



# **THE CITY OF LAWTON, OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2009**

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2009**

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**TABLE OF CONTENTS**

	Page
<b>Independent Auditor’s Report on Financial Statements</b> .....	5-6
<b>Management’s Discussion and Analysis</b> .....	7-18
<b>The Basic Financial Statements:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Assets .....	20
Statement of Activities .....	21
<b>Governmental Funds Financial Statements:</b>	
Balance Sheet .....	23
Statement of Changes in Fund Balances.....	24
Reconciliation of Governmental Funds and Government-Wide Financial Statements...	25-26
<b>Proprietary Funds Financial Statements:</b>	
Statement of Net Assets.....	28
Statement of Changes in Net Assets.....	29
Statement of Cash Flows.....	30
<b>Fiduciary Funds Financial Statements:</b>	
Statement of Net Assets.....	32
Pension Trust Fund Statement of Changes in Plan Net Assets.....	33
<b>Combining Financial Statements - Component Units:</b>	
Combining Statement of Net Assets.....	35
Combining Statement of Changes in Net Assets.....	36
<b>Footnotes to the Basic Financial Statements</b> .....	37-61
<b>Required Supplementary Information:</b>	
<b>Budgetary Comparison Information</b>	
Budgetary Comparison Schedule – General Fund.....	63
Footnotes to Budgetary Comparison Schedule.....	64
<b>Retirement Information</b>	
Schedule of Funding Progress – City Employee Retirement System.....	65
Schedule of Funding Progress – OPEB.....	66

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2009**

---

**Supplementary Information:**

<b>Schedule of Changes in Fund Balances - Non-Major Governmental Funds.....</b>	<b>68</b>
<b>Debt Service Coverage Schedule.....</b>	<b>69</b>

## 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, 2009, 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 96 percent, 202 percent, and 95 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 report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for discretely presented component units and the Pension Trust Fund is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2009, 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 October 7, 2010, 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.

The Management's Discussion and Analysis, Retirement Benefit Funding Schedules, and Budgetary Comparison Schedules, as listed in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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 basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Arledge & Associates, P.C.*  
Edmond, Oklahoma  
October 7, 2010

**CITY OF LAWTON, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2009**

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**MANAGEMENT DISCUSSION AND ANALYSIS**

**CITY OF LAWTON, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2009**

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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, 2009. Please read it in conjunction with the City's financial statements, which follow this section.

***FINANCIAL HIGHLIGHTS***

- For the fiscal year ended June 30, 2009, the City's total net assets increased by \$1.8 million or .9% from the prior year.
- During the year, the City's expenses for governmental activities were \$70.4 million and were funded by program revenues of \$14.8 million and further funded with taxes and other general revenues that totaled \$50.7 million.
- In the City's business-type activities, such as utilities, program revenues exceeded expenses by \$6.4 million.
- Sales and use taxes increased by \$3.3 million or 9.2% over the prior fiscal year. In January 2008, the voters approved to increase the sales tax by .375 cents. Fiscal year 2009 was the first full year of the new sales tax.
- At June 30, 2009, the General Fund reported an unreserved, undesignated fund balance of \$8.0 million, which is a decrease of 4.8% from the prior year.
- For budgetary reporting purposes, the General Fund reported revenues under estimates by \$794,833 or 1.6%, while expenditures were under final appropriations by \$3,711,988 or 8.0%.

***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 seven 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

**CITY OF LAWTON, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2009**

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***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, parks 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
- **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

**CITY OF LAWTON, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2009**

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- **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.

**CITY OF LAWTON, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2009**

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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 parks. 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 the essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

**CITY OF LAWTON, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2009**

*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 \$191,642,281 at the close of the most recent fiscal year.

Table 1  
Net Assets  
(In Thousands)

	Governmental		% Inc. (Dec.)	Business-type		% Inc. (Dec.)	Total		% Inc. (Dec.)
	Activities			Activities			Primary Government		
	2009	2008		2009	2008		2009	2008	
Current and other assets	\$ 79,544	\$ 64,704	23%	\$ 12,897	\$ 14,602	-12%	\$ 92,441	\$ 79,306	17%
Capital assets	66,306	68,210	-3%	169,864	157,415	8%	236,170	225,625	5%
Total assets	145,850	132,914	10%	182,761	172,017	6%	328,611	304,931	8%
Long-term debt outstanding	33,198	25,135	32%	88,788	74,554	19%	121,986	99,689	22%
Other liabilities	12,035	13,929	-14%	2,948	1,453	103%	14,983	15,382	-3%
Total liabilities	45,233	39,064	16%	91,736	76,007	21%	136,969	115,071	19%
Net assets:									
Invested in capital assets,									
net of debt	48,887	50,071	-2%	88,427	86,669	2%	137,314	136,740	0%
Restricted	47,992	39,806	21%	3,984	4,787	-17%	51,976	44,593	17%
Unrestricted	3,738	3,973	-6%	(1,386)	4,554	-130%	2,352	8,527	-72%
Total net assets	\$ 100,617	\$ 93,850	7%	\$91,025	\$96,010	-5%	\$191,642	189,860	1%

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 2009, this investment in capital assets, net of related debt amounted to \$137,314,013. 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, \$51,975,563 also represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$2,352,705, 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.

**CITY OF LAWTON, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2009**

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

*Governmental Activities:*

Current and other assets – Increase of \$14 million (23%) due to an increase in cash and investments related to construction accounts from the issuance of General Obligation Debt.

Long-term debt outstanding – Increase of \$8.1 million (32%) due to the issuance of \$11 million in general obligation bonds.

Restricted Net Assets – Increase of \$8.2 million (21%) due mainly to an increase in the 2008 CIP restricted funds from unspent general obligation bond proceeds.

*Business-Type Activities:*

Long-term Debt Outstanding – Increase of \$13.6 million (19%) due primarily to draws on OWRB notes of \$16.4 million and normal debt service principal payments of \$4.8 million.

**Changes in Net Assets**

For the year ended June 30, 2009, 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.)
	2009	2008		2009	2008		2009	2008	
Revenues:									
Program revenues:									
Charges for services	\$ 8,263	\$ 8,784	-6%	\$ 36,134	\$ 32,022	13%	\$ 44,397	\$ 40,806	9%
Operating grants and contributions	6,501	6,130	6%	586	430	36%	7,087	6,560	8%
Capital grants and contributions	33	90	-63%	-	269	-	33	359	-91%
General revenues:									
Sales and use taxes	39,324	35,980	9%	-	-	-	39,324	35,980	9%
Other taxes	8,575	8,918	-4%	-	-	-	8,575	8,918	-4%
Other general revenue	2,804	3,056	-8%	250	630	-60%	3,054	3,686	-17%
Total revenues	65,500	62,958	4%	36,970	33,351	11%	102,470	96,309	6%
Program expenses:									
General government	12,431	9,594	30%	-	-	-	12,431	9,594	30%
Public safety	31,609	30,314	4%	-	-	-	31,609	30,314	4%
Public works and streets	12,385	10,478	18%	-	-	-	12,385	10,478	18%
Health	-	-	-	-	-	-	-	-	-
Transportation	3,219	4,044	-20%	-	-	-	3,219	4,044	-20%
Cultural, parks and recreation	8,691	7,915	10%	-	-	-	8,691	7,915	10%
Community/economic development	1,034	862	20%	-	-	-	1,034	862	20%
Interest	1,008	982	3%	-	-	-	1,008	982	3%
Water	-	-	-	12,881	10,907	18%	12,881	10,907	18%
Sewer	-	-	-	11,176	9,253	21%	11,176	9,253	21%
Sanitation	-	-	-	6,254	3,406	84%	6,254	3,406	84%
Total expenses	70,377	64,189	10%	30,311	23,566	29%	100,688	87,755	15%
Excess (deficiency) before transfers	(4,877)	(1,231)	-296%	6,659	9,785	-32%	1,782	8,554	-79%
Transfers	11,644	15,829	-26%	(11,644)	(15,829)	-26%	-	-	-
<b>Increase (decrease) in net assets</b>	<b>\$ 6,767</b>	<b>\$ 14,598</b>	<b>-54%</b>	<b>\$ (4,985)</b>	<b>\$ (6,044)</b>	<b>18%</b>	<b>\$ 1,782</b>	<b>\$ 8,554</b>	<b>-79%</b>

**CITY OF LAWTON, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2009**

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

*Governmental Activities:*

General Government Expenses – Increase of \$2.7 million (28%) due mainly to \$1.2 million in uncapitalized capital outlay.

*Business-Type Activities:*

Water Expenses – Increase of \$1.9 million (18%) due primarily to increase in operational cost and interest expense related to capital debt.

Sewer Expenses – Increased \$1.9 million (21%) due to an increase in operational cost.

Sanitation Expenses – Increase of \$2.8 million (84%) due to an increase in landfill closure cost.

**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.)
	2009	2008		2009	2008	
General government	\$12,431	\$9,594	30%	(\$4,944)	(\$1,276)	287%
Public safety	31,609	30,314	4%	(29,437)	(27,787)	6%
Public works and streets	12,385	10,478	18%	(10,393)	(8,459)	23%
Culture, parks and recreation	8,691	7,915	10%	(8,173)	(7,354)	11%
Community/economic development	1,034	862	20%	(1,034)	(862)	-20%
Transportation	3,219	4,044	-20%	(590)	(2,465)	-76%
Interest on long-term debt	1,008	982	3%	(1,008)	(982)	3%
<b>Total</b>	<b>\$70,377</b>	<b>\$64,189</b>	<b>10%</b>	<b>(\$55,579)</b>	<b>(\$49,185)</b>	<b>13%</b>

**CITY OF LAWTON, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2009**

For the year ended June 30, 2009 total expenses for governmental activities amounted to \$70.4 million which was an increase from the prior year of 10%. 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)**

	<u>Total Expense of Services</u>		<u>% Inc. Dec.</u>	<u>Net Revenue (Expense) of Services</u>		<u>% Inc. Dec.</u>
	<u>2009</u>	<u>2008</u>		<u>2009</u>	<u>2008</u>	
Water	\$ 12,881	\$ 10,907	18%	\$ (6,276)	\$ 6,008	-204%
Wastewater	11,176	9,253	21%	(405)	511	-179%
Sanitation	<u>6,254</u>	<u>3,406</u>	84%	<u>537</u>	<u>2,636</u>	-80%
<b>Total</b>	<u>\$ 30,311</u>	<u>\$ 23,566</u>	29%	<u>\$ (6,144)</u>	<u>\$ 9,155</u>	-167%

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 \$6.4 million for the year ended June 30, 2009.
- For the year ended June 30, 2009 the wastewater activities revenues did not cover the cost of operations. All individual activities reported net revenue for the year ended June 30, 2008.

