

**THE CITY OF SHAWNEE, OKLAHOMA**

Basic Financial Statements

June 30, 2009

(With Independent Auditors' Report Thereon)

**CITY OF SHAWNEE, OKLAHOMA**  
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**Mayor**  
LINDA PETERSON



**The City of Shawnee**  
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**Commissioners**  
PAM STEPHENS  
FRANK SIMS  
JAMES HARROD  
BILLY COLLIER  
JOHN WINTERRINGER  
CARL HOLT

December 30, 2009

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 Basic Financial Statements with the independent auditors' report thereon for the fiscal year ended June 30, 2009.

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 Eide Bailly, LLP, 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, 2009, 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, 2009 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 auditors' 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. At the recommendation of prior audits, the Shawnee Civic and Cultural Development Authority expenses are now included within the General Fund of the audit in addition to the discretely presented component.

## **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 44 square miles and has a population of 28,692 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 80% 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.

Sales and use tax collected by the City during fiscal year 2008-2009 increased only 2.1%, almost \$327,000 over the previous fiscal year. Current fiscal year sales tax collections received through November, 2009 are \$232,885 below the same period last year. More importantly the collections are not meeting projected budgeted values and continue to display lower than anticipated revenues. City staff continues to identify possible budget reductions and continue 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” ensuring their sales tax dollars are used for improvements for their city.”

As staff continues to identify possible reductions, the following critical needs within the City of Shawnee Finance will remain in the Fiscal Year 2009-2010 budget:

- Ensure the City’s self insured Workers Compensation Fund is adequately funded with the proposed \$800,000 level as provided by the actuarial report.
- 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 6355.

The City has seen an increase in sales tax exemptions and federal regulations; rising expenses from binding arbitrations with employee unions; and more federal and state unfunded mandates. Construction materials and chemicals have become much more expensive. New requirements of audits 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, the City strives to maintain a minimum unreserved fund balance totaling 10% for budgeted expenditures as a reserve for revenue shortfalls, unanticipated expenditures, and to meet daily cash flow requirements.

The City’s fiscal year 2009-2010 budget estimates General Fund revenues of \$17,026,297 and expenditures of \$18,741,735, which will further decrease its unreserved fund balance. A goal included in the upcoming fiscal year 2010-2011 budget is to provide and retain as many services as possible and attempt to restore the City’s unreserved fund balance to as near to 10% of budgeted expenditures as possible.

## **MAJOR INITIATIVES**

As of June 30, 2009 the City has set aside \$3 million for the \$10 million Kickapoo Street construction project and will provide an additional \$1 million in the fiscal year 2010-2011 budget. The Oklahoma Department of Transportation will provide the remainder of the funding. As of November, 2009, the project is well underway with the right of way land acquisition process nearly complete. The ground breaking event is fully expected to begin in the mid 2010 calendar year.

Budget of approximately \$888,800 continues to be carried forward for the future construction of the regional sports park. As of November of 2009, the land for the regional sports park has been purchased and engineering studies for future plans are under way.

The City installed additional access control and security upgrades of \$30,000 at the Annex building and Public Works facility and invested over \$120,000 in computer and server upgrades. The City purchased a Driving Simulator for the Shawnee Police Department to be use in cooperation with other public safety departments in the area for training purposes. Shawnee Municipal Pool received improvements totaling over \$265,000 to replace the pumps and controls extending the life of the pool and providing the capability to continue enhancements in more visible areas. The Library building was partially renovated by replacing carpet and improving restroom facilities. These

enhancements which totaled over \$95,000 will benefit the citizens by offering an updated décor and a contemporary environment for the patrons.

The City expended over \$167,000 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 garbage pickup or police and fire safety, this financial support provides needed services to City residents and enhances our City's quality of life.

During fiscal year 2008-2009, the City supported the Shawnee Civic and Cultural Development Authority (Expo Center) with \$476,000 from the general fund, \$50,000 from the economic development fund and \$100,000 for capital improvements.

The City provided \$148,000 in financial support through a contract with the Shawnee Economic Development Foundation for services provided by that entity. The City provides partial funding of \$32,000 to Downtown Shawnee, and passed through \$310,000 in hotel/motel surcharges to the Shawnee Tourism 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 \$73,000 for management of the Senior Citizens Center and paid the YMCA \$43,650 to manage the Community Center. The City helped fund the local transit system with \$50,000.

