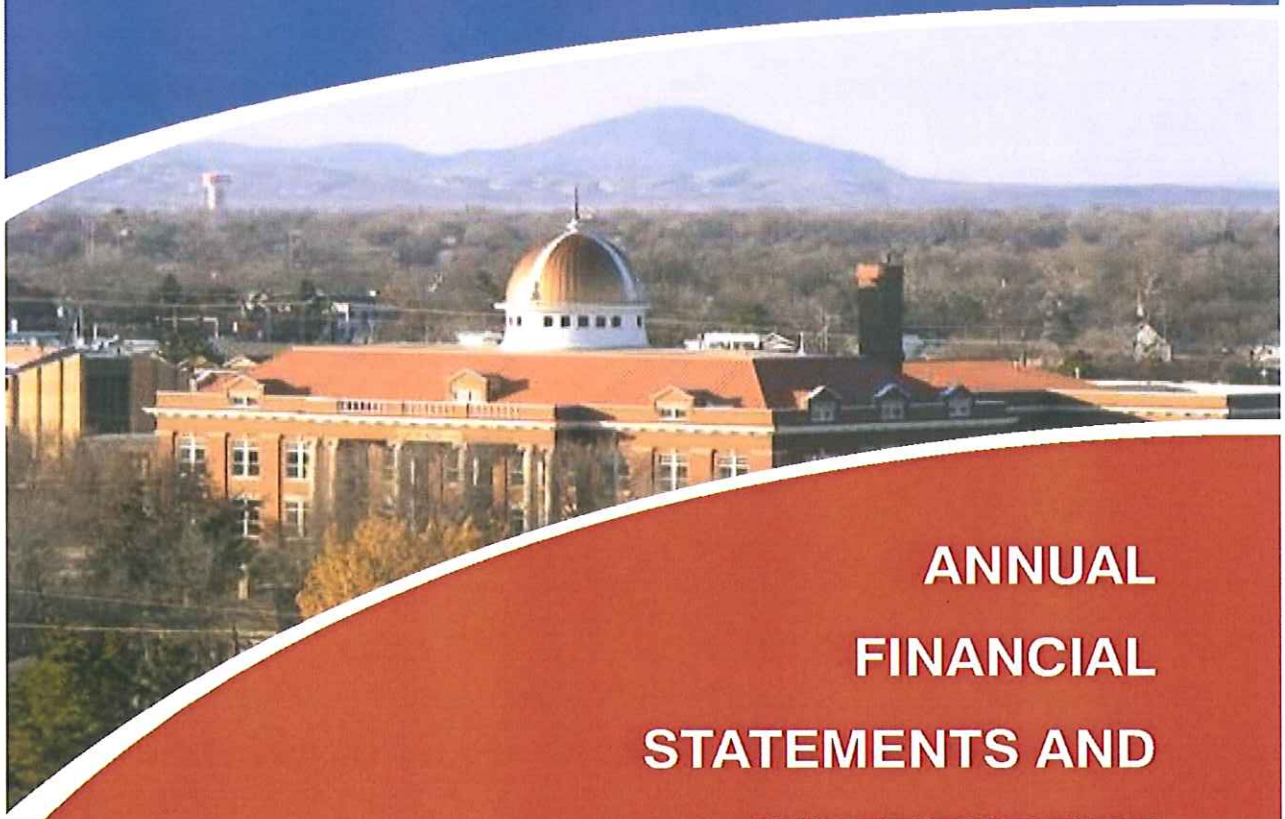
CITY OF LAWTON

OKLAHOMA



ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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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, 2010, 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, and the Museum of the Great Plains Trust Authority, which represent 95 percent, 236 percent, and 84 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 Pension 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 Pension 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, 2010, 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 July 7, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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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 regarding 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
July 7, 2011

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, 2010. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2010, the City's total net assets increased by $18.3 million or 9.4% from the prior year.
- During the year, the City's expenses for governmental activities were $66.6 million and were funded by program revenues of $16.5 million and further funded with taxes and other general revenues that totaled $55.6 million.
- In the City's business-type activities, such as utilities, program revenues exceeded expenses by $12.8 million.
- Sales and use taxes increased by $4.5 million or 12% over the prior fiscal year. Starting January 2010, the voters approved a 0.50 cent sales tax for the benefit of Lawton Public Schools. The tax is collected by the city and remitted to the School District.
- At June 30, 2010, the General Fund reported an unreserved, undesignated fund balance of $12.1 million, which is a increase of 51% from the prior year.
- For budgetary reporting purposes, the General Fund reported revenues under estimates by $67,030 or 0.1%, while expenditures were under final appropriations by $1,645,765 or 3.7%.

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 92,800 located in southwestern Oklahoma. The City operates under a council-manager form of government with a charter that provides for three branches of government.

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

The City's Financial Reporting Entity

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

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

Primary Government:

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

- **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.

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

- **Lawton Metropolitan Planning Organization** – public trust created to coordinate planning and development of transportation activities within the Lawton Metropolitan area, the trust issues separate financial statements.

All of the above discretely presented component units 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 capital assets and long-term debt information.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

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, Lawton Metropolitan Planning Organization and Lawton Industrial Development Authority. The Lawton Industrial Development Authority is presently inactive.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Proprietary funds - When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Fund Net Assets and Statement of Cash Flows. In fact, the City's enterprise funds are 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 $214,196,066 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.)
	2010	2009		2010	Restated 2009		2010	Restated 2009	
Current and other assets	$ 85,512	$ 79,544	8%	$ 42,620	$ 12,897	230%	$ 128,132	$ 92,441	39%
Capital assets	72,354	66,306	9%	179,044	174,071	3%	251,398	240,377	5%
Total assets	157,866	145,850	8%	221,664	186,968	19%	379,530	332,818	14%
Long-term debt outstanding	32,190	33,198	-3%	119,053	88,788	34%	151,243	121,986	24%
Other liabilities	11,593	12,035	-4%	2,499	2,948	-15%	14,092	14,983	-6%
Total liabilities	43,783	45,233	-3%	121,552	91,736	33%	165,335	136,969	21%
Net assets:									
Invested in capital assets, net of debt	50,432	48,887	3%	92,410	92,634	-0.2%	142,842	141,521	1%
Restricted	57,653	47,992	20%	11,585	3,984	191%	69,238	51,976	33%
Unrestricted	5,999	3,738	60%	(3,883)	(1,386)	-180%	2,116	2,352	-10%
Total net assets	$ 114,084	$ 100,617	13%	$ 100,112	$ 95,232	5%	$ 214,196	$ 195,849	9%

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 2010, this investment in capital assets, net of related debt amounted to $142,841,481. 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, $69,237,873 also represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $2,116,712, may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

Governmental Activities:

Restricted Net Assets – Increase of $9.7 million (20%) due mainly to an increase in the 2008 CIP restricted funds from unspent general obligation bond proceeds.

Business-Type Activities:

Current and other assets – Increase of $29.7 million (230%) due to construction accounts related to the 2008 Utility Sales Tax Revenue Bonds.

Long-term Debt Outstanding – Increase of $30.3 million (34%) due to the issuance of three new debt issues in FY 10.

Restricted Net Assets – Increase of $7.6 million (191%) due mainly to an increase in the debt service and debt service reserve accounts.

Changes in Net Assets

For the year ended June 30, 2010, 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.)
	2010	2009		2010	2009		2010	2009	
Revenues:									
Program revenues:									
Charges for services	$ 7,961	$ 8,263	-4%	$ 41,142	$ 36,134	14%	$ 49,103	$ 44,397	11%
Operating grants and contributions	7,474	6,501	15%	104	586	-82%	7,578	7,087	7%
Capital grants and contributions	1,095	33	3218%	-	-	-	1,095	33	3218%
General revenues:									
Sales and use taxes	43,858	39,324	12%	-	-	-	43,858	39,324	12%
Other taxes	9,746	8,575	14%	-	-	-	9,746	8,575	14%
Other general revenue	2,006	2,804	-28%	78	250	-69%	2,084	3,054	-32%
Total revenues	72,140	65,500	10%	41,324	36,970	12%	113,464	102,470	11%
Program expenses:									
General government	10,551	12,431	-15%	-	-	-	10,551	12,431	-15%
Public safety	30,984	31,609	-2%	-	-	-	30,984	31,609	-2%
Streets	8,651	12,385	-30%	-	-	-	8,651	12,385	-30%
Education	1,834	-	100%	-	-	-	1,834	-	100%
Transportation	2,693	3,219	-16%	-	-	-	2,693	3,219	-16%
Cultural and recreation	8,910	8,691	3%	-	-	-	8,910	8,691	3%
Community/economic development	1,775	1,034	72%	-	-	-	1,775	1,034	72%
Interest	1,254	1,008	24%	-	-	-	1,254	1,008	24%
Water	-	-	-	14,394	12,881	12%	14,394	12,881	12%
Sewer	-	-	-	10,107	11,176	-10%	10,107	11,176	-10%
Sanitation	-	-	-	3,965	6,254	-37%	3,965	6,254	-37%
Total expenses	66,652	70,377	-5%	28,466	30,311	-6%	95,118	100,688	-6%
Excess (deficiency) before transfers	5,488	(4,877)	213%	12,858	6,659	93%	18,346	1,782	930%
Transfers	7,978	11,644	-31%	(7,978)	(11,644)	31%	-	-	-
Increase (decrease) in net assets	13,466	6,767	99%	4,880	(4,985)	198%	18,346	1,782	930%
Net Assets, Beginning, restated	100,617	93,850	7%	95,232	96,010	-1%	195,849	189,860	3%
Net Assets, Ending	$ 114,083	$ 100,617	13%	$ 100,112	$ 91,025	10%	$ 214,195	$ 191,642	12%

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

Governmental Activities:

Capital grants and contributions – Increase of $1.0 million (3,218%) due to capital grant.

