PERFORMETER®

THE

PERFORMETER®

A Financial Statement Analysis of
The City of Lawton, Oklahoma
As of and for the year ended June 30, 2010

Crawford & Associates, P.C.

For the year ended June 30, 2010, the annual report reflects the following Performeter® ratios.

Performeter® Ratio	What Does the Ratio Mean?	Performeter® Minimum Goal	2010 Ratio	2009 Ratio
Financial Position Ratios				
Unrestricted Net Assets	How do our unrestricted and expendable rainy day funds look?	30-50% of annual revenue	1.9%	2.3%
General Fund Budgetary Fund Balance	How does our General Fund budgetary carryover position look?	10-30% of fund revenue	13.4%	6.9%
Capital Asset Condition	How much useful life do we have left in our capital assets?	At least 50% remaining	54%	55%
Debt to Assets	Who really owns the City?	At least 50% ownership	56%	58%
Liquidity Ratio	Will our vendors and employees be pleased with our ability to pay them on time?	At least 2.00 times	4.94 times	3.74 times
Pension Plan Funding Status	Will our employees be pleased with us when they retire?	At least 95% funded	63%	63%
Financial Performance Ratios				
Change in Net Assets	Did our overall financial condition improve, decline, or remain steady over the past year?	0% change	+9%	+1%
Interperiod Equity	Who paid for the cost of operating the City, current, past or future tax and rate payers?	95-100% current	119%	102%
Sales Tax Growth	What is the state of our local economy?	1% growth	-2%	+4%
BTA Self Sufficiency	Did our current year utility services pay for themselves?	At least 95%	145%	119%
Debt Service Coverage	Were our revenue debt investors be pleased with our ability to pay them on time?	At least 1.25 times	2.89 times	3.90 times
Financial Capability Ratios				
Revenue Dispersion	How dependent are we on revenue sources we cannot directly control?	Less than 50%	57%	57%
Bonded Debt Per Capita	What is our long-term general obligation debt burden on our taxpayers?	Less than $500	$229	$267
Available Legal Debt Limit	Will we be able to issues more long-term general bonded debt, if needed?	At least 50% available	49%	40%
Property Taxes Per Capita	What is our property tax burden on our taxpayers?	Less than $50	$55	$59
Sales Tax Rate	Will our citizens be likely to approve an increase in sales tax rates, if needed?	3.5% or less	4.125%	3.625%
Debt Service Load	How much of our annual budget is loaded with disbursements to pay off long-term debt?	Less than 20%	16%	14%

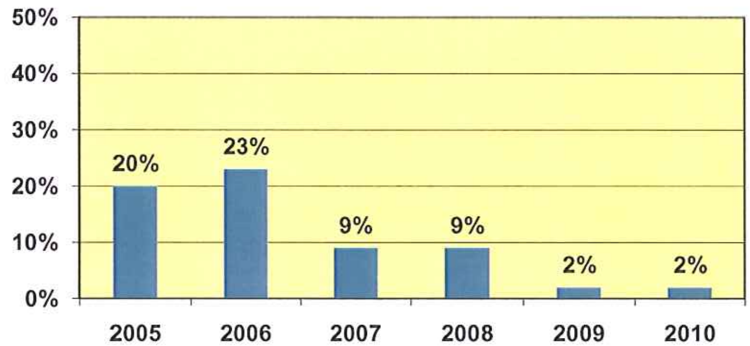
Ratio Category	Performeter® Rating
Financial Position	5.7
Financial Performance	8.4
Financial Capability	5.3
Overall Rating	**6.7**

Performeter® Ratio – Level of Unrestricted Net Assets

The level of unrestricted net assets of the City as compared to annual revenue is an indicator of the City's ability to absorb short-term financial difficulties that may result from revenue shortfalls or unexpected expenditure needs.

Unrestricted Net Assets as a Percentage of Annual Revenue
(How do our unrestricted and expendable rainy day funds look?)

