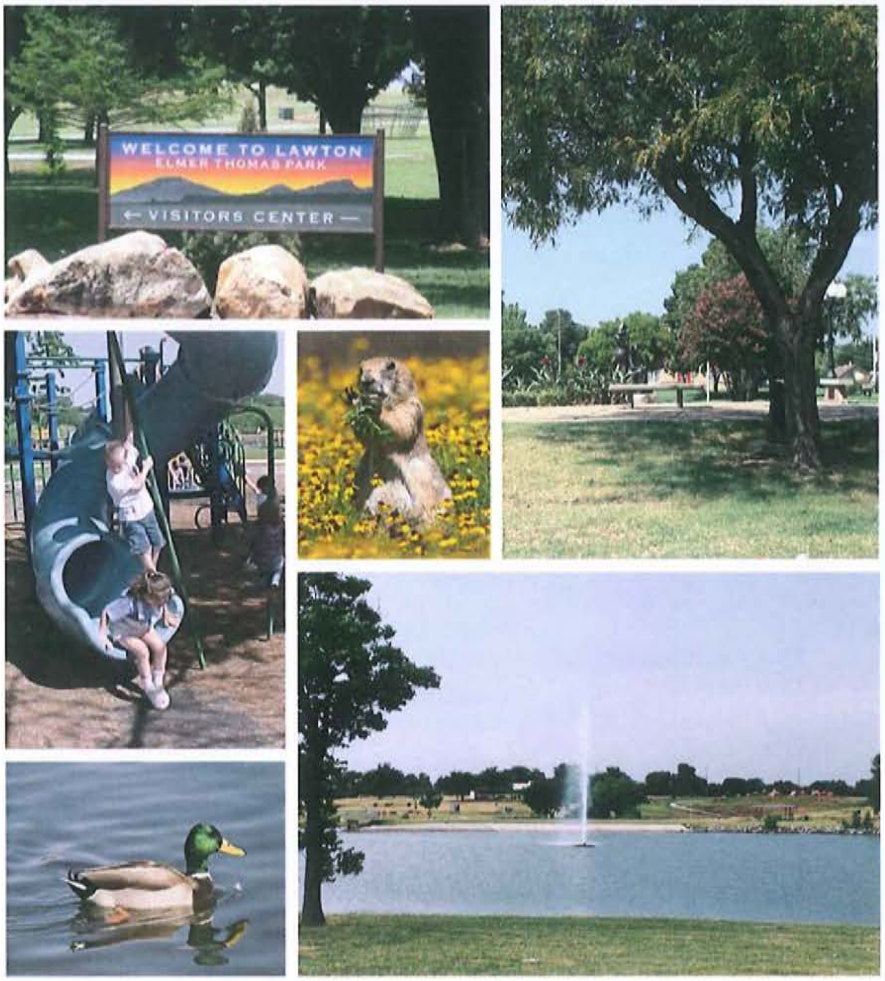

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2012

2012

CITY OF LAWTON

OKLAHOMA

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Arledge
& Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawton, Oklahoma (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lawton Metropolitan Area Airport Authority, the Lawton Arts and Humanities Council, the McMahon Auditorium Authority, the Museum of the Great Plains Trust Authority, and the Lawton Metropolitan Planning Organization, which represent 100 percent, 309 percent, and 99 percent, respectively, of the assets, net assets, and program revenues of the discretely presented component units. We also did not audit the Pension Trust Fund. The financial statements for the above listed discretely presented component units and the City Employees Retirement Trust Fund were audited by other auditors whose reports thereon have been furnished to us and our opinions, insofar as they relate to the amounts included for discretely presented component units and the City Employees Retirement Trust Fund, are based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in

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accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The Schedule of Changes in Fund Balances – Non-Major Governmental Funds and the Debt Service Coverage Schedule, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of the other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Arledge & Associates, P.C.

Edmond, Oklahoma
April 17, 2013

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, 2012. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2012, the City's total net assets increased by $18.5 million or 8.0% from the prior year.
- During the year, the City's expenses for governmental activities were $72.7 million and were funded by program revenues of $21.6 million and further funded with taxes and other general revenues that totaled $58.0 million.
- In the City's business-type activities, such as utilities, program revenues exceeded expenses by $11.2 million.
- Sales and use taxes increased by $0.6 million or 1.3% over the prior fiscal year.
- At June 30, 2012, the General Fund reported an unassigned fund balance of $6.0 million.
- For budgetary reporting purposes, the General Fund reported revenues over estimates by $3,412,085 or 6.4%, while expenditures were under final appropriations by $1,340,318 or 2.5%.
- The City and the Authority issued new debt totaling $35,243,264, excluding judgments payable. The new debt included $6.1 million of General Obligation Bonds, $2.2 million of Oklahoma Water Resources notes payable, $26.7 million of Revenue Bonds payable. The debt was issued to refinance existing debt to take advantage of lower interest rates and/or shorter terms and 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, and 39. Included in this report are government-wide statements for each of two categories of activities – governmental and business-type, along with its discretely-presented component units. The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. These statements include all assets of the City (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

About the City

The City of Lawton is an incorporated municipality with a population of approximately 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.

The City's Financial Reporting Entity

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

The City's financial reporting entity includes the City of Lawton, four active blended component units and six discretely presented component units as follows.

Primary Government:

- **The City of Lawton** – incorporated municipality that operates the public safety, health and welfare, streets and highways, 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.

All of the above discretely presented component units, except for the Lawton Economic Development 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 Assets and the Statement of Activities

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

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

condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

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

- Governmental activities -- Most of the City's basic services are reported here, including the police, fire, general administration, streets, and 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 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 Assets, the Statement of Revenues, Expenses and Changes in Fund Net Assets and Statement of Cash Flows. In fact, the City's enterprise funds are 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 assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance operations.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $250,505,617 at the close of the most recent fiscal year.

Table 1
Net Assets
(In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-type Activities		% Inc. (Dec.)	Total Primary Government		% Inc. (Dec.)
	2012	Restated 2011		2012	Restated 2011		2012	Restated 2011	
Current and other assets	$ 81,541	$ 85,165	-4%	$ 76,573	$ 51,271	49%	$ 158,114	$ 136,436	16%
Capital assets	90,622	75,186	21%	205,437	208,533	-1%	296,059	283,719	4%
Total assets	172,163	160,351	7%	282,010	259,804	9%	454,173	420,155	8%
Long-term debt outstanding	30,885	33,461	-8%	155,695	135,902	15%	186,580	169,363	10%
Other liabilities	14,075	15,431	-9%	3,013	3,400	-11%	17,088	18,831	-9%
Total liabilities	44,960	48,892	-8%	158,708	139,302	14%	203,668	188,194	8%
Net assets:									
Invested in capital assets, net of debt	68,882	49,615	39%	99,185	102,435	-3%	168,067	152,050	11%
Restricted	62,505	63,396	-1%	20,007	15,027	33%	82,512	78,423	5%
Unrestricted	(4,184)	(1,552)	-170%	4,110	3,040	35%	(74)	1,488	-105%
Total net assets	$ 127,203	$ 111,459	14%	$ 123,302	$ 120,502	2%	$ 250,505	$ 231,961	8%

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. For 2012, this investment in capital assets, net of related debt amounted to $168,067,030. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A major portion of the City's net assets, $82,511,604 also represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $(73,017), if positive, may be used to meet the government's ongoing obligations to citizens and creditors.
Explanations of significant changes displayed in Table 1 are as follows:

Governmental Activities:

Capital assets – Increase of $15.4 million or 21% due to the donation of $8.0 million of assets from developers and significant road improvements.

Unrestricted Net Assets – Decrease of $2.6 million (170%) due to an increase in excess unrestricted net assets and expenses exceeding revenues.

Business-Type Activities:

Current and other assets – Increase of $25.3 million (49%) due to an increase in construction proceeds on hand and an increase in restricted debt service accounts.

Restricted Net Assets – Increase of $5.0 million (33%) due to an increase in restricted debt service monies.

Changes in Net Assets

For the year ended June 30, 2012, net assets of the primary government changed as follows:

Table 2
Changes in Net Assets
(In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total Primary Government		% Inc. (Dec.)
	2012	2011		2012	2011		2012	2011	
Revenues:									
Program revenues:									
Charges for services	$ 8,010	$ 8,627	-7%	$ 42,744	$ 43,057	-1%	$ 50,754	$ 51,684	-2%
Operating grants and contributions	5,146	8,497	-39%	-	-	-	5,146	8,497	-39%
Capital grants and contributions	8,482	3,350	153%	1,014	3,516	-71%	9,496	6,866	38%
General revenues:									
Sales and use taxes	46,393	45,816	1%	-	-	-	46,393	45,816	1%
Other taxes	9,998	9,663	3%	-	-	-	9,998	9,663	3%
Other general revenue	1,622	1,966	-17%	409	50	718%	2,031	2,016	1%
Total revenues	79,651	77,919	2%	44,167	46,623	-5%	123,818	124,542	-1%
Program expenses:									
General government	11,982	13,072	-8%	-	-	-	11,982	13,072	-8%
Public safety	33,172	34,735	-4%	-	-	-	33,172	34,735	-4%
Streets	8,575	9,717	-12%	-	-	-	8,575	9,717	-12%
Education	5,356	5,287	1%	-	-	-	5,356	5,287	1%
Transportation	3,214	4,751	-32%	-	-	-	3,214	4,751	-32%
Cultural and recreation	8,261	8,601	-4%	-	-	-	8,261	8,601	-4%
Community/economic development	1,126	1,312	-14%	-	-	-	1,126	1,312	-14%
Interest	1,053	1,102	-4%	-	-	-	1,053	1,102	-4%
Water	-	-	-	18,406	15,672	17%	18,406	15,672	17%
Sewer	-	-	-	9,401	10,286	-9%	9,401	10,286	-9%
Sanitation	-	-	-	4,730	3,342	42%	4,730	3,342	42%
Total expenses	72,739	78,577	-7%	32,537	29,300	11%	105,276	107,877	-2%
Excess (deficiency) before transfers	6,912	(658)	1150%	11,630	17,323	-33%	18,542	16,665	11%
Transfers	8,831	(2,054)	530%	(8,831)	2,054	-530%	-	-	-
Increase (decrease) in net assets	15,743	(2,712)	680%	2,799	19,377	-86%	18,542	16,665	11%
Net Assets, Beginning, restated	111,460	114,171	-2%	120,503	101,125	19%	231,963	215,296	8%
Net Assets, Ending	$ 127,203	$ 111,459	14%	$ 123,302	$ 120,502	2%	$ 250,505	$ 231,961	8%

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

Governmental Activities:

Operating grants and contributions – Decrease of $3.4 million (39%) due to a decrease in operations grants related to general government and transportation.

