



Comprehensive Annual Financial Report
City of Shawnee, Oklahoma

Fiscal Year Ended June 30, 2005

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Fiscal Year Ended June 30, 2005



SHAWNEE CITY HALL 1902

Prepared By
The Finance Department
Rebecca S. Cragin, Finance Director/City Treasurer

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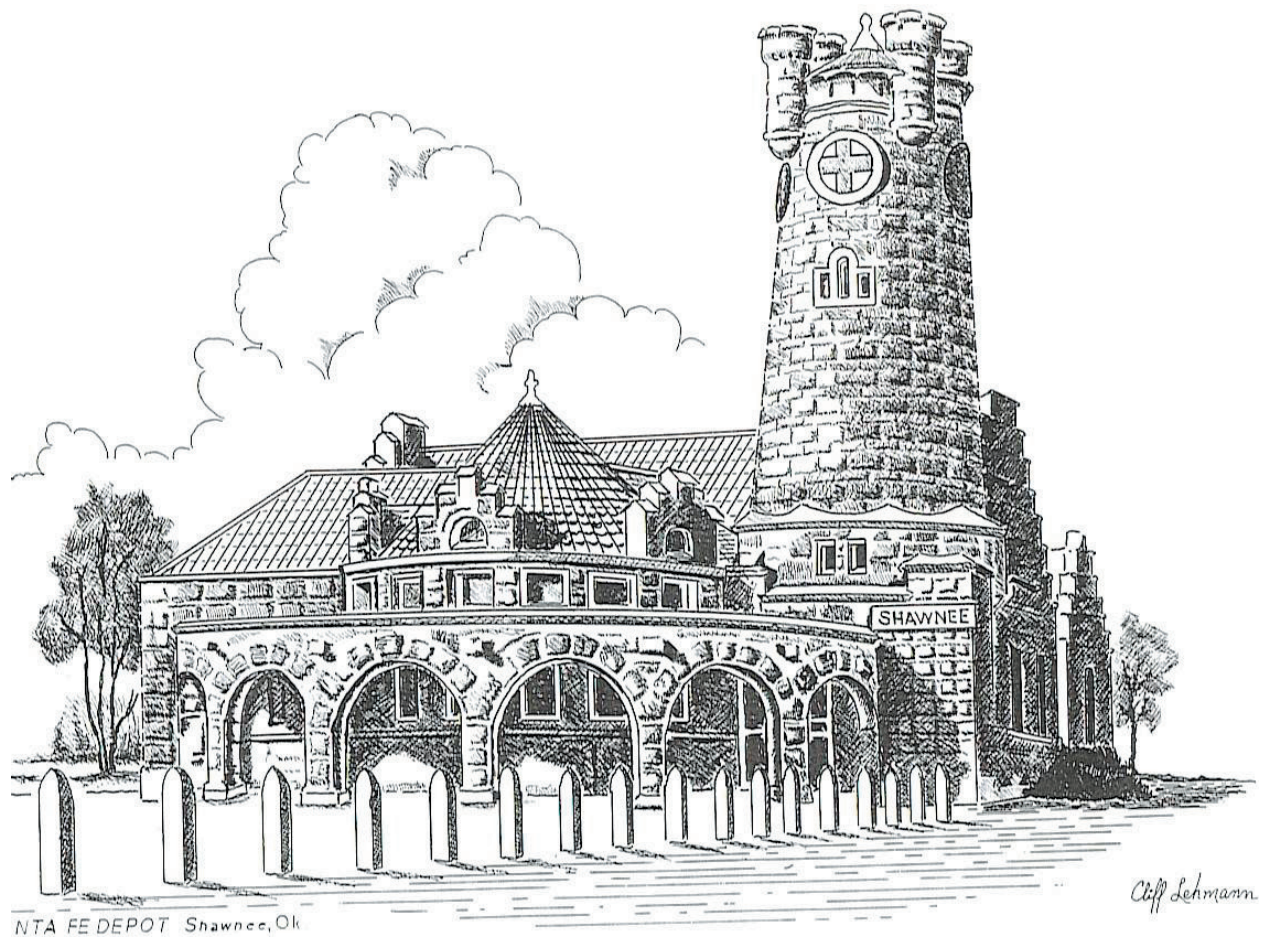
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Introductory Section





December 19, 2005

To The Honorable Mayor and Members of the City Commission and Citizens of the City of Shawnee, Oklahoma

It is our pleasure to submit the Comprehensive Annual financial Report of the City of Shawnee, Oklahoma for the fiscal year ended June 30, 2005. State law requires that all municipal governments publish within six months of the close of each fiscal year a complete set of financial statements. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report complies with these requirements.

The Comprehensive Annual Financial Report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Financial Statements of the City have been audited by Carlson & Cottrell, CPAs, PLC, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2005 are free of material misstatement. Based upon the audit, the independent auditor concluded, that the City's financial statements for the fiscal year ended June 30, 2005 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

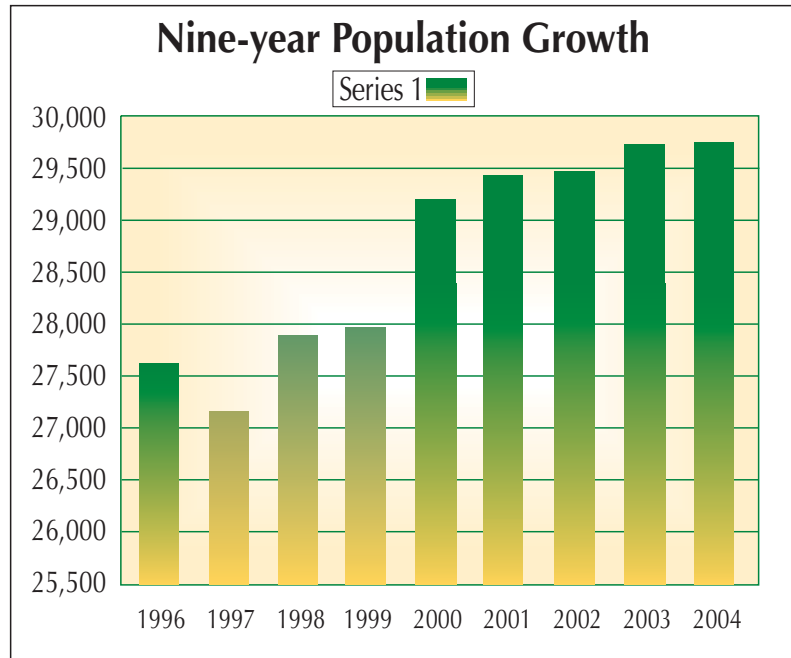
The independent audit of the financial statements of the City was part of a broader, federal and state mandated "Single Audit" designed to meet the special needs of grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These auditor reports are available in the Single Audit section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of City of Shawnee

Shawnee is situated in the heart of the State, 40 miles from Oklahoma City. The City was incorporated in 1894 and covers an area of 44 square miles. The City, the county seat of Pottawatomie County, has an estimated population of 29,746.

The county has an estimated population of 67,111. The City has adopted a charter and operates under a Commission-Manager form of government. The City Commission is the governing body of the City. The Commission is comprised of the Mayor and six Commissioners. The City is divided into six wards with one commissioner from each ward. The members of the City Commission are also the trustees of the Shawnee Municipal Authority and the Shawnee Airport Authority. The City Commission appoints the City Manager who is the chief executive officer of the City and is responsible to the City Commission for the administration of all City services.



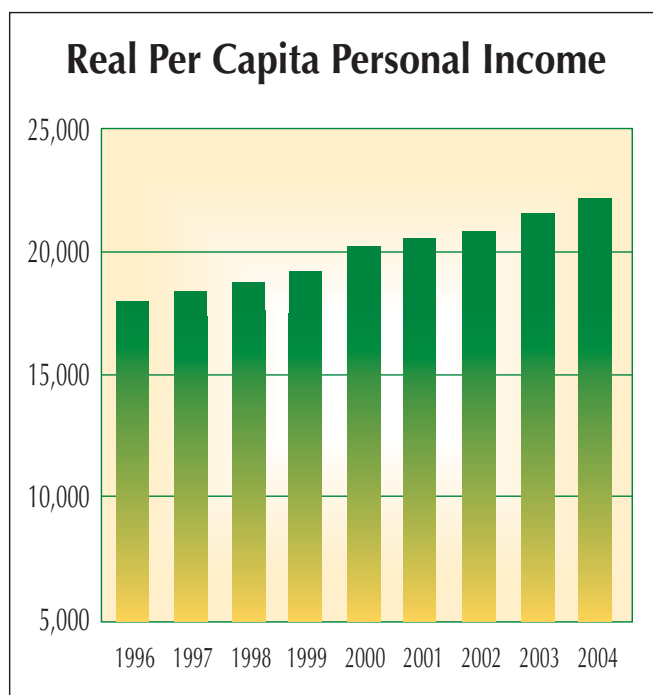
The city provides the full range of governmental services, including police and fire protection, street construction and maintenance, water and sanitary sewer services and parks. Extended planning on the city's infrastructure needs occurs on an ongoing basis.

The annual budget serves as the foundation of the City's financial planning and control. The City Commission is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, department (e.g. police), and category (e.g., personnel services). Department heads or the City Manager may make transfers of appropriations within a category. Transfers of appropriations between categories and budget amendments require approval of the City Commission.

Economic Conditions and Outlook

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

The Shawnee area economy began a recovery in early 2004 and continues to post impressive results and outpace the recovery at the state level. After enjoying job growth of 1.1 percent in 2004, the Shawnee region is expected to post job gains of 2.6 percent (500 jobs) this year, and is forecasted to slow only slightly to 2.1 percent (400 jobs) in 2006. The strong rebound in overall hiring is benefiting most major industry sectors and is producing similarly strong gains in income and retail trade activity.



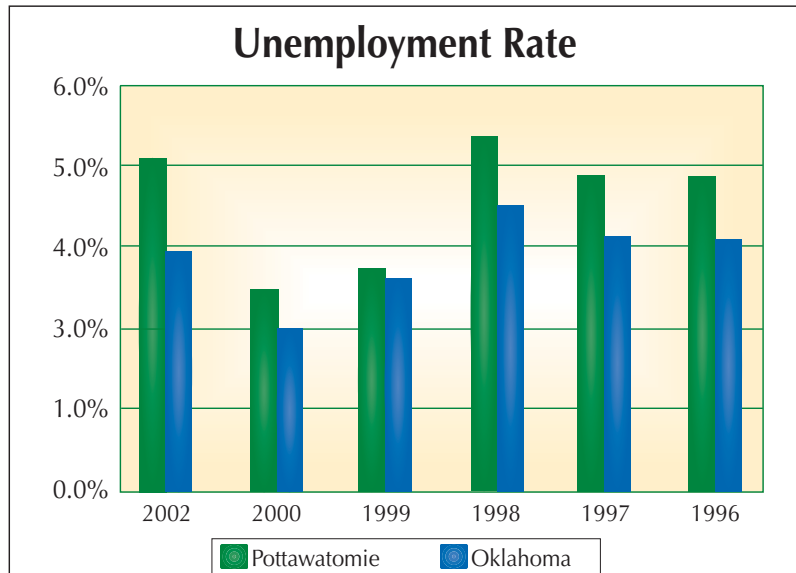
The area's manufacturing sector is leading the local recovery after rebounding sharply in 2004 with a 9.7 percent (260 jobs) hiring gain, well ahead of the state manufacturing recovery. Manufacturing remains a critical component of the local area workforce, accounting for more than 15 percent of all Shawnee area wage and salary workers. The industry is forecasted to continue to outperform the state's manufacturing sector, adding approximately 100 new jobs this year and again in 2006. Other major sectors providing hiring gains include the accommodation and food services sector.

The area economy is enjoying impressive income gains and gaining ground relative to the state and nation in per-capita income. Wage and salary income increased 4.2 percent in 2004 and is on pace to increase 6.9 percent for all of 2005, before slowing along with the state to a forecasted 4.3 percent in 2006. Personal income gains reached 6.6 percent in 2004 and are expected to increase to 8.1 percent in 2005, and then ease slightly to 6.7 percent in 2006. Per capita personal income in the Shawnee region has increased from 67 percent (\$18,631) of the national average in 1999 to an estimated 74 percent (\$25,624) in 2005. In comparison, the Oklahoma City metropolitan area per capita income in 2005 is an estimated 94 percent (\$32,692) of the national average (\$34,769). Similar gains in Shawnee-area per capita income have been made relative to the state, increasing from 83 percent of the state average in 1999 to an estimated 86 percent in 2005. Additional gains relative to the state and nation are expected in 2006.

The near- and intermediate term prospects for the Shawnee/Pottawatomie County region remain promising. The increasing influence and redevelopment of the I-40 corridor east of Oklahoma City will accelerate the absorption of the Shawnee region into the Oklahoma City Metropolitan area and continue to provide improved fundamentals for population, housing, and job growth in the local economy. The

strength of Tinker AFB and its successful navigation of the base realignment process have also eliminated a source of uncertainty for the local economy and the large number of county residents working at the base.(1) However, a note of caution is warranted with the recent announcement of the closing of the GM plant. The effects of the closing of the GM plant remain undetermined.

The expected growth of the area will result in the continued moderate increase in the tax base and our largest revenue source, sales taxes. The City closely monitors its resources and has emphasized program efficiencies, cost of service strategies, and other cost containment efforts, allowing strong financial positions to be maintained. We believe that the improving economic environment in this area along with the diligent management of the City's costs and services will provide ongoing financial stability and fiscal capacity.



Long-term Financial Planning

The City has a commitment to achieve a strong financial position. This position requires regular long-term planning of operating and capital requirements for its major government and enterprise funds. In doing so, the City relies on key financial policies and procedures for dealing with future events in financially responsible ways.

A stated financial goal of the City for many years has been to maintain a 10% undesignated fund balance level in the General Fund. This goal has not been reached in recent years. This year the City returned to this fundamental commitment and the fund balance increased significantly.

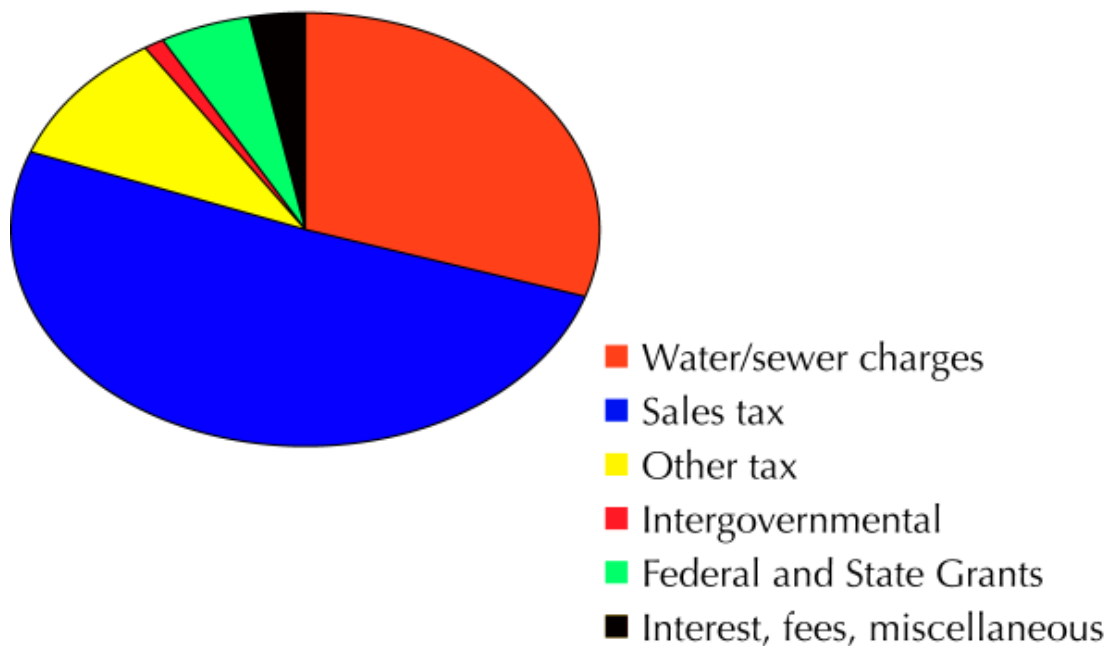
The long-term Capital Improvement Program includes continued progress towards improving the City's infrastructure through the street program and improvements to the water treatment process. It also includes funding for a regional park and a skate park.

Major Initiatives

For the Year 2004-05

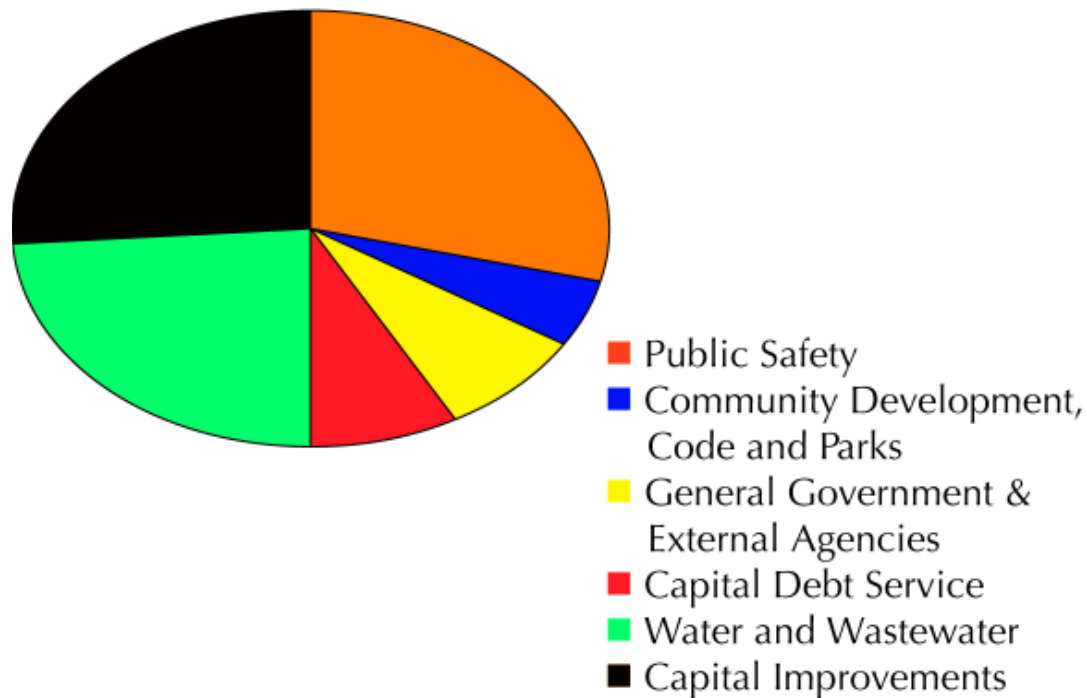
Budget trends for 2004-05 included a major revision of the original budget due to a low projected fund balance. In response, the City initiated a water rate increase for the 2004-05 fiscal year but the water revenues fell far short of projections. This shortfall contributed to the decision to restructure the Public Works Department and a phased reduction in workforce of 6% during the 2004-05 year.

Adopted Budgeted Revenues 2004-05



All major city programs were continued. Capital improvements in 2004-2005 included traditional funding to the street system, utility projects, stormwater projects, technology projects and other general public projects. Major projects completed during the year included completion of the Comprehensive Plan, Airport Fencing, the purchase of a Fire Aerial Ladder truck, and the completion of the Bell Street project.

Adopted Budgeted Expenditures 2004-05



For the Future

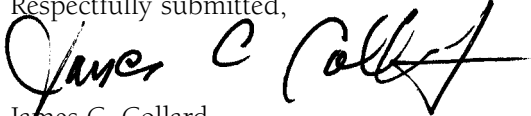
For fiscal year 2005-2006, the budget was recommended and adopted in accordance with the budget policy. Budgeted tax revenues on cigarettes are coming in stronger than expected and those additional funds will be used to fund an additional person in Information Systems. In addition, building fees and permits were increased to fund a position for an additional building inspector.

The capital improvements budget for 2005-2006 includes funding for new and/or continued projects totaling \$7,195,198. These include traditional funding for streets, utilities, parks, public safety, and general improvements. It also includes special projects such as the regional park, a skate park, widening of MacArthur, and partial funding for widening Kickapoo Street from I40 to Main Street.

Acknowledgments

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance department and administrative department. We wish to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing commission for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Shawnee's finances.

Respectfully submitted,


James C. Collard
City Manager


Rebecca S. Cragin
Finance Director/City Treasurer

- (1) Much of the Economic Forecast Data was provided by
Mark C. Snead, Ph.D.
Director, Center for Applied Economic Research
Research Economist, Oklahoma State Econometric Model
Oklahoma State University

Artwork provided by Cliff Lehmann, Shawnee resident and artist.

City of Shawnee, Oklahoma Municipal Officials June 30, 2005

City Commission

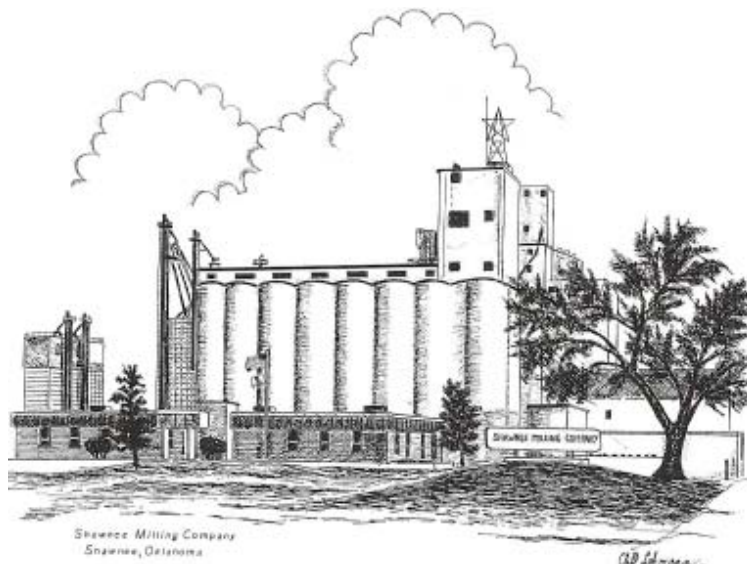
Chuck Mills
Tom Claybrook
Thomas Schrzan
Marva O'Neal
David Hadley
Linda Peterson
Bob Downing

Mayor
Ward I
Ward II
Ward III
Ward IV
Ward V
Ward VI

Administration

James C. Collard
John Canavan
Diana Hallock
Rebecca Cragin
Mike Southard
John Krywicki
Jerry Bower
Robert Jones
David Chesher
Michael Chitwood
Afsaneh Jabbar

City Manager
City Attorney
City Clerk
City Treasurer/Finance Director
Planning Director/Parks
City Engineer/Streets
Fire Chief
Municipal Judge
Personnel Director
Police Chief
Utility Director



Financial Section



Independent Auditor's Report

December 2, 2005

City Commissioner
City of Shawnee
Shawnee, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Shawnee, Oklahoma, as of and for the year ended June 30, 2005, which collectively comprise the City of Shawnee's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Shawnee's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Shawnee Civic & Cultural Development Authority, a discretely presented component unit, which represent 7.5% and 2.4%, respectively, of the assets and revenues of the City of Shawnee, Oklahoma. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, in so far as relates to the amounts included for the Shawnee Civic & Cultural Development Authority, is based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Shawnee's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 report of other auditors provide a reasonable basis for our opinions.

