

LAWTON METROPOLITAN AREA
AIRPORT AUTHORITY

Financial Statements
For the Years Ended June 30, 2012 and 2011

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Lawton Metropolitan Area Airport Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2012

The following discussion and analysis of the financial performance of Lawton Metropolitan Area Airport Authority (the Authority) provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the Authority's financial statements, which begin on page 6.

Financial Highlights

- ❖ During the year ended June 30, 2012 the Airport's net assets decreased to \$15,987,013 from \$16,134,080 in 2011. Revenues did not change substantially, and operating expenses increased by \$96,634, with the biggest change being salaries and corresponding payroll taxes and benefits.
- ❖ Operating revenues increased to \$1,564,592 from \$1,560,164 in 2011 while non operating revenues decreased from \$1,662,785 in 2011 to \$808,302 in 2012. This decrease was primarily due to a decrease in local grant revenue of \$250,000, and a decrease in federal grant revenue for construction of \$599,724.
- ❖ Operating expenses increased to \$2,519,961 from \$2,418,899 in 2011, primarily as a result of increases in salaries and wages, and corresponding payroll taxes and benefits.

Overview of the Financial Statements

The report on audit of financial statements is presented in two sections: financial, and supplementary. The Authority has elected to present the financial statements in accordance with the business-type activities format, as designated by the Authority's primary government, the City of Lawton. Accordingly, the financial section of this report includes Management's Discussion and Analysis (as required supplementary information); the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; the Statement of Cash Flows; and explanatory Notes to the Financial Statements, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis—for State and Local Governments*.

Lawton Metropolitan Area Airport Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2012

The Basic Financial Statements

One of the most important questions asked about the Authority is whether it is better off or worse off as a result of the year's financial activities. The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Airport as a whole and about its activities in a way that answers this question. These statements include *all* assets and *all* liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. The accrual basis of accounting reports the current year's revenues and expenses regardless of when cash is actually received or disbursed.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report the Airport's net assets and changes to them. You can think of the airport's net assets—the difference between assets and liabilities – as one way to measure the Airport's financial health or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. You will also need to consider non-financial factors, however, such as changes in requirements of the programs funded by the Authority, in addition to the condition of its physical facilities, to fully assess the overall health of the Authority.

Financial Analysis of the Authority as a Whole

The Authority's net assets increased from a year ago. The following amounts are from the statement of net asset, page 8, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Lawton Metropolitan Area Airport Authority			
Net Assets			
<u>June 30, 2012 and 2011</u>			
	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Current Assets	\$ 1,054,828	\$ 1,077,408	\$ (22,580)
Noncurrent assets	<u>15,061,779</u>	<u>15,247,613</u>	<u>(185,834)</u>
Total assets	<u>16,116,607</u>	<u>16,325,021</u>	<u>(208,414)</u>
Current liabilities	129,594	187,307	(57,713)
Noncurrent liabilities	<u>-</u>	<u>3,634</u>	<u>(3,634)</u>
Total liabilities	<u>129,594</u>	<u>190,941</u>	<u>(61,347)</u>

Lawton Metropolitan Area Airport Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Lawton Metropolitan Area Airport Authority

	Net Assets		
	<u>June 30, 2012 and 2011</u>		
	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Net assets:			
Invested in capital assets,			
Net of related debt	\$ 15,061,779	\$ 15,237,869	\$ (176,090)
Restricted for construction	418,865	167,939	250,926
Restricted for land lease	-	-	-
Restricted for Delta Promotion	-	-	-
Unrestricted	<u>506,369</u>	<u>728,272</u>	<u>(221,903)</u>
Total net assets	<u>\$ 15,987,013</u>	<u>\$ 16,134,080</u>	<u>\$ (147,067)</u>

Net assets decreased by \$ 147,067. The decrease due to an increase in operating expenses in the current year.

Lawton Metropolitan Area Airport Authority

	Operating Results		
	<u>Years Ended June 30, 2012 and 2011</u>		
	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Operating revenues	\$ 1,564,592	\$ 1,560,164	\$ 4,428
Operating expenses	<u>2,519,961</u>	<u>2,418,899</u>	<u>101,062</u>
Operating income (loss)	<u>(955,369)</u>	<u>(858,735)</u>	<u>(96,634)</u>
Non operating revenues (expenses)	<u>808,302</u>	<u>1,662,785</u>	<u>(854,483)</u>
Changes in net assets	<u>(147,067)</u>	<u>804,050</u>	<u>(951,117)</u>
Net assets, beginning	<u>16,134,080</u>	<u>15,330,030</u>	<u>804,050</u>
Net assets, ending	<u>\$ 15,987,013</u>	<u>\$ 16,134,080</u>	<u>\$ (147,067)</u>

During the year ended June 30, 2012, overall operating revenues increased by \$ 4,428 and overall operating expenses increased by \$101,062 principally due to an increase in salaries and wages and related expenses.