***A FINANCIAL ANALYSIS OF THE CITY'S FUNDS***

As the City completed its 2009 fiscal year, the governmental funds reported a combined fund balance of \$74 million or a 32.6% increase of \$18.2 million mainly due to unspent transfers into the 2005 CIP Fund of \$6.1 million. The enterprise funds reported combined net assets of \$79 million or a 17.7% decrease from 2008.

Other fund highlights include:

- For the year ended June 30, 2009, the General Fund's total fund balance decreased by \$415,908 or 4.8% due mainly to a decrease in transfers from other funds.
- The 2005 CIP Fund's total fund balance increased by \$6.1 million or 20.6% due to an increase in transfers in of approximately \$18.5 million.

**CITY OF LAWTON, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2009**

**General Fund Budgetary Highlights**

- Over the course of the year, the City Council revised the General Fund budget various times. Actual revenues exceeded estimates by \$794,833 or 15.8%, while expenditures were under final appropriations by \$3,711,988 or 8.0%.

***CAPITAL ASSET AND DEBT ADMINISTRATION***

**Capital Assets**

At the end of June 30, 2009, the City had \$236.2 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 \$10.5 million or 4.7% over last year.

**TABLE 5  
Primary Government Capital Assets  
(In Thousands)  
(Net of accumulated depreciation)**

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 3,010,956	\$ 3,010,956	\$ 1,405,555	\$ 1,405,554	\$ 4,416,511	\$ 4,416,510
Buildings and utility infrastructure	12,720,683	13,248,699	104,855,555	105,039,154	117,576,238	118,287,853
Machinery, furniture and equipment	7,530,915	7,590,064	4,634,597	4,041,426	12,165,512	11,631,490
Infrastructure	25,209,264	25,850,277	-	-	25,209,264	25,850,277
Unamortized water rights	-	-	15,872,155	16,307,008	15,872,155	16,307,008
Construction in progress	17,834,079	18,509,588	43,096,185	30,622,202	60,930,264	49,131,790
<b>Totals</b>	<u>\$ 66,305,897</u>	<u>\$ 68,209,584</u>	<u>\$ 169,864,047</u>	<u>\$ 157,415,344</u>	<u>\$ 236,169,944</u>	<u>\$ 225,624,928</u>

This year's more significant capital asset additions included:

Water Storage Tank Renovation	\$1,256,947
Water Meter System	\$12,056,072
Water Infrastructure – Tower	\$1,725,384
SCADA System	\$254,218
Hunter Road Street Reconstruction	\$809,757

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 \$123 million in long-term debt outstanding which represents a \$22.5 million or 22.3% increase from the prior year. The City's changes in long-term debt by type of debt are as follows:

**CITY OF LAWTON, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2009**

TABLE 6  
Primary Government Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
	Accrued absences	\$ 4,771,821	\$ 4,463,411	\$ 703,127	\$ 690,367	\$ 5,474,948
General Obligation Bonds	24,770,000	16,395,000	-	-	24,770,000	16,395,000
General Obligation Bond Premium	116,351	126,047	-	-	116,351	126,047
Worker's Compensation	917,864	571,395	613,869	392,633	1,531,733	964,028
Judgments Payable	1,008,901	1,173,928	-	-	1,008,901	1,173,928
Revenue Bonds	-	-	4,425,000	5,785,000	4,425,000	5,785,000
Revenue Bonds Premium	-	-	160,277	240,416	160,277	240,416
Notes Payable	2,000,000	2,000,000	60,287,692	46,759,089	62,287,692	48,759,089
Contracts Payable	-	-	16,564,102	17,075,497	16,564,102	17,075,497
Landfill Closure and Post-closure	-	-	6,034,914	3,610,793	6,034,914	3,610,793
Capital Leases	339,864	976,887	-	-	339,864	976,887
<b>Totals</b>	<b>\$ 33,924,801</b>	<b>\$ 25,706,668</b>	<b>\$ 88,788,981</b>	<b>\$ 74,553,795</b>	<b>\$ 122,713,782</b>	<b>\$ 100,260,463</b>

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 2009-2010**

The City Council made some very difficult budget decisions last year regarding Utility Rate adjustments that translated into significant increases of water, sewer and refuse rates. Sales Tax revenues continue to do relatively well compared to most cities in the State of Oklahoma. The City of Lawton has been fortunate to experience a steady increase in sales tax revenues over the last several years and expects to see a moderate increase for FY 2009-2010 budget year.

On the expenditure side the City of Lawton is incorporating a "steady as you go" premise regarding increases in departmental spending. 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 does anticipate receiving stimulus dollars for law enforcement, capital improvements to water/sewer infrastructure projects and transportation programs.

Some of the major priorities that the City will focus on in the upcoming year will be:

1. Implementation of the Regional Growth Management Plan/Federal Stimulus
2. Complete transition of the Regional E911 Dispatch Center.
3. Develop project schedule and funding options for Wastewater Treatment Facilities
4. Continue building public safety capacity (Police and Fire).
5. Stabilize financial strength of the City's Retirement Plan.
6. Continue working with the various labor unions regarding labor contracts.

Overall the key management strategy for the upcoming fiscal year is simply to take measured steps to maximize resources and to target specific operations where expenditures can be reduced. The complexity of the conflicting set of economic trends links opportunity for change with a focus on City Council priorities. We believe that 80% of our time, energy, money and personnel on the top 20% of the City's priorities will produce the desired results and maintain current levels of service to the community.

**CITY OF LAWTON, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2009**

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**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. 4<sup>th</sup> Street  
Lawton, Oklahoma 73501

Telephone at 580-581-3305

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2009**

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**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE**

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2009

**Statement of Net Assets– June 30, 2009**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>ASSETS:</b>				
Cash and cash equivalents	\$18,390,976	\$3,478,989	\$21,869,965	\$1,370,032
Investments	52,536,366	3,717,962	56,254,328	-
Interest receivable	245,993	23,552	269,545	-
Accounts receivable, net	1,415,652	4,757,618	6,173,270	67,442
Inventory	-	-	-	42,036
Due from other governments	6,759,680	-	6,759,680	740,651
Due from primary government	-	-	-	288
Internal balances	(21,819)	21,819	-	-
Prepaid items	-	-	-	15,068
Other assets	-	-	-	5,584
Capital assets:				
Land and construction in progress	20,845,035	44,501,740	65,346,775	609,481
Other capital assets, net of depreciation	45,460,862	125,362,307	170,823,169	15,241,473
Unamortized bond issuance costs	217,216	896,837	1,114,053	13,250
<b>Total assets</b>	<b>145,849,961</b>	<b>182,760,824</b>	<b>328,610,785</b>	<b>18,105,305</b>
<b>LIABILITIES:</b>				
Accounts payable and accrued liabilities	5,757,129	1,677,799	7,434,928	77,041
Escrow liability	517,137	-	517,137	-
Due to component unit	288	-	288	-
Grants payable	-	-	-	4,746
Accrued interest payable	216,978	1,098,238	1,315,216	59,895
Deferred revenue	-	-	-	4,480
OPEB liability	493,269	170,958	664,227	-
Net pension obligation	4,322,926	-	4,322,926	-
Long-term liabilities:				
Due within one year	4,651,415	9,987,877	14,639,292	467,755
Due in more than one year	29,273,386	78,801,104	108,074,490	9,142,525
<b>Total liabilities</b>	<b>45,232,528</b>	<b>91,735,976</b>	<b>136,968,504</b>	<b>9,756,442</b>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	48,887,037	88,426,976	137,314,013	15,829,926
Restricted for:				
Debt service	780,148	3,236,304	4,016,452	-
Capital projects	43,162,495	-	43,162,495	19,211
Grantor purposes	2,346,400	-	2,346,400	103,507
Landfill financial assurance	-	747,443	747,443	-
Other purposes	1,702,773	-	1,702,773	1,428
Unrestricted	3,738,580	(1,385,875)	2,352,705	(7,605,209)
<b>Total net assets</b>	<b>\$100,617,433</b>	<b>\$91,024,848</b>	<b>\$191,642,281</b>	<b>\$8,348,863</b>