## **ACKNOWLEDGEMENT**

We would like to thank our consultants, Crawford & Associates, P.C., for their guidance. Also, thanks to our auditors, Eide Bailly, LLP, 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 Basic Financial Statements for the fiscal year ended June 30, 2009.

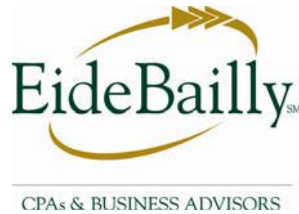
Respectfully submitted,



Brian McDougal  
City Manager



Stephen W Nolen  
Interim City Treasurer  
Interim Finance Director



## INDEPENDENT AUDITORS' REPORT

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To the City Commission  
City of Shawnee  
Shawnee, Oklahoma:

We have audited the accompanying statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Shawnee, Oklahoma, as of and for the year ended June 30, 2009, which collectively comprise the City of Shawnee's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City and Authorities' management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Shawnee Civic & 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 opinion, insofar as they relate to the amounts included for the Shawnee Civic & 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 basic financial statements are free of material misstatement. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Shawnee, Oklahoma as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note IV D to the basic financial statements, certain errors resulting in the understatement of previously reported capital assets and overstatement of capital lease payable and grant receivable, as of June 30, 2008, were discovered by management of the City during the current year. Accordingly, adjustments have been made to the other governmental funds' balances and to the governmental activities' net assets to correct the errors.

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, the budgetary comparison schedule, and funding schedules on pages 7 through 16, 53 through 55, and 56 through 57, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The introduction letter and supplementary information included on pages 1 through 4 and 59 and 60, respectively, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information included on pages 59 and 60 has been subjected to the auditing procedures applied in the audits of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introduction letter on pages 1 through 4 have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned in the lower-left area of the page.

Oklahoma City, Oklahoma  
December 30, 2009

As Management of the City of Shawnee, we offer readers this narrative overview and analysis of the financial activities of the City of Shawnee for the fiscal year ended June 30, 2009. We encourage readers to use this information in conjunction with the City's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The City's total net assets increased by \$2.8 million and the assets of the City continued to exceed its liabilities at June 30, 2009, by \$67.4 million (net assets). Of the \$67.4 million in net assets, \$54.9 million is invested in capital assets, net of accumulated depreciation and related debt. Another \$11.9 million is restricted for capital projects, debt service, and public safety.
- The remaining unrestricted net assets of \$616,607 may be used to meet the City's ongoing obligations to citizens and creditors.
- At June 30, 2009, the City's governmental funds reported combined ending fund balances of \$13.9 million. Of this amount, unreserved fund balance of \$4.1 million is available for spending at the City's discretion.
- At the end of fiscal year 2009, unreserved fund balance for the General Fund was \$4.1 million or 26% of General Fund revenues and 24% of expenditures.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the City of Shawnee (City), the Shawnee Municipal Authority (SMA), Shawnee Airport Authority (SAA) and one discretely presented component unit. Included in this report are governmental-wide statements for each of two categories of activities – governmental and business-type, along with the discretely presented component unit, the Shawnee Civic and Cultural Authority (SCCDA or Expo).

The governmental-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

#### **Reporting the City as a Whole - Statement of Net Assets and Statement of Activities**

This discussion and analysis is intended to serve as an introduction to the City of Shawnee's basic financial statements. The Statement of Net Assets and the Statement of Activities (on pages 18 and 19, respectively) report information about the City as a whole and about its activities in a way that helps answer financial questions. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in net assets from the prior year. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other non-financial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health of the City.

The Statement of Net Assets and the Statement of Activities are divided into three types of activities:

- **Governmental activities** - Most of the City's basic services are reported here, including the public safety, street improvements, community planning and development, civic and cultural activities, and economic development. Sales and use taxes, franchise fees, fines, and state and federal grants finance most of these activities. 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.
- **Business-type activities** - The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, sewer, sanitation, and airport services are reported here. The Shawnee Municipal Authority and the Shawnee Airport Authority are enterprise funds and are blended component units of the City.
- **Discretely presented component unit** - This component unit, the Shawnee Civic and Cultural Development Authority, accounts for activities of the City's reporting entity that do not meet the criteria for blending.