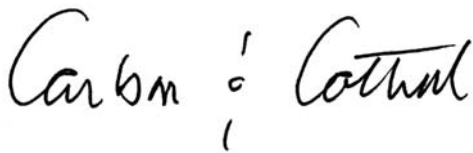
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Shawnee, Oklahoma, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Carlson & Cottrell, CPAs, PLC

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2005, on our consideration of the City of Shawnee's internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 12 through 20 and 54 through 55 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We 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 our opinions on the financial statements that collectively comprise the City of Shawnee'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 (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying introductory section, combining nonmajor fund financial statements, and statistical tables listed under supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of OMB Circular A-133 or the basic financial statements. Such information has been subjected to the auditing procedures applied, by us, in the audit of the basic financial statements and, in our opinion, based on our report and the report of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Carlson & Cottrell". The signature is written in dark ink and is positioned in the lower-left area of the page.

City of Shawnee, Oklahoma
Management's Discussion and Analysis
June 30, 2005

The following discussion and analysis of the City of Shawnee's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the City's financial statements, which begin on page 21.

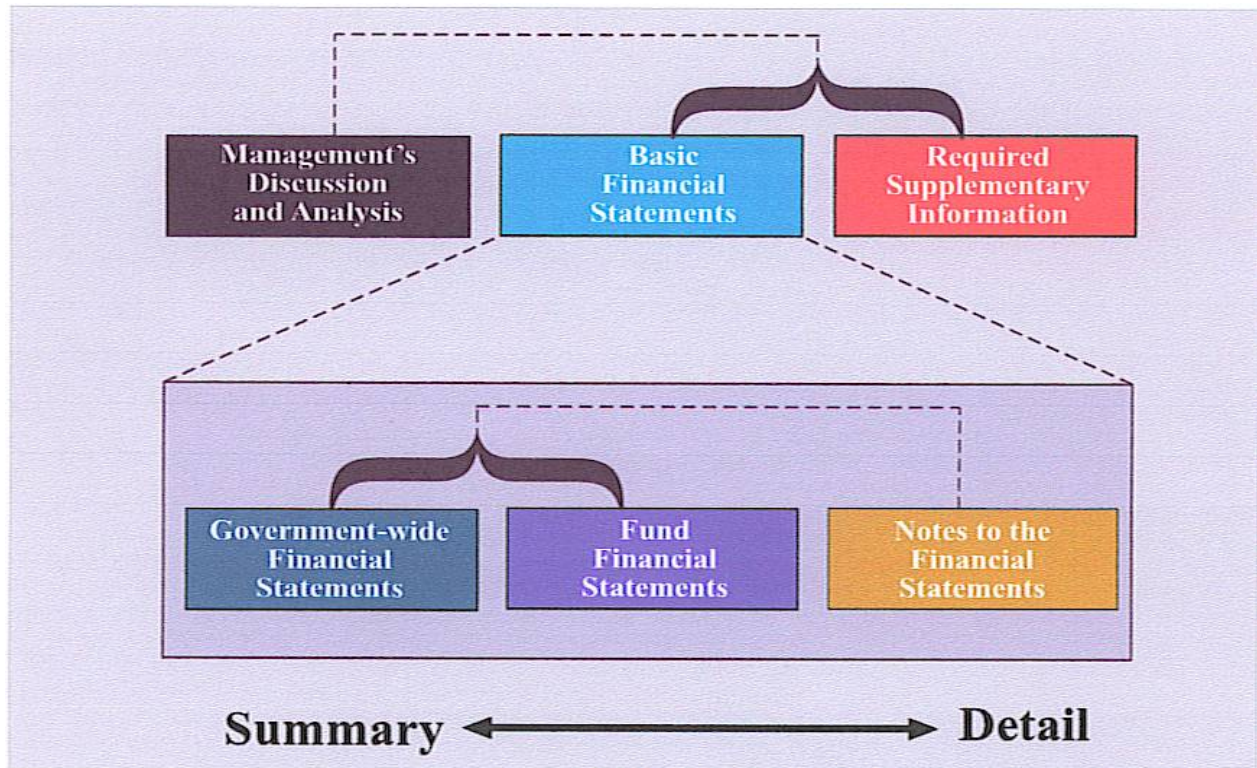
Financial Highlights

- ❖ The assets of the City of Shawnee exceeded its liabilities at the close of the most recent fiscal year by \$ 55,295,392 (net assets). Of this amount, \$ 875,495 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors and \$ 41,674,476 is invested in capital assets, net of related debt.
- ❖ The overall financial position of the City improved as evidenced by an increase in total net assets of \$ 973,495 for the year ended June 30, 2005. This increase was from both governmental (\$468,037) and business-type activities (\$505,458). General revenues, primarily sales, franchise and other taxes, increased by \$ 624,719.
- ❖ As of the close of the current fiscal year, the City of Shawnee's governmental funds reported combined ending fund balances of \$ 10,115,540, an increase of \$ 1,540,545 in comparison with the prior year. The focus of the governmental funds, in contrast to the government-wide fund statements is to provide current information on inflows, outflows, and balances of spendable resources.
- ❖ At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 3,343,604, or 27.3% of total general fund expenditures.
- ❖ The City of Shawnee's total debt decreased by \$ 855,035 during the current fiscal year. The key factors in this decrease were the continued pay down of notes and revenue notes payable by the Shawnee Municipal Authority.
- ❖ The original budgeted ending fund balance was \$ 738,867 and the actual ending fund balance was \$ 1,214,697.

Overview of the Financial Statements

This management discussion and analysis is intended to introduce the City of Shawnee's basic financial statements. The City of Shawnee's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The following diagram shows how the required components of this annual report are arranged and relate to one another.



Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad view of the City of Shawnee's finances using accounting methods similar to a private-sector business.

The statement of net assets presents information on all of the City of Shawnee's assets and liabilities except fiduciary funds with the difference reported as net assets. Increases or decreases in net assets may serve as a useful indicator of whether the financial health of the City of Shawnee is improving or deteriorating.

The statement of activities accounts for all of the current year's revenues and expenses regardless of when cash is received or paid. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements are divided into three categories:

Governmental activities – Most of the City's basic services are included here, such as public safety, community planning and development, sales and use taxes, streets, and grants and contributions that help to finance many of these activities.

Business-type activities – The City charges fees to customers to cover the costs of certain services provided such as the City's water and sewer system.

The government-wide financial statements include not only the City of Shawnee itself (known as the primary government), but also the legally separate authorities (Shawnee Municipal Authority, Shawnee Airport Authority, Shawnee Civic & Cultural Development Authority) for which the City of Shawnee is financially accountable. Financial information for the Shawnee Municipal Authority and the Shawnee Airport Authority component units are blended with the primary government itself. The Shawnee Civic & Cultural Development Authority is a legally separate operation, and therefore has been included as a discretely presented component unit.

The government-wide financial statements can be found on pages 21–23 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Shawnee, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Shawnee can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole.

Governmental funds. Most of the City's basic services are included in governmental funds, which focus on the in-flow and out-flow of cash and other financial assets that can readily be converted to cash. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains nineteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital improvement fund, and the street improvement fund, all of which are considered to be major funds. Data from the other sixteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for the General Fund, as well as several other funds. A budgetary comparison statement is presented for the General Fund using the City's budgetary basis of accounting. This statement reflects the following (a) the original budget, (b) the final budget as amended, (c) actual resources, and (d) the variance between the final budget and actual resources. Because the budgetary basis of accounting differs from the modified accrual basis used in the funds statements, a reconciliation is provided at the end of the statement.

The basic governmental fund financial statements can be found on pages 24–26 of this report.

Proprietary funds. Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds provide similar information, but in more detail, as found in the government-wide financial statements. The City maintains two types of proprietary funds. Enterprise funds are used to report the City's functions which are similar to business-type activities in the government-wide financial statements. The City uses enterprise funds to account for water, sewer, and sanitation activities of the Shawnee Municipal Authority as well as the Shawnee Airport Authority.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its workers' compensation activities. Because this service predominantly benefits governmental rather than business-type functions, its operations have been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 27–30 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City has one fiduciary fund, the URM/DEPCA fund.

The fiduciary fund financial statements can be found on page 31 of the report.

Notes to the financial statements. The notes provide additional detailed information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 32–53 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's actual revenues and expenditures on a budgetary basis compared with the original and final budgets for the general fund. Required supplementary information can be found on pages 54–55 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on budget and actual revenues and expenditures for the major governmental fund. Combining statements and schedules can be found on pages 56–59 of this report.

Government-Wide Financial Analysis

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 \$ 55,295,392 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (75%) reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment) less any related debt used to acquire those assets that is still outstanding. 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.

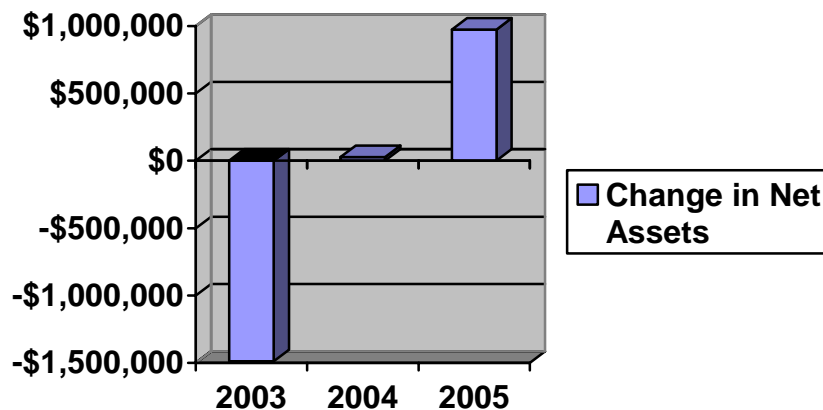
City of Shawnee
Net Assets
June 30, 2005 and 2004

	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Current assets	\$ 11,681,280	\$ 10,475,879	\$ 3,901,421	\$ 4,252,046	\$ 15,582,701	\$ 14,727,925
Capital and other	22,566,528	23,291,814	47,134,024	48,280,239	69,700,552	71,572,053
Total assets	34,247,808	33,767,693	51,035,445	52,532,285	85,283,253	86,299,978
Current liabilities	1,600,336	1,502,319	1,944,189	2,153,861	3,544,525	3,656,180
Long-term liabilities	3,438,048	3,523,987	23,005,486	24,797,914	26,443,534	28,321,901
Total liabilities	5,038,384	5,026,306	24,949,675	26,951,775	29,988,059	31,978,081
Net assets:						
Invested in capital assets, net of related debt	22,556,528	20,779,219	19,117,948	18,944,499	41,674,476	39,723,718
Restricted	5,986,778	5,878,675	6,758,643	6,312,995	12,745,421	12,191,670
Unrestricted	666,118	2,083,493	209,377	323,016	875,495	2,406,509
Total net assets	\$ 29,209,424	\$ 28,741,387	\$ 26,085,968	\$ 25,580,510	\$ 55,295,392	\$ 54,321,897

An additional portion of the City's net assets (20%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$ 875,495) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's net assets increased by \$ 973,495 during the current fiscal year. This increase represents the excess of revenues over expenses and transfers to other entities.

Governmental activities. For the year ended June 30, 2005, the City's net assets were increased by the governmental activities by \$ 468,037. The key element of this increase is the improvement in sales tax revenues and maintaining cost structures, more specifically in personnel costs.



City of Shawnee
Statement of Activities
June 30, 2005 and 2004

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Program revenues:						
Charges for services	\$ 669,421	\$ 923,431	\$ 7,779,226	\$ 6,836,482	\$ 8,448,647	\$ 7,759,913
Grants/contributions	1,421,738	1,308,651	134,389	22,972	1,556,127	1,331,623
General revenues	16,044,333	15,419,614	92,156	94,988	16,136,489	15,514,602
Total revenues	18,135,492	17,651,696	8,005,771	6,954,442	26,141,263	24,606,138
Expenses:						
General government/administration	2,336,909	3,309,105			2,336,909	3,309,105
Public safety	8,113,937	8,406,912			8,113,937	8,406,912
Public works	5,259,587	2,572,811			5,259,587	2,572,811
Culture and recreation	853,773	834,722			853,773	834,722
Utilities			6,890,071	6,977,554	6,890,071	6,977,554
Community development	685,087	1,146,625			685,087	1,146,625
Economic development	418,162	284,397			418,162	284,397
Other		349,107	610,242	697,304	610,242	1,046,411
Total expenses	17,667,455	16,903,679	7,500,313	7,674,858	25,167,768	24,578,537
Increase (decrease) in net assets before transfers	468,037	748,017	505,458	(720,416)	973,495	27,601
Transfers, net		348,559		(348,559)		
Increase (decrease) in net assets	468,037	1,096,576	505,458	(1,068,975)	973,495	27,601
Net assets, beginning	28,741,387	27,644,811	25,580,510	26,649,485	54,321,897	54,294,296
Net assets, ending	\$ 29,209,424	\$ 28,741,387	\$ 26,085,968	\$ 25,580,510	\$ 55,295,392	\$ 54,321,897

The following table provides a comparison of the revenues and expenses relative to the major functional areas of the governmental activities.

City of Shawnee
Governmental Activities
June 30, 2005 and 2004

	Program Revenues		Cost Of Services	
	2005	2004	2005	2004
General government	\$ 94,764	\$ 761,782	\$ 2,336,909	\$ 3,309,105
Public safety	525,626	396,369	8,113,937	8,406,912
Public works	754,884	193,196	5,259,587	2,572,811
Culture and recreation	715,885	71,470	853,773	834,722
Community development		809,265	685,087	1,146,625
Economic development			418,162	633,504
Total governmental activities	\$ 2,091,159	\$ 2,232,082	\$ 17,667,455	\$ 16,903,679

Business-type activities. Business-type activities increased the City's net assets by \$ 505,458. The key element of this increase was the improvement in water revenues over the expenses on operations which included the reduction of personnel costs.

City of Shawnee
Business-type Activities
June 30, 2005 and 2004

	Program Revenues		Cost Of Services	
	2005	2004	2005	2004
Water	\$ 4,232,605	\$ 3,672,667	\$ 3,579,342	\$ 3,268,075
Wastewater	2,399,874	2,035,446	2,324,463	2,645,892
Airport and lake	222,189	69,168	610,242	697,304
Sanitation	1,058,947	1,059,201	986,266	1,063,587
Total governmental activities	<u>\$ 7,913,615</u>	<u>\$ 6,836,482</u>	<u>\$ 7,500,313</u>	<u>\$ 7,674,858</u>

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 10,115,540, an increase of \$ 1,540,545 in comparison with the prior year. A portion of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) for capital improvements, or 2) to pay debt service.

The general fund is the chief operating fund of the City. As of the end of the current fiscal year, unreserved fund balance of the general fund was \$ 3,343,604 as found on the Balance Sheet of the Governmental Funds.

The fund balance of the City's general fund increased by \$ 817,690 during the current fiscal year. The key factor in this increase was improved sales tax revenues and a decrease in expenses.

The capital improvement and street improvement funds had total fund balances of \$ 2,646,865 and \$ 3,050,281. The net increase in fund balance during the current year was \$ 423,388 and \$ 171,994, respectively.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Shawnee Municipal Authority as of the end of the year amounted to \$ 223,773. The total increase in net assets was \$ 822,020. Operating revenues increased by \$ 1,183,028 over the previous year due to increased water sales revenues. This increase was primarily due to a 30% increase in water rates. Projected revenues fell short of the 25% increase that was budgeted. Operating expenses increased by \$ 67,323 in expenses primarily as the result of efforts to improve water quality.

The Shawnee Airport Authority had a decrease in revenues of \$ 14,958 and a decrease in expenses of \$ 87,940.

General Fund Budgetary Highlights

There were slight differences between the original budget and the final budget for the general fund. Overall, actual revenues on the budgetary basis of \$ 12,032,200 were \$ 218,312 more than the estimated revenues in the budget of \$ 11,813,888. Actual expenditures of \$ 12,221,091 were \$ 313,882 less than the \$ 12,534,973 approved in budget appropriations. After net transfers of \$ 797,446, the City added \$ 608,555 to its carry forward funds.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$ 69,700,552 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and vehicles.

Major capital asset events during the current fiscal year included the following:

- Completion of the MacArthur 177 interchange
- Traditional funding to the street system, utility projects, stormwater projects, technology projects and other general public projects
- Completion of the City's Comprehensive Plan
- Installation of fencing around the municipal airport
- Purchase of a new Fire Aerial Ladder Truck
- Completion of the Bell Street Project

City of Shawnee
Capital Assets
June 30, 2005 and 2004
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 2,259,094	\$ 2,259,094	\$ 931,354	\$ 1,481,715	\$ 3,190,448	\$ 3,740,809
Construction in progress	25,411	172,718	433,278	433,278	458,689	605,996
Buildings and improvements	3,632,283	3,844,243	378,803	4,074,212	4,011,086	7,918,455
Equipment	3,695,936	3,194,081	1,007,731	1,144,797	4,703,667	4,338,878
Infrastructure	12,953,804	13,227,499			12,953,804	13,227,499
Utility property			27,727,310	27,313,506	27,727,310	27,313,506
Water rights			12,967,959	12,967,959	12,967,959	12,967,959
Capital assets, net	<u>\$ 22,566,528</u>	<u>\$ 22,697,635</u>	<u>\$ 43,446,435</u>	<u>\$ 47,415,467</u>	<u>\$ 66,012,963</u>	<u>\$ 70,113,102</u>

Additional information of the City's capital assets can be found in Note V.D and V.E. on pages 42–43 of this report.

Long-term debt. As of the end of the current fiscal year, the City had total debt outstanding of \$ 28,222,025. This represents debt secured solely by specified revenue sources (i.e., revenue notes) of \$ 23,789,805, general obligation bonds of \$ 400,000, capital lease obligations totaling \$ 451,548, accrued compensated absences of \$ 1,415,099, and \$ 2,165,573 for claims and judgments payable.

City of Shawnee
Outstanding Debt
June 30, 2005 and 2004

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 400,000	\$ 500,000			\$ 400,000	\$ 500,000
Capital lease obligations	451,548	282,296			451,548	282,296
Accrued compensated absences	1,181,808	1,167,414	\$ 233,291	\$ 253,315	1,415,099	1,420,729
Claims and judgments	2,165,573	2,061,639			2,165,573	2,061,639
Notes and revenue notes payable			23,789,805	24,812,395	23,789,805	24,812,395
Capital assets, net	<u>\$ 4,198,929</u>	<u>\$ 4,011,349</u>	<u>\$ 24,023,096</u>	<u>\$ 25,065,710</u>	<u>\$ 28,222,025</u>	<u>\$ 29,077,059</u>

The City's total debt decreased by \$ 855,034 during the current fiscal year. The key factors in this decrease were the principal payments made.

Additional information on the City's long-term debt can be found in Notes V.F. and V.G. on pages 44–48 of this report.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal-year 2005 budget and fees that will be charged for the proprietary fund type activities. One of these factors is the economic recovery that began in 2004. Unemployment is forecasted to decrease with strong gains in income and retail trade activity.

These following indicators were taken into account when adopting the general fund budget for 2006.

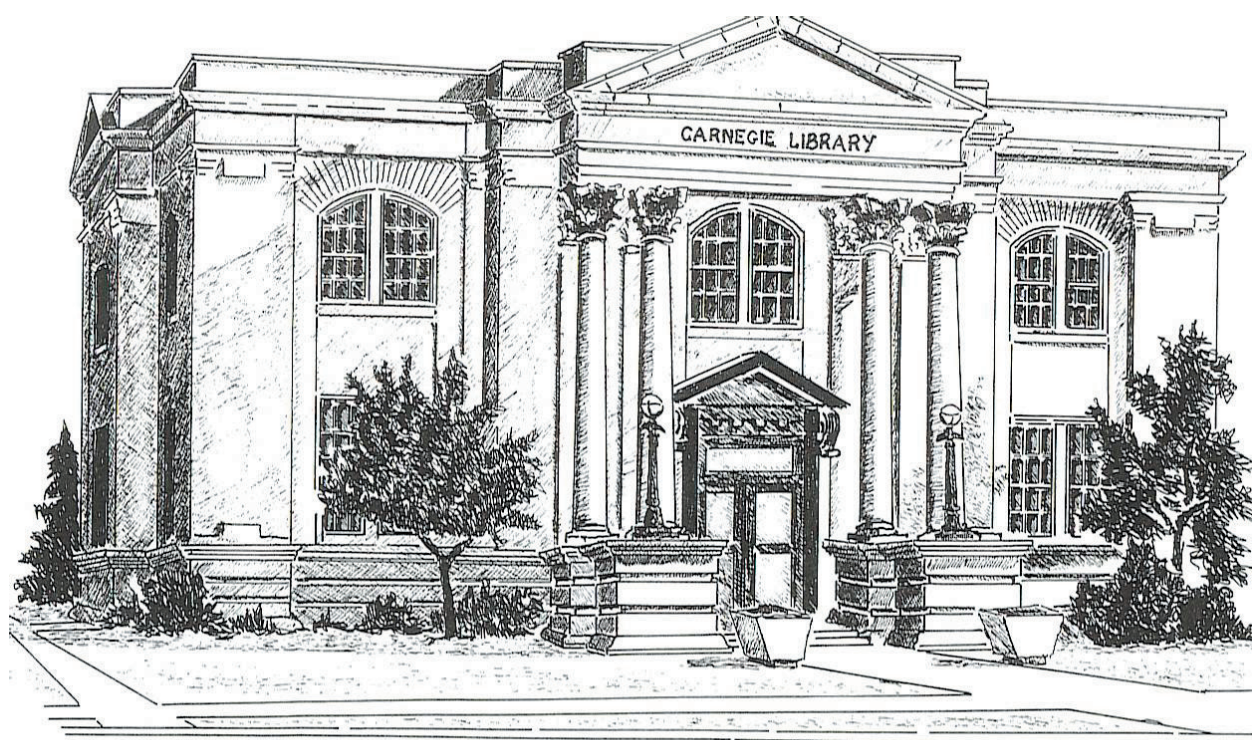
- ❖ Revenues for the City's general fund are expected to increase slightly overall. Expenditures appropriated for 2006 were also approximately \$ 660,812 higher than those budgeted at the beginning of the fiscal year 2005.
- ❖ As for the City's proprietary fund activities, the City expects a growth in the revenues for 2006 over those received in 2005.