The Authority's net assets decreased by \$147,067.

Lawton Metropolitan Area Airport Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Lawton Metropolitan Area Airport Authority
Analysis of Net Assets
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Net assets:			
Invested in capital assets, Net of related debt	\$ 15,061,779	\$ 15,237,869	\$ (176,090)
Restricted for construction	418,865	167,939	250,926
Restricted for land lease	-	-	-
Restricted for Delta Promotion	-	-	-
Unrestricted	<u>506,369</u>	<u>728,272</u>	<u>(221,903)</u>
Total net assets	<u>\$ 15,987,013</u>	<u>\$ 16,134,080</u>	<u>\$ (147,067)</u>

Lawton Metropolitan Area Airport Authority
Cash Flows
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Cash provided (used) by:			
Operating activities	\$ 62,923	\$ 131,591	\$ (68,668)
Non capital financing activities	(519)	(894)	375
Capital and related financing activities	(49,708)	(106,216)	56,508
Investing activities	<u>436</u>	<u>1,305</u>	<u>(869)</u>
Net increase (decrease) in cash and cash equivalents	13,132	25,786	(12,654)
Cash and cash equivalents, beginning	<u>769,104</u>	<u>743,318</u>	<u>25,786</u>
Cash and cash equivalents, ending	<u>\$ 782,236</u>	<u>\$ 769,104</u>	<u>\$ 13,132</u>

Capital Assets and Debt Administration

At June 30, 2012, the Authority's investment in net capital assets decreased by \$185,834.

Lawton Metropolitan Area Airport Authority
Capital Assets, Net
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Capital assets:	\$ 32,678,065	\$ 32,007,723	\$ 670,342
Less: accumulated depreciation	<u>17,616,286</u>	<u>16,760,110</u>	<u>856,176</u>
Capital assets, net	<u>\$ 15,061,779</u>	<u>\$ 15,247,613</u>	<u>\$ (185,834)</u>

The Authority's had no long-term debt outstanding at June 30, 2012

**Lawton Metropolitan Area Airport Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

Economic Factors and the Airport's Future

The Authority's board considered factors when setting the budget, rates, and fees that will be charged for the Authority's services. One of these factors is the economy.

Contacting the Airport's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Ms. Barbara McNally, Airport Manager, Lawton Metropolitan Area Airport Authority, 3401 South 11th Street, Lawton, Oklahoma 73501.

ROBERT D. TURNER C.P.A.

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Independent Auditor's Report

Board of Trustees
Lawton Metropolitan Area Airport Authority
Lawton, Oklahoma

I have audited the accompanying basic financial statements of the Lawton Metropolitan Area Airport Authority, a component unit of the city of Lawton, Oklahoma as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These basic financial statements are the responsibility of Lawton Metropolitan Area Airport Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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. I believe that my audit provides a reasonable basis for my opinion.

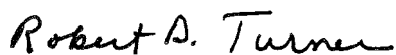
In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Lawton Metropolitan Area Airport Authority as of June 30, 2012 and 2011 and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 19, 2012 on my consideration of Lawton Metropolitan Area Airport Authority's internal control over financial reporting and my 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 my 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 my audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial

statements, is required by the Governmental Accounting Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consists of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements of the Lawton Metropolitan Area Airport Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements of Lawton Metropolitan Area Airport Authority. The accompanying Schedule of Passenger Facility Charges is presented for purposes of additional analysis as required by the Federal Aviation Administration and is not a required part of the basic financial statements of Lawton Metropolitan Area Airport Authority. The financial statements, Schedule of Expenditures of Federal Awards and the Schedule of Passenger Facility Charges are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The Schedule of Expenditures of Federal Awards and Schedule of Passenger Facility Charges have been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Robert D. Turner
Certified Public Accountant
Lawton, Oklahoma
November 19, 2012

Lawton Metropolitan Area Airport Authority
Statements of Net Assets
June 30, 2012 and 2011