### **Reporting the City's Most Significant Funds - Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. The City of Shawnee, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City of Shawnee can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds* - Most of the City's basic services are reported in governmental funds, which focus on near-term inflows and outflows of spendable resources, as well as spendable resources available at the end of the fiscal year. These funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following the Governmental Fund financial statements.

*Proprietary funds* - When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds.

- *Enterprise funds* are one type of proprietary funds and are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City has two enterprise funds -- the Shawnee Municipal Authority and the Shawnee Airport Authority -- to account for its water, sewer, sanitation, and airport operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.
- *Internal service funds* are another type of proprietary fund used to account for services provided to other departments on a cost reimbursement basis. The City has one internal service fund – the Self-Insured Workers' Compensation Fund -- to account for its workers' compensation costs. The revenues and expenditures reported in this internal service fund are included with governmental activities at the government-wide level of reporting.

*Fiduciary funds* – When the City is responsible for assets that – because of a trust arrangement or other fiduciary requirement – can be used only for trust beneficiaries or other parties, these activities are reports a fiduciary funds. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance operations.

#### **Notes to the Financial Statements**

The Notes to the Financial Statements on pages 28-51 provide additional information that is essential to gain understanding of the data provided in the government-wide and fund financial statements.

#### **Other Information**

The Required Supplementary Information (RSI) section, starting on page 52, reports the General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – and the related Notes to the Required Supplementary Information on Budgetary Accounting and Control for the fiscal year ended June 30, 2009. Also reported here is the City's Defined Benefit Pension Plan Funding Schedules at June 30, 2009.

Other Supplementary Information (SI) is provided on pages 59-60. Other Supplementary Information contains combining statements on non-major governmental funds.

#### **THE CITY AS A WHOLE**

For the year ended June 30, 2009, net assets for the governmental activities and business-type activities increased \$2.8 million. The results indicate the City, as a whole, improved its financial condition from the prior year.

Following is a summary of net assets for the City of Shawnee as of June 30, 2009 and June 30, 2008:

**MANAGEMENT'S DISCUSSION & ANALYSIS  
CITY OF SHAWNEE, OKLAHOMA  
JUNE 30, 2009**

**TABLE 1  
NET ASSETS (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2009	2008		2009	2008		2009	2008	
Current assets	\$ 16,855	\$ 18,573	-9%	\$ 4,203	\$ 3,862	9%	\$ 21,058	\$ 22,435	-6%
Capital assets, net	28,041	24,633	14%	45,302	45,600	-1%	73,343	70,233	4%
Other non-current assets	-	-	0%	1,598	1,595	0%	1,598	1,595	0%
<b>Total assets</b>	<u>44,896</u>	<u>43,206</u>	4%	<u>51,103</u>	<u>51,057</u>	0%	<u>95,999</u>	<u>94,263</u>	2%
Current liabilities	3,106	3,571	-13%	3,023	2,968	2%	6,129	6,539	-6%
Non-current liabilities	5,022	4,837	4%	17,441	18,662	-7%	22,463	23,499	-4%
<b>Total liabilities</b>	<u>8,128</u>	<u>8,408</u>	-3%	<u>20,464</u>	<u>21,630</u>	-5%	<u>28,592</u>	<u>30,038</u>	-5%
Net assets									
Invested in capital assets, net of related debt	28,020	24,405	15%	26,879	25,864	-4%	54,899	50,269	9%
Restricted	9,316	11,148	-16%	2,576	2,313	11%	11,892	13,461	-12%
Unrestricted	(568)	(755)	-25%	1,184	1,250	5%	616	495	-25%
<b>Total net assets</b>	<u>\$ 36,768</u>	<u>\$ 34,798</u>	6%	<u>\$ 30,639</u>	<u>\$ 29,427</u>	4%	<u>\$ 67,407</u>	<u>\$ 64,225</u>	5%

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 \$54.9 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, \$11.9 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$616,607, may be used to meet the government's ongoing obligations to citizens and creditors. While the total unrestricted net assets are a positive amount, the governmental unrestricted net assets have a deficit balance of \$567,612 primarily due to an increase in workers' compensation claims liability of \$826,000, in prior years.

**Changes in Net Assets:**

Table 2 (shown on the next page) summarizes the City's changes in net assets for fiscal year 2007-2008 compared to fiscal year 2008-2009.