All of these factors were considered in preparing the City's budget for the 2006 fiscal year.

Requests for Information

This financial report is designed to provide the citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Shawnee's city manager, City of Shawnee, Post Office Box 1448, Shawnee, Oklahoma 74802-1448.

Basic Financial Statements



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City of Shawnee, Oklahoma
Statement of Net Assets
June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,752,394	\$ (4,005,919)	\$ 2,746,475
Investments	55,920		55,920
Receivables, net of allowance for uncollectibles:			
Accounts	15,925	1,219,956	1,235,881
Notes	169,215		169,215
Taxes	2,515,137		2,515,137
Accrued interest	2,629	1,780	4,409
Other	56,986	1,034	58,020
Assessments		19,924	19,924
Court fines	82,728		82,728
Due from other governments	451,735	134,388	586,123
Due from component unit	25,041	56,863	81,904
Internal balances	1,498,420	(1,498,420)	0
Prepaid expenses	55,150	33,842	88,992
Restricted assets - cash and investments		7,937,973	7,937,973
Total current assets	<u>11,681,280</u>	<u>3,901,421</u>	<u>15,582,701</u>
Noncurrent assets:			
Intangible assets		12,967,959	12,967,959
Receivables:			
Deferred assessments		213,948	213,948
Debt issuance costs, net of accumulated amortization		271,423	271,423
Capital assets, net of accumulated depreciation	22,566,528	33,680,694	56,247,222
Total noncurrent assets	<u>22,566,528</u>	<u>47,134,024</u>	<u>69,700,552</u>
Total assets	<u>34,247,808</u>	<u>51,035,445</u>	<u>85,283,253</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	568,980	98,522	667,502
Customer deposits		525,047	525,047
Current portion of long-term obligations	587,716	1,284,490	1,872,206
Due to other governments		36,130	36,130
Due to primary government			
Short term claims	443,640		443,640
Total current liabilities	<u>1,600,336</u>	<u>1,944,189</u>	<u>3,544,525</u>

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

Component Unit
Civic &
Cultural
Development
Authority

\$	829,734
----	---------

1,688

831,422

5,582,005
5,582,005
6,413,427

1,122
7,195
44,412
81,907
401,418
536,054

City of Shawnee, Oklahoma
Statement of Net Assets
June 30, 2005
(continued)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Noncurrent liabilities:			
Capital lease obligations	\$ 287,900		\$ 287,900
Bonds payable	300,000	\$ 22,502,313	22,802,313
Accrued interest payable		219,221	219,221
Accrued compensated absences	857,740	233,292	1,091,032
Long-term claims	1,721,933		1,721,933
Unearned revenue	270,475	17,767	288,242
Escrow liability		32,893	32,893
Other long-term liabilities			
Total noncurrent liabilities	<u>3,438,048</u>	<u>23,005,486</u>	<u>26,443,534</u>
Total liabilities	<u>5,038,384</u>	<u>24,949,675</u>	<u>29,988,059</u>
NET ASSETS			
Invested in capital assets, net of related debt	22,556,528	19,117,948	41,674,476
Restricted for:			
Capital projects	5,248,848	4,173,037	9,421,885
Debt service	126,924	2,585,606	2,712,530
Economic development	289,143		289,143
Public safety	87,860		87,860
Public works	209,231		209,231
Community development	24,772		24,772
Unrestricted	666,118	209,377	875,495
Total net assets	<u>\$ 29,209,424</u>	<u>\$ 26,085,968</u>	<u>\$ 55,295,392</u>

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

Component Unit
Civic &
Cultural
Development
Authority

\$	278,461
	278,461
	814,515

5,259,132

	339,780
\$	5,598,912

City of Shawnee, Oklahoma
Statement of Activities
Year Ended June 30, 2005

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 2,336,909	\$ 94,764		
Public safety	8,113,937	323,472	\$ 202,154	
Public works	5,259,587			\$ 754,884
Culture and recreation	853,773	251,185	464,700	
Community development	685,087			
Economic development	418,162			
Total governmental activities	<u>17,667,455</u>	<u>669,421</u>	<u>666,854</u>	<u>754,884</u>
Business-type activities:				
Water	3,579,342	4,232,605		
Wastewater	2,324,463	2,399,874		
Airport and lake	610,242	87,800		134,389
Sanitation	986,266	1,058,947		
Total business-type activities	<u>7,500,313</u>	<u>7,779,226</u>	<u>0</u>	<u>134,389</u>
Total government	<u>\$ 25,167,768</u>	<u>\$ 8,448,647</u>	<u>\$ 666,854</u>	<u>\$ 889,273</u>
COMPONENT UNIT				
Civic & Cultural Development Authority	\$ 1,575,033	\$ 669,677		
Total component units	<u>\$ 1,575,033</u>	<u>\$ 669,677</u>	<u>\$ 0</u>	<u>\$ 0</u>

General revenues:

Taxes:

Sales and use

Franchise

Other

Payment from City of Shawnee

Interest income

Miscellaneous

Total general revenues and transfers

Change in net assets

NET ASSETS, beginning

NET ASSETS, ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component
Governmental	Business-Type	Total	Unit
Activities	Activities		Civic & Cultural Development Authority
\$ (2,242,145)		\$ (2,242,145)	
(7,588,311)		(7,588,311)	
(4,504,703)		(4,504,703)	
(137,888)		(137,888)	
(685,087)		(685,087)	
(418,162)		(418,162)	
<u>(15,576,296)</u>		<u>(15,576,296)</u>	
	\$ 653,263	653,263	
	75,411	75,411	
	(388,053)	(388,053)	
	72,681	72,681	
0	<u>413,302</u>	<u>413,302</u>	
<u>(15,576,296)</u>	<u>413,302</u>	<u>(15,162,994)</u>	
			\$ (905,356)
0	0	0	<u>(905,356)</u>
14,175,558		14,175,558	
1,408,468		1,408,468	
956,917		956,917	
(561,101)	(381,113)	(942,214)	942,214
64,491	122,170	186,661	(13,455)
	351,099	351,099	
<u>16,044,333</u>	<u>92,156</u>	<u>16,136,489</u>	<u>928,759</u>
468,037	505,458	973,495	23,403
<u>28,741,387</u>	<u>25,580,510</u>	<u>54,321,897</u>	<u>5,575,510</u>
<u>\$ 29,209,424</u>	<u>\$ 26,085,968</u>	<u>\$ 55,295,392</u>	<u>\$ 5,598,913</u>

City of Shawnee, Oklahoma
Balance Sheet – Governmental Funds
June 30, 2005

	<u>General</u>	<u>Capital Improvement Fund</u>	<u>Street Improvement Fund</u>	<u>Other Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 872,828	\$ 1,999,557	\$ 2,973,419	\$ 842,001
Investments				55,920
Receivables:				
Accounts, net of allowance for uncollectibles	15,178			747
Taxes	1,756,804	293,855	331,772	132,711
Notes				169,215
Accrued interest	1,861	361	407	
Other				56,121
Court fines	82,728			
Due from other governments	4,483	406,761		40,491
Prepaid expenses	55,150			
Due from other funds	800,386			
Due from component unit	25,041			
Total assets	<u>\$ 3,614,459</u>	<u>\$ 2,700,534</u>	<u>\$ 3,305,598</u>	<u>\$ 1,297,206</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 183,749	\$ 19,230	\$ 255,309	\$ 73,201
Due to other funds				285
Unearned revenue	75,071	34,439		160,965
Total liabilities	<u>258,820</u>	<u>53,669</u>	<u>255,309</u>	<u>234,451</u>
Fund balances:				
Reserved for:				
Encumbrances	12,035	165,128	283,170	73,004
Unreserved, reported in:				
General fund	3,343,604			
Capital projects		2,481,737	2,767,111	
Special revenue funds				989,751
Total fund balances	<u>3,355,639</u>	<u>2,646,865</u>	<u>3,050,281</u>	<u>1,062,755</u>
Total liabilities and fund balances	<u>\$ 3,614,459</u>	<u>\$ 2,700,534</u>	<u>\$ 3,305,590</u>	<u>\$ 1,297,206</u>

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.

Other assets and balances

Long-term liabilities are not due and payable in the current period and therefore are not reported in funds:

General obligation bonds

Capital lease obligations

Claims and judgements payable

Accrued compensated absences

NET ASSETS OF GOVERNMENTAL ACTIVITIES

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

	Total Governmental Funds
\$	6,687,805
	55,920
	15,925
	2,515,142
	169,215
	2,629
	56,121
	82,728
	451,735
	55,150
	800,386
	25,041
\$	<u>10,917,797</u>

\$	531,489
	285
	<u>270,475</u>
	<u>802,249</u>

	533,337
	3,343,604
	5,248,848
	<u>989,751</u>
	<u>10,115,540</u>

	22,556,528
	38,252

	(400,000)
	(451,548)
	(1,467,540)
	<u>(1,181,808)</u>
\$	<u>29,209,424</u>

City of Shawnee, Oklahoma
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
Year Ended June 30, 2005

	General	Capital Improvement Fund	Street Improvement Fund	Other Governmental Funds
REVENUES				
Taxes	\$ 10,980,679	\$ 1,737,510	\$ 1,961,705	\$ 904,132
Licenses and permits	222,660			28,525
Intergovernmental	458,153	468,546	32,802	787,351
Fines and forfeitures	294,958			
Charges for services	49,528			353,946
Other	123,958	7,895		108,273
Interest	16,099	38,021	4,476	5,935
Rental	76,528			
Total revenues	<u>12,222,563</u>	<u>2,251,972</u>	<u>1,998,983</u>	<u>2,188,162</u>
EXPENDITURES				
Current:				
General government	2,080,964			
Public safety	7,715,136			50,797
Public works	1,622,997			270,672
Culture and recreation	645,730			549,870
Community development	186,490			
Debt service:				
Bond principal		65,000		173,621
Interest		2,529		27,380
Economic development				400,296
Capital outlay		934,509	1,826,989	7,053
Payment to component unit				
Total expenditures	<u>12,251,317</u>	<u>1,002,038</u>	<u>1,826,989</u>	<u>1,479,689</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(28,754)</u>	<u>1,249,934</u>	<u>171,994</u>	<u>708,473</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,680,999			64,000
Transfers (out)	(834,554)	(826,547)		(645,000)
Total other financing sources (uses)	<u>846,445</u>	<u>(826,547)</u>	<u>0</u>	<u>(581,000)</u>
Net change in fund balances	817,691	423,387	171,994	127,473
FUND BALANCES, beginning	<u>2,537,948</u>	<u>2,223,478</u>	<u>2,878,287</u>	<u>935,282</u>
FUND BALANCES, ending	<u>\$ 3,355,639</u>	<u>\$ 2,646,865</u>	<u>\$ 3,050,281</u>	<u>\$ 1,062,755</u>

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

Total
Governmental
Funds

\$ 15,584,026
251,185
1,746,852
294,958
403,474
240,126
64,531
76,528

18,661,680

2,080,964
7,765,933
1,893,669
1,195,600
186,490

238,621
29,909
400,296
2,768,551
0

16,560,033

2,101,647

1,744,999
(2,306,101)

(561,102)

1,540,545

8,574,995

\$ 10,115,540

City of Shawnee, Oklahoma
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2005

Net change in fund balances – total governmental funds	\$ 1,540,545
Adjustments for the statement of activities:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets are allocated over their estimated useful lives as a depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation in the current reporting period.	1,072,202
Capital outlay expenditures, net	(1,209,765)
Depreciation expense	<u>(137,563)</u>
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. While changes in long-term debt liabilities for worker's compensation and accrued compensated absences do not use current funds.	
Principal payments on capital lease obligations, net of issuances	(168,252)
Principal payments on general obligation bonds	100,000
Increase in worker's compensation claims payable	(103,934)
Accrued compensated absences	(14,394)
Other assets - decreases and write offs	(776,617)
Operations of workers compensation fund	<u>28,252</u>
	<u>(934,945)</u>
Change in net assets of governmental activities	<u>\$ 468,037</u>

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

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City of Shawnee, Oklahoma
Statement of Net Assets – Proprietary Funds
June 30, 2005

	Business-Type Activities – Enterprise Funds		
	Shawnee Municipal Authority	Shawnee Airport Authority	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ (3,878,660)	\$ (127,259)	\$ (4,005,919)
Receivables:			
Accounts, net of allowance for uncollectibles	1,219,956		1,219,956
Accrued interest	1,780		1,780
Other	1,034		1,034
Assessments	19,924		19,924
Due from other funds			
Due from other governments		134,388	134,388
Due from component unit	56,863		56,863
Prepaid expenses	33,842		33,842
Restricted assets - cash and investments	7,937,973		7,937,973
Other assets			
Total current assets	<u>5,392,712</u>	<u>7,129</u>	<u>5,399,841</u>
Noncurrent assets:			
Intangible assets	12,967,959		12,967,959
Receivables:			
Deferred assessments	213,948		213,948
Restricted accrued interest			
Debt issuance costs, net of accumulated amortization	271,423		271,423
Capital assets, net of accumulated depreciation	29,773,843	3,906,851	33,680,694
Total noncurrent assets	<u>43,227,173</u>	<u>3,906,851</u>	<u>47,134,024</u>
Total assets	<u>48,619,885</u>	<u>3,913,980</u>	<u>52,533,865</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	98,329	193	98,522
Accrued interest payable	219,221		219,221
Due to other funds	1,498,420		1,498,420
Due to other governments	36,130		36,130
Customer deposits	521,482	3,565	525,047
Short term claims			
Current portion of long-term obligations	1,284,490		1,284,490
Total current liabilities	<u>3,658,072</u>	<u>3,758</u>	<u>3,661,830</u>
Noncurrent liabilities:			
Revenue bonds payable	22,502,313		22,502,313
Accrued compensated absences	233,292		233,292
Escrow liability	32,893		32,893
Long-term claims			
Unearned revenue		17,767	17,767
Total noncurrent liabilities	<u>22,768,498</u>	<u>17,767</u>	<u>22,786,265</u>
Total liabilities	<u>26,426,570</u>	<u>21,525</u>	<u>26,448,095</u>

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

Governmental
Activities –
Internal
Service
Funds

\$ 64,593

865

698,034

763,492

0
763,492

37,207

379,890
417,097

318,143
318,143
735,240

City of Shawnee, Oklahoma
Statement of Net Assets – Proprietary Funds
June 30, 2005
(continued)

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Shawnee Municipal Authority</u>	<u>Shawnee Airport Authority</u>	<u>Total</u>
NET ASSETS			
Invested in capital assets, net of related debt	15,211,097	3,906,851	19,117,948
Restricted:			
Capital improvements	4,173,037		4,173,037
Debt service	2,585,606		2,585,606
Unrestricted	223,773	(14,396)	209,377
Total net assets	<u>\$ 22,193,513</u>	<u>\$ 3,892,455</u>	<u>\$ 26,085,968</u>

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

Governmental
Activities –

Internal
Service
Funds

28,252

\$ 28,252

City of Shawnee, Oklahoma
Statement of Revenues, Expenses, and Changes in
Fund Net Assets – Proprietary Funds
Year Ended June 30, 2005

	Business-Type Activities – Enterprise Funds			Governmental Activities –
	Shawnee Municipal Authority	Shawnee Airport Authority	Total	Internal Service Funds
OPERATING REVENUES				
Charges for services:				
Water	\$ 4,080,755		\$ 4,080,755	
Wastewater	2,399,874		2,399,874	
Sanitation	1,058,947		1,058,947	
Other	58,535		58,535	\$ 570,000
Penalties/late charges	151,850		151,850	
Miscellaneous	189,763		189,763	
Rental	10,588	\$ 77,212	87,800	
Total operating revenues	<u>7,950,312</u>	<u>77,212</u>	<u>8,027,524</u>	<u>570,000</u>
OPERATING EXPENSES				
General and administration	707,651		707,651	
Lake operations	66,093		66,093	
Water	1,680,384		1,680,384	
Wastewater	1,327,102		1,327,102	
Sanitation	983,725		983,725	
Airport		96,777	96,777	
Claims expense			0	576,708
Depreciation and amortization	1,163,166	447,372	1,610,538	
Total operating expenses	<u>5,928,121</u>	<u>544,149</u>	<u>6,472,270</u>	<u>576,708</u>
Net operating income (loss)	2,022,191	(466,937)	1,555,254	(6,708)
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental		134,389	134,389	
Miscellaneous revenues	87,405	15,395	102,800	34,952
Interest income	121,579	591	122,170	8
Interest expense and fiscal charges	(1,028,042)		(1,028,042)	
Total nonoperating revenues (expenses)	<u>(819,058)</u>	<u>150,375</u>	<u>(668,683)</u>	<u>34,960</u>
Income (loss) before contributions and transfers	1,203,133	(316,562)	886,571	28,252
OPERATING TRANSFERS				
Transfers in	726,548		726,548	
Transfers (out)	(1,107,661)		(1,107,661)	
Total operating transfers	<u>(381,113)</u>	<u>0</u>	<u>(381,113)</u>	<u>0</u>
Change in net assets	822,020	(316,562)	505,458	28,252
NET ASSETS, beginning	21,371,493	4,209,017	25,580,510	0
NET ASSETS, ending	<u>\$ 22,193,513</u>	<u>\$ 3,892,455</u>	<u>\$ 26,085,968</u>	<u>\$ 28,252</u>

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

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City of Shawnee, Oklahoma
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2005

	Business-Type Activities – Enterprise Funds	
	Shawnee Municipal Authority	Shawnee Airport Authority
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 7,805,264	\$ 77,212
Payments to suppliers	(4,174,666)	(98,901)
Payments to employees	(1,542,150)	
Net cash provided (used) by operating activities	<u>2,088,448</u>	<u>(21,689)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Change in interfund receivables/payables	204,269	
Increase (decrease) in customer deposits	2,032	196
Miscellaneous revenues	87,405	15,395
Operating transfers in (out)	618,887	
Net cash provided (used) by noncapital financing activities	<u>912,593</u>	<u>15,591</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
(increase) decrease in other liabilities		20,215
(Increase) decrease in debt issuance costs	19,646	
Principal paid on long-term debt	(1,022,591)	
Interest expense and fiscal charges	(1,008,396)	
(Increase) decrease in restricted assets	(888,436)	
(Acquisition) disposition of capital assets	(1,401,884)	(118,334)
Net cash provided (used) by capital and related financing activities	<u>(4,301,661)</u>	<u>(98,119)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	121,579	591
Net cash provided (used) by investing activities	<u>121,579</u>	<u>591</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,179,041)</u>	<u>(103,626)</u>
CASH AND CASH EQUIVALENTS, beginning	<u>(2,699,619)</u>	<u>(23,633)</u>
CASH AND CASH EQUIVALENTS, ending	<u><u>\$ (3,878,660)</u></u>	<u><u>\$ (127,259)</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Net operating income (loss)	\$ 2,022,191	\$ (466,937)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	1,163,166	447,372
Changes in assets and liabilities:		
(Increase) decrease in receivables	(145,058)	38
Increase (decrease) in accounts payable	(311,374)	(2,162)
Increase (decrease) in accrued expenses	(640,477)	
Total adjustments	<u>66,257</u>	<u>445,248</u>
Net cash provided (used) by operating activities	<u><u>\$ 2,088,448</u></u>	<u><u>\$ (21,689)</u></u>

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

Business-Type Activities – Enterprise Funds	Governmental Activities – Internal Service Funds
Totals	
\$ 7,882,476	\$ 598,271
(4,273,567)	(519,708)
(1,542,150)	
<u>2,066,759</u>	<u>78,563</u>
204,269	(93,666)
2,228	
102,800	34,952
618,887	
<u>928,184</u>	<u>(58,714)</u>
20,215	53
19,646	
(1,022,591)	
(1,008,396)	
(888,436)	
(1,520,218)	
<u>(4,399,780)</u>	<u>53</u>
122,170	8
<u>122,170</u>	<u>8</u>
(1,282,667)	19,910
(2,723,252)	44,683
<u>\$ (4,005,919)</u>	<u>\$ 64,593</u>
\$ 1,555,254	\$ 28,252
1,610,538	
(145,020)	37,207
(313,536)	13,104
(640,477)	
<u>511,505</u>	<u>50,311</u>
<u>\$ 2,066,759</u>	<u>\$ 78,563</u>

City of Shawnee, Oklahoma
Statement of Fiduciary Net Assets – Fiduciary Fund
June 30, 2005

	Agency Fund
	<u>URM /DEPCA</u>
ASSETS	
Cash and cash equivalents	\$ 3,372
Total assets	<u>\$ 3,372</u>
LIABILITIES	
URM/DEPCA payable	\$ 3,372
Total liabilities	<u>\$ 3,372</u>

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

City of Shawnee, Oklahoma
Notes to Financial Statements
June 30, 2005

I. Organization

The City of Shawnee, Oklahoma, (the City) operates under a Council-Manager form of government under Title 11 of the *Oklahoma Statutes*. The City provides the following services to its citizens: public safety (police and fire), streets and highways, sanitation, social services, culture and recreation, public improvements, utilities, planning and zoning, and general administrative services.

II. Summary of significant accounting policies

A. Reporting entity

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. The City's financial statements include one discretely presented component unit, which is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended component units. The Shawnee Municipal Authority (SMA) was created November 11, 1968, to finance, develop, and operate the water, sewer, and solid waste activities. The current City Commission serves as its entire governing body (trustees) of the SMA. Any issuance of debt would require a two-thirds approval of the City Commission. SMA is reported as an enterprise fund.

The Shawnee Airport Authority (SAA) was created March 18, 1974, to develop, construct, plan, establish, install, enlarge, improve, maintain, equip, operate, control, and regulate air transportation facilities. The current City Commission serves as its entire governing body (trustees) of the SAA. Any issuance of debt would require a two-thirds approval of the City Commission. SAA is reported as an enterprise fund.

Separate financial statements have not been prepared for the component units.

Discretely presented component units. Shawnee Civic & Cultural Development Authority (SCCDA) was created January 5, 1976, to acquire by lease and to operate, regulate and administer all physical properties, real or personal which shall be of public use or of civic and/or cultural benefit or incident to carrying out an authority or proper function of the City. The governing body consists of seven members; the City Manager of the Beneficiary, four (4) citizens representing the general public to be selected by the governing board of the Beneficiary, and two (2) residents of Pottawatomie County appointed by the Commissioners of Pottawatomie County and approved by the SCCDA trustees. Any issuance of debt requires a two-thirds approval of the City Commission.

