than when purchased.

Land Held for Resale:

Land held for resale consists of redevelopment property in LEDA, a discretely presented component unit of the City, and is carried on a net basis of lower of cost or net realizable value.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

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

Long-term obligations:

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

shorter of the life of the new debt or the remaining life of the refunded debt. Deferred amounts are shown as deferred inflows or outflows.

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

The City's long term 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.

Compensated Absences:

Under terms of union contracts and City personnel policies, City employees are granted vacation and sick leave in varying amounts. Upon separation of the city, a civilian employee is paid for accrued vacation up to a maximum of 280 hours plus current year accrual earned to date of separation; a regular part-time employee will be paid for a maximum of 140 hours plus current year accrual earned to date of separation. Regular full-time employees earn vacation leave per pay period in varying amounts from 80 hours per year to 200 hours per year based upon years of service. Regular part-time employees earn vacation leave per pay period in varying amounts from 40 hours per year to 80 hours per year based upon years of service. Employees who separate from employment with the city will be compensated for all accrued but unused sick leave as follows: The employee's accrued number of sick leave hours will be multiplied by 2.5 percent times the total number of years of service for the employee times the hourly rate of pay the employee was receiving immediately prior to the separation of employment. Employees who are terminated from employment shall receive no compensation for accrued sick leave benefits.

Upon termination, police officers shall be paid a maximum of 280 hours plus the current year's accrual of accrued vacation. An officer is allowed to accrue sick leave totaling 576 hours. If terminated, no sick leave shall be paid. Upon resignation, the officer shall be paid two and one-half (2 ½) percent of his/her hourly rate of pay for each full year of employment with the city for all unused sick leave. Upon retirement, an officer shall be paid at seventy-five (75%) percent of his/her then hourly rate of pay for all unused sick leave.

Firefighters who separate or are terminated from City services for any reason, shall be paid for up to 280 hours of accrued vacation time for staff division members plus the current year's accrual and 504 hours for shift members plus the current year's accrual. Reimbursement shall be based on the member's hourly wage. Firefighter's shall be paid for sick leave upon voluntary resignation or retirement. Upon retirement with the City, firefighter's shall be paid for all current sick leave up to 576 hours for staff division and 864 hours for shift division at the rate of 75% of hourly rate at the time of retirement. Amounts in excess of the aforementioned amounts shall be paid at the rate of 100% of his hourly rate. At resignation, a firefighter shall be paid from 25% to 75% of their hourly pay for vacation leave up to 576 hours based upon hours accrued. Hours in excess of 576 for staff and 864 for shift division are paid at 100% of current hourly rate of pay.

Deferred Outflow/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources,

represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as in inflow of resources (revenues) until that time. The government currently records a deferred revenue for grant funds due to the City, but not available.

Fund Equity:

Government-Wide and Proprietary Fund Financial Statements:

Net Position is displayed in three components:

a. *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

b. *Restricted Net Position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

c. *Unrestricted Net Position* - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental Fund Financial Statements:

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

a. Nonspendable – includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance.

d. Assigned – includes amounts that are constrained by the city's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action, motion or resolution, or by management decision when the city council has authorized management (city manager) to make the decision. Assignments for transfers and interest income for governmental funds are made through budgetary process.

e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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

1.D. Revenues, Expenditures and Expenses

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

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

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

Sales Tax Revenue:

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

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 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, 2014, the City's net assessed valuation of taxable property was $455,021,514. The taxes levied by the City per $1,000 of net assessed valuation for the year ended June 30, 2014 was $10.45.

Expenditures and Expenses
In the government-wide financial statements, expenses, including depreciation of capital assets, are reported by function or activity. In the governmental fund financial statements, expenditures are reported by class as current (further reported by function), capital outlay and debt service. In the proprietary fund financial statements, expenses are reported by object or activity

1.E. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide statement of net position and statement of activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Government-Wide Financial Statements:

Interfund activity, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. *Internal balances* – amounts reported in the fund financial statements as interfund receivable and payables are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. *Internal activities* - amounts reported in the fund financial statements as interfund transfers are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers - Internal Activities. The effect of interfund services between funds is not eliminated in the statement of activities.
3. *Primary government and component unit activity and balances* - resource flows between the primary government and the discretely presented component units are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

Fund Financial Statements:

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans - amounts provided with a requirement for repayment are reported as interfund receivables and payables.

2. Interfund services - sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.

3. Interfund reimbursements - repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.

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

1.F. USE OF ESTIMATES

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

Note 2. DETAILED NOTES ON FINANCIAL STATEMENTS

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

Deposits and Investments Risks

The City of Lawton primary government and blended component units are governed by the deposit and investment limitations of state law and trust indentures. The deposits and investments held at June 30, 2014 by these entities are as follows:

Schedule of Deposits and Investments by Type - June 30, 2014

Type	Fair Value	Credit Rating	Maturities in Years: On Demand	Less Than One	1 - 5	6 - 10	More than 10
Demand deposits	$ 32,121,704	n/a	$ 32,121,704	$ -	$ -	$ -	$ -
Time deposits	6,939,308	n/a	-	5,509,725	1,429,583	-	-
Money Market Accounts	38,187,493	n/a	38,187,493	-	-	-	-
State Bonds	8,000,000	n/a		8,000,000			
U.S. Treasury Obligations	25,495,333	AA+	-	25,495,333	-	-	-
U.S. Agencies Obligations	19,490,644	AA+	-	4,000,880	12,495,665	-	2,994,099
Sub-Total	$ 130,234,482		$ 70,309,197	$ 43,005,938	$ 13,925,248	$ -	$ 2,994,099
Mutual Funds	26,346,793	n/a					
Common stock	8,736,808	n/a					
Other Investments	2,260,105	n/a					
Total Deposits and Investments	$ 167,578,188						

Reconciliation to Financial Statements:	
Cash and cash equivalents	$ 35,019,776
Cash and cash equivalents, restricted - current	33,929,857
Cash and cash equivalents, restricted - noncurrent	260,005
Investments	20,845,182
Investments, restricted	23,150,444
Retirement fund investments:	
Mututal funds and other investments	28,606,898
U.S. gov't security agencies	13,492,822
Common stock	8,736,808
Retirement fund cash and cash equivalents	762,602
Agency fund cash and cash equivalents	633,074
Agency fund investments	2,140,720
	$ 167,578,188

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, 2014, the City was not exposed to custodial credit risk. The discretely presented component units were not exposed to custodial credit risk.