ASSETS	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 782,236	\$ 769,104
Accounts receivable, net	76,600	105,431
Due from governments	150,673	144,192
Prepaid insurance	11,412	19,602
Inventory	<u>33,907</u>	<u>39,079</u>
Total current assets	<u>1,054,828</u>	<u>1,077,408</u>
Noncurrent assets:		
Property, plant, and equipment, net of accumulated depreciation	<u>15,061,779</u>	<u>15,247,613</u>
Total noncurrent assets	<u>15,061,779</u>	<u>15,247,613</u>
Total assets	<u>16,116,607</u>	<u>16,325,021</u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 111,588	\$ 167,370
Accrued liabilities	9,235	7,460
Accrued compensated absences	8,771	6,357
Current portion of long-term debt	-	6,110
Accrued interest payable	<u>-</u>	<u>10</u>
Total current liabilities	129,594	187,307
Long-term liabilities	<u>-</u>	<u>3,634</u>
Total liabilities	<u>129,594</u>	<u>190,941</u>
Net assets:		
Invested in capital assets, net of related debt	15,061,779	15,237,869
Restricted for construction	418,865	167,939
Unrestricted	<u>506,369</u>	<u>728,272</u>
Total net assets	<u>\$ 15,987,013</u>	<u>\$ 16,134,080</u>

The accompanying notes are an integral part of these financial statements.

Lawton Metropolitan Area Airport Authority
Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

OPERATING REVENUES	<u>2012</u>	<u>2011</u>
Rental income	\$ 555,444	\$ 542,190
Fire services contributed by City of Lawton	607,624	560,500
Commissions	70,275	66,970
Landing fees	47,252	72,787
Parking	164,228	169,573
Federal grants - TSA/DHS	117,577	145,138
Other	<u>2,192</u>	<u>3,006</u>
Total operating revenues	<u>1,564,592</u>	<u>1,560,164</u>
 OPERATING EXPENSES		
Salaries and wages	755,136	694,298
Payroll taxes and benefits	185,250	161,579
Advertising and Promotion	5,021	5,867
Legal and professional	44,440	33,928
Training and Travel	14,039	9,717
Telephone and utilities	89,565	94,229
Supplies and materials	66,629	54,841
Insurance	31,013	31,765
Maintenance, operations, and contractual	143,668	139,144
Fees, licenses, and dues	2,900	2,241
Depreciation	1,039,829	1,032,434
Security	138,537	156,389
Other expenses	<u>3,934</u>	<u>2,467</u>
Total operating expenses	<u>2,519,961</u>	<u>2,418,899</u>
Operating income (loss)	<u>(955,369)</u>	<u>(858,735)</u>
NONOPERATING REVENUES AND (EXPENSES)		
Interest income	230	912
Interest income, restricted	206	393
Unrealized gain (loss) on investments	-	-
Gain (loss) on disposition	(1,222)	(6,542)
Interest expense	(509)	(891)
In-kind	1,000	-
Passenger facility charges	252,442	263,034
Grants – McMahon Foundation/City of Lawton	-	250,000
Federal grants – construction	<u>556,155</u>	<u>1,155,879</u>
Total non-operating revenues and expenses	<u>808,302</u>	<u>1,662,785</u>
Change in net assets	<u>(147,067)</u>	<u>804,050</u>
 NET ASSETS, beginning	<u>16,134,080</u>	<u>15,330,030</u>
NET ASSETS, ending	<u>\$ 15,987,013</u>	<u>\$ 16,134,080</u>

The accompanying notes are an integral part of these financial statements.

