

City of Shawnee, Oklahoma



COMPREHENSIVE ANNUAL FINANCIAL REPORT
AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

THE CITY OF SHAWNEE, OKLAHOMA

**Comprehensive Annual Financial Report
And Accompanying Independent Auditor's Report**

**For the Fiscal Year Ended
June 30, 2012**

Prepared by:
Department of Finance

Cynthia R Sementelli
Finance Director

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INTRODUCTION SECTION

Mayor

WES MAINORD

**The City of Shawnee**
Office of the Finance DirectorPO Box 1448
Shawnee Oklahoma 74802-1448
405-878-1610**Commissioners**PAM STEPHENS
FRANK SIMS
JAMES HARROD
LINDA AGEE
KEITH HALL
STEVE SMITH

January 15, 2013

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

State law requires that cities publish, within six months after the close of each fiscal year, a complete set of financial statements 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. We submit to you the City of Shawnee's Comprehensive Annual Financial Report (CAFR) with the independent auditor's report thereon for the fiscal year ended June 30, 2012. The fiscal year 2012 report was slightly delayed due to significant turnover in the finance department.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, the City's management has established a comprehensive internal control framework that is designed both to protect the 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 costs 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.

The City of Shawnee's financial statements have been audited by Arledge and Associates, a firm of licensed certified public accountants. The goal of the independent auditor was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2012, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2012 are fairly presented in conformity with GAAP.

The independent audit of the City's financial statements was part of a broader, federally mandated Single Audit designed to meet the special needs of federal 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 City's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These auditor's reports are presented in the separately available Single Audit report.

GAAP requires management to 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 the 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 THE CITY

The City of Shawnee provides many municipal services including police and fire public safety, emergency management, water, sewer, and sanitation services, street construction and maintenance, street lighting, parks, lake and recreational facilities, planning, community development, code enforcement, and general administration. For financial reporting purposes, all funds, agencies, boards, commissions, and authorities over which the City Council has financial accountability, are included in this report. Financial accountability is determined by several different factors including fiscal dependence, ability to impose will upon the entity's governing body, provision of specific financial burdens or benefits and separate legal entity status. After a careful evaluation of these factors, the City has included in this financial report the Shawnee Municipal Authority and the Shawnee Airport Authority, as well as all funds of the City.

GOVERNMENTAL STRUCTURE

The City of Shawnee operates as a Council/Manager form of government. The governing body of the city consists of a mayor, who shall be elected from the City at large; and of six (6) other commissioners. The City Council also serves as trustees of the Shawnee Municipal Authority and the Shawnee Airport Authority. The Mayor and Council appoint a City Manager, who is the chief executive officer of the city, and also appoints a City Treasurer. Responsibility for the day-to-day operations of the City rests with the City Manager.

Shawnee, originally incorporated in 1894, is located on Interstate 40 approximately 40 miles east of Oklahoma City. The City covers an area of 62 square miles and has a population of 29,857 according to the latest census. Shawnee's retail base continues to expand along the I-40 corridor, with several new hotels, restaurants, and retail establishments.

ECONOMIC CONDITION AND OUTLOOK

The City's top priority is to provide the highest level of public services possible with available funding. Like most other Oklahoma municipalities, long-term municipal finance is a concern. A broad analysis of the current and future expenditure needs of the City must be considered when appropriating revenues and building unreserved fund balances.

The City is almost solely dependent on sales and use tax to fund all general government operations. Approximately 78% of the City's General Fund revenues are provided by sales and use tax. These taxes are directly affected by the state of the local economy and their use is often restricted by voter approval. As a result, it is a volatile revenue source from a budget perspective. Further, over the past 10 years, the City's sales tax has not kept up with the cost of salaries, goods, and services.

Sales and use tax collected by the City during fiscal year 2011-2012 increased 2.42% or \$389,646.44 from the previous fiscal year. Current fiscal year sales tax collections received through November 2012 are up \$42,912 over the same time last year. City staff continues to monitor revenues closely to communicate the current situation to the City Commission. The City also continues its proactive education of residents, contractors, and retailers that sales taxes are collected at the point of delivery. The City is also taking initiatives to educate its citizens in regard to the importance of "Shopping Shawnee" engaging partners like the Shawnee Economic Development Foundation and the Greater Shawnee Chamber of Commerce ensuring their sales tax dollars are used for improvements to the *City of Shawnee*. Recent adoption of the City's 20 year Capital Improvement Plan has led staff and Commissioners to realize that if the City of Shawnee is going to be able to continue to provide the level of customer service our citizens desire, retail sales tax attraction and economic development need to be top priorities to increase City revenues.

As staff continues to identify possible reductions, the following critical needs within the City of Shawnee Finance will remain in the Fiscal Year 2012-2013 budget:

- Ensure the City's self-insured Workers Compensation Fund is adequately funded.
- Ensure adequate appropriation for accrued compensated absences is maintained and allocated to the departments as needed.
- Ensure that minimum budgetary fund balances are maintained as per Commission Resolution number 6409

The City has seen an increase in sales tax exemptions and federal regulations; rising expenses from grievances and binding arbitrations with employee unions; and more federal and state unfunded mandates such as proposed increases in Oklahoma Department of Environmental Quality (DEQ) fees. In addition, new requirements of audits (*GASB 54*) have added to the list of expenses cities and towns must endure.

In accordance with Oklahoma Statute Titles 11 Section 17-211 and 68 Section 3017, and City Commission action with the adoption of Resolution 6428 on June 18, 2012 the City strives to maintain a minimum unassigned fund balance totaling 10% for budgeted expenditures as a reserve for revenue shortfalls, unanticipated expenditures, and to meet daily cash flow requirements. Management's recommendation would probably be more than a 10% minimum; however, weak annual revenues have prevented our recommendation from being a larger percentage of fund balance.

The City's fiscal year 2012-2013 budget estimates General Fund revenues of \$19,672,936 including \$264,063 of fund balance and \$250,000 due from the Shawnee Municipal Authority (SMA) to reimburse the General Fund to balance the budget this year. These actions by the City Commission to spend fund balance afforded the City the ability to fully implement a salary survey completed in early 2012. This action has preliminarily shown to significantly slow down expensive employee turnover. In addition, this budget included some restoration of cost of living and merit increases lost in the FYE 2010 and 2011. Regardless, the FYE 2013 budget included an unassigned fund balance of 10%.

MAJOR INITIATIVES

As of June 30, 2012 the City encumbered \$4 million for the \$11 million Kickapoo Street construction project. The Oklahoma Department of Transportation will provide the remainder of the funding.

During FYE 2012 City Commissioners approved a Resolution to send approximately \$47 million dollars to the voters for public safety, roads, and quality of life projects (i.e.: Regional Sports Park) to name a few. In February 2012 all of the proposed ballot initiatives were handily defeated by the voters.

In December 2011, the City took a \$3,845,000 loan to fund 4 of the projects identified in the CIP. A \$2,365,000 taxable bond was taken to redo the Expo parking lot and upgrade the campsite hookup electrical to 50 amp services. The remaining \$1,480,000 was a non-taxable bond and will be used for the Library Roof, Airport Walking Trail and to pay off a \$688,329 loan for SMA. Refinance of this loan resulted in a reduction in term and a cost savings of approximately \$50,000.

Also during fiscal year 2011-2012 we completed our new airport building runway and taxiway improvements funded with FAA grant, EIP, and a small amount of airport revenues.

The fiscal year budget for 2012-2013 includes an encumbrance of \$820,000 for the principal and interest (5 year term) needed to fund upgrades to the City municipal pool, communication towers, and 9-1-1 upgrades. We anticipate securing funding in late 2013.

The City purchased 7 vehicles and equipment to support its services and upgrade its fleet. The Police Department purchased necessary equipment such as rifles, e-ticket machines, radios, and a tag reader that cross references State and Local databases to assist PD with warrant initiatives. The Fire Department purchased necessary bunker gear and a grass rig apparatus for response to fire emergencies.

The City expended over \$363,892 on Community Development Block Grant (CDBG) housing rehabilitation and emergency construction for eligible citizens.

The City continues to support economic development, civic and cultural activities, tourism, and other community needs through community contracts with service providers. While not as apparent as solid waste or police and fire services, this financial support provides needed services to City residents and enhances our City's quality of life.

During fiscal year 2011-2012, the City supported the Shawnee Civic and Cultural Development Authority (Expo Center) with \$453,000 from the general fund, \$50,000 from the economic development fund and \$100,000 for capital improvements on top of the \$2,365,000 bond for the parking lot and upgrade of the electrical.

The City provided \$196,000 in financial support through a contract with the Shawnee Economic Development Foundation for services provided by that entity. The City passed through \$472,083 in hotel/motel surcharges to the Shawnee Convention and Visitors Bureau, whose programs increase tourism in the City.

The City supported the multi-county library system by paying \$74,000 for utilities and janitorial services for the City-owned building. The City provided \$70,400 for management of the Senior Citizens Center and paid the YMCA \$36,000 to manage the Community Center. The City helped fund the local transit system with \$50,000.

SMA during fiscal year 2011-2012 has a contract with Smith, Roberts, Baldishwiler, LLC to develop a Master Plan. The scope of work for the master plan will consist of developing a Capital Improvements Plan (CIP) for the water supply, water treatment, collections systems, and wastewater treatment facilities. The plan will include recommendations for prioritization and phasing of the recommended short term (0-5 years and 5-10 years) and long term (10-20 years) CIP projects. The entire project is scheduled to be complete December 2013.

Scope includes:

1. Project Management
2. Project Initiation and Data Collection
3. Develop Water Supply and Treatment CIP
4. Develop Water Distribution System CIP
5. Develop Collections System CIP
6. Develop Wastewater Treatment CIP
7. Prepare Comprehensive Master Plan Report

In the budget for 2011-2012 SMA continued with annual pipe bursting of sewer lines(\$1M), water line repairs (\$1M), rebuilding clarifiers at the Southside Wastewater Sewer Plant and purchased new equipment such as a new sludge truck and video inspection truck for visual inspection of sewer lines.

Budgeted for the 2012-2013 SMA will continue to work on the Master plan and in the capital budget has budgeted 2 million for pipe bursting. In addition; other capital projects include Airport Lift Station rehab, cleaning the sludge ponds at the Water Treatment Plant, installing HVAC in 2 buildings at the Water Treatment Plant, upgrade the lighting at the Water Treatment Plant and at the Northside Wastewater Treatment Plant, and 5 pickup truck replacements for Utility Billing.

Finally, the SMA took on the City of Tecumseh as a water customer providing treated water due to the inability of their surface water and well water sources not being sufficient to provide for their needs.

ACKNOWLEDGEMENT

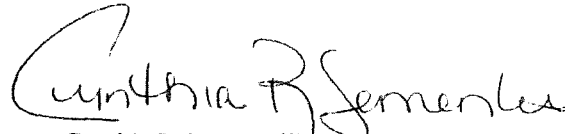
We would like to thank our consultants, Crawford & Associates, P.C., for their guidance. Also, thanks to our auditors, Arledge and Associates, for their assistance in this process.

Finally, to the Shawnee City Council we extend heartfelt thanks for their support. It is their commitment to financial reporting excellence that allows the citizens of Shawnee to be fully informed about their municipal government finances. We are proud to convey the Council's commitment to our citizens and to all readers of the City of Shawnee's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012.

Respectfully submitted,



Brian McDougal
City Manager



Cynthia R Sementelli
Finance Director

City of Shawnee, Oklahoma

List of Principal Officials

June 30, 2012

Mayor and City Council

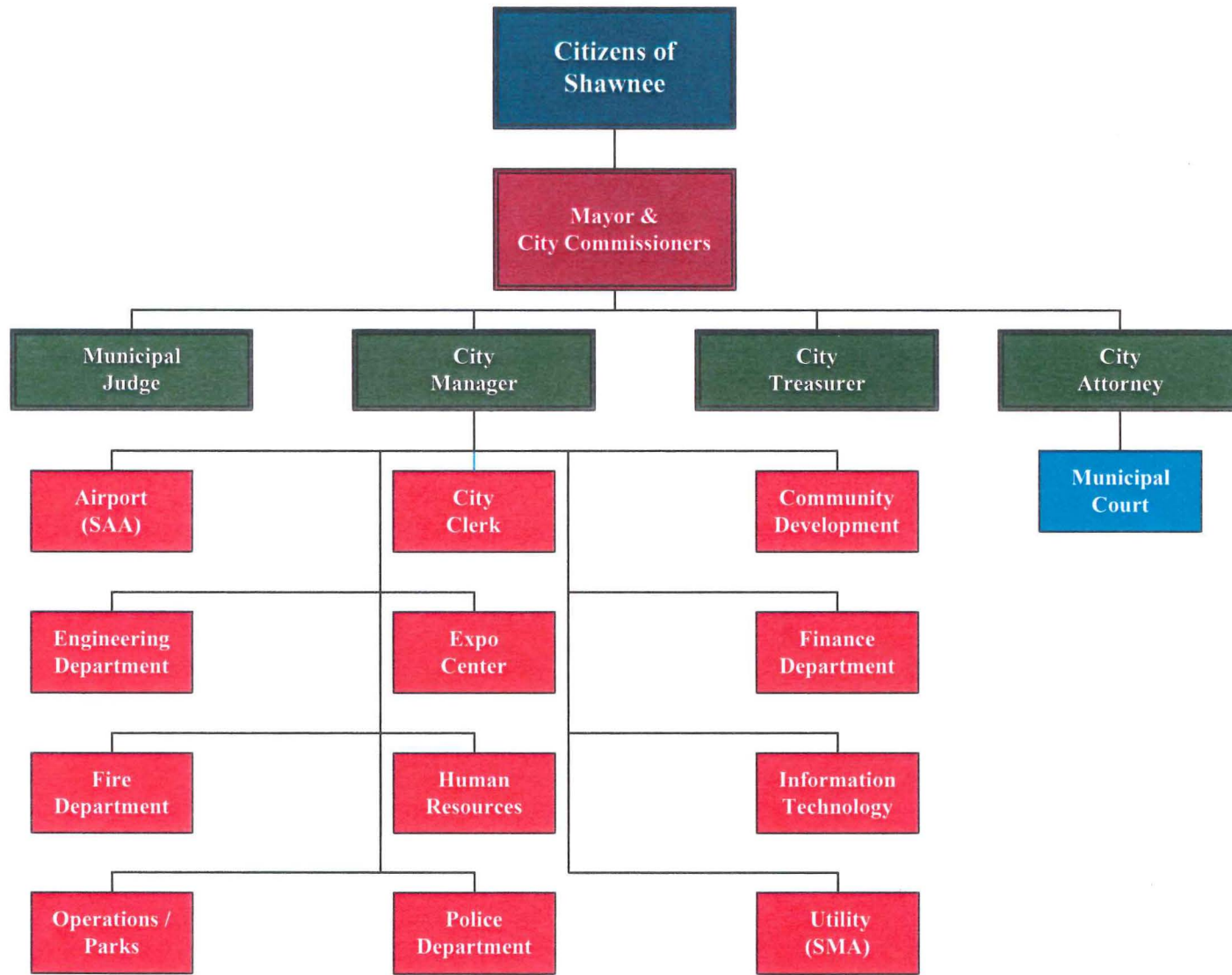
Linda Peterson	Mayor
Billy Collier	Vice Mayor
James Harrod	Councilmember
Steve Smith	Councilmember
Pam Stevens	Councilmember
John Winterringer	Councilmember
Frank Simms	Councilmember

Administration

Brian McDougal	City Manager
Cynthia R Sementelli	Treasurer
Stephen Nolen	Chief Informational Officer
Phyliss Loftis	City Clerk
Mary Ann Karns	City Attorney
Russell Frantz	Police Chief
David Short	Fire Chief
Tamera Johnson	Human Resource Director
Justin Erickson	Community Development Director/ Planning Director
John Krywicki	City Engineer
James Bryce	Director of Operations
Jim Bierd	Utility Director
Mike Jackson	Expo Center Director

City of Shawnee Administrative Organizational Chart

Updated January 23, 2013



FINANCIAL SECTION

Independent Auditor's Report

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

We have audited the accompanying financial statements 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, (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Shawnee Civic and Cultural Development Authority which statements reflect total assets constituting 100% and total revenues constituting 100% of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Shawnee Civic and Cultural Development Authority, are based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, 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 as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension plan and other post-

employment benefits funding schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on them.

Arlidge & Associates, P.C.

Edmond, Oklahoma
January 25, 2013

MANAGEMENT'S DISCUSSION & ANALYSIS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2012

TABLE 1
NET ASSETS (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2012	2011		2012	2011		2012	2011	
Current assets	\$ 20,292	\$ 18,368	10%	\$ 10,054	\$ 8,183	23%	\$ 30,346	\$ 26,551	14%
Capital assets, net	34,413	30,219	14%	57,356	55,181	4%	91,769	85,400	7%
Other non-current assets	-	-	0%	370	292	27%	370	292	27%
Total assets	54,705	48,587	13%	67,780	63,656	6%	122,485	112,243	9%
Current liabilities	4,022	3,628	11%	4,439	4,564	-3%	8,461	8,192	3%
Non-current liabilities	6,538	6,234	5%	22,664	21,950	3%	29,202	28,184	4%
Total liabilities	10,560	9,862	7%	27,103	26,514	2%	37,663	36,376	4%
Net assets									
Invested in capital assets, net of related debt	33,531	30,219	11%	32,823	32,164	2%	66,354	62,383	6%
Restricted	10,416	9,897	5%	1,814	2,587	-30%	12,230	12,484	-2%
Unrestricted	198	(1,391)	-114%	6,040	2,391	153%	6,238	1,000	524%
Total net assets	\$ 44,145	\$ 38,725	14%	\$ 40,677	\$ 37,142	10%	\$ 84,822	\$ 75,867	12%

As shown in Table 1 above, the largest portion of the City's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. This year the investment in capital assets, net of related debt, amounted to \$66.4 million. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net assets, \$12.2 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, may be used to meet the government's ongoing obligations to citizens and creditors. The total unrestricted net assets are a positive amount, the governmental unrestricted net assets have a balance of \$197,163 primarily due to an increase in transfers from the SMA related to debt proceeds and a decrease in expenses in public safety. The business-type activities has a positive unrestricted net assets of \$6,039,429 due to charges for services exceeding cost in the water, wastewater, sanitation, airport and lake functions. The airport function had significant capital grants received in the current year. The lake function had an increase in rates and revenues moved from other park and recreation categories to the SMA.

Changes in Net Assets:

Table 2 (shown on the next page) summarizes the City's changes in net assets for fiscal year 2010-2011 compared to fiscal year 2011-2012.

MANAGEMENT'S DISCUSSION & ANALYSIS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2012

Fiscal year 2011-2012 governmental and business-type activities increased the City's net assets by \$9.0 million compared to an increase of \$7.2 million from the previous fiscal year. Fiscal year 2011-2012 tax revenues totaled \$19.9 compared to \$19.3 million fiscal year 2010-2011. Sales and use tax and franchise taxes were up slightly over the previous year. Operating grants and contributions totaled \$2.2 million for the current fiscal and previous fiscal year. Capital grant and contributions totaled \$3.3 million compared to \$2.7 million in the prior year. The most significant capital grant relates to capital grants for construction and improvements at the airport totaling \$3.0 million. Transfer to governmental funds from the SMA increased due to the movement of loan proceeds.

TABLE 2
CHANGES IN NET ASSETS (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2012	2011		2012	2011		2012	2011	
Revenues									
Charges for service	\$ 1,052	\$ 1,131	-7%	\$ 13,877	\$ 11,675	19%	\$ 14,929	\$ 12,806	17%
Operating grants and contributions	2,272	2,181	4%	-	-	-	2,272	2,181	4%
Capital grants and contributions	279	121	130%	2,992	2,616	14%	3,271	2,737	19%
Taxes	19,897	19,352	3%	-	-	-	19,897	19,352	3%
Intergovernmental revenue	342	338	1%	-	-	-	342	338	1%
Investment income	107	99	8%	59	73	-19%	166	172	-3%
Miscellaneous	238	1,063	-78%	166	305	-46%	404	1,368	-70%
Total revenues	24,187	24,285	0%	17,094	14,669	17%	41,281	38,954	6%
Expenses									
General government	2,379	4,101	-42%	-	-	-	2,379	4,101	-42%
Public safety	13,249	12,672	5%	-	-	-	13,249	12,672	5%
Streets	3,164	2,903	9%	-	-	-	3,164	2,903	9%
Culture and recreation	1,054	848	24%	-	-	-	1,054	848	24%
Culture - payment to component unit	-	6	-100%	-	-	-	-	6	-100%
Community development	640	1,027	-38%	-	-	-	640	1,027	-38%
Economic development	1,165	1,073	9%	-	-	-	1,165	1,073	9%
Water	-	-	-	4,992	4,197	19%	4,992	4,197	19%
Wastewater	-	-	-	2,459	2,275	8%	2,459	2,275	8%
Sanitation	-	-	-	1,536	1,383	11%	1,536	1,383	11%
Administration	-	-	-	558	500	12%	558	500	12%
Airport	-	-	-	1,025	692	48%	1,025	692	48%
Lake	-	-	-	105	60	76%	105	60	76%
Total expenses	21,651	22,630	-4%	10,675	9,107	17%	32,326	31,738	-2%
Excess (deficiency) before transfers	2,536	1,655	53%	6,419	5,562	15%	8,955	7,216	24%
Transfers	2,883	442	552%	(2,883)	(442)	552%	-	-	
Change in net assets	5,419	2,097	158%	3,536	5,120	-31%	8,955	7,217	24%
Beginning net assets	38,726	36,629	6%	37,141	32,021	16%	75,867	68,650	11%
Ending net assets	\$ 44,145	\$ 38,726	14%	\$ 40,677	\$ 37,141	10%	\$ 84,822	\$ 75,867	12%

Governmental Activities

The City's governmental activities (as shown in Table 2 above) increased net assets by \$5.4 million representing a 14% increase in net assets.

Increases in capital grants in the Governmental activities are due to public safety grants for equipment.

Culture and recreation operational cost increased due to expanded services. While cost of general government and community development decreased due to fewer natural disasters.

Business-type Activities

The business-type activities' increase in net assets of approximately \$3.5 million represents a 10% increase in net assets. Charges for services increased by 19% due to rate increases and extreme weather conditions. Capital grants increased by 14% from airport grants.

Lake and Airport operational cost increased due to expanded services and the cost related to those services. Improvements to camping sites at the lake and airport runway and terminals are providing more services to be offered to citizens.

TABLE 3
Net Revenue (Expense) of Governmental Activities
(In Thousands)

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>	
General government	\$ 2,379	\$ 4,101	-42%	(\$2,190)	(\$3,927)	-44%
Public safety	13,249	12,672	5%	(10,990)	(10,753)	2%
Streets	3,164	2,903	9%	(2,591)	(2,637)	-2%
Culture, parks and recreation	1,054	848	24%	(1,049)	(746)	41%
Culture, payment to component unit	-	6	-100%	-	(6)	-100%
Community development	640	1,027	-38%	(104)	(85)	22%
Economic development	1,165	1,072	9%	(1,126)	(1,041)	8%
Total	<u>\$ 21,651</u>	<u>\$ 22,629</u>	-4%	<u>(\$18,048)</u>	<u>(\$19,195)</u>	-6%

Tables 3 and 4 summarize the total cost of providing services from governmental activities and business-type activities for fiscal years 2011 and 2012. Total costs of services provided by governmental activities totaled \$21.6 and \$22.6 million for fiscal years 2012 and 2011, respectively.