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2009

**Statement of Activities – Year Ended June 30, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Primary Government:</b>								
<b>Governmental activities:</b>								
General government	\$12,430,991	\$4,561,831	\$2,891,689	\$33,412	(\$4,944,569)	-	(\$4,944,569)	-
Public safety	31,608,838	1,855,124	316,678	-	(29,437,036)	-	(29,437,036)	-
Streets	12,385,687	1,142,055	859,353	-	(10,392,679)	-	(10,392,679)	-
Culture and recreation	8,113,567	396,294	122,944	-	(7,595,229)	-	(7,595,229)	-
Community development	833,587	-	-	-	(833,587)	-	(833,587)	-
Transportation	3,218,752	308,110	2,320,684	-	(589,958)	-	(589,958)	-
Economic development - payment to component unit	209,911	-	-	-	(209,911)	-	(209,911)	-
Culture and recreation - payment to component unit	577,798	-	-	-	(577,798)	-	(577,798)	-
Interest on long-term debt	1,697,681	-	-	-	(1,697,681)	-	(1,697,681)	-
<b>Total governmental activities</b>	<b>70,377,122</b>	<b>8,263,414</b>	<b>6,590,848</b>	<b>33,412</b>	<b>(55,579,448)</b>	<b>-</b>	<b>(55,579,448)</b>	<b>-</b>
<b>Business-type activities:</b>								
Water	12,881,399	19,157,538	-	-	-	6,276,139	6,276,139	-
Wastewater	11,176,384	10,186,039	585,545	-	-	(404,809)	(404,809)	-
Sanitation	6,243,591	6,799,693	-	-	-	537,192	537,192	-
<b>Total business-type activities</b>	<b>30,311,284</b>	<b>36,134,270</b>	<b>585,545</b>	<b>-</b>	<b>-</b>	<b>6,408,531</b>	<b>6,408,531</b>	<b>-</b>
<b>Total primary government</b>	<b>\$100,688,406</b>	<b>\$44,397,684</b>	<b>\$7,086,393</b>	<b>\$33,412</b>	<b>(55,579,448)</b>	<b>6,408,531</b>	<b>(49,170,917)</b>	<b>-</b>
<b>Component Units:</b>								
Airport	\$2,942,923	\$1,895,389	\$599,941	\$107,915	-	-	-	(\$319,678)
Culture and recreation	924,896	257,259	45,281	52,199	-	-	-	(\$70,157)
Economic development	5,479,755	30,669	-	-	-	-	-	(5,449,755)
Transportation	153,351	-	138,569	-	-	-	-	(14,791)
<b>Total component units</b>	<b>\$9,500,925</b>	<b>\$2,183,648</b>	<b>\$783,782</b>	<b>\$160,114</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,374,381)</b>
<b>General revenues:</b>								
<b>Taxes:</b>								
Sales and use taxes	-	-	-	-	39,323,585	-	39,323,585	-
Tax increment financing sales taxes	-	-	-	-	-	-	-	-
Property tax	-	-	-	-	4,700,622	-	4,700,622	-
Franchise and public service taxes	-	-	-	-	2,724,354	-	2,724,354	-
Hotel/motel taxes	-	-	-	-	1,149,982	-	1,149,982	-
Intergovernmental revenue not restricted to specific programs	-	-	-	-	771,712	-	771,712	-
Investment income	-	-	-	-	1,121,970	213,602	1,335,572	19,946
Miscellaneous	-	-	-	-	999,999	36,643	946,633	-
Payment from primary government	-	-	-	-	-	-	-	778,709
Payment to primary government	-	-	-	-	-	-	-	(18,405)
<b>Transfers - Internal activity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,644,365</b>	<b>(11,644,365)</b>	<b>-</b>	<b>-</b>
<b>Total general revenues and transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62,346,589</b>	<b>(11,394,120)</b>	<b>50,952,469</b>	<b>780,259</b>
<b>Change in net assets</b>								
					6,767,132	(4,985,589)	1,781,543	(5,594,131)
<b>Net assets - beginning</b>					<b>93,850,301</b>	<b>96,010,437</b>	<b>189,860,738</b>	<b>13,942,994</b>
<b>Net assets - ending</b>					<b>\$100,617,433</b>	<b>\$91,024,848</b>	<b>\$191,642,281</b>	<b>\$8,348,863</b>

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2009**

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**BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS**

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2009

**Governmental Funds Balance Sheet - June 30, 2009**

	<u>General Fund</u>	<u>2005 CIP Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 1,128,551	\$ 774,881	\$ 16,018,810	\$ 17,922,242
Investments	1,792,361	37,515,853	13,228,152	52,536,366
Receivables:				
Accounts receivable	61,016	-	1,354,636	1,415,652
Accrued interest receivable	12,682	148,031	85,280	245,993
Due from other funds	328,430	-	359,503	687,933
Due from other governments and entities	6,722,702	-	36,978	6,759,680
 Total assets	 <u>\$ 10,045,742</u>	 <u>\$ 38,438,765</u>	 <u>\$ 31,083,359</u>	 <u>\$ 79,567,866</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,873,989	\$ 1,991,378	\$ 816,445	\$ 4,681,812
Escrow liability	-	517,137	-	517,137
Due to other funds	-	-	395,269	395,269
Due to component unit	288	-	-	288
 Total liabilities	 <u>1,874,277</u>	 <u>2,508,515</u>	 <u>1,211,714</u>	 <u>5,594,506</u>
Fund Balances:				
Reserved for:				
Encumbrances and other purposes	145,755	4,652,944	2,471,554	7,270,253
Unreserved	8,025,710	31,277,306	-	39,303,016
Unreserved, reported in:				
Special Revenue Funds	-	-	19,660,929	19,660,929
Capital Project Funds	-	-	6,959,014	6,959,014
Debt Service Funds	-	-	780,148	780,148
 Total fund balances	 <u>8,171,465</u>	 <u>35,930,250</u>	 <u>29,871,645</u>	 <u>73,973,360</u>
 Total liabilities and fund balances	 <u>\$ 10,045,742</u>	 <u>\$ 38,438,765</u>	 <u>\$ 31,083,359</u>	 <u>\$ 79,567,866</u>

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2009

**Governmental Funds Statement of Changes in Fund Balances – Year Ended June 30, 2009**

	<u>General Fund</u>	<u>2005 CIP Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes	\$42,793,468	-	\$6,048,847	\$48,842,315
Intergovernmental	1,006,117	-	4,444,992	5,451,109
Charges for services	-	-	5,952	5,952
Fines and forfeitures	2,516,247	-	436,230	2,952,477
Licenses and permits	1,258,139	-	3,991,377	5,249,516
Investment income	202,853	\$637,219	259,388	1,099,460
Miscellaneous	694,889	165,000	1,020,765	1,880,654
<b>Total Revenues</b>	<u>48,471,713</u>	<u>802,219</u>	<u>16,207,551</u>	<u>65,481,483</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	6,522,642	-	1,892,300	8,414,942
Public safety	23,721,712	-	1,986,563	25,708,275
Public works and streets	7,328,293	-	1,785,461	9,113,754
Culture and recreation	4,828,484	-	1,553,939	6,382,423
Community development	-	-	782,974	782,974
Transportation	-	-	3,218,752	3,218,752
Capital outlay	282,554	8,862,999	6,565,534	15,711,087
<b>Debt service:</b>				
Principal retirement	-	-	3,262,023	3,262,023
Interest and fiscal charges	-	-	866,264	866,264
Judgments	-	-	578,694	578,694
<b>Total Expenditures</b>	<u>42,683,685</u>	<u>8,862,999</u>	<u>22,492,504</u>	<u>74,039,188</u>
Excess (deficiency) of revenues over expenditures	5,788,028	(8,060,780)	(6,284,953)	(8,557,705)
<b>Other Financing Sources (Uses):</b>				
Bond proceeds	-	-	11,000,000	11,000,000
Transfers in	13,794,915	18,462,905	8,911,542	41,169,362
Transfers out	(19,564,458)	(4,256,711)	(809,932)	(24,631,101)
Transfer from discretely presented component unit	18,405	-	-	18,405
Transfer to discretely presented component unit	(452,798)	-	(325,911)	(778,709)
<b>Total Other Financing Sources (Uses)</b>	<u>(6,203,936)</u>	<u>14,206,194</u>	<u>18,775,699</u>	<u>26,777,957</u>
Net change in fund balances	(415,908)	6,145,414	12,490,746	18,220,252
<b>Fund balances - beginning</b>	8,587,373	29,784,836	17,380,899	55,753,108
<b>Fund balances - ending</b>	<u>\$8,171,465</u>	<u>\$35,930,250</u>	<u>\$29,871,645</u>	<u>\$73,973,360</u>

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2009**

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**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

**Fund Balance – Net Assets Reconciliation:**

<b>Fund balances of governmental funds</b>	<b>\$73,973,360</b>
 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 \$82,863,981.	<u>66,059,152</u>
Certain long-term assets are not available to pay for current fund liabilities: Unamortized bond issuance costs	<u>217,216</u>
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	<u>(674,321)</u>
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
General obligation bonds payable	(24,770,000)
Unamortized debt premium	(116,351)
Accrued interest payable	(216,978)
Capital lease payables	(339,864)
Accrued compensated absences	(4,771,821)
Accrued workers compensation claims	(917,864)
OPEB liability	(493,269)
Note payable	(2,000,000)
Judgments payable	(1,008,901)
Net pension obligation	<u>(4,322,926)</u>
	<u>(38,957,974)</u>
 <b>Net assets of governmental activities</b>	 <b><u>\$100,617,433</u></b>

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2009

**Changes in Fund Balances – Changes in Net Assets Reconciliation:**

**Net change in fund balances - total governmental funds** \$18,220,252

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	7,979,966
Loss on disposal of capital assets	(888,837)
Capital assets transferred to business-type activities	(4,893,896)
Depreciation expense	(4,013,672)
	(1,816,439)

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	(416,938)
Judgment payments	581,965
Capital lease principal payments	637,023
General obligation bond principal payments	2,625,000
General obligation bond proceeds	(11,000,000)
Net pension obligation increase	(724,910)
Bond issuance cost amortized	196,161
	(8,101,699)

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	(154,384)
Change in OPEB liability	(493,269)
Change in accrued compensated absences	(473,349)
Change in amortization of bond premium	9,696
Change in amortization of bond issue costs	(10,203)
Change in accrued worker's compensation claims	(346,469)
	(1,467,978)

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	(67,004)
	(67,004)

**Change in net assets of governmental activities** \$6,767,132

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2009**

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**BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS**