Lawton Metropolitan Area Airport Authority
Statements of Cash Flows
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from federal and state grants and contracts, program fees, and other revenues	\$ 1,581,286	\$ 1,374,427
Cash paid to suppliers and employees	<u>(1,518,363)</u>	<u>(1,242,836)</u>
Net cash provided (used) by operating activities	<u>62,923</u>	<u>131,591</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash from Certificate of Deposit	-	-
Interest received	436	1,305
Unrealized gain on investments	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>436</u>	<u>1,305</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	(854,217)	(1,767,784)
Proceeds from sale of property and equipment	-	-
Federal grants	814,253	1,667,358
State and local grants	-	-
Proceeds from borrowings	-	-
Principal payments on notes payable	<u>(9,744)</u>	<u>(5,790)</u>
Net cash provided (used) by capital and related financing	<u>(49,708)</u>	<u>(106,216)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interest Expense	<u>(519)</u>	<u>(894)</u>
Net cash provided (used) by noncapital financing activities	<u>(519)</u>	<u>(894)</u>
Net increase (decrease) in cash and cash equivalents	13,132	25,786
CASH AND CASH EQUIVALENTS, beginning	<u>769,104</u>	<u>743,318</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$ 782,236</u>	<u>\$ 769,104</u>
RECONCILIATION OF INCREASE (DECREASE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (955,369)	\$ (858,735)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	1,039,829	1,032,434
Changes in assets and liabilities:		
(Increase) decrease in receivables	28,831	(39,791)
(Increase) decrease due from governments (TSA/DHS)	(12,137)	(72,973)
(Increase) decrease prepaid expenses	8,190	(6,596)
(Increase) decrease in inventory	5,172	(7,460)
Increase (decrease) in accounts payable	(55,782)	82,600
Increase (decrease) in accrued expenses	1,775	1,770
Increase (decrease) in accrued compensated absences	<u>2,414</u>	<u>342</u>
Total adjustments	<u>1,018,292</u>	<u>990,326</u>
Net cash provided (used) by operating activities	<u>\$ 62,923</u>	<u>\$ 131,591</u>

The accompanying notes are an integral part of these financial statements.

Lawton Metropolitan Area Airport Authority
Notes to Financial Statements
June 30, 2012 and 2011

1. Organization

The Lawton Metropolitan Area Airport Authority (the Authority) was established by the City of Lawton (the City) as an Oklahoma Public Trust in October 1969 to operate the Lawton Municipal Airport and to modernize and expand the airport facilities. One Authority trustee is also a member of the City Council. The Authority does not have the power to levy taxes, and while the City of Lawton has no obligation for debt issued by the Authority, it is the beneficiary of the trust.

The Authority equips, operates, and maintains the airport facilities and collects various amounts related to Authority activities from leases and commissions. In-kind services, such as aircraft rescue and firefighting staff, are supplied by the City. The airport has a 30,000 square foot terminal and a general aviation terminal. American Eagle is the airport's commercial carrier. American Eagle offers daily flights to and from Dallas-Fort Worth International Airport. During most operating periods, the airport receives capital improvement funds from federal sources, passenger facility charges, City Capital Improvement Projects (CIP), and Oklahoma Aeronautic Commission (OAC) state grants.

2. Summary of accounting policies

This report is prepared in conformity with U.S. Generally accepted Accounting Principles (GAAP) and the provisions of Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. GASB Statement No. 34 establishes standards for external financial reporting for all state and local governmental entities which include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows.

Basis of Accounting -- The financial statements have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recognized when incurred. The Statement of Revenues, Expenses, and Changes in Net Assets is a statement of financial activities related to the current reporting period.

Lawton Metropolitan Area Airport Authority
Notes to Financial Statements
June 30, 2012 and 2011

Government –wide Financial Statements -- The adopted GASB Statements require that the overall financial condition of the Airport be displayed in three entity-wide financial statements. These are the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. These include all financial activity of the Airport.

The financial statements are presented using the “business-type activities” approach. Business-type activities are those that provide specific, divisible services to residents or businesses and are funded primarily by user charges.

GASB Statement No. 34 requires that the Statement of Net Assets classify net assets into three components: invested in capital assets, net of related debt; restricted, and unrestricted. These classifications are defined as follows.

Invested in Capital Assets, Net of Related Debt -- This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds are not included in the calculation of investment in capital assets, net of related debt. Rather, that portion of the debt is included in the net assets component as the unspent proceeds.

Restricted Net Assets -- This component of net assets consists of constraints placed on net asset use through external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislation.

Unrestricted Net Assets -- This component of net assets consists of those net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Component Unit -- Component units are legally separate organizations for which the officials of the primary entity are financially responsible. In addition, component units can be other organizations which the nature and significance of their relationship with the primary entity are such that the exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Since the City of Lawton has no obligation for debt issued by the Authority, it considers the Authority a separate entity and does not include the Authority in its financial statements.

Lawton Metropolitan Area Airport Authority
Notes to Financial Statements
June 30, 2012 and 2011

Use of Estimates -- Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, liabilities and net assets, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents -- the Authority considers cash on hand, demand deposits, interest bearing accounts, and investments with a maturity of 90 days or less to be cash and cash equivalents

Investments -- All investments are recorded at fair value.