Capital grants and contributions – Increase of $5.1 million (153%) due to donations from developers of streets and drainage systems.

Transportation expenses – Decrease of $1.5 million (32%) due to an decrease in transportation cost and funding.

Transfers – Increase of $10 million due to the movement of debt proceeds, an increase in the transfer from the Water Authority and an increase in sales tax transfers.

Business-Type Activities:

Capital grants and contributions – Decrease of $2.5 million (71%) due to a decrease in capital grant for wastewater purposes.

Saniation Expenses – Increase of $1.4 million (42%) due to increased operational cost.

Transfers – Increase of $10 million (530%). 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.)
	2012	2011		2012	2011	
General government	$ 11,982	$ 13,236	-9%	$ (5,084)	$ (3,540)	-44%
Public safety	33,172	34,735	-4%	(31,199)	(32,838)	5%
Streets	8,575	9,717	-12%	1,401	(5,552)	125%
Culture, parks and recreation	8,261	8,601	-4%	(7,809)	(8,040)	3%
Community/economic development	1,126	1,312	-14%	(1,126)	(1,312)	14%
Education	5,356	5,287	1%	(5,356)	(5,287)	-1%
Transportation	3,214	4,751	-32%	(874)	(594)	-47%
Interest on long-term debt	1,053	1,102	-4%	(1,053)	(1,102)	4%
Total	$ 72,739	$ 78,741	-8%	$ (51,100)	$ (58,265)	12%

For the year ended June 30, 2012 total expenses for governmental activities amounted to $72.7 million which was a decrease from the prior year of 8%. 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.
	2012	2011		2012	2011	
Water	$ 18,406	$ 17,226	7%	$ 5,554	$ 6,351	-13%
Wastewater	9,401	10,286	-9%	2,635	4,648	-43%
Sanitation	4,730	3,342	42%	3,032	4,719	-36%
Total	$ 32,537	$ 30,854	5%	$ 11,221	$ 15,718	-29%

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

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

- Total business-type activities reported net revenues of $11.2 million for the year ended June 30, 2012.
- All individual activities reported net revenue for the year ended June 30, 2012 and 2011.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2012 fiscal year, the governmental funds reported a combined fund balance of $75.8 million or a 3.2% decrease from 2011. The enterprise funds reported combined net assets of $123.3 million or a 2.3% increase from 2011.

Other fund highlights include:

- For the year ended June 30, 2012, the General Fund's total fund balance decreased by $1,696,109 or 15.2%.
- The 2005 CIP Fund's total fund balance decreased by $5.8 million or 10.6%.

General Fund Budgetary Highlights

- For budgetary reporting purposes, the General Fund reported revenues over estimates by $3,412,085 or 6.4%, while expenditures were under final appropriations by $1,340,318 or 2.5%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2012, the City had $296.1 million invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines. (See table below). This represents a net increase of $12.7 million or 4.5% over last year.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	Restated, 2011	2012	Restated 2011	2012	Restated 2011
Land	$ 3,010,956	$ 3,010,956	$ 1,405,813	$ 1,405,813	$ 4,416,769	$ 4,416,769
Buildings and utility infrastructure	17,129,326	15,993,828	152,844,415	154,990,758	169,973,741	170,984,586
Machinery, furniture and equipment	10,367,012	9,645,124	6,774,880	7,212,981	17,141,892	16,858,105
Infrastructure	37,767,306	29,141,314	-	-	37,767,306	29,141,314
Unamortized water rights	-	-	31,515,779	31,899,490	31,515,779	31,899,490
Construction in progress	22,347,234	17,230,526	12,896,308	12,858,899	35,243,542	30,089,425
Totals	$ 90,621,834	$ 75,021,748	$ 205,437,195	$ 208,367,941	$ 296,059,029	$ 283,389,689

This year's more significant capital asset additions included:

Pipe inventory project	$3,408,034
NW 82nd Waterline	583,277
Flowermound Road	2,284,696
NW Gore Blvd Street	546,047
NW 38th Street	4,744,630

See Note 5 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 $186 million in long-term debt outstanding which represents a $15.7 million or 9.2% increase from the prior year. The increase is due to the issuance of $6.8 million in General Obligation Bonds which defeased $5.9 million in General obligation Bonds, $2.2 million in notes payable to the Oklahoma Water Resources Board and $26.7 million in Revenue Bonds. 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	
	2012	2011	2012	Restated, 2011	2012	Restated, 2011
Accrued compensated absences	$ 5,746,924	$ 5,913,160	$ 798,560	$ 800,871	$ 6,545,484	$ 6,714,031
General Obligation Bonds	17,030,000	19,420,000	-	-	17,030,000	19,420,000
General Obligation Bond Premium	330,876	96,959	-	-	330,876	96,959
Unamortized loss on refunding	(117,788)	-	(201,604)	-	(319,392)	-
Worker's Compensation liability	1,292,027	1,742,704	775,074	1,123,086	2,067,101	2,865,790
Judgments Payable	1,860,911	1,490,119	-	-	1,860,911	1,490,119
Revenue Bonds Payable	2,500,000	2,500,000	28,680,000	1,545,000	31,180,000	4,045,000
Revenue Bonds Premium	-	-	-	-	-	-
Notes Payable	1,747,000	1,807,000	89,203,961	96,391,911	90,950,961	98,198,911
Contracts Payable	-	-	30,786,292	31,824,575	30,786,292	31,824,575
Landfill Closure and Post-closure	-	-	5,652,825	5,438,927	5,652,825	5,438,927
Capital Lease Obligations	249,977	491,074	-	-	249,977	491,074
Totals	$ 30,639,927	$ 33,461,016	$ 155,695,108	$ 137,124,370	$ 186,335,035	$ 170,585,386

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

The Upcoming Year FY 2012-2013

The City of Lawton has been very proactive in positioning this community for future success. With that in mind the City is very aware of the local and federal economic issues and is taking active steps to ensure that the citizens of Lawton receive the best possible service. The Regional Growth Management Plan adopted in 2008 that set the stage for the passage of SB751 and HB1786 that are designed to provide state financial support for capital infrastructure. Recently, the City Council approved a new labor contract with our 480 general employees that will solve the current liability problems associated with the City's self-funded Retirement Plan. Finally, the City acted decisively on the option to purchase the remaining Waurika Lake storage rights and was the first of six members to approve the financial loan package that ensures the adequate supply of water for the next 75-80 years

The challenge confronting the Council, will be the ability to grow revenues in the future sufficient enough to cover the city's operating expense and employee salary obligations since the growth rate in revenue's appears to have plateaued over the past two years. Water rates will remain stable and the City does not anticipate an huge increase in its rate structure for the services it provides to the citizens.

The remaining challenge for the City of Lawton will be to make the comprehensive changes necessary to strengthen the Employee Health Insurance Plan without placing undue burden or financial hardship upon their families and the current group of retirees. This self-funded health insurance program must also adjust to the requirements of a federal health care law that will eventually raise the cost for everyone. How to balance that cost between the employee groups, retirees, and the increased contributions required from the City will test everyone's imagination over the next two months.

Contacting the City's Financial Management

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

Mr. Rick Endicott, Finance Director
City of Lawton
103 S.W. 4th Street
Lawton, Oklahoma 73501

Telephone at 580-581-3305

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

Statement of Net Assets– June 30, 2012

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS:				
Cash and cash equivalents	$21,562,305	$69,580,993	$91,143,298	$1,260,892
Investments	50,215,927	1,096,070	51,311,997	-
Interest receivable	170,081	1,590	171,671	-
Accounts receivable, net	749,396	4,572,733	5,322,129	206,953
Inventory	-	-	-	64,474
Due from other governments	8,531,793	-	8,531,793	150,923
Internal balances	(18,859)	18,859	-	-
Prepaid items	-	-	-	12,006
Other assets	-	-	-	10,231
Capital assets:				
Land and construction in progress	25,358,190	14,302,121	39,660,311	981,679
Other capital assets, net of depreciation	65,263,644	191,135,074	256,398,718	15,517,288
Unamortized bond issuance costs	330,827	1,302,790	1,633,617	-
Total assets	172,163,304	282,010,230	454,173,534	18,204,446
LIABILITIES:				
Accounts payable and accrued liabilities	4,510,818	812,221	5,323,039	213,877
Escrow liability	304,870	-	304,870	-
Accrued interest payable	131,426	1,516,657	1,648,083	149,997
Deferred revenue	-	-	-	6,984
Long-term liabilities:				
Due within one year	3,691,817	9,133,795	12,825,612	-
Due in more than one year	36,320,882	147,245,431	183,566,313	12,034,476
Total liabilities	44,959,813	158,708,104	203,667,917	12,405,334
NET ASSETS:				
Invested in capital assets, net of related debt	68,881,769	99,185,261	168,067,030	16,498,967
Restricted	62,504,744	20,006,860	82,511,604	435,744
Unrestricted	(4,183,022)	4,110,005	(73,017)	(11,135,599)
Total net assets	127,203,491	$123,302,126	$250,505,617	$5,799,112

See accompanying notes to the basic financial statements.

Statement of Activities –Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets – Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units
Primary Government:								
Governmental activities:								
General government	$11,981,526	$5,135,215	$1,550,227	$212,181	($5,083,903)	-	($5,083,903)	-
Public safety	33,172,369	1,153,999	804,521	14,906	(31,198,943)	-	(31,198,943)	-
Streets	8,574,542	895,194	839,302	8,241,421	1,401,375	-	1,401,375	-
Culture and recreation	7,648,865	382,079	56,404	13,084	(7,197,298)	-	(7,197,298)	-
Community development	1,126,204	-	-	-	(1,126,204)	-	(1,126,204)	-
Education	5,356,094	-	-	-	(5,356,094)	-	(5,356,094)	-
Transportation	3,213,852	443,959	1,896,006	-	(873,887)	-	(873,887)	-
Culture and recreation - payment to component unit	612,207	-	-	-	(612,207)	-	(612,207)	-
Interest on long-term debt	1,053,245	-	-	-	(1,053,245)	-	(1,053,245)	-
Total governmental activities	72,738,904	8,010,446	5,146,460	8,481,592	(51,100,406)	-	(51,100,406)	-
Business-type activities:								
Water	18,405,972	23,340,596	-	619,340	-	5,553,964	5,553,964	-
Wastewater	9,401,101	11,641,754	-	394,840	-	2,635,493	2,635,493	-
Sanitation	4,729,463	7,761,154	-	-	-	3,031,691	3,031,691	-
Total business-type activities	32,536,536	42,743,504	-	1,014,180	-	11,221,148	11,221,148	-
Total primary government	$105,275,440	$50,753,950	$5,146,460	$9,495,772	(51,100,406)	11,221,148	(39,879,258)	-
Component Units:								
Airport	$2,521,692	$1,091,833	$608,624	$673,732				($147,503)
Culture and recreation	1,117,978	349,278	89,013	-				(679,687)
Economic development	209,172	23,350	-	-				(185,822)
Transportation	88,861	-	140,762	-				51,901
Total component units	$3,937,703	$1,464,461	$838,399	$673,732				(961,111)
General revenues:								
Taxes:								
Sales and use taxes					46,393,358	-	46,393,358	-
Property tax					4,017,913	-	4,017,913	61,182
Franchise and public service taxes					2,361,983	-	2,361,983	-
Hotel/motel taxes					1,196,296	-	1,196,296	-
Intergovernmental revenue not restricted to specific programs					2,422,177	-	2,422,177	-
Investment income					295,651	271,570	567,221	2,786
Miscellaneous					1,325,601	137,876	1,463,477	-
Payment from primary government					-	-	-	612,207
Payment to primary government					-	-	-	(51,995)
Transfers - Internal activity					8,831,344	(8,831,344)	-	-
Total general revenues and transfers					66,844,323	(8,421,898)	58,422,425	624,180
Change in net assets					15,743,917	2,799,250	18,543,167	(336,931)
Net assets - beginning (restated)					111,459,574	120,502,876	231,962,450	6,136,043
Net assets - ending					$127,203,491	$123,302,126	$250,505,617	$5,799,112

See accompanying notes to the basic financial statements.