Education expense – Increase of $1.8 million (100%) due to new 0.5 cent sales tax for the school district. Tax is collected by the city and transferred to Lawton Public Schools.

Street expenses – Decrease of $3.7 million (30%) due to a decrease in project cost related to streets.

Business-Type Activities:

Sanitation Expenses – Decrease of $2.29 million (37%) due to a decrease in landfill closure expense.

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.)
	2010	2009		2010	2009	
General government	$ 10,551	$ 12,431	-15%	$ (543)	$ (4,944)	89%
Public safety	30,984	31,609	-2%	(29,256)	(29,437)	1%
Streets	8,650	12,385	-30%	(6,601)	(10,393)	36%
Culture, parks and recreation	8,910	8,691	3%	(8,294)	(8,173)	-1%
Community/economic development	1,776	1,034	72%	(1,776)	(1,034)	-72%
Education	1,834	-	100%	(1,834)	-	100%
Transportation	2,693	3,219	-16%	(527)	(590)	11%
Interest on long-term debt	1,254	1,008	24%	(1,254)	(1,008)	-24%
Total	$ 66,652	$ 70,377	-5%	$ (50,085)	$ (55,579)	10%

For the year ended June 30, 2010 total expenses for governmental activities amounted to $66.7 million which was a decrease from the prior year of 5%. 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.
	2010	2009		2010	2009	
Water	$ 14,394	$ 12,881	12%	$ 7,135	$ (6,276)	214%
Wastewater	10,107	11,176	-10%	1,768	(405)	537%
Sanitation	3,964	6,254	-37%	3,877	537	-622%
Total	$ 28,465	$ 30,311	-6%	$ 12,780	$ (6,144)	308%

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 $12.8 million for the year ended June 30, 2010.
- All individual activities reported net revenue for the year ended June 30, 2010. For the year ended June 30, 2009 the wastewater and water activities revenues did not cover the cost of operations.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2010 fiscal year, the governmental funds reported a combined fund balance of $80.7 million or a 9.1% increase of $6.7 million mainly due to unspent transfers into the 2005 CIP Fund of $16.5 million. The enterprise funds reported combined net assets of $100.1 million or a 5.1% increase from 2009.

Other fund highlights include:

- For the year ended June 30, 2010, the General Fund's total fund balance increased by $4,194,834 or 51.3% due mainly to an increase in sales tax collected and increase in transfers in.
- The 2005 CIP Fund's total fund balance increased by $16.5 million or 45.9% due to an increase in transfers in of approximately $9.1 million.

General Fund Budgetary Highlights

- Over the course of the year, the City Council revised the General Fund budget various times. Actual revenues were below estimates by $67,030 or 0.1%, while expenditures were under final appropriations by $1,645,765 or 3.7%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2010, the City had $251.4 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 $15.2 million or 6.4% over last year.

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	Restated 2009	2010	Restated 2009
Land	$ 3,010,956	$ 3,010,956	$ 1,405,555	$ 1,405,555	$ 4,416,511	$ 4,416,511
Buildings and utility infrastructure	15,173,027	12,720,683	105,377,997	104,855,555	120,551,024	117,576,238
Machinery, furniture and equipment	8,107,649	7,983,186	6,340,636	4,769,576	14,448,285	12,752,762
Infrastructure	24,748,738	25,209,264	-	-	24,748,738	25,209,264
Unamortized water rights	-	-	15,654,728	15,872,155	15,654,728	15,872,155
Construction in progress	21,314,096	17,408,494	50,264,512	47,168,406	71,578,608	64,576,900
Totals	$ 72,354,466	$ 66,332,583	$ 179,043,428	$ 174,071,247	$ 251,397,894	$ 240,403,830

This year's more significant capital asset additions included:

Santa Fe Bridge	$1,015,441
3rd Street Drainage	$2,931,191
Water Lines Phase I	$2,423,554
Water Lines Phase IA	$2,257,951

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

Long- Term Debt

At year-end, the City had $151 million in long-term debt outstanding which represents a $28.3 million or 23% increase from the prior year. The increase is due to the issuance of $28 million in notes payable to the Department of Commerce under the BRAC program. 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	
	2010	2009	2010	Restated 2009	2010	Restated 2009
Accrued compensated absences	$ 5,444,252	$ 4,771,821	$ 780,244	$ 703,127	$ 6,224,496	$ 5,474,948
General Obligation Bonds	22,140,000	24,770,000	-	-	22,140,000	24,770,000
General Obligation Bond Premium	106,655	116,351	-	-	106,655	116,351
Worker's Compensation liability	1,191,313	917,864	782,955	613,869	1,974,268	1,531,733
Judgments Payable	1,204,356	1,008,901	-	-	1,204,356	1,008,901
Revenue Bonds Payable	-	-	3,020,000	4,425,000	3,020,000	4,425,000
Revenue Bonds Premium	-	-	80,139	160,277	80,139	160,277
Notes Payable	1,865,000	2,000,000	91,965,047	60,287,692	93,830,047	62,287,692
Contracts Payable	-	-	16,034,997	16,564,102	16,034,997	16,564,102
Landfill Closure and Post-closure	-	-	6,390,406	6,034,914	6,390,406	6,034,914
Capital Lease Obligations	238,445	339,864	-	-	238,445	339,864
Totals	$ 32,190,021	$ 33,924,801	$ 119,053,788	$ 88,788,981	$ 151,243,809	$ 122,713,782

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

The Upcoming Year FY 2010-2011

The City of Lawton has invested significant dollars into our new water meter replacement program. This program will replace approximately 28,000 water meters throughout the City. Most of the meters that are being replaced are more than twenty years old and operating inefficiently which is costing the City of Lawton loss of revenue. In addition we are also implementing an Automated Meter Reading (AMR) system which will read all of our meters through a transmitter system and eliminate the need for meter readers to walk routes and read each meter individually. The combination of the new meter installation and the AMR system will bring more revenue to the City and also save the City dollars by reducing the number of meter readers needed in the field, cost of vehicle replacement, and fuel. This total system has been developed to pay for itself over a period of 15 years.

Also the City of Lawton has brought online its new South East Water Treatment plant early in the 2010 year and is expected to enable the City of Lawton to treat and produce water more efficiently, especially for the east side of Lawton. We anticipate that with the growth of the number of apartment complexes, single family residences, and hotels the City will need to produce and sell more water than in past years.

With the exception of the two major programs mentioned above, the expenditure side the City of Lawton continues to be very conservative and maintaining a very small growth in operating expenditures. With the overall economy in the Nation and the State being somewhat on a downward trend the City has chosen a very conservative approach to both revenue and expenditure growth. The City of Lawton did receive some grant/match dollars for public safety areas and anticipate hiring several fire and police officers as part of the grant programs.

Sales tax revenue continues to be positive and indicates that the City of Lawton has been somewhat isolated from many of the issues that other cities in Oklahoma have been experiencing. Most cities are experiencing a significant drop in sales tax revenue; however, we continue to see a steady increase.

Water revenue is expected to increase due to the new meter system and the anticipated growth within the City.

Overall the City of Lawton continues to be aggressive in its policy to grow the city at large, at the same time, being very conservative in its operational expenditures. Significant dollars are being spent in the area of infrastructure in the City which is promoting some positive opportunities for new business to come to Lawton and establish themselves. We believe the FY 2010-2011 will present some interesting challenges in particular with Bargaining Unit contracts, Health Fund expenditures, and the City Pension program. However, we feel that in order to promote growth we need to continue on an aggressive path to encourage industrial and retail businesses to settle in Lawton, Oklahoma. The City's partnership with the Ft Sill community continues to promote harmony and working together toward providing our military personnel a better place to live and serve.

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, 2010

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS:				
Cash and cash equivalents	$35,282,021	$35,833,134	$71,115,155	$1,787,607
Investments	41,286,178	282,660	41,568,838	-
Interest receivable	169,164	163	169,327	-
Accounts receivable, net	529,960	5,077,662	5,607,622	117,835
Inventory	-	-	-	56,594
Due from other governments	8,053,414	-	8,053,414	73,077
Due from primary government	-	-	-	205,499
Internal balances	(13,275)	13,275	-	-
Prepaid items	-	-	-	13,056
Other assets	-	-	-	5,511
Capital assets:				
Land and construction in progress	24,325,052	51,670,067	75,995,119	1,293,079
Other capital assets, net of depreciation	48,029,414	127,373,361	175,402,775	14,596,369
Unamortized bond issuance costs	204,413	1,413,907	1,618,320	47,100
Total assets	157,866,341	221,664,229	379,530,570	18,195,727
LIABILITIES:				
Accounts payable and accrued liabilities	4,881,814	995,742	5,877,556	170,551
Escrow liability	439,536	-	439,536	-
Due to component unit	205,499	-	205,499	-
Grants payable	-	-	-	3,246
Accrued interest payable	105,946	1,160,440	1,266,386	128,476
OPEB liability	986,538	341,916	1,328,454	-
Net pension obligation	4,973,264	-	4,973,264	-
Long-term liabilities:				
Due within one year	4,443,697	13,362,653	17,806,350	5,800
Due in more than one year	27,746,324	105,691,135	133,437,459	10,611,065
Total liabilities	43,782,618	121,551,886	165,334,504	10,919,138
NET ASSETS:				
Invested in capital assets, net of related debt	50,431,667	92,409,814	142,841,481	15,873,915
Restricted for:				
Debt service	1,679,151	10,831,334	12,510,485	-
Capital projects	52,855,742	-	52,855,742	228,046
Grantor purposes	2,356,560	-	2,356,560	146,705
Landfill financial assurance	-	753,726	753,726	-
Other purposes	761,360	-	761,360	-
Unrestricted	5,999,243	(3,882,531)	2,116,712	(8,972,077)
Total net assets	$114,083,723	$100,112,343	$214,196,066	$7,276,589

See accompanying notes to the basic financial statements.