Capital Assets -- Acquisitions of property and equipment with a useful life of more than one year and an original cost of \$1,000 or more are recorded as additions to fixed assets. Depreciation of property and equipment has been calculated on the estimated useful lives using the straight-line method as follows:

<u>Type of Asset</u>	<u>Years</u>
Runways, ramps, and roads	20
Buildings and improvements	50
Equipment	5-20
Office furniture and equipment	5-10

In-Kind and Match Revenue Expenses -- Certain grants require in-kind matching funds. The Authority participates in the Federal Aviation Administration's (FAA) passenger facility charge (PFC) program using these funds to provide matching funds for federal funding of construction contracts.

Statements of Cash Flows -- In accordance with GASB Statement 34, the accompanying financial statements include a Statement of Cash Flows which is presented using the direct method.

Lawton Metropolitan Area Airport Authority
Notes to Financial Statements
June 30, 2012 and 2011

Income Tax Status -- the Authority qualifies as an organization exempt from income taxes. As a government instrumentality, no provision has been made for federal or state income taxes.

3. Deposits and Deposit Risk

The Lawton Metropolitan Area Airport Authority is governed by the deposit and investment limitations of state law. The Authority held the following deposits at June 30, 2012 and reported at fair value, are as follows:

<u>Type</u>	<u>Carrying Value</u>
Demand deposits	\$ 811,436
Demand deposits, restricted	-
Time deposits	<u>0</u>
Total deposits	<u>\$ 811,436</u>

Custodial Credit Risk – Deposits in financial institutions, reported as components of cash and cash equivalents had a bank balance of \$811,436 at June 30, 2012. All deposits were insured by depository insurance or secured with collateral held by the Authority's agent in its name.

Investment Interest Rate Risk – The Authority has no normal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk – The Authority has no investment policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U. S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.

Lawton Metropolitan Area Airport Authority
Notes to Financial Statements
June 30, 2012 and 2011

- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

Concentration of Investment Credit Risk – The Authority places no limit on the amount it may invest in any one issuer.

4. Receivables

Accounts -- the Authority submits requests for advances and/or reimbursements to grantor and pass-through agencies for grant funds. As of June 30, 2012 and 2011, respectively, the Authority had the following outstanding receivables:

	<u>2012</u>	<u>2011</u>
Government	\$ 150,673	\$ 144,192
Contracts and other	<u>76,600</u>	<u>105,431</u>
Accounts receivable, net	<u>\$ 227,273</u>	<u>\$ 249,623</u>

All amounts receivable at June 30, 2012 and 2011 were collected subsequent to the respective year ends.

5. Fire services contributed by the City of Lawton

The City provides fire protection for the Authority in a facility owned by the Authority. Salaries and other costs paid by the City and dedicated to the Authority are recognized in the financial statements as in-kind contributions. In-kind contributions for the years ended June 30, 2012 and 2011, respectively, consisted of the following:

	<u>2012</u>	<u>2011</u>
Salaries	\$ 484,606	\$ 444,550
Taxes and fringe benefits	85,518	78,450
Maintenance, operations, and contractual services	<u>37,500</u>	<u>37,500</u>
Fire Services contributed by the City of Lawton	<u>\$ 607,624</u>	<u>\$ 560,500</u>

Lawton Metropolitan Area Airport Authority
Notes to Financial Statements
June 30, 2012 and 2011

6. Capital assets

The Authority's investment in property and equipment, at June 30, 2012 and 2011, and the related activity for the years then ended was as follows:

	Beginning Balance June 2011	Increases	Decreases	Ending Balance June 2012
Assets not being depreciated:				
Land	\$ 387,783	\$ -	\$ -	\$ 387,783
Construction in progress	<u>1,089,971</u>	<u>506,416</u>	<u>1,002,491</u>	<u>593,896</u>
Total assets not being depreciated	<u>1,477,754</u>	<u>506,416</u>	<u>1,002,491</u>	<u>981,679</u>
Assets being depreciated:				
Runways, ramps, and roads	22,110,764	172,466	-	22,283,230
Buildings and improvements	5,811,825	1,146,637	-	6,958,462
Equipment	2,304,471	18,309	179,606	2,143,174
Vehicles	23,292	-	-	23,292
Furniture and equipment	100,420	7,703	5,269	102,854
Land improvements	<u>179,197</u>	<u>6,177</u>	<u>-</u>	<u>185,374</u>
Total assets being depreciated	<u>30,529,969</u>	<u>1,351,292</u>	<u>184,875</u>	<u>31,696,386</u>
Total assets	<u>32,007,723</u>	<u>1,857,708</u>	<u>1,187,366</u>	<u>32,678,065</u>
Less accumulated depreciation for:				
Runways, ramps, and roads	12,855,485	739,273	-	13,594,758
Buildings and improvements	2,566,051	134,849	-	2,700,900
Equipment and fixture	1,200,592	139,914	178,384	1,162,122
Furniture and fixtures	85,849	2,853	5,269	83,433
Vehicles	11,258	4,659	-	15,917
Land improvements	<u>40,875</u>	<u>18,281</u>	<u>-</u>	<u>59,156</u>
Total accumulated depreciation	<u>16,760,110</u>	<u>1,039,829</u>	<u>183,653</u>	<u>17,616,286</u>
Net capital assets	<u>\$ 15,247,613</u>	<u>\$ 817,879</u>	<u>\$ 1,003,713</u>	<u>\$ 15,061,779</u>