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

Governmental Funds Balance Sheet - June 30, 2012

	General Fund	2005 CIP Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	$ 2,672,946	$ 2,077,988	$ 15,507,173	$ 20,258,107
Investments	-	48,291,804	1,924,123	50,215,927
Receivables:				
Accounts receivable	111,075	-	236,601	347,676
Accrued interest receivable	7,257	155,781	7,043	170,081
Due from other funds	216,728	-	207,681	424,409
Due from other governments and entities	8,074,532	-	457,261	8,531,793
Total assets	$ 11,082,538	$ 50,525,573	$ 18,339,882	$ 79,947,993
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable and accrued liabilities	$ 1,540,871	$ 1,044,298	$ 833,396	$ 3,418,565
Escrow liablity	-	285,259	19,611	304,870
Due to other funds	28,760	-	417,316	446,076
Total liabilities	1,569,631	1,329,557	1,270,323	4,169,511
Fund Balances:				
Restricted	-	49,196,016	13,440,154	62,636,170
Committed	1,842,554	-	24,300	1,866,854
Assigned	1,691,639	-	3,734,933	5,426,572
Unassigned	5,978,714	-	(129,828)	5,848,886
Total fund balances	9,512,907	49,196,016	17,069,559	75,778,482
Total liabilities and fund balances	$ 11,082,538	$ 50,525,573	$ 18,339,882	$ 79,947,993

See accompanying notes to the basic financial statements.

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2012

	General Fund	2005 CIP Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$44,365,424	-	$10,570,303	$54,935,727
Intergovernmental	1,660,906	$19,596	5,209,386	6,889,888
Charges for services	159,701	-	1,016,887	1,176,588
Fines and forfeitures	3,324,332	-	1,768,948	5,093,280
Licenses and permits	1,475,774	-	41,681	1,517,455
Investment income	121,635	155,078	18,938	295,651
Miscellaneous	788,474	-	639,558	1,428,032
Total Revenues	51,896,246	174,674	19,265,701	71,336,621
Expenditures:				
Current:				
General government	8,536,094	-	1,554,231	10,090,325
Public safety	28,208,962	-	2,203,548	30,412,510
Public works and streets	7,872,597	-	-	7,872,597
Education	-	-	5,356,094	5,356,094
Culture and recreation	5,695,380	-	1,351,199	7,046,579
Community development	-	-	1,055,479	1,055,479
Transportation	-	-	3,213,852	3,213,852
Capital outlay	288,114	8,418,515	4,989,925	13,696,554
Debt service:				
Principal retirement	-	-	3,050,061	3,050,061
Interest and fiscal charges	-	-	1,080,997	1,080,997
Judgments	-	-	676,183	676,183
Total Expenditures	50,601,147	8,418,515	24,531,569	83,551,231
Excess (deficiency) of revenues over expenditures	1,295,099	(8,243,841)	(5,265,868)	(12,214,610)
Other Financing Sources (Uses):				
Debt proceeds	-	-	6,477,684	6,477,684
Transfer to escrow agent	-	-	(5,984,111)	(5,984,111)
Transfers in	17,774,869	9,272,329	17,731,456	44,778,654
Transfers out	(20,205,865)	(6,808,909)	(8,006,316)	(35,021,090)
Transfer from discretely presented component unit	51,995	-	-	51,995
Transfer to discretely presented component unit	(612,207)	-	-	(612,207)
Total Other Financing Sources (Uses)	(2,991,208)	2,463,420	10,218,713	9,690,925
Net change in fund balances	(1,696,109)	(5,780,421)	4,952,845	(2,523,685)
Fund balances - beginning, restated	11,209,016	54,976,437	12,116,714	78,302,167
Fund balances - ending	$9,512,907	$49,196,016	$17,069,559	$75,778,482

See accompanying notes to the basic financial statements.

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Assets Reconciliation:

Fund balances of governmental funds	$75,778,482
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of $67,302,019	90,479,686
Certain long-term assets are not available to pay for current fund liabilities:	
Unamortized bond issuance costs	330,827
Mortgages receivable	401,639
	732,466
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	111,989
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
General obligation bonds payable	(17,030,000)
Unamortized debt premium	(330,876)
Accrued interest payable	(131,426)
Capital lease payables	(249,977)
Accrued compensated absences	(5,746,924)
Accrued workers compensation claims	(1,292,027)
OPEB liability	(1,973,888)
Note payable	(1,747,000)
Judgments payable	(1,860,911)
Revenue note payable	(2,500,000)
Unamortized loss on refunding	117,788
Net pension obligation	(7,153,891)
	(39,899,132)
Net assets of governmental activities	$127,203,491

See accompanying notes to the basic financial statements.

Changes in Fund Balances – Changes in Net Assets Reconciliation:

Net change in fund balances - total governmental funds	($2,523,685)
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	13,165,523
Loss on disposal of capital assets	(29,555)
Capital asset donated by outside sources	8,278,792
Capital asset donated from authority	780,441
Capital assets transferred to business-type activities	(1,706,661)
Depreciation expense	(5,052,151)
	15,436,389
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Incurrence of judgments rendered against the City	(1,046,975)
Judgment payments	676,183
Capital lease proceeds	(128,964)
Capital lease principal payments	370,061
General obligation bond principal payments	2,620,000
General obligation bond proceeds	(6,080,000)
Note payable principal payments	60,000
Bond premium	(268,990)
Bond proceeds to escrow agent	5,984,111
	2,185,426
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	5,219
Change in OPEB liability	(489,747)
Change in accrued compensated absences	(59,350)
Amortization of bond premium	35,072
Amortization of bond issue costs	(24,196)
Change in mortgages receivable	103,980
Bond issue cost incurred	120,766
Amortization of loss on refunding	(12,270)
Net pension obligation increase	(647,277)
Change in accrued worker's compensation claims	450,677
	(517,126)
Internal service fund activity is reported as a proprietary fund in the fund financial statements, but certain net revenues are reported in governmental activities on the Statement of Activities	
Total change in net assets for internal service funds	1,162,913
	1,162,913
Change in net assets of governmental activities	$15,743,917

See accompanying notes to the basic financial statements.

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

Proprietary Funds Statement of Net Assets - June 30, 2012

	Lawton Water Authority	Internal Service Funds
ASSETS:		
Current assets:		
Cash and cash equivalents	$8,243,980	$1,304,198
Cash and cash equivalents, restricted	60,923,192	
Investments	1,096,070	-
Accounts receivable, net of allowance $2,662,046	4,572,733	81
Interest receivable	1,590	-
Due from other funds	18,859	2,808
Total current assets	74,856,424	1,307,087
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	413,821	-
Unamortized bond and note issue costs	1,302,790	-
Land and construction in progress	14,302,121	1,155
Other capital assets, net	191,135,074	140,993
Total noncurrent assets	207,153,806	142,148
Total assets	282,010,230	1,449,235
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued liabilities	645,536	26,235
Accrued wages payable	166,685	15,405
Accrued interest payable	1,516,657	-
Accrued compensated absences	95,428	28,395
Landfill post closure liability	1,086,023	-
Claims liability	-	1,050,613
Contract payable - Waurika note	1,062,854	-
Worker's compensation liability	387,537	-
Notes payable	3,686,953	-
Revenue bonds payable	2,815,000	-
Total current liabilities	11,462,673	1,120,648
Noncurrent liabilities:		
Accrued compensated absences	703,132	216,598
Landfill post closure liability	4,566,802	-
Contract payable	29,723,438	-
Worker's compensation liability	387,537	-
OPEB liability	684,114	-
Notes payable	85,517,012	-
Revenue bonds payable, net	25,663,396	-
Total noncurrent liabilities	147,245,431	216,598
Total liabilities	158,708,104	1,337,246
NET ASSETS:		
Invested in capital assets, net of related debt	99,185,261	142,148
Restricted for debt service	19,251,196	-
Restricted for landfill financial assurance	755,664	-
Unrestricted	4,110,005	(30,159)
Total net assets	$123,302,126	$111,989

See accompanying notes to the basic financial statements.

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Assets - Year Ended June 30, 2012

	Lawton Water Authority	Internal Service Funds
Operating Revenues:		
Charges for services	$42,743,504	$9,332,147
Total operating revenues	42,743,504	9,332,147
Operating Expenses:		
General government and claims	-	6,846,732
Public works operations	20,479,654	-
Computer service operations	-	1,279,976
Depreciation expense	8,771,722	45,021
Amortization expense	171,332	-
Landfill closure expense	213,898	-
Total operating expenses	29,636,606	8,171,729
Operating income (loss)	13,106,898	1,160,418
Non-Operating Revenues (Expenses):		
Investment income	271,570	3,109
Interest expense and fiscal charges	(2,912,430)	-
Gain (Loss) on asset retirement	12,500	(902)
Other non-operating revenue (expense)	137,876	288
Total non-operating revenues (expenses)	(2,490,484)	2,495
Net income (loss) before contributions and transfers	10,616,414	1,162,913
Capital contributions	2,720,841	-
Transfers in	14,752,893	-
Transfers out	(25,290,898)	-
Change in net assets	2,799,250	1,162,913
Total net assets - beginning, restated	120,502,876	(1,050,924)
Total net assets - ending	$123,302,126	$111,989

See accompanying notes to the basic financial statements.