The SCCDA issued separate financial statements, which are available by contacting that entity.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Combining financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments are recorded only when payment is due.

Sales and use taxes, property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The capital improvement fund accounts for the purchase of capital equipment and construction of facilities.

The street improvement fund accounts for the construction or major reconstruction of street projects.

The City reports the following major proprietary funds:

The Shawnee Municipal Authority accounts for the City's water, sewer, and sanitation operations.

The Shawnee Airport Authority accounts for the City's airport operations.

Additionally, the City reports the following fund type:

Internal service fund accounts for workers' compensation insurance services provided to other departments or agencies of the City on a cost reimbursement basis.

Finally, included in the aggregated governmental fund totals are the following funds:

The street and alley fund accounts for the operation and maintenance of local streets and thoroughfares.

The E-911 fund accounts for the operations and maintenance of the City's 911 emergency services.

The revolving oil & gas fund accounts for the inspection and monitoring of oil and gas wells.

The economic development fund accounts for the promotion of economic development.

The spay and neuter fund accounts for the City's animal adoption program.

The hotel/motel surcharge fund accounts for the collection of the City's hotel/motel surcharge.

The police sales tax fund accounts for the 1/16 cent of a one-cent dedicated sales tax revenue for police officers.

The fire sales tax fund accounts for the 1/16 cent of a one-cent dedicated sales tax revenue for firefighters.

The CDBG & HOME grants accounts for federal funds received by the City and expenditures related to the operation of these grants.

The library fund accounts for the maintenance of the municipal library.

The cemetery care fund accounts for the continuing care and maintenance as well as future capital investments of the City owned cemetery.

The senior citizens fund accounts for the maintenance of the senior citizens center.

The gifts & contributions fund accounts for monies donated for various park projects, economic development, civic events, police and fire donations.

The sister cities fund accounts for the financial activity of the sister cities program.

The debt service fund accounts for ad-valorem taxes levied by the City for use in retiring general obligation bonds, court-assessed judgments, and their related expense and fiscal agent fees.

The 1994 Street improvement project accounts for general obligation bond proceeds designated for the construction of specific street projects.

The City maintains one Fiduciary Fund, the URM/DEPCA agency fund which holds funds related to employee withholding for dependant care.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Shawnee Municipal Authority and Shawnee Airport Authority enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury; time deposits with financial institutions, if such deposits are fully insured by federal depository insurance or pledged collateral; and debt securities issued by the State of Oklahoma, an Oklahoma County, school district, or municipality. A copy of the City of Shawnee's investment policy may be obtained by contacting the City of Shawnee, Post Office Box 1448, Shawnee, Oklahoma 74802-1448.

Investments for the City, as well as for its component units, are reported at fair value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

3. Restricted assets

Certain proceeds of the Shawnee Municipal Authority's enterprise fund promissory notes, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts, and their use is limited by applicable loan covenants. The project fund account is used to report those proceeds that are restricted for use in construction. The debt service fund account is used to segregate resources accumulated for debt service payments over the next 12 months. The debt service reserve account is used to report resources set aside to make up potential future deficiencies in the debt service account.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$ 2,500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Improvements other than buildings	20–50
Infrastructure	20–100
Furniture, equipment, and vehicles	5–10

5. *Compensated absences*

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Sick leave may be accumulated up to a maximum of 75 days. Accumulated sick leave is paid to employees only upon retirement at a rate of one day’s pay for every three days accumulated sick leave, up to a maximum of 40 days. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. *Long-term obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are unearned and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as unearned charges and amortized over the term of the related debt.

7. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

III.Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this difference are as follows:

Bonds payable	\$ 400,000
Claims and judgments payable	1,467,540
Capital leases payable	451,548
Accrued compensated absences	1,181,808
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 3,500,896</u>

Another difference concerns capital and other long-term asset reporting. The cost of capital assets, net of accumulated depreciation, are reported on the government-wide statement of net assets, but not on the governmental fund financial statements since they are not financial resources. The details of this difference are as follows:

Accounts receivable – long-term	\$ 38,252
Capital assets, net of accumulated depreciation	<u>22,556,528</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 22,594,780</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this difference are as follows:

Capital outlay expenditures, net	\$ 1,072,202
Depreciation expense	<u>(1,209,765)</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (137,563)</u>

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are unearned and amortized in the statement of activities. The details of this difference are as follows:

Principal repayments:	
General obligation bonds	\$ 100,000
Capital lease obligations, net of issuances	(168,252)
Increase in worker's compensation claims payable	(103,934)
Increase in compensated absences	(14,394)
Decreases in other assets – long-term	<u>(776,617)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (963,197)</u>
Operations of workers compensation fund	<u>\$ 28,252</u>

IV. Stewardship, compliance, and accountability

Budgetary information

Annual budgets are adopted for all governmental funds, the Shawnee Municipal Authority, and the Shawnee Municipal Airport Authority. All unencumbered annual appropriations lapse at fiscal year-end. Actual expenditures within a fund may not legally exceed 90% of the adopted budget.

Prior to June of each year, all department heads of the City submit requests for appropriations to the city manager so that a budget may be prepared. The city council meets with the city manager and city financial officer to review the needs estimates and requests of the departments. The council holds a public hearing prior to June 15, and a final budget is formally approved and adopted by the city council in July.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations between classification categories within a department or between departments within a fund require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the object classification level within a department. Object classifications include personal services, materials and supplies, other services and charges, capital outlay, and debt service.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

V. Detailed notes on all funds

A. Deposits and investments

Deposits

The City's carrying amount of deposits was \$ 2,746,475 as of June 30, 2005, and the bank balances totaled \$ 2,923,881. Deposits are carried at cost.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City requires that all deposits be collateralized by either FDIC insurance or pledged collateral.

Investments

As of June 30, 2005, the City had the following investments.

Investment	Maturities	Fair Value
AIM Short-term Treasury Fund	< 1 year	\$ 2,152,934
Federated Treasury Obligations Fund #8	< 1 year	1,595,515
FHLMC Discount Noted dated 12/30/2004 – 12/30/2005	12/30/2005	1,235,746
Northern Institutional Government Fund #847	< 1 year	3,015,625
Total		<u>\$ 7,999,820</u>

Interest Rate Risk. The City of Shawnee's formal investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment maturities limit policy is as follows:

- The portfolio, as a whole, shall have an average maturity of not more than two (2) years, unless specifically otherwise designated by the Treasurer.
- Individual securities shall be limited as follows:
 - Banker's acceptances shall not exceed two hundred seventy (270) days to maturity;
 - Commercial paper shall not exceed one hundred eighty (180) days to maturity.

Credit Risk. The City of Shawnee's policy limit investments to the following: a) obligations of the U.S. Government, its agencies or instrumentalities; b) collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations and credit unions located in this state; c) negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings bank, a savings and loan association, or a state licensed branch of a foreign bank; d) prime bankers' acceptances which are eligible for purchase by the Federal Reserve System; e) Prime commercial paper; f) Investment grade obligations of state and local governments, including certain highly rated obligations of state-beneficiary public trusts, g) repurchase agreements; h) money market funds regulated by the Securities and Exchange Commission and which investments consist of those items and those restrictions specified in the investment policy of the City of Shawnee, Oklahoma.

Concentration of Credit Risk. The City places the following limit on the amount it may invest in any one issuer:

- With exception of U.S. Treasury securities and authorized money market mutual funds, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.
- Individual securities shall be limited as follows:

Type of Investment	Percentage of Cash Available for Investment Not to Exceed
Negotiable certificates of deposit	50%
Bankers' acceptances	50%
Commercial paper	50%
Obligations of state and local governments	50%

B. Receivables

Receivables as of June 30, 2005, for the City of Shawnee's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Major Governmental Funds	Nonmajor Governmental Funds	Business- Type Activities	Total
Receivables:					
Taxes	\$ 1,756,804	\$ 625,627	\$ 132,711		\$ 2,515,142
Accounts	15,178		747	\$ 1,510,315	1,526,240
Due from other governments	4,483	406,761	40,491	134,388	586,123
Other	435,412	768	225,336	20,958	682,474
Accrued interest	1,861			1,780	3,641
Gross receivables	2,213,738	1,033,156	399,285	1,667,441	5,313,620
Less: allowance for uncollectibles	(352,684)			(290,359)	(643,043)
Net total receivables	<u>\$ 1,861,054</u>	<u>\$ 1,033,156</u>	<u>\$ 399,285</u>	<u>\$ 1,377,082</u>	<u>\$ 4,670,577</u>

C. Restricted assets

The Shawnee Municipal Authority's various revenue notes include restricted cash and investments for the unexpended portion of the project fund, a debt service fund for repayment of the principal and interest when due, and a debt service reserve to be used for payment of principal and interest provided sufficient funds are not available in the debt service fund. All funds are on deposit with the trustee bank.

Restricted assets:	
Debt service	\$ 1,008,471
Trustee accounts	2,371,870
Project fund	4,015,624
Total restricted assets	<u>\$ 7,395,965</u>

D. Capital assets

Capital asset balances and activities for the year ended June 30, 2005, were as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 2,259,094			\$ 2,259,094
Construction in progress	172,718		\$ (147,307)	25,411
Total capital assets, not being depreciated	2,431,812	\$ 0	(147,307)	2,284,505
Capital assets, being depreciated:				
Buildings and improvements	7,578,162	43,473		7,621,635
Equipment	7,659,400	1,114,138	(165,035)	8,608,503
Infrastructure	28,906,686	314,591	(89,855)	29,131,422
Total capital assets, being depreciated	44,144,248	1,472,202	(254,890)	45,361,560
Less accumulated depreciation for:				
Buildings and improvements	(3,733,919)	(255,433)		(3,989,352)
Equipment	(4,465,319)	(639,296)	192,048	(4,912,567)
Infrastructure	(15,679,187)	(498,570)	139	(16,177,618)
Total accumulated depreciation	(23,878,425)	(1,393,299)	192,187	(25,079,537)
Total capital assets, being depreciated, net	20,265,823	78,903	(62,703)	20,282,023
Governmental activities capital assets, net	\$ 22,697,635	\$ 78,903	\$ (210,010)	\$ 22,566,528
Business-type activities				
Shawnee Municipal Authority				
Capital assets, not being depreciated:				
Land	\$ 931,354			\$ 931,354
Construction in progress	433,278			433,278
Total capital assets, not being depreciated	1,364,632	\$ 0	\$ 0	1,364,632
Capital assets, being depreciated:				
Buildings and improvements	1,324,961	7,401		1,332,362
Equipment	2,398,523	342,992	(61,784)	2,679,731
Utility property	40,239,291	1,358,246		41,597,537
Total capital assets, being depreciated	43,962,775	1,708,639	(61,784)	45,609,630
Less accumulated depreciation for:				
Buildings and improvements	(924,236)	(29,323)		(953,559)
Equipment	(1,281,764)	(473,192)	82,956	(1,672,000)
Utility property	(12,925,785)	(944,442)		(13,870,227)
Total accumulated depreciation	(15,131,785)	(1,446,957)	82,956	(16,495,786)
Total capital assets, being depreciated, net	28,830,990	261,682	21,172	29,113,844
Shawnee Municipal Authority capital assets, net	\$ 30,195,622	\$ 261,682	\$ 21,172	\$ 30,478,476

	Beginning Balance	Increases	Decreases	Ending Balance
Shawnee Airport Authority				
Capital assets, not being depreciated:				
Land	\$ 550,361			\$ 550,361
Total capital assets, not being depreciated	550,361	\$ 0	\$ 0	550,361
Capital assets, being depreciated:				
Buildings and improvements	8,280,648	102,336		8,382,984
Equipment	156,544	15,998		172,542
Total capital assets, being depreciated	8,437,192	118,334	0	8,555,526
Less accumulated depreciation for:				
Buildings and improvements	(4,607,161)	(442,425)		(5,049,586)
Equipment	(128,506)	(20,944)		(149,450)
Total accumulated depreciation	(4,735,667)	(463,369)	0	(5,199,036)
Total capital assets, being depreciated, net	3,701,525	(345,035)	0	3,356,490
Shawnee Airport Authority capital assets, net	4,251,886	(345,035)		3,906,851
Total Shawnee Municipal Authority, net	30,195,622	261,682	21,172	30,478,476
Business-type activities capital assets, net	\$ 34,447,508	\$ (83,353)	\$ 21,172	\$ 34,385,327

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 101,000
Public safety	348,473
Public works	586,078
Community development	17,912
Culture and recreation	156,302
Total depreciation expense – governmental activities	<u>\$ 1,209,765</u>
Business-type activities:	
Water	\$ 526,191
Wastewater	578,368
Operations	447,372
Sanitation	3,032
Total depreciation expense – business-type activities	<u>\$ 1,554,963</u>

E. Deposits subject to refund

Utility customers are required to make a meter deposit, which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in separate accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of June 30, 2005, cash and investments included \$ 542,003 available for refund of customer deposits, while the identified liability to customers was \$ 521,482.

Appearance bonds and other payments made to the municipal court funds are held until final disposition by the court at which time they are refunded to the bondholder or paid over to the City general fund as fines. As of June 30, 2005, \$ 2,392 was being held that was subject to refund.

F. Long-term debt

Long-term liabilities of the City of Shawnee as of June 30, 2005, are summarized as follows:

Governmental activities

General obligation bonds:

\$ 1,400,000 General Obligation Limited Access Facilities Bonds of 1994, due in annual installments of \$ 100,000, final installment due February 1, 2009, with interest rates at 3.5% to 6.5%. The debt service fund typically has been used to liquidate this liability.	\$ 400,000
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Total general obligation bonds	<u>400,000</u>
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Capital lease obligations:

Capital lease, dated July 28, 2004, in the amount of \$ 400,000, payable in monthly installments of \$ 22,062 including interest at 3.81%, due September 2009, for a Fire Engine. The general fund typically has been used to liquidate this liability.	363,383
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Capital lease, dated February 28, 2001, in the amount of \$ 185,557 payable in monthly installments of \$ 5,524 including interest at 5.95%, due October 2006, for computer software. The general fund typically has been used to liquidate this liability.	<u>88,165</u>
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Total capital lease obligations	<u>451,548</u>
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Accrued compensated absences. The general fund typically has been used to liquidate this liability.	<u>1,181,808</u>
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Claims and judgments payable. The general fund typically has been used to liquidate this liability.	<u>2,165,573</u>
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Total governmental activities	<u><u>\$ 4,198,929</u></u>
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Business-type activities

Shawnee Municipal Authority

Notes payable:

\$ 18,850,000 Series 2003 Utility Revenue Note dated April, 2003, payable in semiannual installments ranging from \$ 390,000 to \$ 1,265,000, interest from 2.0% to 5.0% through July 1, 2026, to fund utility improvements. The Shawnee Municipal Authority typically has been used to liquidate this liability. \$ 18,460,000

\$ 1,073,279 1997A SFR Promissory Note to Oklahoma Water Resources Board, dated September, 2, 1997, payable in annual installments of \$ 57,000, with no interest and a 0.05% administrative fee. The Shawnee Municipal Authority typically has been used to liquidate this liability. 652,617

\$ 1,900,000 1997B Promissory Note to Oklahoma Water Resources Board, dated September, 1, 1997, payable in semiannual installments of approximately \$ 80,000, interest from 3.895% to 5.245% through 2017. The Shawnee Municipal Authority typically has been used to liquidate this liability. 1,380,000

\$ 5,350,000 2001 Sales Tax Revenue Note, to a financial institution, dated September, 1, 1997, payable in 120 installments of \$ 54,804, interest at 4.25% through November 28, 2011. The Shawnee Municipal Authority typically has been used to liquidate this liability. 3,729,356

\$ 395,000 Series 2003 Sales Tax Revenue Note dated September 25, 2003, payable in 99 installments of \$ 4,739, interest at 4.25% through December 28, 2011. The Shawnee Municipal Authority typically has been used to liquidate this liability. 322,477

Unearned loss on 2003 refunding (841,493)

Bond premium 86,848

Total Shawnee Municipal Authority 23,789,805

Accrued compensated absences. The Shawnee Municipal Authority typically has been used to liquidate this liability. 233,291

Total business-type activities 24,023,096

Total primary government \$ 28,222,025

Primary Government

Long-term liabilities transactions for the year ended June 30, 2005, and changes therein were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities					
General obligation bonds	\$ 500,000		\$ 100,000	\$ 400,000	\$ 100,000
Capital lease obligations	282,296	\$ 400,000	230,748	451,548	163,648
Claims and judgments payable	2,061,639	103,934		2,165,573	443,640
Accrued compensated absences	1,167,414	331,265	316,871	1,181,808	324,068
Total governmental activities	4,011,349	835,199	647,619	4,198,929	1,031,356
Business-type activities					
Notes and revenue notes payable	24,812,395		1,022,591	23,789,805	1,284,490
Accrued compensated absences	253,315	45,532	65,555	233,291	55,544
Total business-type activities	25,065,710	45,532	1,088,146	24,023,096	1,340,034
Total primary government	\$ 29,077,059	\$ 880,731	\$ 1,735,765	\$ 28,222,025	\$ 2,371,390

Interest expense on long-term debt including amortization of unearned loss refunding of \$ 40,064, debt issuance costs of \$ 19,646, and a premium amortization of \$ 4,135. Interest expense allocated to functions was charged to functions in the statement of activities as follows:

Business-Type Activities	
Water	\$ 963,365
Wastewater	65,037
Total	<u>\$ 1,028,402</u>

Annual debt service requirements to maturity for long-term debt are as follows:

Year Ending June 30,	Governmental Activities				Business-Type Activities	
	General Obligation Bonds		Capital Lease Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 100,000	\$ 19,300	\$ 168,694	\$ 15,496	\$ 1,284,490	\$ 959,976
2007	100,000	14,700	78,600	9,113	1,318,456	919,962
2008	100,000	9,900	81,430	6,068	1,358,460	877,032
2009	100,000	5,000	84,563	2,879	1,409,548	830,720
2010			38,261	617	1,451,767	780,890
2011–2015					5,433,990	3,232,280
2016–2021					4,562,739	2,346,191
2022–2026					5,250,000	1,230,460
2027					2,475,000	115,115
Totals	<u>\$ 400,000</u>	<u>\$ 48,900</u>	<u>\$ 451,548</u>	<u>\$ 34,173</u>	<u>\$ 24,544,450</u>	<u>\$ 11,292,626</u>

The Shawnee Municipal Authority (SMA) entered into an agreement with the Pottawatomie County Development Authority (PCDA) for the development of the North Deer Creek Reservoir Project (Reservoir) in which the PCDA issued bonds totaling \$ 18,180,000 for the construction of the Reservoir. SMA issued its Utility Revenue Note, Series 1990B in the amount of \$ 18,180,000 to the PCDA. (These notes were defeased during the 1993 fiscal year with the issuance of the SMA Utility Revenue Note, Series 1993A in the amount of \$ 21,165,000. During the 2003 fiscal year, the 1993 notes were defeased in the amount of \$ 18,850,000.) The debt service payments made by SMA on their Series 2003 Note will be used by the PCDA to make their debt service payments on their Series 2003 Bonds.

SMA acquired a contractual interest in the water rights of the reservoir by issuing their Series 1990B Note. They issued the note totaling \$ 18,180,000 and received restricted funds back from PCDA to establish a reserve fund totaling \$ 1,263,881. The net amount of the note face value less the reserve fund, which totals \$ 16,916,119, represented SMA's investment in the water rights contract with PCDA. Pursuant to an agreement dated December 1, 2001, between the SMA, the PCDA and a trustee Bank, during a prior fiscal year, the SMA received \$ 3,948,160 in surplus bond proceeds remaining in the PCDA trust funds to be used for SMA utility system improvements. These proceeds have been accounted for as a reduction in the investment in the water rights contract with PCDA. The balance is \$ 12,967,959 at June 30, 2005.

The term of the water rights agreement shall be for a period of one hundred (100) years from its effective date and may be extended by written agreement of the parties. Upon the expiration of the term of this agreement and any extension thereof, PCDA shall by quit claim deed and bill of sale, convey to each party an undivided fractional interest in the facilities and all personal property titled in PCDA that is used in the operation of the facilities except PCDA's files and records.

Due to the long-term nature of this agreement, and the infinite economic life of the water rights, the SMA's investment in the water rights is considered similar to land and is not being amortized.

Unearned bonds outstanding – The City, through its public trusts, has in substance defeased an outstanding revenue note payable by placing deposits in irrevocable trusts, escrow accounts, for the purchase of U.S. Government Securities to pay principal and interest on the refunded notes payable as they are due and payable. For financial reporting purposes, both the defeased notes outstanding and the escrowed securities have been excluded from the financial statements. At June 30, 2005, the remaining outstanding defeased debt issues were as follows:

1993 Revenue Note	<u>\$ 18,080,000</u>
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Advanced refunding of debt – In April 2003, the Shawnee Municipal Authority issued \$ 18,850,000 of Refunding Revenue Notes Series 2003 to provide funds to advance refund the outstanding debt obligation of the 1993A Series Revenue Notes and to pay certain expenses related to the issuance of the Notes.

The advanced refunding resulted in an in-substance defeasance of the 1993A Series Refunding Revenue Notes by placing deposits in an irrevocable trust and escrow account for the purchase of U.S. government securities to pay the principal and interest on the defeased bonds as they are due and payable. For financial reporting purposes, both the defeased bonds outstanding and the escrowed securities have been excluded from the financial statements. At year-end, the remaining outstanding defeased notes were \$ 18,080,000.

G. Debt issuance costs

Debt issuance costs of \$ 314,812 have been capitalized on enterprise fund revenue notes and are being amortized on the straight-line basis over the term of the relevant debt issues. During the year ended June 30, 2005, \$ 19,646 in debt issuance costs was amortized.

H. Compensated absences

Full-time employees with at least one year of service earn vacation of ten to twenty days per year depending on years of service completed. A maximum of ten to thirty days may be carried over from one benefit year into another, depending on years of service completed. In accordance with the guidelines set forth by GASB Statement No. 16, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, a provision has been made for accumulated vacation as follows:

Governmental activities	\$ 1,181,808
Business-type activities	233,291
Total accrued compensated absences	<u>\$ 1,415,099</u>

Full-time employees earn sick leave at the rate of ten hours per month, up to 120 days. Upon retirement, employees are paid at the rate of one day's pay for every three days accumulated sick leave up to a maximum of 40 days.

I. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General fund	Workman's Comp Fund	\$ (544,466)
General fund	Shawnee Municipal Authority	1,344,851
Worker's Comp Fund	General	544,466
	Shawnee Municipal Authority	153,569
Total		<u>\$ 1,498,420</u>

Interfund transactions:

	Transfers In			
	General Fund	Shawnee Municipal Authority	Nonmajor Governmental	Discretely Presented Component Units
Transfers out:				
General fund				\$ 834,554
Nonmajor governmental	\$ 630,000		\$ 15,000	
Street improvement	1,000,000			107,660
Capital improvements	50,999	\$ 726,547	49,000	
Totals	<u>\$ 1,680,999</u>	<u>\$ 726,547</u>	<u>\$ 64,000</u>	<u>\$ 942,214</u>
				<u>\$ 3,413,760</u>

VI. Other information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City has insurance for the major risks such as property and general liability, and is self-insured for workers' compensation and unemployment, with applicable excess loss coverage for workers' compensation. A third party workers' compensation administrator is used to evaluate claims and estimate the City's liability for outstanding claims not assumed by the issuer. The City is self-insured up to \$ 300,000 per occurrence and \$ 1,000,000 in the aggregate, and has obtained overlying insurance coverage for claims in excess of these amounts. Commercial insurance is used to cover general liability claims and the risk of loss to City buildings and mobile equipment. Judgments against the City may be paid by a property tax assessment over a three-year period.

B. Commitments and contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The Oklahoma Housing Finance agency requires the City to maintain records supporting the banked match that is necessary for participation in the Home Grant Program. As of June 30, 2005, the City's records indicate that the City's banked match of the Home Grant Program totaled \$ 300,030.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a materially adverse effect on the financial condition of the City.

The following construction project commitments were outstanding at June 30, 2005:

<u>Fund/Project</u>	<u>Original Contract</u>	<u>Balance Remaining</u>
Capital Project Fund:		
Street improvement projects		
McArthur Street (rehab)	\$ 287,332	\$ 287,332
Seneca Street (new)	351,032	27,078
Enterprise Fund:		
Shawnee Municipal Authority Projects:		
Water Treatment Plant Improvements (Phase II)	739,860	59,252
Sewer Rehab Project	405,496	207,570
Totals	<u>\$ 1,783,720</u>	<u>\$ 581,232</u>

C. Employee retirement systems and pension plans

The City of Shawnee participates in the Oklahoma State Police Pension and Retirement System and the Oklahoma State Firefighters' Pension and Retirement System, both of which are cost-sharing multiple-employer defined benefit pension plans administered by the State of Oklahoma. Copies of the State of Oklahoma sponsored multiple-employer plans and a schedule of funding progress is available, for each, from the Plan. The State of Oklahoma is responsible for any funding deficiencies. Additionally, for other City employees not covered by the other plans, the City of Shawnee maintains the Oklahoma Municipal Retirement Fund.

Oklahoma State Police Pension and Retirement System (OPPRS)

Plan Description – The OPPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the administrators of the OPPRS. The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information for the police employees of the City. That report may be obtained by writing to the Oklahoma State Police Pension and Retirement System, 1001 N.W. 63rd Street, Suite 305, Oklahoma City, Oklahoma 73116-7335, or by calling 1-405-840-3555.

Funding Policy – Plan members are required to contribute 8.0% of their annual covered salary, and the City of Shawnee contributes 13.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the state legislature. Contributions to the OPPRS for the year ended June 30, 2005, for employees and employer were \$ 137,680 and \$ 274,059, respectively, on covered payroll of \$ 2,108,146.

Oklahoma State Firefighters' Pension and Retirement System (OFPRS)

Plan Description – The OFPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the administrators of the OFPRS. The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the firefighting employees of the City. That report may be obtained by writing to the Oklahoma State Firefighters' Pension and Retirement System, 4545 North Lincoln Boulevard, Suite 265, Oklahoma City, Oklahoma 73105-3414, or by calling 1-405-525-7813.

Funding Policy – Plan members are required to contribute 8.0% of their annual covered salary, and the City of Shawnee contributes 13.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the state legislature. Contributions to the OFPRS for the year ended June 30, 2005, for employees and employer were \$ 192,256 and \$ 318,842, respectively, on covered payroll of \$ 2,452,627.

Oklahoma Municipal Retirement Fund Employee Retirement System of Shawnee, Oklahoma

Plan Description – The City maintains a defined benefit retirement plan, the Oklahoma Municipal Retirement Fund Employee Retirement System of Shawnee, Oklahoma (the Plan), which covers employees not covered by other plans. The Plan operates as a trust maintained by the Oklahoma Municipal Retirement Fund (OMRF). The OMRF board of trustees retains BankOne as custodian to hold the Plan's assets which are invested by various professional managers. All regular, full-time City employees not covered by other plans are required to participate in the Plan. Benefits vest after seven years of service. Employees who retire at

age 65 or completion of seven years of service, if later, are entitled to an annual retirement benefit, payable monthly in an amount equal to 2.625% of final average compensation multiplied by the number of years of credited service. Final average compensation is defined as the average of the five highest consecutive annual salaries out of the last ten calendar years of service.

An employee is eligible for an early retirement benefit once he has attained age 55 and has completed seven years of service. The amount of benefit is determined based on the final average salary and credited service as of the date of termination. If benefit payments are to begin before age 65, the amount of benefit will be actuarially reduced. A late retirement benefit is computed in the same manner as a normal retirement based on average salary and credited service as of the termination of employment.

A participant who becomes totally and permanently disabled after completion of seven years of service will be entitled to a disability benefit computed as an early retirement benefit based on average salary and service as of the date of disability but without actuarial reduction for payments beginning prior to normal retirement age if the employee is also eligible for a disability benefit from Social Security.

Employee contributions are returned with accrued interest if their employment is terminated prior to completion of seven years of service. A death benefit is payable after five years of service based on 50% of the employee's accrued benefit. This benefit is payable for life or until remarriage of the surviving spouse.

Funding Policy – The amount shown below as the actuarial accrued liability is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Plan on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits, and is independent of the funding method used to determine contributions to the Plan.

The actuarial accrued liability was computed as part of an actuarial valuation performed as of July 1, 2005. Significant actuarial assumptions used in the valuation include 1) a rate of return on the investment of present and future assets of 7.5% compounded annually, and 2) future salary increases based on the age of the employee.

Total actuarial accrued liability was more than net assets available for benefits by \$ 1,290,217 as of January 1, 2005, as follows:

Actuarial accrued liability	\$ 22,838,766
Net assets available for benefits (actuarial value)	21,548,548
Underfunded actuarial accrued liability	<u>\$ 1,290,218</u>

The Plan's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so sufficient assets will be available to pay benefits when due. Required contributions are determined using the aggregate entry age normal cost method. Unfunded actuarial accrued liabilities are being amortized as a level percentage of payroll over a period of thirty years.

For the year ended June 30, 2005, employees were required to contribute 0.0% of annual compensation while the City contributed 15.59%. Contributions to the Plan for the year ended June 30, 2005, for employees and employer were \$ 0 and \$ 788,352, respectively.

For the year ended June 30, 2005, the City's covered payroll was \$ 5,056,978 out of total payroll of \$ 5,103,210. Covered payroll refers to all compensation paid by the City of Shawnee to active employees covered by the Plan on which contributions are based.

Significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation as described above.

The schedule of funding progress for the Plan for the past eight years is as follows:

Accrual Valuation Date	Value of Assets Available for Benefits	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Percentage Funded	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
01/01/05	\$ 21,548,548	\$ 22,838,766	\$ 1,290,218	94.40%	\$ 4,767,083	27.10%
01/01/04	19,956,987	20,893,487	936,500	95.50%	5,273,332	(17.80)%
01/01/03	19,398,530	18,661,318	(737,212)	104.00%	4,692,250	15.70 %
01/01/02	21,491,773	18,552,363	(2,939,410)	115.80%	4,692,782	62.60 %
01/01/01	20,721,347	14,717,465	(6,003,882)	140.80%	4,331,334	138.60 %
01/01/00	20,116,523	14,668,807	(5,447,716)	137.10%	4,101,801	132.80 %
01/01/99	17,166,334	14,670,486	(2,495,848)	117.00%	4,008,020	62.30 %
01/01/98	14,485,687	13,200,100	(1,285,587)	109.70%	4,010,361	32.10 %

Oklahoma Municipal Retirement Fund (the Plan)

Plan Description – The City has also provided a defined contribution plan and trust known as the City of Shawnee Plan and Trust (the Plan) in the form of The Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OMRF). The plan is administered by Bank One of Oklahoma City, Oklahoma. The defined contribution plan is available to all full-time employees except those participating in the state of Oklahoma fire or police program.

OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. Benefits depend solely on amounts contributed to the plan plus investment earnings.

Funding Policy – Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon employment, and must make a mandatory minimum pre-tax contribution of 4.25%. Employees are allowed to contribute in excess of the 4.25%; however, these contributions are not pre-tax. By City ordinance, the City, as employer, is required to make variable contributions to the plan, based on availability of funds. The employee is fully vested after 7 years of service. City contributions for, and interest forfeited by, employees who leave employment prior to fully vesting are allocated back to remaining eligible participants. The authority to establish and amend the provisions of the plan rests with the City Commission. Contributions to the plan for the year ended June 30, 2005, for employees and employer were \$ 214,913 and \$ 0, respectively, on a covered payroll of \$ 5,056,771. No employer contributions were made due to budget constraints.

City of Shawnee 457 Deferred Compensation Plan (DC Plan)

Plan Description – The City of Shawnee makes available to all full-time employees two Section 457 deferred compensation plans. The DC Plan was created in accordance with Section 457 of the *Internal Revenue Code*, and permits the employees to defer a portion of their salary until future years. The deferred compensation is not available to the employee until retirement, termination, death, or unforeseeable emergency. Employees may choose investments offered by International City/County Management Association (ICMA) or Nationwide Retirement Solutions, Inc.

Funding Policy – DC Plan participants may contribute up to \$ 14,000 of eligible compensation. During the year ended June 30, 2005, employees contributed \$ 118,912 to the DC Plan.

ICMA Retirement Deferred Compensation Plan

In addition to the above plans, the City of Shawnee offers a retirement plan through ICMA. Employee contributions to the plan for the year ended June 30, 2005, were \$ 31,512.

Required Supplementary Information



City of Shawnee, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund
Balances – Budget and Actual – General Fund
Year Ended June 30, 2005

	<u>Budget</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 10,648,613	\$ 10,949,713	\$ 10,983,176	\$ 33,463
Licenses and permits	142,000	142,000	222,660	80,660
Intergovernmental	150,000	191,000	253,098	62,098
Fines and forfeitures	309,900	309,900	255,587	(54,313)
Miscellaneous	58,500	129,000	225,052	96,052
Rental revenue	88,175	88,175	76,528	(11,647)
Interest	4,100	4,100	16,099	11,999
Total revenues	<u>11,401,288</u>	<u>11,813,888</u>	<u>12,032,200</u>	<u>218,312</u>
EXPENDITURES				
General government:				
Administration	1,303,207	1,249,161	1,191,158	58,003
City attorney	71,200	71,200	62,801	8,399
City clerk	255,480	243,658	236,311	7,347
Municipal court	242,229	244,019	238,516	5,503
Public safety:				
Police department	4,288,371	4,409,032	4,303,255	105,777
Fire department	3,219,231	3,241,204	3,220,485	20,719
Emergency management	214,008	219,900	214,019	5,881
Communications				0
Public works:				
Administration	205,591	165,409	159,435	5,974
Engineering	332,693	383,357	390,330	(6,973)
Code enforcement & planning	389,491	301,288	291,125	10,163
Street department	921,257	932,722	870,405	62,317
Municipal building, community center, senior	75,167	75,167	67,096	8,071
Culture and recreation:				
Parks and cemetery	673,501	655,479	645,729	9,750
Shared costs	16,000	1,000		1,000
Equipment and maintenance	292,137	342,377	330,426	11,951
Total expenditures	<u>12,499,563</u>	<u>12,534,973</u>	<u>12,221,091</u>	<u>313,882</u>
Excess (deficit) of revenues over expenditures	(1,098,275)	(721,085)	(188,891)	532,194
OTHER FINANCING SOURCES (USES)				
Transfers in	2,180,000	2,030,000	1,680,999	(349,001)
Transfers (out)	(949,000)	(1,151,000)	(883,553)	267,447
Total other financing sources (uses)	<u>1,231,000</u>	<u>879,000</u>	<u>797,446</u>	<u>(81,554)</u>
Net change in fund balances	132,725	157,915	608,555	450,640
FUND BALANCES, beginning	<u>371,880</u>	<u>371,880</u>	<u>606,142</u>	<u>234,262</u>
FUND BALANCES, ending	<u>\$ 504,605</u>	<u>\$ 529,795</u>	<u>\$ 1,214,697</u>	<u>\$ 684,902</u>

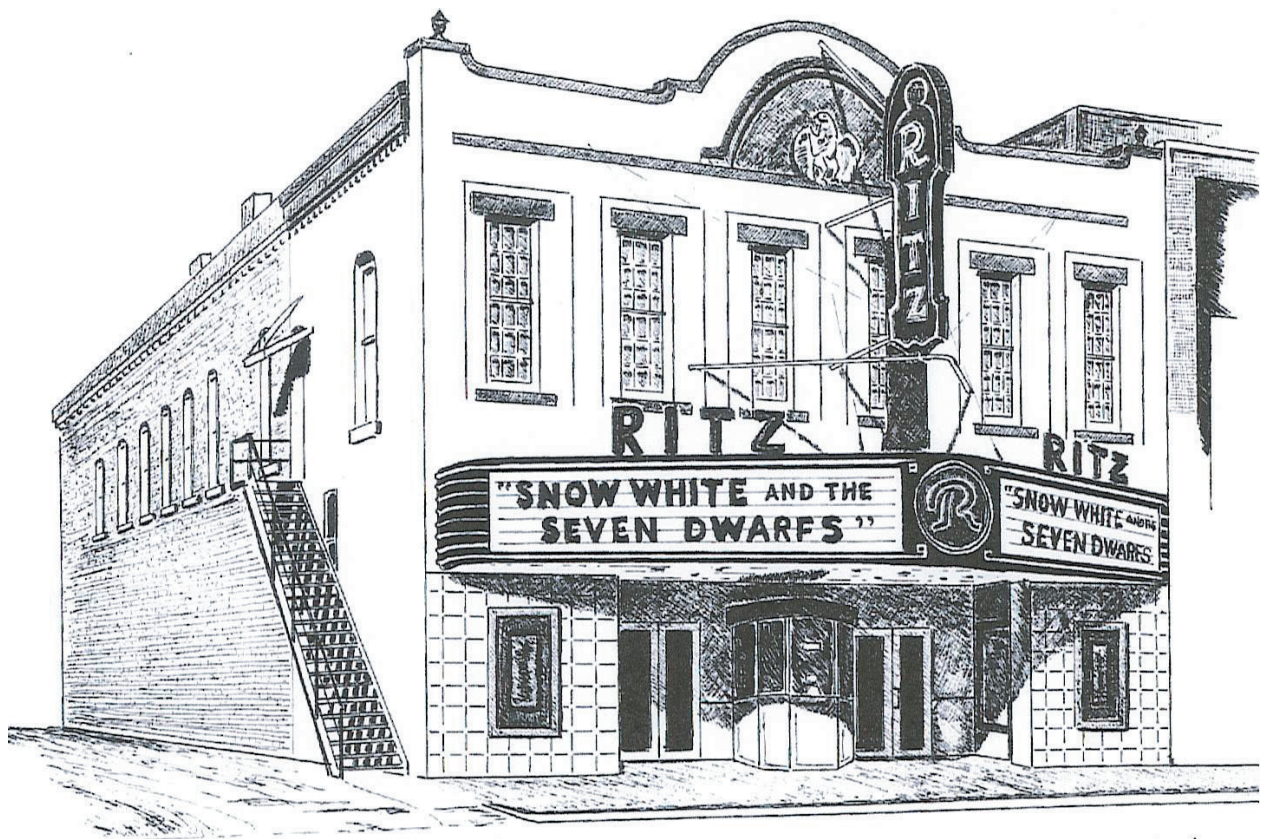
See disclaimer in accompanying Independent Auditor's Report.

City of Shawnee, Oklahoma
Explanation of Differences between Revenues, Expenditures, and Other
Financing Sources (Uses) for Budgetary Funds on a Budgetary Basis and
GAAP General Fund on a GAAP Basis
Year Ended June 30, 2005

<u>BUDGETARY FUNDS</u>	<u>General Fund</u>
<u>FINANCIAL STATEMENT MAJOR FUNDS</u>	
REVENUES	
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedule	\$ 12,032,200
Adjustments:	
<i>Budgetary</i> general fund revenues are reported on the cash basis, rather than the modified accrual basis	<u>190,362</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u><u>\$ 12,222,562</u></u>
EXPENDITURES	
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	\$ 12,221,091
Adjustments:	
Encumbrances for goods and services ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for GAAP reporting	<u>30,226</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u><u>\$ 12,251,317</u></u>

See disclaimer in accompanying Independent Auditor's Report.

Supplementary Information



RITZ THEATRE (1913) 1926

Cliff Lehmann

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City of Shawnee, Oklahoma
Combining Balance Sheet – Nonmajor Governmental Fund
June 30, 2004

	Special Revenue				
	Street and Alley Fund	E-911	Revolving Oil & Gas Fund	Economic Development Fund	Spay & Neuter Fund
ASSETS					
Cash and cash equivalents	\$ 77,381	\$ 48,435	\$ 121,339	\$ 96,338	\$ 17,639
Investments					
Receivables:					
Accounts, net					
Taxes				37,917	
Notes					
Accrued interest					
Other		8,304			
Due from other governments	28,909				
Total assets	<u>\$ 106,290</u>	<u>\$ 56,739</u>	<u>\$ 121,339</u>	<u>\$ 134,255</u>	<u>\$ 17,639</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 219	\$ 3,021			
Due to other funds					\$ 285
Unearned revenue					
Total liabilities	<u>219</u>	<u>3,021</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>285</u>
FUND BALANCES					
Reserved for:					
Encumbrances					
Unreserved:					
Designated	106,071	53,718	121,339	134,255	17,354
Total fund balances	<u>106,071</u>	<u>53,718</u>	<u>121,339</u>	<u>134,255</u>	<u>17,354</u>
Total liabilities and fund balances	<u>\$ 106,290</u>	<u>\$ 56,739</u>	<u>\$ 121,339</u>	<u>\$ 134,255</u>	<u>\$ 17,639</u>

Special Revenue						
Hotel/Motel Surcharge Fund	Police Sales Tax Fund	Fire Sales Tax Fund	CDBG & Home Grants Fund	Library Fund	Cemetery Care Fund	Senior Citizens Fund
\$ 32,387	\$ (30,326)	\$ (30,326)	\$ 33,699	\$ 26,165	\$ 143,118	\$ 26,916
	47,397	47,397	169,215			
47,817			11,582			
<u>\$ 80,204</u>	<u>\$ 17,071</u>	<u>\$ 17,071</u>	<u>\$ 214,496</u>	<u>\$ 26,165</u>	<u>\$ 143,118</u>	<u>\$ 26,916</u>
\$ 46,655			\$ 19,731	\$ 893		
			160,118			
<u>46,655</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>179,849</u>	<u>893</u>	<u>\$ 0</u>	<u>\$ 0</u>
				500	71,701	
33,549	17,071	17,071	34,647	24,772	71,417	26,916
33,549	17,071	17,071	34,647	25,272	143,118	26,916
<u>\$ 80,204</u>	<u>\$ 17,071</u>	<u>\$ 17,071</u>	<u>\$ 214,496</u>	<u>\$ 26,165</u>	<u>\$ 143,118</u>	<u>\$ 26,916</u>

City of Shawnee, Oklahoma
Combining Balance Sheet – Nonmajor Governmental Fund
June 30, 2004

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Capital Project</u>	Total
	<u>Gifts & Contributions Fund</u>	<u>Sister Cities Fund</u>	<u>Sinking Fund</u>	<u>1994 Street Improvement Project Fund</u>	<u>Nonmajor Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 47,107	\$ 36,592	\$ 127,024	\$ 68,513	\$ 842,001
Investments	55,920				55,920
Receivables:					
Accounts, net			747		747
Taxes					132,711
Notes					169,215
Accrued interest					0
Other					56,121
Due from other governments					40,491
Total assets	<u>\$ 103,027</u>	<u>\$ 36,592</u>	<u>\$ 127,771</u>	<u>\$ 68,513</u>	<u>\$ 1,297,206</u>
LIABILITIES					
Accounts payable and accrued liabilities	2,364	\$ 318			\$ 73,201
Due to other funds					285
Unearned revenue			\$ 847		160,965
Total liabilities	<u>\$ 2,364</u>	<u>318</u>	<u>847</u>	<u>\$ 0</u>	<u>234,451</u>
FUND BALANCES					
Reserved for:					
Encumbrances		803			73,004
Unreserved:					
Designated	100,663	35,471	126,924	68,513	989,751
Total fund balances	<u>100,663</u>	<u>36,274</u>	<u>126,924</u>	<u>68,513</u>	<u>1,062,755</u>
Total liabilities and fund balances	<u>\$ 103,027</u>	<u>\$ 36,592</u>	<u>\$ 127,771</u>	<u>\$ 68,513</u>	<u>\$ 1,297,206</u>

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City of Shawnee, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances – Nonmajor Governmental Fund:
Year Ended June 30, 2005

	Special Revenue			
	Street and Alley Fund	E-911	Revolving Oil & Gas Fund	Economic Development Fund
REVENUES				
Taxes				\$ 224,195
Licenses and permits	\$ 3,165		\$ 25,360	
Intergovernmental	268,393			
Charges for services		\$ 115,394		
Other				
Interest	175	106	237	303
Total revenues	<u>271,733</u>	<u>115,500</u>	<u>25,597</u>	<u>224,498</u>
EXPENDITURES				
Current:				
Public safety		41,994		
Public works	270,672			
Culture and recreation				
Debt service:				
Bond principal		73,621		
Interest		2,329		
Economic development				173,125
Capital outlay				
Total expenditures	<u>270,672</u>	<u>117,944</u>	<u>0</u>	<u>173,125</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,061</u>	<u>(2,444)</u>	<u>25,597</u>	<u>51,373</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers (out)				(15,000)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(15,000)</u>
Net change in fund balances	1,061	(2,444)	25,597	36,373
FUND BALANCES, beginning	<u>105,010</u>	<u>56,162</u>	<u>95,742</u>	<u>97,882</u>
FUND BALANCES, ending	<u><u>\$ 106,071</u></u>	<u><u>\$ 53,718</u></u>	<u><u>\$ 121,339</u></u>	<u><u>\$ 134,255</u></u>