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2009

**Proprietary Funds Statement of Net Assets - June 30, 2009**

	<b>Lawton Water Authority</b>	<b>Internal Service Funds</b>
<b>ASSETS:</b>		
Current Assets:		
Cash and cash equivalents	\$2,351,591	\$468,734
Investments	1,416,089	-
Accounts receivable, net of allowance \$869,306	4,757,618	-
Interest receivable	23,552	-
Due from other funds	21,819	888
Total current assets	8,570,669	469,622
Noncurrent Assets:		
Restricted Assets:		
Cash and cash equivalents	1,127,398	-
Investments	2,301,873	-
Unamortized bond and note issue costs	896,837	-
Land and construction in progress	44,501,740	-
Other capital assets, net	125,362,307	246,745
Total noncurrent assets	174,190,155	246,745
Total assets	182,760,824	716,367
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	1,298,945	7,513
Accrued wages payable	378,854	34,469
Accrued interest payable	1,098,238	-
Due to other funds	-	315,371
Accrued compensated absences	84,023	22,887
Landfill post closure liability	4,722,365	-
Claims liability	-	841,812
OPEB liability	170,958	-
Contract payable - Waurika note	529,105	-
Worker's compensation	306,934	-
Notes payable	2,940,450	-
Revenue bonds payable	1,405,000	-
Total current liabilities	12,934,872	1,222,052
Noncurrent liabilities:		
Accrued compensated absences	619,104	168,636
Claims liability	306,935	-
Landfill post closure liability	1,312,549	-
Contract payable	16,034,997	-
Notes payable	57,347,242	-
Revenue bonds payable, net	3,180,277	-
Total noncurrent liabilities	78,801,104	168,636
Total liabilities	91,735,976	1,390,688
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	88,426,976	246,745
Restricted for debt service	3,236,304	-
Restricted for landfill financial assurance	747,443	-
Unrestricted	(1,385,875)	(921,066)
Total net assets	\$91,024,848	(\$674,321)

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2009

**Proprietary Funds Statement of Changes in Net Assets - Year Ended June 30, 2009**

	<u>Lawton Water Authority</u>	<u>Internal Service Funds</u>
<b>Operating Revenues:</b>		
<b>Pledged as security for revenue bonds and notes:</b>		
Charges for services	\$35,983,128	\$7,139,850
Rentals	147,258	-
Other sources	3,884	-
 Total operating revenues	 <u>36,134,270</u>	 <u>7,139,850</u>
<b>Operating Expenses:</b>		
General government and claims	650	6,541,207
Public works operations	19,830,915	-
Computer service operations	-	553,171
Depreciation expense	5,118,889	138,230
Amortization expense	309,432	-
Landfill closure expense	2,424,121	-
 Total operating expenses	 <u>27,684,007</u>	 <u>7,232,608</u>
 Operating income (loss)	 8,450,263	 (92,758)
<b>Non-Operating Revenues (Expenses):</b>		
Investment income	213,602	7,354
Interest expense and fiscal charges	(2,627,277)	-
Other non-operating revenue	622,188	-
 Total non-operating revenues (expenses)	 <u>(1,791,487)</u>	 <u>7,354</u>
 Net income (loss) before contributions and transfers	 6,658,776	 (85,404)
Capital contributions	4,893,896	18,400
Transfers in	4,790,553	-
Transfers out	(21,328,814)	-
 Change in net assets	 <u>(4,985,589)</u>	 <u>(67,004)</u>
 Total net assets - beginning	 96,010,437	 (607,317)
 Total net assets - ending	 <u>\$91,024,848</u>	 <u>(\$674,321)</u>

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2009

**Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2009**

	<u>Lawton Water Authority</u>	<u>Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 36,331,482	\$ 7,139,850
Payments to suppliers	(6,242,720)	-
Payments to employees	(12,072,103)	(528,940)
Receipts from interfund loan	(21,819)	(888)
Payments on interfund loan	(166,171)	15,370
Claims and benefits paid	-	(7,516,548)
Net Cash Provided (Used) by Operating Activities	<u>17,828,669</u>	<u>(891,156)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds	4,790,553	-
Transfers to other funds	(21,328,814)	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>(16,538,261)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from notes issued	16,428,255	-
Capital assets purchased	(12,628,083)	(35,610)
Principal paid on capital debt	(4,765,045)	-
Interest and fiscal charges paid on capital debt	(2,764,913)	-
Proceeds from sale of capital assets	-	3,027
Note issuance cost paid	(162,675)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(3,892,461)</u>	<u>(32,583)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of investments	1,178,142	-
Interest and dividends	215,664	7,354
Net Cash Provided by (Used in) Investing Activities	<u>1,393,806</u>	<u>7,354</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(1,208,247)	(916,385)
<b>Balances - beginning of the year</b>	<u>4,687,236</u>	<u>1,385,119</u>
<b>Balances - end of the year</b>	<u>\$ 3,478,989</u>	<u>\$ 468,734</u>
<b>Reconciliation to Statement of Net Assets:</b>		
Cash and cash equivalents	\$ 2,351,591	\$ 468,734
Restricted cash and cash equivalents	1,127,398	-
Total cash and cash equivalents	<u>\$ 3,478,989</u>	<u>\$ 468,734</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating income (loss)	\$8,450,263	\$ (92,758)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	5,336,316	138,230
Amortization expense	92,005	-
Landfill closure expense	2,424,121	-
Other miscellaneous revenue	622,188	-
Change in assets and liabilities:		
Receivables, net	(424,976)	-
Due from other funds	(21,819)	(888)
Accounts payables	1,072,442	(1,817,154)
Claims liability	221,236	841,812
Due to other funds	(166,171)	15,371
OPEB liability	170,958	-
Accrued wages payable	39,346	(2,353)
Accrued compensated absences	12,760	26,584
Net Cash Provided by Operating Activities	<u>\$ 17,828,669</u>	<u>\$ (891,156)</u>
<b>Non-cash activity:</b>		
Non-cash capital contributions received	<u>\$ 4,893,896</u>	<u>\$ 18,400</u>

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2009**

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**BASIC FINANCIAL STATEMENTS - FIDUCIARY FUNDS**

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2009

**Fiduciary Funds Statement of Net Assets - June 30, 2009**

	<b>City Employees Retirement Trust Fund</b>	<b>Agency Funds</b>
<b>ASSETS:</b>		
Cash and cash equivalents	\$1,394,312	\$402,436
Investments, at book value	1,072,004	1,228,197
Investments, at market value:		
United States government securities and agencies	20,029,757	-
Common Stock	1,452,810	-
Mutual Funds	13,683,581	-
Interest receivable	139,371	908
Employer contributions receivable	73,552	-
Employee contributions receivable	44,096	-
	\$37,889,483	\$1,631,541
<b>Total assets</b>		
<b>LIABILITIES:</b>		
Due to depositors	\$ -	\$1,547,994
Other payables	-	83,547
<b>Total liabilities</b>	-	\$1,631,541
<b>NET ASSETS:</b>		
Held in trust for pension benefits	\$37,889,483	

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2009

**Pension Trust Fund Statement of Changes in Plan Net Assets – Year Ended June 30, 2009**

	<u>City Employees Retirement Trust Fund</u>
<b>ADDITIONS:</b>	
Contributions:	
Members	\$ 1,022,719
Employer	1,559,449
	<hr/>
Total Contributions	2,582,168
	<hr/>
Investment Income (Loss):	
Net decrease in fair value of investments	(3,001,069)
Interest, dividends, and other	1,656,235
Total investment income (loss)	<hr/> (1,344,834)
Less investment expense:	
Investment activity expense	<hr/> (172,632)
Net investment income (loss)	<hr/> (1,517,466)
Total Additions	<hr/> 1,064,702
<b>DEDUCTIONS:</b>	
Benefits paid to participants or beneficiaries	2,641,467
Refunds and transfers to other systems	747,056
Administrative expense	16,897
	<hr/>
Total Deductions	3,405,420
	<hr/>
Change in net assets held in trust for employees' pension benefits	(2,340,718)
Net assets--beginning	40,230,201
Net assets--ending	<hr/> <u>\$ 37,889,483</u>

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2009

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**COMBINING FINANCIAL STATEMENTS - COMPONENT UNITS**

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2009

**Component Units – Combining Statement of Net Assets - June 30, 2009**

	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
<b>ASSETS</b>							
<b>Current Assets:</b>							
Cash, including time deposits	\$ 511,755	\$ 53,487	\$ 67,932	\$ 294,221	\$ 412,026	\$ 30,611	\$ 1,370,032
Accounts receivable	64,319	-	2,589	534	-	-	67,442
Inventory	19,916	-	-	22,120	-	-	42,036
Due from other governments	537,908	4,500	-	-	198,243	-	740,651
Due from primary government	288	-	-	-	-	-	288
Prepaid expenses	14,437	631	-	-	-	-	15,068
Other assets	-	-	-	5,584	-	-	5,584
<b>Total current assets</b>	<b>1,148,623</b>	<b>58,618</b>	<b>70,521</b>	<b>322,459</b>	<b>610,269</b>	<b>30,611</b>	<b>2,241,101</b>
<b>Noncurrent Assets:</b>							
<b>Capital Assets:</b>							
Land and construction in progress	609,481	-	-	-	-	-	609,481
Depreciable, net of accumulated depreciation	13,943,767	1,747	43,531	1,245,688	-	6,740	15,241,473
Unamortized note issuance costs	-	-	-	-	13,250	-	13,250
<b>Total noncurrent assets</b>	<b>14,553,248</b>	<b>1,747</b>	<b>43,531</b>	<b>1,245,688</b>	<b>13,250</b>	<b>6,740</b>	<b>15,864,204</b>
<b>Total Assets</b>	<b>\$ 15,701,871</b>	<b>60,365</b>	<b>114,052</b>	<b>1,568,147</b>	<b>623,519</b>	<b>37,351</b>	<b>\$ 18,105,305</b>
<b>LIABILITIES</b>							
<b>Current Liabilities:</b>							
Accounts payable and accrued liabilities	42,515	-	250	34,276	-	-	77,041
Grants payable	-	4,746	-	-	-	-	4,746
Deferred revenue	-	4,300	180	-	-	-	4,480
Interest payable	-4,232	-	-	-	55,663	-	59,895
Note payable	467,755	-	-	-	-	-	467,755
<b>Total current liabilities</b>	<b>514,502</b>	<b>9,046</b>	<b>430</b>	<b>34,276</b>	<b>55,663</b>	<b>-</b>	<b>613,917</b>
<b>Noncurrent Liabilities:</b>							
Accrued compensated absences	5,544	-	-	33,579	-	-	39,123
Notes payable	15,523	-	-	-	9,087,879	-	9,103,402
<b>Total noncurrent liabilities</b>	<b>21,067</b>	<b>-</b>	<b>-</b>	<b>33,579</b>	<b>9,087,879</b>	<b>-</b>	<b>9,142,525</b>
<b>Total Liabilities</b>	<b>535,569</b>	<b>9,046</b>	<b>430</b>	<b>67,855</b>	<b>9,143,542</b>	<b>-</b>	<b>9,756,442</b>
<b>NET ASSETS</b>							
Investment in capital assets, net of related debt	14,532,220	1,747	43,531	1,245,688	-	6,740	15,829,926
Restricted for construction projects	19,211	-	-	-	-	-	19,211
Restricted for promotions	1,428	-	-	-	-	-	1,428
Restricted for grant projects	-	-	-	103,507	-	-	103,507
Unrestricted	613,443	49,572	70,091	151,097	(8,520,023)	30,611	(7,605,209)
<b>Total Net Assets</b>	<b>\$ 15,166,302</b>	<b>\$ 51,319</b>	<b>\$ 113,622</b>	<b>\$ 1,500,292</b>	<b>\$ (8,520,023)</b>	<b>\$ 37,351</b>	<b>\$ 8,348,863</b>