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

a. Obligations of the U. S. Government, its agencies and instrumentalities;
b. Collateralized or insured non-negotiable certificates of deposit or other evidences of deposit that are either insured or secured with acceptable collateral with an in-state financial institution, and fully insured deposits in out-of-state institutions;
c. Insured or fully collateralized negotiable certificates of deposit;

d. Repurchase agreements that have underlying collateral consisting of those items specified in paragraph (a) above; and
e. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraph a.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City and retirement plan have no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations—rating agencies—as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

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

As noted in the schedule of deposits and investments on prior page, at June 30, 2014, the investments held by the City mature between 2014 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 28.5% of their investments in FHLB, 12.38% in FMLMC, 2.4% in FFCB , and 4.52% 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, 2014 are as follows:

Restricted Cash and Cash Equivalents and Investments:		
Landfill Financial Trust	$	153,834
Series 2001B Promissory Note Debt Svc		221,744
Series 2001B Promissory Note Debt Reserve		260,005
Series 209D OWRB Promissory Note Debt Service		207,641
Series 2011 Sales Tax Utility Revenue Bond Debt Service		106,964
Series 2012 Sales Tax Utility Revenue Bond		
Proceeds		1,072
Debt Service		1,826,525
Construction		15,833,484
Sales Tax Collections - Bank of America Sinking fund		25,446,354
Series 2008 - Sales Tax Utility Rev -construction		12,888,973
Series 2008 - Sales Tax Utility Rev -debt service		23
Series 2013 Sales Tax Utility Revenue note - debt service		393,685
Series 2013 Sales Tax Utility Revenue note - proceeds		2
	$	57,340,306

Reconciliation to Proprietary Statement of Net Position:		
Cash and cash equivalents, current	$	33,929,857
Cash and cash equivalents, non current		260,005
Investments, current		23,150,444
	$	57,340,306

Restricted cash of the Lawton Economic Development Authority is related to debt service accounts for the outstanding note payable totaling $226,472.

2.B. Accounts Receivable

Significant account receivable balances at June 30, 2014 were:

	Governmental Activities	Business Type Activites	Total
Accounts Receivable:			
Emergency Communication Fees	$118,372	-	$118,372
Utilites	-	$6,892,869	6,892,869
Capital Fee	358,339	518,860	877,199
Landfill fees	40,201	-	40,201
Drainage maintenance fee	142,230	-	142,230
Hotel/Motel	134,710	-	134,710
Grants	6,148	-	6,148
Stormwater mainteance fees	61,709	-	61,709
Sewer rehab fees	-	9,957	9,957
Pumping fee	-	41,399	41,399
Miscellaneous	27,392	-	27,392
Reimbursements	902,500		
Mortgages receivable	410,929	-	410,929
Allowance for uncollectible	(72,023)	(1,935,624)	(2,007,647)
	$2,130,507	$5,527,461	$6,755,468

2.C. Capital Assets and Depreciation

Capital Assets:

For the year ended June 30, 2014, capital assets balances changed as follows:

	Restated Balance at July 1, 2013	Additions	Deductions	Transfers	Balance at June 30, 2014
PRIMARY GOVERNMENT:					
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 3,764,123	$ -	$ -	$ -	$ 3,764,123
Construction in progress	27,055,637	5,253,667	(9,095,601)	(1,020,212)	22,193,491
Total capital assets not being depreciated	30,819,760	5,253,667	(9,095,601)	(1,020,212)	25,957,614
Other capital assets:					
Buildings and improvements	34,909,694	28,222	-	-	34,937,916
Infrastructure	65,769,583	9,178,304	-	-	74,947,887
Machinery, furniture and equipment	37,202,059	904,956	(1,541,874)	58,888	36,624,029
Intangibles	96,363	-	-	-	96,363
Total other capital assets	137,977,699	10,111,482	(1,541,874)	58,888	146,606,195
Less accumulated depreciation for:					
Buildings and improvements	18,263,647	749,533	-	-	19,013,180
Infrastructure	26,731,334	2,138,490	-	-	28,869,824
Machinery, furniture and equipment	27,783,360	2,361,015	(1,499,476)	55,928	28,700,827
Total accumulated depreciation	72,778,341	5,249,038	(1,499,476)	55,928	76,583,831
Other capital assets, net	65,199,358	4,862,444	(42,398)	2,960	70,022,364
Governmental activities capital assets, net	$ 96,019,118	$ 10,116,111	$ (9,137,999)	$ (1,017,252)	$ 95,979,978

	Restated Balance at July 1, 2013	Additions	Deductions	Transfers	Balance at June 30, 2014
Business-type activities:					
Capital assets not being depreciated:					
Land	$ 1,431,864	$ -	$ -	$ 81,000	$ 1,512,864
Construction in progress	17,101,603	10,796,384	(4,908,728)	1,020,212	24,009,471
Total capital assets not being depreciated	18,533,467	10,796,384	(4,908,728)	1,101,212	25,522,335
Other capital assets:					
Buildings and utility infrastructure	236,304,778	6,525,715	-	(81,000)	242,749,493
Machinery, furniture and equipment	20,447,371	1,053,535	(397,708)	(58,888)	21,044,310
Water rights	38,371,150	-	-	-	38,371,150
Total other capital assets	295,123,299	7,579,250	(397,708)	(139,888)	302,164,953
Less accumulated depreciation for:					
Buildings and utility infrastructure	87,739,863	6,781,750	-	-	94,521,613
Machinery, furniture and equipment	13,876,889	1,715,430	(392,316)	(56,070)	15,143,933
Water rights	7,239,082	391,150	-	-	7,630,232
Total accumulated depreciation	108,855,834	8,888,330	(392,316)	(56,070)	117,295,778
Other capital assets, net	186,267,465	(1,309,080)	(5,392)	(83,818)	184,869,175
Business-type activities capital assets, net	$ 204,800,932	$ 9,487,304	$ (4,914,120)	$ 1,017,394	$ 210,391,510

Included in the business-type activities additions is $9,526,903 of assets being constructed by the city's governmental funds and transferred by the City to the Lawton Water Authority Fund. These assets relate to water, sewer and landfill projects.