Special Revenue						
Spay & Neuter Fund	Hotel/Motel Surcharge Fund	Police Sales Tax Fund	Fire Sales Tax Fund	CDBG & Home Grants Fund	Library Fund	Cemetery Care Fund
		\$ 280,244	\$ 280,244			
				\$ 518,958		
\$ 4,342	\$ 234,210			61,317		\$ 5,889
35	23	234	234		\$ 74	169
4,377	234,233	280,478	280,478	580,275	74	6,058
8,335						
				498,597	34,346	
	207,913					
				7,053		
8,335	207,913	0	0	505,650	34,346	0
(3,958)	26,320	280,478	280,478	74,625	(34,272)	6,058
					49,000	
		(315,000)	(315,000)			
0	0	(315,000)	(315,000)	0	49,000	0
(3,958)	26,320	(34,522)	(34,522)	74,625	14,728	6,058
21,312	7,229	51,593	51,593	(39,978)	10,544	137,060
\$ 17,354	\$ 33,549	\$ 17,071	\$ 17,071	\$ 34,647	\$ 25,272	\$ 143,118

City of Shawnee, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances – Nonmajor Governmental Fund:
Year Ended June 30, 2005
(continued)

	Special Revenue			Debt Service
	Senior Citizens Fund	Gifts & Contributions Fund	Sister Cities Fund	Sinking Fund
REVENUES				
Taxes				\$ 119,449
Licenses and permits				
Intergovernmental				
Charges for services				
Other		\$ 16,292	\$ 24,775	
Interest	\$ 581	3,428	46	223
Total revenues	<u>581</u>	<u>19,720</u>	<u>24,821</u>	<u>119,672</u>
EXPENDITURES				
Current:				
Public safety		468		
Public works				
Culture and recreation		16,927		
Debt service:				
Bond principal				100,000
Interest				25,051
Economic development			19,258	
Capital outlay				
Total expenditures	<u>0</u>	<u>17,395</u>	<u>19,258</u>	<u>125,051</u>
Excess (deficiency) of revenues over (under) expenditures	<u>581</u>	<u>2,325</u>	<u>5,563</u>	<u>(5,379)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			15,000	
Transfers (out)				
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>15,000</u>	<u>0</u>
Net change in fund balances	<u>581</u>	<u>2,325</u>	<u>20,563</u>	<u>(5,379)</u>
FUND BALANCES, beginning	<u>26,335</u>	<u>98,338</u>	<u>15,711</u>	<u>132,303</u>
FUND BALANCES, ending	<u>\$ 26,916</u>	<u>\$ 100,663</u>	<u>\$ 36,274</u>	<u>\$ 126,924</u>

<u>Capital Project</u>	
1994 Street Improvement Project Fund	Total Nonmajor Governmental Funds
	\$ 904,132
	28,525
	787,351
	353,946
	108,273
\$ 67	5,935
<u>67</u>	<u>\$ 2,188,162</u>
	50,797
	270,672
	549,870
	173,621
	27,380
	400,296
	7,053
<u>0</u>	<u>1,479,689</u>
<u>67</u>	<u>708,473</u>
	64,000
	(645,000)
<u>0</u>	<u>(581,000)</u>
67	127,473
<u>68,446</u>	<u>935,282</u>
<u>\$ 68,513</u>	<u>\$ 1,062,755</u>

City of Shawnee, Oklahoma
Schedule of Funding Progress

Accrual Valuation Date	Value of Assets Available for Benefits	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Percentage Funded	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
1/1/2005	\$ 21,548,548	\$ 22,838,766	\$ 1,290,218	94.40%	\$ 4,767,083	27.10%
1/1/2004	19,956,987	20,893,487	936,500	95.50%	5,273,332	(17.80)%
1/1/2003	19,398,530	18,661,318	(737,212)	104.00%	4,692,250	15.70 %
1/1/2002	21,491,773	18,552,363	(2,939,410)	115.80%	4,692,782	62.60 %
1/1/2001	20,721,347	14,717,465	(6,003,882)	140.80%	4,331,334	138.60 %
1/1/2000	20,116,523	14,668,807	(5,447,716)	137.10%	4,101,801	132.80 %
1/1/1999	17,166,334	14,670,486	(2,495,848)	117.00%	4,008,020	62.30 %
1/1/1998	14,485,687	13,200,100	(1,285,587)	109.70%	4,010,361	32.10 %

See disclaimer in accompanying Independent Auditor's Report

City of Shawnee, Oklahoma
Schedule of Reserve Account Balance Requirements—
Shawnee Municipal Authority
June 30, 2005

	2003 Utility Revenue Note Reserve	1997B OWRB Promissory Note Reserve
	<u> </u>	<u> </u>
Required balance, June 30, 2005	\$ 1,233,350	\$ 160,459
Balance in trustee account, June 30, 2005	<u>1,299,663</u>	<u>161,701</u>
Amount over (under) required balance	<u><u>\$ 66,313</u></u>	<u><u>\$ 1,242</u></u>

See disclaimer in accompanying Independent Auditor's Report

City of Shawnee, Oklahoma
Schedule of Debt Service Coverage –
Shawnee Municipal Authority
Year Ended June 30, 2005

GROSS REVENUES AVAILABLE FOR DEBT SERVICE

Charges for services	\$ 6,901,399
Investment income	121,579
Total gross revenues available	<u>7,022,978</u>

EXPENSES

Operating	
Less:	5,928,121
Depreciation and amortization	(1,160,134)
Sanitation expense	(983,725)
Net operating expenses	<u>3,784,262</u>
Net revenues available for debt service	<u>\$ 3,238,716</u>
Debt service requirements:	
Maximum annual debt service	<u>\$ 2,244,466</u>
Computed coverage	<u>144%</u>
Coverage requirement	<u>125%</u>

Note: The above gross revenue and operating expenses only include the activities of the water and sewer systems, excluding depreciation and amortization related thereto. Sanitation revenues and expenses have been excluded.

See disclaimer in accompanying Independent Auditor's Report.

City of Shawnee, Oklahoma
Total Amount Paid to Date For Claims Between 7/1/1997 and 6/30/2005
Last Eight Fiscal Years

FISCAL YEAR	COMPENSATION	MEDICAL	OTHER	TOTAL PAID	TOTAL INCURRED	OUTSTANDING RESERVES
7/1/1997-6/30/1998	\$104,592.68	\$103,790.39	\$11,077.70	\$219,460.77	\$219,460.77	\$0.00
7/1/1998-6/30/1999	\$347,721.23	\$1,003,860.64	\$23,003.73	\$1,374,585.60	\$1,531,108.54	\$156,522.94
7/1/1999-6/30/2000	\$46,921.89	\$62,181.66	\$6,356.32	\$115,459.87	\$115,459.87	\$0.00
7/1/2000-6/30/2001	\$286,235.20	\$291,056.11	\$22,838.86	\$600,130.17	\$726,790.57	\$126,660.40
7/1/2001-6/30/2002	\$187,320.08	\$201,543.73	\$8,251.86	\$397,115.67	\$397,115.67	\$0.00
7/1/2002-6/30/2003	\$96,369.03	\$129,854.57	\$6,188.36	\$232,411.96	\$232,411.96	\$0.00
7/1/2003-6/30/2004	\$86,404.02	\$79,339.64	\$10,140.96	\$175,884.62	\$195,009.70	\$19,125.08
7/1/2004-6/30/2005	\$29,856.81	\$109,849.12	\$1,333.21	\$141,039.14	\$247,002.10	\$105,962.96
TOTAL-ALL CLAIMS	\$1,185,420.94	\$1,981,475.86	\$89,191.00	\$3,256,087.80	\$3,664,359.18	\$408,271.38

City of Shawnee, Oklahoma
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules By Source
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Governmental funds capital assets:		
Land	\$ 2,259,094	\$ 2,259,094
Building and building improvements	3,632,283	3,844,243
Machinery and equipment	3,695,936	3,194,081
Infrastructure	12,953,804	13,227,499
Construction in progress	25,411	172,718
Total governmental funds capital assets	<u>\$ 22,566,528</u>	<u>\$ 22,697,635</u>
Investments in governmental funds capital assets by source		
General fund	\$ 1,992,624	\$ 2,687,400
Special revenue funds	4,463,659	6,207,803
Capital projects funds	1,586,427	
Grants	12,813,275	11,823,198
Donations	1,710,543	1,979,234
Total governmental funds capital assets	<u>\$ 22,566,528</u>	<u>\$ 22,697,635</u>

See disclaimer in accompanying Independent Auditor's Report.

City of Shawnee, Oklahoma
Capital Assets Used in the Operation of Governmental Funds
Schedules By Activity
Year Ended June 30, 2005

Activity	Land	Buildings and Improvements	Other Improvements	Machinery and Equipment	Infrastructure	Construction In Progress	Total
Management	\$ 73,068	\$ 165,011	\$	\$ 85,811	\$ 18,670	\$	\$ 342,560
Municipal court				3,836			3,836
Human resources				3,385			3,385
City clerk				33,624			33,624
Community services				20,987			20,987
Recreation	26,479	332,223		32,884	112,775		504,362
Streets	585,680		2,483	411,715	11,924,041	146,387	13,070,307
Parks	710,710	69,407	1,789	103,217	903,726		1,788,849
Fire		44,867	11,389	1,094,185			1,150,442
Police		14,937		936,468			951,405
Drainage					4,468,039	228,733	4,696,771
Total governmental funds							
capital assets	<u>\$ 1,395,937</u>	<u>\$ 626,446</u>	<u>\$ 15,662</u>	<u>\$ 2,726,112</u>	<u>\$ 17,427,251</u>	<u>\$ 375,120</u>	<u>\$ 22,566,528</u>

See disclaimer in accompanying Independent Auditor's Report.

City of Shawnee, Oklahoma
Capital Assets Used in the Operation of Governmental Funds
Schedule of Charges By Activity
Year Ended June 30, 2005

<u>Activity</u>	<u>Land</u>	<u>Increases</u>	<u>Decreases</u>	<u>Total</u>
Management	\$ 344,958	\$ 60,154	\$ (62,551)	\$ 342,560
Municipal court	371	3,465		3,836
Human resources	1,487	2,668	(770)	3,385
City clerk	27,935	5,690		33,624
Community services	20,542	445		20,987
Recreation	598,123	(93,761)		504,362
Streets	13,279,432	(209,125)		13,070,307
Parks	1,762,016	26,833		1,788,849
Fire	1,016,300	134,141		1,150,442
Police	946,553	4,852		951,405
Drainage	4,993,607	(296,836)		4,696,771
Total governmental funds capital assets	<u>\$ 22,991,323</u>	<u>\$ (361,474)</u>	<u>\$ (63,321)</u>	<u>\$ 22,566,528</u>

See disclaimer in accompanying Independent Auditor's Report.

**Independent Auditor's Report on Internal Control and on Compliance and Other
Matters Over Financial Reporting Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards**

December 2, 2005

City Commission
City of Shawnee
Shawnee, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Shawnee, Oklahoma, as of and for the year ended June 30, 2005, and have issued our report thereon dated December 2, 2005. We did not audit management's discussion and analysis, the budgetary comparison schedules, which are required supplementary information, and the introductory section, combining nonmajor fund financial statements, and statistical tables listed under supplementary information, and therefore expressed no opinion on it. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Shawnee's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the City of Shawnee in a separate letter dated December 2, 2005.

Compliance and Other Matters

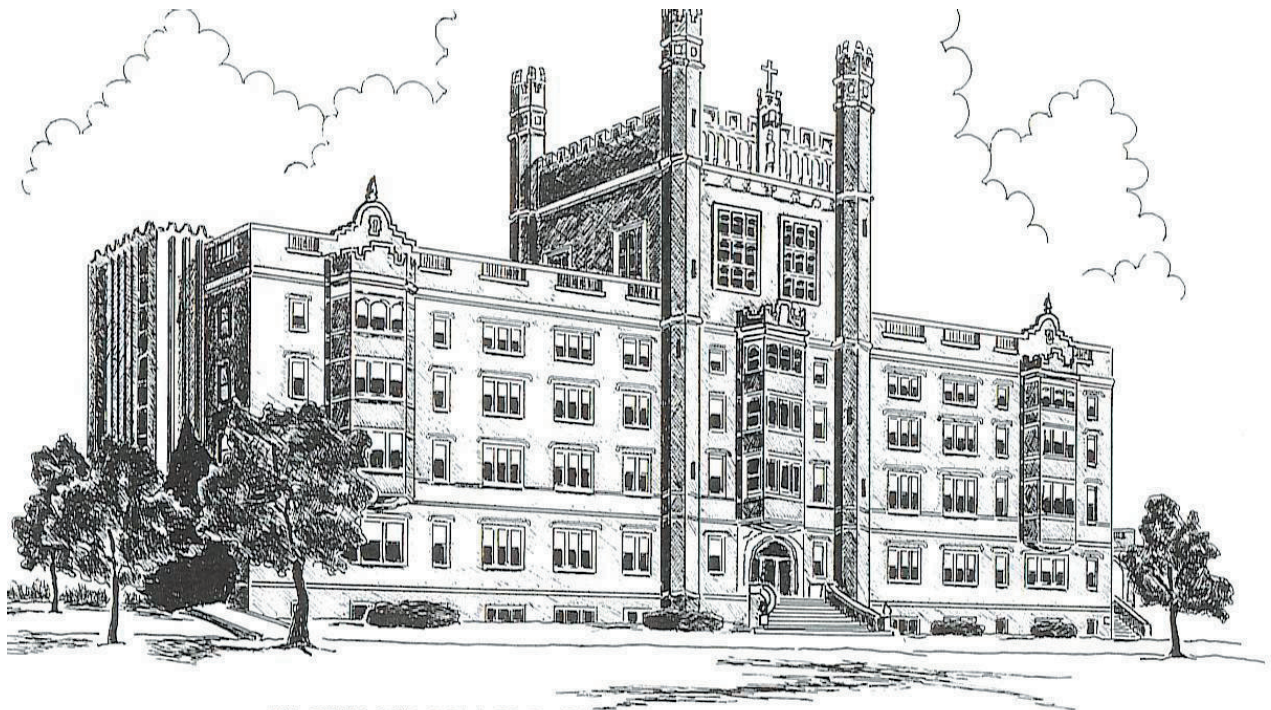
As part of obtaining reasonable assurance about whether the City of Shawnee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Carlson & Cottrell, CPAs, PLC

This report is intended solely for the information and use of the city commissioners and the management of the City of Shawnee and is not intended to be and should not be used by anyone other than these specified parties.

Carlson & Cottrell

Statistical Section



ST. GREGORY COLLEGE 1913

Cliff Lehmann

City of Shawnee, Oklahoma
Net Assets by Component
Last Three Fiscal Years

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities:			
Invested in capital assets, net of related debt	\$ 22,556,528	\$ 20,779,219	\$ 18,964,092
Restricted	5,986,778	5,878,675	7,159,586
Unrestricted	666,118	2,083,493	1,521,033
Total governmental activities net assets	<u>\$ 29,209,424</u>	<u>\$ 28,741,387</u>	<u>\$ 27,644,711</u>
Business-type activities:			
Invested in capital assets, net of related debt	\$ 19,117,948	\$ 18,944,499	\$ 21,355,844
Restricted	6,758,643	6,312,995	1,519,134
Unrestricted	209,377	323,016	3,774,507
Total business-type activities net assets	<u>\$ 26,085,968</u>	<u>\$ 25,580,510</u>	<u>\$ 26,649,485</u>
Primary government:			
Invested in capital assets, net of related debt	\$ 41,674,476	\$ 39,723,718	\$ 40,319,936
Restricted	12,745,421	12,191,670	8,678,720
Unrestricted	875,495	2,406,509	5,295,540
Total primary government net assets	<u>\$ 55,295,392</u>	<u>\$ 54,321,897</u>	<u>\$ 54,294,196</u>

City of Shawnee, Oklahoma
Changes in Net Assets
Last Three Fiscal Years

EXPENSES	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities:			
General government	\$ 2,336,909	\$ 3,309,105	\$ 1,964,047
Public safety	8,113,937	8,406,912	7,994,454
Public works	5,259,587	2,572,811	2,480,379
Culture and recreation	853,773	834,722	801,418
Community development	685,087	1,146,625	802,714
Economic development	418,162	284,397	290,193
Other		349,107	2,546,622
Total governmental activities expenses	<u>17,667,455</u>	<u>16,903,679</u>	<u>16,879,827</u>
Business-type activities			
Water	3,579,342	3,268,075	4,059,537
Wastewater	2,324,463	2,645,892	2,279,742
Airport and lake	610,242	697,304	554,090
Sanitation	986,266	1,063,587	1,130,418
Total business-type activities expenses	<u>7,500,313</u>	<u>7,674,858</u>	<u>8,023,787</u>
Total primary government expenses	<u>\$ 25,167,768</u>	<u>\$ 24,578,537</u>	<u>\$ 24,903,614</u>
PROGRAM REVENUES			
Governmental activities:			
Charges for services:			
General Government	\$ 94,764	\$ 500,426	\$ 290,886
Public Safety	323,472	351,535	324,579
Public Works			34,774
Culture and recreation	251,185	71,470	
Operating grants and contributions	666,854	1,115,455	963,761
Capital grants and contributions	754,884	193,196	68,939
Total governmental activities program revenues	<u>2,091,159</u>	<u>2,232,082</u>	<u>1,682,939</u>
Business-type activities:			
Water	4,232,605	3,672,667	3,490,542
Wastewater	2,399,874	2,035,446	1,954,926
Airport and lake	87,800	69,168	64,619
Sanitation	1,058,947	1,059,201	975,585
Capital grants and contributions	134,389		204,000
Total business-type activities program revenues	<u>7,913,615</u>	<u>6,836,482</u>	<u>6,689,672</u>
Total primary government program revenues	<u>\$ 10,004,774</u>	<u>\$ 9,068,564</u>	<u>\$ 8,372,611</u>
NET (EXPENSE)/REVENUE			
Governmental activities	\$ (15,576,296)	\$ (14,671,597)	\$ (15,196,888)
Business-type activities	413,302	(838,376)	(1,334,115)
Total primary government net expense	<u>\$ (15,162,994)</u>	<u>\$ (15,509,973)</u>	<u>\$ (16,531,003)</u>

City of Shawnee, Oklahoma
Changes in Net Assets
Last Three Fiscal Years

GENERAL REVENUES AND OTHER CHANGES	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities:			
Taxes:			
Sales and use	\$ 14,175,558	\$ 13,294,349	\$ 12,773,100
Franchise	1,408,468	1,455,739	1,347,189
Other	956,918	491,525	308,302
Payments from City of Shawnee			
Interest income	64,491	64,158	150,770
Miscellaneous	(561,101)	113,843	249,714
Transfers		348,559	236,149
Total governmental activities	<u>16,044,334</u>	<u>15,768,173</u>	<u>15,065,224</u>
Business-type activities:			
Investment earnings	122,170	79,135	142,345
Miscellaneous	351,099	15,853	73,060
Transfers	(381,113)	(348,559)	(236,149)
Total business-type activities	<u>92,156</u>	<u>(253,571)</u>	<u>(20,744)</u>
Total primary government	<u>\$ 16,136,490</u>	<u>\$ 15,514,602</u>	<u>\$ 15,044,480</u>
 CHANGE IN NET ASSETS			
Governmental activities	\$ 468,037	\$ 1,096,576	\$ (131,664)
Business-type activities	505,458	(1,068,975)	(1,354,859)
Total primary government	<u>\$ 973,495</u>	<u>\$ 27,601</u>	<u>\$ (1,486,523)</u>

**CITY OF SHAWNEE, OKLAHOMA
TAX REVENUES BY SOURCE (1)
Last Ten Fiscal Years**

Fiscal Year	Property Taxes (2)	Sales Taxes (3)	Use Taxes (4)	Hotel/Motel Taxes (5)	Alcoholic Beverage Taxes (5)	Franchise Taxes/ Fees (5)	Other Taxes (6)	Total
2005	119,449	13,242,506	674,596	247,910	81,245	1,384,864	9,904	15,760,473
2004	117,974	12,534,442	610,714	94,402	76,752	1,429,851	14,589	14,878,723
2003	88,420	12,316,882	472,015	96,260	74,112	1,333,189	10,159	14,391,038
2002	250,571	12,143,173	403,557	98,822	72,140	1,316,709	11,088	14,296,059
2001	269,408	12,150,197	463,487	107,076	69,816	1,541,571	6,100	14,607,654
2000	286,651	11,371,534	635,695	100,166	69,233	1,230,829	6,296	13,700,403
1999	278,591	10,885,537	343,394	102,323	66,003	1,089,076	0	12,764,924
1998	289,759	10,451,365	366,592	97,859	64,990	1,208,999	0	12,479,564
1997	375,889	10,000,310	365,473	77,692	64,226	1,076,607	0	11,960,197
1996	313,956	9,343,121	399,929	93,529	63,471	1,061,618	0	11,275,624

- (1) This schedule reports using the modified accrual basis of accounting.
- (2) These revenues are reported in the Debt Service Fund. The City does not levy property taxes for operations. Property taxes are used to service general obligation debt.
- (3) Sales taxes are reported in the General, Police, Fire, Economic Development, Capital Improvement and Street Improvement Fund.
- (4) These revenues are reported in the General Fund.
- (5) These revenues are reported in the Hotel/Motel Surcharge Fund.
- (6) These revenues are primarily comprised of the Nuisance Tax and are reported in the General Fund.