Statement of Activities –Year Ended June 30, 2010

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	$10,550,998	$4,686,052	$4,481,721	$840,688	($542,537)	-	($542,537)	-
Public safety	30,983,518	1,215,517	257,972	254,112	(29,255,917)	-	(29,255,917)	-
Streets	8,650,520	1,246,670	802,852	-	(6,600,998)	-	(6,600,998)	-
Culture and recreation	8,333,196	426,026	190,348	-	(7,716,822)	-	(7,716,822)	-
Community development	1,570,730	-	-	-	(1,570,730)	-	(1,570,730)	-
Education	1,833,887	-	-	-	(1,833,887)	-	(1,833,887)	-
Transportation	2,643,573	386,255	1,779,061	-	(478,257)	-	(478,257)	-
Economic development - payment to component unit	205,500	-	-	-	(205,500)	-	(205,500)	-
Culture and recreation - payment to component unit	577,130	-	-	-	(577,130)	-	(577,130)	-
Transportation - payment to component unit	49,500	-	-	-	(49,500)	-	(49,500)	-
Interest on long-term debt	1,253,745	-	-	-	(1,253,745)	-	(1,253,745)	-
Total governmental activities	66,652,297	7,960,520	7,511,954	1,094,800	(50,085,023)	-	(50,085,023)	-
Business-type activities:								
Water	14,393,858	21,529,175	-	-	-	7,135,317	7,135,317	-
Wastewater	10,107,503	11,771,811	104,127	-	-	1,768,435	1,768,435	-
Sanitation	3,963,907	7,841,306	-	-	-	3,877,399	3,877,399	-
Total business-type activities	28,465,268	41,142,292	104,127	-	-	12,781,151	12,781,151	-
Total primary government	$95,117,565	$49,102,812	$7,616,081	$1,094,800	(50,085,023)	12,781,151	(37,303,872)	-
Component Units:								
Airport	$2,419,333	$1,628,871	$127,564	$770,408				$107,510
Culture and recreation	976,378	306,631	259,044	-				(410,703)
Economic development	2,057,419	404,619	-	-				(1,652,800)
Transportation	88,317	-	165,226	-				76,909
Total component units	$5,541,447	$2,340,121	$551,834	$770,408				(1,879,084)
General revenues:								
Taxes:								
Sales and use taxes					43,851,179	-	43,851,179	-
Tax increment financing sales taxes					7,256	-	7,256	-
Property tax					5,293,445	-	5,293,445	-
Franchise and public service taxes					2,331,027	-	2,331,027	-
Hotel motel taxes					1,303,036	-	1,303,036	-
Intergovernmental revenue not restricted to specific programs					818,856	-	818,856	-
Investment income					715,834	32,561	748,395	12,496
Miscellaneous					1,252,678	44,598	1,297,276	-
Payment from primary government					-	-	-	832,129
Payment to primary government					-	-	-	(37,815)
Transfers - Internal activity					7,978,002	(7,978,002)	-	-
Total general revenues and transfers					63,551,313	(7,900,843)	55,650,470	806,810
Change in net assets					13,466,290	4,880,308	18,346,598	(1,072,274)
Net assets - beginning (restated)					100,617,433	95,232,035	195,849,468	8,348,863
Net assets - ending					$114,083,723	$100,112,343	$214,196,066	$7,276,589

See accompanying notes to the basic financial statements.

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

Governmental Funds Balance Sheet - June 30, 2010

	General Fund	2005 CIP Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	$ 5,730,072	$ 14,556,954	$ 14,562,401	$ 34,849,427
Investments	444,211	38,559,204	2,282,763	41,286,178
Receivables:				
Accounts receivable	7,452	-	522,508	529,960
Accrued interest receivable	15,842	152,148	1,174	169,164
Due from other funds	602,098	-	339,564	941,662
Due from other governments and entities	7,789,224	-	264,190	8,053,414
Total assets	$ 14,588,899	$ 53,268,306	$ 17,972,600	$ 85,829,805
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable and accrued liabilities	$ 2,017,101	$ 402,784	$ 1,390,538	$ 3,810,423
Escrow liablity	-	437,936	1,600	439,536
Due to other funds	-	-	656,638	656,638
Due to component unit	205,499	-	-	205,499
Total liabilities	2,222,600	840,720	2,048,776	5,112,096
Fund Balances:				
Reserved for:				
Encumbrances and other purposes	242,044	4,866,336	6,084,257	11,192,637
Unreserved	12,124,255	47,561,250	-	59,685,505
Unreserved, reported in:				
Special Revenue Funds	-	-	5,194,029	5,194,029
Capital Project Funds	-	-	2,966,387	2,966,387
Debt Service Funds	-	-	1,679,151	1,679,151
Total fund balances	12,366,299	52,427,586	15,923,824	80,717,709
Total liabilities and fund balances	$ 14,588,899	$ 53,268,306	$ 17,972,600	$ 85,829,805

See accompanying notes to the basic financial statements.

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2010

	General Fund	2005 CIP Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$45,174,438	-	$8,437,624	$53,612,062
Intergovernmental	923,095	$96,363	6,381,507	7,400,965
Charges for services	-	-	8,194	8,194
Fines and forfeitures	2,452,651	-	784,153	3,236,804
Licenses and permits	1,203,786	-	3,451,355	4,655,141
Investment income	139,307	519,299	57,228	715,834
Miscellaneous	739,775	34,633	1,690,506	2,464,914
Total Revenues	50,633,052	650,295	20,810,567	72,093,914
Expenditures:				
Current:				
General government	6,632,140	-	2,005,355	8,637,495
Public safety	25,103,439	-	2,182,174	27,285,613
Public works and streets	7,735,792	-	-	7,735,792
Education	-	-	1,833,887	1,833,887
Culture and recreation	5,239,263	-	2,219,563	7,458,826
Community development	-	-	1,581,254	1,581,254
Transportation	-	-	2,643,573	2,643,573
Capital outlay	349,586	7,293,403	10,630,552	18,273,541
Debt service:				
Principal retirement	-	-	3,104,864	3,104,864
Interest and fiscal charges	-	-	1,277,766	1,277,766
Judgments	-	-	592,532	592,532
Total Expenditures	45,060,220	7,293,403	28,071,520	80,425,143
Excess (deficiency) of revenues over expenditures	5,572,832	(6,643,108)	(7,260,953)	(8,331,229)
Other Financing Sources (Uses):				
Lease proceeds	-	-	247,298	247,298
Transfers in	19,734,490	27,523,717	14,857,174	62,115,381
Transfers out	(20,648,673)	(4,383,273)	(21,460,841)	(46,492,787)
Transfer from discretely presented component unit	37,815	-	-	37,815
Transfer to discretely presented component unit	(501,630)	-	(330,499)	(832,129)
Total Other Financing Sources (Uses)	(1,377,998)	23,140,444	(6,686,868)	15,075,578
Net change in fund balances	4,194,834	16,497,336	(13,947,821)	6,744,349
Fund balances - beginning	8,171,465	35,930,250	29,871,645	73,973,360
Fund balances - ending	$12,366,299	$52,427,586	$15,923,824	$80,717,709

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	$80,717,709
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 $58,752,979.	72,196,974
Certain long-term assets are not available to pay for current fund liabilities:	
Unamortized bond issuance costs	204,413
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.	(989,819)
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	(22,140,000)
Unamortized debt premium	(106,655)
Accrued interest payable	(105,946)
Capital lease payables	(238,445)
Accrued compensated absences	(5,234,037)
Accrued workers compensation claims	(1,191,313)
OPEB liability	(986,538)
Note payable	(1,865,000)
Judgments payable	(1,204,356)
Net pension obligation	(4,973,264)
	(38,045,554)
Net assets of governmental activities	$114,083,723

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	$6,744,349
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	17,952,202
Loss on disposal of capital assets	(1,732)
Capital assets transferred to business-type activities	(7,644,592)
Depreciation expense	(4,168,056)
	6,137,822
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	(691,280)
Judgment payments	495,825
Capital lease proceeds	(238,445)
Capital lease principal payments	339,864
General obligation bond principal payments	2,630,000
Note payable principal payments	135,000
Net pension obligation increase	(650,338)
	2,020,626
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	111,032
Change in OPEB liability	(493,269)
Change in accrued compensated absences	(462,216)
Change in amortization of bond premium	9,696
Change in amortization of bond issue costs	(12,803)
Change in accrued worker's compensation claims	(273,449)
	(1,121,009)
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	(315,498)
	(315,498)
Change in net assets of governmental activities	$13,466,290

See accompanying notes to the basic financial statements.