Performeter® Rating	10	5
Benchmarks	50%	30%



Year	2005	2006	2007	2008	2009	2010
% of Revenue	20%	23%	9%	9%	2%	2%

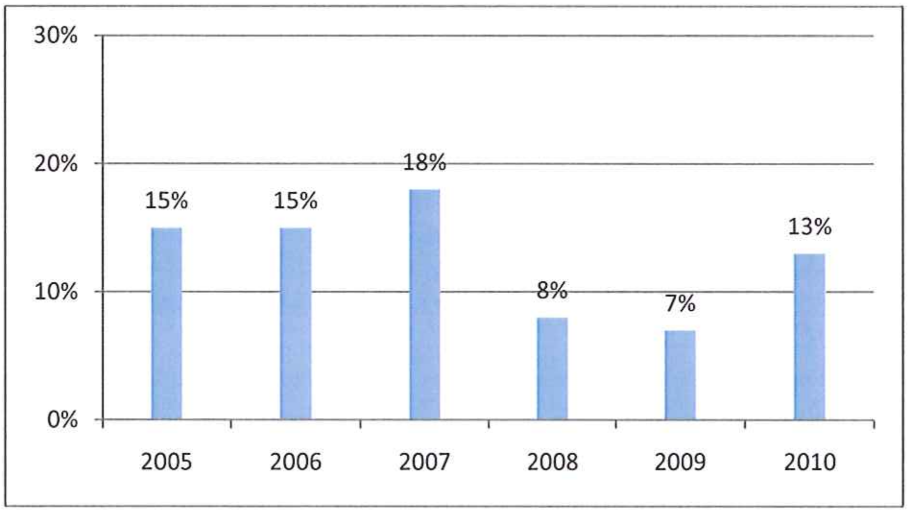
At June 30, 2010, the total City-wide amount of unrestricted, expendable rainy days funds approximated \$2.1 million or 2% of annual revenues. While governmental activities reported unrestricted net assets at 8% of annual revenues, the business-type activities reported a negative (9)% of annual revenues as unrestricted net assets, or in other words, an unrestricted net asset deficit. It should be noted that while the amounts reported above are considered unrestricted net assets, certain portions of these amounts are reserved internally for specific fund purposes.

Performeter® Ratio – Budgetary Fund Balance

One meaningful financial indicator of the City's operating financial condition is a comparison of the amount of budgetary unreserved fund balance of the General Fund to its annual fund revenue. Budgetary unreserved fund balances are needed in order to provide a funding source to manage occurrences such as revenue shortfalls, unexpected expenditure needs, and monthly cash flow requirements.

Budgetary Unreserved Fund Balance as a Percentage of Fund Annual Revenue
(How does our General Fund budgetary carryover position look?)

Performeter® Rating	10	5
Benchmarks	30%	10%



General Fund	2005	2006	2007	2008	2009	2010
Unreserved %	15%	15%	18%	8%	7%	13%

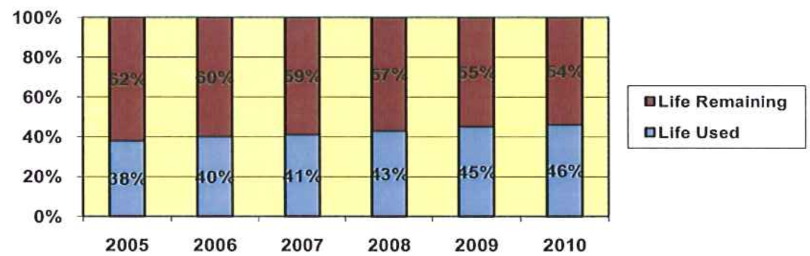
At June 30, 2010, the General Fund's total budgetary unreserved fund balance amounted to $6.8 million or 13% of total General Fund revenues. The budgetary unreserved fund balance of 13% is well below the City's desired level of 30% and above the implied statutory budgetary minimum fund balance level of 10%.

Performeter® Ratio – Capital Asset Condition

A measure of the average age of the City's capital assets is the capital asset condition ratio. This ratio compares the amount of accumulated depreciation on depreciable capital assets (such as buildings, vehicles and equipment, improvements, and infrastructure) to the historical cost of such assets.

Capital Asset Accumulated Depreciation as a Percentage of Asset Cost
(How much useful life do we have left in our capital assets?)

