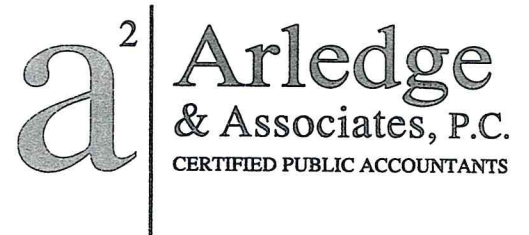


**CITY OF SHAWNEE  
OKLAHOMA**

**SINGLE AUDIT REPORTS  
AND SUPPLEMENTARY SCHEDULES**

**June 30, 2015**

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**CITY OF SHAWNEE  
OKLAHOMA**

**SINGLE AUDIT REPORTS  
AND SUPPLEMENTARY SCHEDULES**

**June 30, 2015**

CITY OF SHAWNEE, OKLAHOMA

June 30, 2015

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SINGLE AUDIT REPORTS AND SUPPLEMENTARY SCHEDULES:

**Reports related to financial statements of the reporting entity  
Required by GAO *Government Auditing Standards*:**

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**Reports related to Federal Assistance Programs Required by OMB Circular A-133:**

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INDEPENDENT AUDITOR'S 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 the Honorable Mayor and Members of the City Council of the  
City of Shawnee, Oklahoma

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Shawnee, Oklahoma (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 22, 2015. Other auditors audited the financial statements of the Shawnee Civic and Cultural Development Authority as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed

instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 15-01 and Finding 15-02.

#### **The City's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Arledge & Associates, P.C.*

December 22, 2015





INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133; AND  
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY OMB CIRCULAR A-133

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Shawnee, Oklahoma's (the "City"), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 we 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 City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City'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 employees, 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 a 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2015, and the related notes the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 22, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Arledge & Associates, P.C.*

December 22, 2015



## CITY OF SHAWNEE, OKLAHOMA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
<b>Department of Justice</b>			
Edward Byrne Memorial Justice Assistance Grant	16.738		\$ 24,987
ARRA Public Safety Partnership and Community Policing Grant	16.710		36,658
Bulletproof Vest Partnership Program	16.607		1,410
Passed-through Oklahoma State Bureau of Investigation Missing Children's Assistance	16.543		13,560
<i>Total Department of Justice</i>			<u>76,615</u>
<b>Department of Transportation</b>			
Passed-through Oklahoma Dept. of Public Safety: National Highway Safety Administration (NHTSA)			
Discretionary Safety Grants	20.614	PT-15-03-21-09	21,944
National Highway Safety Administration (NHTSA) Discretionary Safety Grants	20.614	164AL-14-03-06-08	1,433
<i>Total Department of Transportation</i>			<u>23,377</u>
<b>Department of Homeland Security</b>			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		339,108
Passed-through Oklahoma Department of Emergency Management:			
Emergency Management Performance Grants	97.042		4,834
Disaster Grants - Public Assistance	97.036	FEMA 4222PW 7	89,830
Disaster Grants - Public Assistance	97.036	FEMA 4222PW 3	11,746
Disaster Grants - Public Assistance	97.036	FEMA 4222PW 10	4,711
Disaster Grants - Public Assistance	97.036	FEMA 4222PW 259	13,445
Disaster Grants - Public Assistance	97.036	FEMA 4222PW 185	28,857
Disaster Grants - Public Assistance	97.036	FEMA 4222PW 184	10,867
<i>Total Department of Homeland Security</i>			<u>503,398</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 603,390</u>

See notes to schedule of expenditures of federal awards.



## CITY OF SHAWNEE, OKLAHOMA

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2015

#### NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

#### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, and the OMB *Uniform Guidance: Cost Principles, Audit and Administrative Requirements for Federal Awards*, where in certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

#### NOTE 3. SUBRECIPIENTS

During the year ended June 30, 2015, the City did not provide any federal awards to subrecipients.

CITY OF SHAWNEE, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2015

**Section I--Summary of Auditor's Results**

*Financial statements*

Type of auditor's report issued:

*Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☒ yes ☐ no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs:

*Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☐ yes ☒ no

Identification of major programs:

Program

CFDA Number

Disaster Grants - Public Assistance  
(Presidentially Declared Disasters)

97.036

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

CITY OF SHAWNEE, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

June 30, 2015

**Section II--Findings Required to be Reported in Accordance with *Government Auditing Standards*:**

See Findings 15-01 and 15-02

**Section III--Finding Required to be Reported in Accordance with OMB Circular A-133:**

None to report for the June 30, 2015, period.

CITY OF SHAWNEE, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

June 30, 2015

**Finding 15-01 - Budgeted Appropriations**  
(Repeat Finding)

*Criteria:* Oklahoma State Law prescribes that no encumbrances or expenditures may be authorized or made by an officer or employee that exceeds the available appropriations for each object category within a department or fund.

*Condition:* Expenditures exceeded appropriations at the legal level of control as follows:

<u>Fund</u>	<u>Department</u>	<u>Amount</u>
General	City Manager	\$172,709
General	Police Operations	\$182,843
General	Criminal Operations	\$100,038
General	Fire Suppression	\$160,265
General	Emergency Management	\$145,759

*Cause:* Year-end adjustments are recorded in the preparation of the annual financial statements that result in charges to appropriations that may exceed the appropriations for a department.

*Effect or Potential Effect:* Expenditures may exceed appropriations at the legal level of control.

*Recommendation:* We recommend that the City adopt formal budget amendments, especially at or near year-end by department.

*City's Response:* Management will review all funds and departments prior to year-end to ensure that any budget amendments needed are completed and approved prior to June 30.



CITY OF SHAWNEE, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

June 30, 2015

**Finding 15-02 Negative Fund Balance**

*Criteria:* Oklahoma law prescribes that the City may not have a negative fund balance.

*Condition:* The City's Capital Improvement Fund reports a deficit fund balance of \$101,402.

*Cause:* Controls were not sufficient to ensure that proceeds were placed in the General Fund prior to the incurrence of liabilities in accordance with State law.

*Recommendation:* We recommend that the City put procedures in place to ensure that restricted or assigned funds be spent only for their intended purposes and that negative fund balances be monitored and spending constrained or that the City reimburse this fund from other sources.

*City's Response:* The City will monitor fund balances and make transfers as necessary to maintain a positive fund balance.

CITY OF SHAWNEE, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

June 30, 2015

**Finding 14-01 - Budgeted Appropriations**  
(Repeat Finding)

*Criteria:* Oklahoma State Law prescribes that no encumbrances or expenditures may be authorized or made by an officer or employee that exceeds the available appropriations for each object category within a department or fund.

*Condition:* Expenditures exceeded appropriations at the legal level of control as follows:

<u>Fund</u>	<u>Department</u>	<u>Amount</u>
General	City Attorney	\$208,217
General	Police Operations	\$105,696
General	Fire Suppression	\$354,126
General	Streets	\$56,150
General	Senior Citizens	\$20,476

*Cause:* Year-end adjustments are recorded in the preparation of the annual financial statements that result in charges to appropriations that may exceed the appropriations for a department.

*Effect or Potential Effect:* Expenditures may exceed appropriations at the legal level of control.

*Recommendation:* We recommend that the City adopt formal budget amendments, especially at or near year-end by department.

*City's Response:* Management will review all funds and departments prior to year-end to ensure that any budget amendments needed are completed and approved prior to June 30. We will also take into consideration for the final budget amendment converting our books from a cash basis to a modified accrual basis.

*Current Year Status:* See current year Finding 15-01.