	Balance at July 1, 2013	Additions	Deductions	Balance at June 30, 2014
COMPONENT UNITS:				
Lawton Metropolitan Area Airport Authority				
Non-depreciable:				
Land	$ 2,400	$ 5,400	$ -	$ 7,800
Construction-in-progress	4,421,902	129,141	4,366,922	184,121
Total non-depreciable assets at historical cost	4,424,302	134,541	4,366,922	191,921
Depreciable:				
Runways, ramps, and roads	22,793,060	4,372,681	-	27,165,741
Buildings and improvements	7,167,656	30,540	-	7,198,196
Equipment and fixtures	2,205,318	110,607	38,627	2,277,298
Furniture and equipment	102,854	1,458	993	103,319
Total depreciable assets at historical cost	32,268,888	4,515,286	39,620	36,744,554
Less accumulated depreciation				
Runways, ramps, and roads	14,367,909	941,569	-	15,309,478
Buildings and improvements	2,904,327	145,839	-	3,050,166
Equipment and fixtures	1,322,090	145,313	33,700	1,433,703
Furniture and equipment	86,426	2,979	993	88,412
Total accumulated depreciation	18,680,752	1,235,700	34,693	19,881,759
Other capital assets, net	13,588,136	3,279,586	4,927	16,862,795
Net depreciable assets	$ 18,012,438	$ 3,414,127	$ 4,371,849	$ 17,054,716
Museum of the Great Plains Trust Authority				
Depreciable:				
Furniture and equipment	$ 311,884	$ -	$ 15,518	$ 296,366
Displays	17,725	-	418	17,307
Leasehold improvements	169,378	-	-	169,378
Collections and exhibits	1,143,917	469,254	-	1,613,171
Total depreciable assets at historical cost	1,642,904	469,254	15,936	2,096,222
Less accumulated depreciation				
Total accumulated depreciation	298,410	14,354	16,010	296,754
Net depreciable assets	$ 1,344,494	$ 454,900	$ (74)	$ 1,799,468
Lawton Urban Renewal Authority:				
Non-depreciable:				
Land	$ 343,773	$ 7,470	$ 36,639	$ 314,604
McMahon Auditorium Authority				
Depreciable:				
Furniture and fixtures	$ 24,628	$ -	$ -	$ 24,628
Buildings improvements	68,295	12,986	-	81,281
Machinery and equipment	64,039	8,089	-	72,128
Total depreciable assets at historical cost	156,962	21,075	-	178,037
Less accumulated depreciation				
Furniture and fixtures	24,628	-	-	24,628
Buildings improvements	48,445	6,592	-	55,037
Machinery and equipment	17,225	8,624	-	25,849
Total accumulated depreciation	90,298	15,216	-	105,514
Net depreciable assets	$ 66,664	$ 5,859	$ -	$ 72,523
Lawton Arts and Humanities Council				
Machinery and equipment	$ 18,456	$ -	$ -	$ 18,456
Less accumulated depreciation	18,456	-	-	18,456
Net depreciable assets	$ -	$ -	$ -	$ -

Depreciation:

Depreciation expense has been allocated as follows:

Governmental Activities:	
General Government	$ 986,137
Public Safety	2,755,247
Streets	755,705
Community Development	632,202
Culture and Recreation	69,641
Sub-total governmental funds depreciation	5,198,932
Allocated Internal Service Fund Depreciation	50,106
Total	$ 5,249,038
Business-Type Activities:	
Water	$ 4,452,049
Wastewater	2,811,922
Sanitation	1,624,359
Total depreciation	$ 8,888,330

2.D. Internal and Interfund Balances and Transfers

Internal Balances:

Receivable Fund	Payable Fund	Amount	Nature of Interfund Balance
General Fund	CDBG Fund	$ 663	Grant funding
General Fund	HOME	221	Reimbursement
General fund	Workers' Compensation	231	Reimbursement
General Fund	Workers' Compensation	27,062	Negative cash
General Fund	Ad Valorem 2005	784,697	Negative cash
Police Fines and Bonds	Credit Card Charges	15	Reimbursement
Credit Card Charges	LETA Beautification	915	Reimbursement
Credit Card Charges	Police and Fire Training	1,950	Reimbursement
LWA	Workers' Compensation	323	Reimbursement
E911	Workers' Compensation	172	Reimbursement
Total		$ 816,249	

Reconciliation to Fund Financial Statements:	Due From Other Funds	Due To Other Funds	Net Internal Balances
Governmental Funds	$ 815,926	$ 788,461	$ 27,465
Proprietary Funds	323	-	323
Internal Service Funds	-	27,788	(27,788)
Total	$ 816,249	$ 816,249	$ -

There is a receivable from LEDA to LURA for $542,471 for property acquisition cost which have been paid by LURA.

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

Internal and Interfund Transfers:

The City's policy is to eliminate interfund transfers between funds in the statement of activities to avoid the grossing up of balances. Only the residual balances transferred between governmental and 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, 2014 were as follows:

Transfer In	Transfer Out	Amount	Nature of Interfund Transfer
General Fund	Water Authority	$ 178,607	Debt service
General Fund	Water Authority	20,554,000	Excess utility collections
General Fund	Officer Training Fund	4,526	Court fines
Officer Training	General Fund	110	Transfer of revenues
LETA Beautification	General Fund	12,165	Transfer of revenues
Animal Steralization	General Fund	198	Transfer of revenues
Police and Fire Training Fund	General Fund	24,110	Transfer of revenues
2008 CIP Fund	General Fund	4,085,518	Sales tax transfer
2012 CIP Fund	General Fund	13,618,392	Sales tax transfer
TIF Fund	General Fund	29,679	Sales tax transfer
2008 CIP Fund	Water Authority	4,215,916	BRAC Loan proceeds
Emergency Communication	General Fund	835,000	Operating subsidy
Mass Transit Fund	General Fund	870,000	Operating subsidy
CIP Fund	Cellular Service Fee	55,000	Operating subsidy
CIP Fund	General fund	323,000	Operating subsidy
Water Authority	2005 CIP Ad Valorem Fund	50,000	Operating subsidy
Water Authority	2012 CIP Fund	3,648,432	Debt service
Water Authority	2008 CIP Fund	4,364,570	Operating subsidy
Water Authority	2005 CIP Fund	1,822,137	Operating subsidy
Water Authority	2005 CIP Fund	33,364,608	Debt service
Water Authority	2008 CIP Fund	5,077,049	Debt service
Capital Outlay Rolling Stock Fund	Water Authority	2,918,559	Revenue transfer
2012 CIP Fund	Water Authority	5,799,937	Operating subsidy
LIDA	General Fund	2,087,439	Debt service
Water Authority	2012 CIP Fund	350,000	Operating subsidy
Water Authority	General Fund	440,000	Operating subsidy
		$ 104,728,952	

Reconciliation to fund financial statements:	Transfers to Other Funds	Transfers from Other Funds	Net Transfers
Governmental Funds	$ (71,061,933)	$ 55,612,156	$ (15,449,777)
Water Authority	(33,667,019)	49,116,796	15,449,777
Totals	$ (104,728,952)	$ 104,728,952	$ -

Reconciliation to Statement of Activities:	
Net Transfers	$ (15,449,777)
Capital contributions transferred from governmental funds	(9,526,903)
Transfers - Internal Activity	$ (24,976,680)

2.E. Long-Term Debt

For the year ended June 30, 2014, the City's long-term debt balances changed as follows:

Primary Government:

Type of Debt	Restated Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
Governmental Activities:					
General Obligation Bonds	$ 18,135,000	$ -	$ 2,180,000	$ 15,955,000	$ 2,525,000
General Obligation Bond Premium	292,273	-	71,280	220,993	-
Revenue Notes	2,304,722	21,857	1,911,579	415,000	94,050
Judgments Payable	2,306,333	969,765	1,028,149	2,247,949	1,101,061
Notes Payable	1,683,000	-	67,000	1,616,000	72,000
Workers Comp Liability	1,344,523	815,940	-	2,160,463	1,080,231
Accrued Compensated Absences - city	5,941,832	-	524,649	5,417,183	647,353
Accrued Compensated Absences - internal service	232,845	14,190	-	247,035	29,521
Total Governmental Activities	$ 32,240,528	$ 1,821,752	$ 5,782,657	$ 28,279,623	$ 5,549,216
Reconciliatin to Statement of Net Position:					
OPEB Liability				3,107,930	
Net Pension Obligation				9,351,775	
				$ 40,739,328	
Business-Type Activities:					
Notes Payable	$ 85,894,364	$ -	$ 43,002,143	$ 42,892,221	$ 29,074,322
Revenue Bonds Payable	25,865,000	10,920,000	4,095,000	32,690,000	4,550,000
Contracts Payable	29,736,326	-	1,083,148	28,653,178	1,109,100
Accrued Compensated Absences	809,463	2,274	-	811,737	97,003
Workers Comp Liability	810,904	522,011	-	1,332,915	666,458
Landfill Closure and Post-closure	4,466,132	293,701	-	4,759,833	394,306
Total Business-Type Activities	$ 147,582,189	$ 11,737,986	$ 48,180,291	$ 111,139,884	$ 35,891,189
Reconciliatin to Statement of Net Position:					
OPEB Liability				1,048,995	
				$ 112,188,879	

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	$2,390,000
$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	695,000
$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	1,170,000
$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	2,080,000
$3,300,000 general obligation bonds dated May 1, 2013, payable in annual installments of $365,000, beginning in May 2015, with an average interest rate of 2.00%, repaid by property tax levies	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	6,320,000
Total general obligation bonds	$15,955,000
Premium on bonds outstanding	220,993
Net general obligation bonds	$16,175,993

Judgments Payable:

Court-assessed judgments to be paid with ad valorem taxes with periods ranging from one to three years.	$2,247,949

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%	$1,616,000

Revenue Note:

$415,000 LIDA Replacement Funding Note for the renovations of city hall, matures June 2019, with variable interest rate	$415,000

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

Note Payable:

Series 2001A for $2,008,570 and Series 2001B for $3,445,000 with interest on Series 2001B subject to annual adjustment (1.82% at June 30, 2014), 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.	$2,277,999
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.	1,237,699
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.	638,207
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, 2014 only $9,677,219 had been drawn on the note.	7,989,491

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, 2014 only $4,396,605 had been drawn on the note.	2,748,825
$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	$42,892,221
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.	$4,735,000
$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.	17,540,000
$10,920 ,000 revenue bond issue of 2013, with interest at 2.890%, refund the OWRB Series 2006 DW and 2008 DW series notes to be repaid by sales tax revenue. Debt service payments are due March 1 and September 1 through September 1, 2024.	10,415,000
Revenue Bond Payable	$32,690,000
Contract Payable:	
$20,634,941 contract payable with the Waurika Project Master Conservancy District. The contract provides the City with a share of the District's water supply and the City pays its share of the costs of the facilities and its operations to the District. The City has pledged water revenues to secure this obligation and also has the ability to levy property taxes to pay the obligation. Debt principal payments are due annually, with interest at 3.46% (subject to adjustment)	$13,728,892
$16,628,473 addendum to contract payable with the Waurika Project Master Conservancy District. The contract provides the City with a share of the District's water supply and the City pays its share of the costs of the facilities and its operations to the District. The City has pledged water revenues to secure this obligation and also has the ability to levy property taxes to pay the obligation. Debt principal payments are due annually, with interest at 3.46% (subject to adjustment)	$14,924,286
Total Contracts Payable	$28,653,178

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

Governmental-Type Activities

	G.O. Bonds Payable		Note Payable		Judgments Payable		Revenue Note	
Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 2,525,000	$ 454,201	$ 72,000	$ 79,687	$ 1,101,061	$ 116,996	$ 94,050	$ 17,638
2016	2,505,000	452,361	75,000	76,573	773,222	40,594	94,050	13,640
2017	1,320,000	357,784	80,000	73,157	373,666	19,617	94,050	9,643
2018	1,320,000	316,264	84,000	69,449	-	-	94,050	5,646
2019	1,320,000	273,983	89,000	65,478	-	-	38,800	1,649
2020-2024	4,845,000	791,995	525,000	254,570	-	-	-	-
2025-2029	2,120,000	220,032	691,000	96,821	-	-	-	-
Total	$ 15,955,000	$ 2,866,620	$ 1,616,000	$ 715,735	$ 2,247,949	$ 177,207	$ 415,000	$ 48,216

Business-Type Activities

	Notes Payable		Revenue Bonds Payable		Contract Payable	
Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 29,074,322	$ 1,632,781	$ 4,550,000	$ 699,347	$ 1,109,100	$ 1,095,611
2016	1,093,579	160,921	4,655,000	609,131	1,142,720	1,058,794
2017	1,114,835	14,510	4,750,000	516,644	1,177,093	1,025,728
2018	1,140,775	129,268	4,850,000	422,086	1,209,268	991,630
2019	1,167,182	112,362	4,960,000	325,758	1,245,224	956,534
2020-2024	4,454,928	369,415	7,140,000	814,699	6,929,480	4,059,639
2025-2029	3,646,367	174,089	1,785,000	74,014	8,049,085	2,693,476
2030-2034	1,200,233	12,981	-	-	6,149,480	1,253,664
2035-2038	-	-	-	-	1,641,728	155,928
Total	$ 42,892,221	$ 2,606,327	$ 32,690,000	$ 3,461,679	$ 28,653,178	$ 13,291,004

Component Unit Notes Payable

Type of Debt	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Amount due in one year
Component Units:					
Lawton Metropolitan Area Airport Authority					
Note payable	$ 22,492	$ 70,100	$ 21,361	$ 71,231	$ 22,991
Total Debt	$ 22,492	$ 70,100	$ 21,361	$ 71,231	$ 22,991
Lawton Economic Development Authority:					
Note payable	$ 14,456,149	$ 13,069,258	$ -	$ 27,525,407	$ -
Total Debt	$ 14,456,149	$ 13,069,258	$ -	$ 27,525,407	$ -

$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. Interest payment are due in March and September. The first semi-annual principal payment of $250,000 is due September 1, 2015. $26,025,407

$1,500,000 Loan from the Comanche County Industrial Development Authority (CCIDA). The note is to provide funds for the Redeveloper for project cost, including public facilities, infrastructure, parking and other cost associated with the development of the Hotel and Conference Center. The note is dated August 2012 and bears interest at an annual rate of 3.14%. The note and accrued interest is due one month after the availability of Hotel-Conference Center Increment funds are available.	$1,500,000
Total LEDA Debt	$27,525,407

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, $12,270,000 and $4,725,000 of the OWRB Series 2001A, 2001B, 2003C, 2003D, 2004A, 2005, 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, 2026, 2026, 2030 and 2030 respectively. The total principal and interest payable for the remainder of the life of these notes is $45,629,548. Net utility revenues received in the current year were $27,154,112. Debt service payments of $6,809,656 for the current fiscal year were 24.5% of pledged net utility revenues. Several of these promissory notes were paid off in the year ended June 30, 2014.