Performeter® Rating	10	5
Benchmarks	75%	50%



Year	2005	2006	2007	2008	2009	2010
% of Remaining Useful Life	62%	60%	59%	57%	55%	54%

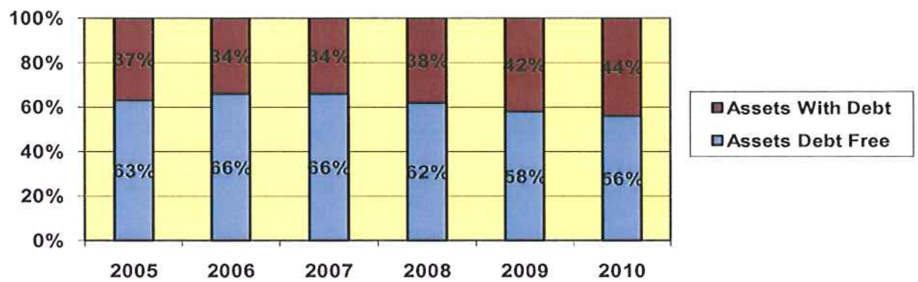
At June 30, 2010, the City owned \$323.4 million of depreciable capital assets with accumulated depreciation on such assets of \$148 million. This indicates that on the average, the City's capital assets have approximately 54% of the useful life remaining. This ratio indicates that the City's capital assets are depreciating at a faster pace than the City can replace them, and continues a five-year decline in the ratio.

Performeter® Ratio – Debt to Asset Solvency

Another measure of the overall solvency of the City is achieved through a comparison of the City's total assets to its total liabilities. The higher the percentage of assets debt free, the better the solvency.

Percentage of Assets Funded With Outstanding Debt
(Who really owns the City?)

Performeter® Rating	10	5
Benchmarks	90%	50%



Year	2005	2006	2007	2008	2009	2010
% of Assets Debt Free	63%	66%	66%	62%	58%	56%

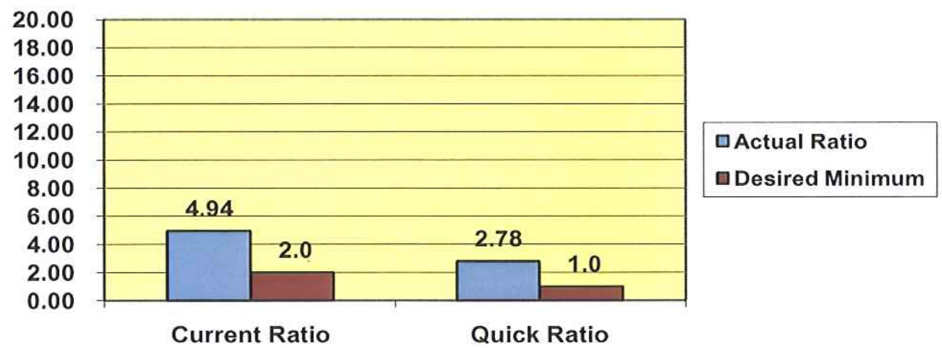
The June 30, 2010 ratio of debt to assets indicates that for every dollar of assets the City owns, it owes 44 cents of that dollar to others. This ratio is considered a satisfactory indicator of solvency, although it continues a decline in the ratio that began in FY 2007.

Performeter® Ratio – Liquidity Ratios

Liquidity ratios measure the City's ability to pay short-term obligations as they become due. The current ratio compares total current assets to current liabilities. The quick ratio is more conservative and compares cash and cash equivalents to current operating liabilities such as accounts payable and accruals. A current ratio of at least 3.0 to 1 and a quick ratio of 2.0 to 1 are indicators of favorable liquidity.

Current Assets Compared to Current Liabilities
(Will our vendors and employees be pleased with our ability to pay them on time?)