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2012

	Lawton Water Authority	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 44,069,240	$ 9,329,546
Payments to suppliers	(10,569,265)	-
Payments to employees	(10,587,999)	(1,291,178)
Receipts from interfund loan	1,238,378	-
Payments on interfund loan	(47,673)	(299,945)
Claims and benefits paid	-	(6,767,394)
Net Cash Provided by (Used in) Operating Activities	24,102,681	971,029
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	14,752,893	-
Transfers to other funds	(24,510,457)	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	(9,757,564)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from notes issued	2,234,300	-
Proceeds from revenue bonds issued	28,680,000	-
Capital assets purchased	(2,499,745)	(45,195)
Principal paid on capital debt	(6,640,530)	-
Interest and fiscal charges paid on capital debt	(2,569,771)	-
Transfer to escrow	(5,800,819)	-
Debt issuance cost paid	(393,374)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	13,010,061	(45,195)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	(711,491)	-
Interest and dividends	270,746	3,109
Net Cash Provided by (Used in) Investing Activities	(440,745)	3,109
Net Increase (Decrease) in Cash and Cash Equivalents	26,914,433	928,943
Balances - beginning of the year	42,666,560	375,255
Balances - end of the year	$ 69,580,993	$ 1,304,198
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents	$ 8,243,980	$ 1,304,198
Restricted cash and cash equivalents	61,337,013	-
Total cash and cash equivalents	$ 69,580,993	$ 1,304,198
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ 13,106,898	$ 1,160,418
Adjustments to reconcile operating income to net cash provided by (used in) by operating activities:		
Depreciation expense	8,771,722	45,021
Amortization expense	171,332	-
Landfill closure expense	213,898	-
Other miscellaneous revenue	137,876	288
Change in assets and liabilities:		
Receivables, net	1,187,860	(2,889)
Due from other funds	1,238,378	55
Accounts payables	(144,013)	(34,791)
Claims liability	(348,012)	114,129
Due to other funds	(47,673)	(300,000)
OPEB liability	169,737	-
Accrued wages payable	(353,012)	(30,609)
Accrued compensated absences	(2,310)	19,407
Net Cash Provided by (Used in) Operating Activities	$ 24,102,681	$ 971,029
Non-cash activity:		
Non-cash capital contributions received	$ 2,720,841	
Non-cashvalue of capital assets transferred to governmental	(780,441)	-
	$ 1,940,400	$ -

See accompanying notes to the basic financial statements.

BASIC FINANCIAL STATEMENTS - FIDUCIARY FUNDS

Fiduciary Funds Statement of Net Assets - June 30, 2012

	City Employees Retirement Trust Fund	Agency Funds
ASSETS:		
Cash and cash equivalents	$ 1,544,885	$ 1,112,799
Investments, at book value	1,788,271	1,844,550
Investments, at market value:		
United States government securities and agencies	22,040,940	-
Common stock	2,900,524	-
Mutual funds	16,426,158	-
Other investments		-
Interest receivable	122,373	1,691
Employer contributions receivable	39,713	-
Employee contributions receivable	26,475	-
Total assets	$ 44,889,339	$ 2,959,040
LIABILITIES:		
Due to depositors	$ -	$ 2,856,567
Other payables	81	102,473
Total liabilities	81	$ 2,959,040
NET ASSETS:		
Held in trust for pension benefits	$ 44,889,258	

See accompanying notes to the basic financial statements.

Pension Trust Fund Statement of Changes in Plan Net Assets – Year Ended June 30, 2012

	City Employees Retirement Trust Fund
ADDITIONS:	
Contributions:	
Members	$ 1,343,379
Employer	2,113,599
Total Contributions	3,456,978
Investment Income (Loss):	
Net decrease in fair value of investments	(484,041)
Interest, dividends, and other	1,368,306
Total investment income (loss)	884,265
Less investment expense:	
Investment activity expense	(162,959)
Net investment income (loss)	721,306
Total Additions	4,178,284
DEDUCTIONS:	
Benefits paid to participants or beneficiaries	3,216,615
Refunds and transfers to other systems	803,816
Administrative expense	30,177
Total Deductions	4,050,608
Change in net assets held in trust for employees' pension benefits	127,676
Net assets--beginning	44,761,582
Net assets--ending	$ 44,889,258

See accompanying notes to the basic financial statements.

COMBINING FINANCIAL STATEMENTS - COMPONENT UNITS

Component Units – Combining Statement of Net Assets - June 30, 2012

	LAWTON METROPOLITAN AREA AIRPORT AUTHORITY	LAWTON ARTS AND HUMANITIES COUNCIL	MCMAHON AUDITORIUM AUTHORITY	MUSEUM OF THE GREAT PLAINS TRUST AUTHORITY	LAWTON ECONOMIC DEVELOPMENT AUTHORITY	LAWTON METROPOLITAN PLANNING ORGANIZATION	TOTALS
ASSETS							
Current Assets:							
Cash, including time deposits	$ 782,236	$ 92,237	$ 52,944	$ 256,923	$ 20,803	$ 55,749	$ 1,260,892
Accounts receivable	76,600	-	1,596	55,402	-	73,355	206,953
Inventory	33,907	-	-	30,567	-	-	64,474
Due from other governments	150,673	250	-	-	-	-	150,923
Prepaid expenses	11,412	594	-	-	-	-	12,006
Other assets	-	-	-	10,231	-	-	10,231
Total current assets	1,054,828	93,081	54,540	353,123	20,803	129,104	1,705,479
Noncurrent Assets:							
Capital Assets:							
Land and construction in progress	981,679	-	-	-	-	-	981,679
Depreciable, net of accumulated depreciation	14,080,100	-	80,740	1,356,448	-	-	15,517,288
Total noncurrent assets	15,061,779	-	80,740	1,356,448	-	-	16,498,967
Total Assets	16,116,607	93,081	135,280	1,709,571	20,803	129,104	18,204,446
LIABILITIES							
Current Liabilities:							
Accounts payable and accrued liabilities	120,823	-	1,815	39,244	-	51,995	213,877
Deferred revenue	-	6,984	-	-	-	-	6,984
Interest payable	-	-	-	-	149,997	-	149,997
Total current liabilities	120,823	6,984	1,815	39,244	149,997	51,995	370,858
Noncurrent Liabilities:							
Accrued compensated absences	8,771	-	-	25,958	-	-	34,729
Notes payable	-	-	-	-	11,999,747	-	11,999,747
Total noncurrent liabilities	8,771	-	-	25,958	11,999,747	-	12,034,476
Total Liabilities	129,594	6,984	1,815	65,202	12,149,744	51,995	12,405,334
NET ASSETS							
Investment in capital assets, net of related debt	15,061,779	-	80,740	1,356,448	-		16,498,967
Restricted for construction projects	418,865	-	-	-	-	-	418,865
Restricted for grant projects	-	-	-	16,879	-	-	16,879
Unrestricted	506,369	86,097	52,725	271,042	(12,128,941)	77,109	(11,135,599)
Total Net Assets	$ 15,987,013	$ 86,097	$ 133,465	$ 1,644,369	$ (12,128,941)	$ 77,109	$ 5,799,112

See accompanying notes to the basic financial statements.

Component Units - Combining Statement of Activities - Year Ended June 30, 2012

	LAWTON METROPOLITAN AREA AIRPORT AUTHORITY	LAWTON ARTS AND HUMANITIES COUNCIL	MCMAHON AUDITORIUM AUTHORITY	MUSEUM OF THE GREAT PLAINS TRUST AUTHORITY	LAWTON ECONOMIC DEVELOPMENT AUTHORITY	LAWTON METROPOLITAN PLANNING ORGANIZATION	TOTALS
Expenses:							
Airport	$ 2,521,183	$ -	$ -	$ -	$ -	$ -	$ 2,521,183
Culture and recreation	-	134,798	83,615	899,565	-	-	1,117,978
Economic development	-	-	-	-	18,969	-	18,969
Transportation	-	-	-	-	-	88,861	88,861
Interest expense	509	-	-	-	190,203	-	190,712
Total expenses	2,521,692	134,798	83,615	899,565	209,172	88,861	3,937,703
Program Revenues:							
Charges for services	1,091,833	129,175	80,829	139,274	23,350	-	1,464,461
Operating grants and contributions	608,624	23,334	14,200	51,479	-	140,762	838,399
Capital grants and contributions	673,732	-	-	-	-	-	673,732
Total program revenues	2,374,189	152,509	95,029	190,753	23,350	140,762	2,976,592
Net revenue (expense)	(147,503)	17,711	11,414	(708,812)	(185,822)	51,901	(961,111)
General Revenues:							
Investment income	436	-	69	2,126	61	94	2,786
Property taxes	-	-	-	-	61,182	-	61,182
Transfer from primary government		1,993	-	610,214		-	612,207
Transfer to primary government	-	-	-	-	-	(51,995)	(51,995)
Total general revenues	436	1,993	69	612,340	61,243	(51,901)	624,180
Change in Net Assets	(147,067)	19,704	11,483	(96,472)	(124,579)	-	(336,931)
Net Assets, beginning of year, restated	16,134,080	66,393	121,982	1,740,841	(12,004,362)	77,109	6,136,043
Net Assets, end of year	$ 15,987,013	$ 86,097	$ 133,465	$ 1,644,369	$ (12,128,941)	$ 77,109	$ 5,799,112

See accompanying notes to the basic financial statements.

FOOTNOTES TO BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Financial Reporting Entity

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statements No. 14, 34 and 39 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 92,800 located in southwestern Oklahoma. The City operates under a council-manager form of government with a charter that provides for three branches of government:

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

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

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

City Transit Trust – public trust that operates and 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.

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.

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.

Related Organizations:

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

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

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

2. Basis of Presentation and Accounting

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

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

Government-Wide Financial Statements:

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

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

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

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

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

Fund Financial Statements:

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

Major Funds:

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

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

Special Revenue Funds: Public Library Fund, Small Business Loan Fund, CDBG Fund, HOME Investment CDBG Fund, Lawton Urban Housing Fund, Police Grant Fund, Park Fee Fund, Narcotics Fund, Animal Sterilization Fund, Emergency 911 Fund, Cemetery Care Fund, Officers Training Fund, Lawton Parking Authority Fund, 2009 LPS Sales Tax, State Landfill Fund, Police Sentinel Fund, 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, United Safety 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 two 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 to streets, waterline improvements, sewerline improvements, and sewer rehabilitation program.
- 2012 CIP Fund – accounts for loan proceeds for construction.