Landfill Closure Liability

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

The $4,759,833 reported as accrued landfill closure cost liability at June 30, 2014, represents the cumulative amount of such costs reported to date based on the use of 66.99% 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 $2,345,605 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 2014. The City has $754,644 set aside to fund the estimated landfill closure cost liability. At June 30, 2014, the landfill had a remaining estimated useful life of approximately twelve years.

2.F. Net Position and Fund Balances

At June 30, 2014, the City's governmental activities had total restricted net position of $37,925,146, of that amount $2,900,063 was restricted by enabling legislation.

Beginning net position/fund balance was restated as follows:

	Governmental Funds	Governmental Activities	Business-type Activities/Proprietary Funds	Internal Service Funds
Beginning net position/fund balance as previously reported	$81,681,027	$132,547,667	$125,417,512	($787,154)
Under (over) statement of receivables	352,112	352,112	-	-
Adjustment to correct expensing of capital asset acquired in prior years	-	1,826,972	713,006	-
Adjustment to correct prior year depreciation error	-	(101,498)	(954,586)	-
Other	-	(45,028)	2	-
Fund reclassification	28,624	-	-	(28,624)
Beginning net position/fund balance, restated	$82,061,763	$134,580,225	$125,175,934	($815,778)

The impact of the above restatement on the fiscal year ended June 30, 2013 would have been an increase in the Government activities and the Business Type Activities change in net position of approximately $1,800,000 and $700,000, respectively.

Included in the restatement table above is the $416,112 restatement for the fiscal year ended June 30, 2014 that should have been recorded as an increase in the Governmental Funds statement of revenues, expenditures and changes in fund balance and Governmental Activities statement of change in net position for fiscal year ended June 30, 2013. The impact of the additional restatement of the fiscal year ended June 30, 2013, would have been an additional increase in the Governmental Activities change in net position of $416,112. Total change in net position impact of all the restatements on the Governmental activities for the fiscal year ended June 30, 2013, was an increase of approximately $2,200,000.

Fiscal year 2014 net position has been restated due to an omission of a receivable in the amount of $902,500 in the previously issued financial statements. The restatement increases previously reported 2014 change in net position by $902,500.

The beginning net position of discretely presented component units was restated as follows:

The beginning net position of the LMAAA was restated by ($49,047) due to a reclassification/restatement of land from a fixed asset to a "prepaid land lease".

The beginning net position of LMPO was restated by ($90).

The beginning net position of LETA was restated by $12,896 due to a restatement of receivables.

The beginning net position of LEDA was restated by $50,000 due to a restatement of loans payable and $343,900 due to an understatement on receivables. In addition, LEDA revalued the land held for resale and lowered the value by $751,663 to be in line with current market value.

The impact of the LEDA restatements above on the LEDA fiscal year ended June 30, 2013 would have been an increase in the change in net positon (deficit) of approximately $360,000.

In addition to the above restatements of beginning net position and fund balances, there was also a restatement of the beginning of year cash balance by $8,107,360 in the Lawton Water Authority cash flow statement to properly reflect a bond holding that was previously presented as a cash equivalent. This restatement has no impact on beginning of year net position in Lawton Water Authority.

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, 2014, the General Fund has committed fund balance for stabilization of $1,472,949.

	General Fund	Major Special Revenue Fund 2005 CIP Fund, Restated	Major Special Revenue Fund 2012 CIP Fund	Other Governmental Fund	Total, Restated
Fund Balance:					
Nonspendable:					
Inventory	$ 295,089	$ -	$ -	$ -	$ 295,089
	295,089	-	-	-	295,089
Restricted For:					
Animal control	$ -	$ -	$ -	$ 140,632	$ 140,632
Police operations	-	-	-	104,681	104,681
Public safety training	-	-	-	189,392	189,392
General obligation debt service	-	-	-	1,099,274	1,099,274
Capital improvements	-	6,843,234	18,745,349	5,640,689	31,229,272
Drainage maintenance fund	-	-	-	1,344,258	1,344,258
Transportation programs	-	-	-	160,309	160,309
Culture and rec programs	-	-	-	31,016	31,016
Economic development	-	-	-	771,365	771,365
Landfill programs	-	-	-	74,282	74,282
General government programs	-	-	-	29,177	29,177
General government grants	-	-	-	2,472,444	2,472,444
Fire education programs	-	-	-	12,276	12,276
Police - drug programs	-	-	-	174,957	174,957
Cemetery improvements	-	-	-	200,926	200,926
Park improvements	-	-	-	27,262	27,262
Sub-total restricted	-	6,843,234	18,745,349	12,472,940	38,061,523
Committed to:					
Beautification	-	-	-	34,664	34,664
Emergency Reserve	1,472,949	-	-	-	1,472,949
Sub-total committed	1,472,949	-	-	34,664	1,507,613
Assigned to:					
Insurance proceeds	212,189	-	-	-	212,189
General government	888,320	-	-	-	888,320
Police	68,141	-	-	316,716	384,857
Culture and rec programs	56,593	-	-	-	56,593
Stormwater mitigation	550,755	-	-	-	550,755
Recycling	90,806	-	-	-	90,806
Facilities management	-	-	-	13,900	13,900
Capital improvements	-	-	-	5,889,056	5,889,056
Sub-total assigned	1,866,804	-	-	6,219,672	8,086,476
Unassigned:	9,980,470	-	-	(223,429)	9,757,041
TOTAL FUND BALANCE	$ 13,615,312	$ 6,843,234	$ 18,745,349	$ 18,503,847	$ 57,707,742

Note 3. OTHER NOTES

3.A. Risk Management

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

- General Liability – Covered through self-insurance.
- Physical Property – Covered through purchased insurance with a $35,000 deductible.