Performeter® Rating Benchmarks	10	5
Current ratio	3.0 - 1	2.0 - 1
Quick ratio	2.0 - 1	1.0 - 1



Year	2005	2006	2007	2008	2009	2010
Current ratio	14.7	13.8	10.2	3.77	3.74	4.94
Quick ratio	5.4	4.5	3.3	1.36	0.90	2.78

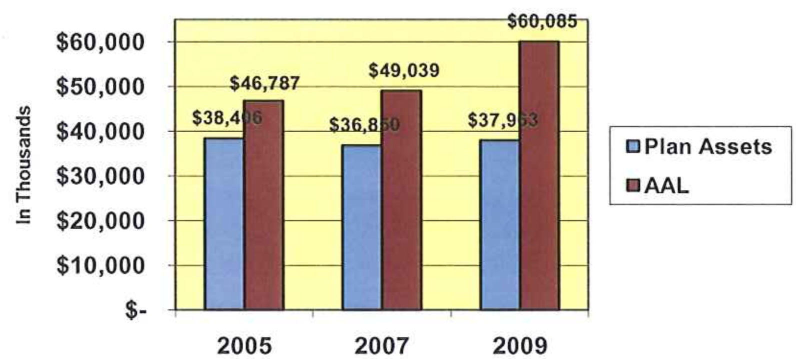
The City's liquidity ratios continue to increase and are quite strong with the current ratio and the quick ratio well above the benchmark level.

Performeter® Ratio – Pension Plan Funding Status of the City's Single-Employer Defined Benefit Plan

The pension funding ratio compares the actuarial fair value of the pension plan's assets to the actuarial accrued liability for pension benefits. A percentage less than 100% indicates the plan is underfunded at the valuation date.

Fair Value of Plan Assets as a Percentage of the Actuarial Accrued Liabilities (AAL)
(Will our employees be pleased with us when they retire?)

Performeter® Rating	10	5
Benchmarks	110%	95%



Year	2005	2007	2009
Funded %	82%	75%	63%

Since the retirement plan only has an actuarial valuation done every two years, the actuarial values did not change from fiscal year 2009. At June 30, 2010, the City's defined benefit pension plan was 63% funded, indicating that the plan is funded at a level where the fair value of the plan's net assets is below the actuarial plan liability. In addition, at June 30, 2010, the City had an accumulated net pension obligation (resulting from actual plan contributions made that were less than the actuarially required contributions) in the amount of $5 million.

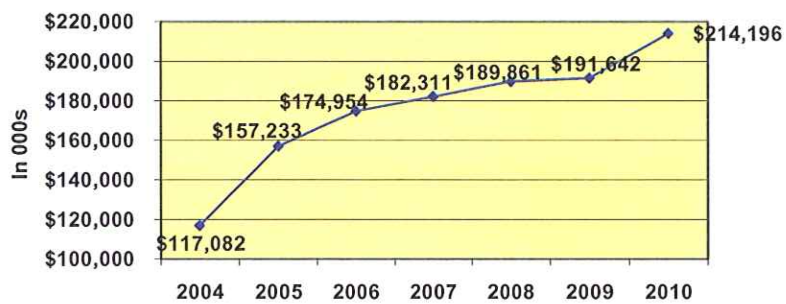
Performeter® Ratio – Change in Net Assets

The primary financial indicator in evaluating the overall change in the City's financial condition is the Change in Net Assets ratio. This ratio measures the dollar and percentage change in the City's net assets (the difference between total assets and total liabilities) from the prior year.

One of the most important questions asked about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the year's activities?" This ratio helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's infrastructure, and quality of service to assess the overall health of the City.

Change in Government-Wide Net Assets
(Did our overall financial condition improve, decline or remain steady over the past year?)