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

Proprietary Funds Statement of Net Assets - June 30, 2010

	Lawton Water Authority	Internal Service Funds
ASSETS:		
Current assets:		
Cash and cash equivalents	$381,573	$432,594
Investments	282,660	-
Accounts receivable, net of allowance $869,306	5,077,662	-
Interest receivable	163	-
Due from other funds	13,275	1,701
Total current assets	5,755,333	434,295
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	35,451,561	-
Unamortized bond and note issue costs	1,413,907	-
Land and construction in progress	51,670,067	-
Other capital assets, net	127,373,361	157,492
Total noncurrent assets	215,908,896	157,492
Total assets	221,664,229	591,787
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued liabilities	565,874	76,799
Accrued wages payable	429,868	38,654
Accrued interest payable	1,160,440	-
Due to other funds	-	300,000
Accrued compensated absences	93,240	25,121
Landfill post closure liability	6,390,406	-
Claims liability	-	955,938
OPEB liability	341,916	-
Contract payable - Waurika note	547,428	-
Worker's compensation liability	782,955	-
Notes payable	4,073,624	-
Revenue bonds payable	1,475,000	-
Total current liabilities	15,860,751	1,396,512
Noncurrent liabilities:		
Accrued compensated absences	687,004	185,094
Contract payable	15,487,569	-
Notes payable	87,891,423	-
Revenue bonds payable, net	1,625,139	-
Total noncurrent liabilities	105,691,135	185,094
Total liabilities	121,551,886	1,581,606
NET ASSETS:		
Invested in capital assets, net of related debt	92,409,814	157,492
Restricted for debt service	10,831,334	-
Restricted for landfill financial assurance	753,726	-
Unrestricted	(3,882,531)	(1,147,311)
Total net assets	$100,112,343	($989,819)

See accompanying notes to the basic financial statements.

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Assets - Year Ended June 30, 2010

	Lawton Water Authority	Internal Service Funds
Operating Revenues:		
Charges for services	$40,991,766	$7,566,953
Rentals	144,320	-
Other sources	6,206	-
Total operating revenues	41,142,292	7,566,953
Operating Expenses:		
General government and claims	-	6,621,319
Public works operations	18,728,734	-
Computer service operations	-	1,160,752
Depreciation expense	5,416,984	131,837
Amortization expense	381,594	-
Landfill closure expense	355,492	-
Total operating expenses	24,882,804	7,913,908
Operating income (loss)	16,259,488	(346,955)
Non-Operating Revenues (Expenses):		
Investment income	44,598	-
Interest expense and fiscal charges	(3,582,464)	-
Other non-operating revenue (expense)	136,688	(46)
Total non-operating revenues (expenses)	(3,401,178)	(46)
Net income (loss) before contributions and transfers	12,858,310	(347,001)
Capital contributions	7,644,592	31,503
Transfers in	14,130,578	-
Transfers out	(29,753,172)	-
Change in net assets	4,880,308	(315,498)
Total net assets - beginning, restated	95,232,035	(674,321)
Total net assets - ending	$100,112,343	($989,819)

See accompanying notes to the basic financial statements.

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2010

	Lawton Water Authority	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 40,958,951	$ 7,566,953
Payments to suppliers	(9,056,280)	-
Payments to employees	(9,937,350)	(1,137,875)
Receipts from interfund loan	8,544	-
Payments on interfund loan	-	(16,184)
Claims and benefits paid	-	(6,437,907)
Net Cash Provided (Used) by Operating Activities	21,973,865	(25,013)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	14,130,578	-
Transfers to other funds	(29,753,175)	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	(15,622,597)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from notes issued	36,164,005	-
Capital assets purchased	(2,964,190)	(11,628)
Principal paid on capital debt	(6,420,805)	-
Interest and fiscal charges paid on capital debt	(3,600,350)	-
Proceeds from sale of capital assets	2,165	501
Note issuance cost paid	(681,237)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	22,499,588	(11,127)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	3,435,302	-
Interest and dividends	67,987	-
Net Cash Provided by (Used in) Investing Activities	3,503,289	-
Net Increase (Decrease) in Cash and Cash Equivalents	32,354,145	(36,140)
Balances - beginning of the year	3,478,989	468,734
Balances - end of the year	$ 35,833,134	$ 432,594
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents	$ 381,573	$ 432,594
Restricted cash and cash equivalents	35,451,561	-
Total cash and cash equivalents	$ 35,833,134	$ 432,594
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ 16,259,488	$ (346,955)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	5,416,984	131,837
Amortization expense	381,594	-
Landfill closure expense	355,492	-
Other miscellaneous revenue	136,703	-
Change in assets and liabilities:		
Receivables, net	(320,044)	-
Due from other funds	8,544	(813)
Accounts payables	(733,071)	69,286
Claims liability	169,086	114,126
Due to other funds	-	(15,371)
OPEB liability	170,958	-
Accrued wages payable	51,014	4,185
Accrued compensated absences	77,117	18,692
Net Cash Provided by Operating Activities	$ 21,973,865	$ (25,013)
Non-cash activity:		
Non-cash capital contributions received	$ 7,644,592	$ 31,503

See accompanying notes to the basic financial statements.

BASIC FINANCIAL STATEMENTS - FIDUCIARY FUNDS

Fiduciary Funds Statement of Net Assets - June 30, 2010

	City Employees Retirement Trust Fund	Agency Funds
ASSETS:		
Cash and cash equivalents	$1,897,421	$383,844
Investments, at book value	1,233,754	1,788,725
Investments, at market value:		
United States government securities and agencies	21,162,354	-
Common stock	1,507,012	-
Mutual funds	13,731,712	-
Interest receivable	122,145	1,480
Employer contributions receivable	87,751	-
Employee contributions receivable	51,677	-
Total assets	$39,793,826	$2,174,049
LIABILITIES:		
Due to depositors	$ -	$2,095,636
Other payables	-	78,413
Total liabilities	-	$2,174,049
NET ASSETS:		
Held in trust for pension benefits	$39,793,826	

See accompanying notes to the basic financial statements.

Pension Trust Fund Statement of Changes in Plan Net Assets – Year Ended June 30, 2010

	City Employees Retirement Trust Fund
ADDITIONS:	
Contributions:	
Members	$ 1,074,483
Employer	1,717,252
Total Contributions	2,791,735
Investment Income (Loss):	
Net increase in fair value of investments	1,331,401
Interest, dividends, and other	1,395,697
Total investment income (loss)	2,727,098
Less investment expense:	
Investment activity expense	(203,499)
Net investment income (loss)	2,523,599
Total Additions	5,315,334
DEDUCTIONS:	
Benefits paid to participants or beneficiaries	2,819,579
Refunds and transfers to other systems	567,575
Administrative expense	23,837
Total Deductions	3,410,991
Change in net assets held in trust for employees' pension benefits	1,904,343
Net assets--beginning	37,889,483
Net assets--ending	$ 39,793,826

See accompanying notes to the basic financial statements.

COMBINING FINANCIAL STATEMENTS - COMPONENT UNITS

Component Units – Combining Statement of Net Assets - June 30, 2010

	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	$ 743,318	$ 54,134	$ 73,211	$ 339,234	$ 505,922	$ 71,788	$ 1,787,607
Accounts receivable	65,640	-	3,943	48,252	-	-	117,835
Inventory	31,619	-	-	24,975	-	-	56,594
Due from other governments	69,664	3,413	-	-	-	-	73,077
Due from primary government	-	-	-	-	205,499	-	205,499
Prepaid expenses	13,006	50	-	-	-	-	13,056
Other assets	-	-	-	5,511	-	-	5,511
Total current assets	923,247	57,597	77,154	417,972	711,421	71,788	2,259,179
Noncurrent Assets:							
Capital Assets:							
Land and construction in progress	1,293,079	-	-	-	-	-	1,293,079
Depreciable, net of accumulated depreciation	13,225,726	426	37,416	1,328,051	-	4,750	14,596,369
Unamortized note issuance costs	-	-	-	-	47,100	-	47,100
Total noncurrent assets	14,518,805	426	37,416	1,328,051	47,100	4,750	15,936,548
Total Assets	15,442,052	58,023	114,570	1,746,023	758,521	76,538	18,195,727
LIABILITIES							
Current Liabilities:							
Accounts payable and accrued liabilities	90,460	-	400	79,691	-	-	170,551
Grants payable	-	3,246	-	-	-	-	3,246
Deferred revenue	-	-		-	-	-	-
Interest payable	13	-	-	-	128,463	-	128,476
Notes payable	5,800	-	-	-	-	-	5,800
Total current liabilities	96,273	3,246	400	79,691	128,463	-	308,073
Noncurrent Liabilities:							
Accrued compensated absences	6,015	-	-		-	-	6,015
Notes payable	9,734	-	-	-	10,595,316	-	10,605,050
Total noncurrent liabilities	15,749	-	-	-	10,595,316	-	10,611,065
Total Liabilities	112,022	3,246	400	79,691	10,723,779	-	10,919,138
NET ASSETS							
Investment in capital assets, net of related debt	14,503,272	426	37,416	1,328,051	-	4,750	15,873,915
Restricted for construction projects	228,046	-	-	-	-	-	228,046
Restricted for promotions	-	-	-	-	-	-	-
Restricted for grant projects	-	-	-	146,705	-	-	146,705
Unrestricted	598,712	54,351	76,754	191,576	(9,965,258)	71,788	(8,972,077)
Total Net Assets	$ 15,330,030	$ 54,777	$ 114,170	$ 1,666,332	$ (9,965,258)	$ 76,538	$ 7,276,589

See accompanying notes to the basic financial statements.