Total costs of services provided by business-type activities totaled \$10.7 million for fiscal year 2012 and \$9.1 million for fiscal year 2011.

MANAGEMENT'S DISCUSSION & ANALYSIS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2012

TABLE 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>	
Water	\$ 4,992	\$ 4,197	19%	\$ 2,463	\$ 1,639	50%
Wastewater	2,459	2,275	8%	1,351	1,625	-17%
Sanitation	1,536	1,383	11%	260	380	-32%
Administration	558	500	12%	(557)	(500)	11%
Airport	1,025	692	48%	2,377	2,101	13%
Lake	105	60	75%	300	(60)	-600%
Total	<u>\$ 10,675</u>	<u>\$ 9,107</u>	17%	<u>\$ 6,194</u>	<u>\$ 5,185</u>	19%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2012 fiscal year, the governmental funds reported a combined fund balance of \$16.7 million. The enterprise funds reported combined net assets of \$40.7 million. The fund balance constraints and net asset restrictions are listed below:

Governmental Funds:

Fund Balance:

Nonspendable	\$347,288	
Restricted	10,416,057	
Assigned	428,435	
Total governmental fund balance constraints		<u>\$11,191,780</u>

Proprietary Funds:

Net Asset Restrictions:

Debt service	1,814,511	
Total proprietary fund net asset restrictions		<u>\$1,814,511</u>

Other Fund Highlights Include:

- For the year ended June 30, 2012, the General Fund's total fund balance increased by \$814,140 or 14.9 percent.
- General fund fire departments total expenditures include \$784,842 and police departments total expenditures include \$317,905 for pension payments made on behalf of the City by the State. The total amount of \$1,102,747 has been included as both revenue and expenditures of the City for the year ended June 30, 2012.
- The Street Improvement Fund's total fund balance decreased by(\$0.9) million because street improvement projects carried over from the prior year were completed.

- The Shawnee Municipal Authority reported a net income of \$4,019,621 before contributed capital, transfers in, and transfers out.

General Fund Budgetary Highlights

Fiscal year 2012 General Fund revenues of \$16.8 million were \$164 thousand above budgeted revenues of \$16.7 million. This resulted from an increase in intergovernmental revenues.

Fiscal year 2012 General Fund budgeted expenditures were \$18.57 million compared to actual expenditures of \$17.97 million. The expenditures under budget were the result of all departments with the exception of Administrative Services, Municipal Court, Police Operations, Animal Control, Traffic Control and Parks coming in below budget. The departments exceeded budget due to accounts payable expenditures.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2012, the City had \$91.8 million invested in capital assets including land, buildings, machinery and equipment, park facilities, water, sewer and stormwater systems, roads and bridges, net of accumulated depreciation. This represents a net increase of \$6.4 million from last year.

Below are details regarding the change in the City's capital assets for the year ending June 30, 2012.¹

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 2,262	\$ 2,262	\$ 1,481	\$ 1,480	3,743	\$ 3,742
Buildings	3,341	3,677	6,573	2,735	9,914	6,412
Machinery, furniture and equipment	4,151	4,385	3,231	1,026	7,382	5,411
Infrastructure	17,455	16,741	30,993	25,175	48,448	41,916
Water rights	-	-	12,968	12,968	12,968	12,968
Construction in progress	7,204	3,153	2,110	11,797	9,314	14,950
Totals	<u>\$ 34,413</u>	<u>\$ 30,218</u>	<u>\$ 57,356</u>	<u>\$ 55,181</u>	<u>\$ 91,769</u>	<u>\$ 85,399</u>

¹ For more detailed information on capital asset activity please refer to page 42 Note 3.D. Capital Assets

**MANAGEMENT'S DISCUSSION & ANALYSIS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2012**

This year's more significant capital asset additions include various water, wastewater and street improvement projects as well as upgrades to various city buildings, improvements to the runways and taxiways at the airport.

Debt Administration

At year-end, the City had \$31.6 million in long-term debt outstanding, which represents a \$0.9 million increase from the prior year. The City issued a refunding note payable to the Oklahoma Water Resources Board and issued two Sales Tax Revenue Notes for the year ended June 30, 2012. These debts are further detailed below as follows: ²

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012-2011</u>
Accrued absences	\$ 1,755	\$ 1,665	\$ 314	\$ 295	\$ 2,069	\$ 1,960	5.6%
Notes payable	881	-	24,533	23,559	25,414	23,559	7.9%
Claims and judgments payable	4,067	5,110	-	-	4,067	5,110	-20.4%
Totals	<u>\$ 6,703</u>	<u>\$ 6,775</u>	<u>\$ 24,847</u>	<u>\$ 23,854</u>	<u>\$ 31,550</u>	<u>\$ 30,629</u>	3.0%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic conditions have not significantly improved over last year. However large swings in weighted monthly revenues have stabilized. As such, although our main revenue source is not growing very significantly, we are pleased to report a stabilization of our largest revenue and are confident it will continue. Unemployment remains very low in Pottawatomie County and the City of Shawnee. Recruitment of retail needs to remain top priority for the City.

Additional positions the City would like to see in the future are:

Grants position:

Sales tax collection position/or farm out.

Additional park personnel to staff the new municipal pool

Purchasing

Director of internal ops

Director of external ops

Total FY2012-2013 General Fund revenues are estimated at \$19.2 million, including \$2.4 million in transfers from other funds. As noted above, however, sales tax collections, representing approximately 74 percent of the total General Fund revenues are slightly above what was budgeted.

Total FY2012-2013 Municipal Authority Utility Revenues are projected at \$13.7 million. This is higher than the previous year due to a rate increase that took place in July 2012. The additional

² For more detailed information on long-term debt activity please refer to page 44, Note 3.E. Long-Term Debt

revenue will help fund necessary capital improvements and pay the debt service on the 30 inch waterline and pumps and controls loans.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors 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 Finance Director's Office at 16 W 9th, Shawnee, Oklahoma or phone at (405) 878-1601.

BASIC FINANCIAL STATEMENTS

City of Shawnee, Oklahoma
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-type Activities	Total	Civic & Cultural Development Authority
ASSETS				
Cash and cash equivalents	\$ 8,609,168	\$ 5,210,655	\$ 13,819,823	\$ 163,306
Investments	5,926,783	2,367,063	8,293,846	-
Interest receivable	6,835	9,144	15,979	-
Accounts receivable, net of allowance	2,750,193	2,312,461	5,062,654	7,175
Notes receivable, net of allowance	818,442	82,496	900,938	-
Internal balances	1,677,448	(1,677,448)	-	6,935
Due from other governmental agencies	156,657	1,724,664	1,881,321	-
Inventories	-	24,698	24,698	-
Prepaid items	347,288	-	347,288	-
Capital assets:				
Land, construction in progress, and water rights	9,465,891	16,559,215	26,025,106	-
Other capital assets, net of depreciation	24,946,726	40,796,916	65,743,642	4,498,537
Unamortized bond issuance costs	-	370,360	370,360	-
Total Assets	<u>\$ 54,705,431</u>	<u>\$ 67,780,224</u>	<u>\$ 122,485,655</u>	<u>\$ 4,675,953</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 2,031,271	\$ 1,343,657	\$ 3,374,928	\$ 9,405
Accrued interest payable	9,335	500,060	509,395	-
Due to depositors	-	905,167	905,167	17,161
Due to bondholders	47,678	-	47,678	-
Unearned income	818,442	-	818,442	-
Long-term liabilities				
Due within one year	1,115,542	1,690,069	2,805,611	55,513
Due in more than one year	6,538,448	22,664,455	29,202,903	41,883
Total liabilities	<u>10,560,716</u>	<u>27,103,408</u>	<u>37,664,124</u>	<u>123,962</u>
NET ASSETS				
Invested in capital assets, net of related debt	33,531,495	32,822,876	66,354,371	4,401,141
Restricted by:				
Enabling Legislation	360,270	1,814,511	2,174,781	1,034
Statutory requirements	594,505	-	594,505	-
External sources	9,461,282	-	9,461,282	-
Unrestricted	197,163	6,039,429	6,236,592	149,816
Total net assets	<u>\$ 44,144,715</u>	<u>\$ 40,676,816</u>	<u>\$ 84,821,531</u>	<u>\$ 4,551,991</u>

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

City of Shawnee, Oklahoma
Statement of Activities
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			Component Unit Civic & Cultural Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental Activities								
General government	\$ 2,379,373	\$ 189,754	\$ -	\$ -	\$ (2,189,619)	\$ -	\$ (2,189,619)	\$ -
Public safety	13,248,594	767,900	1,439,083	52,074	(10,989,537)	-	(10,989,537)	-
Streets	3,164,310	1,175	345,711	226,846	(2,590,578)	-	(2,590,578)	-
Culture and recreation	1,053,726	-	5,060	-	(1,048,666)	-	(1,048,666)	-
Community development	639,533	57,516	478,282	-	(103,735)	-	(103,735)	-
Economic development	1,165,368	35,362	4,000	-	(1,126,006)	-	(1,126,006)	-
Total governmental activities	<u>21,650,904</u>	<u>1,051,707</u>	<u>2,272,136</u>	<u>278,920</u>	<u>(18,048,141)</u>	<u>-</u>	<u>(18,048,141)</u>	<u>-</u>
Business-type activities:								
Water	4,992,323	7,432,629	-	22,238	-	2,462,544	2,462,544	-
Wastewater	2,458,992	3,810,280	-	-	-	1,351,288	1,351,288	-
Sanitation	1,535,752	1,795,949	-	-	-	260,197	260,197	-
Administration	557,451	-	-	-	-	(557,451)	(557,451)	-
Airport	1,024,896	432,636	-	2,969,274	-	2,377,014	2,377,014	-
Lake	105,398	405,545	-	-	-	300,147	300,147	-
Total business-type activities	<u>10,674,812</u>	<u>13,877,039</u>	<u>-</u>	<u>2,991,512</u>	<u>-</u>	<u>6,193,739</u>	<u>6,193,739</u>	<u>-</u>
Total primary government	<u>\$ 32,325,716</u>	<u>\$ 14,928,746</u>	<u>\$ 2,272,136</u>	<u>\$ 3,270,432</u>	<u>\$ (18,048,141)</u>	<u>6,193,739</u>	<u>(11,854,402)</u>	
Component Unit								
Civic & Cultural Development	<u>\$ 1,851,914</u>	<u>\$ 1,091,443</u>	<u>\$ 645,445</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(115,026)</u>
General revenues:								
Taxes:								
Sales and use taxes					17,414,169	-	17,414,169	-
Franchise taxes and public service taxes					1,676,956	-	1,676,956	-
Hotel/motel taxes					472,590	-	472,590	-
Property tax					74,309	-	74,309	-
Payment in lieu of taxes					1,054	-	1,054	-
Other					257,675	-	257,675	-
Intergovernmental revenue not restricted to specific programs					342,144	-	342,144	-
Unrestricted investment earnings					107,032	59,279	166,311	714
Miscellaneous					238,110	165,862	403,972	6,545
Transfers					<u>2,883,232</u>	<u>(2,883,232)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>23,467,271</u>	<u>(2,658,091)</u>	<u>20,809,180</u>	<u>7,259</u>
Change in net assets					5,419,130	3,535,648	8,954,778	(107,767)
Net assets - beginning					38,725,585	37,141,168	75,866,753	4,659,758
Net assets - ending					<u>\$ 44,144,715</u>	<u>\$ 40,676,816</u>	<u>\$ 84,821,531</u>	<u>\$ 4,551,991</u>

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

City of Shawnee, Oklahoma
Balance Sheet – Governmental Funds
June 30, 2012

	General Fund	Street Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,253,205	\$ 2,249,898	\$ 4,095,091	\$ 8,598,194
Investments	1,138,499	3,729,819	1,058,465	5,926,783
Interest receivable	3,696	2,951	170	6,817
Receivable from other governments	85,532	62,700	8,419	156,651
Due from other funds	1,569,940	-	69,023	1,638,963
Taxes receivable, net	1,679,801	304,824	391,915	2,376,540
Court fines receivable, net	177,347	-	-	177,347
Other receivables	103,246	-	911,508	1,014,754
Prepaid expenses	347,288	-	-	347,288
Total assets	<u>\$ 7,358,554</u>	<u>\$ 6,350,192</u>	<u>\$ 6,534,591</u>	<u>\$ 20,243,337</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 415,385	\$ 328,220	\$ 1,017,023	\$ 1,760,628
Accrued payroll payable	317,070	-	-	317,070
Due to other funds	273,383	-	244,309	517,692
Deferred revenue	92,596	10,000	818,496	921,092
Total liabilities	<u>1,098,434</u>	<u>338,220</u>	<u>2,079,828</u>	<u>3,516,482</u>
Fund balances:				
Nonspendable	347,288	-	-	347,288
Restricted	-	5,922,323	4,493,734	10,416,057
Assigned	296,021	89,649	42,765	428,435
Unassigned (deficit)	5,616,811	-	(81,736)	5,535,075
Total fund balances	<u>6,260,120</u>	<u>6,011,972</u>	<u>4,454,763</u>	<u>16,726,855</u>
Total liabilities and fund balances	<u>\$ 7,358,554</u>	<u>\$ 6,350,192</u>	<u>\$ 6,534,591</u>	<u>\$ 20,243,337</u>

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

City of Shawnee, Oklahoma
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2012

Total fund balance, governmental funds	\$	16,726,855
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		34,412,617
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Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds.		102,650
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Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets:

Interest payable		(9,335)
Net pension obligations		(88,481)
Other post employment benefits		(862,637)
Accrued compensated absences		(1,754,971)
Note payable		(881,122)

Internal service funds are used by management to charge costs of certain activities that benefit multiple funds, such as self-insurance, to individual funds. The assets and liabilities of the internal service funds are reported in governmental activities:

Internal service fund net assets		(3,500,861)
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Net Assets of Governmental Activities in the Statement of Net Assets	\$	44,144,715
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The accompanying notes are an integral part of these financial statements.

City of Shawnee, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2012

	General Fund	Street Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 13,635,348	\$ 2,406,922	\$ 4,113,026	\$ 20,155,296
Intergovernmental	1,886,089	216,846	306,165	2,409,100
Licenses and permits	197,533	-	1,175	198,708
Charges for services	157,825	-	1,181	159,006
Fees and fines	747,518	-	510	748,028
Investment earnings	22,112	37,697	47,223	107,032
Miscellaneous	215,406	-	142,664	358,070
Total revenues	<u>16,861,831</u>	<u>2,661,465</u>	<u>4,611,944</u>	<u>24,135,240</u>
EXPENDITURES				
Current:				
General government	2,883,922	-	-	2,883,922
Engineering	404,537	-	-	404,537
Equipment and building maintenance	397,130	-	-	397,130
Police	5,394,473	-	-	5,394,473
Fire	4,975,816	-	-	4,975,816
Municipal court	526,446	-	-	526,446
Emergency management	294,832	-	-	294,832
Streets	957,045	-	356,293	1,313,338
Parks and recreation	599,576	-	4,825	604,401
Culture and recreation	122,993	-	-	122,993
Animal control/E911	781,174	-	91,273	872,447
Cemetery	183,744	-	-	183,744
Library	44,907	-	-	44,907
Economic development	532,840	-	1,119,708	1,652,548
Capital Outlay	-	3,367,712	3,543,068	6,910,780
Debt Service:				
Principal	-	-	77,746	77,746
Interest and other charges	-	-	6,853	6,853
Total expenditures	<u>18,099,435</u>	<u>3,367,712</u>	<u>5,199,766</u>	<u>26,666,913</u>
Excess (deficiency) of revenues over expenditures	<u>(1,237,604)</u>	<u>(706,247)</u>	<u>(587,822)</u>	<u>(2,531,673)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	-	958,868	958,868
Transfers in	2,051,744	-	2,326,085	4,377,829
Transfers out	-	(204,167)	(1,290,430)	(1,494,597)
Total other financing sources and uses	<u>2,051,744</u>	<u>(204,167)</u>	<u>1,994,523</u>	<u>3,842,100</u>
Net change in fund balances	814,140	(910,414)	1,406,701	1,310,427
Fund balances - beginning	5,445,980	6,922,386	3,048,062	15,416,428
Fund balances - ending	<u>\$ 6,260,120</u>	<u>\$ 6,011,972</u>	<u>\$ 4,454,763</u>	<u>\$ 16,726,855</u>

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

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, 2012

Net change in fund balances - total governmental funds: \$ 1,310,427

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital asset purchases capitalized	6,493,303
Depreciation expense	(2,275,251)
Disposed capital assets	(24,574)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Change in deferred revenue	53,898
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

Decrease in net pension obligation	25,094
Increase in accrued compensated absences	(89,866)
Increase in other post employment benefits	(203,084)
Decrease in note payable	77,746
Note proceeds	(958,868)

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change in accrued interest payable	(9,335)
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Internal service fund activity is reported as a proprietary fund in fund financial statements, but certain net revenues are reported in governmental activities on the Statement of Activities:

Total change in net assets of governmental activities - proprietary funds	1,019,640
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Change in net assets of governmental activities	\$ 5,419,130
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The accompanying notes are an integral part of these financial statements.

City of Shawnee, Oklahoma
Statement of Net Assets – Proprietary Funds
June 30, 2012

	Enterprise Funds			
	Shawnee Municipal Authority	Shawnee Airport Authority	Total	Internal Service Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,134,999	\$ 279,777	\$ 3,414,776	\$ 10,974
Investments	1,108,869	-	1,108,869	-
Restricted:				
Cash and cash equivalents	1,791,268	-	1,791,268	-
Accrued interest	9,144	-	9,144	18
Due from other funds	2,214,564	-	2,214,564	556,177
Accounts receivable, net	2,087,583	10,419	2,098,002	-
Receivables from other governments	-	1,724,664	1,724,664	-
Due from component unit	82,496	-	82,496	-
Assessments receivable	3,243	-	3,243	-
Other receivables	-	211,216	211,216	-
Inventories	-	24,698	24,698	-
Total current assets	<u>10,432,166</u>	<u>2,250,774</u>	<u>12,682,940</u>	<u>567,169</u>
Non-current assets:				
Restricted:				
Cash and cash equivalents	4,611	-	4,611	-
Investments	1,258,194	-	1,258,194	-
Capital assets:				
Land, construction in progress, and water rights	14,236,854	2,322,361	16,559,215	-
Other capital assets, net of accumulated depreciation	34,551,837	6,245,079	40,796,916	-
Unamortized note issue costs	370,360	-	370,360	-
Total non-current assets	<u>50,421,856</u>	<u>8,567,440</u>	<u>58,989,296</u>	<u>-</u>
Total assets	<u>60,854,022</u>	<u>10,818,214</u>	<u>71,672,236</u>	<u>567,169</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	952,612	342,708	1,295,320	1,251
Salaries payable	45,906	2,431	48,337	-
Accrued interest payable	500,060	-	500,060	-
Due to other funds	1,612,448	2,279,564	3,892,012	-
Deposits subject to refund	905,167	-	905,167	-
Compensated absences	57,567	5,141	62,708	-
Claims and judgments	-	-	-	573,422
Notes payable	1,627,361	-	1,627,361	-
Total current liabilities	<u>5,701,121</u>	<u>2,629,844</u>	<u>8,330,965</u>	<u>574,673</u>
Non-current liabilities:				
Compensated absences, net of current portion	230,268	20,563	250,831	-
Claims and judgments, net of current portion	-	-	-	3,493,357
Net pension obligation	41,463	2,156	43,619	-
Other post employment benefits	160,881	-	160,881	-
Notes payable, net of current portion	22,209,124	-	22,209,124	-
Total non-current liabilities	<u>22,641,736</u>	<u>22,719</u>	<u>22,664,455</u>	<u>3,493,357</u>
Total liabilities	<u>28,342,857</u>	<u>2,652,563</u>	<u>30,995,420</u>	<u>4,068,030</u>
NET ASSETS				
Invested in capital assets, net of related debt	24,255,436	8,567,440	32,822,876	-
Restricted for debt service	1,814,511	-	1,814,511	-
Unrestricted (deficit)	6,441,218	(401,789)	6,039,429	(3,500,861)
Total net assets (deficit)	<u>\$ 32,511,165</u>	<u>\$ 8,165,651</u>	<u>\$ 40,676,816</u>	<u>\$ (3,500,861)</u>

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

City of Shawnee, Oklahoma
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds
Year Ended June 30, 2012

	Shawnee Municipal Authority	Shawnee Airport Authority	Total	Internal Service Fund
REVENUES				
Water	\$ 7,074,655	\$ -	\$ 7,074,655	\$ 671,249
Sewer	3,669,418	-	3,669,418	-
Sanitation	1,754,848	-	1,754,848	-
Rents and royalties	127,690	189,527	317,217	-
Fuel sales	-	237,804	237,804	-
Miscellaneous	539,937	805	540,742	-
Total operating revenues	<u>13,166,548</u>	<u>428,136</u>	<u>13,594,684</u>	<u>671,249</u>
OPERATING EXPENSES				
General government	557,451	-	557,451	-
Lake	98,053	-	98,053	-
Water	3,146,217	-	3,146,217	-
Wastewater	1,697,030	-	1,697,030	-
Sanitation	1,239,608	-	1,239,608	-
Airport	-	479,916	479,916	-
Claims expense	-	-	-	(337,283)
Amortization expense	32,773	-	32,773	-
Depreciation	1,815,223	544,980	2,360,203	-
Total operating expenses	<u>8,586,355</u>	<u>1,024,896</u>	<u>9,611,251</u>	<u>(337,283)</u>
Operating income (loss)	<u>4,580,193</u>	<u>(596,760)</u>	<u>3,983,433</u>	<u>1,008,532</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	59,272	7	59,279	(576)
Miscellaneous revenue	443,717	4,500	448,217	16,290
Operating grants and contributions	-	2,969,274	2,969,274	-
Interest expense	(1,063,561)	-	(1,063,561)	-
Miscellaneous expenses	-	-	-	(4,606)
Total non-operating revenue (expenses)	<u>(560,572)</u>	<u>2,973,781</u>	<u>2,413,209</u>	<u>11,108</u>
Income before transfers	<u>4,019,621</u>	<u>2,377,021</u>	<u>6,396,642</u>	<u>1,019,640</u>
Capital contributions	22,238	-	22,238	-
Transfers in	588,686	-	588,686	-
Transfers out	<u>(3,471,918)</u>	<u>-</u>	<u>(3,471,918)</u>	<u>-</u>
Change in net assets	1,158,627	2,377,021	3,535,648	1,019,640
Total net assets (deficit) - beginning	31,352,538	5,788,630	37,141,168	(4,520,501)
Total net assets (deficit) - ending	<u>\$ 32,511,165</u>	<u>\$ 8,165,651</u>	<u>\$ 40,676,816</u>	<u>\$ (3,500,861)</u>

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

City of Shawnee, Oklahoma
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2012