Performeter® Rating	10	5
Benchmarks	10%	0%



Year	2005	2006	2007	2008	2009	2010
% Change	+12.6%	+4%	+4.2%	+4.7%	+0.9%	+9.4%

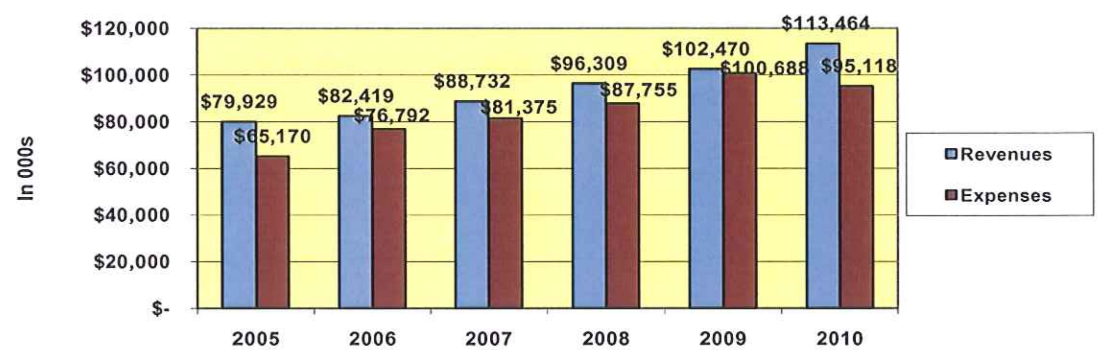
For the year ended June 30, 2010, the City experienced an $18.3 million or 9.4% increase in total government-wide net assets. This indicates that the City's overall financial condition improved over the past year. The City's governmental activities recorded a $13.4 million increase in net assets, while business-type activities net assets increased by $4.9 million.

Performeter® Ratio – Interperiod Equity

One measure of financial performance over a given period of time is through the determination of interperiod equity. Interperiod equity is a determination of who actually paid for the cost of current year costs of operation. If current year revenues were sufficient to cover current year expenses (100% or higher coverage), then it can be said that interperiod equity has been achieved. If current year expenses were subsidized by prior year net assets, then it can be said that interperiod equity was not achieved and a portion of the current year costs were financed by prior year tax and rate payers, while if a portion of current year costs were financed with proceeds of long-term debt, then it can be said that some of the current year costs have been shifted to future year tax and rate payers.

Percentage of Current Year Expenses Funded by Current Year Revenues
(Who paid for the cost of operating the City, current, past, or future tax and rate payers?)

Performeter® Rating	10	5
Benchmarks	100%	95%



Year	2005	2006	2007	2008	2009	2010
% Current Funded	123%	107%	109%	110%	102%	119%

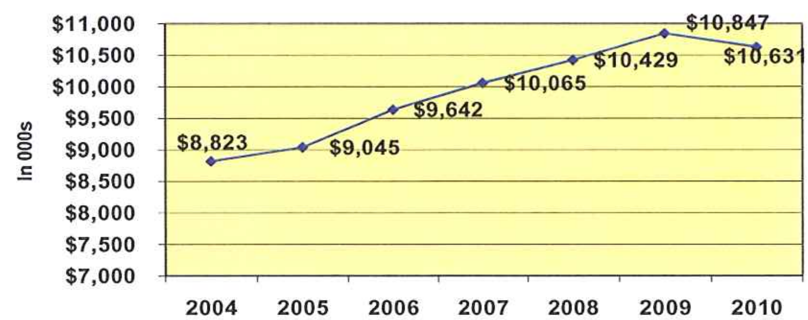
For the year ended June 30, 2010, the full cost of operations was paid by current rate-payers and taxpayers. Current year tax and rate payers provided income that covered current year costs for all activities combined by 119%. This is still considered very favorable and is an increase from the ratio of the prior year.

Performeter® Ratio – Sales Tax Growth

Oklahoma municipalities are not provided the constitutional authority to levy an annual property tax for operations. As a result, they are significantly reliant on sales and use taxes to finance general government operations. As such, the City's ability to finance general government operations is highly dependent on the state of the City's local economy.

Sales and Use Tax Revenue Collections per One Percent Rate
(What is the state of our local economy?)

Performeter® Rating Benchmarks	10	5
% Growth	>5%	1%



Year	2004	2005	2006	2007	2008	2009	2010
Total Tax Collected (in 000s)	$28.7	$29.4	$31.3	$32.7	$36.0	$39.3	$43.9
Average Tax Rate	3.25%	3.25%	3.25%	3.25%	3.45%	3.625%	4.125%
Collected per One Cent (in 000s)	$8.8	$9.0	$9.6	$10.1	$10.4	$10.8	$10.6
% Change per One Cent	-	+2.5%	+6.6%	+4.4%	+3.6%	+4.0%	-2.0%