Component Units - Combining Statement of Revenues, Expenses and Changes in Net Assets - Year Ended June 30, 2010

	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	$ 2,416,626	$ -	$ -	$ -	$ -	$ -	$ 2,416,626
Culture and recreation	-	120,865	93,284	762,229	-	-	976,378
Economic development	-	-	-	-	1,686,269	-	1,686,269
Transportation	-	-	-	-	-	88,317	88,317
Interest expense	2,707	-	-	-	371,150	-	373,857
Total expenses	2,419,333	120,865	93,284	762,229	2,057,419	88,317	5,541,447
Program Revenues:							
Charges for services	1,628,871	52,677	93,561	160,393	404,619	-	2,340,121
Operating grants and contributions	127,564	69,516	-	189,528	-	165,226	551,834
Capital grants and contributions	770,408	-	-	-	-	-	770,408
Total program revenues	2,526,843	122,193	93,561	349,921	404,619	165,226	3,662,363
Net revenue (expense)	107,510	1,328	277	(412,308)	(1,652,800)	76,909	(1,879,084)
General Revenues:							
Investment income	6,718	-	271	3,348	2,066	93	12,496
Transfer from primary government	49,500	2,130	-	575,000	205,499	-	832,129
Transfer to primary government	-	-	-	-	-	(37,815)	(37,815)
Total general revenues	56,218	2,130	271	578,348	207,565	(37,722)	806,810
Change in Net Assets	163,728	3,458	548	166,040	(1,445,235)	39,187	(1,072,274)
Net Assets, beginning of year	15,166,302	51,319	113,622	1,500,292	(8,520,023)	37,351	8,348,863
Net Assets, end of year	$ 15,330,030	$ 54,777	$ 114,170	$ 1,666,332	$ (9,965,258)	$ 76,538	$ 7,276,589

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.

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

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

Each of these component units listed above are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. In accordance with state law, the City Council must approve, by two-thirds vote, all debt obligations of these public trusts prior to incurring the obligation. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation 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
- 2005 CIP Fund – accounts for various projects such as the southeast water treatment plant and street projects

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

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

Fund, Senior Crafts Fund, Animal License Fund, Elmer Thomas Park Rental Fund, State Landfill Fund, Police Sentinel Fund, Fire Prevention Education Fund, Grants and Gifts Fund, McMahon Authority Grants Fund, Drainage Maintenance Fund, Animal Donation Fund, Application Fees Fund, Capital Outlay Rolling Stock Fund, LETA Beautification Fund, Cemetery Reward Fund, Centennial Fund, Hotel/Motel Tax Fund, Project Impact Fund, Mass Transit Fund, Reserve Fund, Federal Grant Fund, Recycling Fund, Impact Fees Fund, Police and Fire Training Fund, Special Jail Fund, Cellular Service Fee Fund, Stormwater Mitigation Fund, Payroll Claims, United Safety Fund, and TIF Fund.

Debt Service Funds – accounts for ad-valorem taxes levied by the City for use in retiring court-assessed judgments, general obligation bonds, and their related interest expenses. 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.
- CIP 1995 Fund – accounts for sales taxes restricted for specified capital projects.
- 2000 CIP Fund – accounts for improvements to the water treatment plant, streets and other miscellaneous water projects.
- 2008 CIP Sales Tax Fund – accounts for sales tax restricted to streets, waterline improvements, sewerline improvements, and sewer rehabilitation program.

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

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

Proprietary Funds:

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

The City's proprietary funds include the following:

Enterprise Fund

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

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, 2010 by these entities are as follows:

Schedule of Deposits and Investments by Type - June 30, 2010

Type	Fair Value	Credit Rating	Maturities in Years: On Demand	Less Than One	1 - 5	6 - 10	More than 10
Demand deposits	$ 28,024,877	n/a	$ 28,024,877	$ -	$ -	$ -	$ -
Time deposits	13,290,623	n/a	-	1,660,233	11,630,390	-	-
Money Market Accounts	46,195,549	n/a	46,195,549	-	-	-	-
U.S. Treasury Obligations	58,621	n/a	-	-	58,621	-	-
U.S. Agencies Obligations	50,346,667	AAA	-	-	29,184,313	-	21,162,354
Sub-Total	$ 137,916,337		$ 74,220,426	$ 1,660,233	$ 40,873,324	$ -	$ 21,162,354
Mutual Funds	13,731,712	n/a					
Common stock	1,507,012	n/a					
Other Investments	1,233,754	n/a					
Total Deposits and Investments	$ 154,388,815						

Reconciliation to Financial Statements:	
Cash and cash equivalents	$ 71,115,155
Investments	41,568,838
Retirement fund investments:	
Investments	1,233,754
U.S. gov't security agencies	21,162,354
Common stock	1,507,012
Mutual funds	13,731,712
Retirement fund cash and cash equivalents	1,897,421
Agency fund cash and cash equivalents	383,844
Agency fund investments	1,788,725
	$ 154,388,815

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, 2010, 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, 2010, the investments held by the City mature between 2010 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 40.5% of their investments in FHLB and 8.2% 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, 2010 are as follows:

Restricted Cash and Cash Equivalents:		
Pooled cash restricted for debt service	$	267,926
Landfill Financial Trust		153,658
Series 2001B Promissory Note Debt Svc		215,763
Series 2001B Promissory Note Debt Reserve		260,000
Series 2003B OWRB Promissory Note Debt Svc		102,243
Series 2003B OWRB Promissory Note Reserve		222,383
Series 2003D OWRB Promissory Note Debt Svc		58,744
Series 2003D OWRB Promissory Note Reserve		126,620
Series 2004F OWRB Promissory Note Debt Svc		73,050
Series 2004F OWRB Promissory Note Reserve		152,854
Series 2004 Sales Tax Utility Revenue Bond Debt Service		813,029
Series 2004 Sales Tax Utility Revenue Bond Construction		1,546
Chevron Energy 2008 Sinking Fund		45,688
Series 2008 Sales Tax Utility Revenue Bonds Debt Service		8,538,722
Series 2008 Sales Tax Utility Revenue Bonds Construction		24,419,335
	$	35,451,561

4. Capital Assets and Depreciation

Capital Assets:

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

For the year ended June 30, 2010, capital assets balances changed as follows:

	Restated Balance at July 1, 2009	Additions	Deductions	Balance at June 30, 2010
PRIMARY GOVERNMENT:				
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 3,010,956	$ -	$ -	$ 3,010,956
Construction in progress	17,408,494	8,425,370	4,519,768	21,314,096
Total capital assets not being depreciated	20,419,450	8,425,370	4,519,768	24,325,052
Other capital assets:				
Buildings and improvements	28,358,159	2,985,495	-	31,343,654
Infrastructure	45,541,194	1,019,041	-	46,560,235
Machinery, furniture and equipment	28,595,607	2,281,533	792,887	30,084,253
Intangibles	96,363	-	-	96,363
Total other capital assets	102,591,323	6,286,069	792,887	108,084,505
Less accumulated depreciation for:				
Buildings and improvements	15,733,839	533,151	-	16,266,990
Infrastructure	20,331,930	1,479,567	-	21,811,497
Machinery, furniture and equipment	20,612,421	2,155,338	791,155	21,976,604
Total accumulated depreciation	56,678,190	4,168,056	791,155	60,055,091
Other capital assets, net	45,913,133	2,118,013	1,732	48,029,414
Governmental activities capital assets, net	$ 66,332,583	$ 10,543,383	$ 4,521,500	$ 72,354,466

	Restated Balance at July 1, 2009	Additions	Deductions	Balance at June 30, 2010
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 1,405,555	$ -	$ -	$ 1,405,555
Construction in progress	47,168,406	7,777,611	4,681,505	50,264,512
Total capital assets not being depreciated	48,573,961	7,777,611	4,681,505	51,670,067
Other capital assets:				
Buildings and utility infrastructure	169,684,058	4,681,505	-	174,365,563
Machinery, furniture and equipment	16,936,649	2,831,171	565,168	19,202,652
Water rights	21,742,677	-	-	21,742,677
Total other capital assets	208,363,384	7,512,676	565,168	215,310,892
Less accumulated depreciation for:				
Buildings and utility infrastructure	64,828,503	4,159,063	-	68,987,566
Machinery, furniture and equipment	12,167,073	1,257,921	562,978	12,862,016
Water rights	5,870,522	217,427	-	6,087,949
Total accumulated depreciation	82,866,098	5,634,411	562,978	87,937,531
Other capital assets, net	125,497,286	1,878,265	2,190	127,373,361
Business-type activities capital assets, net	$ 174,071,247	$ 9,655,876	$ 4,683,695	$ 179,043,428