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2009

**Component Units - Combining Statement of Changes in Net Assets - Year Ended June 30, 2009**

	<u>LAWTON METROPOLITAN AREA AIRPORT AUTHORITY</u>	<u>LAWTON ARTS AND HUMANITIES COUNCIL</u>	<u>MCMAHON AUDITORIUM AUTHORITY</u>	<u>MUSEUM OF THE GREAT PLAINS TRUST AUTHORITY</u>	<u>LAWTON ECONOMIC DEVELOPMENT AUTHORITY</u>	<u>LAWTON METROPOLITAN PLANNING ORGANIZATION</u>	<u>TOTALS</u>
<b>Expenses:</b>							
Airport	\$ 2,937,407	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,937,407
Culture and recreation	-	136,576	73,407	714,913	-	-	924,896
Economic development	-	-	-	-	5,213,520	-	5,213,520
Transportation	-	-	-	-	-	153,351	153,351
Interest expense	5,516	-	-	-	213,235	-	218,751
Amortization expense	-	-	-	-	53,000	-	53,000
<b>Total expenses</b>	<u>2,942,923</u>	<u>136,576</u>	<u>73,407</u>	<u>714,913</u>	<u>5,479,755</u>	<u>153,351</u>	<u>9,500,925</u>
<b>Program Revenues:</b>							
Charges for services	1,895,389	53,397	68,491	135,371	30,000	-	2,182,648
Operating grants and contributions	599,941	24,925	-	20,356	-	138,560	783,782
Capital grants and contributions	107,915	52,199	-	-	-	-	160,114
<b>Total program revenues</b>	<u>2,603,245</u>	<u>130,521</u>	<u>68,491</u>	<u>155,727</u>	<u>30,000</u>	<u>138,560</u>	<u>3,126,544</u>
<b>Net revenue (expense)</b>	<u>(339,678)</u>	<u>(6,055)</u>	<u>(4,916)</u>	<u>(559,186)</u>	<u>(5,449,755)</u>	<u>(14,791)</u>	<u>(6,374,381)</u>
<b>General Revenues:</b>							
Investment income	12,565	-	553	5,347	1,322	159	19,946
Transfer from primary government	-	2,798	-	575,000	200,911	-	778,709
Transfer to primary government	-	-	-	-	-	(18,405)	(18,405)
<b>Total general revenues</b>	<u>12,565</u>	<u>2,798</u>	<u>553</u>	<u>580,347</u>	<u>202,233</u>	<u>(18,246)</u>	<u>780,250</u>
<b>Change in Net Assets</b>	<u>(327,113)</u>	<u>(3,257)</u>	<u>(4,363)</u>	<u>21,161</u>	<u>(5,247,522)</u>	<u>(33,037)</u>	<u>(5,594,131)</u>
<b>Net Assets, beginning of year</b>	<u>15,493,415</u>	<u>54,576</u>	<u>117,985</u>	<u>1,479,131</u>	<u>(3,272,501)</u>	<u>70,388</u>	<u>13,942,994</u>
<b>Net Assets, end of year</b>	<u>\$ 15,166,302</u>	<u>\$ 51,319</u>	<u>\$ 113,622</u>	<u>\$ 1,500,292</u>	<u>\$ (8,520,023)</u>	<u>\$ 37,351</u>	<u>\$ 8,348,863</u>

See accompanying notes to the basic financial statements.

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2009

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**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 Statement 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 and highways, parks 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 report a the Special Revenue Mass Transit Fund.

**Lawton Urban Homestead Authority** – created to purchase and maintain property, buildings and facilities and to upgrade neighborhood areas in accordance with the Urban Homesteading Program of the City

**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

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2009**

---

**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)

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2009**

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**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, parks and recreation. Sales taxes, franchise fees, fines, and 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 include the 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

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2009**

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Fund, Senior Crafts Fund, Animal License Fund, Elmer Thomas Park Rental Fund, State Landfill Fund, Police Sentinel Fund, Fire Prevention Education Fund, Park Fund, McMahon Authority Grants Fund, Drainage Maintenance Fund, Animal Donation Fund, Application Fees Fund, Capital Outlay Rolling Stock 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, 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

**Capital Project Funds:**

- Capital Improvement Fund – accounts for transfers from other City funds for various capital acquisitions and projects.
- Ad Valorem Fund – accounts for G.O. Bond proceeds used for capital 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.

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2009**

---

**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, 2009 by these entities are as follows:

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2009**

**Schedule of Deposits and Investments by Type - June 30, 2009**

Type	Fair Value	Credit Rating	Maturities in Years				
			On Demand	Less Than One	1 - 5	6 - 10	More than 10
Demand deposits	\$ 22,511,063	n/a	\$ 22,511,063	\$ -	\$ -	\$ -	\$ -
Time deposits	17,149,270	n/a	-	16,726,176	423,094	-	-
Government Money Market Accounts	2,262,492	n/a	2,262,492	-	-	-	-
U.S. Treasury Obligations	1,999,983	n/a	-	1,999,983	-	-	-
U.S. Agencies Obligations	57,256,187	AAA	-	25,931,218	11,295,212	-	20,029,757
Sub-Total	\$ 101,178,995		\$ 24,773,555	\$ 44,657,377	\$ 11,718,306	\$ -	\$ 20,029,757
Mutual Fund Pooled U.S. Government Obligations	13,683,581	AAAm					
Common stock	1,452,810						
Other Investments	1,072,004	n/a					
Total Deposits and Investments	\$ 117,387,390						
<b>Reconciliation to Financial Statements:</b>							
Cash and cash equivalents	\$ 21,869,965						
Investments	56,254,328						
Retirement fund investments:							
Investments	1,072,004						
U.S. gov't security agencies	20,029,757						
Common stock	1,452,810						
Mutual funds	13,683,581						
Retirement fund cash and cash equivalents	1,394,312						
Agency fund cash and cash equivalents	402,436						
Agency fund investments	1,228,197						
	\$ 117,387,390						

*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, 2009, 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;

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2009**

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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 counterpart 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, 2009, the investments held by the City mature between 2009 through 2036.

*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.

### **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, 2009 are as follows:

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2009

**Restricted Cash and Cash Equivalents:**  
Pooled cash restricted for debt service \$ 1,127,398

**Restricted Investments:**

Landfill Financial Trust	\$ 192,967
Series 2001B Promissory Note Debt Svc	84,289
Series 2001B Promissory Note Debt Reserve	260,000
Series 2003B OWRB Promissory Note Debt Svc	99,583
Series 2003B OWRB Promissory Note Reserve	222,274
Series 2003D OWRB Promissory Note Debt Svc	55,600
Series 2003D OWRB Promissory Note Reserve	126,558
Series 2004F OWRB Promissory Note Debt Svc	71,008
Series 2004F OWRB Promissory Note Reserve	152,853
Series 2004 Sales Tax Utility Revenue Bond	
Debt Service	802,444
Chevron Energy 2008 Sinking Fund	234,297
	<u>\$ 2,301,873</u>

**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, 2009, capital assets balances changed as follows:

	Balance at July 1, 2008	Additions	Transfers	Deductions	Balance at June 30, 2009
<b>PRIMARY GOVERNMENT:</b>					
<i>Governmental activities:</i>					
Capital assets not being depreciated:					
Land	\$ 3,010,956	\$ -	\$ -	\$ -	\$ 3,010,956
Construction in progress	18,440,161	5,092,491	(4,888,816)	809,757	17,834,079
Total capital assets not being depreciated	<u>21,451,117</u>	<u>5,092,491</u>	<u>(4,888,816)</u>	<u>809,757</u>	<u>20,845,035</u>
Other capital assets:					
Buildings and improvements	28,352,289	5,870	-	-	28,358,159
Infrastructure	44,731,437	809,757	-	-	45,541,194
Machinery, furniture and equipment	26,915,221	2,106,013	12,050	902,122	28,131,162
Intangibles	96,363	-	-	-	96,363
Total other capital assets at historical cost	<u>100,095,310</u>	<u>2,921,640</u>	<u>12,050</u>	<u>902,122</u>	<u>102,126,878</u>
Less accumulated depreciation for:					
Buildings and improvements	15,199,953	533,886	-	-	15,733,839
Infrastructure	18,881,160	1,450,770	-	-	20,331,930
Machinery, furniture and equipment	19,319,454	2,170,275	(1,270)	888,212	20,600,247
Total accumulated depreciation	<u>53,400,567</u>	<u>4,154,931</u>	<u>(1,270)</u>	<u>888,212</u>	<u>56,666,016</u>
Other capital assets, net	46,694,743	(1,233,291)	13,320	13,910	45,460,862
Governmental activities capital assets, net	<u>\$ 68,145,860</u>	<u>\$ 3,859,200</u>	<u>\$ (4,875,496)</u>	<u>\$ 823,667</u>	<u>\$ 66,305,897</u>