	Shawnee Municipal Authority	Shawnee Airport Authority	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 13,355,244	\$ 493,780	\$ 13,849,024	\$ 687,539
Payments to suppliers and employees	(6,742,533)	(1,023,909)	(7,766,442)	-
Claims and judgments paid	-	-	-	(714,903)
Receipts of customer meter deposits	358,034	-	358,034	-
Refunds of customer meter deposits	(158,550)	-	(158,550)	-
Interfund receipts/payments	(2,214,564)	1,362,289	(852,275)	-
Net cash provided by (used in) operating activities	4,597,631	832,160	5,429,791	(27,364)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	588,686	-	588,686	-
Transfers to other funds	(3,471,918)	-	(3,471,918)	-
Net cash provided by (used in) noncapital financing activities	(2,883,232)	-	(2,883,232)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(2,067,899)	(2,445,605)	(4,513,504)	-
Proceeds of capital grants	-	1,616,389	1,616,389	-
Proceeds from debt	3,460,529	-	3,460,529	-
Note issuance cost paid	(111,626)	-	(111,626)	-
Principal paid on debt	(2,486,037)	-	(2,486,037)	-
Premium on refunding of loan	(211,435)	-	(211,435)	-
Interest and fiscal agent fees paid on debt	(899,316)	-	(899,316)	-
Net cash provided by (used in) capital and related financing activities	(2,315,784)	(829,216)	(3,145,000)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(6,656)	-	(6,656)	-
Interest and dividends	61,627	7	61,634	-
Net cash provided by investing activities	54,971	7	54,978	-
Net increase (decrease) in cash and cash equivalents	(546,414)	2,951	(543,463)	(27,364)
Balances - beginning of year	5,477,292	276,826	5,754,118	38,338
Balances - end of year	\$ 4,930,878	\$ 279,777	\$ 5,210,655	\$ 10,974
Reconciliation to Statement of Net Assets:				
Cash and cash equivalents	\$ 3,134,999	\$ 279,777	\$ 3,414,776	\$ 10,974
Restricted cash and cash equivalents - current	1,791,268	-	1,791,268	-
Restricted cash and cash equivalents - noncurrent	4,611	-	4,611	-
Total cash and cash equivalents, end of year	\$ 4,930,878	\$ 279,777	\$ 5,210,655	\$ 10,974
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 4,580,193	\$ (596,760)	\$ 3,983,433	\$ 1,008,532
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	1,815,223	544,980	2,360,203	-
Amortization expense	32,773	-	32,773	-
Miscellaneous revenue	443,717	4,500	448,217	16,290
Miscellaneous expense	-	-	-	(4,606)
Change in assets and liabilities:				
Due to other funds	(2,214,564)	1,362,289	(852,275)	-
Accounts receivable	(280,358)	9,215	(271,143)	-
Other receivable	-	51,929	51,929	-
Inventory	25,337	(11,167)	14,170	-
Accounts payable	(23,768)	(535,531)	(559,299)	(3,899)
Accrued payroll payable	(40,038)	(1,582)	(41,620)	-
Deposits subject to refund	199,484	-	199,484	-
Claims and judgments liability	-	-	-	(1,043,681)
Net pension obligation	(12,243)	(729)	(12,972)	-
Other post employment benefits	58,448	-	58,448	-
Accrued compensated absences	13,427	5,016	18,443	-
Net cash provided by (used in) operating activities	\$ 4,597,631	\$ 832,160	\$ 5,429,791	\$ (27,364)
Noncash activities:				
Asset contributed by others	\$ 22,238	\$ -	\$ 22,238	\$ -
	\$ 22,238	\$ -	\$ 22,238	\$ -

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

City of Shawnee, Oklahoma
Statement of Net Assets – Fiduciary Fund
As of June 30, 2012

	<u>Agency Fund</u> <u>URM/DEPCA</u>
ASSETS	
Cash and cash equivalents	\$ 6,868
Total assets	<u>\$ 6,868</u>
LIABILITIES	
URM/DEPCA payable	\$ 6,868
Total liabilities	<u>\$ 6,868</u>

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

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 operation. 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.

The Shawnee Urban Renewal Authority is included within the financial statements as a part of Other Governmental Funds within a grouping of Special Revenue Funds titled CDBG & Home Grant Funds. All of the activity of the Shawnee Urban Development Authority is in the CDBG & Home Grant Funds and the Shawnee Urban Renewal Authority does not have any of its own assets or liabilities.

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

Discretely presented component unit. 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 carry out an authority or proper function of the City of Shawnee, the beneficiary of the SCCDA. The governing body consists of seven members; the City Manager of the City of Shawnee, 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 at (405) 275-7020.

During the year ended June 30, 2006, the SCCDA adopted a December 31 year-end to better represent its business cycle. Accordingly, the financial information contained in these financial statements for the SCCDA is as of December 31, 2011 and for the year then ended.

Affiliated organizations. These organizations have a close association with the City of Shawnee; however, the relationship does not meet the requirements for inclusion in the City of Shawnee's Annual Financial Report. Separate financial statements for these entities can be obtained by contacting the entities as indicated:

Shawnee Industrial Authority	(405) 273-7490
Shawnee Economic Development	(405) 273-7490
Pottawatomie County Development Authority	(405) 273-8064

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 except for reimbursement type grants that are recorded as revenues when the related expenditures are recognized. Expenditures are generally 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 fund types:

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.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes.

Capital Project Funds are used to account for resources restricted or the acquisition or construction of specific capital projects for items.

Proprietary funds include both enterprise funds and internal service funds. Enterprise funds are used to account for business-type activities provided to the general public. Internal service funds are used to account for business-like activities provided and charged to other funds or entities within the reporting entity. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Nonoperating revenues of the proprietary funds include such items as investment earnings, interest expense and subsidies.

Fiduciary funds are used to report net assets and changes therein of assets held by the City in a fiduciary capacity. These net assets are not available for operations of the city. The city reports an Agency Fund. Agency funds are custodial in nature (i.e. assets equal liabilities) and do not involve the measurement of changes in net assets. Fiduciary fund activity is not included in the government-wide financial statements.

The funds of the financial reporting entity are described below:

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 most significant operating revenue is the sales tax. For reporting purposes the General Fund includes the activities of the following sub-funds: Revolving Oil and Gas Fund, Spay and Neuter Fund, Library Fund, Senior Citizens Fund, and Sister Cities Fund.
- The street improvement fund accounts for the construction or major reconstruction of street projects. The funds major funding source is sales tax.

The City reports the following major proprietary funds:

- The Shawnee Municipal Authority accounts for the City's water, sewer, and sanitation operations. The Funds major funding source is user charges.
- The Shawnee Airport Authority accounts for the City's airport operations. The funds major funding source is user charges.

The City also 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.

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 through dedicated taxes.
- The E-911 fund accounts for the operations and maintenance of the City's 911 emergency services through dedicated taxes.
- The economic development fund accounts for the promotion of economic development through dedicated taxes.
- 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 funds account for federal funds received by the City and expenditures related to the operation of these grants.

- The cemetery care fund accounts for the continuing care and maintenance as well as future capital investments of the City owned cemetery funded with fees restricted by external sources.
- The gifts & contributions fund accounts for monies donated for various park projects, economic development, civic events, police, and fire donations.
- The tax increment finance fund accounts for ad valorem taxes paid to the City on properties located in the Shawnee Downtown Revitalization Area and Increment District to be used for economic development projects within that District.
- The drug forfeiture fund accounts for funds received from Pottawatomie County drug enforcement activities to help fund City drug-related law enforcement efforts.
- 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 expenses and fiscal agent fees.
- The 1994 Street improvement project fund accounts for general obligation bond proceeds designated for the construction of specific street projects.
- The capital improvement fund accounts for the purchase of capital equipment and construction of facilities funded with sales tax.

The City maintains one fiduciary fund:

- The IRS Section 125 Unreimbursed Medical/Dependent and Childcare Agency Fund (URM/DEPCA) holds funds related to employee withholding for medical expenditures not covered by insurance and for dependent 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 (GASB). 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 payment-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.

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 security 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. Receivable and payable

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."

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 projects 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 services account.

4. Inventories

The Airport Authority (SAA) maintains a fuel inventory for aircraft. Inventory is valued at cost.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets 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 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, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements other than buildings	20-50
Infrastructure	20-100
Furniture, equipment, and vehicles	3-10

6. 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 120 days. Accumulated sick leave is paid to employees only upon retirement at a rate of one day's pay for every three day's accumulated sick leave, up to a maximum of 40 days. A liability for these amounts is reported in governmental funds when they have matured as a result of employee resignations and retirements. The General Fund and the CDBG Grant Fund are used to liquidate compensated absences in the governmental activities.

7. 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, discounts, and issuance costs, are unearned and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of bond premium or discount. Bond issuance costs are reported as unearned charges and amortized over the term of the debt.

8. Fund equity

Government-Wide and Proprietary Fund Financial Statements:

Net assets are displayed in three components:

- a. *Invested in capital assets, net of related debt* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net assets* - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net assets* - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Governmental Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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.

III. Detailed notes on all funds

A. Deposits and investments – The City held the following deposits/investments at June 30, 2012:

PRIMARY GOVERNMENT:

Schedule of Deposits and Investments by Type

Type	Fair Value	Credit Rating	Maturities in Years			
			On Demand	Less Than One	1 - 5	6 - 10
Demand accounts	\$ 2,513,271	n/a	\$ 2,513,271	\$ -	\$ -	\$ -
Time deposits	7,031,251	n/a	2,420,898	3,725,558	884,795	-
Money market mutual fund	11,278,253	AAA	11,278,253	-	-	-
Money market mutual fund	32,918	not available	32,918	-	-	-
FHLMC obligation	1,258,194	AAA	-	1,258,194	-	-
Corporate bonds	4,400	Caa3	-	-	-	4,400
Sub-total	22,118,287		\$ 16,245,340	\$ 4,983,752	\$ 884,795	\$ 4,400
Cash on hand	2,250					
Total Investments and Deposits	\$ 22,120,537					
Reconciliation to Statement of Net Assets:						
Cash and cash equivalents	\$ 13,819,823					
Investments	8,293,846					
Agency fund cash and cash equivalents	6,868					
	\$ 22,120,537					

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of 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. At June 30, 2012 the City's deposits were fully insured.

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.
- Banker's acceptances shall not exceed one hundred (180) days to maturity.

The City complied with this policy in all material respects.

Credit Risk. The City of Shawnee's policy limits 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; and 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. The City complied with this policy in all material respects.

Concentration of Credit Risk. Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from this consideration. At June 30, 2012, the City had concentration of credit risk in the following investment: Federal Home Loan Mortgage Corporation (FHLMC) 15%.

The City places the following limit on the amount it may invest in any one issuer:

- With the exception of U.S. Treasury securities and authorized money market mutual funds, no more than 50% of the of 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:

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

The City complied with this policy in all material respects.

COMPONENT UNIT:

The SCCDA was not exposed to custodial credit risk at June 30, 2012. The \$163,306 of cash and cash equivalents was invested in cash deposits and interest-bearing certificate of deposit fully insured by Federal Depository Insurance (FDIC) or direct obligations of the U.S. government. The SCCDA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. There is no limit placed on the amount it may invest in any one issuer and is exposed to concentration of credit risk by being 100% invested in money market funds.

B. Receivables

Receivables as of June 30, 2012, for the City of Shawnee's governmental funds, including the applicable allowances for uncollectible accounts are as follows:

NOTES TO FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2012

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental Activities:			
Taxes	\$ 2,376,540	\$ -	\$ 2,376,540
Due from other governments	156,657	-	156,657
Court fines	1,773,473	(1,596,126)	177,347
Other	1,014,748	-	1,014,748
Total Governmental Activities	<u>\$ 5,321,418</u>	<u>\$ (1,596,126)</u>	<u>\$ 3,725,292</u>
Reconciliation to Statement of Net Assets:			
Accounts receivable, net			\$ 2,750,193
Due from other governmental agencies			156,657
Notes receivable, net			<u>818,442</u>
Total			<u>\$ 3,725,292</u>
Business-Type Activities:			
Utilities	<u>\$ 3,235,327</u>	<u>\$ (922,866)</u>	<u>\$ 2,312,461</u>

C. Restricted assets

The amounts reported as restricted assets of the business-type activities are comprised of assets held by the trustee bank on behalf of the Shawnee Municipal Authority related to their required revenue note and bond accounts, as well as deposits held for refund.

Type of Restricted Assets	Current Cash and Cash Equivalents	Noncurrent Cash and Cash Equivalents	Investments	Total
Due to Depositors	\$ 730,167	\$ -	\$ -	\$ 730,167
Trustee Accounts:				
Pottawattomie County Series 03 Principal Fund	2	-	-	2
Pottawattomie County Series 03 Interest Fund	68,569	-	-	68,569
Revenue Note Series 03 Principal Fund	700,029	-	-	700,029
Revenue Note Series 03 Interest Fund	292,501	-	-	292,501
Revenue Note Series 03 Debt Reserve Fund	-	4,611	1,258,194	1,262,805
Total Restrictred Assets	<u>\$ 1,791,268</u>	<u>\$ 4,611</u>	<u>\$ 1,258,194</u>	<u>\$ 3,054,073</u>

D. Capital Assets

The following is a summary of changes in capital assets during fiscal year 2012 for the primary government:

**NOTES TO FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2012**

PRIMARY GOVERNMENT:

	Balance at July 1, 2011	Additions	Disposals	Balance at June 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,261,793	\$ -	\$ -	\$ 2,261,793
Construction in progress	3,152,826	4,051,272	-	7,204,098
Total capital assets not being depreciated	<u>5,414,619</u>	<u>4,051,272</u>	<u>-</u>	<u>9,465,891</u>
Other capital assets:				
Buildings	9,413,647	46,246	-	9,459,893
Machinery, furniture and equipment	13,499,575	808,742	158,416	14,149,901
Infrastructure	36,956,962	1,575,181	-	38,532,143
Total other capital assets at historical cost	<u>59,870,184</u>	<u>2,430,169</u>	<u>158,416</u>	<u>62,141,937</u>
Less accumulated depreciation for:				
Buildings	5,736,228	382,986	-	6,119,214
Machinery, furniture and equipment	9,113,186	1,031,598	145,705	9,999,079
Infrastructure	20,216,251	860,667	-	21,076,918
Total accumulated depreciation	<u>35,065,665</u>	<u>2,275,251</u>	<u>145,705</u>	<u>37,195,211</u>
Other capital assets, net	<u>24,804,519</u>	<u>154,918</u>	<u>12,711</u>	<u>24,946,726</u>
Governmental activities capital assets, net	<u>\$ 30,219,138</u>	<u>\$ 4,206,190</u>	<u>\$ 12,711</u>	<u>\$ 34,412,617</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,481,715	\$ -	\$ -	\$ 1,481,715
Water rights	12,967,959	-	-	12,967,959
Construction in progress	11,797,106	2,896,177	12,583,742	2,109,541
Total capital assets not being depreciated	<u>26,246,780</u>	<u>2,896,177</u>	<u>12,583,742</u>	<u>16,559,215</u>
Other capital assets:				
Buildings	10,822,947	4,421,936	-	15,244,883
Machinery, furniture and equipment	3,880,385	2,463,151	-	6,343,536
Utility property	45,615,356	7,338,220	-	52,953,576
Total other capital assets at historical cost	<u>60,318,688</u>	<u>14,223,307</u>	<u>-</u>	<u>74,541,995</u>
Less accumulated depreciation for:				
Buildings	8,088,224	583,606	-	8,671,830
Machinery, furniture and equipment	2,854,315	258,423	-	3,112,738
Utility property	20,442,337	1,518,174	-	21,960,511
Total accumulated depreciation	<u>31,384,876</u>	<u>2,360,203</u>	<u>-</u>	<u>33,745,079</u>
Other capital assets, net	<u>28,933,812</u>	<u>11,863,104</u>	<u>-</u>	<u>40,796,916</u>
Business-type activities capital assets, net	<u>\$ 55,180,592</u>	<u>\$ 14,759,281</u>	<u>\$ 12,583,742</u>	<u>\$ 57,356,131</u>

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

Governmental Activities:

General government	\$ 233,778
Culture and recreation	222,644
Community development	36,792
Public safety	667,324
Public works	1,114,713
	<u>\$ 2,275,251</u>

Business-Type Activities:

Water	\$ 739,271
Wastewater	761,962
Sanitation	299,395
Administration	7,250
Lake	7,345
Airport	544,980
	<u>\$2,360,203</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2012

COMPONENT UNIT:

	Balance, January 1, 2011	Increases	Decreases	Balance, December 31, 2011
Shawnee Civic and Cultural Development Authority:				
Capital assets, not being depreciated:				
Land	\$ 94,493	\$ -	\$ (94,493)	\$ -
Total capital assets, not being depreciated	<u>94,493</u>	<u>-</u>	<u>(94,493)</u>	<u>-</u>
Capital assets, being depreciated:				
Buildings and improvements	9,562,047	103,916	-	9,665,963
Equipment	598,379	74,988	(32,444)	640,923
Total capital assets, being depreciated	<u>10,160,426</u>	<u>178,904</u>	<u>(32,444)</u>	<u>10,306,886</u>
Less accumulated depreciation	<u>(5,581,577)</u>	<u>(259,216)</u>	<u>32,444</u>	<u>(5,808,349)</u>
Total capital assets, being depreciated, net	<u>4,578,849</u>	<u>(80,312)</u>	<u>-</u>	<u>4,498,537</u>
Governmental activities capital assets, net	<u>\$ 4,673,342</u>	<u>\$ (80,312)</u>	<u>\$ (94,493)</u>	<u>\$ 4,498,537</u>

E. Long-term debt

Long-term liabilities of the City of Shawnee as of June 30, 2012, are summarized as follows:

Governmental activities

\$1,480,000 2011A Sales Tax Revenue Note, to a financial institution, dated December 15, 2011, payable semi-annually each June and December, interest at 1.55%, through December 1, 2016. The Shawnee Municipal Authority collects funding from the capital improvement fund in the form of sales tax transferred to liquidate this liability. Debt is divided between governmental and business type activities with 65% governmental and 35% business type.

\$ 881,122

Current portion
Noncurrent portion

\$ 191,126
689,996
\$ 881,122

Accrued compensated absences. The general fund typically has been used to liquidate this liability.

\$ 1,754,971

Current portion
Noncurrent portion

\$ 350,994
1,403,977
\$ 1,754,971

Claims and judgments payable. The general fund typically has been used to liquidate this liability.

\$ 4,066,779

Current portion
Noncurrent portion

\$ 573,422
3,493,357
\$ 4,066,779

NOTES TO FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2012

Business-type Activities

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. \$ 14,080,000

\$1,073,279 1997A SFR Promissory Note to Oklahoma Water Resources Board, dated September, 2, 1997, payable in annual installments to \$57,000, with no interest and a 0.05% administrative fee. The Shawnee Municipal Authority typically has been used to liquidate this liability. 254,199

\$7,780,000 2010 Promissory Note to Oklahoma Water Resources Board, dated June 25, 2010, payable in semiannual installments of approximately \$194,500, Interest at 3.15%. The Shawnee Municipal Authority typically pays this liability. 6,382,647

\$1,485,000 2010A Promissory Note to Oklahoma Water Resources Board, dated October 14, 2010, payable in semiannual installments of approximately \$63,120, Interest at 2.76%. The Shawnee Municipal Authority typically pays this liability. 1,157,531

\$1,480,000 2011A Sales Tax Revenue Note, to a financial institution, dated December 15, 2011, payable semi-annually each June and December, interest at 1.55%, through December 1, 2016. The Shawnee Municipal Authority collects funding from the capital improvement fund in the form of sales tax transferred to liquidate this liability. Debt is divided between governmental and business type activities with 65% governmental and 35% business type. 478,878

\$2,365,000 2011B Sales Tax Revenue Note, to a financial institution, dated December 15, 2011, payable semi-annually each June and December, interest at 2.45%, through December 1, 2016. The Shawnee Municipal Authority collects funding from the capital improvement fund in the form of sales tax transferred to liquidate this liability. 2,180,000

Total notes payable before unearned loss and bond premium	\$ 24,533,255
Deferred amount on 2003 refunding	(564,768)
Deferred amount on 2011A refunding	(190,287)
Bond premium	<u>58,286</u>
Total notes payable, net of unearned loss on 2003 refunding	<u>\$ 23,836,485</u>

Current portion	\$ 1,627,360
Noncurrent portion	22,905,895
	<u>\$ 24,533,255</u>

Accrued compensated absences. The Shawnee Municipal and Airport Authorities typically have been used to liquidate this liability. \$ 313,539

Current portion	\$ 62,708
Noncurrent portion	250,831
	<u>\$ 313,539</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2012

Long-term liability transactions for the year ended June 30, 2012 and changes therein were as follows:

Type of Debt	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due Within One Year
Governmental Activities:					
Notes payable	\$ -	\$ 958,868	\$ 77,746	\$ 881,122	\$ 191,126
Claims and judgments	5,110,461	-	1,043,682	4,066,779	573,422
Accrued compensated absences	1,665,105	89,866	-	1,754,971	350,994
Total Governmental Activities	<u>\$ 6,775,566</u>	<u>\$ 1,048,734</u>	<u>\$ 1,121,428</u>	<u>\$ 6,702,872</u>	<u>\$ 1,115,542</u>
				Add: OPEB obligation	862,637
				Add: Net Pension obligation	88,481
					<u>\$ 7,653,990</u>
Business-Type Activities:					
Notes Payable	\$ 23,558,763	\$ 3,460,529	\$ 2,486,037	\$ 24,533,255	\$ 1,627,361
Accrued compensated absences	295,096	18,443	-	313,539	62,708
Total Business-Type Activities	<u>23,853,859</u>	<u>3,478,972</u>	<u>2,486,037</u>	<u>\$ 24,846,794</u>	<u>1,690,069</u>
				Add: OPEB obligation	160,881
				Add: Net Pension obligation	43,619
				Less: Deferred amount on refunding	(755,055)
				Add: Unamortized premium	58,285
					<u>\$ 24,354,524</u>
Total Long-Term Debt	<u>\$ 30,629,425</u>	<u>\$ 4,527,706</u>	<u>\$ 3,607,465</u>	<u>\$ 32,008,514</u>	<u>\$ 2,805,611</u>

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

Fiscal Year Ending June 30	Governmental Activities	
	Notes Payable	
	Principal	Interest
2013	\$ 191,126	\$ 12,971
2014	195,000	9,974
2015	195,000	6,952
2016	201,500	3,905
2017	98,496	781
	<u>\$ 881,122</u>	<u>\$ 34,583</u>
Fiscal Year Ending June 30	Business-Type Activities	
	Notes Payable	
	Principal	Interest
2013	\$ 1,627,361	\$ 868,705
2014	1,681,500	823,242
2015	1,719,770	775,434
2016	1,781,327	725,835
2017	1,493,111	672,672
2018-2022	6,420,084	2,642,916
2023-2027	7,917,055	1,135,365
2028-2032	2,157,404	141,277
	<u>\$ 24,797,612</u>	<u>\$ 7,785,446</u>
Amount to be drawn on OWRB 2010	264,357	
Net principal outstanding	<u>\$ 24,533,255</u>	

Advanced Refunding

On December 1, 2011 the City issued \$1,480,000 series 2011A Sales Tax Revenue Note with interest rates 1.55 percent to advance refund \$675,000 of outstanding 1997B Series Oklahoma Water Resources Board Loan with interest rates from 5.145 percent to 5.245 percent. A portion of the net proceeds of \$688,329 were used to refund the outstanding loan at the next principal due date. As a result, the 1997B Series bonds are considered to be paid in full and the liability for those bonds has been removed from the government-wide statement of net assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$211,430. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2017 using the straight line method. The City completed the advance refunding to reduce its total debt service payments over the next five years by \$269,136 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of \$257,987.