	Balance at July 1, 2009	Additions	Deductions	Balance at June 30, 2010
COMPONENT UNITS:				
Lawton Metropolitan Area Airport Authority				
Non-depreciable:				
Land	$ 387,783	$ -	$ -	$ 387,783
Construction-in-progress	221,698	819,229	135,631	905,296
Total non-depreciable assets at historical cost	609,481	819,229	135,631	1,293,079
Depreciable:				
Runways, ramps, and roads	21,572,115	5,864	12,650	21,565,329
Buildings and improvements	5,627,298	311,840	-	5,939,138
Equipment and fixtures	1,786,575	23,611	227,455	1,582,731
Furniture and equipment	132,795	2,287	30,847	104,235
Total depreciable assets at historical cost	29,118,783	343,602	270,952	29,191,433
Less accumulated depreciation				
Runways, ramps, and roads	11,535,144	768,308	10,805	12,292,647
Buildings and improvements	2,342,572	129,737	-	2,472,309
Equipment and fixtures	1,182,808	73,697	142,778	1,113,727
Furniture and equipment	114,492	3,379	30,847	87,024
Total accumulated depreciation	15,175,016	975,121	184,430	15,965,707
Other capital assets, net	13,943,767	(631,519)	86,522	13,225,726
Net depreciable assets	$ 14,553,248	$ 187,710	$ 222,153	$ 14,518,805
Museum of the Great Plains Trust Authority				
Depreciable:				
Furniture and equipment	$ 309,018	$ 12,108	$ 14,017	$ 307,109
Displays	17,725	-	-	17,725
Leasehold improvements	120,092	49,286	-	169,378
Collections and exhibits	1,039,034	43,554	-	1,082,588
Total depreciable assets at historical cost	1,485,869	104,948	14,017	1,576,800
Less accumulated depreciation				
Total accumulated depreciation	240,181	21,472	12,904	248,749
Net depreciable assets	$ 1,245,688	$ 83,476	$ 1,113	$ 1,328,051
Lawton Metropolitan Planning Organization:				
Depreciable:				
Furniture and equipment	$ 35,242	$ -	$ 3,895	$ 31,347
Less accumulated depreciation				
Total accumulated depreciation	28,502	1,990	3,895	26,597
Net depreciable assets	$ 6,740	$ (1,990)	$ -	$ 4,750

	Balance at July 1, 2009	Additions	Deductions	Balance at June 30, 2010
McMahon Auditorium Authority				
Depreciable:				
Furniture and fixtures	$ 24,628	$ -	$ -	$ 24,628
Buildings improvements	68,295	-	-	68,295
Machinery and equipment	6,500	-	-	6,500
Total depreciable assets at historical cost	99,423	-	-	99,423
Less accumulated depreciation				
Furniture and fixtures	24,517	111	-	24,628
Buildings improvements	25,024	5,855	-	30,879
Machinery and equipment	6,351	149	-	6,500
Total accumulated depreciation	55,892	6,115	-	62,007
Net depreciable assets	$ 43,531	$ (6,115)	$ -	$ 37,416

	Balance at June 30, 2010
Lawton Arts and Humanities Council	
Machinery and equipment	$ 18,456
Less accumulated depreciation	(18,030)
Net depreciable assets	$ 426

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 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	$ 661,534
Public Safety	2,089,768
Streets	592,550
Community Development	121,106
Culture and Recreation	571,261
Sub-total governmental funds depreciation	4,036,219
Allocated Internal Service Fund Depreciation	131,837
Total	$ 4,168,056
Business-Type Activities:	
Water	$ 2,719,008
Sewer	1,914,770
Sanitation	1,000,633
Total depreciation	$ 5,634,411

5. Internal and Interfund Balances and Transfers

Internal Balances:

Receivable Fund	Payable Fund	Amount	Nature of Interfund Balance
General Fund	Hunting and Fishing	$ 13,931	Grant funding
General Fund	Internal Service Fund	300,000	Insurance reimbursement
General Fund	Emergency 911	231,040	Reimbursement
Hunting and Fishing Permits	Payroll Claims Fund	437	Payroll payable
HOME Investment CDBG	CDBG Fund	3,788	Grant funding
Payroll Claims Fund	CDBG Fund	7,087	Payroll payable
Workers Comp Fund	CDBG Fund	578	Grant funding
Payroll Claims Fund	HOME Investment CDBG	1,377	Payroll payable
Reserve Fund	Federal Grant Fund	318,530	Grant funding
General Fund	Payroll Claims Fund	57,127	Payroll payable
Internal Service Fund	Payroll Claims Fund	1,701	Payroll payable
Water Authority	Payroll Claims Fund	10,604	Payroll payable
Stormwater Mitigation	Payroll Claims Fund	622	Payroll payable
Payroll Claims Fund	RSVP Fund	4,215	Payroll payable
Emergency 911	Payroll Claims Fund	2,067	Payroll payable
Water Authority	Payroll Claims Fund	2,671	Payroll payable
Drainage Maintenance Fund	Payroll Claims Fund	863	Payroll payable
Total		$ 956,638	

Reconciliation to Fund Financial Statements:	Due From Other Funds	Due To Other Funds	Net Internal Balances
Governmental Funds	$ 941,662	$ 656,638	$ 285,024
Proprietary Funds	13,275	-	13,275
Internal Service Funds	1,701	300,000	(298,299)
Total	$ 956,638	$ 956,638	$ -

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, 2010 were as follows:

Transfer In	Transfer Out	Amount	Nature of Interfund Transfer
General Fund	Water Authority	$ 132,486	Debt service
General Fund	Officer Training Fund	4,014	Court fines
General Fund	Special Jail Fund	17,990	Jail fees
General Fund	Court Credit Card Fund	500,000	Transfer of revenues
Officer Training	Court Credit Card Fund	50,715	Transfer of revenues
General Fund	Water Authority	19,080,000	Transfer of revenues
Animal License	Court Credit Card Fund	144	Transfer of revenues
2005 CIP Fund	General Fund	13,442,992	Sales tax transfer
TIF Fund	General Fund	198,243	Sales tax transfer
2008 CIP Fund	General Fund	4,032,898	Sales tax transfer
Mass Transit Fund	General Fund	555,000	Operating subsidy
Hunting and Fishing Fund	General Fund	480,000	Operating subsidy
CIP Fund	General Fund	139,046	Capital project
CIP Fund	Emergency 911	7,000	Operating subsidy
2005 CIP Fund	Water Authority	2,602,548	Capital project
2005 CIP Fund	Ad Valorem 2005	8,000,000	Capital project
2005 CIP Fund	CIP 2000	3,186,576	Closing of fund
Ad Valorem 2005	Ad Valorem	454,666	Closing of fund
E911 Fund	General Fund	1,208,347	Operating subsidy
RSVP Fund	General Fund	61,498	Operating subsidy
2005 CIP Fund	Water Authority	4,919,400	Debt proceeds drawn for capital projects
2005 CIP Fund	Water Authority	291,601	Capital project
Water Authority	CIP Fund	9,216,656	Operating subsidy
Water Authority	2005 CIP Fund	4,383,273	Debt service
Water Authority	Court Credit Card Fund	23,080	Transfer of revenues
Capital Outlay Rolling Stock Fund	Water Authority	2,727,137	Capital purchases
Water Authority	General Fund	530,649	Operating subsidy
		$ 76,245,959	

Reconciliation to fund financial statements:	Transfers to Other Funds	Transfers from Other Funds	Net Transfers
Governmental Funds	$ (46,492,787)	$ 62,115,381	$ 15,622,594
Water Authority	(29,753,172)	14,130,578	(15,622,594)
Totals	$ (76,245,959)	$ 76,245,959	$ -

Reconciliation to Statement of Activities:	
Net Transfers	$ 15,622,594
Capital contributions transferred from governmental funds	(7,644,592)
Transfers - Internal Activity	$ 7,978,002

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, 2010 was as follows:

Component Unit	Amount	Purpose
Lawton Economic Development Authority	$205,499	Operating Subsidy
Lawton Metropolitan Area Airport Authority	49,500	Capital purchase
Museum of the Great Plains Trust Authority	575,000	Operating Subsidy
Lawton Metropolitan Planning Organization	(37,815)	Grant
Lawton Arts and Humanities Council	2,130	Operating Subsidy
	$794,314	

6. Long-Term Debt

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

For the year ended June 30, 2010, the City's long-term debt balances changed as follows:

Primary Government:

Type of Debt	Restated Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Due Within One Year
Governmental Activities:					
General Obligation Bonds	$ 24,770,000	$ -	$ 2,630,000	$ 22,140,000	$ 2,490,000
General Obligation Bond Premium	116,351	-	9,696	106,655	-
Judgments Payable	1,008,901	691,280	495,825	1,204,356	530,681
Notes Payable	2,000,000	-	135,000	1,865,000	58,000
Capital Lease Obligations	339,864	238,445	339,864	238,445	118,771
Workers Comp Liability	917,864	273,449	-	1,191,313	595,657
Accrued Compensated Absences	4,963,344	480,908	-	5,444,252	650,588
Total Governmental Activities	$ 33,924,801	$ 1,684,082	$ 3,610,385	$ 32,190,021	$ 4,443,697
Business-Type Activities:					
Notes Payable	$ 60,293,694	$ 36,158,053	$ 4,486,700	$ 91,965,047	$ 4,073,624
Revenue Bonds Payable	4,425,000	-	1,405,000	3,020,000	1,475,000
Revenue Bonds Premium	160,277	-	80,138	80,139	-
Contracts Payable	16,564,102	-	529,105	16,034,997	547,428
Accrued Compensated Absences	703,127	77,117	-	780,244	93,240
Workers Comp Liability	613,869	169,086	-	782,955	782,955
Landfill Closure and Post-closure	6,034,914	355,492	-	6,390,406	6,390,406
Total Business-Type Activities	$ 88,794,983	$ 36,759,748	$ 6,500,943	$ 119,053,788	$ 13,362,653

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

General Obligation Bonds:

$15,580,000 general obligation bonds dated July 1, 2002, payable in annual installments of $1,170,000, with interest rates of 3.75% to 6.0%, repaid by property tax levies	$7,020,000
$4,000,000 general obligation bonds dated April 1, 2002, payable in annual installments of $445,000, with interest rates of 3.5% to 4.0%, repaid by property tax levies	885,000
$1,500,000 general obligation bonds dated October 1, 2005, payable in annual installments of $115,000, with an interest rate of 5%, repaid by property tax levies	
General Obligation Bond Payable	1,155,000
Unamortized General Obligation Bond Premium	106,655
Total General Obligation Bond, Net	1,261,655
$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	1,930,000
$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	3,000,000
$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	8,000,000
$1,050,000 general obligation bonds dated June 1, 2003, payable in annual installments of $150,000, with interest rates of 2.0% to 3.0%, repaid by property tax levies	150,000
Total general obligation bonds	$22,246,655