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2009**

	Balance at July 1, 2008	Additions	Transfers	Deductions	Balance at June 30, 2009
<i>Business-type activities:</i>					
Capital assets not being depreciated:					
Land	\$ 1,405,555	\$ -	\$ -	\$ -	\$ 1,405,555
Construction in progress	30,276,329	12,056,072	4,888,816	4,125,032	43,096,185
Total capital assets not being depreciated	<u>31,681,884</u>	<u>12,056,072</u>	<u>4,888,816</u>	<u>4,125,032</u>	<u>44,501,740</u>
Other capital assets:					
Buildings and utility infrastructure	165,813,244	3,870,814	-	-	169,684,058
Machinery, furniture and equipment	15,442,295	1,451,917	(12,050)	82,606	16,799,556
Water rights	21,742,677	-	-	-	21,742,677
Total other capital assets at historical cost	<u>202,998,216</u>	<u>5,322,731</u>	<u>(12,050)</u>	<u>82,606</u>	<u>208,226,291</u>
Less accumulated depreciation for:					
Buildings and utility infrastructure	60,774,089	4,054,414	-	-	64,828,503
Machinery, furniture and equipment	11,184,850	1,064,475	(1,760)	82,606	12,164,959
Water rights	5,653,095	217,427	-	-	5,870,522
Total accumulated depreciation	<u>77,612,034</u>	<u>5,336,316</u>	<u>(1,760)</u>	<u>82,606</u>	<u>82,863,984</u>
Other capital assets, net	<u>125,386,182</u>	<u>(13,585)</u>	<u>(10,290)</u>	<u>-</u>	<u>125,362,307</u>
Business-type activities capital assets, net	<u>\$ 157,068,066</u>	<u>\$ 12,042,487</u>	<u>\$ 4,878,526</u>	<u>\$ 4,125,032</u>	<u>\$ 169,864,047</u>

	Balance at July 1, 2008	Additions	Deductions	Balance at June 30, 2009
<b>COMPONENT UNITS:</b>				
<b>Lawton Metropolitan Area Airport Authority</b>				
Non-depreciable:				
Land	\$ 2,400	\$ 385,383	\$ -	\$ 387,783
Construction-in-progress	1,601,325	179,458	1,559,085	221,698
Total non-depreciable assets at historical cost	<u>1,603,725</u>	<u>564,841</u>	<u>1,559,085</u>	<u>609,481</u>
Depreciable:				
Runways, ramps, and roads	19,977,248	1,594,867	-	21,572,115
Buildings and improvements	5,468,790	158,508	-	5,627,298
Equipment and fixtures	1,563,058	262,206	38,689	1,786,575
Furniture and equipment	128,295	4,500	-	132,795
Total depreciable assets at historical cost	<u>27,137,391</u>	<u>2,020,081</u>	<u>38,689</u>	<u>29,118,783</u>
Less accumulated depreciation				
Runways, ramps, and roads	10,706,366	828,778	-	11,535,144
Buildings and improvements	2,221,463	121,109	-	2,342,572
Equipment and fixtures	1,152,648	68,849	38,689	1,182,808
Furniture and equipment	111,458	3,034	-	114,492
Total accumulated depreciation	<u>14,191,935</u>	<u>1,021,770</u>	<u>38,689</u>	<u>15,175,016</u>
Other capital assets, net	<u>12,945,456</u>	<u>998,311</u>	<u>-</u>	<u>13,943,767</u>
Net depreciable assets	<u>\$ 14,549,181</u>	<u>\$ 1,563,152</u>	<u>\$ 1,559,085</u>	<u>\$ 14,553,248</u>

<b>Museum of the Great Plains Trust Authority</b>				
Depreciable:				
Furniture and equipment	\$ 299,336	\$ 9,682	\$ -	\$ 309,018
Displays	17,725	-	-	17,725
Leasehold improvements	120,092	-	-	120,092
Collections and exhibits	1,032,259	6,775	-	1,039,034
Total depreciable assets at historical cost	<u>1,469,412</u>	<u>16,457</u>	<u>-</u>	<u>1,485,869</u>
Less accumulated depreciation				
Total accumulated depreciation	<u>212,428</u>	<u>27,753</u>	<u>-</u>	<u>240,181</u>
Net depreciable assets	<u>\$ 1,256,984</u>	<u>\$ (11,296)</u>	<u>\$ -</u>	<u>\$ 1,245,688</u>

<b>Lawton Metropolitan Planning Organization:</b>				
Depreciable:				
Furniture and equipment	\$ 36,954	\$ 1,477	\$ 3,189	\$ 35,242
Less accumulated depreciation				
Total accumulated depreciation	<u>29,273</u>	<u>2,418</u>	<u>3,189</u>	<u>28,502</u>
Net depreciable assets	<u>\$ 7,681</u>	<u>\$ (941)</u>	<u>\$ -</u>	<u>\$ 6,740</u>

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2009**

	Balance at July 1, 2008	Additions	Deductions	Balance at June 30, 2009
<b>McMahon Auditorium Authority</b>				
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	<u>99,423</u>	<u>-</u>	<u>-</u>	<u>99,423</u>
Less accumulated depreciation				
Furniture and fixtures	22,657	1,860	-	24,517
Buildings improvements	19,168	5,855	-	25,023
Machinery and equipment	6,108	244	-	6,352
Total accumulated depreciation	<u>47,933</u>	<u>7,959</u>	<u>-</u>	<u>55,892</u>
Net depreciable assets	<u>\$ 51,490</u>	<u>\$ (7,959)</u>	<u>\$ -</u>	<u>\$ 43,531</u>

	Balance at June 30, 2009
<b>Lawton Arts and Humanities Council</b>	
Machinery and equipment	\$ 18,456
Less accumulated depreciation	(16,709)
Net depreciable assets	<u>\$ 1,747</u>

**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

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:

<b>Governmental Activities:</b>	
General Government	\$ 1,012,203
Public Safety	841,847
Public Works and Streets	1,567,243
Community Development	45,625
Culture and Recreation	<u>546,754</u>
Sub-total governmental funds depreciation	4,013,672
Allocated Internal Service Fund Depreciation	141,259
Total	<u>\$ 4,154,931</u>
<b>Business-Type Activities:</b>	
Water	\$ 2,573,477
Sewer	1,820,419
Sanitation	<u>942,420</u>
Total depreciation	<u>\$ 5,336,316</u>

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2009**

**5. Internal and Interfund Balances and Transfers**

**Internal Balances:**

Receivable Fund	Payable Fund	Amount	Nature of Interfund Balance	
General Fund	HOME Investment CDBG	\$ 80		Grant funding
General Fund	Group Insurance Fund	300,000		Insurance reimbursement
Hunting and Fishing Permits	Payroll Claims Fund	414		Payroll payable
Payroll Claims Fund	CDBG Fund	10,541		Payroll payable
United Safety fund	CDBG Fund	289		Grant funding
Reserve Fund	Federal Grant Fund	319,963		Grant funding
General Fund	Payroll Claims Fund	28,350		Payroll payable
Internal Service Fund	Payroll Claims Fund	888		Payroll payable
Enterprise fund	Payroll Claims Fund	5,182		Payroll payable
Stormwater Mitigation	Payroll Claims Fund	292		Payroll payable
Payroll Claims Fund	RSVP Fund	26,434		Payroll payable
Emergency 911	Payroll Claims Fund	1,171		Payroll payable
Enterprise fund	Payroll Claims Fund	835		Payroll payable
Drainage Maintenance Fund	Payroll Claims Fund	400		Payroll payable
Enterprise fund	Payroll Claims Fund	431		Payroll payable
Enterprise fund	Computer Services	15,370		Annual funding
Total		<u>\$ 710,640</u>		
		Due From	Due To	Net Internal
		Other Funds	Other Funds	Balances
Reconciliation to Fund Financial Statements:				
Governmental Funds		\$ 687,933	\$ 395,269	\$ 292,664
Proprietary Funds		21,819	-	21,819
Internal Service Funds		888	315,371	(314,483)
Total		<u>\$ 710,640</u>	<u>\$ 710,640</u>	<u>\$ -</u>

**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, 2009 were as follows:

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2009**

Transfer In	Transfer Out	Amount	Nature of Interfund Transfer
General Fund	Enterprise Fund	\$ 130,706	Debt service
General Fund	Insurance Proceeds	20,000	Damage claims
General Fund	Officer Training Fund	4,227	Court fines
General Fund	Special Jail Fund	19,775	Jail fees
General Fund	Court Credit Card Fund	370,000	Transfer of revenues
Officer Training	Court Credit Card Fund	30,050	Transfer of revenues
General Fund	Enterprise Fund	13,250,206	Transfer of revenues
2005 CIP Fund	General Fund	12,968,458	Sales tax transfer
2008 CIP Fund	General Fund	3,890,573	Sales tax transfer
Mass Transit Fund	General Fund	600,000	Operating subsidy
Hunting and Fishing Fund	General Fund	500,000	Operating subsidy
Ad Valorem 2005	Hotel/Motel Tax	350,000	Capital project
E911 Fund	General Fund	1,012,000	Operating subsidy
RSVP Fund	General Fund	59,584	Operating subsidy
2005 CIP Fund	Enterprise Fund	5,494,447	Debt proceeds drawn for capital projects
Enterprise Fund	2005 CIP Fund	4,256,711	Debt service
Officer Training	Court Credit Card Fund	15,880	Transfer of revenues
Capital Outlay Rolling Stock Fund	Enterprise Fund	2,453,455	Capital purchases
Enterprise Fund	General Fund	533,843	Operating subsidy
		<u>\$ 45,959,915</u>	