Water Agreement

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 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 contract with 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 contract with PCDA to \$12,967,959.

The term of the water 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 contract is not being amortized.

Pledge of Future Revenues

Sales Tax Pledge - The City has pledged one-third of seven-eighths of one penny (or 9.7%) of future sales tax revenues to repay \$5,745,000 of Series 2001 and 2003 Sales Tax Revenue Notes. Proceeds from the notes provided financing for capital assets. The notes are payable from pledged sales tax revenues. The notes are payable through fiscal year 2012. The total principal and interest payable for the remainder of the life of these notes is zero. Pledged sales taxes received in the current year were \$299,937. Debt service payments of \$328,736 for the current fiscal year were 110% of pledged sales taxes.

Sales Tax Pledge - The City has pledged seven-eighths of one penny (or .875%) of future sales tax revenues to repay \$1,480,000 and \$2,365,000 of Series 2011A and 2011B Sales Tax Revenue Notes. Proceeds from the notes provided financing for capital assets. The notes are payable from pledged sales tax revenues. The notes are payable through fiscal year 2017. The total principal and interest payable for the remainder of the life of these notes is \$3,729,870. Pledged sales taxes received in the current year were \$962,983. Debt service payments of \$344,549 for the current fiscal year were 35.8% of pledged sales taxes.

Utility Revenues Pledge - The City has also pledged future gross water and wastewater revenues to repay \$18,850,000 of the 2003 Series Utility Revenue Note, \$2,973,279 of 1997A and 1997B Series OWRB Notes Payable and \$7,780,000 and \$1,485,000 of 2010 OWRB Notes Payable. Proceeds from the notes provided financing for utility system capital assets. The notes are payable through 2026, 2016, and 2031, respectively. The total principal and interest payable for the remainder of the life of these notes is \$29,768,903. The notes are payable from the above-mentioned utility revenues. The debt service payments on the notes this year were \$2,005,087 which was 18% of pledged utility revenues of \$11,242,909.

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 leave as follows:

Governmental activities	\$ 1,754,971
Business-type activities	<u>313,539</u>
Total accrued compensated absences	<u>\$ 2,068,510</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 of accumulated sick leave up to a maximum of 40 days.

F. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2012 is as follows:

NOTES TO FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2012

Receivable Fund	Payable Fund	Amount	Nature of Interfund Balance
* General	* SMA	\$ 1,253,766	Construction projects
* General	* SMA	75,888	Revenue posted to incorrect fund
* General	Street and Alley	92,053	Negative cash
Worker's Comp Fund	* General	273,383	Self insurance funding
Worker's Comp Fund	* SMA	282,794	Self insurance funding
* General	Drug and Forfeiture	1,025	Negative cash
* General	CDBG & Home Grants Fund	147,208	Negative cash
* General	Capital Improvement Fund	4,023	Negative cash
* SMA	Shawnee Airport Authority	2,214,564	Negative cash
Capital Improvement Fund	Shawnee Airport Authority	65,000	Federal grant match on future projects
		<u>\$ 4,409,704</u>	

Reconciliation to Fund Financial Statements:

	Due From	Due to	Net Interfund Balances
Governmental Funds	\$ 1,638,963	\$ 517,692	\$ 1,121,271
Proprietary Funds	2,214,564	3,892,012	(1,677,448)
Internal Service Funds	556,177	-	556,177
	<u>\$ 4,409,704</u>	<u>\$ 4,409,704</u>	<u>\$ -</u>

* Denotes major fund.

A summary of interfund transfers for the fiscal year ended June 30, 2012 is as follows:

Transfer From	Transfer To	Amount	Purpose of Transfer
* SMA	* General	\$ 1,145,833	Operating subsidy
Police Tax Fund	* General	343,372	B Restricted sales tax transfer
Fire Tax Fund	* General	343,372	B Restricted sales tax transfer
* Street Improvement Fund	* General	204,167	Engineering services for capital projects
SMA	Capital Improvement Fund	2,326,085	A Net debt proceeds
Capital Improvement Fund	* SMA	588,686	B Debt service
Economic Development Fund	* General	15,000	A/B Sister Cities program support
Total		<u>\$ 4,966,515</u>	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 4,377,829	\$ (1,494,597)	\$ 2,883,232
Proprietary Funds	588,686	(3,471,918)	(2,883,232)
	<u>\$ 4,966,515</u>	<u>\$ (4,966,515)</u>	<u>\$ -</u>

* Denotes major fund.

Sum A Non Major transfer in	\$ 2,326,085
Sum B Non Major transfer out	\$ 1,290,430

G. Net Assets/Fund Equity

Government-Wide and Proprietary Fund Financial Statements

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net asset are available.

The following table shows the net assets restricted for other purposes shown on the Statement of Net Assets:

Fund	Restricted By	Amount
Governmental Activities:		
Tax Increment Financing Fund	Enabling legislation	\$ 360,270
		<u>\$ 360,270</u>
Cemetery Fund	Statutory requirements	\$ 165,489
E911 Fund	Statutory requirements	428,041
Drug Forfeiture fund	Statutory requirements	975
		<u>\$ 594,505</u>
CDBG Fund	External sources	\$ 202,155
Gifts and Contributions	External sources	74,150
Police Sales Tax Fund	External sources	44,396
Fire Sales Tax Fund	External sources	44,454
Hotel/Motel Fund	External sources	50,113
Economic Development Fund	External sources	151,092
94 Street Improvement Fund	External sources	77,667
Capital Projects Fund	External sources	2,781,830
Street Improvement Fund	External sources	5,922,323
Debt Service Fund	External sources	113,102
		<u>\$ 9,461,282</u>
Business Type Activities:		
Debt Service Reserves	Enabling legislation	\$ 1,814,511

Governmental Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned.

It is the City's policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of fund balance amounts require that restricted amounts would be reduced first, followed by committed amounts and then assigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The following table shows the fund balance classifications as shown on the Governmental Funds Balance Sheet in accordance with GASB Statement 54:

NOTES TO FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2012

	General Fund	Street Improvement Fund	Other Governmental Funds	Total
Fund Balance:				
Nonspendable:				
Prepaid expenses	\$ 347,288	\$ -	\$ -	\$ 347,288
	<u>347,288</u>	<u>-</u>	<u>-</u>	<u>347,288</u>
Restricted For:				
Street improvements	-	5,922,323	77,667	5,999,990
Fire operations	-	-	44,454	44,454
Police operations	-	-	44,396	44,396
Debt service	-	-	113,102	113,102
Capital improvements	-	-	2,781,830	2,781,830
Culture and rec programs	-	-	74,150	74,150
Cemetery improvements	-	-	165,489	165,489
Police - drug programs	-	-	975	975
Emergency operations	-	-	428,041	428,041
Economic development	-	-	763,630	763,630
Sub-total restricted	<u>-</u>	<u>5,922,323</u>	<u>4,493,734</u>	<u>10,416,057</u>
Assigned for:				
Street operations	-	89,649	-	89,649
Community development	244,279	-	-	244,279
Economic development	-	-	9,000	9,000
Capital improvements	-	-	17,339	17,339
Cemetery operations	-	-	6,816	6,816
Culture and recreation programs	-	-	9,610	9,610
Library programs	14,803	-	-	14,803
Senior citizens programs	21,147	-	-	21,147
Sister cities programs	1,212	-	-	1,212
Animal shelter	14,580	-	-	14,580
Sub-total assigned	<u>296,021</u>	<u>89,649</u>	<u>42,765</u>	<u>428,435</u>
Unassigned:	5,616,811	-	(81,736)	5,535,075
TOTAL FUND BALANCE	<u>\$ 6,260,120</u>	<u>\$ 6,011,972</u>	<u>\$ 4,454,763</u>	<u>\$ 16,726,855</u>

H. Postemployment Healthcare Plan

Plan Description. The City sponsors Medical, Rx, Dental, Vision and Life insurance to qualifying retirees and their dependents. Coverage is provided through fully-insured arrangements that collectively operate as a substantive single-employer defined benefit plan. Qualifying retirees are those employees who are eligible for immediate disability or retirement benefits under the Oklahoma Police Pension and Retirement System, Oklahoma Firefighter's Pension and Retirement System, or the Oklahoma Municipal Retirement Fund Employee Retirement System of Shawnee, Oklahoma. Retirees may continue coverage with the City by paying the carrier premium rate. Coverage is available for each of the lifetimes of retirees and their spouses. Authority to establish and amend benefit provisions rests with the City Council. Benefits are paid from general operating assets of the City.

Funding Policy. The contribution requirements of plan members and the City are established by the City Council. Annual health insurance premium amounts are established by the third party insurance provider. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2012, the actuarially expected City contribution in the form of net age adjustment was \$107,000 to the Plan. Plan members receiving benefits contributed \$158,797 of the total premiums, through their payment of the full carrier determined premium in FY 2012.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the City's annual OPEB cost, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the year ended June 30, 2012:

Normal cost	\$ 184,796
Amortization of Acturial Accrued Liability (AAL)	167,937
Annual Required Contribution (with Interest)	352,733
Interest on Net OPEB Obligation	20,018
Adjustment to the ARC	(23,221)
Annual OPEB cost (expense)	349,530
Employer Contributions of FY 12	(87,998)
Net OPEB obligation—beginning of year	761,986
Net OPEB obligation—end of year	<u>\$1,023,518</u>

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/09	\$333,228	23.1%	\$256,228
6/30/10	\$333,228	26.7%	\$500,456
6/30/11	\$349,530	25.2%	\$761,986
6/30/12	\$349,530	30.6%	\$1,023,518

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability (AAL) for benefits was \$3.48 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.48 million. The covered payroll (annual payroll of active employees covered by the plan) was \$10.02 million, and the ratio of the UAAL to the covered payroll was 34.7 percent. Because the plan is a substantive plan there are no plan assets.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the Plan at the valuation date, and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after ten years. The UAAL is being amortized over 30 years based on a level percent-of-pay open-period basis. The remaining amortization period at July 1, 2011, was thirty years. As of the date of this valuation, there are no plan assets. Retiree premiums are paid as they come due from general operating assets of the City.

IV. 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 worker's 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 \$375,000 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. Claims have not exceeded coverage in the past three years.

Claims Liability Analysis

The claims liabilities related to the above noted risk of loss that is retained is determined in accordance with Generally Accepted Accounting Principles, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. For the internal service self-insurance workers' compensation fund, changes in the claims liability for the City from July 1, 2010 to June 30, 2012, are as follows:

CLAIMS LIABILITY ANALYSIS

Claims liability, June 30, 2010	\$ 5,088,404
Claims and changes in estimates	880,000
Claims payments	<u>857,943</u>
Claims liability, June 30, 2011	5,110,461
Claims and changes in estimates	(328,779)
Claims payments	<u>714,903</u>
Claims liability, June 30, 2012	<u><u>\$ 4,066,779</u></u>

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, 2012, the City's records indicate that the City's banked match of the Home Grant Program totaled \$818,495.

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, 2012:

<u>Fund/Project</u>	<u>Original Contract</u>	<u>Balance Remaining at June 30, 2012</u>
Governmental Activities:		
Expo parking lot	\$ 2,265,000	\$ 101,526
City hall heat/AC	524,000	11,509
Kickapoo Street south	3,329,309	1,846,113
Rehab Asphalt Streets Project	1,135,445	955,912
Business-type activities:		
Airport runway project	3,478,000	2,278,820
Pipe bursting	500,000	486,687
Sludge truck	350,000	203,908

C. Employee retirement systems and pensions 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 respective 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, an agent multiple employer defined benefit pension plan.

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 (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, 2012, for employees and employer were \$211,599 and \$352,202, respectively, on covered payroll of \$2,701,609. The state made on-behalf payments for the police pension system of \$317,905. These on-behalf payments were recognized as both revenue and expenditures in the current fiscal year.

The required employer contributions and actual employer contributions made to OPPRS for the current and past two fiscal years are as follows:

<u>Fiscal year</u>	<u>Required</u>	<u>Contributed</u>
2011-2012	\$352,202	\$352,202
2010-2011	\$306,971	\$306,971
2009-2010	\$330,180	\$330,180

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 (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, 2012, for employees and employer were \$236,101 and \$383,664, respectively, on covered payroll of \$2,951,264. The state made on-behalf payments for the fire pension system of \$784,842. These on-behalf payments were recognized as both revenue and expenditures in the current fiscal year.

The required employer contributions and actual employer contributions made to OFPRS for the current and past two fiscal years are as follows:

<u>Fiscal year</u>	<u>Required</u>	<u>Contributed</u>
2011-2012	\$383,664	\$383,664
2010-2011	\$388,916	\$388,916
2009-2010	\$385,618	\$385,618

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 with completion of seven years of service, 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 based on average salary and service as of the date of disability but without actuarial reduction for payments beginning prior to normal retirement age.

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 seven 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, 2012. 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 \$6,059,084 as of January 1, 2012, as follows:

Actuarial accrued liability	\$ 28,194,716
Net assets available for benefits (actuarial value)	<u>25,331,767</u>
Underfunded actuarial accrued liability	<u>\$ 2,862,949</u>

The Plan's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increases 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 closed period of thirty years.

Significant actuarial assumptions used for the Plan are as follows:

Rate of return on investments	7.5% compounded annually
Projected salary increases	5.1% average (a high scale at younger age levels, becoming progressively lower as age advances)
Inflation rate	3% per annum
Post-retirement benefits increases method	Entry age normal cost
Mortality rates – before and after retirement	1994 Mortality Table with projected mortality improvement

For the year ended June 30, 2012, employees were required to contribute 0.0% of annual compensation while the City contributed 22.51%, the actuarially required contribution rate. Contributions to the Plan for the year ended June 30, 2012, for employees and employer were \$0 and \$1,503,165, respectively. For the year ended June 30, 2012, the City's covered payroll was \$6,509,471. Covered payroll refers to all compensation paid by the City of Shawnee to active employees covered by the Plan on which contributions are based.

The actuarially determined contributions for both the employee and the employer for the current and past two fiscal years are as follows:

Fiscal Year	Required	Contributed	Net Pension Obligation
2011-2012	\$ 1,465,281	\$ 1,503,165	\$ 132,100
2010-2011	1,354,593	1,345,207	170,166
2009-2010	1,363,924	1,363,924	160,780

NOTES TO FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2012

The following schedule shows the change in net pension obligation based on the actuarially required contributions to the plan compared to the actual contributions made by the city:

Annual required contribution for 2012 plan year	\$ 1,465,218
Actual contributions made	<u>(1,503,165)</u>
Increase/(decrease) in net pension obligation	(37,947)
Beginning of year net pension obligation	<u>170,047</u>
End of year net pension obligation	<u><u>\$ 132,100</u></u>

The schedule of funding progress for the Plan for the current year 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
1/1/2010	\$ 24,764,099	\$ 30,823,183	\$ 6,059,084	80.3%	\$ 5,792,921	104.6%
1/1/2011	\$ 26,348,831	\$ 32,167,742	\$ 5,818,911	81.9%	\$ 5,424,459	107.3%
1/1/2012	\$ 27,767,179	\$ 34,023,402	\$ 6,256,223	81.6%	\$ 6,218,306	100.6%

Oklahoma Municipal Retirement Fund Defined Contribution Plan (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 JP Morgan Chase Bank 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. Separate audited Generally Accepted Accounting Principles (GAAP) – basis financial statements are not available.

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 the 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, 2012, for employees and employer were \$233,427 and zero, respectively, on a covered payroll of \$5,491,822. Contributions for the years ended June 30, 2011 and 2010 were \$221,406 and \$224,501, respectively.

Oklahoma Municipal Retirement Fund Defined Contribution Department Head and City Manager Plan (the DH Plan)

DH Plan Description – Effective May 1, 2008, the City has also provided a defined contribution plan and trust known as the City of Shawnee Department Head and City Manager Retirement Plan and Trust (the DH Plan) in the form of The Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OMRF). The DH Plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. The DH Plan is available to all full-time employees defined as Department Head or City Manager except those participating in the state of Oklahoma fire or police program. Separate audited GAAP – basis financial statements are not available.

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

Funding Policy – Benefits depend solely on amounts contributed to the DH Plan plus investment earnings. Employees are eligible to participate upon employment, and must make a mandatory minimum pre-tax contribution of 8%. Employees are allowed to contribute in excess of the 8%; however, these contributions are not pre-tax. By City ordinance, the City, as the employer, is required to make at least 5% contributions to the DH Plan and could be higher, based on availability of funds. The employee is fully vested upon employment. The authority to establish and amend the provisions of the DH Plan rests with the City Commission. Contributions to the DH Plan for the year ended June 30, 2012, for employees and employer were \$93,107 and \$58,192, respectively, on a covered payroll of \$1,160,385.

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. Separate audited GAAP – basis financial statements are not available.

Funding Policy – DC Plan participants may contribute up to \$15,000 of eligible compensation per year. During the year ended June 30, 2012, employees contributed \$48,895 to the DC Plan.

ICMA Retirement Deferred Compensation Plan (the ICMA Plan)

In addition to the above plans, the City of Shawnee offers a retirement plan through ICMA which is totally employee funded. Employee contributions to the ICMA Plan for the year ended June 30, 2012, were \$7,215. Separate audited GAAP – basis financial statements are not available.

D. New Accounting Pronouncements

The GASB has issued several new accounting pronouncements, which will be effective in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the City's consideration of the impact of these pronouncements are described below:

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* – GASB 60 addresses issues related to service concession arrangements (SCA's), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. Management is still evaluating the effect this Statement will have on the City's financial statements. The Statement is effective for fiscal years ended June 30, 2013.

Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*. GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity and also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Earlier application is encouraged. The City does not believe that the adoption of GASB No. 61 will have a significant impact on its financial statement presentation. The Statement is effective for fiscal years ended June 30, 2013.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The City does not believe that the adoption GASB No. 62 will have a significant impact on its financial position, activities or cash flows, or its financial statement presentation. The Statement is effective for fiscal years ended June 30, 2013.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Adoption of this statement will require the City to make changes in its financial statement presentation. The Statement is effective for fiscal years ended June 30, 2013.

Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously recognized as assets and liabilities. The City has not quantified the effects of adoption of GASB No. 65 on its net position. The Statement is effective for fiscal years ended June 30, 2014.

Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*. GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and the City has not yet determined the impact that implementation of GASB No. 68 will have on its net position. The Statement is effective for fiscal years ended June 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SHAWNEE, OKLAHOMA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
(BUDGETARY BASIS) BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 13,841,383	\$ 14,009,283	\$ 13,635,348	\$ (373,935)
Licenses and permits	79,000	174,000	187,033	13,033
Intergovernmental	1,277,000	1,445,914	1,886,089	440,175
Charges for services	162,115	162,390	157,825	(4,565)
Fees and fines	686,300	701,300	740,559	39,259
Investment earnings	27,900	27,900	22,112	(5,788)
Miscellaneous	69,275	142,705	198,773	56,068
Total revenues	16,142,973	16,663,492	16,827,739	164,247
EXPENDITURES				
Departmental:				
<i>General Government:</i>				
City manager	426,372	432,373	427,477	4,896
City attorney	175,345	212,494	203,572	8,922
Administrative services	-	-	5,189	(5,189)
Human resources	355,868	355,867	332,910	22,957
City clerk	310,629	313,129	278,466	34,663
Accounting	531,918	573,917	564,978	8,939
Municipal court	502,330	524,327	526,446	(2,119)
Information services	367,993	379,494	367,466	12,028
Planning and zoning	-	-	341	(341)
Engineering	413,724	418,724	404,537	14,187
Equipment services	357,302	432,302	335,067	97,235
Building maintenance	70,197	71,681	62,063	9,618
Shared cost	-	-	2,771	(2,771)
<i>Total General Government</i>	3,511,678	3,714,308	3,511,283	203,025
<i>Public Safety:</i>				
Police administration	489,816	489,816	463,129	26,687
Police operations	4,219,860	4,367,832	4,381,605	(13,773)
Dispatch	564,946	570,398	532,712	37,686
Criminal investigations	580,779	588,354	518,097	70,257
Unzer Center	-	89,780	28,056	61,724
Animal Control	323,923	241,423	244,847	(3,424)
Code Compliance	702,898	719,897	700,752	19,145
Fire suppression	4,247,873	4,415,611	4,393,743	21,868
Fire prevention	465,922	465,924	434,343	31,581
Emergency Management	314,944	314,945	291,870	23,075
Fire Training	155,098	170,099	150,692	19,407
L.E.P.C	5,050	5,050	1,952	3,098
<i>Total Public Safety</i>	12,071,109	12,439,129	12,141,798	297,331
<i>Street:</i>				
Street	760,335	788,612	701,210	87,402
Traffic control	236,518	251,017	255,835	(4,818)
<i>Total Street</i>	996,853	1,039,629	957,045	82,584
<i>Culture and Recreation:</i>				
Expo Operations	455,955	463,819	454,675	9,144
Municipal auditorium	8,000	16,400	8,200	8,200
Senior citizens	76,758	78,758	75,464	3,294
Community center	45,200	45,200	39,329	5,871
Cemetery	197,729	197,939	183,744	14,195
Parks	561,648	576,683	599,576	(22,893)
<i>Total Culture and Recreation</i>	1,345,290	1,378,799	1,360,988	17,811
Total Expenditures	17,924,930	18,571,865	17,971,114	600,751
Excess (deficiency) of revenues over expenditures	(1,781,957)	(1,908,373)	(1,143,375)	764,998
OTHER FINANCING SOURCES (USES)				
Transfers in	2,018,600	2,018,600	2,036,744	18,144
Transfers out	(74,000)	(327,643)	(74,000)	253,643
Total other financing sources and uses	1,944,600	1,690,957	1,962,744	271,787
Net change in fund balances	162,643	(217,416)	819,369	1,036,785
Fund balances - beginning	1,622,983	1,622,983	5,144,730	3,521,747
Fund balances - ending	\$ 1,785,626	\$ 1,405,567	\$ 5,964,099	\$ 4,558,532

**CITY OF SHAWNEE, OKLAHOMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The City prepares its annual operating budget under the provisions of the Oklahoma Municipal Budget Act of 1979 (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at regular Council meetings to obtain taxpayer comments. Public hearings are held no later than 15 days prior to the beginning of the budget year.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is legally enacted through the passage of a resolution by the City Council.
- d. Subsequent to City Council enactment, the adopted budget is filed with the office of the State Auditor and Inspector.