City of Shawnee, Oklahoma
Fund Balances – Governmental Funds
Last Three Fiscal Years

	<u>2005</u>	<u>2004</u>	<u>2003</u>
General fund			
Reserved	\$ 12,035	\$ 42,261	\$ 63,485
Unreserved	3,343,604	2,495,688	2,543,205
Total general fund	<u>\$ 3,355,639</u>	<u>\$ 2,537,949</u>	<u>\$ 2,606,690</u>
All other governmental funds			
Reserved	\$ 521,302	\$ 1,411,877	\$ 719,433
Unreserved, reported in:			
Special revenue funds	989,751	659,025	857,733
Capital project funds	5,248,848	3,833,844	5,760,485
Debt service funds	132,303	132,303	142,440
Total all other governmental funds	<u>\$ 6,759,901</u>	<u>\$ 6,037,049</u>	<u>\$ 7,480,091</u>

City of Shawnee, Oklahoma
Changes in Fund Balances – Governmental Funds
Last Three Fiscal Years

REVENUES	<u>2005</u>	<u>2004</u>	<u>2003</u>
Taxes	\$ 15,584,026	\$ 14,632,116	\$ 14,219,706
Licenses, fees, and permits	251,185	437,140	199,571
Fines and penalties	294,958	351,535	321,486
Charges for services	403,474	149,261	315,573
Intergovernmental	1,746,852	1,800,176	1,256,652
Investment earnings	64,531	64,079	150,770
Other revenues	316,654	254,311	231,222
Total revenues	<u>18,661,680</u>	<u>17,688,618</u>	<u>16,694,980</u>
EXPENDITURES			
General government	\$ 2,080,964	\$ 2,712,167	\$ 1,772,199
Police	4,209,209	4,354,226	4,397,144
Fire	3,556,724	3,361,133	3,166,871
Other public works	1,893,669	2,019,774	1,797,586
Culture and recreation	1,195,600	1,567,329	623,421
Capital outlay	2,768,551	4,378,904	5,345,703
Community and Economic Development	586,786	534,022	1,119,338
Payment to Component Unit	0	349,107	376,927
Debt service			
Interest	29,909	36,914	56,615
Principal	238,621	235,385	230,676
Total expenditures	<u>16,560,033</u>	<u>19,548,961</u>	<u>18,886,480</u>
Excess of revenues over (under) expenditures			
OTHER FINANCING SOURCES (USES)			
Proceeds from borrowing	0	0	38,667
Loss on forgiveness of debt	0		(131,275)
Payments to escrow agent			
Transfers in	1,744,999	1,912,030	1,919,647
Transfers out	(2,306,101)	(1,563,471)	(1,527,296)
Total other financing sources (uses)	<u>(561,102)</u>	<u>348,559</u>	<u>299,743</u>
Net change in fund balances	<u>1,540,545</u>	<u>(1,511,784)</u>	<u>(1,891,757)</u>
Debt service as a percentage of noncapital expenditures	1.99%	1.83%	2.17%
Total Debt Service (Interest plus Principal)	268,530	272,299	287,291
Noncapital expenditures	13,522,952	14,897,758	13,253,486

City of Shawnee, Oklahoma

Sales & Use Tax Rates

Last Ten Fiscal Years

	Fiscal Year									
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Sales Tax Rates										
General Fund	2.0000%	2.0000%	2.0000%	2.0000%	2.0000%	2.0000%	2.0000%	2.0000%	2.0000%	2.0000%
Capital Improvement Fund	0.3875%	0.3875%	0.3875%	0.3875%	0.3875%	0.3875%	0.3019%	0.3019%	0.3019%	0.3019%
Street Improvement Fund	0.4375%	0.4375%	0.4375%	0.4375%	0.4375%	0.4375%	0.5000%	0.5000%	0.5000%	0.5000%
Economic Development Fund	0.0500%	0.0500%	0.0500%	0.0500%	0.0500%	0.0500%	0.0500%	0.0500%	0.0500%	0.0500%
Police Sales Tax Fund	0.0625%	0.0625%	0.0625%	0.0625%	0.0625%	0.0625%	NA	NA	NA	NA
Fire Sales Tax Fund	0.0625%	0.0625%	0.0625%	0.0625%	0.0625%	0.0625%	NA	NA	NA	NA
Debt Service							0.1481%	0.1481%	0.1481%	0.1481%
City of Shawnee Total (1)	3.0000%	3.0000%	3.0000%	3.0000%	3.0000%	3.0000%	3.0000%	3.0000%	3.0000%	3.0000%
Pottawatomie County (4)	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	0.0000%	0.0000%
State of Oklahoma (4)	4.5000%	4.5000%	4.5000%	4.5000%	4.5000%	4.5000%	4.5000%	4.5000%	4.5000%	4.5000%
Total	8.5000%	8.5000%	8.5000%	8.5000%	8.5000%	8.5000%	8.5000%	8.5000%	7.5000%	7.5000%
Use Tax Rates (4)	3.0000%	3.0000%	3.0000%	3.0000%	3.0000%	3.0000%	3.0000%	3.0000%	3.0000%	3.0000%

(1) The source for City sales tax rates is the City of Shawnee Annual budget.

(2) City sales tax increases must be approved by voters.

(3) In March, 1999, the voters of the City approved a one percent sales tax. The vote made the sales tax permanent and approved the expansion of the purposes for which this additional tax may be used. (The voters originally authorized the additional sales tax on May 25, 1982, and then approved the reassignment of this tax on April 22, 1986 and again on July 19, 1988.) The city may use 7/8's of the sales tax or may transfer to any public trust of which the City is a beneficiary to be used for (i) capital improvements, (ii) economic development, or (iii) the payment of debt service and other requirements that may be required by any document securing the payment of bonds issued by the City or a public trust of which the City is the beneficiary. The remaining 1/8 of the sales tax shall be used for Public Safety. Prior to March, 1999, the use of the one percent sales tax was the same.

(4) The source for other sales tax rates is the State of Oklahoma Tax Commission. The Pottawatomie County 1% sales tax rate became effective July 1, 1998.

City of Shawnee, Oklahoma
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Public Service Property	Total Taxable Assessed Value	Less Tax Exemption Property	Net Assessed Value	Estimated Fair Market Value	Ratio of Net Assessed to Fair Market Value
2005	\$91,076,450	\$29,679,022	\$11,189,118	131,944,590	\$6,068,399	125,876,191	\$1,000,315,711	12.6%
2004	86,076,128	25,973,711	10,237,128	122,286,967	6,098,762	116,188,205	925,126,900	12.6%
2003	80,440,568	27,454,515	10,250,040	118,145,123	6,211,982	111,933,141	887,889,800	12.6%
2002	78,356,778	28,680,225	9,411,615	116,448,618	6,203,215	110,245,403	873,364,263	12.6%
2001	73,109,725	23,786,350	8,934,980	105,831,055	6,192,135	99,638,920	791,370,369	12.6%
2000	69,342,184	22,670,881	9,571,130	101,584,195	6,206,795	95,377,400	781,673,181	12.2%
1999	67,075,324	22,532,692	9,774,514	99,382,530	6,314,027	93,068,503	762,685,700	12.2%
1998	65,277,184	25,020,362	9,408,440	99,705,986	6,303,848	93,402,138	763,868,196	12.2%
1997	57,975,185	16,187,021	9,032,222	83,194,428	5,996,084	77,198,344	728,286,170	10.6%
1996	56,760,452	15,976,866	8,262,660	80,999,978	6,121,498	74,878,480	706,992,222	10.6%

(1) The source of property value information is the Pottawatomie County Assessor's Office

(2) Voter approval is required to increase property tax rates. City property tax is levied to service general obligation debt.

Assessment Ratio Real Property (3)	12.00%
Assessment Ratio Personal Property (3)	14.00%
Average Millage Rate Real Property (3)	95.00
Average Millage Rate Personal Property (3)	90.00
Average Value of New Housing Unit (3)	\$65,000
Newly Attracted Employees Requiring New Housing (3)	75.00%
New Employees Absorbed by Existing Workforce (3)	10%
Pott Employment Residing Outside Pott County (3)	22.4%

(3) The source is the Center for Applied Economic Research at Oklahoma State University.

City of Shawnee, Oklahoma
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

<u>Fiscal year ended June 30,</u>	<u>City of Shawnee Debt Service Fund</u>	<u>Shawnee Public School Districts</u>	<u>Gordon Cooper Vo-Tech</u>	<u>Pottawatomie County</u>	<u>Total Tax Levy</u>
2005	\$ 0.81	\$ 56.72	\$ 15.18	\$ 20.81	\$ 93.52
2004	0.82	59.55	15.18	20.81	96.36
2003	0.85	59.74	15.18	20.81	96.58
2002	0.56	59.23	15.18	20.81	95.78
2001	1.84	59.10	15.18	20.81	96.93
2000	2.65	59.79	12.18	20.81	95.43
1999	2.62	53.88	12.00	16.50	85.00
1998	3.12	54.69	12.00	16.50	86.31
1997	4.57	54.69	12.00	16.50	87.76
1996	4.17	55.42	12.00	20.60	92.19

City of Shawnee, Oklahoma
Principal Property Tax Payers
Last Three Fiscal Years

TAXPAYER	2005			2004			2003		
	Taxable Assessed		Percentage of Total City Taxable Assessed Value	Taxable Assessed		Percentage of Total City Taxable Assessed Value	Taxable Assessed		Percentage of Total City Taxable Assessed Value
	Value	Rank		Value	Rank		Value	Rank	
OG&E	\$ 8,990,550	1	6.81% \$	8,436,036	1	7.37% \$	8,230,231	1	6.97%
TDK Ferrites Corp	6,301,735	3	4.78%	6,288,789	2	5.50%	6,336,269	2	5.36%
S.W. Bell Telephone	6,647,086	2	5.04%	5,875,514	3	5.14%	4,374,215	5	3.70%
ONG / ONEOK	3,454,690	5	2.62%	3,541,383	5	3.10%	4,863,993	3	4.12%
Eaton Hydraulics Inc.	3,995,468	4	3.03%	3,879,610	4	3.39%	4,668,698	4	3.95%
Wolverine Tube Inc.	2,848,345	7	2.16%	2,749,989	7	2.40%	2,701,525	7	2.29%
Central Plastics Co	2,564,435	9	1.94%	2,715,257	8	2.37%	2,839,047	6	2.40%
EnoGex Inc.	2,304,527	10	1.75%	2,298,508	9	2.01%	2,349,046	8	1.99%
Mobil/Exxon	2,892,385	6	2.19%	2,852,726	6	2.49%	1,859,313	10	1.57%
Wal-Mart	2,698,510	8	2.05%						
Valor Communications Inc.	2,302,039	11	1.74%	2,134,871	10	1.87%			
Dobson Telephone Co				1,742,112	11	1.52%	1,853,122	11	1.57%
WXI?Z Southwest Malls							1,983,600	9	1.68%
Total	\$ 44,999,770		34.11% \$	42,514,795		37.17%	42,059,059		35.60%
Total Assessed Property	131,944,590			114,393,324			118,145,123		

City of Shawnee, Oklahoma
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal year ended June 30,	Taxes Levied for the Fiscal Year	Collected within the				Collections in Subsequent Years	Total Collections to Date		Mill Levy		
		Fiscal Year of the Levy		Percentage of Levy	Amount		Percentage of Levy				
		Amount									
2005	\$ 94,406	\$	119,411	\$	126%	\$ 2,489	\$	121,899	\$	102%	0.81
2004	93,917		116,345		124%	1,629		117,974		101%	0.82
2003	84,519		83,773		99%	4,647		88,420		106%	0.85
2002	195,895		242,648		124%	7,923		250,571		103%	0.56
2001	244,608		262,548		107%	6,860		269,408		103%	1.84
2000	247,501		280,091		113%	6,560		286,651		113%	2.65
1999	243,393		270,718		111%	7,873		278,591		114%	2.62
1998	291,504		281,742		97%	8,017		289,759		99%	3.12
1997	352,660		375,570		106%	319		375,889		107%	4.57
1996	312,036		312,014		100%	1,942		313,956		101%	4.17

City of Shawnee, Oklahoma
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal year ended June 30,	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Water Revenue Bonds	Capital Leases				
2005	\$ 400,000	\$ 24,514,445	\$ 451,548	\$	25,365,993	\$ 4.37%	\$ 853
2004	500,000	25,602,965	282,296		26,385,261	4.55%	887
2003	600,000	25,841,759	509,023		26,950,782	4.65%	914
2002	700,000	26,406,409	601,032		27,707,441	4.78%	940
2001	880,000	21,745,569	613,089		23,238,658	4.01%	810
2000	1,055,000	22,267,058	686,435		24,008,493	4.14%	837
1999	1,300,000	22,773,546	172,152		24,245,698	4.65%	867
1998	1,550,000	23,925,169	458,273		25,933,442	5.20%	932
1997	1,800,000	24,136,102	741,351		26,677,453	5.64%	982
1996	2,045,000	23,837,267	617,741		26,500,008	5.79%	961

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

1. See the Schedule of Demographic and Economic Statistics for personal income and population data.

City of Shawnee, Oklahoma
Ratios of Outstanding Debt to Assessed Value
and Debt Per Capita
Last Ten Fiscal Years

<u>Fiscal year ended June 30,</u>	<u>Outstanding General Obligations Bonds (1)</u>	<u>Net Assessed Value</u>	<u>Population (2)</u>	<u>Ratio of Debt To Assessed Value</u>	<u>Debt Per Capita</u>
2005	\$ 400,000	125,876,191	29,746	0.32%	13.45
2004	500,000	114,393,324	29,746	0.44%	16.81
2003	600,000	111,933,141	29,313	0.54%	20.47
2002	700,000	110,245,403	29,313	0.63%	23.88
2001	880,000	99,638,920	28,692	0.88%	30.67
2000	1,055,000	95,377,400	28,692	1.11%	36.77
1999	1,300,000	93,068,503	27,979	1.40%	46.46
1998	1,550,000	93,402,138	27,824	1.66%	55.71
1997	1,800,000	77,198,344	27,156	2.33%	66.28
1996	2,045,000	74,878,480	27,578	2.73%	74.15

(1) Represents only General Obligation Bonds financed through ad valorem tax levies

(2) Population Data from U.S. Bureau of the Census.

City of Shawnee, Oklahoma
Direct and Overlapping Governmental Activities Debt
June 30, 2005

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<u>Governmental unit</u>	\$ 400,000	100.00%	0
Debt repaid with property taxes:	400,000	100.00%	0
 City direct debt	 \$ <u>400,000</u>	 100.00%	 <u>0</u>
Total direct and overlapping debt	<u><u>400,000</u></u>		<u><u>\$ 400,000</u></u>

City of Shawnee, Oklahoma
Legal Debt Margin Information
Last Three Fiscal Years

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Debt margin	\$ 18,881,429	\$ 17,158,999	\$ 16,789,971
Total net debt applicable to limit	<u>296,476</u>	<u>404,237</u>	<u>537,075</u>
Legal debt margin	<u><u>\$ 18,584,953</u></u>	<u><u>\$ 16,754,762</u></u>	<u><u>\$ 16,252,897</u></u>
Total net debt applicable to the limit as a percentage of debt limit	1.57%	2.36%	3.20%

Legal Debt Margin Calculation for Fiscal Year 2005

Assessed Value	\$ 125,876,191	114,393,324	111,933,141
Debt limit (15% of assessed value)	18,881,429	17,158,999	16,789,971
Debt applicable to limit:			
General obligation bonds	400,000	500,000	600,000
Less: Amount set aside for repayment of general obligation debt	<u>(103,524)</u>	<u>(95,763)</u>	<u>(62,925)</u>
Total net debt applicable to limit	<u>296,476</u>	<u>404,237</u>	<u>537,075</u>
Legal debt margin	<u><u>\$ 18,584,953</u></u>	<u><u>\$ 16,754,762</u></u>	<u><u>\$ 16,252,897</u></u>

City of Shawnee, Oklahoma
Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal year ended June 30,	Water Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2005	\$ 7,712,701	\$ 5,635,475	\$ 2,077,226	\$ 1,061,520	\$ 996,762	\$ 1.01
2004	6,715,515	5,860,798	854,717	604,073	827,866	0.60
2003	6,444,849	6,161,820	283,029	939,650	1,658,985	0.11
2002	6,258,396	6,197,817	60,579	689,160	1,310,461	0.03
2001	6,632,437	4,705,782	1,926,655	471,488	1,263,582	1.11
2000	6,746,077	4,291,495	2,454,582	506,488	1,235,055	1.41
1999	6,745,899	4,219,363	2,526,536	1,045,000	1,410,468	1.03
1998	6,741,247	4,207,671	2,533,576	990,000	1,239,663	1.14
1997	6,044,566	4,098,880	1,945,686	1,015,000	1,218,320	0.87
1996	6,521,349	4,938,917	1,582,432	1,244,480	988,840	0.71

City of Shawnee, Oklahoma **Demographic and Economic Statistics** **Last Ten Fiscal Years**

Year	Estimated Population			Personal Income (1)	Per Capita Income	
	Shawnee	Pottawatomie	Oklahoma		Pottawatomie	Oklahoma
2004	29,746	67,111	3,523,553	712,714	\$23,960	\$28,155
2003	29,731	66,848	3,496,853	670,821	\$22,563	\$26,733
2002	29,476	66,788	3,493,714	640,808	\$21,740	\$25,943
2001	29,383	66,321	3,486,847	618,542	\$21,051	\$26,021
2000	28,692	65,704	3,454,408	579,980	\$20,214	\$24,007
1999	27,979	62,654	3,358,044	521,277	\$18,631	\$22,551
1998	27,824	62,291	3,339,478	498,550	\$17,918	\$21,930
1997	27,156	61,238	3,314,259	472,759	\$17,409	\$20,739
1996	27,578	61,473	3,289,634	457,602	\$16,593	\$19,846

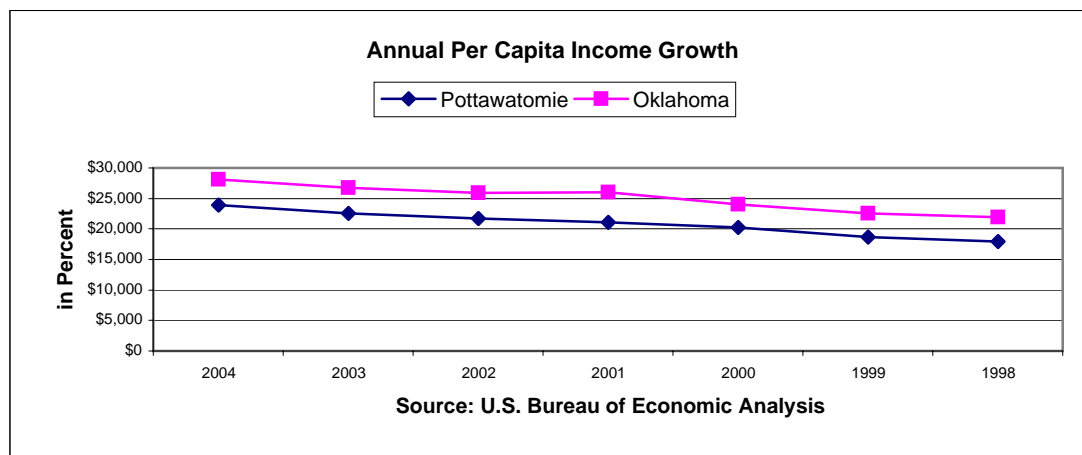
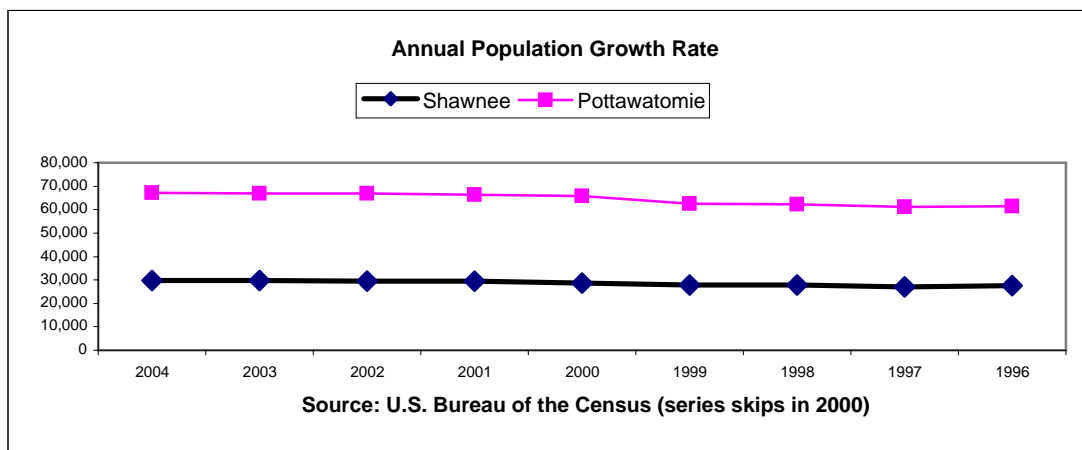
Population Data from U.S. Bureau of the Census.