<u>Reconciliation to fund financial statements:</u>	Transfers to Other Funds	Transfers from Other Funds	Net Transfers
Governmental Funds	\$ (24,631,101)	\$ 41,169,362	\$ 16,538,261
Enterprise Funds	(21,328,814)	4,790,553	(16,538,261)
Totals	<u>\$ (45,959,915)</u>	<u>\$ 45,959,915</u>	<u>\$ -</u>

<u>Reconciliation to Statement of Activities:</u>		
Net Transfers		\$ 16,538,261
Capital contributions transferred from governmental funds		(4,893,896)
Transfers - Internal Activity		<u>\$ 11,644,365</u>

Activities of the discretely presented component units financed by the primary government are reported as 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, 2009 was as follows:

Component Unit	Amount	Purpose
Lawton Economic Development Authority	\$200,911	Operating Subsidy
Museum of the Great Plains Trust Authority	575,000	Operating Subsidy
Lawton Metropolitan Planning Organization	(18,405)	Grant
Lawton Arts and Humanities Council	<u>2,798</u>	Operating Subsidy
	<u>\$760,304</u>	

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2009

**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, landfill closure and post closure, and long-term deposits subject to refund.

For the year ended June 30, 2009, the City's long-term debt balances changed as follows:

**Primary Government:**

<u>Type of Debt</u>	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 16,395,000	\$ 11,000,000	\$ 2,625,000	\$ 24,770,000	\$ 2,630,000
General Obligation Bond Premium	126,047	-	9,696	116,351	-
Judgments Payable	1,173,928	416,938	581,965	1,008,901	515,000
Notes Payable	2,000,000	-	-	2,000,000	135,000
Capital Lease Obligations	976,887	-	637,023	339,864	339,864
Workers Comp Liability	571,395	346,469	-	917,864	458,932
Accrued Compensated Absences	<u>4,463,411</u>	<u>308,410</u>	<u>-</u>	<u>4,771,821</u>	<u>572,619</u>
Total Governmental Activities	<u>\$ 25,706,668</u>	<u>\$ 12,071,817</u>	<u>\$ 3,853,684</u>	<u>\$ 33,924,801</u>	<u>\$ 4,651,415</u>
<b>Business-Type Activities:</b>					
Notes Payable	\$ 46,759,089	\$ 16,428,255	\$ 2,899,652	\$ 60,287,692	\$ 2,940,450
Revenue Bonds Payable	5,785,000	-	1,360,000	4,425,000	1,405,000
Revenue Bonds Premium	240,416	-	80,139	160,277	-
Contracts Payable	17,075,497	-	511,395	16,564,102	529,105
Accrued Compensated Absences	690,367	12,760	-	703,127	84,023
Workers Comp Liability	392,633	221,236	-	613,869	306,934
Landfill Closure and Post-closure	<u>3,610,793</u>	<u>2,424,121</u>	<u>-</u>	<u>6,034,914</u>	<u>4,722,365</u>
Total Business-Type Activities	<u>\$ 74,553,795</u>	<u>\$ 19,086,372</u>	<u>\$ 4,851,186</u>	<u>\$ 88,788,981</u>	<u>\$ 9,987,877</u>

**Component Units:**

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

**General Obligation Bonds:**

\$5,000,000 general obligation bonds dated April 1, 2000, payable in annual installments of \$555,000, with interest rates of 4.8% to 7.7%, repaid by property tax levies	\$560,000
\$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	8,190,000
\$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	1,330,000
\$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	1,270,000
Unamortized General Obligation Bond Premium	<u>116,351</u>
Total General Obligation Bond, Net	1,386,351

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2009**

\$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	2,120,000
\$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	<u>300,000</u>
<b>Total general obligation bonds</b>	<u><b>\$24,886,351</b></u>

**Judgments Payable:**

Court-assessed judgments to be paid with ad valorem taxes with periods ranging from one to three years.	<u>\$1,008,901</u>
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**Note Payable:**

\$2,000,000 note payable related to section 108 debt to be repaid with CDBG Fund	<u>\$2,000,000</u>
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**Capital Lease Obligation:**

\$268,694 capital lease obligation for the purchase of a flush and vacuum unit, matures September 30, 2009 with stated interest rate of 5.03%	\$93,547
\$720,777 capital lease obligation for the purchase of a pumper apparatus, matures September 2009 with a stated interest rate of 5.48%.	<u>246,317</u>
	<u><b>\$339,864</b></u>

*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 – Oklahoma Water Resources Board:**

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. \$3,805,142

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 2003A and 2003C; however, there is a .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September, 2027. Both notes are secured by the revenues of the Authority's water, sanitary, and garbage collection and disposal systems. 6,055,757

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2009**

---

<p>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.</p>	2,893,104
<p>Series 2005 for \$10,815,000 with interest rate of 2.6% and .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September 15, 2026. Secured by revenues of the Authority's water, sewer, and garbage collection and disposal systems.</p>	7,148,123
<p>Series 2006A SRF for \$33,653,600 with interest rate of 3.05% and .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September 15, 2026. Secured by revenues of the Authority's water, sewer, and garbage collection and disposal Systems.</p>	29,488,401
<p>Series 2008 Energy Conservation Measurers Note for \$2,375,000 with interest rate 4.357% Debt service payments are due June 1 and December 1 through June 1, 2024. Secured by revenues of the Authority's water, sewer, and garbage collection and disposal systems.</p>	2,375,000
<p>Series 2008 SRF for \$10,845,000 with interest rate of 3.08% and .5% annual administrative fee. Debt service payments are due March 15 and September 15 through September 15, 2024. Secured by revenues of the Authority's water, sewer, and garbage collection and disposal systems. At June 30, 2009 only \$2,322,835 had been drawn on the note.</p>	<u>8,522,165</u>
<p>Total Notes Payable – Oklahoma Water Resources Board</p>	<u>\$60,287,692</u>

**Revenue Bonds Payable:**

<p>\$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.</p>	
Revenue Bond Payable	\$4,425,000
Unamortized Revenue Bond Premium	<u>160,277</u>
Total Revenue Bonds, Net	<u>\$4,585,277</u>

**Contract Payable:**

<p>\$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)</p>	<u>\$16,564,102</u>
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**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2009

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

Year Ending June 30,	G.O. Bonds Payable		Note Payable		Judgments Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 2,630,000	\$ 580,570	\$ 135,000	\$ 919,938	\$ 515,000	\$ 90,740	\$ 339,864	\$ 17,980
2011	2,490,000	1,167,638	58,000	89,268	382,070	78,784	-	-
2012	2,565,000	745,519	60,000	87,334	111,831	33,326	-	-
2013	2,125,000	654,434	64,000	85,080	-	-	-	-
2014	2,125,000	570,238	378,000	381,283	-	-	-	-
2015-2019	7,115,000	1,699,797	497,000	280,095	-	-	-	-
2020-2024	3,600,000	732,296	655,000	132,628	-	-	-	-
2025-2029	2,120,000	220,032	153,000	4,146	-	-	-	-
<b>Total</b>	<b>\$ 24,770,000</b>	<b>\$ 6,370,524</b>	<b>\$ 2,000,000</b>	<b>\$ 1,979,772</b>	<b>\$ 1,008,901</b>	<b>\$ 202,850</b>	<b>\$ 339,864</b>	<b>\$ 17,980</b>

**Business-Type Activities**

Year Ending June 30,	Notes Payable		Revenue Bonds Payable		Contract Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 2,940,450	\$ 2,142,356	\$ 1,405,000	\$ 221,250	\$ 529,105	\$ 573,615
2011	3,648,750	2,049,653	1,475,000	151,000	547,428	555,292
2012	3,986,050	1,942,912	1,545,000	77,250	566,385	536,335
2013	3,725,250	1,833,735	-	-	585,990	516,721
2014	3,770,549	1,722,119	-	-	606,293	4,964,727
2015-2019	19,661,149	6,725,095	-	-	3,361,325	2,152,275
2020-2024	19,549,455	3,512,726	-	-	3,985,070	1,528,530
2025-2029	9,479,673	754,243	-	-	4,497,949	792,891
2030-2032	-	-	-	-	1,884,557	98,132
<b>Total</b>	<b>\$ 66,761,326</b>	<b>\$ 20,682,839</b>	<b>\$ 4,425,000</b>	<b>\$ 449,500</b>	<b>\$ 16,564,102</b>	<b>\$ 11,718,518</b>
Less remaining proceeds to be drawn	(6,473,634)					
<b>Principal balance</b>	<b>\$ 60,287,692</b>					

**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 and \$10,845,000 of the OWRB Series 2001A, 2001B, 2003A, 2003B, 2003C, 2003D, 2004A, 2004B, 2005, 2006A, and 2008 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, and 2025, respectively. The total principal and interest payable for the remainder of the life of these notes is \$70,258,251. Net utility revenues received in the current year were \$17,365,165. Debt service payments of \$4,362,492 for the current fiscal year were 78.1% of pledged net utility revenues.

**Landfill Closure Liability:**

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

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2009

---

The \$6,034,914 reported as accrued landfill closure cost liability at June 30, 2009, represents the cumulative amount of such costs reported to date based on the use of 92% 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 \$588,768 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 2009. The City has \$549,714 set aside to fund the estimated landfill closure cost liability. At June 30, 2009, the landfill had a remaining estimated useful life of approximately one year, see Note 12, *Subsequent Event*.

## 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.

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

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2009**

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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 3.625 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:

The total 3.625 cents is recorded initially 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 .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 Enterprise Fund for debt service on voter-approved projects as well.