Buildings are presented at cost, or fair market value if donated, while equipment, furniture, fixtures, and vehicles with a life of more than one year are included at cost.

Depreciation expense for the years ended June 30, 2012 and 2011 was \$1,039,829 and \$1,032,434, respectively.

Lawton Metropolitan Area Airport Authority
Notes to Financial Statements
June 30, 2012 and 2011

7. Rental income

As Lessee - The Authority leases the Lawton Metropolitan Airport facility from the City of Lawton at no cost to the Authority under a fifty-year lease dated January 1970. The lease gives the Authority the right to all revenues derived from the airport facilities, and the Authority assumes the obligation to expand, modernize, and improve the facility.

As Lessor - The Authority, as operator of the airport facility, acts as lessor to various airlines and businesses operating at the airport.

8. Airport security contract

During the year ended June 30, 2012 the Lawton Metropolitan Area Airport Authority received and/or earned \$ 117,577 from the Transportation Security Administration and expended by reimbursement to the City of Lawton a like amount for airport police services. The revenue is included in other revenue on the Statement of Revenue, Expenses, and Changes in Net Assets, and the expense is included in Security expense.

9. Compensated absences

Employees are eligible to take vacation on a compensated basis after one year of service with the amount of vacation pay determined by length of service. Employees are allowed to carryover a maximum of 40 hours of vacation each year. The Authority limits payment of unused vacation time to a maximum of 80 hours upon termination of employment. Sick leave is accrued at a rate of 1 day per month for a maximum of 12 days per year and may accrue to a maximum of 160 hours. When an employee leaves the employment with the Authority, the balance of sick leave is forfeited.

The accompanying financial statements as of June 30, 2012 and 2011 include obligations of \$8,771 and \$6,357 in accrued liabilities for compensated absences, respectively.

Lawton Metropolitan Area Airport Authority
Notes to Financial Statements
June 30, 2012 and 2011

10. Long-term debt

There was no outstanding long-term debt on June 30, 2012.

11. Simplified employee pension plan

Plan Description -- On January 1, 1989, the Authority adopted a Simplified Pension Plan (a defined contribution plan) for all its full-time employees who are at least twenty-one (21) years of age, are not covered under a collective bargaining agreement, have worked at least one year of the immediately preceding five (5) years, and whose total compensation during the year is equal to or exceeds \$300. During the years ended June 30, 2012, and June 30, 2011 the Authority contributed 7% of eligible employees' annual salary into a flexible premium annuity and mutual funds i.e., a pension plan contribution of \$14,683 and \$14,733 respectively, was made by the Authority.

12. Grants and contracts

During the year ended June 30, 2012 the Authority spent the following amounts under various grants and contracts related to airport construction projects. Some of the revenue has yet to be received, and some had been received in prior periods.

<u>Grant No.</u>	<u>Amount Expended</u>
AIP Project 25	\$ 2,337
AIP Project 27	37,806
AIP Project 28	34,918
AIP Project 29	475,636
AIP Project 30	<u>5,458</u>
Total	<u>\$ 556,155</u>

In addition, the Authority spent \$117,577 of federal funds from the Transportation Security Administration grant to provide security for the airport.

Lawton Metropolitan Area Airport Authority
Notes to Financial Statements
June 30, 2012 and 2011

13. Commitments and contingencies

Grant -- The Authority receives matching capital asset grants from the Federal Aviation Administration (FAA). The grant expenditures are subject to audit by the FAA, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits is not believed to be material by management.

14. Subsequent Events

The Authority did not have any subsequent events through November 19, 2012, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2012.