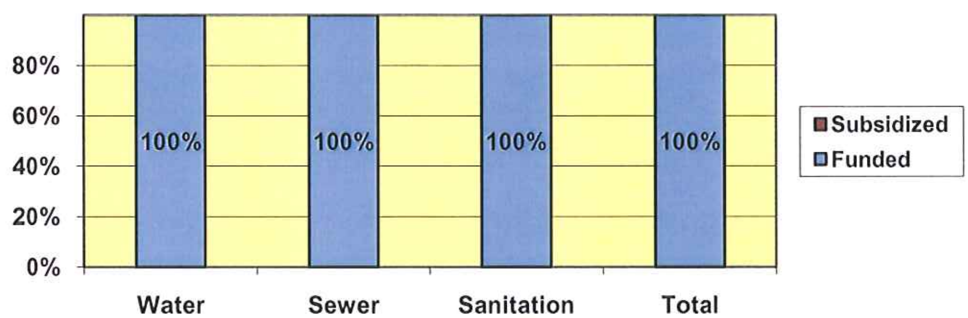
For the year ended June 30, 2010, the City's sales and use tax collections increased by approximately $4.5 million or 11.5% from the prior year. Although the City's sales tax rate of 4.125% was in effect for the full fiscal year, the City still saw a slight decrease in the change per one cent.

Performeter® Ratio – Business-Type Activities (BTA) Self-Sufficiency

Business-type activities are generally considered activities that should generate sufficient income to cover their costs of operation, such as utility services. However, sometimes governments subsidize these services with general revenues, such as dedicated sales tax. A comparison of service charges generated by the services to the annual costs of operation is an indicator of the level at which business-type activities are self-sufficient.

Percentage of BTA Costs Covered by Service Charges
(Did our current year utility services pay for themselves?)

Performeter® Rating	10	5
Benchmarks	105%	95%



Year	2005	2006	2007	2008	2009	2010
% Self-Sufficient	100%	100%	100%	100%	100%	100%

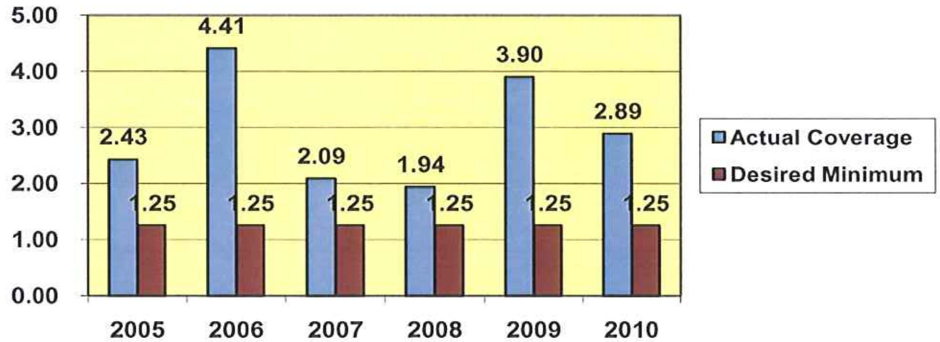
The chart above indicates that the City's utility services were at least 100% self-sufficient. The City's business-type activities reported an increase in net assets before transfers to governmental activities of $12.9 million. The rates charged for utility usage were sufficient to fund the direct cost of operation of these utilities overall and the related depreciation on capital assets.

Performeter® Ratio – Debt Service Coverage

One measure of the City's solvency, or ability to pay long-term obligations as they become due, is the ratio of debt service coverage. This ratio compares the net revenues pledged to the repayment of revenue bond and note debt to the annual debt service requirements of such debt. A ratio of 1.25 to 1 indicates that net revenue pledged was sufficient to cover the amount of annual debt service requirements.

Net Revenues Compared to Average Annual Debt Service Requirements
(Will our revenue debt investors be pleased with our ability to pay them on time?)