**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, 2009, the City's net assessed valuation of taxable property was \$414,655,689. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2009 was \$13.23.

**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.

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2009**

---

**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 Employees' 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.

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

Year established and governing authority	1970; City Ordinance No. 692
Determination of Contribution requirements	City Ordinance
Employer	8% 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	<u>33</u>
Total	<u>723</u>

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2009

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*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 System 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, 2009, 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, 2009. 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*

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Employer Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2007	\$ 1,764,637	\$ 1,412,087	78.8%	\$ 2,813,919
2008	2,349,656	1,553,635	65.4%	3,609,940
2009	2,341,958	1,628,972	68.5%	4,322,926

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2009**

*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.

	<u>Oklahoma Police Pension and Retirement System</u>	<u>Oklahoma Firefighter's Pension and Retirement System</u>
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

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2009**

Retirement Plan Contributions – OFPRS and OPFRS Cost-Sharing Plans

Oklahoma Police Pension and Retirement System			Oklahoma Firefighter's Pension and Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2007	1,014,119	100%	2007	853,848	100%
2008	1,055,258	100%	2008	883,763	100%
2009	1,057,088	100%	2009	882,754	100%

Other Post-Employment Benefits

*Plan Description.* The City sponsors Medical and Rx 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. 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 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 amended 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 2009, 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 FY 2009.

*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, 2009:

Normal Cost	\$ 709,692
Amortization of Actuarial Accrued Liability (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	-
Net OPEB obligation - end of year	\$ 664,227

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2009**

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The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 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

Information for the two preceding years was not available. 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, 2009:

City lighting project	\$	13,609
Water meter replacement		873,812
Storage tank		103,243
Landfill cells		256,112
Sewtp		6,768
2nd street project		57,288

### 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 2009, 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. Subsequent Event

After June 30, 2009, new cells were added to the landfill increasing capacity and extending the landfill's life to approximately nine years.

## 13. New Accounting Pronouncements

In fiscal year 2010, the City will implement GASB Statement No. 51 Accounting and Financial Reporting for Intangible Assets. This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software.

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2009**

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2009

**Budgetary Comparison Schedules – Year Ended June 30, 2009**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budget basis)	Positive (Negative)
<b>Beginning Budgetary Fund Balance:</b>	\$ 514,034	\$ 514,034	\$ 3,671,664	\$ 3,157,630
<b>Resources (Inflows):</b>				
Taxes and assessments	43,173,754	43,173,754	42,778,178	(395,576)
Fees, licenses and permits	1,349,553	1,349,553	1,257,775	(91,778)
Rentals and sales of property	201,703	201,703	215,600	13,897
Fines and forfeitures	2,915,815	2,915,815	2,886,247	(29,568)
Interest earned	539,352	539,352	252,032	(287,320)
Other sources	497,844	497,844	587,640	89,796
Intergovernmental	856,352	856,352	762,899	(93,453)
Grants	175,000	175,000	174,169	(831)
<b>Total Resources (Inflows)</b>	<u>49,709,373</u>	<u>49,709,373</u>	<u>48,914,540</u>	<u>(794,833)</u>
<b>Amounts available for appropriation</b>	<u>50,223,407</u>	<u>50,223,407</u>	<u>52,586,204</u>	<u>2,362,797</u>
<b>Charges to Appropriations (Outflows):</b>				
General Government	8,004,226	8,004,226	6,962,375	1,041,851
Public Safety	24,241,017	24,241,017	23,785,015	456,002
Public Works and Streets	9,192,185	9,192,185	7,266,049	1,926,136
Culture and Recreation	5,197,548	5,197,548	4,909,549	287,999
<b>Total Charges to Appropriations</b>	<u>46,634,976</u>	<u>46,634,976</u>	<u>42,922,988</u>	<u>3,711,988</u>
<b>Other financing sources (uses)</b>				
Prior year obligation expense	-	-	(20,240)	(20,240)
Transfers from other funds	16,787,888	16,787,888	13,250,206	(3,537,682)
Transfers to other funds	(19,930,946)	(19,930,946)	(19,564,458)	366,488
<b>Total other financing sources (uses)</b>	<u>(3,143,058)</u>	<u>(3,143,058)</u>	<u>(6,334,492)</u>	<u>(3,191,434)</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ 445,373</u>	<u>\$ 445,373</u>	<u>\$ 3,328,724</u>	<u>\$ 2,883,351</u>

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2009**

**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:

	<b>Fund Balance June 30, 2008</b>	<b>Net Change in Fund Balance</b>	<b>Fund Balance June 30, 2009</b>
<b>Budget to GAAP Reconciliation:</b>			
<b>Fund Balance - GAAP Basis</b>	\$ 8,587,373	\$ (415,908)	\$ 8,171,465
<b>Increases (Decreases):</b>			
<b>Revenues:</b>			
Taxes receivable	(6,619,958)	(102,744)	(6,722,702)
Accounts receivable	(16,117)	(18,850)	(34,967)
Accrued interest	(43,660)	30,979	(12,681)
Fair value adjustment	(17,068)	18,200	1,132
<b>Expenditures:</b>			
Accrued payroll	1,312,843	30,466	1,343,309
Encumbrances	(154,198)	8,443	(145,755)
Other expenditures	622,449	106,474	728,923
<b>Fund Balance - Budgetary Basis</b>	<b>\$ 3,671,664</b>	<b>\$ (342,940)</b>	<b>\$ 3,328,724</b>

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2009**

**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%
July 1, 1999	25,660,421	30,041,920	PUC	(4,381,499)	85.4%	12,032,296	36.4%
July 1, 1997	22,446,867	23,154,791	PUC	(707,924)	96.9%	10,652,523	6.6%
July 1, 1995	18,707,013	19,280,903	PUC	(573,890)	97.0%	9,644,285	6.0%

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.

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.

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2009

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**Schedule of Funding Progress – Other Post Employment Benefits**

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

	July 1, 2009
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.

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2009**

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**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF LAWTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2009**

**Schedule of Changes in Fund Balances - Non-Major Governmental Funds, Year Ended June 30, 2009**

Fund	Fund Balance 7/1/2008	Changes in Fund Balance	Fund Balance 6/30/2009
<b>Special Revenue Funds:</b>			
Real Property Proceeds	\$ 2,275	\$ -	\$ 2,275
RSVP	(8,418)	(1,515)	(9,933)
Public Library	2,199	7,112	9,311
Small Business Loan	166,911	(3,907)	163,004
CDBG	1,978,196	(92,659)	1,885,537
HOME Investment CDBG	(3,085)	(6,567)	(9,652)
Lawton Urban Housing	233	1	234
Police Grant	1,712	12,133	13,845
Park Fee Fund	88,493	4,538	93,031
Hunting & Fishing Permits	(3,007)	12,550	9,543
Narcotics Fund	42,865	(5,292)	37,573
Animal Sterilization Fund	188,891	(8,248)	180,643
Insurance Proceeds	56,648	(14,523)	42,125
Emergency 911	40,821	18,539	59,360
Adult Softball	12,243	24,013	36,256
Cemetery Care	201,959	(9,349)	192,610
Officers Training	66,397	17,305	83,702
Court Credit Card Maintenance	443,355	12,790	456,145
Lawton Parking Authority	1,191	-	1,191
Senior Crafts Fund	86	-	86
Animal License Fund	229,270	52,327	281,597
Elmer Thomas Park	7,426	370	7,796
State Landfill Fund	164,631	(51,083)	113,548
Police Sentinel	1,090	77	1,167
Fire Prevention Education	6,937	968	7,905
Park Fund	2,559	50	2,609
McMahon Authority Grants	23,915	-	23,915
Drainage Maintenance Fund	385,973	154,025	539,998
Animal Donation Fund	7,531	2,392	9,923
Application Fees Fund	15,749	3,304	19,053
Capital Outlay Rolling Stock	1,854,451	433,857	2,288,308
Cemetery Reward	5,500	-	5,500
Centennial Fund	6,576	275	6,851
Hotel/Motel Tax Fund	654,883	(184,261)	470,622
Project Impact	29,177	-	29,177
Recycling Fund	-	5,952	5,952
Mass Transit Fund	108,720	10,042	118,762
Reserve Fund	426,129	-	426,129
Federal Grant Fund	337,820	(126,858)	210,962
Special Jail Fund	20,016	6,860	26,876
Cellular Service Fee Fund	613,928	282,551	896,479
Stormwater Mitigation	187,451	20,518	207,969
Police and Fire Training Fund	152,015	24,070	176,085
Impact Fees	1,025,988	515,700	1,541,688
TIF Fund	2,668	(2,668)	-
<b>Capital Project:</b>			
CIP	504,508	(127,269)	377,239
Ad Valorem	702,106	(147,387)	554,719
CIP Sales Tax 2008	1,263,586	2,773,100	4,036,686
CIP 2000	3,190,454	5,105	3,195,559
<b>Debt Service</b>			
Prior to 1972	747,649	32,499	780,148
Ad Valorem 2005	1,422,228	8,839,309	10,261,537
<b>Total</b>	<b>\$ 17,380,899</b>	<b>\$ 12,490,746</b>	<b>\$ 29,871,645</b>

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.

**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2009**

**Debt Service Coverage Schedule - Year Ended June 30, 2009**

**DEBT SERVICE COVERAGE:**

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

**GROSS REVENUE AVAILABLE:**

Charges for services (all utility revenues)	\$36,983,128
Investment income	<u>213,602</u>
Total Gross Revenue Available	<u>37,196,730</u>

**OPERATING EXPENSES:**

Total Operating Expenses	<u>19,831,565</u>
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Net Revenue Available for Debt Service	<u><u>\$17,365,165</u></u>
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Maximum Annual Debt Service on all Obligations Payable From Revenues of the System	<u><u>\$4,454,473</u></u>
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Computed Coverage	<u><u>390%</u></u>
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Coverage Requirement	<u><u>125%</u></u>
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**CITY OF LAWTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2009**

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