Per Capita Income from Bureau of Economic Analysis

Labor Force from Bureau of Labor Statistics

Unemployment Rate and Number Employed from Bureau of Labor Statistics

(1) Amount expressed in thousands



City of Shawnee, Oklahoma
Principal Employers
For Three Years

EMPLOYMENT BY NAICS INDUSTRY
POTTAWATOMIE COUNTY

Code	Catagory/Year (1)	2003	2002	2001
10	Total employment	28887	29008	29343
20	Wage and salary employment	21124	21390	21814
40	Proprietors employment	7763	7618	7529
50	Farm proprietors employment	1675	1675	1659
60	Nonfarm proprietors employment 2/	6088	5943	5870
70	Farm employment	1704	1764	1762
80	Nonfarm employment	27183	27244	27581
90	Private employment	22981	23045	23556
100	Forestry, fishing, related activities, and other 3/	185	169	163
200	Mining	664	688	756
300	Utilities	128	142	145
400	Construction	1748	1760	1751
500	Manufacturing	2803	2807	3100
600	Wholesale trade	597	615	545
700	Retail trade	3327	3443	3463
800	Transportation and warehousing	620	591	615
900	Information	327	314	576
1000	Finance and insurance	796	790	812
1100	Real estate and rental and leasing	632	622	590
1200	Professional and technical services	1267	1335	1334
1300	Management of companies and enterprises	54	44	37
1400	Administrative and waste services	1497	1382	1540
1500	Educational services	1014	1034	1013
1600	Health care and social assistance	2850	2848	2739
1700	Arts, entertainment, and recreation	108	99	94
1800	Accommodation and food services	2298	2320	2374
1900	Other services, except public administration	2066	2042	1909
2000	Government and government enterprises	4202	4199	4025
2001	Federal, civilian	182	185	190
2002	Military	325	325	327
2010	State and local	3695	3689	3508
2011	State government	459	524	607
2012	Local government	3236	3165	2901

(1) Information was provided by the Center for Applied Economic Research at Oklahoma State University

City of Shawnee, Oklahoma
Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

FUNCTION/PROGRAM	Full-time equivalent employees as of June 30									
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
General government:										
Management services	10	9	10	9	7	8	9	10	8	8
Finance	8	9	9	8	8	7	6	6	7	7
Planning	5	6	5	5	5	5	2	4	5	6
Other	5	5	5	6	4	4	7	8	8	8
Police:										
Officers	50	52	54	53	53	53	53	52	50	51
Civilians	19	22	20	20	22	23	24	22	20	19
Fire:										
Firefighters and officers	47	50	49	48	49	45	45	46	47	49
Civilians	3	3	4	5	5	5	5	5	6	8
Other public works:										
Engineering	4	5	5	5	5	4	4	5	5	6
Other	23	26	26	27	27	26	26	26	27	26
Redevelopment	4	4	4	5	5	5	5	6	5	5
Parks and recreation	24	23	22	22	24	23	23	21	20	22
Water	27	28	32	33	36	33	34	33	34	32
Wastewater	18	21	21	22	22	21	22	21	21	21
Total	247	263	266	268	272	262	265	265	263	268

City of Shawnee, Oklahoma
Operating Indicators by Function/Program
Last Three Fiscal Years

FUNCTION/PROGRAM	<u>2005</u>	<u>2004</u>	<u>2003</u>
Police:			
Physical arrests	1290	1229	1096
Total Parking and Traffic Citations	4891	4233	4458
Fire:			
Emergency responses	2648	3127	2978
Fires extinguished	328	315	360
Inspections	150	175	251
Other public works			
Street resurfacing (lane blocks)	279	130	116
Potholes repaired	4000	3900	3900
Water:			
New connections	312	312	312
Water main breaks	145	145	145
Average daily consumption (thousands of gallons)	3500	3500	3500
Peak daily consumption (thousands of gallons)	7500	7500	7500
Wastewater:			
Average daily sewer treatment (thousands of gallons)	2600	2600	2600

City of Shawnee, Oklahoma
Capital Asset Statistics by Function/Program
Last Three Fiscal Years

FUNCTION/PROGRAM	<u>2005</u>	<u>2004</u>	<u>2003</u>
Police:			
Stations	1	1	1
Zone offices	3	3	3
Patrol units	32	31	31
Fire stations	3	3	3
Other public works:			
Streets (miles)	195	190	187
Highway Interstate (miles)	2.5	2.5	2.5
Traffic signals	39	39	39
Parks and recreation:			
Acreage	107.36	107.36	107.36
Playgrounds	18	18	18
Baseball/softball diamonds	10	10	10
Soccer/football fields	3	3	3
Community centers	1	1	1
Park and Recreation Reservations	497	446	484
Community Center Admissions	36,612	43,056	39,450
Community Center Events	2,226	2,357	2,490
Water:			
Water mains (miles)	150	150	150
Fire hydrants	1,300	1,300	1,300
Storage capacity (thousands of gallons)	2,500	2,500	2,500
Wastewater:			
Sanitary sewers (miles)	135	135	135
Treatment capacity (thousands of gallons)	11,000	11,000	11,000

City of Shawnee, Oklahoma
Water and Sewer Rates
Last Four Fiscal Years

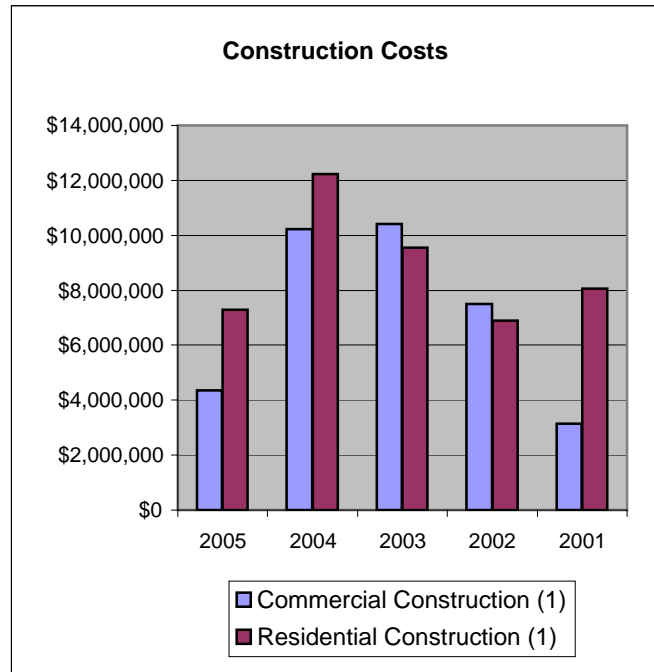
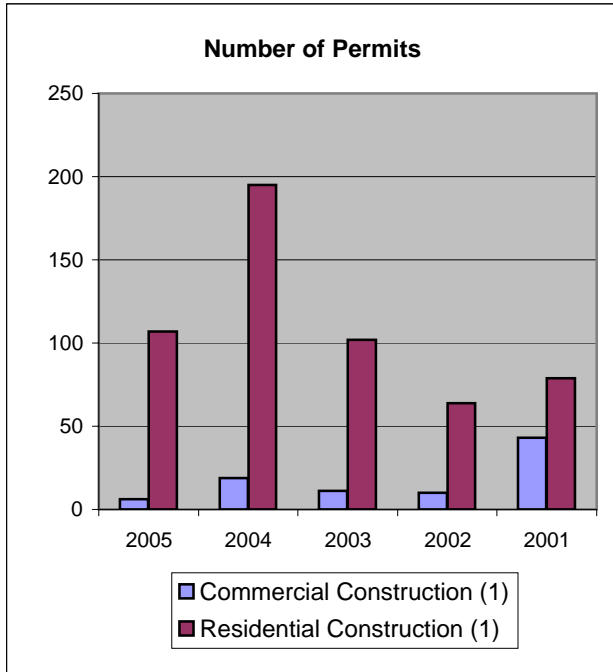
Fiscal year ended June 30,	Water Rate Per Gallons In City Limits				Sewer Rate In City Limits	
	0-1,000	1,001-4,000	4,001-1,000,000	1,000,000-2,000,000	More than 2,000,000	Monthly Base Rate
2005	\$ 6.21	\$ 3.42	\$ 3.15	\$ 2.63	\$ 2.57	3.94
2004	4.78	2.63	2.42	2.02	1.98	3.03
2003	4.78	2.63	2.42	2.02	1.98	3.03
2002	4.78	2.63	2.42	2.02	1.98	3.03

Fiscal year ended June 30,	Water Rate Per Gallons Outside City Limits				Sewer Rate Outside City Limits	
	0-1,000	1,001-4,000	4,001-1,000,000	1,000,000-2,000,000	More than 2,000,000	Monthly Base Rate
2005	\$ 9.32	\$ 5.13	\$ 4.72	\$ 3.94	\$ 3.86	5.91
2004	5.26	2.89	2.66	2.22	2.18	3.33
2003	5.26	2.89	2.66	2.22	2.18	3.33
2002	5.26	2.89	2.66	2.22	2.18	3.33

City of Shawnee, Oklahoma
Utility User Categories
Last Three Fiscal Years

	2005		2004		2003	
	Consumption Gallons	Sales	Consumption Gallons	Sales	Consumption Gallons	Sales
Type of Customer						
Residential						
Builder	1,362,800	\$ 6,281	1,027,400	\$ 4,138	1,055,100	\$ 3,617
Residential	475,276,100	2,209,329	663,290,200	1,954,929	639,290,200	1,888,474
Residential Sprinkler	6,448,700	23,234	8,353,500	4,263	7,045,200	19,519
Industrial	317,298,300	765,013	339,550,200	722,697	353,597,900	751,045
Commercial						
Commercial	282,555,300	902,048	304,898,700	779,597	301,340,100	770,409
Commercial Sprinkler	12,180,300	38,509	15,541,200	39,155	11,922,200	30,330
Schools	1,323,100	4,165	1,743,700	4,262	1,830,600	4,466
Schools Sprinkler	1,855,100	5,732	1,551,100	3,842	1,747,500	4,316
G Rate	530,300	2,495	240,600	643		
Government	4,030,100	NA	4,518,100	NA	43,066	NA
Total	1,102,860,100	\$ 3,956,806	1,340,714,700	\$ 3,513,526	1,317,871,866	\$ 3,472,176
Average Rate per Thousand		3.588%		2.621%		2.635%

City of Shawnee, Oklahoma
Construction Permits
Last Ten Fiscal Years



Commercial Construction (1)

Year	Number of Permits	Construction Costs
2005	6	\$4,364,200
2004	19	10,237,264
2003	11	10,408,884
2002	10	7,499,900
2001	43	3,142,162
2000	23	12,366,351
1999	28	14,660,331
1998	37	8,157,254
1997	25	4,173,143
1996	23	2,888,670

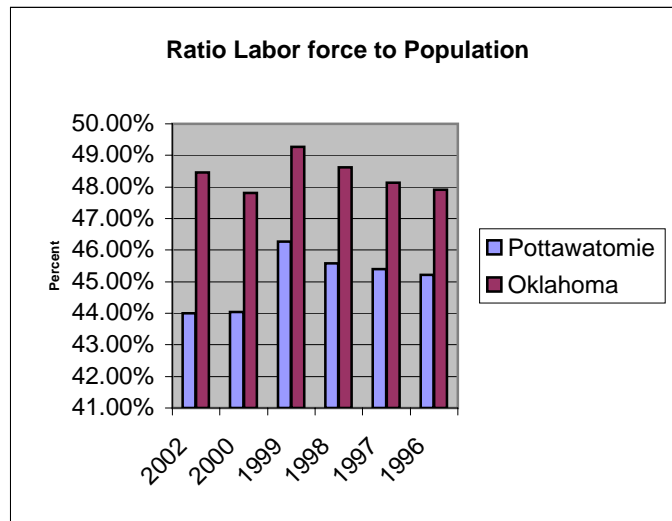
Residential Construction (1)

Number of Permits	Construction Costs
107	\$7,291,260
195	12,222,282
102	9,560,589
64	6,896,108
79	8,052,920
85	9,346,473
81	8,413,140
166	9,613,400
344	13,251,374
129	9,111,030

(1) The source of this information is the City of Shawnee Planning Department

City of Shawnee, Oklahoma
Demographic Labor Force Statistics
Last Ten Fiscal Years

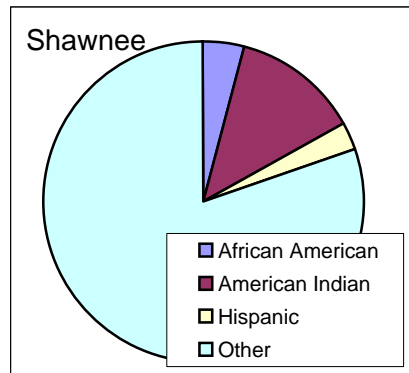
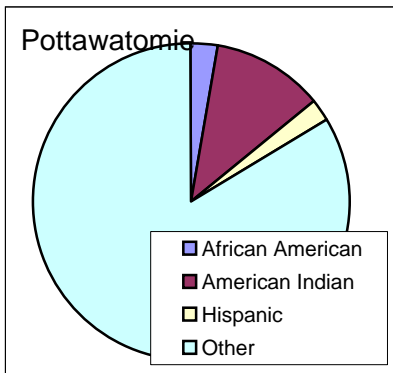
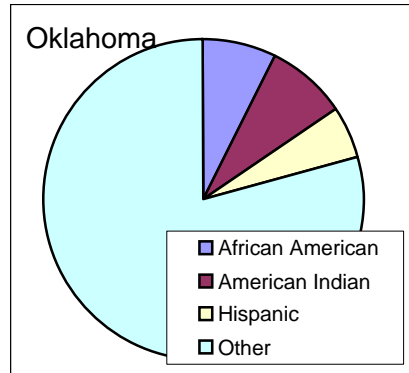
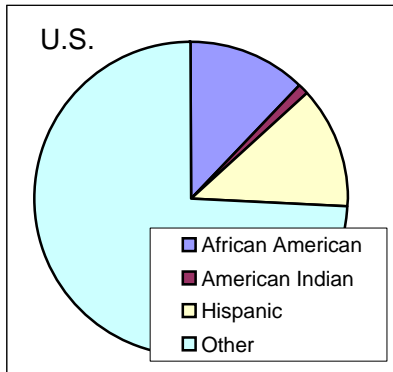
Year	<u>Labor Force</u>		<u>Ratio Labor Force to Population</u>		<u>Unemployment Rate</u>	
	Pottawatomie	Oklahoma	Pottawatomie	Oklahoma	Pottawatomie	Oklahoma
2004						
2002	29,384	1,693,150	44.00%	48.46%	5.2%	3.8%
2000	28,938	1,651,780	44.04%	47.82%	3.4%	3.1%
1999	28,987	1,654,805	46.27%	49.28%	3.7%	3.4%
1998	28,393	1,624,039	45.58%	48.63%	5.4%	4.5%
1997	27,800	1,595,372	45.40%	48.14%	4.8%	4.1%
1996	27,797	1,575,990	45.22%	47.91%	4.7%	4.1%



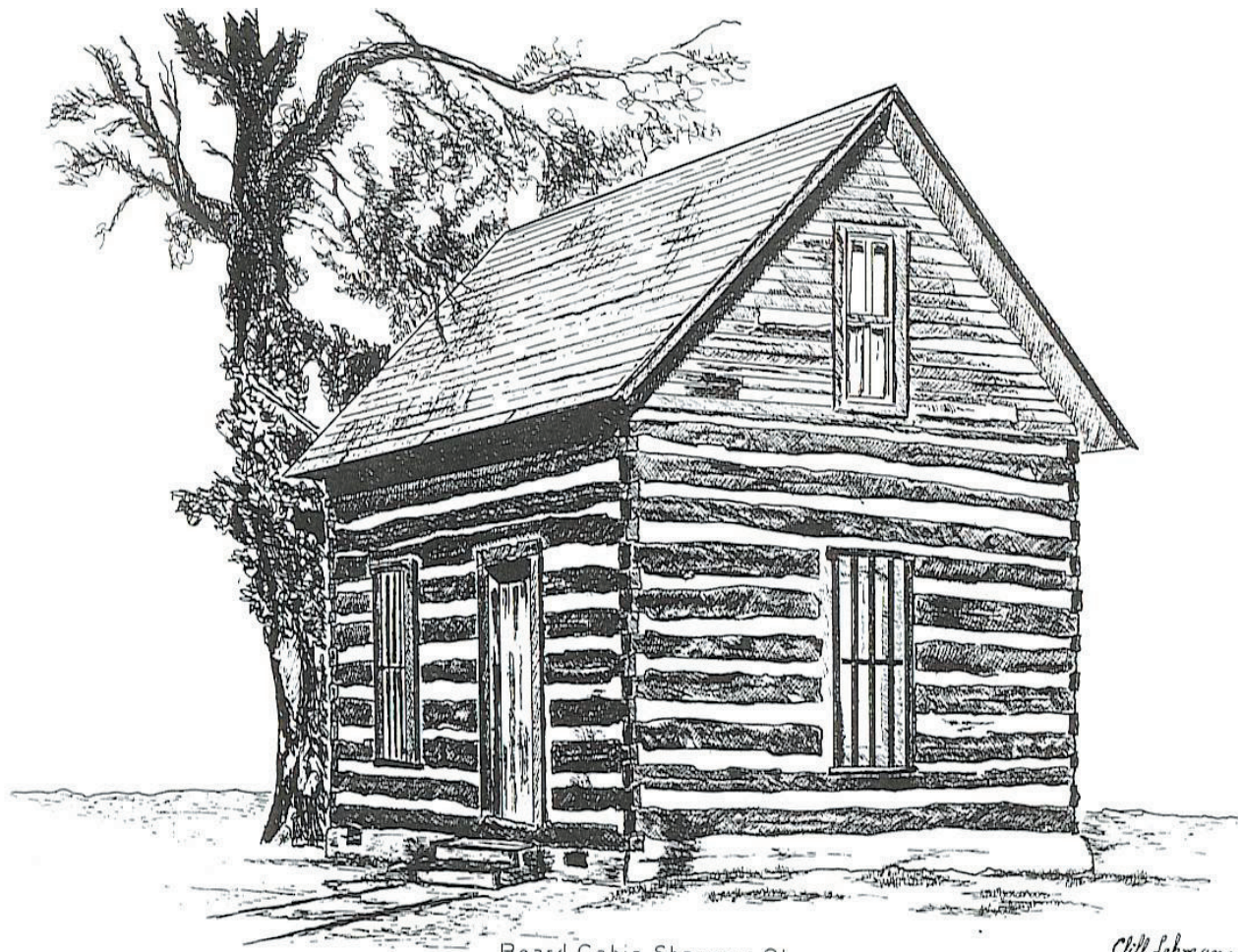
City of Shawnee, Oklahoma Ethnic Demographic Statistics

Comparative Ethnic Percentage Population

	U.S.	Oklahoma State	Pottawatomie County	Shawnee City
African American	12.30%	7.60%	2.90%	4.10%
American Indian	0.90%	7.90%	11.20%	12.80%
Hispanic	12.50%	5.20%	2.40%	2.70%
Other	74.30%	79.30%	83.50%	80.40%
	100.00%	100.00%	100.00%	100.00%



Single Audit



Beard Cabin Shawnee, Ok.

Cliff Lehmann

City of Shawnee, Oklahoma
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Direct Program:			
Community Development Block Grant - Entitlement Program	14.218		\$ 574,251
Total U.S. Department of Housing and Urban Development			<u>574,251</u>
<u>U.S. Department of Justice</u>			
Direct Program:			
Bulletproof Vest Partnership Program	16.607		893
Local Law Enforcement Block Grants	16.592		18,980
Pass-through Program From:			
Oklahoma Office of Homeland Security:			
Oklahoma Department of Public Safety			
Oklahoma First Responder Equipment Program Phase 1	16.007	OKFREPI-07	11,979
Oklahoma First Responder Equipment Program Phase 3		OKFREPI-40	10,000
Oklahoma First Responder Equipment Program Phase 17		OKFREPI-03	81,439
Total U.S. Department of Justice			<u>123,291</u>
<u>U.S. Department of Transportation</u>			
Direct Program:			
Federal Aviation Administration			
Airport Improvement Program	20.106		128,754
Pass-through Program From:			
Pipeline & Hazardous Material Safety -			
Oklahoma Department of Emergency Management -			
Interagency Hazardous Materials Public Sector Training and Planning Grants HMEP (LEPC)	20.703		2,000
Oklahoma Department of Transportation			
Highway Planning and Construction	20.205	STP-163E (118) EH	315,322
Total U.S. Department of Transportation			<u>446,076</u>
<u>Federal Emergency Management Agency</u>			
Direct Program:			
Assistance to Firefighter Grant Program	83.554		52,200
Pass-Through Program From:			
Oklahoma Department of Emergency Management			
State-Local Disaster Assistance		FEMA 1355-1464	
Agreement / Safe Room Rebate Program	83.548	DR-OK (HMGP)	72,472
Emergency Management Performance Grants	83.552	2004	13,450
		2005	26,900
Total U.S. Emergency Management Agency			<u>165,022</u>
Total Expenditures of Federal Awards			<u>\$ 1,308,640</u>

The accompanying notes are an integral part of this schedule.

City of Shawnee, Oklahoma
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

I. Basis of accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Shawnee and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

II. Expenditures

Expenditures represent the current year federal grant/contract portion only.

III. Noncash awards

The City of Shawnee expended no form of noncash assistance during the year and had no loan or loan guarantees outstanding at June 30, 2005, which are required by OMB Circular A-133 to be included in the schedule of expenditures of federal awards.

IV. Subrecipients

The City of Shawnee provided no federal awards to subrecipients.

City of Shawnee, Oklahoma
Summary Schedule of Prior Audit Findings

Financial Statement Findings

04-1 SCCDA Revenue Documentation

Condition – The SCCDA does not issue pre-numbered receipts or tickets or use any form of automated process such as a cash register to document and record monies received for events, rentals, or fees. A receipt is prepared at the end of each day for the total amounts received and deposited. Revenues are collected by several different SCCDA employees.

Recommendation – We recommend the SCCDA install some form of cash register system, or issue individual pre-numbered receipts for all funds received. At the end of each day, the funds collected and on hand should be reconciled with the automated system report and/or receipts issued.

Status – This issue is resolved.

Federal Award Findings and Questioned Costs

04-2 Financial Reporting

**Community Development Block Grant (CDBG), CFDA No. 14.218
Federal Award No's. B-01-MC-40-0007(2001), B-02-MC-40-0007(2002), and B-03-MC-40-0007(2003)**

Condition – During our examination of CDBG documentation for reporting to the Federal awarding agency no documentation could be located to support that the fourth quarter report SF-272, Federal Cash Transactions Report for federal grants numbered B-01-MC-40-0007(2001), B-02-MC-40-0007(2002), and B-03-MC-40-0007(2003) had been submitted.

Recommendation – We recommend that the City review their procedures for filing reports to ensure that SF-272, Federal Cash Transactions Reports be submitted 15 calendar days following the end of each quarter for each open grant during the reporting quarter.

Status – This issue is resolved.

04-3 Financial Reporting

**Community Development Block Grant (CDBG), CFDA No. 14.218
Federal Award No's. B-01-MC-40-0007(2001), B-02-MC-40-0007(2002), and B-03-MC-40-0007(2003)**

Condition – During our audit comparison of City of Shawnee financial reports to CDBG financial federal reports for HUD the City was unable to reconcile amounts reported in the trial balance with amounts included in reports to HUD.

Recommendation – We recommend the City of Shawnee establish an accounting system that provides for separate identification of Federal and non-Federal transactions and allocation of transactions applicable to both, and records and reports that identify adequately the source and application of funds for federally-sponsored activities. These records should contain information

pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest. We recommend that reports be provided to managers and/or other employees responsible for grant review, reconciliation, etc... as needed.

Status – The city of Shawnee is currently implementing an accounting system that provides separate identification of Federal and non-Federal transactions. The system should be fully functional by June 30, 2006. Effectively, this condition is resolved.

04-4 Federal Program - All federally funded grants except CDBG

Condition – The City of Shawnee does not have the capability to generate an accurate system based report that provides key grant information by grant and grant year from a particular start date to a particular ending date. This information should include total grant expenditures, total indirect costs charged to the grant, total amounts claimed to funding sources and the total reimbursement received from the funding source, i.e., deposits made. This report is a key ingredient to the timely reconciliation of grant activity.

Recommendation – We recommend the City of Shawnee establish an accounting system that provides for separate identification of Federal and non-Federal transactions and allocation of transactions applicable to both, and records and reports that identify adequately the source and application of funds for federally-sponsored activities. This system should contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest, and include the reconciliation of actual with account based totals.

Status – The City of Shawnee is in the process of establishing an accounting system that provides separate identification of Federal and non-Federal transactions. The system should be in place by June 30, 2006. Essentially, this condition is resolved.

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133**

December 2, 2005

City Commission
City of Shawnee
Shawnee, Oklahoma

Compliance

We have audited the compliance of the City of Shawnee with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The City of Shawnee'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, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Shawnee's management. Our responsibility is to express an opinion on the City of Shawnee's compliance based on our audit.

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 of Shawnee'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. Our audit does not provide a legal determination on the City of Shawnee's compliance with those requirements.

In our opinion, the City of Shawnee 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, 2005.

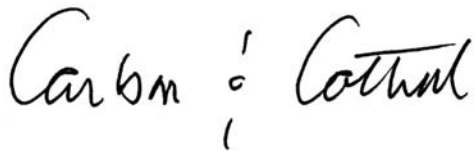
Internal Control Over Compliance

The management of the City of Shawnee is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Shawnee's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Carlson & Cottrell, CPAs, PLC

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the city commission and management of the City of Shawnee and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Carlson & Cottrell". The signature is written in dark ink and is positioned in the lower-left area of the page.

**City of Shawnee, Oklahoma
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weakness(es)?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weakness(es)?	None Reported
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
14.218	Community Development Block Grant – Entitlement Program
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs:	\$ <u>300,000</u>
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