All funds with revenues and/or expenditures/expenses as defined by State law are required to have annual budgets under this section of state law, except funds of public trusts or authorities. The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund. The following departments exceeded appropriations:

General Fund –	
Municipal Court	\$2,119
Administrative Services	\$5,189
Planning and zoning	\$341
Animal Control	\$3,424
Traffic Control	\$4,818
Shared costs	\$2,771
Parks	\$22,893
General Fund Accounts –	
Spay and Neuter Account	\$749
Sister Cities Account	\$40,407
E911 Fund – Animal Control/911	\$273
Street and Alley Fund – Streets	\$71,293
Hotel/Motel Fund – Economic Dev	\$100,139
Gifts and Contribution Fund –Parks	\$4,225
Street Improvement Fund – Transfers	\$104,167

CITY OF SHAWNEE, OKLAHOMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

All supplemental appropriations require the approval of the City Council. All transfers of appropriation between departments also require the approval of the City Council. The City prepared and adopted a legal annual budget for all governmental funds.

In accordance with Title 60 of the Oklahoma State Statutes, the Shawnee Municipal Authority and Shawnee Airport Authority are required to prepare an annual budget and submit a copy to the city as beneficiary. However, there are no further requirements such as form of budget, approval of the budget or definition of a legal spending limit.

Budgetary Accounting

The annual operating budgets of the General Fund are prepared and presented on a modified accrual basis of accounting.

The following is a reconciliation of the difference in budget and actual:

	General Fund
Total revenue - budgetary basis	\$ 18,864,483
Total expenses - budgetary basis	(18,045,114)
Change in fund balance - budgetary basis	819,369
Add change in fund balance of sub-funds combined for reporting purposes:	
Revolving Oil and Gas Fund	10,500
Spay and Neuter Fund	1,710
Library Fund	(4,165)
Sister Cities Fund	(13,274)
Change in fund balance - GAAP basis	\$ 814,140

The City utilizes encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. The City considers all appropriations to lapse at year-end; any open purchase orders to be honored in the subsequent budget year are reappropriated in the next year's budget. As a result, encumbrances are not treated as the equivalent of expenditures in the budget and actual financial statements.

CITY OF SHWNEE, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN
FUNDING SCHEDULES
June 30, 2012

I. 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
1/1/2012	\$ 27,767,179	\$ 34,023,402	\$ 6,256,223	81.61%	\$ 6,218,306	100.6%
1/1/2011	26,348,831	32,167,742	5,818,911	81.91%	5,424,459	107.3%
1/1/2010	24,764,099	30,823,183	6,059,084	80.34%	5,792,921	104.6%
1/1/2009	24,092,460	30,145,970	6,053,510	79.92%	5,724,277	105.8%
1/1/2008	24,813,645	28,447,562	3,633,917	87.23%	5,772,950	62.9%
1/1/2007	23,176,682	25,754,610	2,577,928	90.00%	5,378,234	47.9%
1/1/2006	21,914,001	23,744,809	1,830,808	92.30%	4,952,709	37.0%
1/1/2005	21,548,548	22,838,766	1,290,218	94.40%	4,767,083	27.1%
1/1/2004	19,956,987	20,893,487	936,500	95.50%	5,273,332	17.8%
1/1/2003	19,398,530	18,661,318	(737,212)	104.00%	4,692,250	-15.7%

II. Schedule of Employer Contributions

Fiscal Year	Annual Required Contribution	Percentage Contributed
2011	\$1,465,281	103%
2012	1,354,593	99.3%
2010	1,363,924	100%

III. Notes to Required Supplementary Information Pension Plan Funding Schedules

Covered payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year.

Actuarial method is "Entry Age Normal".

CITY OF SHAWNEE, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS
June 30, 2012

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

	July 1, 2008	July 1, 2010
Actuarial accrued liability - AAL (a)	\$3,519,267	\$3,480,146
Actuarial value of plan assets (b)	-	-
Unfunded actuarial accrued liability – UAAL (funding excess) (a) – (b)	3,519,267	3,480,146
Funded ratio (b)/(a)	-	-
Covered payroll (c)	9,812,016	10,020,000
UAAL (funding excess) as a % of covered payroll [UAAL/(c)]	35.9%	34.7%

July 1, 2008, was the first actuarial valuation for the OPEB Plan. Three year trend information is not available.

SUPPLEMENTARY INFORMATION

City of Shawnee, Oklahoma
Combining Balance Sheet – General Fund
June 30, 2012

	General Fund	Revolving Oil & Gas	Spay and Neuter	Library	Senior Citizens	Sister Cities	Total General Fund
ASSETS							
Cash and cash equivalents	\$ 1,949,659	\$ 244,279	\$ 16,039	\$ 20,869	\$ 21,147	\$ 1,212	\$ 2,253,205
Investments	1,138,499	-	-	-	-	-	1,138,499
Interest receivable	3,696	-	-	-	-	-	3,696
Receivable from other governments	85,532	-	-	-	-	-	85,532
Due from other funds	1,569,940	-	-	-	-	-	1,569,940
Taxes receivable, net	1,679,801	-	-	-	-	-	1,679,801
Court fines receivable, net	177,347	-	-	-	-	-	177,347
Other receivables	103,246	-	-	-	-	-	103,246
Prepaid expenses	347,288	-	-	-	-	-	347,288
Total assets	<u>7,055,008</u>	<u>244,279</u>	<u>16,039</u>	<u>20,869</u>	<u>21,147</u>	<u>1,212</u>	<u>7,358,554</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	407,860	-	1,459	6,066	-	-	415,385
Accrued payroll payable	317,070	-	-	-	-	-	317,070
Due to other funds	273,383	-	-	-	-	-	273,383
Deferred revenue	92,596	-	-	-	-	-	92,596
Total liabilities	<u>1,090,909</u>	<u>-</u>	<u>1,459</u>	<u>6,066</u>	<u>-</u>	<u>-</u>	<u>1,098,434</u>
Fund balances:							
Nonspendable	347,288	-	-	-	-	-	347,288
Assigned	-	244,279	14,580	14,803	21,147	1,212	296,021
Unassigned	5,616,811	-	-	-	-	-	5,616,811
Total fund balances	<u>5,964,099</u>	<u>244,279</u>	<u>14,580</u>	<u>14,803</u>	<u>21,147</u>	<u>1,212</u>	<u>6,260,120</u>
Total liabilities and fund balances	<u>\$ 7,055,008</u>	<u>\$ 244,279</u>	<u>\$ 16,039</u>	<u>\$ 20,869</u>	<u>\$ 21,147</u>	<u>\$ 1,212</u>	<u>\$ 7,358,554</u>

City of Shawnee, Oklahoma
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – General Fund
Year Ended June 30, 2012

	General Fund	Revolving Oil & Gas	Spay and Neuter	Library	Senior Citizens	Sister Cities	Total General Fund
REVENUES							
Taxes	\$ 13,635,348	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,635,348
Intergovernmental	1,886,089	-	-	-	-	-	1,886,089
Licenses and permits	187,033	10,500	-	-	-	-	197,533
Charges for services	157,825	-	-	-	-	-	157,825
Fees and fines	740,559	-	6,959	-	-	-	747,518
Investment earnings	22,112	-	-	-	-	-	22,112
Miscellaneous	198,773	-	-	-	-	16,633	215,406
Total revenues	<u>16,827,739</u>	<u>10,500</u>	<u>6,959</u>	<u>-</u>	<u>-</u>	<u>16,633</u>	<u>16,861,831</u>
EXPENDITURES							
Current:							
General government	2,883,922	-	-	-	-	-	2,883,922
Engineering	404,537	-	-	-	-	-	404,537
Equipment and building maintenance	397,130	-	-	-	-	-	397,130
Police	5,394,473	-	-	-	-	-	5,394,473
Fire	4,975,816	-	-	-	-	-	4,975,816
Municipal court	526,446	-	-	-	-	-	526,446
Emergency management	294,832	-	-	-	-	-	294,832
Streets	957,045	-	-	-	-	-	957,045
Parks and recreation	599,576	-	-	-	-	-	599,576
Culture and recreation	122,993	-	-	-	-	-	122,993
Animal control/E911	775,925	-	5,249	-	-	-	781,174
Cemetery	183,744	-	-	-	-	-	183,744
Library	-	-	-	-	-	44,907	44,907
Economic development	454,675	-	-	78,165	-	-	532,840
Total expenditures	<u>17,971,114</u>	<u>-</u>	<u>5,249</u>	<u>78,165</u>	<u>-</u>	<u>44,907</u>	<u>18,099,435</u>
Excess (deficiency) of revenues over expenditures	<u>(1,143,375)</u>	<u>10,500</u>	<u>1,710</u>	<u>(78,165)</u>	<u>-</u>	<u>(28,274)</u>	<u>(1,237,604)</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from long-term debt, net	-	-	-	-	-	-	-
Proceeds from capital leases	-	-	-	-	-	-	-
Transfers in - interaccount	-	-	-	74,000	-	-	74,000
Transfers out - interaccount	(74,000)	-	-	-	-	-	(74,000)
Transfers in	2,036,744	-	-	-	-	15,000	2,051,744
Transfers out	-	-	-	-	-	-	-
Total other financing sources and uses	<u>1,962,744</u>	<u>-</u>	<u>-</u>	<u>74,000</u>	<u>-</u>	<u>15,000</u>	<u>2,051,744</u>
Net change in fund balances	819,369	10,500	1,710	(4,165)	-	(13,274)	814,140
Fund balances - beginning	5,144,730	233,779	12,870	18,968	21,147	14,486	5,445,980
Fund balances - ending	<u>\$ 5,964,099</u>	<u>\$ 244,279</u>	<u>\$ 14,580</u>	<u>\$ 14,803</u>	<u>\$ 21,147</u>	<u>\$ 1,212</u>	<u>\$ 6,260,120</u>

City of Shawnee, Oklahoma
Budget versus Actual – General Fund Accounts
Year Ended June 30, 2012

	Revolving Oil & Gas Fund				Spay and Neuter Fund			
	Budgeted Amounts		Actual Amounts. Budgetary Basis	Variance with Final Budget - Positive (Negative)	Budgeted Amounts		Actual Amounts. Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Licenses and permits	\$ 6,000	\$ 6,000	\$ 10,500	\$ 4,500	\$ -	\$ -	\$ -	\$ -
Fees and fines	-	-	-	-	4,400	4,400	6,959	2,559
Investment earnings	100	100	-	(100)	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	6,100	6,100	10,500	4,400	4,400	4,400	6,959	2,559
EXPENDITURES								
Departmental:								
Animal Control	-	-	-	-	4,500	4,500	5,249	(749)
Economic Development	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-
Fire Prevention	11,000	11,000	-	11,000	-	-	-	-
Senior Citizens	-	-	-	-	-	-	-	-
Total Expenditures	11,000	11,000	-	11,000	4,500	4,500	5,249	(749)
Total Expenditures	11,000	11,000	-	11,000	4,500	4,500	5,249	(749)
Excess (deficiency) of revenues over expenditures	(4,900)	(4,900)	10,500	15,400	(100)	(100)	1,710	1,810
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-	-	-
Net change in fund balances	(4,900)	(4,900)	10,500	15,400	(100)	(100)	1,710	1,810
Fund balances - beginning	231,529	231,529	233,799	2,270	12,198	12,198	12,870	672
Fund balances - ending	\$ 226,629	\$ 226,629	\$ 244,299	\$ 17,670	\$ 12,098	\$ 12,098	\$ 14,580	\$ 2,482

(continued)

City of Shawnee, Oklahoma
Budget versus Actual – General Fund Accounts
Year Ended June 30, 2012

	Library Fund				Senior Citizens Fund			
	Budgeted Amounts		Actual Amounts.	Variance with Final	Budgeted Amounts		Actual Amounts.	Variance with Final
	Original	Final	Budgetary Basis	Budget - Positive (Negative)	Original	Final	Budgetary Basis	Budget - Positive (Negative)
REVENUES								
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and fines	-	-	-	-	-	-	-	-
Investment earnings	-	-	-	-	200	200	-	(200)
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	-	-	-	-	200	200	-	(200)
EXPENDITURES								
Departmental:								
Animal Control	-	-	-	-	-	-	-	-
Economic Development	-	-	-	-	-	-	-	-
Library	79,200	79,200	78,165	1,035	-	-	-	-
Fire Prevention	-	-	-	-	-	-	-	-
Senior Citizens	-	-	-	-	600	600	-	600
Total Expenditures	79,200	79,200	78,165	1,035	600	600	-	600
Total Expenditures	79,200	79,200	78,165	1,035	600	600	-	600
Excess (deficiency) of revenues over expenditures	(79,200)	(79,200)	(78,165)	1,035	(400)	(400)	-	400
OTHER FINANCING SOURCES (USES)								
Transfers in	74,000	74,000	74,000	-	-	-	-	-
Total other financing sources and uses	74,000	74,000	74,000	-	-	-	-	-
Net change in fund balances	(5,200)	(5,200)	(4,165)	1,035	(400)	(400)	-	400
Fund balances - beginning	14,848	14,848	18,968	4,120	21,219	21,219	21,147	(72)
Fund balances - ending	\$ 9,648	\$ 9,648	\$ 14,803	\$ 5,155	\$ 20,819	\$ 20,819	\$ 21,147	\$ 328

(continued)

City of Shawnee, Oklahoma
Budget versus Actual – General Fund Accounts
Year Ended June 30, 2012

	Sister Cities Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts, Budgetary Basis	
	Original	Final		
REVENUES				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Fees and fines	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	\$ 1,025	\$ 1,000	\$ 16,633	\$ 15,633
Total revenues	<u>1,025</u>	<u>1,000</u>	<u>16,633</u>	<u>15,633</u>
EXPENDITURES				
Departmental:				
Animal Control	-	-	-	-
Economic Development	-	-	-	-
Library	4,300	4,500	44,907	(40,407)
Fire Prevention	-	-	-	-
Senior Citizens	-	-	-	-
Total Expenditures	<u>4,300</u>	<u>4,500</u>	<u>44,907</u>	<u>(40,407)</u>
Total Expenditures	<u>4,300</u>	<u>4,500</u>	<u>44,907</u>	<u>(40,407)</u>
Excess (deficiency) of revenues over expenditures	<u>(3,275)</u>	<u>(3,500)</u>	<u>(28,274)</u>	<u>(24,774)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	15,000	15,000	-
Total other financing sources and uses	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Net change in fund balances	11,725	11,500	(13,274)	(24,774)
Fund balances - beginning	14,773	14,773	14,486	(287)
Fund balances - ending	<u>\$ 26,498</u>	<u>\$ 26,273</u>	<u>\$ 1,212</u>	<u>\$ (25,061)</u>

City of Shawnee, Oklahoma
Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2012

	Street and Alley Fund	E-911 Fund	Economic Development Fund	Hotel/Motel Fund	Police Sales Tax Fund	Fire Sales Tax Fund	CDBG/Home Grants Funds
ASSETS							
Cash and cash equivalents	\$ -	\$ 412,460	\$ 116,223	\$ 60,833	\$ 810	\$ 810	\$ 352,060
Investments	-	-	-	-	-	-	-
Interest receivable	-	-	32	-	40	98	-
Receivable from other governments	-	-	-	-	-	-	8,419
Due from other funds	-	-	-	-	-	-	-
Taxes receivable, net	-	-	34,837	-	43,546	43,546	-
Other receivables	23,736	18,622	-	50,674	-	-	818,448
Total assets	<u>23,736</u>	<u>431,082</u>	<u>151,092</u>	<u>111,507</u>	<u>44,396</u>	<u>44,454</u>	<u>1,178,927</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	13,419	3,041	-	52,394	-	-	11,122
Due to other funds	92,053	-	-	-	-	-	147,208
Deferred revenue	-	-	-	-	-	-	818,442
Total liabilities	<u>105,472</u>	<u>3,041</u>	<u>-</u>	<u>52,394</u>	<u>-</u>	<u>-</u>	<u>976,772</u>
Fund balances:							
Restricted	-	428,041	151,092	50,113	44,396	44,454	202,155
Assigned	-	-	-	9,000	-	-	-
Unassigned	(81,736)	-	-	-	-	-	-
Total fund balances	<u>(81,736)</u>	<u>428,041</u>	<u>151,092</u>	<u>59,113</u>	<u>44,396</u>	<u>44,454</u>	<u>202,155</u>
Total liabilities and fund balances	<u>\$ 23,736</u>	<u>\$ 431,082</u>	<u>\$ 151,092</u>	<u>\$ 111,507</u>	<u>\$ 44,396</u>	<u>\$ 44,454</u>	<u>\$ 1,178,927</u>

(continued)

City of Shawnee, Oklahoma
Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2012

	Cemetery Care Fund	Gifts and Contribution Fund	Tax Increment Financing Fund	Drug Forfeiture Fund	1994 Street Improvement Fund	Capital Improvement Fund	Debt Service Fund	Total Other Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 172,305	\$ 75,337	\$ 360,270	\$ 2,000	\$ 77,667	\$ 2,351,188	\$ 113,128	\$ 4,095,091
Investments	-	4,400	-	-	-	1,054,065	-	1,058,465
Interest receivable	-	-	-	-	-	-	-	170
Receivable from other governments	-	-	-	-	-	-	-	8,419
Due from other funds	-	4,023	-	-	-	65,000	-	69,023
Taxes receivable, net	-	-	-	-	-	269,986	-	391,915
Other receivables	-	-	-	-	-	-	28	911,508
Total assets	<u>172,305</u>	<u>83,760</u>	<u>360,270</u>	<u>2,000</u>	<u>77,667</u>	<u>3,740,239</u>	<u>113,156</u>	<u>6,534,591</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	-	-	-	-	-	937,047	-	1,017,023
Due to other funds	-	-	-	1,025	-	4,023	-	244,309
Deferred revenue	-	-	-	-	-	-	54	818,496
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,025</u>	<u>-</u>	<u>941,070</u>	<u>54</u>	<u>2,079,828</u>
Fund balances:								
Restricted	165,489	74,150	360,270	975	77,667	2,781,830	113,102	4,493,734
Assigned	6,816	9,610	-	-	-	17,339	-	42,765
Unassigned	-	-	-	-	-	-	-	(81,736)
Total fund balances	<u>172,305</u>	<u>83,760</u>	<u>360,270</u>	<u>975</u>	<u>77,667</u>	<u>2,799,169</u>	<u>113,102</u>	<u>4,454,763</u>
Total liabilities and fund balances	<u>\$ 172,305</u>	<u>\$ 83,760</u>	<u>\$ 360,270</u>	<u>\$ 2,000</u>	<u>\$ 77,667</u>	<u>\$ 3,740,239</u>	<u>\$ 113,156</u>	<u>\$ 6,534,591</u>

City of Shawnee, Oklahoma
Combing Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Fund
Year Ended June 30, 2012

	Street and Alley Fund	E-911 Fund	Economic Development Fund	Hotel/Motel Fund	Police Sales Tax Fund	Fire Sales Tax Fund	CDBG/Home Grants Funds
REVENUES							
Taxes	\$ 259,597	\$ 211,917	\$ 275,077	\$ 472,590	\$ 343,846	\$ 343,846	\$ -
Fees and fines	-	-	-	-	-	-	-
Licenses and permits	1,175	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	306,165
Charges for services	-	-	-	-	-	-	-
Investment earnings	-	-	291	-	364	364	-
Miscellaneous	2,119	-	-	4,000	-	-	111,402
Total revenues	<u>262,891</u>	<u>211,917</u>	<u>275,368</u>	<u>476,590</u>	<u>344,210</u>	<u>344,210</u>	<u>417,567</u>
EXPENDITURES							
Current:							
Streets	356,293	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-
Animal Control/E911	-	91,273	-	-	-	-	-
Economic development	-	-	246,000	472,639	-	-	401,069
Debt Service							
Principal	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-
Total Expenditures	<u>356,293</u>	<u>91,273</u>	<u>246,000</u>	<u>472,639</u>	<u>-</u>	<u>-</u>	<u>401,069</u>
Excess (deficiency) of revenues over expenditures	<u>(93,402)</u>	<u>120,644</u>	<u>29,368</u>	<u>3,951</u>	<u>344,210</u>	<u>344,210</u>	<u>16,498</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from long-term debt	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(15,000)	-	(343,372)	(343,372)	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>-</u>	<u>(343,372)</u>	<u>(343,372)</u>	<u>-</u>
Net change in fund balances	(93,402)	120,644	14,368	3,951	838	838	16,498
Fund balances - beginning	11,666	307,397	136,724	55,162	43,558	43,616	185,657
Fund balances - ending	<u>\$ (81,736)</u>	<u>\$ 428,041</u>	<u>\$ 151,092</u>	<u>\$ 59,113</u>	<u>\$ 44,396</u>	<u>\$ 44,454</u>	<u>\$ 202,155</u>

(continued)

City of Shawnee, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Fund
Year Ended June 30, 2012

	Cemetery Care Fund	Gifts and Contribution Fund	Tax Increment Financing Fund	Drug Forfeiture Fund	1994 Street Improvement Fund	Capital Improvement Fund	Debt Service Fund	Total Other Governmental Funds
REVENUES								
Taxes	\$ -	\$ -	\$ 74,245	\$ -	\$ -	\$ 2,131,844	\$ 64	\$ 4,113,026
Fees and fines	-	-	-	510	-	-	-	510
Licenses and permits	-	-	-	-	-	-	-	1,175
Intergovernmental	-	-	-	-	-	-	-	306,165
Charges for services	1,181	-	-	-	-	-	-	1,181
Investment earnings	-	(30,482)	-	-	-	76,685	1	47,223
Miscellaneous	3,559	5,060	-	-	-	15,469	1,055	142,664
Total revenues	<u>4,740</u>	<u>(25,422)</u>	<u>74,245</u>	<u>510</u>	<u>-</u>	<u>2,223,998</u>	<u>1,120</u>	<u>4,611,944</u>
EXPENDITURES								
Current:								
Streets	-	-	-	-	-	-	-	356,293
Parks and recreation	-	4,825	-	-	-	-	-	4,825
Animal Control/E911	-	-	-	-	-	-	-	91,273
Economic development	-	-	-	-	-	-	-	1,119,708
Debt Service								
Principal	-	-	-	-	-	77,746	-	77,746
Interest and other charges	-	-	-	-	-	6,853	-	6,853
Capital Outlay	3,800	-	-	-	-	3,539,268	-	3,543,068
Total Expenditures	<u>3,800</u>	<u>4,825</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,623,867</u>	<u>-</u>	<u>5,199,766</u>
Excess (deficiency) of revenues over expenditures	<u>940</u>	<u>(30,247)</u>	<u>74,245</u>	<u>510</u>	<u>-</u>	<u>(1,399,869)</u>	<u>1,120</u>	<u>(587,822)</u>
OTHER FINANCING SOURCES (USES)								
Proceeds from long-term debt	-	-	-	-	-	958,868	-	958,868
Transfers in	-	-	-	-	-	2,326,085	-	2,326,085
Transfers out	-	-	-	-	-	(588,686)	-	(1,290,430)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,696,267</u>	<u>-</u>	<u>1,994,523</u>
Net change in fund balances	940	(30,247)	74,245	510	-	1,296,398	1,120	1,406,701
Fund balances - beginning	171,365	114,007	286,025	465	77,667	1,502,771	111,982	3,048,062
Fund balances - ending	<u>\$ 172,305</u>	<u>\$ 83,760</u>	<u>\$ 360,270</u>	<u>\$ 975</u>	<u>\$ 77,667</u>	<u>\$ 2,799,169</u>	<u>\$ 113,102</u>	<u>\$ 4,454,763</u>