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

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

Proprietary Funds:

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

The City's proprietary funds include the following:

Enterprise Fund

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

Internal Service Funds (combined for reporting purposes)

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

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

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

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

Pension Trust Fund

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

Agency Funds

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

3. Cash and Cash Equivalents, Deposits and Investments

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

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

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, 2012 by these entities are as follows:

Schedule of Deposits and Investments by Type - June 30, 2012

			Maturities in Years				
Type	Fair Value	Credit Rating	On Demand	Less Than One	1 - 5	6 - 10	More than 10
Demand deposits	$ 32,033,908	n/a	$ 32,033,908	$ -	$ -	$ -	$ -
Time deposits	5,790,171	n/a	-	-	5,589,239	200,932	-
Money Market Accounts	61,844,343	n/a	61,844,343	-	-	-	-
U.S. Treasury Obligations	800,000	n/a	-	800,000	-	-	-
U.S. Agencies Obligations	68,530,047	AAA	-	30,230,317	17,058,790	72,399	21,168,541
Sub-Total	$ 168,998,469		$ 93,878,251	$ 31,030,317	$ 22,648,029	$ 273,331	$ 21,168,541
Mutual Funds	16,426,158	n/a					
Common stock	2,900,524	n/a					
Other Investments	1,788,271	n/a					
Total Deposits and Investments	$ 190,113,422						
Reconciliation to Financial Statements:							
Cash and cash equivalents	$ 91,143,298						
Investments	51,311,997						
Retirement fund investments:							
Investments	1,788,271						
U.S. gov't security agencies	22,040,940						
Common stock	2,900,524						
Retirement fund cash and cash equivalents	17,971,043						
Agency fund cash and cash equivalents	1,112,799						
Agency fund investments	1,844,550						
	$ 190,113,422						

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, 2012, the City was not exposed to custodial credit risk.

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

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

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

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

As noted in the schedule of deposits and investments above, at June 30, 2012, the investments held by the City mature between 2012 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 34.0% of their investments in FHLB and 40.6% in FNMA.

Restricted Cash and Investments

The amounts reported as restricted assets of the Enterprise Fund on the statement of net assets are comprised of amounts held by the Lawton Water Authority in accounts of the trustee bank for revenue bond retirement, and other accounts with restricted uses. The restricted assets as of June 30, 2012 are as follows:

Restricted Cash and Cash Equivalents:		
Landfill Financial Trust	$	153,818
Series 2001B Promissory Note Debt Svc		212,663
Series 2001B Promissory Note Debt Reserve		260,003
Series 209D OWRB Promissory Note Debt Service		53,877
Series 2011 Sales Tax Utility Revenue Bond Debt Service		158,245
Series 2012 Sales Tax Utility Revenue Bond		
Proceeds		2,501
Debt Service		1,122,789
Construction		23,109,669
Sales Tax Collections - Bank of America Sinking fund		17,082,463
Series 2008 - Sales Tax Utility Rev -construction		19,096,618
Series 2004F OWRB Promissory Note Debt Svc		12,290
Series 2003B OWRB Promissory Note Debt Svc		54,089
Series 2003D OWRB Promissory Note Debt Svc		10,057
Chevron Energy 2008		7,931
	$	61,337,013
Reconciliation to Proprietary Statement of Net Assets:		
Cash and cash equivalents, current	$	60,923,192
Cash and cash equivalents, non current		413,821
	$	61,337,013

4. Accounts Receivable

Significant account receivable balances at June 30, 2012 were:

	Governmental Activities	Business Type Activites	Total
Accounts Receivable:			
Emergency Communication Fees	$114,026	-	$114,026
Utilites	-	$6,233,619	6,233,619
Capital Fee	-	299,750	299,750
Landfill fees	39,598	-	39,598
Drainage maintenance fee	154,872	-	154,872
Grants	2,059	-	2,059
Stormwater mainteance fees	60,269	-	60,269
Sewer rehab fees	-	116,180	116,180
Wastewater maintenance fees	-	9,856	9,856
Pumping fee	-	78,012	78,012
Miscellaneous	75,986	497,362	573,348
Mortgages receivable	401,639	-	401,639
Allowance for uncollectible	(99,053)	(2,662,046)	(2,761,099)
	$749,396	$4,572,733	$5,322,129

5. Capital Assets and Depreciation

Capital Assets:

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

For the year ended June 30, 2012, capital assets balances changed as follows:

	Balance at July 1, 2011	Additions	Deductions	Balance at June 30, 2012
PRIMARY GOVERNMENT:				
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 3,010,956	$ -	$ -	$ 3,010,956
Construction in progress	17,230,526	7,951,611	2,834,903	22,347,234
Total capital assets not being depreciated	20,241,482	7,951,611	2,834,903	25,358,190
Other capital assets:				
Buildings and improvements	32,865,458	1,809,955	-	34,675,413
Infrastructure	52,455,771	11,106,974	786,589	62,776,156
Machinery, furniture and equipment	33,511,795	2,698,537		36,210,332
Intangibles	96,363	-	-	96,363
Total other capital assets	118,929,387	15,615,466	786,589	133,758,264
Less accumulated depreciation for:				
Buildings and improvements	16,871,630	674,457	-	17,546,087
Infrastructure	23,314,457	1,694,393	-	25,008,850
Machinery, furniture and equipment	23,963,034	2,728,322	751,673	25,939,683
Total accumulated depreciation	64,149,121	5,097,172	751,673	68,494,620
Other capital assets, net	54,780,266	10,518,294	34,916	65,263,644
Governmental activities capital assets, net	$ 75,021,748	$ 18,469,905	$ 2,869,819	$ 90,621,834

	Restated Balance at July 1, 2011	Additions	Deductions	Balance at June 30, 2012
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 1,405,813	$ -	$ -	$ 1,405,813
Construction in progress	12,858,899	4,416,657	4,379,248	12,896,308
Total capital assets not being depreciated	14,264,712	4,416,657	4,379,248	14,302,121
Other capital assets:				
Buildings and utility infrastructure	228,224,513	4,537,377	-	232,761,890
Machinery, furniture and equipment	19,548,075	1,266,191	812,513	20,001,753
Water rights	38,371,150	-	-	38,371,150
Total other capital assets	286,143,738	5,803,568	812,513	291,134,793
Less accumulated depreciation for:				
Buildings and utility infrastructure	73,233,755	6,683,720	-	79,917,475
Machinery, furniture and equipment	12,335,094	1,704,292	812,513	13,226,873
Water rights	6,471,660	383,711	-	6,855,371
Total accumulated depreciation	92,040,509	8,771,723	812,513	99,999,719
Other capital assets, net	194,103,229	(2,968,155)	-	191,135,074
Business-type activities capital assets, net	$ 208,367,941	$ 1,448,502	$ 4,379,248	$ 205,437,195

	Balance at July 1, 2011	Additions	Deductions	Balance at June 30, 2012
COMPONENT UNITS:				
Lawton Metropolitan Area Airport Authority				
Non-depreciable:				
Land	$ 387,783	$ -	$ -	$ 387,783
Construction-in-progress	1,089,971	506,416	1,002,491	593,896
Total non-depreciable assets at historical cost	1,477,754	506,416	1,002,491	981,679
Depreciable:				
Runways, ramps, and roads	22,110,764	172,466	-	22,283,230
Buildings and improvements	5,991,022	1,152,814	-	7,143,836
Equipment and fixtures	2,327,763	18,309	179,606	2,166,466
Furniture and equipment	100,420	7,703	5,269	102,854
Total depreciable assets at historical cost	30,529,969	1,351,292	184,875	31,696,386
Less accumulated depreciation				
Runways, ramps, and roads	12,855,485	739,273	-	13,594,758
Buildings and improvements	2,606,926	153,130	-	2,760,056
Equipment and fixtures	1,211,850	144,573	178,384	1,178,039
Furniture and equipment	85,849	2,853	5,269	83,433
Total accumulated depreciation	16,760,110	1,039,829	183,653	17,616,286
Other capital assets, net	13,769,859	311,463	1,222	14,080,100
Net depreciable assets	$ 15,247,613	$ 817,879	$ 1,003,713	$ 15,061,779
Museum of the Great Plains Trust Authority				
Depreciable:				
Furniture and equipment	$ 311,884	$ -	$ -	$ 311,884
Displays	17,725	-	-	17,725
Leasehold improvements	169,378	-	-	169,378
Collections and exhibits	1,138,030	2,645	-	1,140,675
Total depreciable assets at historical cost	1,637,017	2,645	-	1,639,662
Less accumulated depreciation				
Total accumulated depreciation	266,626	16,588		283,214
Net depreciable assets	$ 1,370,391	$ (13,943)	$ -	$ 1,356,448

	Balance at July 1, 2011	Additions	Deductions	Balance at June 30, 2012
McMahon Auditorium Authority				
Depreciable:				
Furniture and fixtures	$ 24,628	$ -	$ -	$ 24,628
Buildings improvements	68,295	-	-	68,295
Machinery and equipment	10,279	53,760	-	64,039
Total depreciable assets at historical cost	103,202	53,760	-	156,962
Less accumulated depreciation				
Furniture and fixtures	24,628	-	-	24,628
Buildings improvements	36,734	5,855	-	42,589
Machinery and equipment	6,545	2,460	-	9,005
Total accumulated depreciation	67,907	8,315	-	76,222
Net depreciable assets	$ 35,295	$ 45,445	$ -	$ 80,740

Depreciation:

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

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

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

Governmental Activities:	
General Government	$ 902,622
Public Safety	2,720,529
Streets	704,237
Community Development	630,346
Culture and Recreation	94,417
Sub-total governmental funds depreciation	5,052,151
Allocated Internal Service Fund Depreciation	45,021
Total	$ 5,097,172
Business-Type Activities:	
Water	$ 4,358,913
Sewer	2,822,729
Sanitation	1,590,081
Total depreciation	$ 8,771,723

6. Internal and Interfund Balances and Transfers

Internal Balances:

Receivable Fund	Payable Fund	Amount	Nature of Interfund Balance
General Fund	CDBG Fund	$ 1,077	Grant funding
Emergency Communications	Payroll claims	1,540	Payroll payable
Drainage Maintenenace	General Fund	1,598	Payroll payable
General Fund	Mass Transit	207,087	Negative cash
Payroll Claims Fund	CDBG Fund	6,616	Payroll payable
LETA	General Fund	1,340	Reimbursement
Officer Training	General Fund	5	Reimbursement
General Fund	Public Library	1,948	Negative cash
Police/Fire Traning	General Fund	2,610	Reimbursement
Cellular Phone	Emergency Comm	200,588	Negative cash
Enterprise	Payroll claims	18,859	Payroll payable
MIS	General Fund	2,808	Payroll payable
Total		$ 446,076	