SUPPLEMENTAL INFORMATION

ROBERT D. TURNER C.P.A.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To Members of
Lawton Metropolitan Area Airport Authority

I have audited the financial statements of the Lawton Metropolitan Area Airport Authority as of and for the year ended June 30, 2012 and have issued my report thereon dated November 19, 2012. I conducted my audit in accordance with standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Lawton Metropolitan Area Airport Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lawton Metropolitan Area Airport Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Lawton Metropolitan Area Airport Authority's internal control over financial reporting.

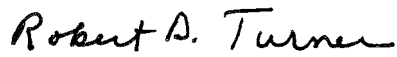
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lawton Metropolitan Area Airport Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the finance committee, management, Board of Trustees, Oklahoma State Auditor and Inspector's Office and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Robert D. Turner
Certified Public Accountant
Lawton, Oklahoma
November 19, 2012

Lawton Metropolitan Area Airport Authority
Schedules of Passenger Facility Charges
Year Ended June 30, 2012

REVENUE	<u>Beginning Balance</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>	<u>6/30/12 Total</u>	<u>Program Total</u>
Collections	\$ 2,354,757	\$ 70,260	\$ 69,428	\$ 55,142	\$ 66,208	\$ 261,038	\$ 2,615,795
Interest	<u>39,867</u>	<u>21</u>	<u>29</u>	<u>36</u>	<u>44</u>	<u>130</u>	<u>39,997</u>
Total revenue	<u>2,394,624</u>	<u>70,281</u>	<u>69,457</u>	<u>55,178</u>	<u>66,252</u>	<u>261,168</u>	<u>2,655,792</u>
DISBURSEMENTS							
Application 92-01-C-03-LAW(closed)	452,189						452,189
Application 97-02-C-03-LAW (closed)	380,745						380,745
Application 02-03-C00-LAW (closed)	303,687						303,687
Application 04-04-C-00-LAW (closed)	249,492						249,492
PROJECTS:							
Application 07-05-C00-LAW							
1—Drainage Reimbursement	40,328						40,328
2—Master Plan Update	10,912						10,912
3—Fire Suits	12,555						12,555
4—Rehab T Hangar Taxiways	38,342						38,342
5—Reconstruct Taxiway G	29,573						29,573
Application 08-06-C00-LAW							
1—Emergency Power Generator							
2—Terminal Building Renovations	344,477	1,392	253			1,645	346,122
3—Security Enhancements	383,793						383,793
4—PFC Application and Admin fees	<u>29,612</u>						<u>29,612</u>
Total disbursements	<u>2,275,705</u>	<u>1,392</u>	<u>253</u>			<u>1,645</u>	<u>2,277,350</u>
Net Passenger Facility Charges	<u>\$ 118,919</u>	<u>\$ 68,889</u>	<u>\$ 69,204</u>	<u>\$ 55,178</u>	<u>\$ 66,252</u>	<u>\$ 259,523</u>	<u>\$ 378,442</u>
Passenger Facility Charges account balance	<u>\$ 118,919</u>	<u>\$ 187,808</u>	<u>\$ 257,012</u>	<u>\$ 312,190</u>	<u>\$ 378,442</u>	<u>\$ 378,442</u>	<u>\$ 378,442</u>

**Lawton Metropolitan Area Airport Authority
Passenger Facility Charges Audit Summary
Years Ended June 30, 2012**

- | | | |
|--|---|------------------------------------|
| 1. Type of report issued on PFC financial statements. | <input checked="" type="checkbox"/> Unqualified | <input type="checkbox"/> Qualified |
| 2. Type of report on PFC compliance | <input checked="" type="checkbox"/> Unqualified | <input type="checkbox"/> Qualified |
| 3. Quarterly Revenue and Disbursements reconcile with submitted quarterly reports and reported un-liquidated revenue matches actual amounts. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 4. PFC Revenue and Interest is accurately reported on FAA Form 5100-127. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 5. The Public Agency maintains a separate financial accounting record for each application. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 6. Funds disbursed were for PFC eligible items as identified in the FAA decision to pay only for the allowable costs of the projects. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 7. Monthly carrier receipts were reconciled with quarterly carrier reports. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 8. PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 9. Serving carriers were notified of PFC program actions/changes approved by the FAA. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 10. Quarterly Reports were transmitted (or available via website) to remitting carriers. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 11. The Public Agency is in compliance with Assurances 5, 6, 7, and 8. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 12. Project design and implementation is carried out in accordance with Assurance 9. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 13. Program administration is carried out in accordance with Assurance 10. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 14. For those public agencies with excess revenue, a plan for the use of this revenue has been submitted to the FAA for review and concurrence | <input type="checkbox"/> Yes
<input checked="" type="checkbox"/> N/A | <input type="checkbox"/> No |