Performeter® Rating	10	5
Benchmarks	2-1	1.25-1



Year	2005	2006	2007	2008	2009	2010
Number of Times Covered	2.43	4.41	2.09	1.94	3.90	2.89

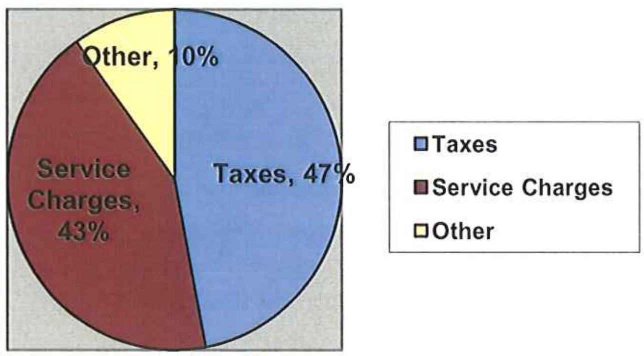
For the year ended June 30, 2010, the City's net revenues from utility rates and other pledged revenues were 2.89 times the year's debt service. This is a favorable indication of solvency, but is a decrease in the ratio from the prior year.

Performeter® Ratio – Revenue Dispersion

The measurement of revenue dispersion is an indicator of how dependent the City is on certain types of revenue. The more dependent the City is on revenue sources beyond its direct control, such as taxes requiring voter approval, grants and other contributions, the less favorable the dispersion.

Percentage of Annual Revenue Not Subject to Direct Control Compared to Total Revenue
(How dependent are we on revenue sources we cannot directly control?)

Performeter® Rating	10	5
Benchmarks	90%	50%



Year	2005	2006	2007	2008	2009	2010
% Not Subject to Direct Control	59%	58%	57%	54%	57%	57%

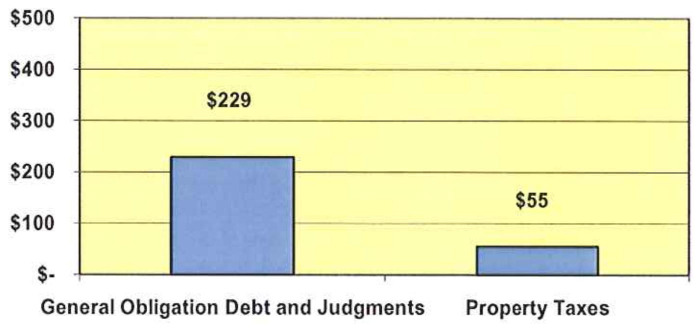
Because Oklahoma municipalities are not provided the constitutional authority to levy a property tax for operations, they are significantly reliant on sales taxes to finance general government operations. The City of Lawton is no exception. The City of Lawton is dependent (57% in 2010) on taxes and other revenues that require voter approval or are outside the City's direct control to finance its operations. The City had direct control of 43% of its annual revenues in 2010 in the form of service charges. This indicates the presence of some exposure to financial difficulties resulting from the reliance on economy based taxes.

Performeter® Ratios – General Obligation Debt and Property Taxes

As previously discussed, Oklahoma municipalities are not provided the constitutional authority to levy an annual property tax for operations. However, municipalities may incur general obligation debt, with voter approval, and court-assessed judgments funded by property taxes to an amount no more than 10% of the net assessed valuation of taxable property for certain types of general obligation bonds. Measures of general bonded debt per capita, remaining legal debt margin, and property taxes per capita are indicators of the City's financing capabilities related to the ability to incur future debt.

General Bonded Debt and Property Taxes Per Capita
(What is our debt and tax burden on our property taxpayers?)

Performeter® Rating Benchmarks	10	5
Debt per Capita	$0	$500
Taxes per Capita	$0	$50
Remaining Legal Debt Margin	100%	50%



Year	2008	2009	2010
General Bonded Debt /Judgments	$17.6 mil.	$24.8 mil.	$23.3 mil.
Taxes per $1000 of Net Assessed Value	$11.03	$13.23	$9.07
Property Taxes Levied (in 000s)	$4,153	$5,486	$5,293
Population	92,757	92,757	96,867
General Bonded Debt per Capita	$177	$267	$229
Property Taxes per Capita	$45	$59	$55
Legal Debt Margin Remaining	56%	40%	49%