Reconciliation to Fund Financial Statements:	Due From Other Funds	Due To Other Funds	Net Internal Balances
Governmental Funds	$ 424,409	$ 446,076	$ (21,667)
Proprietary Funds	18,859	-	18,859
Internal Service Funds	2,808	-	2,808
Total	$ 446,076	$ 446,076	$ -

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, 2012 were as follows:

Transfer In	Transfer Out		Amount	Nature of Interfund Transfer
General Fund	Water Authority		$ 128,560	Debt service
General Fund	Water Authority		17,640,885	Excess utility collections
General Fund	Officer Training Fund		5,424	Court fines
LETA	General Fund		16,340	Transfer of revenues
Officer Training	General Fund		135,550	Transfer of revenues
Animal Steralization	General Fund		470	Transfer of revenues
Police and Fire Training Fund	General Fund		34,665	Transfer of revenues
2005 CIP Fund	General Fund		9,023,004	Sales tax transfer
2008 CIP Fund	General Fund		4,012,676	Sales tax transfer
2012 CIP Fund	General Fund		4,352,584	Sales tax transfer
2008 CIP Fund	2005 CIP Fund		350,796	Correct posting error
2008 CIP Fund	Water Authority		3,633,124	BRAC Loan proceeds
2005 CIP Fund	Water Authority		249,325	Correct posting error
Mass Transit Fund	General Fund		885,000	Operating subsidy
CIP Fund	Emergency Communication		22,349	Transfer of revenues
Emergency Communication	General Fund		1,076,457	Operating subsidy
CIP Fund	General Fund		131,128	Operating subsidy
CIP Sales Tax 2005	Prior to 1972		244,112	G.O. Bond Proceeds
Water Authority	2005 CIP Fund		3,284,172	Debt service
Water Authority	2005 CIP Fund		3,173,942	Debt service
Water Authority	2008 CIP Fund		6,634,066	Transfer of revenues
Water Authority	2012 CIP Fund		1,122,714	Loan proceeds
Capital Outlay Rolling Stock Fnnd	Water Authority		2,734,954	Revenue transfer
LIDA	CIP		101,250	Debt service
Water Authority	General Fund	A	780,441	Capital assets
Water Authority	General Fund		538,000	Operating subsidy
			$ 60,311,988	

Reconciliation to fund financial statements:	Transfers to Other Funds	Transfers from Other Funds	Net Transfers
Governmental Funds	$ (35,021,090)	$ 44,778,654	$ 9,757,564
Water Authority	(25,290,898)	14,752,893	(10,538,005)
Totals	$ (60,311,988)	$ 59,531,547	$ (780,441) A

Reconciliation to Statement of Activities:	
Net Transfers	$ 10,538,005
Capital contributions transferred from governmental funds	(1,706,661)
Transfers - Internal Activity	$ 8,831,344

Activities of the discretely presented component units financed by the primary government are reported as an expense of the primary government in the Statement of Changes in Net assets. Activity between the primary government and discretely presented component units as of June 30, 2012 was as follows:

Component Unit	Amount	Purpose
Museum of the Great Plains Trust Authority	$610,214	Operating Subsidy
Lawton Metropolitan Planning Organization	(51,995)	Grant
Lawton Arts and Humanities Council	1,993	Operating Subsidy
	$560,212	

7. Long-Term Debt

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

For the year ended June 30, 2012, the City's long-term debt balances changed as follows:

Primary Government:

Type of Debt	Restated Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due Within One Year
Governmental Activities:					
General Obligation Bonds	$ 19,420,000	$ 6,080,000	$ 8,470,000	$ 17,030,000	$ 955,000
General Obligation Bond Premium	96,959	268,989	35,072	330,876	-
Unamortized loss on refunding	-	(130,058)	(12,270)	(117,788)	-
Revenue Note	2,500,000	-	-	2,500,000	195,278
Judgments Payable	1,490,119	1,046,975	676,183	1,860,911	866,396
Notes Payable	1,807,000	-	60,000	1,747,000	64,000
Capital Lease Obligations	491,074	128,964	370,061	249,977	249,977
Workers Comp Liability	1,742,704	-	450,677	1,292,027	646,014
Accrued Compensated Absences - city	5,687,574	59,350	-	5,746,924	686,757
Accrued Compensated Absences - internal service	225,586	19,407	-	244,993	28,395
Total Governmental Activities	$ 33,461,016	$ 7,473,627	$ 10,049,723	$ 30,884,920	$ 3,691,817
Reconciliatin to Statement of Net Assets:					
OPEB Liability				1,973,888	
Net Pension Obligation				7,153,891	
				$ 40,012,699	
Business-Type Activities:					
Notes Payable	$ 96,391,911	$ 2,234,304	$ 9,422,250	$ 89,203,965	$ 3,686,953
Revenue Bonds Payable	1,545,000	28,680,000	1,545,000	28,680,000	2,815,000
Unamortized loss on refunding	-	(604,813)	(403,209)	(201,604)	-
Contracts Payable	31,824,575	-	1,038,283	30,786,292	1,062,854
Accrued Compensated Absences	800,871	-	2,311	798,560	95,428
Workers Comp Liability	1,123,086	-	348,012	775,074	387,537
Landfill Closure and Post-closure	5,438,927	213,898	-	5,652,825	1,086,023
Total Business-Type Activities	$ 137,124,370	$ 30,523,389	$ 11,952,647	$ 155,695,112	$ 9,133,795
Reconciliatin to Statement of Net Assets:					
OPEB Liability				684,114	
				$ 156,379,226	

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	$4,855,000
$1,500,000 general obligation bonds dated October 1, 2005, payable in annual installments of $115,000, with an interest rate of 5%, repaid by property tax levies General Obligation Bond Payable	925,000
$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	1,550,000
$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	2,540,000
$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	7,160,000
Total general obligation bonds	$17,030,000
Premium on bonds outstanding	330,876
Unamortized loss on refunding	(117,788)
Net general obligation bonds	$17,243,088

Judgments Payable:

Court-assessed judgments to be paid with ad valorem taxes with periods ranging from one to three years.	$1,860,911

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%	$1,747,000

Capital Lease Obligation:

$128,964 capital lease obligation for the purchase of a motor grader, matures November 15, 2012 with stated interest rate of 1.95%	$64,271
$371,220 capital lease obligation for the purchase of a dozer, matures September 15, 2012 with stated interest rate of 2.98%	185,706
Total capital lease obligations	$249,977

Revenue Note:

$2,500,000 revenue note payable for the renovations of city hall, matures August 31, 2012 with stated interest rate of 3.99%	$2,500,000

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, 2007), and no interest charged on Series 2001A; however, there is a .5% annual administrative fee. Debt service payments are due February 15 and August 15 through February, 2021. Both notes are secured by the revenues of the Lawton Water Authority's (the "Authority") water, sanitary, and garbage collection and disposal systems.	$2,943,855
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.	1,528,926
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.	772,566
Series 2005 for $10,815,000 with interest rate of 2.6% and .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September 15, 2026. Secured by revenues of the Authority's water, sewer, and garbage collection and disposal systems.	5,757,854
Series 2006A SRF for $33,653,600 with interest rate of 3.05% and .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September 15, 2026. Secured by revenues of the Authority's water, sewer, and garbage collection and disposal Systems.	26,822,089
Series 2008 Energy Conservation Measurers Note for $2,375,000 with interest rate 4.357% Debt service payments are due June 1 and December 1 through June 1, 2024. Secured by revenues of the Authority's water, sewer, and garbage collection and disposal systems.	2,060,000
Series 2008 SRF for $10,845,000 with interest rate of 3.08% and .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September 15, 2024. Secured by revenues of the Authority's water, sewer, and garbage collection and disposal Systems.	9,660,880
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 15, 2030. Secured by revenues of the Authority's water, sewer, and garbage collection and disposal systems. At June 30, 2011 only $9,677,219 had been drawn on the note.	8,662,874

Series 2009 Drinking Water SRF for $4,725,000 with interest rate of 2.64% and .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September 15, 2030. Secured by revenues of the Authority's water, sewer, and garbage collection and disposal systems. At June 30, 2011 only $4,396,605 had been drawn on the note.	2,994,921
$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 paymet due June 30, 2015. Secured by sales tax.	28,000,000
Total Notes Payable	$89,203,965

Revenue Bonds Payable:

$5,270,000 revenue bond issue of 2011, with interest at 2.70%, used to refund a portion of the outstanding OWRB loans to be repaid by water, sewer, and refuse revenue. Debt service payments are due October 1 and April 1 through October 1, 2027.	$5,270,000
$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.	23,410,000
Revenue Bond Payable	$28,680,000
Unamortized loss on refunding	(201,604)
Net Revenue Bonds Payable	$28,478,396

Contract Payable:

$20,634,941 contract payable with the Waurika Project Master Conservancy District. The contract provides the City with share of the District's water supply and the City pays its share of the costs of the facilities and its operations to the District. The City has pledged water revenues to secure this obligation and also has the ability to levy property taxes to pay the obligation. Debt principal payments are due annually, with interest at 3.46% (subject to adjustment)	$14,921,184
$16,628,473addendum to contract payable with the Waurika Project Master Conservancy District. The contract provides the City with share of the District's water supply and the City pays its share of the costs of the facilities and its operations to the District. The City has pledged water revenues to secure this obligation and also has the ability to levy property taxes to pay the obligation. Debt principal payments are due annually, with interest at 3.46% (subject to adjustment)	$15,865,108
Total Contracts Payable	$30,786,292

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

Governmental-Type Activities

	G.O. Bonds Payable		Note Payable		Judgments Payable		Revenue Note		Capital Leases	
Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 955,000	$ 427,911	$ 64,000	$ 85,080	$ 866,396	$ 103,836	$ 195,278	$ 4,722	$ 249,977	$ 6,900
2014	2,195,000	523,416	67,000	82,517	650,381	102,109	215,066	99,311	-	-
2015	2,180,000	454,201	72,000	79,687	344,134	54,029	224,334	90,044	-	-
2016	2,160,000	384,955	75,000	76,572	-	-	234,000	83,077	-	-
2017	2,140,000	315,453	80,000	73,157	-	-	243,891	70,867	-	-
2018-2023	4,200,000	977,788	471,000	303,735	-	-	1,387,431	184,461	-	-
2024-2028	2,340,000	372,036	619,000	166,218	-	-	-	-	-	-
2029	860,000	45,114	299,000	16,366	-	-	-	-	-	-
Total	$ 17,030,000	$ 3,500,874	$ 1,747,000	$ 883,332	$ 1,860,911	$ 259,974	$ 2,500,000	$ 532,482	$ 249,977	$ 6,900