City of Shawnee, Oklahoma
Budget versus Actual – Nonmajor Funds
Year Ended June 30, 2012

	Street And Alley Fund				E-911 Fund			
	Budgeted Amounts		Actual Amounts.	Variance with Final	Budgeted Amounts		Actual Amounts.	Variance with Final
	Original	Final	Budgetary Basis	Budget - Positive (Negative)	Original	Final	Budgetary Basis	Budget - Positive (Negative)
REVENUES								
Taxes	\$ 270,870	\$ 270,870	\$ 259,597	\$ (11,273)	\$ 180,000	\$ 180,000	\$ 211,917	\$ 31,917
Licenses and permits	1,000	1,000	1,175	175	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fees and fines	-	-	-	-	-	-	-	-
Investment earnings	200	200	-	(200)	500	500	-	(500)
Miscellaneous	6,400	6,400	2,119	(4,281)	-	-	-	-
Total revenues	278,470	278,470	262,891	(15,579)	180,500	180,500	211,917	31,417
EXPENDITURES								
Departmental:								
Streets	285,000	285,000	356,293	(71,293)	-	-	-	-
Animal Control/911	-	-	-	-	91,000	91,000	91,273	(273)
Economic Development	-	-	-	-	-	-	-	-
Cemetery	-	-	-	-	-	-	-	-
Park and Recreation	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total Expenditures	285,000	285,000	356,293	(71,293)	91,000	91,000	91,273	(273)
Total Expenditures	285,000	285,000	356,293	(71,293)	91,000	91,000	91,273	(273)
Excess (deficiency) of revenues over expenditures	(6,530)	(6,530)	(93,402)	(86,872)	89,500	89,500	120,644	31,144
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-	-	-
Net change in fund balances	(6,530)	(6,530)	(93,402)	(86,872)	89,500	89,500	120,644	31,144
Fund balances - beginning	10,166	10,166	11,666	1,500	292,378	293,378	307,397	14,019
Fund balances - ending	\$ 3,636	\$ 3,636	\$ (81,736)	\$ (85,372)	\$ 381,878	\$ 382,878	\$ 428,041	\$ 45,163

(continued)

**City of Shawnee, Oklahoma
Budget versus Actual – Nonmajor Funds
Year Ended June 30, 2012**

	Economic Development Fund				Hotel/Motel Fund			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Taxes	\$ 274,495	\$ 274,495	\$ 275,077	\$ 582	\$ 385,000	\$ 385,000	\$ 472,590	\$ 87,590
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fees and fines	-	-	-	-	-	-	-	-
Investment earnings	450	450	291	(159)	-	-	-	-
Miscellaneous	-	-	-	-	-	-	4,000	4,000
Total revenues	274,945	274,945	275,368	423	385,000	385,000	476,590	91,590
EXPENDITURES								
Departmental:								
Streets	-	-	-	-	-	-	-	-
Animal Control/911	-	-	-	-	-	-	-	-
Economic Development	248,490	248,490	246,000	2,490	372,500	372,500	472,639	(100,139)
Cemetery	-	-	-	-	-	-	-	-
Park and Recreation	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total Expenditures	248,490	248,490	246,000	2,490	372,500	372,500	472,639	(100,139)
Total Expenditures	248,490	248,490	246,000	2,490	372,500	372,500	472,639	(100,139)
Excess (deficiency) of revenues over expenditures	26,455	26,455	29,368	2,913	12,500	12,500	3,951	(8,549)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(15,000)	(15,000)	(15,000)	-	-	-	-	-
Total other financing sources and uses	(15,000)	(15,000)	(15,000)	-	-	-	-	-
Net change in fund balances	11,455	11,455	14,368	2,913	12,500	12,500	3,951	(8,549)
Fund balances - beginning	123,314	123,314	136,724	13,410	69,813	69,813	55,162	(14,651)
Fund balances - ending	\$ 134,769	\$ 134,769	\$ 151,092	\$ 16,323	\$ 82,313	\$ 82,313	\$ 59,113	\$ (23,200)

(continued)

City of Shawnee, Oklahoma
Budget versus Actual – Nonmajor Funds
Year Ended June 30, 2012

	Police Sales Tax Fund				Fire Sales Tax Fund			
	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u>	<u>Variance with Final</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Budget - Positive</u>	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Budget - Positive</u>
				<u>(Negative)</u>				<u>(Negative)</u>
REVENUES								
Taxes	\$ 343,118	\$ 343,118	\$ 343,846	\$ 728	\$ 343,118	\$ 343,118	\$ 343,846	\$ 728
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fees and fines	-	-	-	-	-	-	-	-
Investment earnings	390	390	364	(26)	390	390	364	(26)
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	<u>343,508</u>	<u>343,508</u>	<u>344,210</u>	<u>702</u>	<u>343,508</u>	<u>343,508</u>	<u>344,210</u>	<u>702</u>
EXPENDITURES								
Departmental:								
Streets	-	-	-	-	-	-	-	-
Animal Control/911	-	-	-	-	-	-	-	-
Economic Development	-	-	-	-	-	-	-	-
Cemetery	-	-	-	-	-	-	-	-
Park and Recreation	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>343,508</u>	<u>343,508</u>	<u>344,210</u>	<u>702</u>	<u>343,508</u>	<u>343,508</u>	<u>344,210</u>	<u>702</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(343,118)	(343,118)	(343,372)	(254)	(343,118)	(343,118)	(343,372)	(254)
Total other financing sources and uses	<u>(343,118)</u>	<u>(343,118)</u>	<u>(343,372)</u>	<u>(254)</u>	<u>(343,118)</u>	<u>(343,118)</u>	<u>(343,372)</u>	<u>(254)</u>
Net change in fund balances	390	390	838	448	390	390	838	448
Fund balances - beginning	42,708	42,708	43,558	850	42,708	42,708	43,616	908
Fund balances - ending	<u>\$ 43,098</u>	<u>\$ 43,098</u>	<u>\$ 44,396</u>	<u>\$ 1,298</u>	<u>\$ 43,098</u>	<u>\$ 43,098</u>	<u>\$ 44,454</u>	<u>\$ 1,356</u>

(continued)

City of Shawnee, Oklahoma
Budget versus Actual – Nonmajor Funds
Year Ended June 30, 2012

	CDBG/Home Grants Fund				Cemetery Care Fund			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	875,516	306,165	(569,351)	-	-	-	-
Charges for services	-	-	-	-	4,500	4,500	1,181	(3,319)
Fees and fines	-	-	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-	-	-
Miscellaneous	-	50,000	111,402	61,402	500	500	3,559	3,059
Total revenues	-	925,516	417,567	(507,949)	5,000	5,000	4,740	(260)
EXPENDITURES								
Departmental:								
Streets	-	-	-	-	-	-	-	-
Animal Control/911	-	-	-	-	-	-	-	-
Economic Development	-	1,111,342	401,069	710,273	-	-	-	-
Cemetery	-	-	-	-	69,778	69,778	3,800	65,978
Park and Recreation	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total Expenditures	-	1,111,342	401,069	710,273	69,778	69,778	3,800	65,978
Total Expenditures	-	1,111,342	401,069	710,273	69,778	69,778	3,800	65,978
Excess (deficiency) of revenues over expenditures	-	(185,826)	16,498	202,324	(64,778)	(64,778)	940	65,718
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-	-	-
Net change in fund balances	-	(185,826)	16,498	202,324	(64,778)	(64,778)	940	65,718
Fund balances - beginning	-	-	185,657	185,657	227,568	227,568	171,365	(56,203)
Fund balances - ending	\$ -	\$ (185,826)	\$ 202,155	\$ 387,981	\$ 162,790	\$ 162,790	\$ 172,305	\$ 9,515

(continued)

City of Shawnee, Oklahoma
Budget versus Actual – Nonmajor Funds
Year Ended June 30, 2012

	Gifts and Contribution Fund				Tax Increment Financing Fund			
	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>			<u>Original</u>	<u>Final</u>		
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000	\$ 74,245	\$ 24,245
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fees and fines	-	-	-	-	-	-	-	-
Investment earnings	-	-	(30,482)	(30,482)	1,500	-	-	-
Miscellaneous	7,900	7,900	5,060	(2,840)	-	-	-	-
Total revenues	7,900	7,900	(25,422)	(33,322)	51,500	50,000	74,245	24,245
EXPENDITURES								
Departmental:								
Streets	-	-	-	-	-	-	-	-
Animal Control/911	-	-	-	-	-	-	-	-
Economic Development	-	-	-	-	-	-	-	-
Cemetery	-	-	-	-	-	-	-	-
Park and Recreation	600	600	4,825	(4,225)	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total Expenditures	600	600	4,825	(4,225)	-	-	-	-
Total Expenditures	600	600	4,825	(4,225)	-	-	-	-
Excess (deficiency) of revenues over expenditures	7,300	7,300	(30,247)	(37,547)	51,500	50,000	74,245	24,245
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-	-	-
Net change in fund balances	7,300	7,300	(30,247)	(37,547)	51,500	50,000	74,245	24,245
Fund balances - beginning	124,627	124,627	114,007	(10,620)	335,965	335,965	286,028	(49,937)
Fund balances - ending	\$ 131,927	\$ 131,927	\$ 83,760	\$ (48,167)	\$ 387,465	\$ 385,965	\$ 360,273	\$ (25,692)

(continued)

City of Shawnee, Oklahoma
Budget versus Actual – Nonmajor Funds
Year Ended June 30, 2012

	Drug Forfeiture Fund				1994 Street Improvement Fund			
			<u>Actual Amounts,</u> <u>Budgetary Basis</u>	<u>Variance with Final</u> <u>Budget - Positive</u> <u>(Negative)</u>			<u>Actual Amounts,</u> <u>Budgetary Basis</u>	<u>Variance with Final</u> <u>Budget - Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>			<u>Budgeted Amounts</u> <u>Original</u>	<u>Final</u>		
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fees and fines	-	-	510	510	-	-	-	-
Investment earnings	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	-	-	510	510	-	-	-	-
EXPENDITURES								
Departmental:								
Streets	-	-	-	-	-	-	-	-
Animal Control/911	-	-	-	-	-	-	-	-
Economic Development	-	-	-	-	-	-	-	-
Cemetery	-	-	-	-	-	-	-	-
Park and Recreation	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total Expenditures	-	-	-	-	-	-	-	-
Total Expenditures	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	510	510	-	-	-	-
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-	-	-
Net change in fund balances	-	-	510	510	-	-	-	-
Fund balances - beginning	465	-	465	465	-	-	77,667	77,667
Fund balances - ending	\$ 465	\$ -	\$ 975	\$ 975	\$ -	\$ -	\$ 77,667	\$ 77,667

(continued)

City of Shawnee, Oklahoma
Budget versus Actual – Nonmajor Funds
Year Ended June 30, 2012

	Capital Improvement Fund				Debt Service Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final	Budgeted Amounts		Actual Amounts	Variance with Final
	Original	Final	Budgetary Basis	Budget - Positive (Negative)	Original	Final	Budgetary Basis	Budget - Positive (Negative)
REVENUES								
Taxes	\$ 2,118,356	\$ 2,105,856	\$ 2,131,844	\$ 25,988	\$ -	\$ -	\$ 64	\$ 64
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fees and fines	-	-	-	-	-	-	-	-
Investment earnings	12,500	12,500	76,685	64,185	-	-	1	1
Miscellaneous	-	3,834,411	15,469	(3,818,942)	-	-	1,055	1,055
Total revenues	2,130,856	5,952,767	2,223,998	(3,728,769)	-	-	1,120	1,120
EXPENDITURES								
Departmental:								
Streets	-	-	-	-	-	-	-	-
Animal Control/911	-	-	-	-	-	-	-	-
Economic Development	-	-	-	-	-	-	-	-
Cemetery	-	-	-	-	-	-	-	-
Park and Recreation	-	-	-	-	-	-	-	-
Capital outlay	3,683,437	7,904,587	3,539,268	4,365,319	-	-	-	-
Total Expenditures	3,683,437	7,904,587	3,539,268	4,365,319	-	-	-	-
Excess (deficiency) of revenues over expenditures	(1,552,581)	(1,951,820)	(1,315,270)	636,550	-	-	1,120	1,120
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	2,611,668	2,611,668	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	2,611,668	2,611,668	-	-	-	-
Net change in fund balances	(1,552,581)	(1,951,820)	1,296,398	3,248,218	-	-	1,120	1,120
Fund balances - beginning	1,659,234	1,659,234	1,502,771	(156,463)	86,965	86,965	111,982	25,017
Fund balances - ending	\$ 106,653	\$ (292,586)	\$ 2,799,169	\$ 3,091,755	\$ 86,965	\$ 86,965	\$ 113,102	\$ 26,137

City of Shawnee, Oklahoma
Budget versus Actual – Major Capital Project Fund
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,401,829	\$ 2,401,829	\$ 2,406,922	\$ 5,093
Intergovernmental	-	164,146	216,846	52,700
Investment earnings	26,887	25,000	37,697	12,697
Total revenues	<u>2,428,716</u>	<u>2,590,975</u>	<u>2,661,465</u>	<u>70,490</u>
EXPENDITURES				
Departmental:				
Streets	<u>7,836,842</u>	<u>9,483,316</u>	<u>3,367,712</u>	<u>6,115,604</u>
<i>Total Streets</i>	<u>7,836,842</u>	<u>9,483,316</u>	<u>3,367,712</u>	<u>6,115,604</u>
Total Expenditures	<u>7,836,842</u>	<u>9,483,316</u>	<u>3,367,712</u>	<u>6,115,604</u>
Excess (deficiency) of revenues over expenditures	<u>(5,408,126)</u>	<u>(6,892,341)</u>	<u>(706,247)</u>	<u>6,186,094</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(204,167)</u>	<u>(104,167)</u>
Total other financing sources and uses	<u>(100,000)</u>	<u>(100,000)</u>	<u>(204,167)</u>	<u>(104,167)</u>
Net change in fund balances	<u>(5,508,126)</u>	<u>(6,992,341)</u>	<u>(910,414)</u>	<u>6,081,927</u>
Fund balances - beginning	<u>5,507,458</u>	<u>5,507,458</u>	<u>6,922,386</u>	<u>1,414,928</u>
Fund balances - ending	<u>\$ (668)</u>	<u>\$ (1,484,883)</u>	<u>\$ 6,011,972</u>	<u>\$ 7,496,855</u>

STATISTICAL SECTION

**CITY OF SHAWNEE, OKLAHOMA
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS**

Description	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities:										
Invested in Capital Assets, Net of Related Debt	\$ 34,412,617	\$ 30,219,139	\$ 30,006,703	\$ 28,019,561	\$ 24,404,593	\$ 22,902,851	\$ 22,334,445	\$ 22,556,528	\$ 20,779,219	\$ 18,964,092
Restricted for (by):										
Statutory requirements	594,505	480,406	-	-	-	-	-	-	-	-
Enabling legislation	360,270	286,025	-	-	-	-	-	-	-	-
External Contracts	9,461,282	9,130,185	-	-	-	-	-	-	-	-
Capital Projects	-	-	7,248,866	8,296,269	10,172,082	8,486,974	7,346,667	5,248,848	2,223,477	2,699,108
Debt Service	-	-	86,965	59,850	137,961	135,131	132,195	126,924	132,303	136,642
Other purposes	-	-	957,074	959,671	838,005	76,062	639,937	611,006	3,522,895	4,323,936
Unrestricted	(683,959)	(1,390,170)	(1,672,770)	(567,612)	(755,666)	178,637	826,114	666,118	2,083,493	1,521,033
Total Governmental Activities Net Assets	44,144,715	38,725,585	36,626,838	36,767,739	34,796,975	31,779,655	31,279,358	29,209,424	28,741,387	27,644,811
Business-type Activities:										
Invested in Capital Assets, Net of Related Debt	32,638,524	32,163,853	27,294,813	26,879,194	25,863,941	24,677,973	23,851,645	19,117,948	18,944,499	21,355,844
Restricted for:										
Capital Projects	-	-	-	-	-	-	-	4,173,037	3,950,080	-
Debt Service	1,814,511	2,586,909	2,874,901	2,575,814	2,312,744	2,609,423	2,547,980	2,585,606	2,362,915	1,519,134
Other purposes	-	-	-	-	-	-	-	-	-	-
Unrestricted	6,223,781	2,390,406	1,851,460	1,184,219	1,248,946	1,556,562	1,543,312	209,377	323,016	3,774,507
Total Business-type Activities Net Assets	40,676,816	37,141,168	32,021,174	30,639,227	29,425,631	28,843,958	27,942,937	26,085,968	25,580,510	26,649,485
Primary Government:										
Invested in Capital Assets, Net of Related Debt (See Note 3.G.)	67,051,141	62,382,992	57,301,516	54,898,755	50,268,534	47,580,824	46,186,090	41,674,476	39,723,718	40,319,936
Restricted for:										
Statutory requirements	594,505	480,406	-	-	-	-	-	-	-	-
Enabling legislation	360,270	286,025	-	-	-	-	-	-	-	-
External Contracts	9,461,282	9,130,185	-	-	-	-	-	-	-	-
Capital Projects	-	-	7,248,866	8,296,269	10,172,082	8,486,974	7,346,667	5,248,848	6,173,557	2,699,108
Debt Service	1,814,511	2,586,909	2,961,866	2,635,664	2,450,705	2,744,554	2,680,175	2,712,530	2,495,218	1,655,776
Other purposes	-	-	957,074	959,671	838,005	76,062	639,937	611,006	3,522,895	4,323,936
Unrestricted	5,539,822	1,000,236	178,690	616,607	493,280	1,735,199	2,369,426	875,495	2,406,509	5,295,540
Total Primary Government Net Assets (3)	\$ 84,821,531	\$ 75,866,753	\$ 68,648,012	\$ 67,406,966	\$ 64,222,606	\$ 60,623,613	\$ 59,222,295	\$ 51,122,355	\$ 54,321,897	\$ 54,294,296

**CITY OF SHAWNEE, OKLAHOMA
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
<i>Governmental Activities:</i>										
General Government	\$2,379,373	\$4,101,214	\$3,944,670	\$2,846,689	\$3,439,459	\$4,636,044	\$3,449,724	\$2,336,909	\$3,309,105	\$1,901,969
Public Safety	13,248,594	12,671,815	12,634,067	12,650,222	12,853,792	8,965,391	9,620,606	8,113,937	8,406,912	7,994,454
Streets	3,164,310	2,902,751	3,124,990	3,313,461	2,842,429	1,729,075	1,808,092	5,259,587	2,572,811	2,480,379
Culture and Recreations	1,053,726	847,807	902,767	851,578	883,415	1,213,762	937,539	853,773	834,722	801,418
Culture and Recreations - payment to component unit	-	5,752	-	4,655	599,194	-	-	-	349,107	2,546,622
Community Development	639,533	1,027,018	1,021,716	570,858	749,538	848,097	791,563	685,087	1,146,625	802,714
Economic Development	1,165,368	1,072,505	997,909	1,474,623	592,707	513,047	519,386	418,162	284,397	290,193
Interest on long-term debt	-	-	218	7,839	16,720	25,093	27,099	-	-	62,078
Total governmental activities expenses	\$21,650,904	\$22,628,862	\$22,626,337	\$21,719,925	\$21,977,254	\$17,930,509	\$17,154,009	\$17,667,455	\$16,903,679	\$16,879,827
<i>Business-type activities:</i>										
Water operations	4,992,323	4,196,550	4,015,398	3,989,454	4,030,444	2,562,623	3,341,064	3,579,342	3,268,075	4,059,537
Wastewater operations	2,458,992	2,274,826	2,329,742	2,142,363	2,165,325	1,429,083	2,718,577	2,324,463	2,645,892	2,279,742
Sanitation operations	1,535,752	1,382,686	1,301,567	1,433,801	1,358,474	1,094,920	1,098,133	986,266	1,063,587	1,130,418
Administration	557,451	499,820	436,992	297,960	288,680	2,728,252	-	-	-	-
Airport (I)	1,024,896	692,458	626,785	785,268	799,978	452,740	737,099	610,242	697,304	554,090
Lake	105,398	60,293	51,677	53,066	62,568	-	-	-	-	-
Total business-type activities expenses	10,674,812	9,106,633	8,762,161	8,701,912	8,705,469	8,267,618	7,894,873	7,500,313	7,674,858	8,023,787
Total primary government expenses	32,325,716	31,735,495	31,388,498	30,421,837	30,682,723	26,198,127	25,048,882	25,167,768	24,578,537	24,903,614
Program Revenues										
<i>Governmental Activities:</i>										
Charges for Services										
General Government	189,754	171,081	158,563	189,940	209,397	341,940	346,655	94,764	500,426	290,886
Public Safety	767,900	631,702	583,013	545,105	581,769	599,235	662,280	323,472	351,535	324,579
Streets	1,175	1,400	1,050	1,775	1,425	-	-	-	-	34,774
Culture and Recreations	-	67,115	61,411	62,802	50,894	-	111,474	251,185	71,470	-
Community Development	57,516	233,204	189,168	2,708	13,062	-	-	-	-	-
Economic Development	35,362	26,438	26,438	27,208	26,438	358,729	-	-	-	-
Operating Grants and Contributions	2,272,136	2,181,109	2,199,222	2,299,687	2,741,741	907,372	1,182,899	666,854	1,115,455	963,761
Capital Grants and Contributions	278,920	121,431	202,322	211,941	1,488,846	153,661	387,037	754,884	193,196	68,939
Total governmental activities program revenues	3,602,763	3,433,480	3,421,187	3,341,166	5,113,572	2,360,937	2,690,345	2,091,159	2,232,082	1,682,939
<i>Business-type Activities:</i>										
Water operations	7,432,629	5,835,562	4,644,827	4,477,762	4,046,028	3,951,642	4,441,134	4,232,605	3,672,667	3,490,542
Wastewater operations	3,810,280	3,676,708	3,078,392	2,469,053	2,310,330	2,254,804	2,435,353	2,399,874	2,035,446	1,954,926
Sanitation operations	1,795,949	1,762,621	1,716,919	1,614,641	1,458,525	1,158,968	1,078,654	1,058,947	1,059,201	975,585
Administration	-	-	-	-	-	-	-	-	-	-
Airport	432,636	400,047	410,536	638,903	452,481	439,609	100,361	87,800	69,168	64,619
Lake	405,545	-	-	-	-	-	-	-	-	-
Operating Grants and Contributions	-	-	-	-	36,359	-	-	-	-	-
Capital Grants and Contributions	2,991,512	2,616,146	80,939	517,403	415,515	-	279,786	134,389	22,972	204,000
Total business-type activities program revenues	16,868,551	14,291,084	9,931,613	9,717,762	8,719,238	7,805,023	8,335,288	7,913,615	6,859,454	6,689,672
Total primary government program revenues	20,471,314	17,724,564	13,352,800	13,058,928	13,832,810	10,165,960	11,025,633	10,004,774	9,091,536	8,372,611