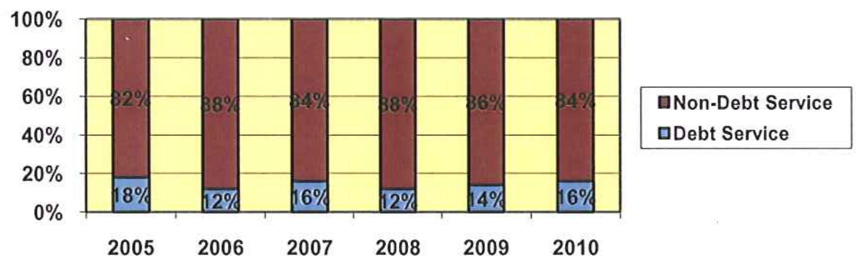
As noted in the table above, at June 30, 2009, the City had $23.5 million in general bonded debt and judgments outstanding, $5,293,445 property taxes levied, and 49% of its general obligation debt issuing capability remaining. This indicates an acceptable financial capability related to general bonded debt and potential to levy property taxes.

Performeter® Ratio – Debt Service Load

The debt service load ratio measures the extent to which the City's non-capital expenditures were comprised of debt service payments on long-term debt.

Percentage of Non-Capital Expenditures Comprised of Debt Service Payments
(How much of our annual budget is loaded with disbursements to pay off long-term debt?)

Performeter® Rating	10	5
Benchmarks	5%	20%



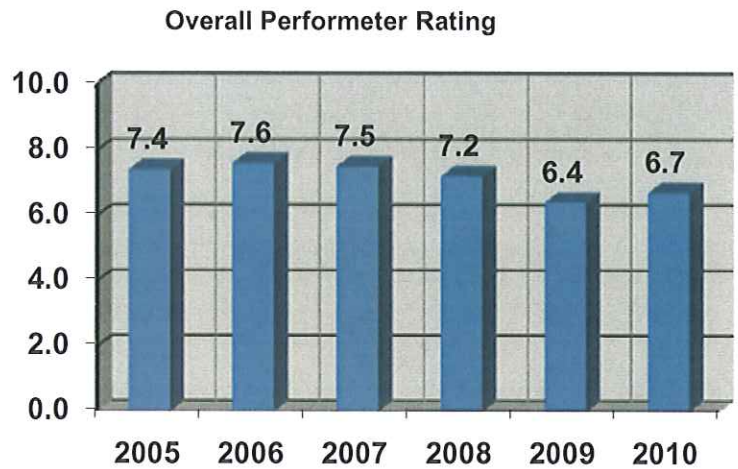
Year	2005	2006	2007	2008	2009	2010
% Debt Service	18%	12%	16%	12%	14%	16%

In 2010, approximately $14.4 million of the $91.2 million of non-capital expenditures (or 16%) represented principal and interest payments on long-term debt. This is a relatively favorable indicator of solvency and indicates that for every dollar of non-capital expenditures made by the City, only 16 cents of that dollar was needed to pay principal and interest on the City's long-term debt.

The Performeter® Analysis

At the end of the fiscal year, City management employed the firm of Crawford & Associates, P.C. to perform a financial analysis of the City's financial health and performance. The firm's trademarked financial analysis tool, **The Performeter®**, uses various financial ratios and a weighted scoring methodology to evaluate and rate the City's financial health and performance. The ratings are based on a weighted ten-point scale with 10 representing the most positive rating, 5 a satisfactory rating, and 1 the most negative rating.

For the year ended June 30, 2010, the City's Overall Performeter® Rating was **6.7**. This represents the evaluator's opinion that the City's overall financial health and performance remained above satisfactory in 2010, with a slight improvement from 2009.[1]



The remaining sections of this Performeter Analysis include the presentation and discussion of the various ratios used in the overall Performeter® Analysis and above ratings.

[1] Performeter® is a registered trademark of Crawford and Associates, P.C., Oklahoma City, OK. All Performeter® evaluations and ratings are the opinion of Crawford & Associates, P.C. and are not audited. The charts and rating are included in this report to facilitate historical comparisons of financial health and performance to prior periods, and are not intended to be used for any other purpose. The ratings are based on benchmarks established solely by Crawford & Associates, P.C.