- Workers' Compensation – Workers' compensation is covered through self-insurance using a third party processor to process claims.
- Employee's Group Medical –Covered through self-insurance using a third party. processor to process medical claims. The City uses the third party processor's estimates to record group insurance claims payable.

The City also has a stop-loss policy which covers individual claims in excess of $150,000 during any year.

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

	Workers' Compensation	Health Care	Total
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	(1,462,347)	(8,178,428)	(9,640,775)
Claim liability, June 30, 2013	2,155,427	1,224,024	3,379,451
Claims and changes in estimates	2,809,204	7,183,630	9,992,834
Claims payments	(1,471,253)	(7,538,280)	(9,009,533)
Claim liability, June 30, 2014	$ 3,493,378	$ 869,374	$ 4,362,752

3.B. Retirement Plan Participation

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

1. Lawton City Employee Retirement System (the "System") – single-employer, defined benefit pension plan

2. Oklahoma Police Pension and Retirement System (OPPRS) - a statewide cost-sharing plan

3. Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan

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 10% 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	10%
Plan members	6.3%
Funding of administrative costs	Investment earnings
Period required to vest	Based on years of service; 100% vested after 10 years
Eligibility for distribution	Age 52 with 10 years credited service, or earlier with 25 years credited service
Provisions for:	
Disability benefits	Yes
Death benefits	Yes

Plan Membership (as of June 30, 2014):

Active members	527
Retired participants	244
Total	771

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, 2014, 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, 2014. See further explanation in paragraph E 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, 2014
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% net of expenses
Projected salary increases	4.25%

E. Trend Information

Fiscal Year	Annual Pension Cost (APC)	Actual Employer Contribution	Percentage of APC Contributed	Net Pension Obligation
2012	$ 2,904,185	$ 2,256,908	77.7%	$ 7,153,891
2013	3,099,774	1,889,914	61.0%	8,363,751
2014	3,132,593	2,144,569	68.5%	9,351,775

F. Schedule of Funding Progress

As of July 1, 2014, the funded status of the City Employee Retirement System single employer defined benefit plan is as follows:

Actuarial accrued liability (AAL)	$79,184,675
Actuarial value of plan assets	51,570,031
Unfunded actuarial accrued liability (UAAL)	$(27,614,644)
Funded ratio (actuarial value of plan assets/AAL)	65.1%
Annual covered payroll (active plan members)	20,593,547
UAAL as a percentage of covered payroll	134.1%

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.

	Oklahoma Police Pension and Retirement System	Oklahoma Firefighter's Pension and Retirement System
Obtaining separately issued financial statements	Police Pension and Retirement 1001 N.W. 63rd St., Suite 605 Oklahoma City, OK 73116-7335	Oklahoma Firefighter's Pension and Retirement System 4545 N. Lincoln Blvd., Suite 265 Oklahoma City, OK 73105-3414
Eligibility to participate	All full-time officers, employed by a participating municipality, not less than 21 years of age or more than 45 years of age when hired	All full-time or voluntary firefighters of a participating municipality hired before age 45.
Authority establishing contribution obligations and benefits	State Statute	State Statute
Employee's contribution rate (percent of covered payroll)	8%	8%
City's contribution rate (percent of covered payroll)	13%	14% starting Nov. 1, 2014
State obligation	State appropriation to fund the unfunded actuarial accrued liability	State appropriation to fund the unfunded actuarial accrued liability
Period required to vest	10 years	10 years
Eligibility and benefits for distribution (full-time)	20 years credited service, 2 ½% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.	20 years credited service 2 ½% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Eligibility and benefits for distribution (volunteer)	-	20 years credited service equal to $5.46 per month per year of service, with a maximum of 30 years considered.
Deferred retirement option	Yes, 20 years credited service with additional option to participate in Louisiana Plan.	Yes, 20 years credited service with continued service for a maximum of 30 or more years.
Provisions for: Cost of living adjustments (normal retirement)	Yes	Yes, if vested by 5/83
Death (duty, non-duty, post retirement)	Yes	Yes
Disability (duty, non-duty)	Yes	Yes
Cost of living allowances	Yes	Yes

Retirement Plan Contributions – OFPRS and OPPRS Cost-Sharing Plans

Oklahoma Police Pension and Retirement System			Oklahoma Firefighter's Pension and Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2012	$ 1,071,762	100%	2012	$ 1,242,546	100%
2013	1,115,435	100%	2013	980,998	100%
2014	1,096,100	100%	2014	1,196,773	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 2014, the actuarially expected City contribution in the form of net age adjustment was $765,950 to the Plan. Plan members receiving benefits contributed $329,902 of the total premiums, through their payment of the full determined premium in fiscal year 2014.

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, 2014:

Normal Cost	$ 705,147
Interest on NOO	119,286
Amoritztaion of OPEB Obligation	(246,827)
Amortization of Actuarial Accrued Liablity (AAL)	937,805
Annual OPEB cost (expense)	1,515,411
Expected net benefits during the year	(765,950)
Increase in net OPEB obligation	749,461
Net OPEB obligation - beginning of year	3,407,464
Net OPEB obligation - end of year	$ 4,156,925

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%	$3,407,464
6/30/14	$1,515,412	50%	$4,156,926

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.

3.C. Commitments and Contingencies

Construction Contracts Outstanding

The following construction contracts were outstanding at June 30, 2014:

Nine Mile Creek Sewer Line	$	2,388,685
NW 38th (Cache - Gore)		78,655
SE 45th ST(Gore-Lee)		1,450,577
Landfill Subtitle "D"		347,937
Greet Adtn Drainage NW35th-Arlington		3,927,771
SW 52ND ST (Gore to RR Tracks)		4,309,994

Litigation

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

Grant Programs

The City of Lawton participates in various federal and state grant/loan programs from year to year. In 2014, 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.

In August 2015, the City self-disclosed to the U.S. Department of Housing and Urban Development the need for an audit of questionable practices in the Housing Division of the City relative to various programs funded by the HUD grants in previous years, including 2014. A joint audit/investigation of the practices was promptly commenced by representatives from the Lawton Police Department, City Attorney's Office and HUD. The audit/investigation is ongoing and not expected to be concluded until late October 2015. Additionally, in 2014, the City did discover approximately $18,000 in HUD grant funds was missing from the Housing Division, but the responsible party has made restitution of the funds.

Any liability for reimbursement which may arise as a result of the ongoing audit/investigation cannot be reasonably determined at this time.

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

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 - $12,368,495

State law prohibits deficit fund balance. The following funds had deficit fund balance at June 30, 2014:

CIP 2008	($3,620)
Group Health Insurance – Internal Service Fund	($347,555)
Worker's Compensation - Internal Service Fund	($27,788)
Information Technology Fund – Internal Service Fund	($185,136)

The city plans to adjust the future internal fee structure of the internal service funds to eliminate or reduce the deficit position in these funds.