continued

CITY OF SHAWNEE, OKLAHOMA
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(continued)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net (Expenses) Revenues										
<i>Governmental Activities</i>	(\$18,048,141)	(\$19,195,382)	(\$19,205,150)	(\$18,378,759)	(\$16,863,682)	(\$15,569,572)	(\$14,463,664)	(\$15,576,296)	(\$14,671,597)	(\$15,196,888)
<i>Business-type Activities</i>	6,193,739	5,184,451	1,169,452	1,015,850	13,769	(462,595)	440,415	413,302	(815,404)	(1,334,115)
Total Primary Government Net (Expenses)	(11,854,402)	(14,010,931)	(18,035,698)	(17,362,909)	(16,849,913)	(16,032,167)	(14,023,249)	(15,162,994)	(15,487,001)	(16,531,003)
General Revenues and Other Changes in Net Assets										
<i>Governmental Activities:</i>										
Taxes:										
Sales and Use taxes	17,414,169	17,069,349	16,089,350	16,697,240	16,386,142	15,239,586	14,517,341	14,175,558	13,294,349	12,773,100
Franchise and public service taxes	1,676,956	1,600,612	1,597,577	1,637,161	1,505,547	1,515,091	1,618,472	1,408,468	1,455,739	1,347,189
Hotel/motel taxes	472,590	404,690	362,134	376,992	416,212	-	-	-	-	96,260
Property taxes	74,309	10,884	59,523	72,782	198,557	-	-	-	-	84,581
Payment in lieu of taxes	1,054	24,494	26,892	26,544	21,924	-	-	-	-	-
Intergovernmental revenue	599,819	580,115	430,593	438,485	444,782	702,728	718,626	956,917	491,525	370,559
Investment Income	107,032	98,567	136,762	275,010	543,683	565,917	298,249	64,491	64,158	150,770
Miscellaneous	238,110	1,063,067	255,067	268,718	377,960	344,333	410,639	-	113,843	137,891
Special item	-	-	-	-	-	-	-	-	-	(131,275)
Transfers - Internal Activity	2,883,232	442,351	106,351	169,788	(116,253)	(584,309)	(1,029,729)	(561,101)	348,559	236,149
Total Governmental Activities	23,467,271	21,294,129	19,064,249	19,962,720	19,778,554	17,783,346	16,533,598	16,044,333	15,768,173	15,065,224
<i>Business-type Activities:</i>										
Intergovernmental revenue	-	-	-	-	-	-	-	-	-	-
Investment Income	59,279	72,965	84,007	160,629	187,924	234,806	243,736	122,170	79,135	142,345
Miscellaneous	165,862	304,929	234,839	206,905	237,407	818,938	216,640	351,099	15,853	73,060
Transfers - Internal Activity	(2,883,232)	(442,351)	(106,351)	(169,788)	116,253	34,309	479,729	(381,113)	(348,559)	(236,149)
Total Business-type Activities	(2,658,091)	(64,457)	212,495	197,746	541,584	1,088,053	940,105	92,156	(253,571)	(20,744)
Total Primary Government	20,809,180	21,229,672	19,276,744	20,160,466	20,320,138	18,871,399	17,473,703	16,136,489	15,514,602	15,044,480
Change in Net Assets										
<i>Governmental Activities</i>	5,419,130	2,098,747	(140,901)	1,583,961	2,914,872	2,213,774	2,069,934	468,037	1,096,576	(131,664)
<i>Business-type Activities</i>	3,535,648	5,119,994	1,381,947	1,213,596	555,353	625,458	1,380,520	505,458	(1,068,975)	(1,354,859)
Total Primary Government	\$8,954,778	\$7,218,741	\$1,241,046	\$2,797,557	\$3,470,225	\$2,839,232	\$3,450,454	\$973,495	\$27,601	(\$1,486,523)

**CITY OF SHAWNEE, OKLAHOMA
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund:										
Nonspendable	\$ 347,288	\$ 291,531	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -
Assigned	296,021	301,250	-	-	-		-	-	-	-
Reserved for:										
Grant Programs	-	-	-	-	-		-	-	-	8,005
Encumbrances	-	-	-	39,937	18,194	3,410	18,194	12,035	42,261	55,480
Unreserved/Unassigned	5,616,811	4,853,199	4,011,671	4,095,821	4,009,538	3,453,674	3,944,537	3,343,604	2,495,688	2,543,205
Total General Fund	6,260,120	5,445,980	4,011,671	4,135,758	4,027,732	3,457,084	3,962,731	3,355,639	2,537,949	2,606,690
Other Governmental Funds:										
Restricted	10,416,057	9,896,589	-	-	-		-	-	-	-
Assigned	132,414	73,859	-	-	-		-	-	-	-
Reserved for:										
Encumbrances	-	-	117,309	542,749	5,631,788	337,846	242,869	521,302	1,411,877	647,532
Specific Programs	-	-	-	-	-		-	-	-	71,901
Unreserved/Unassigned	(81,736)	-	-	-	4,464,142	-	-	-	-	5,692,231
Unreserved, reported in:										
Special revenue funds	-	-	1,513,546	1,469,115	1,445,793	1,100,959	1,070,434	989,751	659,025	857,733
Debt Service Fund	-	-	86,965	59,850	136,323	135,131	-	-	132,303	142,440
Capital project funds	-	-	7,318,789	7,660,083	76,152	8,150,244	7,554,354	5,248,848	3,833,844	68,254
Total Other Governmental Funds	10,466,735	9,970,448	9,036,609	9,731,797	11,754,198	9,724,180	8,867,657	6,759,901	6,037,049	7,480,091
Total Governmental Funds	\$ 16,726,855	\$ 15,416,428	\$ 13,048,280	\$ 13,867,555	\$ 15,781,930	\$ 13,181,264	\$ 12,830,388	\$ 10,115,540	\$ 8,574,998	\$ 10,086,781

**CITY OF SHAWNEE, OKLAHOMA
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Taxes	\$20,155,296	\$19,590,377	\$18,484,761	\$19,170,757	\$18,897,132	\$17,455,386	\$16,659,668	\$15,584,026	\$14,632,116	\$14,219,706
Intergovernmental	2,409,100	2,442,911	2,422,824	2,182,322	3,148,971	1,061,033	151,634	1,746,852	1,800,176	1,256,652
Charges for services	159,006	168,284	224,092	228,847	224,216	525,162	585,129	403,474	149,261	315,573
Fines and forfeitures	748,028	633,498	574,426	491,799	515,603	474,926	1,975,193	294,958	351,535	321,486
Licenses and permits	198,708	249,873	235,284	277,058	285,973	301,348	277,148	251,185	437,140	199,571
Investment income	107,032	98,567	136,762	275,010	543,685	565,916	198,049	64,531	64,079	150,770
Miscellaneous	358,070	1,115,857	308,954	309,584	491,578	342,809	403,444	316,654	254,311	231,222
Total Revenues	24,135,240	24,299,367	22,387,103	22,935,377	24,107,158	20,726,580	20,250,265	18,661,680	17,688,618	16,694,980
Expenditures:										
Current:										
General Government	2,883,922	2,643,601	2,491,400	2,672,962	2,654,959	2,131,579	2,281,059	2,080,964	2,712,167	1,772,199
Community development	-	-	-	-	-	-	-	-	249,625	829,145
Engineering	404,537	366,063	390,833	345,890	303,043	313,669	-	-	-	-
Equipment and building maint.	397,130	1,226,244	410,296	410,968	413,776	341,857	5,207,351	4,209,209	4,354,226	-
Public Safety	-	-	-	-	-	-	3,384,371	3,556,724	3,361,133	7,564,015
Police	5,394,473	5,034,358	5,140,053	5,223,680	5,144,221	4,749,032	-	-	-	-
Fire	4,975,816	4,955,006	4,857,050	4,884,044	4,456,027	3,545,745	-	-	-	-
Municipal court	526,446	317,158	297,203	304,204	286,991	274,146	-	-	-	-
Emergency management	294,832	354,718	275,706	290,604	799,218	205,634	-	-	-	-
Streets	1,313,338	1,154,277	1,251,742	1,230,264	1,203,148	1,934,037	1,637,176	1,893,669	2,019,774	1,797,586
Parks and recreation	604,401	473,253	562,637	935,411	505,800	478,977	-	-	-	-
Culture and recreation	122,993	146,872	139,185	143,015	883,338	661,310	723,149	1,195,600	1,567,329	623,421
Animal control/E911	872,447	876,626	826,245	862,485	753,268	668,225	-	-	-	-
Cemetery	183,744	182,756	198,790	207,516	194,136	173,732	-	-	-	-
Library	44,907	4,292	76,011	44,705	36,134	63,184	-	-	-	-
Economic development	1,652,548	1,924,825	1,801,203	1,468,533	1,143,644	1,215,630	1,198,308	586,786	633,504	290,193
Capital outlay	6,910,780	2,713,521	4,572,715	5,702,810	2,654,516	1,322,773	1,599,231	2,768,551	4,378,904	5,345,703
Debt service:										
Principal retirement	77,746	-	21,448	187,032	181,429	199,621	247,944	238,621	235,385	230,676
Interest and fiscal charges	6,853	-	218	6,216	16,720	24,818	27,099	29,909	36,914	56,615
Total Expenditures	26,666,913	22,373,570	23,312,735	24,920,339	21,630,368	18,303,969	16,305,688	16,560,033	19,548,961	18,509,553
Excess of revenues over(under) expenditures	(2,531,673)	1,925,797	(925,632)	(1,984,962)	2,476,790	2,422,611	3,944,577	2,101,647	(1,860,343)	(1,814,573)
Other Financing Sources (Uses):										
Transfers in	4,377,829	1,958,740	1,541,768	1,695,166	1,894,869	1,470,166	1,543,768	1,744,999	1,912,030	1,919,647
Transfers out	(1,494,597)	(1,516,389)	(1,435,417)	(1,613,815)	(1,861,021)	(2,054,475)	(2,773,497)	(2,306,101)	(1,563,471)	(1,527,296)
Capital Lease/bond proceeds	958,868	-	-	-	-	-	-	-	-	38,667
Loss on forgiveness of debt	-	-	-	-	-	-	-	-	-	(131,275)
Transfer to component unit	-	-	-	-	-	-	-	-	-	(376,927)
Total Other Financing Sources (Uses)	3,842,100	442,351	106,351	81,351	33,848	(584,309)	(1,229,729)	(561,102)	348,559	(77,184)
Net change in fund balances	\$1,310,427	\$2,368,148	(\$819,281)	(\$1,903,611)	\$2,510,638	\$1,838,302	\$2,714,848	\$1,540,545	(\$1,511,784)	(\$1,891,757)
Debt Service as a Percentage of Non-Capital Expenditures	0.42%	0.00%	0.11%	1.01%	1.01%	1.32%	1.87%	1.95%	1.79%	2.18%

(1) This schedule reports using the modified accrual basis of accounting.

**CITY OF SHAWNEE, OKLAHOMA
SALES & USE TAX RATES
OF DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years**

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
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%	0.3875%	0.3875%	0.3875%	0.3875%
Street Improvement Fund	0.4375%	0.4375%	0.4375%	0.4375%	0.4375%	0.4375%	0.4375%	0.4375%	0.4375%	0.4375%
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%	0.0625%	0.0625%	0.0625%	0.0625%
Fire Sales Tax Fund	0.0625%	0.0625%	0.0625%	0.0625%	0.0625%	0.0625%	0.0625%	0.0625%	0.0625%	0.0625%
Debt Service										
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 (3)	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
State of Oklahoma (3)	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%	8.5000%	8.5000%
Use Tax Rates (3)	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 rate is the City of Shawnee Annual budget.

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

(3) 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
Sales Taxes Collected by SIC Code
Last Ten Fiscal Years

Group	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Merchandise Store	\$ 4,904,233	\$ 4,692,833	\$ 4,661,988	\$ 482,796	\$ 4,831,451	\$ 4,651,133	\$ 4,588,355	\$ 4,115,395	\$ 3,128,861	\$ 3,232,288
Eating & Drinking Places	2,472,367	2,372,790	2,169,972	2,258,786	2,143,303	1,957,451	1,848,354	1,729,412	1,622,235	1,547,108
Building Materials	1,412,234	1,441,974	1,338,022	1,483,745	1,436,831	1,396,424	1,455,494	1,422,809	1,399,657	1,332,749
Misc Retail	1,130,506	1,082,998	1,067,314	1,073,938	1,125,625	1,065,943	931,147	941,590	1,014,466	989,555
Electric, Gas & Sanitary Services	986,561	933,716	958,781	970,405	877,818	895,773	896,846	767,760	775,998	762,174
Food Store	806,210	769,742	738,221	793,742	816,576	779,743	775,220	941,984	1,299,888	1,352,657
Wholesale Trade-Durable Goods	851,604	769,824	692,741	828,669	789,066	740,733	721,095	633,102	554,296	460,735
Furniture, Home Furnishing & Equipment	870,710	1,033,279	734,171	559,042	568,672	506,054	493,741	453,710	452,759	440,910
Communications	567,703	542,744	561,816	572,533	588,055	557,018	490,117	502,391	493,583	486,232
Automotive Dealers & Gas Station	585,220	571,325	554,735	548,965	556,794	465,366	440,890	499,849	461,822	464,296
Apparel & Accessory Store	731,970	729,222	693,555	694,270	598,070	445,551	376,345	384,562	358,186	363,852
Business Services	224,021	212,389	199,479	187,553	230,454	246,308	185,277	182,972	196,055	202,133
Hotel	280,227	237,085	218,811	206,041	245,658	210,273	139,904	141,082	145,140	135,106
Motion Picture	127,510	118,767	126,970	124,899	125,829	132,729	128,160	122,508	135,726	119,682
Automotive Repair Services	126,435	114,100	109,150	100,768	98,071	104,790	109,206	117,899	115,177	106,984
Wholesale Trade-Nondurable Goods	105,608	95,120	93,551	127,252	82,109	94,104	103,206	85,856	89,639	87,820
	<u>\$ 16,183,119</u>	<u>\$ 15,717,908</u>	<u>\$ 14,919,277</u>	<u>\$ 11,013,404</u>	<u>\$ 15,114,382</u>	<u>\$ 14,249,393</u>	<u>\$ 13,683,357</u>	<u>\$ 13,042,881</u>	<u>\$ 12,243,488</u>	<u>\$ 12,084,281</u>
Total Sales Taxes	\$ 16,183,119	\$ 15,717,908	\$ 14,919,277	\$ 11,013,404	\$ 15,114,382	\$ 14,249,393	\$ 13,683,357	\$ 13,042,881	\$ 12,243,488	\$ 12,084,281
Percent Change	2.96%	5.35%	35.46%	-27.13%	6.07%	4.14%	4.91%	6.53%	1.32%	

CITY OF SHAWNEE, OKLAHOMA
Water and Sewer Rates
Last Five 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	1,000,001 - 2,000,000	More than 2,000,000	Monthly Base Rate	More than 1,000
2012	\$ 18.15	\$ 3.79	\$ 3.89	\$ 3.99	\$ 4.09	\$ 11.60	\$ 2.85
2011	\$ 11.05	\$ 3.69	\$ 3.79	\$ 3.89	\$ 3.99	\$ 11.25	\$ 2.80
2010	\$ 7.30	\$ 3.69	\$ 3.79	\$ 3.89	\$ 3.88	\$ 9.95	\$ 2.75
2009	\$ 6.21	\$ 3.42	\$ 3.15	\$ 2.63	\$ 2.57	\$ 5.91	\$ 2.75
2008	\$ 6.21	\$ 3.42	\$ 3.15	\$ 2.63	\$ 2.57	\$ 5.91	\$ 2.75

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	1,000,001 - 2,000,000	More than 2,000,000	Monthly Base Rate	More than 1,000
2012	\$ 22.69	\$ 3.79	\$ 3.89	\$ 3.99	\$ 4.09	\$ 17.40	\$ 4.28
2011	\$ 14.41	\$ 5.54	\$ 5.69	\$ 5.84	\$ 5.99	\$ 16.88	\$ 4.20
2010	\$ 10.66	\$ 5.53	\$ 5.63	\$ 5.73	\$ 5.83	\$ 14.93	\$ 4.13
2009	\$ 9.32	\$ 5.13	\$ 4.73	\$ 3.95	\$ 3.86	\$ 8.87	\$ 4.13
2008	\$ 9.32	\$ 5.13	\$ 4.73	\$ 3.95	\$ 3.86	\$ 8.87	\$ 4.13

CITY OF SHAWNEE, OKLAHOMA
Water Utility User Categories
Last Four Fiscal Years

Type of Customer	2012		2011		2010		2009	
	Consumption		Consumption		Consumption		Consumption	
	Gallons	Sales	Gallons	Sales	Gallons	Sales	Gallons	Sales
Residential								
Builder	1,722,100	\$ 13,978	2,067,500	\$ 12,840	2,673,200	\$ 12,506	1,709,800	\$ 8,766
Residential	642,064,200	4,179,606	599,961,400	3,136,708	584,991,300	2,576,449	581,647,900	2,470,088
Residential Sprinkler	12,400,500	60,416	9,287,000	41,788	7,645,800	31,194	6,414,900	25,936
Commercial								
Commercial	303,160,700	1,439,649	290,369,000	1,246,418	268,495,700	1,044,821	273,200,600	985,253
Commercial Sprinkler	26,836,000	123,299	22,568,300	95,866	18,908,400	72,007	17,792,500	64,621
Schools	10,306,100	45,813	9,258,500	39,229	9,796,700	36,921	9,241,100	32,702
Schools Sprinkler	14,235,900	57,426	11,352,100	44,046	2,980,800	10,669	1,231,500	4,453
G Rate	261,300,300	1,046,259	206,752,700	802,388	220,076,200	762,770	215,248,600	660,769
Government	5,744,300	10,018	4,955,900	7,079	4,551,000	7,731	4,927,500	8,099
Total	<u>1,277,770,100</u>	<u>\$ 6,976,464</u>	<u>1,156,572,400</u>	<u>\$ 5,426,361</u>	<u>1,120,119,100</u>	<u>\$ 4,555,067</u>	<u>1,111,414,400</u>	<u>\$ 4,260,687</u>
Average Rate per Thousand		5.460%		4.692%		4.067%		3.834%

CITY OF SHAWNEE, OKLAHOMA

Construction Permits

Last Ten Fiscal Years



Commercial Construction (1)			Residential Construction (1)		
Year	Number of Permits	Construction Cost	Number of Permits	Construction Cost	Average Cost
2012	122	\$ 8,674,766.00	671	\$19,973,939	\$29,767
2011	180	\$ 16,704,983.00	855	\$20,775,488	\$24,299
2010	195	\$ 13,920,247.00	808	\$11,602,808	\$14,360
2009	146	\$ 12,077,999.00	646	\$14,171,299	\$21,937
2008	134	\$ 16,322,003.00	582	\$16,361,270	\$28,112
2007	145	\$ 37,050,972.00	762	\$22,853,460	\$29,991
2006	143	\$ 36,101,072.00	801	\$17,642,336	\$22,025
2005	290	\$ 211,317,624.00	1,132	\$20,008,946	\$17,676
2004	346	\$ 21,622,714.00	1,342	\$15,314,597	\$11,412
2003	152	\$ 5,969,733.00	544	\$7,237,745	\$13,305

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

(2) The year 2012 includes data through the month of October 16

CITY OF SHAWNEE, OKLAHOMA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

GOVERNMENTAL ACTIVITIES				Business-Type Activities	
FISCAL YEAR	GENERAL OBLIGATION BONDS	CAPITAL LEASE	NOTE PAYABLE	NOTE PAYABLE	
2012	-	-	\$ 881,122	\$	24,533,255
2011	-	-	-		23,558,763
2010	-	-	-		17,823,972
2009	-	\$ 21,448	-		19,170,489
2008	\$ 100,000	128,072.00	-		20,580,038
2007	200,000	209,501	-		21,254,302
2006	300,000	309,123	-		22,541,241
2005	400,000	451,548	-		23,789,805
2004	500,000	282,296	-		24,812,395
2003	600,000	509,023	-		25,841,759

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial state
See the Demographic Statistic for personal income and population data.

CITY OF SHAWNEE, OKLAHOMA
DEBT COVERAGE
Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Direct Operating Expenses (1)	Net Revenue Available for Debt Service	Bond Indenture Requirement		
				Average Annual Debt Service	Calculated Coverage	Required Coverage
2012	\$10,744,073	\$4,843,247	\$5,900,826	\$2,005,087	2.94	1.25
2011	9,317,810	4,365,640	4,952,170	1,769,509	2.80	1.25
2010	7,564,314	4,323,215	3,241,099	1,526,008	2.12	1.25
2009	6,761,830	4,117,014	2,644,816	1,533,872	1.72	1.25
2008	6,106,377	4,097,162	2,009,215	1,428,630	1.41	1.25
2007	6,206,446	3,991,706	2,214,740	1,533,200	1.44	1.25
2006	7,329,637	3,956,695	3,372,942	1,533,200	2.20	1.25
2005	7,022,978	3,784,262	3,238,716	2,244,466	1.44	1.25
2004	5,805,292	3,883,057	1,922,235	1,533,200	1.25	1.25
2003	5,635,272	3,654,081	1,981,191	1,533,200	1.29	1.25

(1) Direct operating expenses exclude amortization, depreciation and bad debt expenses.

(2) Gross revenues included pledged revenues of water, sewer and sales tax.

CITY OF SHAWNEE, OKLAHOMA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Year	Population (3)	Personal Income	Per Capita Personal Income (1)	Unemployment Rate (2)
2012	30,481	714261	23433	4.8
2011	30,212	\$593,363	\$19,640	5.5
2010	29,857	593,258	19,870	6.1
2009	28,692	585,374	20,402	6.1
2008	29,710	594,259	20,002	3.5
2007	29,750	794,695	22,450	4.9
2006	29,944	779,113	26,019	4.8
2005	29,824	763,822	25,611	5.6
2004	29,746	712,714	23,960	4.9
2003	29,731	670,821	22,563	6

(1) Information obtained from the U.S. Census Bureau and the Oklahoma Department of Commerce.

(2) Information obtained from the Oklahoma Employment Security Commission, for the Oklahoma City metropolitan area.