Judgments Payable:

Court-assessed judgments to be paid with ad valorem taxes with periods ranging from one to three years.	$1,204,356

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%	$1,865,000

Capital Lease Obligation:

$238,445 capital lease obligation for the purchase of a compactor, matures November 30, 2012 with stated interest rate of 3.14%	$238,445

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.	$3,599,713
Series 2003A for $1,819,430, Series 2003B for $3,095,000, Series 2003C for $1,020,000 and Series D for $1,745,000 with interest on Series 2003B and 2003D ranging from 1.345% to 5.245%. No interest is charged on Series 2003Aand 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.	5,770,145
Series 2004A for $1,310,000 and Series 2004B for $2,215,000, with interest charged on Series 2004B ranging from 1.145% to 4.795%. No interest is charged on Series 2004A; however, there is a .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September, 2028. Both notes are secured by the revenues of the Authority's water, sewer, and garbage collection and disposal systems.	2,766,925
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.	6,607,373
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.	29,952,647
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.	2,315,000
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. At June 30, 2010 $10,546,124 had been drawn on the note.	10,546,124
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, 2010 only $2,209,567 had been drawn on the note.	1,397,354
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, 2010 only $1,777,601 had been drawn on the note.	1,009,764

$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	$91,965,045

Revenue Bonds Payable:

$9,590,000 revenue bond issue of 2004, with average variable interest at 4.0%, used to construct and improve water and wastewater infrastructure to be repaid by sales tax revenue. Debt service payments are due January 1 and July 1 through January 1, 2012.	
Revenue Bond Payable	3,020,000
Unamortized Revenue Bond Premium	80,139
Total Revenue Bonds, Net	$3,100,139

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)	$16,034,997

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

Governmental-Type Activities

	G.O. Bonds Payable		Note Payable		Judgments Payable		Capital Leases	
Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 2,490,000	$ 1,167,638	$ 58,000	$ 59,268	$ 530,681	$ 68,480	$ 118,771	$ 4,878
2012	2,565,000	745,519	60,000	87,334	361,260	54,689	119,674	3,775
2013	2,125,000	654,434	64,000	85,080	312,415	57,204	-	-
2014	2,125,000	570,238	67,000	82,517	-	-	-	-
2015	2,125,000	484,178	72,000	79,687	-	-	-	-
2016-2020	5,980,000	1,418,799	422,000	345,791	-	-	-	-
2021-2025	3,030,000	601,505	555,000	227,098	-	-	-	-
2026-2030	1,700,000	147,642	567,000	63,160	-	-	-	-
Total	$ 22,140,000	$ 5,789,953	$ 1,865,000	$ 1,029,935	$ 1,204,356	$ 180,373	$ 238,445	$ 8,653

	Business-Type Activities					
	Notes Payable		Revenue Bonds Payable		Contract Payable	
Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 4,073,624	$ 3,907,695	$ 1,475,000	$ 151,000	$ 547,428	$ 555,292
2012	4,835,800	3,785,877	1,545,000	77,250	566,385	536,335
2013	4,575,000	3,656,598	-	-	585,999	516,721
2014	4,620,300	3,524,880	-	-	606,293	496,427
2015	32,569,800	3,262,490	-	-	627,288	475,432
2016-2020	24,216,099	7,577,177	-	-	3,477,728	2,035,872
2021-2025	22,664,589	3,565,832	-	-	4,123,073	1,390,527
2026-2030	10,735,790	765,835	-	-	4,542,333	637,127
2031	524,875	5,025	-	-	958,470	32,870
Total	$ 108,815,877	$ 30,051,409	$ 3,020,000	$ 228,250	$ 16,034,997	$ 6,676,603
Less remaining proceeds to be drawn	(16,850,832)					
Principal balance	$ 91,965,045					

Pledge of Future Revenues

Utility Net Revenues Pledge - The City has pledged net utility revenues to repay the $2,008,570, $3,445,000, $1,819,430, $3,095,000, $1,020,000, $1,745,000, $1,310,000, $2,215,000, $10,815,000, $33,653,600, $10,845,000, $4,725,000 and $12,270,000 of the OWRB Series 2001A, 2001B, 2003A, 2003B, 2003C, 2003D, 2004A, 2004B, 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, 2027, 2027, 2028, 2028, 2026, 2026, 2025, 2030 and 2030 respectively. The total principal and interest payable for the remainder of the life of these notes is $100,666,938. Net utility revenues received in the current year were $22,458,806. Debt service payments of $6,140,073 for the current fiscal year were 27.3% of pledged net utility revenues.

Landfill Closure Liability

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

The $6,390,406 reported as accrued landfill closure cost liability at June 30, 2010, represents the cumulative amount of such costs reported to date based on the use of 95% 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 $284,404 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 2010. The City has $753,726 set aside to fund the estimated landfill closure cost liability. At June 30, 2010, the landfill had a remaining estimated useful life of approximately half a year.

During FY 2010, cells four and five were constructed adding approximately 1.1 million tons of capacity to the landfill and extending the landfill's life to approximately eight years. At June 30, 2010, the new cells were not available for use and are not included in the calculations above. DEQ permit for use did not begin until December 2010.

7. Net Assets and Fund Balances

Net assets are displayed in three components:

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

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

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

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

Beginning net assets were restated as follows:

	Business-type Activities/Proprietary Funds
Statement of Activities:	
Beginning net assets as previously reported	$91,024,848
Add: Understatement of capital assets	4,209,301
Excluded fund	
Less: Understatement of accumulated depreciation	(2,114)
Beginning net assets, restated	$95,232,035

8. 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 3.25 cents is recorded in the General Fund. Then two-thirds of 1.25 cents is transferred to the 2000 CIP Fund and one-third of 1.25 cents is transferred to the 2005 CIP Fund for specific capital projects approved by voters. Beginning January 2008, the voters approved an additional 0.375 cent tax for capital improvements transferred to the 2008 Sales Tax Capital Improvement Fund. If needed, the 2005 CIP and 2000 CIP Funds transfer a portion of the dedicated sales taxes to the Water Authority for debt service on voter-approved projects as well. Beginning 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, 2010, the City's net assessed valuation of taxable property was $430,151,588. The taxes levied by the City per $1,000 of net assessed valuation for the year ended June 30, 2010 was $9.07.

9. Risk Management

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

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

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

10. Retirement Plan Participation

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

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

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

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

Lawton City Employee Retirement System

The City contributes to the City of Lawton 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 5.3% of annual pre-tax wages and the City contributes an amount required to provide benefits under the retirement system, subject to a maximum of 8% of annual pre-tax gross wages. The City performs actuarial valuations in each odd-numbered year to determine if the City's fixed contribution rate is funding the actuarially determined liability. The System issues separate audited annual financial statements 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	9% maximum
Plan members	5.3%
Funding of administrative costs	Investment earnings
Period required to vest	Based on years of service; 100% vested after 10 years
Eligibility for distribution	Age 52 with 10 years credited service, or earlier with 25 years credited service
Provisions for:	
Disability benefits	Yes
Death benefits	Yes

Plan Membership (as of July 1, 2009):

Active members	541
Retired participants	134
Disabled participants	15
Beneficiaries	33
Total	723

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, 2010, 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, 2010. 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, 2009
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
2008	$ 2,349,656	$ 1,553,635	65.4%	$ 3,609,940
2009	2,341,958	1,628,972	68.5%	4,322,926
2010	2,341,958	1,703,544	72.7%	4,973,264

F. Schedule of Funding Progress

As of July 1, 2009, the funded status of the City Employee Retirement System single employer defined benefit plan is as follows:

Actuarial accrued liability (AAL)	$60,084,860
Actuarial value of plan assets	37,963,510
Unfunded actuarial accrued liability (UAAL)	$(22,121,350)
Funded ratio (actuarial value of plan assets/AAL)	63.2%
Annual covered payroll (active plan members)	19,845,649
UAAL as a percentage of covered payroll	111.5%

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

Oklahoma Firefighter's and Police Pension and Retirement Systems

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

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

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
2008	1,055,258	100%	2008	883,763	100%
2009	1,057,088	100%	2009	882,754	100%
2010	1,104,949	100%	2010	947,662	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 2010, the actuarially expected City contribution in the form of net age adjustment was $611,016 to the Plan. Plan members receiving benefits contributed $193,527 of the total premiums, through their payment of the full determined premium in fiscal year 2010.

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, 2010:

Normal Cost	$	709,692
Amortization of Actuarial Accrued Liablity (AAL)		565,551
Annual OPEB cost (expense)		1,275,243
Expected net benefits during the year		(611,016)
Increase in net OPEB obligation		664,227
Net OPEB obligation - beginning of year		664,227
Net OPEB obligation - end of year	$	1,328,454

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/09	$1,275,234	47.9%	$664,227
6/30/10	$1,275,234	47.9%	$1,328,454

Information for June 30, 2008, was not available as fiscal year 2009 was the first year the City was required to have an actuary performed and report any liability.

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability (AAL) for benefits was $15,764,535, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $15,764,535. The covered payroll (annual payroll of active employees covered by the plan) was $30,904,366, and the ratio of the UAAL to the covered payroll was 51 percent. Because the plan is a substantive plan there are no plan assets.