The Lawton Economic Development Authority (LEDA) has entered into an agreement with a private developer to cost share in the redevelopment of Second Street in Lawton, OK. This is known as the TIF 2 District. The majority of expenses incurred by LEDA in 2013 and 2014 represent land development costs and redevelopment construction costs funded by LEDA in accordance with this redevelopment agreement. The assets being constructed are not assets owned by LEDA and are therefore not reported as such in the accompanying financial statements. Since the assets are not owned by LEDA, this activity results in a deficit net position for LEDA. Redevelopment assets constructed in the form of infrastructure assets will be donated to the City of Lawson in the future. A tax apportionment note totaling $31,600,000 was secured from the Bank of Oklahoma by LEDA to fund these redevelopment activities. The June 30, 2014, unrestricted deficit of $25,752,784 in LEDA's statement will be reduced as the sales tax, use tax, property tax and hotel/motel tax revenue that is pledged to the TIF 2 District is used to liquidate the apportionment note.

3.E. Related Party Transaction

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

The accounts receivable from LEDA are the results of expenses paid for acquisition of properties described in the previous paragraph for which LURA has not been reimbursed. The amount of these receivables are June 30, 2014 if $542,471. This amount represents property acquisition costs which have been paid by LURA, which pursuant to the agreement with LEDA are to be reimbursed by LEDA.

3.F. Subsequent Events

On July 1, 2015 the Waurika Master Conservancy District issued its' Series 2015A Promissory Note to refinance existing outstanding indebtedness. The City of Lawton as a participating city is obligated to repay $12,356,290 (or 94.684%) over the next fifteen years with annual debt service payments of approximately $484,000 including principal and interest.

In July 2015, the Waurika Master Conservancy District issued its' Series 2015B Promissory Note to the Oklahoma Water Resources Board. The City of Lawton as a participating city is obligated to repay

$5,170,708 (or 61.425%) of the note over twenty years with annual debt service payment of approximately $390,000 including principal and interest.

The Lawton Water Authority issued its Series 2015 Sales Tax Revenue Note dated December 1, 2015 with a principal amount of $20,000,000. The note bears interest at 1.98% and is secured by pledged sales tax. The note was issued to provide funding for capital improvements related to water, wastewater, streets and certain transportation system improvements.

3.G. New Accounting Pronouncements

The City Retirement Plan implemented Statement No. 67, *Financial Reporting for Pension Plans-and amendment of GASB Statement No. 25.* GASB 67 addresses accounting and financial report for the activities of pension plans that are administered through trusts. See separately issued report for additional disclosures.

Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27.* GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and the City has not yet determined the impact that implementation of GASB No. 68 will have on its net position. The Statement is effective for fiscal years ended June 30, 2015. At this time the impact to the city is unknown although it may be material.

Statement No. 69, *Government Combinations and Disposals of Government Operations* – GASB No. 69 was issued in January 2013, and establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations can include a variety of transactions, including mergers, acquisitions, and transfers of operations. A disposal of a government's operations results in the removal of specific activities of a government. The requirement of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – GASB No. 71 was issued in November 2013, and addresses issues in Statement No. 68, *Accounting and Financial Reporting for Pension*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employer and nonemployer contributing entities. The requirements of this Statement should be implemented with Statement 68.

Statement No. 72, *Fair Value Measurement and Application* – GASB No. 72 was issued in February 2015, and addresses issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Statement is effective for financial statements for period beginning after June 15, 2015. At this time the impact to the city is unknown.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* – GASB No. 73 was issued in June 2015 and establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015.

Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans - GASB No. 74 was issued in June 2015, and replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – GASB No., 75 was issued in June 2015, and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For a defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for fiscal years beginning after June 15, 2017. The City has not yet determined the impact that implementation of GASB 75 will have on its net position, although it may be material.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* – GASB No. 76 was issued in June 2015, and was issued to identify the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

GASB Statement No. 77, *Tax Abatement Disclosures* - GASB 77 was issued in August 2015, and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans - GASB 78 was issued in December 2015, and amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The statement does not affect the city's financial statements.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants – GASB 79 was issued in December 2015, and addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 80, Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14 – GASB 80 was issued in January 2016, and amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedules (Budgetary Basis) – Year Ended June 30, 2014

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budget basis)	Positive (Negative)
Beginning Budgetary Fund Balance:	$ -	$ -	$ 46,952	$ 46,952
Resources (Inflows):				
Taxes and assessments	38,740,351	38,740,351	50,567,944	11,827,593
Fees, licenses and permits	1,337,500	1,337,500	1,283,200	(54,300)
Rentals and sales of property	215,600	215,600	2,792,199	2,576,599
Fines and forfeitures	2,600,450	2,600,450	2,468,757	(131,693)
Interest earned	65,000	65,000	65,092	92
Other sources	1,060,100	1,060,100	528,628	(531,472)
Intergovernmental	873,000	873,000	861,533	(11,467)
Grants	900,000	900,000	756,765	(143,235)
Total Resources (Inflows)	45,792,001	45,792,001	59,324,118	13,532,117
Amounts available for appropriation	45,792,001	45,792,001	59,371,070	13,579,069
Charges to Appropriations (Outflows):				
General Government	8,722,346	8,722,346	8,005,963	716,383
Public Safety	31,017,376	31,017,376	28,025,604	2,991,772
Streets	9,067,289	9,067,289	8,088,972	978,317
Culture and Recreation	5,623,720	5,623,720	5,460,674	163,046
Total Charges to Appropriations	54,430,731	54,430,731	49,581,213	4,849,518
Other financing sources (uses)				
Transfers from other funds	24,836,642	24,836,642	20,827,727	(4,008,915)
Transfers to other funds	(15,849,080)	(15,849,080)	(28,217,575)	(12,368,495)
Total other financing sources (uses)	8,987,562	8,987,562	(7,389,848)	(16,377,410)
Ending Budgetary Fund Balance	$ 348,832	$ 348,832	$ 2,400,009	$ 2,051,177

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. Presentation is for the General Fund on the city's financial records and does not include all funds or accounts of the General Fund as reflected in the accompanying financial statements.