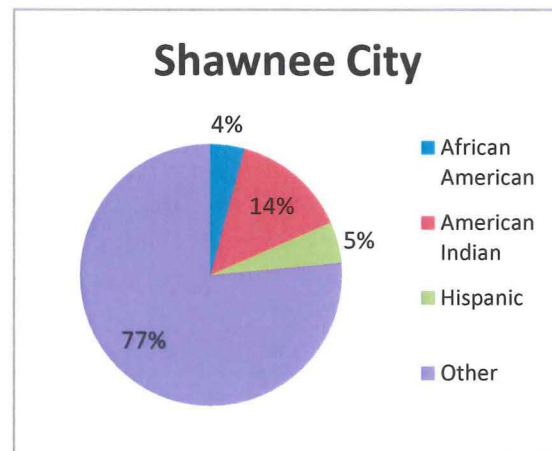
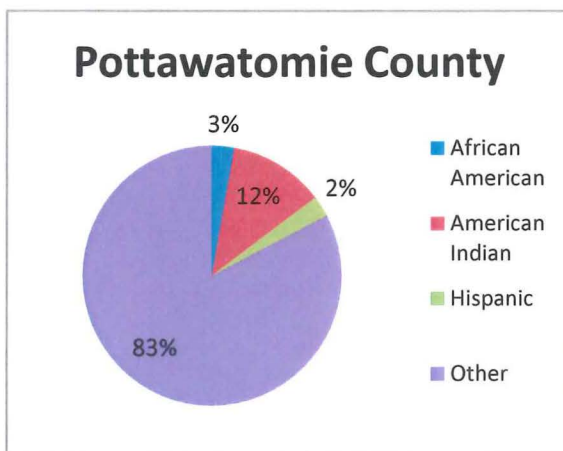
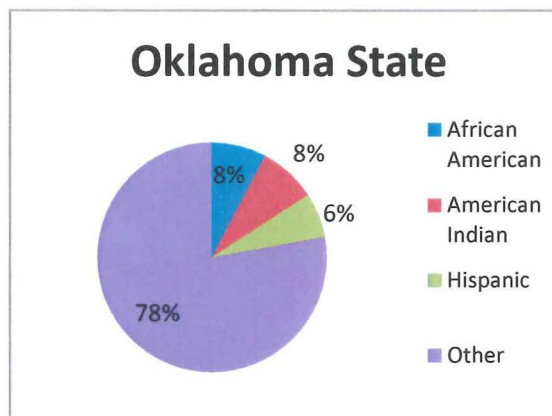
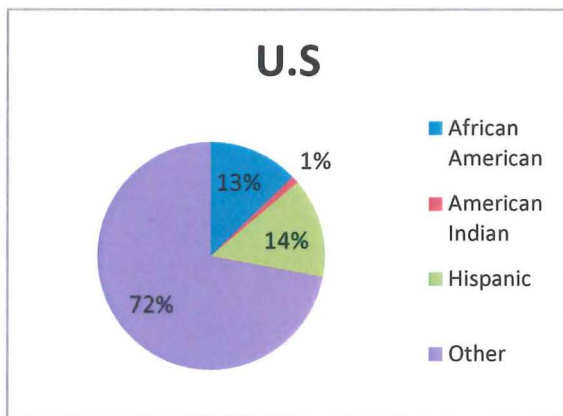
(3) Population for 2010-2012 is from the 2010 Census. Information from 2003-2009 is estimates by the Oklahoma

CITY OF SHAWNEE, OKLAHOMA

Ethnic Demographic Statistics

Comparative Ethnic Percentage Population

	U.S	Oklahoma State	Pottawatomie County	Shawnee City
African American	12.80%	7.70%	2.80%	4.10%
American Indian	1.00%	8.10%	11.90%	12.80%
Hispanic	14.10%	6.30%	2.60%	2.70%
Other	72.10%	77.90%	82.70%	80.40%
	100.00%	100.00%	100.00%	100.00%



Data provided by the U.S. Census Bureau

**Top
PRINCIPAL EMPLOYERS
Current year and Nine years ago**

	2012			2003		
	Employees	RANK	% of Total Employment	Employees	RANK	% of Total Employment
Citizens Potawatomi Nation	1,945	1	8.31%	750	1	3.51%
Wolverine Tube	600	2	2.56%	450	6	2.11%
St Anthony's	497	3	2.12%	650	2	3.04%
Shawnee Public Schools	490	4	2.09%	600	3	2.81%
George Fischer	414	5	1.77%	-	-	0.00%
Walmart	400	6	1.71%	300	10	1.40%
Oklahoma Baptist	352	7	1.50%	400	7	1.87%
Eaton Corporation	352	8	1.50%	400	8	1.87%
Exxon Mobil	350	9	1.50%	500	4	2.34%
Absentee Shawnee	326	10	1.39%	-	-	0.00%
TDK Ferrites	-	-	-	350	9	1.64%
Central Plastic	-	-	-	500	5	2.34%
	<u>5,726</u>		<u>24.46%</u>	<u>4,050</u>		<u>18.97%</u>

CITY OF SHAWNEE, OKLAHOMA
Full-Time Equivalent City Government Employees by Function / Program
Last Ten Fiscal Years
Full-Time Equivalent Employees as of June 30

FUNCTION / PROGRAM	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Government:										
Management Services	10.0	9.0	8.5	9.5	9.5	10.5	9.0	10.0	9.0	10.0
Finance	5.0	5.0	5.0	3.5	6.0	4.0	6.0	8.0	9.0	9.0
Planning	9.5	8.0	7.0	7.0	6.0	6.0	7.0	5.0	6.0	5.0
Other	13.0	12.0	11.5	10.0	13.0	13.0	10.5	5.0	5.0	5.0
Police:										
Officers	57.0	54.0	51.0	56.0	52.0	54.0	49.0	50.0	50.0	54.0
Civilians	21.5	21.5	21.0	19.0	20.0	18.5	19.0	19.0	20.0	20.0
Fire:										
Firefighters and Officers	43.0	46.0	45.0	48.0	49.0	47.0	49.0	47.0	50.0	49.0
Civilians	3.0	3.0	3.0	3.0	2.0	3.0	2.0	3.0	3.0	4.0
Other Public Works:										
Engineering	4.0	4.0	4.0	4.0	3.0	4.0	4.0	4.0	5.0	5.0
Other	21.0	22.0	21.0	21.0	23.0	24.5	22.0	23.0	26.0	26.0
Redevelopment	3.0	3.5	3.0	3.0	3.0	4.0	4.0	4.0	4.0	4.0
Parks and Recreation	23.0	20.0	19.0	23.0	24.0	23.0	23.0	24.0	23.0	23.0
Water	33.0	32.0	30.0	30.0	28.0	28.0	31.0	27.0	28.0	32.0
Wastewater	19.0	19.5	19.0	19.0	19.0	18.0	17.0	18.0	21.0	21.0
Total	<u>265.0</u>	<u>259.5</u>	<u>248.0</u>	<u>256.0</u>	<u>257.5</u>	<u>257.5</u>	<u>252.5</u>	<u>247.0</u>	<u>259.0</u>	<u>267.0</u>

CITY OF SHAWNEE, OKLAHOMA
Operating Indicators
Last Ten Fiscal Years

FUNCTION / PROGRAM	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Police:										
Physical Arrests	1,944	1,985	1,347	1,117	1,734	1,888	1,456	1,290	1,229	1,096
Total Parking and Traffic Citations	5,355	7,747	6,518	6,770	6,381	7,327	6,484	4,891	4,233	4,458
Fire:										
Emergency Responses	3,212	4,426	4,390	4,107	4,071	3,762	3,613	2,648	3,127	2,978
Fires Extinguished	227	330	214	242	377	278	541	328	315	360
Inspections	12	61	107	23	25	27	214	150	175	251
Other Public Works:										
Street Resurfacing (Lane Blocks)	172	150	162	145	258	229	69	279	130	116
Potholes Repaired	891	1,162	996	1,074	1,980	2,455	739	4,000	3,900	3,900
Water:										
New Connections	2,618	2,458	2,097	2,353	43	28	87	312	312	312
Water Main Breaks	97	241	138	77	79	93	66	145	145	145
Average Daily Consumption (thousands of gallons)	4,671	4,341	3,793	3,822	4,235	3,694	4,066	3,500	3,500	3,500
Peak Daily Consumption (thousands of gallons)	7,624	6,990	6,140	6,879	6,979	4,999	8,167	7,500	7,500	7,500
Wastewater:										
Average Daily Sewer Treatment (thousands of gallons)	1,543	1,456	1,315	1,296	2,943	3,245	1,471	2,600	2,600	2,600

* MGD Million gallons per day

CITY OF SHAWNEE, OKLAHOMA
SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES

June 30, 2012

CITY OF SHAWNEE, OKLAHOMA

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
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ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements 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 (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 25, 2013. Our report includes a reference to 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. Other auditors audited the financial statements of the Shawnee Civic & Cultural Development Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described as Finding 12-03 in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described as Findings 12-01 and 12-02 in the accompanying schedule of findings and questioned costs.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Commission, management, others within the City, 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.


Edmond, Oklahoma
January 23, 2013

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

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

Compliance

We have audited the City of Shawnee, Oklahoma's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City'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'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 of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described as Findings 12-04 and 12-05 in the accompanying schedule of findings and questioned costs.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described as Findings 12-04 and 12-05 in the accompanying schedule of findings and questions costs. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

Schedule of Expenditure of Federal Awards

We have audited the financial statements 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 as of and for the year ended June 30, 2012, and have issued our report thereon dated January 25, 2013, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of the City Commission, management, others within the City, 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.


Edmond, Oklahoma
January 25, 2013

CITY OF SHAWNEE, OKLAHOMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Department of Housing and Urban Development		
Community Development Block Grants/Entitlement Grants	14.218	\$304,104
Passed-through Oklahoma Department of Commerce		
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	2,062
<i>Total Department of Housing and Urban Development</i>		<u>306,166</u>
Department of Commerce		
Investments for Public Works and Economic Development Facilities	11.300	325,000
<i>Total Department of Commerce</i>		<u>325,000</u>
Department of Transportation		
Airport Improvement Program	20.106	3,260,177
Passed-through Oklahoma Department of Public Safety		
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	20.614	1,992
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	8,581
State and Community Highway Safety	20.600	14,994
Passed-through Oklahoma Dept. of Transportation		
ARRA - Highway Planning and Construction	20.205	231,646
<i>Total Department of Transportation</i>		<u>3,517,390</u>
Department of Justice		
Bulletproof Vest Partnership Program	16.607	11,545
ARRA-Public Safety Partnership and Community Policing Grants	16.710	130,803
Edward Byrne Memorial Justice Assistance Grant Program	16.738	25,277
<i>Total Department of Justice</i>		<u>167,625</u>

CITY OF SHAWNEE, OKLAHOMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Cont'd)
Year Ended June 30, 2012

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Department of Homeland Security		
Assistance to Firefighters Grant	97.044	26,797
Passed-through Oklahoma Department of Emergency Management		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	89,814
Emergency Management Performance Grants	97.042	44,834
Passed-through Oklahoma Office of Homeland Security		
Citizens-Community Resilience Innovation Challenge	97.053	2,245
Non-Profit Security Program	97.008	8,750
<i>Total Department of Homeland Security</i>		<u>172,440</u>
<i>Total Expenditures of Federal Awards</i>		<u><u>\$4,488,621</u></u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the City under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with requirements of the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards are reported on the basis of accounting consistent with the definition of federal awards expended in paragraph 205 of OMB Circular A-133.

CITY OF SHAWNEE, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

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? _____ yes X no
Significant deficiency(ies) identified
not considered to be material weaknesses? X yes _____ none reported

Noncompliance material to financial statements noted? X yes _____ no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? _____ yes X no
Reportable condition(s) identified
not considered to be material weakness(es)? X yes _____ 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
OMB Circular A-133, Section .510(a)? X yes _____ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
11.300	Investments for Public Works and Economic Development Facilities
20.106	Airport Improvement Program
14.218	Community Development Block Grants – Entitlement Grants

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

Auditee qualified as low-risk auditee? _____ yes X no

CITY OF SHAWNEE, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

See findings 12-01 and 12-02

Internal Control Findings

See finding 12-03

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

See findings 12-04 and 12-05

Internal Control Findings

See findings 12-04 and 12-05

CITY OF SHAWNEE, OKLAHOMA

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Finding 12-01 – Budgeted Appropriations

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

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

<u>Fund</u>	<u>Department</u>	<u>Amount</u>
Sister Cities	Library	\$40,407
Street and Alley Fund	Streets	71,293
Hotel/Motel Fund	Economic Development	100,139

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

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

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

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

CITY OF SHAWNEE, OKLAHOMA

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd)
Year Ended June 30, 2012

Finding 12-02 – Fund Balance

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

Condition: The City's Street and Alley Fund reports a deficit fund balance of \$81,736.

Cause: Increases in costs and numbers of street lights maintained without an offsetting increase in funds.

Effect or Potential Effect: Negative fund balance is an indicator of financial stress on the City, and can lead to cuts in services, increases in rates, or the inability of the City to effectively manage its cash flows and honor its financial obligations in a timely manner.

Recommendation: We recommend that the City put procedures in place to ensure that fund balances be monitored and spending constrained or the City reimburse this fund from other sources.

Management's Response: The City will make this fund whole and in the future make sure this fund is watched closely to ensure it does not have a negative fund balance at June 30. The source of revenue is from the State of Oklahoma. This Fund pays for the City street lights. Historically, this fund carried a fund balance. However, with the cost of electricity on the rise and the addition of street lights over time this fund cannot sustain that expense any longer. For fiscal 2013, the fund will be balanced with General Fund revenue.

CITY OF SHAWNEE, OKLAHOMA

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd)
Year Ended June 30, 2012

Finding 12-03 – Grant Revenue and Expenditure Reporting

Criteria: Reporting Federal expenditures is determined when the Federal awards are expended. CFR 29 99.205 states the determination of when an award is expended should be based on when the activity related to the award occurs. Additionally, generally accepted accounting principles, as promulgated by *Governmental Accounting Standards Board* Statement No. 33 states, in brief, that for reimbursement driven grants, grant revenue should be recognized at the time the qualifying grant expenditures are incurred.

Condition: While testing for compliance under Circular No. A-133, we noted that with regards to the Investments for Public Works and Economic Development Facilities (EDA) grant (CFDA #11.300), 10 out of 12 expenditure transactions were incurred and paid in the fiscal year 2011. No related grant revenue was accrued and recorded in the fiscal year 2011 financial statements in relation to these expenditures.

Cause and Effect: Due to a lack of controls over financial reporting, grant expenditures incurred and paid in the prior year were not appropriately reported in the Schedule of Expenditures of Federal Awards (SEFA) for the fiscal year ending June 30, 2011, but instead are reported in the SEFA for the fiscal year ending June 30, 2012. Additionally, federal grant revenue related to the grant expenditures incurred in the fiscal year ending June 30, 2011 was not appropriately reported in the financial statements for the fiscal year ending June 30, 2011, but instead is reported in the financial statements for the year ending June 30, 2012.

Recommendation: We recommend the City develop and implement control procedures to ensure that Federal grant expenditures and grant revenues are properly recorded to ensure the accurate preparation of the Schedule of Expenditure of Federal awards as well as to ensure the proper reporting of federal grant revenue in the financial statements of the City.

Management's Response: The Finance Department is working to centralize the grant recordkeeping process. In the future, grant expenditures will be tracked more closely and request for reimbursements filed in a timely fashion to ensure federal expenditures are reported in the proper period. In addition, the request will be reviewed by finance prior to filing with the federal agency to ensure the requests are accurate and comply with the requirements of the federal programs.

CITY OF SHAWNEE, OKLAHOMA

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd)
Year Ended June 30, 2012

Finding 12-04 – Drawdowns of Federal Grants

Federal Program: CFDA# 20.106 – Airport Improvement Program

Criteria: OMB Circular A-133 § ___.500(d) requires tests for compliance with the requirements related to Federal programs contained in the A-133 compliance supplement. The compliance testing shall include tests of reimbursed federal funds. 31 CFR section 205.12(b)(5) requires that program expenses be paid with entity funds prior to the entity requesting reimbursement from the Federal Government.

Condition: The grant awards are paid on a reimbursement basis. The City of Shawnee requested federal funds before the costs had been paid. 11 of 11 drawdowns tested requested federal funds before the costs had been paid by the City.

Questioned Costs: None

Cause and Effect: The City failed to follow the Federal grant drawdown guidelines applicable to reimbursement type grants. Therefore, the federal agency may require repayment of federal funds and/or any additional incurred interest could be applied as a result of receiving reimbursed funds before the costs were paid by the City.

Recommendation: We recommend procedures be established to ensure costs are paid before submitting a request for reimbursement of funds.

Management's Response: Management disagrees with this finding. The Scope of work for the architect/engineering firm was responsible for the reporting and drawdowns for this project. The Finance Department is working to centralize the grant recordkeeping process. In the future, grant expenditures will be tracked more closely and request for reimbursements filed in a timely fashion to ensure federal expenditures are reported in the proper period. In addition, the request will be reviewed by finance prior to filing with the federal agency to ensure the requests are accurate and comply with the requirements of the federal programs.

CITY OF SHAWNEE, OKLAHOMA

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd)
Year Ended June 30, 2012

Finding 12-05 - Reporting

Federal Program: CFDA# 20.106 – Airport Improvement Program

Criteria: The compliance tests include whether or not the proper reports are submitted to the federal agency. This includes *Federal Financial Reports*. In addition, a letter to the City of Shawnee from the Southwest Region, Airport Division of the Federal Aviation Administration (FAA), requires that until the grant is completed and closed, the City is to submit the following reports:

- A signed/dated SF-425 for the preceding quarter's financial activity on a quarterly basis, i.e. no later than January 15, April 15, July 15, and October 15
- Construction Progress Reports (FAA Form 5370-1) are due every two weeks while on-site construction is in progress
- A signed/dated "Statement and Distribution of Project Costs" on a quarterly basis, i.e. no later than January 15, April 15, July 15, and October 15.

Condition: While testing for reporting compliance it was noted the SF-425 reports have not been submitted to the FAA.

Questioned Costs: None

Cause and Effect: Due to the lack of controls, the City did not submit all of the required reports with the granting agency.

Recommendation: We recommend controls be established to ensure all required reports are submitted with the appropriate agency or a written waiver is obtained from the appropriate agency personnel.

Management's Response: Management disagrees with this finding. The Scope of Work for the architect/engineering firm was responsible for this reporting. Management was not aware that the consultants had not been submitting the required reports. The Finance Department is putting in controls to ensure that all required reports are submitted in a timely manner.

CITY OF SHAWNEE, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

Finding 11-01 Capital Asset Transfer

Criteria: Transfers between the City's funds should be appropriately recorded in both capital asset records.

Condition: The City does not have a strong control in place to ensure that construction costs are recorded in the proper City entity/fund.

Cause: The City recorded an amount related to the Shawnee Airport Authority as a construction capital asset addition on governmental activities (within the Street Improvement Fund) rather than on the Shawnee Airport Authority records, thereby understating capital assets on the business-type activities and overstating the capital assets on the governmental activities on June 30, 2011.

Effect: The City's current year capital assets were misstated by approximately \$65,000.

Recommendation: The City should have controls in place to ensure that capital assets are entered into the fixed asset system for the proper City entity/fund for proper asset tracking.

Benefit: By better tracking capital asset additions and transfers, the City's capital asset records will better reflect the life and classification of the property. By implementing stronger controls over the entry of a capital asset into the system, less reconciling will be necessary in future years.

Management's Response: During fiscal year 2011 the finance department has been making great strides in rectifying the previous year's fixed assets issues. It has improved but we agree there are still a few issues that need to be cleared up. The issues of the transfers will be monitored closely.

Current Year Status: This comment was resolved in the current year.

CITY OF SHAWNEE, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS (Cont'd)
Year Ended June 30, 2011

Finding 11-02 Lack of Program Controls

Federal Program: CFDA #14.218 – Community Development Block Grants – Entitlement Grants

Criteria: According to Code of Federal Regulations Title 24 Sections 85.25(a) Program income can be generated by grants to defray program costs. Title 24 Section 85.25(g)(2) program income shall be used for the purposes and under the conditions of the grant agreement. With the Community Development Block Grant (CDBG) the program income is reported on the monthly drawdown reports submitted and applied toward the expenditures to reduce the amount actual expenditures claimed against the entitlement grant, therefore, reinvesting the program income in the program.

Condition: During testing of program income it was determined that controls were lacking to ensure that program income being reported on the drawdown report was in agreement with the CDBG's actual receipt of program income.

Questioned Costs: None

Cause: Lack of controls to ensure the program income that has been received is in agreement with the drawdown request submitted to receive the federal reimbursement of expenses.

Effect: The risk of over or under applying the program income to federal expenditures therefore which would lead to the over statement or understatement of federal expenditures.

Recommendation: We recommend full reconciliation of program income and review of reconciliation to ensure amounts reported on the drawdown request are in agreement with CDBG records.

Management's Response: We are in the process of reconciling all CDBG grants with the GL and monitoring program more closely. We have recently put in additional steps to ensure that everything is accounted for. This will allow us to investigate any discrepancies that show up and will allow us to handle them in a timely manner.

Current Year Status: This comment was resolved in the current year.

CITY OF SHAWNEE, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS (Cont'd)
Year Ended June 30, 2011

Finding 11-03 Lack of Controls to Track Federal Funds

Federal Program: CFDA #66.468 – Capitalization Grant for Drinking Water State Revolving Funds

Criteria: The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements the objectives of internal control, and certain characteristics of internal control that, when present and operating effectively, may ensure compliance with program requirements. Circular A-133 defines internal controls over federal programs as follows: Internal control pertaining to the compliance requirements for federal programs (internal control over federal programs) means a process – affected by an entity's management and other personnel – designed to provide reasonable assurance for the achievement of the following objectives for federal programs:

1. Transactions are properly recorded and accounted for to:
 - a. Permit the preparation of reliable financial statements and Federal reports;
 - b. Maintain accountability over assets; and
 - c. Demonstrate compliance with laws, regulations, and other compliance requirements;
2. Transactions are executed in compliance with:
 - a. Laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on a Federal program; and
 - b. Any other laws and regulations that are identified in the compliance supplements; and
3. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Condition: During testing of revolving loan draw requests we found the City was unable to fully support which invoices corresponded to draw requests.

Questioned Costs: None

Cause: Lack of internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements which provide reasonable assurance for the achievement of federal program objectives.

Effect: Without adequate support, cost submitted for draws on loans may not be reliable and demonstrating that the cost comply with laws, regulations, and other compliance requirements is difficult.

Recommendation: We recommend the City implement a control process where program costs are tracked by revolving loan draw and a review of cost submission is performed and documented on contractor invoices.

Management's Response: This is an infrequent type of program for the City and the finance department will implement controls to accomplish more accountability.

Current Year Status: This comment was resolved in the current year.

CITY OF SHAWNEE, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS (Cont'd)
Year Ended June 30, 2011

Finding 11-04 Lack of Preparation of Report SF 425

Federal Program: CFDA #20.106 – Airport Improvement Program

Criteria: According to a letter to the City from the Southwest Region – Airports Division of the Federal Aviation Administration (FAA), the City is required to submit the following reports until the grant is completed and closed:

- A signed/dated SF 425 for the preceding quarter's financial activity on a quarterly basis, i.e. no later than January 15, April 15, July 15, and October 15.
- Construction Progress Reports (FAA Form 5370-1) are due every two weeks while on-site construction is in progress
- A signed/dated "Statement and Distribution of Project Costs" on a quarterly basis, i.e. no later than January 15, April 15, July 15, and October 15.

Condition: During testing of reporting it was determined that the SF 425 reports were not being completed as required by the FAA.

Questioned Costs: None

Cause: Lack of controls to ensure the City was aware of the requirements to file such reports.

Effect: Not all required reports were filed with the granting agency.

Recommendation: We recommend that management confirm all required reports with the granting agency or obtain report waivers in writing from appropriate personnel with the granting agencies prior to start of those federal programs to ensure proper compliance with those requirements.

Management's Response: The finance department was not aware of the reporting requirement. Now that it has been brought to our attention we will be completing the forms from here on out.

Current Year Status: See current year Finding 12-05.