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

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

In the July 1, 2008, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the Plan at the valuation date, and an annual healthcare cost trend rate of 7 percent initially, reduced by decrements to an ultimate rate of 5 percent in 2013. The UAAL is being amortized over 30 years based on a level percent-of-pay open-period basis. The remaining amortization period at July 1, 2008, was thirty years. As of the date of this valuation, there are no plan assets. Retiree premiums are paid as they come due from general operating assets of the City.

11. Commitments and Contingencies

Construction Contracts Outstanding

The following construction contracts were outstanding at June 30, 2010:

2nd Street Enhancement Project	$	1,151,376
Rogers Ln / I44		1,103,270
Nine Mile Creek Sewer Line		2,855,343
Downtown Preservation		2,900,233
NW 38th (Cache - Gore)		4,007,360
WWTP Impr WK Pkg		4,450,214

Litigation

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

Grant Programs

The City of Lawton participates in various federal or state grant/loan programs from year to year. In 2010, the City's involvement in federal and state award programs is relatively material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

12. New Accounting Pronouncements

The GASB has issued Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement establishes new categories for reporting fund balance and revises the definitions for governmental fund types. The requirements of this Statement are effective for fiscal year 2011.

13. Material NonCompliance

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 – Public Safety - $27,436
General Fund – Transfers to Other Funds – $1,542,711

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedules (Budgetary Basis) – Year Ended June 30, 2010

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budget basis)	Positive (Negative)
Beginning Budgetary Fund Balance:	$ 445,373	$ 445,373	$ 3,328,724	$ 2,883,351
Resources (Inflows):				
Taxes and assessments	45,834,810	45,834,810	45,933,356	98,546
Fees, licenses and permits	1,259,169	1,259,169	1,203,786	(55,383)
Rentals and sales of property	194,000	194,000	77,336	(116,664)
Fines and forfeitures	2,708,376	2,708,376	2,952,651	244,275
Interest earned	350,000	350,000	136,542	(213,458)
Other sources	465,143	465,143	595,887	130,744
Intergovernmental	860,000	860,000	834,667	(25,333)
Grants	250,000	250,000	120,243	(129,757)
Total Resources (Inflows)	51,921,498	51,921,498	51,854,468	(67,030)
Amounts available for appropriation	52,366,871	52,366,871	55,183,192	2,816,321
Charges to Appropriations (Outflows):				
General Government	8,301,503	8,301,503	7,106,102	1,195,401
Public Safety	25,543,571	25,543,571	25,571,007	(27,436)
Streets	7,235,054	7,235,054	6,931,744	303,310
Culture and Recreation	5,479,997	5,479,997	5,305,507	174,490
Total Charges to Appropriations	46,560,125	46,560,125	44,914,360	1,645,765
Other financing sources (uses)				
Prior year obligation expense	-	-	59,873	59,873
Transfers from other funds	12,915,743	12,915,743	19,234,801	6,319,058
Transfers to other funds	(21,257,507)	(21,257,507)	(22,800,218)	(1,542,711)
Total other financing sources (uses)	(8,341,764)	(8,341,764)	(3,505,544)	4,836,220
Ending Budgetary Fund Balance	$ (2,535,018)	$ (2,535,018)	$ 6,763,288	$ 9,298,306

Footnotes to Budgetary Comparison Schedule:

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

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

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

	Fund Balance June 30, 2009	Net Change in Fund Balance	Fund Balance June 30, 2010
Budget to GAAP Reconciliation:			
Fund Balance - GAAP Basis	$ 8,171,465	$ 4,194,834	$ 12,366,299
Increases (Decreases):			
Revenues:			
Taxes receivable	(6,722,702)	(1,043,154)	(7,765,856)
Accounts receivable	(34,967)	27,515	(7,452)
Accrued interest	(12,681)	(2,765)	(15,446)
Fair value adjustment	1,132	(1,132)	-
Expenditures:			
Accrued payroll	1,343,309	283,835	1,627,144
Encumbrances	(145,755)	(96,289)	(242,044)
Other expenditures	728,923	71,720	800,643
Fund Balance - Budgetary Basis	$ 3,328,724	$ 3,434,564	$ 6,763,288

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 – Public Works and Streets - $229,065
General Fund – Transfers to Other Funds – $1,542,711

Schedule of Funding Progress – City Employee Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)		Unfunded AAL (UAAL) (a - b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2009	37,963,510	60,084,860	EAN	(22,121,350)	63.2%	19,845,649	111.5%
July 1, 2007	36,850,006	53,258,078	EAN	(16,408,072)	69.2%	18,344,200	89.4%
July 1, 2007	36,850,006	49,038,912	PUC	(12,188,906)	75.1%	18,344,200	66.4%
July 1, 2005	38,405,760	47,101,375	PUC	(8,695,615)	81.5%	15,889,024	54.7%
July 1, 2003	34,278,831	38,738,865	PUC	(4,460,034)	88.5%	14,583,355	30.6%
July 1, 2001	30,861,366	37,391,605	PUC	(6,530,239)	82.5%	14,627,470	44.6%

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

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

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

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

- Decrease in discount rate from 7.5% to 6.75% in 2009. This change reflects the conservative asset valuation of the plan.

Fiscal Year	Actual Employer Required Contribution per Retirement Plan	Percentage of APC Contributed
2005	$ 1,189,519	100.0%
2006	1,259,042	100.0%
2007	1,412,087	100.0%
2008	1,553,635	65.4%
2009	1,628,972	68.5%
2010	1,703,544	72.7%

Schedule of Funding Progress – Other Post Employment Benefits

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

	July 1, 2008
Actuarial accrued liability - AAL (a)	$15,764,535
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability – UAAL (funding excess) (a) – (b)	$15,764,535
Funded ratio (b)/(a)	0%
Covered payroll (c)	$30,904,366
UAAL (funding excess) as a % of covered payroll [UAAL/(c)]	51%

Three year trend information is not available.

OTHER SUPPLEMENTARY INFORMATION

Schedule of Changes in Fund Balances - Non-Major Governmental Funds, Year Ended June 30, 2010

Fund	Fund Balance 7/1/2009	Changes in Fund Balance	Fund Balance 6/30/2010
Special Revenue Funds:			
Real Property Proceeds	$ 2,275	$ -	$ 2,275
RSVP	(9,933)	2,409	(7,524)
Public Library	9,311	569	9,880
Small Business Loan	163,004	244	163,248
CDBG	1,885,537	(1,012,300)	873,237
HOME Investment CDBG	(9,652)	26,327	16,675
Lawton Urban Housing	234	-	234
Police Grant	13,845	(4,154)	9,691
Park Fee Fund	93,031	11,700	104,731
Hunting & Fishing Permits	9,543	(63,625)	(54,082)
Narcotics Fund	37,573	(9,898)	27,675
Animal Sterilization Fund	180,643	21,016	201,659
Insurance Proceeds	42,125	11,642	53,767
Emergency 911	59,360	(244,353)	(184,993)
Adult Softball	36,256	2,104	38,360
Cemetery Care	192,610	16,606	209,216
Officers Training	83,702	15,865	99,567
Court Credit Card Maintenance	456,145	1,543	457,688
Lawton Parking Authority	1,191	-	1,191
Senior Crafts Fund	86	-	86
Animal License Fund	281,597	42,350	323,947
Elmer Thomas Park	7,796	-	7,796
State Landfill Fund	113,548	(28,949)	84,599
Police Sentinel	1,167	242	1,409
Fire Prevention Education	7,905	159	8,064
Park Fund	2,609	-	2,609
McMahon Authority Grants	23,915	-	23,915
Drainage Maintenance Fund	539,998	113,981	653,979
Animal Donation Fund	9,923	1,798	11,721
Application Fees Fund	19,053	5,634	24,687
Capital Outlay Rolling Stock	2,288,308	(794,477)	1,493,831
LETA Beautification	-	3,435	3,435
Cemetery Reward	5,500	-	5,500
Centennial Fund	6,851	225	7,076
Hotel/Motel Tax Fund	470,622	(374,195)	96,427
Project Impact	29,177	-	29,177
Recylcing Fund	5,952	8,194	14,146
Mass Transit Fund	118,762	35,493	154,255
Reserve Fund	426,129	1,093,491	1,519,620
Federal Grant Fund	210,962	1,007,443	1,218,405
Special Jail Fund	26,876	6,440	33,316
Cellular Service Fee Fund	896,479	(350,111)	546,368
Stormwater Mitigation	207,969	58,933	266,902
Police and Fire Training Fund	176,085	30,895	206,980
Impact Fees	1,541,688	426,926	1,968,614
Capital Project:			
CIP	377,239	546,765	924,004
CIP 1995	554,719	(554,719)	-
CIP Sales Tax 2008	4,036,686	(3,608,530)	428,156
CIP 2000	3,195,559	(3,195,559)	-
Debt Service			
Prior to 1972	780,148	899,003	1,679,151
Ad Valorem 2005	10,261,537	(8,098,383)	2,163,154
Total	$ 29,871,645	$ (13,947,821)	$ 15,923,824

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

Debt Service Coverage Schedule - Year Ended June 30, 2010

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)	$41,142,292
Investment income	44,598
Total Gross Revenue Available	41,186,890
OPERATING EXPENSES:	
Total Operating Expenses	18,728,084
Net Revenue Available for Debt Service	$22,458,806
Maximum Annual Debt Service on all Obligations Payable From Revenues of the System	$7,766,323
Computed Coverage	289%
Coverage Requirement	125%