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

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

Budget to GAAP Reconciliation:	Fund Balance June 30, 2013	Net Change in Fund Balance	Fund Balance June 30, 2014
Fund Balance - GAAP Basis	$ 11,520,269	$ 2,095,043	$ 13,615,312
Increases (Decreases):			
Revenues:			
Taxes receivable	(8,066,098)	(477,678)	(8,543,776)
Accounts receivable	(126,602)	60,860	(65,742)
Accrued interest	(6,228)	8	(6,220)
Expenditures:			
Accounts payable	343,281	(125,766)	217,515
Encumbrances	(629,470)	441,547	(187,923)
Other items	414,578	264,669	679,247
Accounts of the General Fund:			
Hunting and Fishing	(6,198)	21,374	15,176
Reserve Account	(1,738,794)	265,845	(1,472,949)
Insurance Proceeds Account	(207,576)	(4,613)	(212,189)
Adult Softball Account	(47,916)	(795)	(48,711)
Court Credit Card Maint. Account	(425,475)	(6,164)	(431,639)
Animal License Account	(369,056)	(23,895)	(392,951)
Elmer Thomas Park Account	(7,796)	-	(7,796)
Stormwater Mitigation	(437,654)	(113,101)	(550,755)
RSVP Account	35,105	(18,932)	16,173
Application Fee Account	(53,398)	(8,057)	(61,455)
Senior Craft Account	(86)	-	(86)
Special Jail Account	(57,746)	(10,395)	(68,141)
Real Property Account	(2,275)	-	(2,275)
Recycling Account	(83,913)	(6,893)	(90,806)
Fund Balance - Budgetary Basis	$ 46,952	$ 2,353,057	$ 2,400,009

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 - $12,368,495

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, 2014	$ 51,570,031	$ 79,184,675	EAN	$ (27,614,644)	65.1%	$ 20,593,547	134.1%
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%
2014	2,144,569	68.5%

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%

OTHER SUPPLEMENTARY INFORMATION

Schedule of Changes in Fund Balances/Net Position – General Fund Accounts, Non-Major Governmental Funds, and LWA Accounts, Year Ended June 30, 2014

Fund	Restated, Fund Balance/ Net Positin 7/1/2013	Changes in Fund Balance	Fund Balance/ Net Positin 6/30/2014
General Fund Accounts:			
General Fund	$ 8,117,491	$ 2,189,417	$ 10,306,908
Hunting and Fishing	6,198	(21,374)	(15,176)
Reserve Account	1,738,794	(265,845)	1,472,949
Insurance Proceeds Account	207,576	4,613	212,189
Payroll Claims Account	-	-	-
Adult Softball Account	47,916	795	48,711
Court Credit Card Maint. Account	425,475	6,164	431,639
Animal Licese Account	369,056	23,895	392,951
Elmer Thomas Park	7,796	-	7,796
Stormwataer Mitigations	437,654	113,101	550,755
RSVP	(35,105)	18,932	(16,173)
Application Fee	53,398	8,057	61,455
Senior Craft	86	-	86
Special Jail	57,746	10,395	68,141
Real Property	2,275	-	2,275
Recycling Account	83,913	6,893	90,806
Total General Fund Accounts	$ 11,520,269	$ 2,095,043	$ 13,615,312
Special Revenue Funds:			
Public Library	$ 4,579	$ 3,598	$ 8,177
Small Business Loan	162,302	406	162,708
CDBG	563,551	32,324	595,875
HOME Investment CDBG	1,246	408	1,654
Lawton Urban Housing	236	1	237
Police Grant	7,123	-	7,123
Park Fee Fund	19,085	-	19,085
Narcotics Fund	143,353	31,604	174,957
Animal Sterilization Fund	109,166	11,910	121,076
Emergency 911	(63,200)	159,739	96,539
Cemetery Care	188,960	6,466	195,426
Officers Training	120,034	(48,893)	71,141
Lawton Parking Authority	1,191	-	1,191
State Landfill Fund	66,201	8,081	74,282
Police Sentinel	999	20	1,019
Fire Prevention Education	7,276	5,000	12,276
Park Fund	2,609	-	2,609
McMahon Authority Grants	23,915	-	23,915
Drainage Maintenance Fund	1,220,115	124,143	1,344,258
Animal Donation Fund	17,503	2,053	19,556
Capital Outlay Rolling Stock	2,365,607	1,704,951	4,070,558
LETA Beautification	40,620	(5,956)	34,664
Cemetery Reward	5,500	-	5,500
Centennial Fund	7,101	-	7,101
Hotel/Motel Tax Fund	242,719	364,978	607,697
Project Impact	29,177	-	29,177
Mass Transit Fund	53,796	105,322	159,118
Federal Grant Fund	1,298,580	567,099	1,865,679
Cellular Service Fee Fund	1,112,182	(187,258)	924,924
LIDA	-	723	723
Police and Fire Training Fund	383,362	51,605	434,967
Impact Fees	1,578,033	(586,200)	991,833
Rental Revenue Fund	7,750	6,150	13,900
TIF Fund	-	(213,182)	(213,182)
Capital Project:			
CIP	1,370,826	447,672	1,818,498
CIP Sales Tax 2008	136,570	(140,190)	(3,620)
Debt Service			
Prior to 1972	377,501	721,773	1,099,274
Ad Valorem 2012	3,290,290	(291,889)	2,998,401
Ad Valorem 2005	773,395	(47,864)	725,531
Total Non Major Special Revenue	$ 15,669,253	$ 2,834,594	$ 18,503,847
Lawton Water Authority Accounts:			
Sewer System Tech	$ (401,559)	$ 1,958,139	$ 1,556,580
1972 & After	2,004,378	(50,925)	1,953,453
Enterprise Acount	165,243,739	5,587,406	170,831,145
Lawton Water Authority Account	(43,843,376)	31,472,287	(12,371,089)
Sewer Mainteneance Program	155,742	(5,614)	150,128
Landfill Financial Assurance	755,206	(562)	754,644
Pumping Fee Account	(41,153)	(54,253)	(95,406)
Water Meter Account	140	-	140
Waurika Payments	1,302,817	(136,789)	1,166,028
Total LWA Accounts	$ 125,175,934	$ 38,769,689	$ 163,945,623

The 2005 CIP Fund and the 2012 CIP Fund are considered major funds and therefore are displayed in separate columns. All other governmental funds are considered non-major funds and are aggregated under the column Other Governmental Funds. The fund balances are reported on the modified accrual basis for these aggregated non-major funds.

Debt Service Coverage Schedule - Year Ended June 30, 2014

DEBT SERVICE COVERAGE:	OWRB Series 2001A, 2001B, 2003A, 2003B, 2003C, 2003D, 2004A, 2005, 2006A,& 2009 Promissory Notes
GROSS REVENUE AVAILABLE:	
Charges for services (all utility revenues)	$43,741,978
Other resources	$175,123
Investment income	200,957
Total Gross Revenue Available	44,118,058
OPERATING EXPENSES:	
Total Operating Expenses	16,963,946
Net Revenue Available for Debt Service	$27,154,112
Maximum Annual Debt Service on all Obligations Payable From Revenues of the System	$11,513,929
Computed Coverage	236%
Coverage Requirement	125%