Business-Type Activities

	Notes Payable		Revenue Bonds Payable		Contract Payable	
Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 3,686,953	$ 3,239,249	$ 2,815,000	$ 450,507	$ 1,062,854	$ 1,161,410
2014	3,780,169	3,140,156	3,590,000	468,026	1,073,235	1,131,291
2015	31,787,409	3,038,278	3,665,000	404,711	1,109,100	1,095,611
2016	3,990,562	1,480,090	3,745,000	340,216	1,142,720	1,058,794
2017	4,104,560	1,369,099	3,820,000	274,173	1,177,093	1,025,728
2018-2023	21,822,024	5,102,986	8,955,000	565,279	6,467,908	4,531,209
2024-2028	18,926,870	2,084,947	2,005,000	163,825	7,705,974	3,268,163
2029-2033	5,235,601	191,204	85,000	1,148	7,591,449	1,807,939
2034-2038	-	-	-	-	2,795,701	450,768
	-	-	-	-	660,258	143,648
Total	$ 93,334,148	$ 19,646,009	$ 28,680,000	$ 2,667,885	$ 30,786,292	$ 15,674,561
Less remaining proceeds to be drawn	(4,130,183)					
Principal balance	$ 89,203,965					

Pledge of Future Revenues

Utility Net Revenues Pledge - The City has pledged net utility revenues to repay the $2,008,570, $3,445,000, $1,020,000, $1,745,000, $1,310,000, $10,815,000, $33,653,600, $10,845,000, $12,270,000 and $4,725,000 of the OWRB Series 2001A, 2001B, 2003C, 2003D, 2004A, 2005, 2006A, 2008 SRF, 2009 CWSRF and 2009 DWSRF promissory notes payable, respectively. Proceeds from the notes provided financing for capital assets. The notes are payable from net utility revenues and are payable through 2021, 2021, 2027, 2027, 2028, 2026, 2026, 2025, 2030 and 2030 respectively. The total principal and interest payable for the remainder of the life of these notes is $63,658,598. Net utility revenues received in the current year were $22,535,420. Debt service payments of $9,059,359 for the current fiscal year were 32.8% of pledged net utility revenues.

Advanced Refunding

Notes Payable:
On December 21, 2011 the Lawton Water Authority issued $5,270,000 series 2011 Utility System Revenue Note with interest rate of 2.70 percent to advance refund $1,315,000 of outstanding 2003B OWRB note payable, $2,330,000 of outstanding 2003D OWRB note payable, and $1,720,000 of outstanding 2004F OWRB note payable. The notes had interest rates from 1.345 percent to 5.245 percent. The net proceeds of $5,181,125 (after payment of $88,875 of issuance cost) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the notes. The notes were paid in full by June 30, 2012.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $604,813. This difference, reported in the accompanying financial statements as a deduction from notes payable, is being charged to operations through the year 2013 using the straight line method. The City completed the advance refunding to reduce its total debt service payments over the next sixteen years by $814,970 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of $690,500.

General Obligation Bonds:

On February 1, 2012, the City issued $6,080,000 series 2012 General Obligation Bonds with interest rate of 3.00percent to advance refund $5,850,000 of outstanding 2001 General Obligation bonds with interest rates from 3.75 percent to 6.0 percent. The net proceeds of $6,228,224 (after payment of $120,766 of issuance cost and premium of $268,990) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the notes. The notes were paid in full by June 30, 2012.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $130,058. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2016 using the straight line method. The City completed the advance refunding to reduce its total debt service payments over the next sixteen years by $14,377 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of $262,543.

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 $5,652,825 reported as accrued landfill closure cost liability at June 30, 2012, represents the cumulative amount of such costs reported to date based on the use of 83.55% 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 $1,113,353 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 2012. The City has $755,664 set aside to fund the estimated landfill closure cost liability. At June 30, 2012, the landfill had a remaining estimated useful life of approximately five years.

8. Net Assets and Fund Balances

Net assets are displayed in three components:

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

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

c. *Unrestricted net assets* - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

At June 30, 2012, the City's governmental activities had total restricted net assets of $62,504,744, of that amount $3,345,744 was restricted by enabling legislation.

Beginning net assets were restated as follows:

	Governmental Funds	Governmental Activities	Business-type Activities/Proprietary Funds
Statement of Activities:			
Beginning net assets as previously reported	$78,137,741	$111,295,148	$118,948,449
Add: Overstatement of accounts payable	164,426	164,426	(164,426)
Overstatement of interest payable	-	-	343,846
Overstatement of note payable	-	-	291,467
Underrstatement of capital assets	-	-	1,223,362
Less: Overstatement of capital assets	-	-	(139,822)
Beginning net assets, restated	$78,302,167	$111,459,574	$120,502,876

Fund Balance:

Governmental fund equity is classified as fund balance. Since the City implemented GASB Statement 54, fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

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

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

The City by ordinance has created a stabilization amount within the General Fund for the purpose of responding to qualified emergencies and events in order to minimize or stabilize the financial impact such emergencies have on existing resources previously budgeted for the various functions and departments of the General Fund. The amount may be used to respond to federal and state emergencies, infrastructure repairs determined to be critical to protect the public health; and any legally mandated actions stemming from new federal and state regulations impacting municipal functions and any necessary expenditure associated therewith. At June 30, 2012 the General Fund has committed fund balance for stabilization of $1,842,554.

	General Fund	Major Special Revenue Fund 2005 CIP Fund	Other Governmental Fund	Total
Fund Balance:				
Restricted For:				
Animal control	$ -	$ -	$ 256,705	$ 256,705
Police operations - grants	-	-	7,653	7,653
Public safety training	-	-	254,004	254,004
General obligation debt service	-	-	3,256,411	3,256,411
Capital improvements	-	49,196,016	3,853,436	53,049,452
Drainage maintenance fund	-	-	1,043,165	1,043,165
Transportation programs	-	-	1,191	1,191
Culture and rec programs	-	-	27,693	27,693
Economic development	-	-	230,283	230,283
Landfill programs	-	-	108,327	108,327
General government programs	-	-	2,739,594	2,739,594
General government grants	-	-	1,299,600	1,299,600
Fire education programs	-	-	8,094	8,094
Police - drug programs	-	-	168,003	168,003
Cemetery improvements	-	-	166,910	166,910
Park improvements	-	-	19,085	19,085
Sub-total restricted	-	49,196,016	13,440,154	62,636,170
Committed to:				
Beautification	-	-	24,300	24,300
Emergency Reserve	1,842,554	-	-	1,842,554
Sub-total committed	1,842,554	-	24,300	1,866,854
Assigned to:				
Insurance proceeds	83,629	-	-	83,629
General government	480,622	-	-	480,622
Police	659,331	-	299,815	959,146
Culture and rec programs	51,961	-	-	51,961
Stormwater mitigation	350,349	-	-	350,349
Recycling	65,747	-	-	65,747
Capital improvements	-	-	3,435,118	3,435,118
Sub-total assigned	1,691,639	-	3,734,933	5,426,572
Unassigned:	5,978,714	-	(129,828)	5,848,886
TOTAL FUND BALANCE	$ 9,512,907	$ 49,196,016	$ 17,069,559	$ 75,778,482

9. Revenues

Program Revenues:

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

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

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

Sales Tax Revenue:

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

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

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

Property Tax Revenue:

In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City. The City's property taxes are billed and collected by the County and remitted to the City. Property taxes levied by the City are billed and collected by the County Treasurer's Office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October. For the year ended June 30, 2012, the City's net assessed valuation of taxable property was $446,503,338. The taxes levied by the City per $1,000 of net assessed valuation for the year ended June 30, 2012 was $9.24.

10. Risk Management

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

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

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, 2010	$ 1,974,268	$ 955,939	$ 2,930,207
Claims and changes in estimates	3,337,946	7,447,827	$10,785,773
Claims payments	(2,446,424)	(7,467,280)	(9,913,704)
Claim liability, June 30, 2011	2,865,790	936,486	3,802,276
Claims and changes in estimates	657,952	6,846,732	7,504,684
Claims payments	(1,456,641)	(6,732,605)	(8,189,246)
Claim liability, June 30, 2012	$ 2,067,101	$ 1,050,613	$ 3,117,714

11. Retirement Plan Participation

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

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

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

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

Lawton City Employee Retirement System

The City contributes to the City of Lawton Employee Retirement System (the "System"), which is a single employer defined benefit pension plan administered by the City of Lawton. After November 1, 1975, all regular, full-time employees become a participant after completing thirty days of creditable service except for full-time police officers, firefighters and the city manager. The funding policy is established by Ordinance No. 692. Therefore, contributions are determined by ordinance rather than by actuarial determination. Each year, employees contribute 6.3% of annual pre-tax wages and the City contributes an amount required to provide benefits under the retirement system, subject to

a maximum of 8% of annual pre-tax gross wages. The City performs actuarial valuations in each odd-numbered year to determine if the City's fixed contribution rate is funding the actuarially determined liability. The System issues separate audited annual financial statements which can be obtained by contacting the City of Lawton.

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

Year established and governing authority	1970; City Ordinance No. 692
Determination of Contribution requirements	City Ordinance
Employer	8%
Plan members	6.3%
Funding of administrative costs	Investment earnings
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, 2012):

Active members	558
Retired participants	206
Total	764

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, 2012, the System held no related party investments or individual investments (other than U.S. government and U.S. government guaranteed securities) whose market value exceeds five percent or more of the net assets available for benefits.

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

Current year annual pension costs for the System is shown in the trend information provided in the Trend Information section. Annual required contributions were made by the plan. There were increases to net pension benefit obligation for the year ended June 30, 2012. See further explanation in paragraph D below.