ROBERT D. TURNER C.P.A.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Lawton Metropolitan Area Airport Authority
Lawton, Oklahoma

Compliance

I have audited the compliance of Lawton Metropolitan Area Airport Authority with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A 1-33 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. Lawton Metropolitan Area Airport Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulation, contracts, and grants applicable to each of its major federal programs is the responsibility of Lawton Metropolitan Area Airport Authority's management. My responsibility is to express an opinion on the Lawton Metropolitan Area Airport Authority's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Lawton Metropolitan Area Airport Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Lawton Metropolitan Area Airport Authority's compliance with those requirements.

In my opinion, the Lawton Metropolitan Area Airport Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

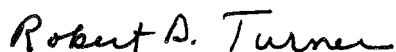
Internal Control Over Compliance

The management of the Lawton Metropolitan Area Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Lawton Metropolitan Area Airport Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Lawton Metropolitan Area Airport Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employee, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I considered to be material weaknesses as defined above.

This report is intended solely for the information and use of the finance committee, management, Board of Trustees, Oklahoma State Auditor and Inspector's Office and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Robert D. Turner
Certified Public Accountant
Lawton, OK
November 19, 2012

Lawton Metropolitan Area Airport Authority
Schedules of Expenditures of Federal Awards
Years Ended June 30, 2012

<u>Federal Grantor Agency/Grant Program/Grant Number</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation:			
Federal Aviation Administration - Airport Improvement Program			
03-40-0051-25	20.106	N/A	2,337
03-40-0051-27	20.106	N/A	37,806
03-40-0051-28	20.106	N/A	34,918
03-40-0051-29	20.106	N/A	475,636
03-40-0051-30	20.106	N/A	<u>5,458</u>
Total CFDA 20.106			<u>556,155</u>
Total Expenditures of Federal Awards			<u>\$ 556,155</u>

Lawton Metropolitan Area Airport Authority
Notes to Schedules of Expenditures of Federal Awards
Years Ended June 30, 2012

1. Basis of Presentation

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards presents the activity of the federal awards program of Lawton Metropolitan Area Airport Authority (the Authority) for the year ended June 30, 2012. Federal awards received directly from federal agencies and expended by the Authority are included in the schedule. Although the Authority is required to match certain grants, as defined therein, no such matching has been included in the schedule.

2. Basis of Accounting

The Schedule of Expenditures of Federal Awards has been prepared on the basis of accounting as defined by OMB Circular A-133. Under this basis, expenditures are recognized when the activity related to the award occurs.

3. Risk-Based Audit Approach

The dollar threshold to distinguish between Type A and Type B programs is \$300,000. The Authority does not qualify as a low-risk auditee.

4. Sub-Recipients

Of the expenditures presented in the schedule, The Authority did not provide any awards to sub-recipients.

5. Outstanding Federal Loans

The Authority has no federal loan obligations as of June 30, 2012.

**Lawton Metropolitan Area Airport Authority
Schedule of Findings and Questioned Costs
Years Ended June 30, 2012**

Section 1—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- | | | |
|---|------------------------------|--|
| ▪ Material weakness(es) identified? | YES <input type="checkbox"/> | NO <input checked="" type="checkbox"/> |
| ▪ Significant deficiency identified that is not considered to be material weaknesses? | YES <input type="checkbox"/> | NO <input checked="" type="checkbox"/> |

Noncompliance material to financial statements noted?	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>
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Federal Awards

Internal control over major programs:

- | | | |
|---|------------------------------|--|
| ▪ Material weakness(es) identified? | YES <input type="checkbox"/> | NO <input checked="" type="checkbox"/> |
| ▪ Significant deficiency identified that is not considered to be material weaknesses? | YES <input type="checkbox"/> | NO <input checked="" type="checkbox"/> |

Type of auditor's report issued: Unqualified

Any audit findings disclosed required to be reported in accordance with section 510 (a) of Circular A -133?	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>
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Identification of major programs

<u>CDFA Number (s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	U.S. Department of Transportation Federal Aviation Administration Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs?
\$ 300,000

Auditee qualified as low-risk?	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
--------------------------------	---	-----------------------------