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

D. Actuarial Assumptions

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

Valuation date	July 1, 2011
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years rolling
Asset valuation method	Market value
Investment rate of return	6.75%
Projected salary increases	4.25%

E. Trend Information

Fiscal Year	Annual Pension Cost (APC)	Actual Employer Contribution	Percentage of APC Contributed	Net Pension Obligation
2010	$ 2,341,958	$ 1,703,544	72.7%	$ 4,973,264
2011	2,965,333	1,920,223	64.8%	6,506,614
2012	2,904,185	2,256,908	77.7%	7,153,891

F. Schedule of Funding Progress

As of July 1, 2011, the funded status of the City Employee Retirement System single employer defined benefit plan is as follows:

Actuarial accrued liability (AAL)	$71,637,254
Actuarial value of plan assets	44,761,581
Unfunded actuarial accrued liability (UAAL)	$(26,875,673)
Funded ratio (actuarial value of plan assets/AAL)	62.5%
Annual covered payroll (active plan members)	22,095,022
UAAL as a percentage of covered payroll	121.6%

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
Police Pension and Retirement 1001 N.W. 63rd St., Suite 605 Oklahoma City, OK 73116-7335	Oklahoma Firefighter's Pension and Retirement System 4545 N. Lincoln Blvd., Suite 265 Oklahoma City, OK 73105-3414
All full-time officers, employed by a participating municipality, not less than 21 years of age or more than 45 years of age when hired	All full-time or voluntary firefighters of a participating municipality hired before age 45.
State Statute	State Statute
8%	8%
13%	13%
State appropriation to fund the unfunded actuarial accrued liability	State appropriation to fund the unfunded actuarial accrued liability
10 years	10 years
20 years credited service, 2 ½% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.	20 years credited service 2 ½% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
-	20 years credited service equal to $5.46 per month per year of service, with a maximum of 30 years considered.
Yes, 20 years credited service with additional option to participate in Louisiana Plan.	Yes, 20 years credited service with continued service for a maximum of 30 or more years.
Yes	Yes, if vested by 5/83
Yes	Yes
Yes	Yes
Yes	Yes

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
2010	$ 1,104,949	100%	2010	$ 947,662	100%
2011	1,146,816	100%	2011	1,000,468	100%
2012	1,071,762	100%	2012	1,242,546	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 2012, the actuarially expected City contribution in the form of net age adjustment was $636,858 to the Plan. Plan members receiving benefits contributed $284,700 of the total premiums, through their payment of the full determined premium in fiscal year 2012.

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, 2012:

Normal Cost	$ 704,906
Interest on NOO	60,256
Amoritztaion of OPEB Obligation	(124,682)
Amortization of Actuarial Accrued Liablity (AAL)	655,863
Annual OPEB cost (expense)	1,296,343
Expected net benefits during the year	(636,858)
Increase in net OPEB obligation	659,485
Net OPEB obligation - beginning of year	1,998,518
Net OPEB obligation - end of year	$ 2,658,003

Budgetary Comparison Schedules (Budgetary Basis) – Year Ended June 30, 2012

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budget basis)	Positive (Negative)
Beginning Budgetary Fund Balance:	$ 3,450,685	$ 3,450,685	$ 1,596,774	$ (1,853,911)
Resources (Inflows):				
Taxes and assessments	45,902,297	45,902,297	49,360,879	3,458,582
Fees, licenses and permits	1,244,335	1,244,335	1,064,001	(180,334)
Rentals and sales of property	124,593	124,593	242,067	117,474
Fines and forfeitures	3,126,525	3,126,525	3,234,068	107,543
Interest earned	128,189	128,189	142,229	14,040
Other sources	714,617	714,617	756,603	41,986
Intergovernmental	776,155	776,155	830,578	54,423
Grants	951,272	951,272	749,643	(201,629)
Total Resources (Inflows)	52,967,983	52,967,983	56,380,068	3,412,085
Amounts available for appropriation	56,418,668	56,418,668	57,976,842	1,558,174
Charges to Appropriations (Outflows):				
General Government	9,536,356	9,536,356	8,291,645	1,244,711
Public Safety	29,002,087	29,002,087	28,810,049	192,038
Streets	8,691,156	8,691,156	8,718,312	(27,156)
Culture and Recreation	5,957,764	5,957,764	6,027,039	(69,275)
Total Charges to Appropriations	53,187,363	53,187,363	51,847,045	1,340,318
Other financing sources (uses)				
Transfers from other funds	17,826,969	17,826,969	17,871,344	44,375
Transfers to other funds	(20,873,871)	(20,873,871)	(25,776,782)	(4,902,911)
Total other financing sources (uses)	(3,046,902)	(3,046,902)	(7,905,438)	(4,858,536)
Ending Budgetary Fund Balance	$ 184,403	$ 184,403	$ (1,775,641)	$ (1,960,044)

Footnotes to Budgetary Comparison Schedule:

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

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

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

Budget to GAAP Reconciliation:	Fund Balance June 30, 2011	Net Change in Fund Balance	Fund Balance June 30, 2012
Fund Balance - GAAP Basis	$ 11,209,016	$ (1,696,109)	$ 9,512,907
Increases (Decreases):			
Revenues:			
Taxes receivable	(7,704,940)	(369,362)	(8,074,302)
Accounts receivable	(26,083)	(49,821)	(75,904)
Accrued interest	(34,952)	27,695	(7,257)
Fair value adjustment	3,538	(7,076)	(3,538)
Expenditures:			
Accrued payroll	1,859,925	(1,268,725)	591,200
Encumbrances	(165,303)	(61,953)	(227,256)
Other items	84	1,102	1,186
Accounts of the General Fund:			
Hunting and Fishing	30,667	(7,466)	23,201
Reserve Account	(1,801,891)	(40,663)	(1,842,554)
Insurance Proceeds Account	(101,238)	17,609	(83,629)
Adult Softball Account	(41,096)	(2,983)	(44,079)
Court Credit Card Maint. Account	(786,060)	176,985	(609,075)
Animal License Account	(376,269)	(57,982)	(434,251)
Elmer Thomas Park Account	(7,796)	-	(7,796)
Stormwater Mitigation	(358,466)	8,117	(350,349)
RSVP Account	2,371	15,944	18,315
Application Fee Account	(32,930)	(11,166)	(44,096)
Senior Craft Account	(86)	-	(86)
Special Jail Account	(42,941)	(7,315)	(50,256)
Real Property Account	(2,275)	-	(2,275)
Recycling Account	(26,501)	(39,246)	(65,747)
Fund Balance - Budgetary Basis	$ 1,596,774	$ (3,372,415)	$ (1,775,641)

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 – Streets - $27,156
General Fund – Culture and Recreation - $69,275
General Fund – Transfers Out - $4,902,911

OTHER SUPPLEMENTARY INFORMATION

Schedule of Changes in Fund Balances – General Fund Accounts, Non-Major Governmental Funds, and LWA Accounts, Year Ended June 30, 2012

Fund	Restated, Fund Balance 7/1/2011	Changes in Fund Balance	Fund Balance 6/30/2012
General Fund Accounts:			
General Fund	$ 7,664,505	$ (1,644,275)	$ 6,020,230
Hunting and Fishing	(30,667)	7,466	(23,201)
Reserve Account	1,801,891	40,663	1,842,554
Insurance Proceeds Account	101,238	(17,609)	83,629
Payroll Claims Account	-	-	-
Adult Softball Account	41,096	2,983	44,079
Court Credit Card Maint. Account	786,060	(176,985)	609,075
Animal Licese Account	376,269	57,982	434,251
Elmer Thomas Park	7,796	-	7,796
Stormwataer Mitigations	358,466	(8,117)	350,349
RSVP	(2,371)	(15,944)	(18,315)
Application Fee	32,930	11,166	44,096
Senior Craft	86	-	86
Special Jail	42,941	7,315	50,256
Real Property	2,275	-	2,275
Recycling Account	26,501	39,246	65,747
Total General Fund Accounts	$ 11,209,016	$ (1,696,109)	$ 9,512,907
Special Revenue Funds:			
Public Library	$ 8,188	$ (10,822)	$ (2,634)
Small Business Loan	162,341	414	162,755
CDBG	(1,785)	69,026	67,241
HOME Investment CDBG	20,406	(24,661)	(4,255)
Lawton Urban Housing	235	1	236
Police Grant	7,671	(18)	7,653
Park Fee Fund	104,731	(85,646)	19,085
Narcotics Fund	158,594	9,409	168,003
Animal Sterilization Fund	219,944	21,806	241,750
Emergency 911	(63,851)	(53,388)	(117,239)
Cemetery Care	151,602	9,808	161,410
Officers Training	94,119	72,989	167,108
Lawton Parking Authority	1,191	-	1,191
State Landfill Fund	88,882	19,445	108,327
Police Sentinel	1,233	(238)	995
Fire Prevention Education	7,594	500	8,094
Park Fund	2,609	-	2,609
McMahon Authority Grants	23,915	-	23,915
Drainage Maintenance Fund	909,594	133,571	1,043,165
Animal Donation Fund	14,245	710	14,955
Capital Outlay Rolling Stock	2,066,261	363,638	2,429,899
LETA Beautification	14,812	9,488	24,300
Cemetery Reward	5,500	-	5,500
Centennial Fund	7,101	-	7,101
Hotel/Motel Tax Fund	139,283	(135,505)	3,778
Project Impact	29,177	-	29,177
Mass Transit Fund	33,417	(39,117)	(5,700)
Federal Grant Fund	1,508,951	(211,960)	1,296,991
Cellular Service Fee Fund	786,872	235,331	1,022,203
LIDA	24	27	51
Police and Fire Training Fund	293,110	92,606	385,716
Impact Fees	2,226,387	(546,974)	1,679,413
Rental Revenue Fund	-	1,700	1,700
Capital Project:			
CIP	1,259,434	(254,215)	1,005,219
CIP Sales Tax 2008	(1,219,378)	1,862,902	643,524
CIP 2012	-	3,209,912	3,209,912
Debt Service			
Prior to 1972	1,076,151	(39,524)	1,036,627
Ad Valorem 2005	1,978,154	241,630	2,219,784
Total Non Major Special Revenue	$ 12,116,714	$ 4,952,845	$ 17,069,559
Lawton Water Authority Accounts:			
Sewer System Tech	$ 4,299,001	$ (1,440,308)	$ 2,858,693
1972 & After	(594,066)	2,553,688	1,959,622
Enterprise Acount	169,810,500	(1,670,363)	168,140,137
Lawton Water Authority Account	(55,248,738)	3,373,079	(51,875,659)
Sewer Mainteneance Program	226,003	3,633	229,636
Landfill Financial Assurance	755,710	(46)	755,664
Pumping Fee Account	16,678	(76,528)	(59,850)
Water Meter Account	5,157	-	5,157
Waurika Payments	1,232,631	56,095	1,288,726
Total LWA Accounts	$ 120,502,876	$ 2,799,250	$ 123,302,126

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

Debt Service Coverage Schedule - Year Ended June 30, 2012

DEBT SERVICE COVERAGE:	OWRB Series 2001A, 2001B, 2003A, 2003B, 2003C, 2003D, 2004A, 2004B 2005, 2006A, 2008 & 2009 Promissory Notes
GROSS REVENUE AVAILABLE:	
Charges for services (all utility revenues)	$42,743,504
Investment income	271,570
Total Gross Revenue Available	43,015,074
OPERATING EXPENSES:	
Total Operating Expenses	20,479,654
Net Revenue Available for Debt Service	$22,535,420
Maximum Annual Debt Service on all Obligations Payable From Revenues of the System	$9,059,359
Computed Coverage	249%
Coverage Requirement	125%