Fiscal year 2008-2009 governmental and business-type activities increased the City's net assets by \$2.8 million compared to an increase of \$3.47 million from the previous fiscal year. Fiscal year 2008-2009 tax revenues totaled \$18.93 million compared to \$18.66 million for fiscal year 2007-2008. Operating grants and contributions totaled \$2.3 million for the current fiscal year compared to \$2.74 million for the previous fiscal year.

The City's cost of providing economic development services increased 149%. This increase was due to the City bringing the Expo Center into the General Fund as a department. Significant decreases in cost in the General Government and Community Development departments is related to the cost of natural disasters in prior years that are not recurring. The cost of providing sanitation services increased by 6% due to contract increases. Other cost remained consistent with the prior year.

**MANAGEMENT'S DISCUSSION & ANALYSIS  
CITY OF SHAWNEE, OKLAHOMA  
JUNE 30, 2009**

**TABLE 2  
CHANGES IN NET ASSETS (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2009	2008		2009	2008		2009	2008	
<b>Revenues</b>									
Charges for service	\$ 830	\$ 883	-6%	\$ 9,200	\$ 8,267	11%	\$ 10,030	\$ 9,150	10%
Operating grants and contributions	2,300	2,742	-16%	-	36	-100%	2,300	2,778	-17%
Capital grants and contributions	212	1,489	-86%	517	416	24%	729	1,905	-62%
Taxes	18,933	18,660	1%	-	-	-	18,933	18,660	1%
Intergovernmental revenue	316	314	1%	-	-	-	316	314	1%
Investment income	275	544	-49%	161	188	-14%	436	732	-40%
Miscellaneous	269	378	-29%	207	237	-13%	476	615	-23%
<b>Total revenues</b>	<b>23,134</b>	<b>25,010</b>	<b>-7%</b>	<b>10,085</b>	<b>9,144</b>	<b>10%</b>	<b>33,219</b>	<b>34,154</b>	<b>-3%</b>
<b>Expenses</b>									
General government	2,847	3,439	-17%	-	-	-	2,847	3,439	17%
Public safety	12,650	12,854	-2%	-	-	-	12,650	12,854	2%
Streets	3,313	2,842	17%	-	-	-	3,313	2,842	-17%
Culture and recreation	852	883	-4%	-	-	-	852	883	4%
Culture - payment to component unit	5	599	-99%	-	-	-	5	599	99%
Community development	571	750	-24%	-	-	-	571	750	24%
Economic development	1,475	593	149%	-	-	-	1,475	593	-149%
Interest on long-term debt	8	17	-53%	-	-	-	8	17	53%
Water	-	-	-	3,990	4,030	-1%	3,990	4,030	1%
Wastewater	-	-	-	2,142	2,165	-1%	2,142	2,165	1%
Sanitation	-	-	-	1,434	1,358	6%	1,434	1,358	-6%
Administration	-	-	-	298	289	3%	298	289	100%
Airport	-	-	-	785	800	-2%	785	800	2%
Lake	-	-	-	53	63	-16%	53	63	16%
<b>Total expenses</b>	<b>21,720</b>	<b>21,978</b>	<b>-1%</b>	<b>8,702</b>	<b>8,705</b>	<b>0%</b>	<b>30,422</b>	<b>29,820</b>	<b>-2%</b>
Excess (deficiency) before transfers	1,414	3,031	-53%	1,383	439	215%	2,797	4,333	-35%
Transfers	170	(116)	-247%	(170)	116	-247%	-	-	
<b>Change in net assets</b>	<b>1,584</b>	<b>2,915</b>	<b>-46%</b>	<b>1,213</b>	<b>555</b>	<b>119%</b>	<b>2,797</b>	<b>3,470</b>	<b>-19%</b>
<b>Beginning net assets, restated</b>	<b>35,184</b>	<b>31,882</b>	<b>10%</b>	<b>29,426</b>	<b>28,870</b>	<b>2%</b>	<b>64,610</b>	<b>60,752</b>	<b>6%</b>
<b>Ending net assets</b>	<b>\$ 36,768</b>	<b>\$ 34,797</b>	<b>6%</b>	<b>\$ 30,639</b>	<b>\$ 29,425</b>	<b>4%</b>	<b>\$ 67,407</b>	<b>\$ 64,222</b>	<b>5%</b>

**Governmental Activities**

The City's governmental activities (as shown in Table 2 above) increased net assets by \$1.6 million representing a 4.5% increase in net assets. Capital grants decreased by \$1,276,905 resulting from a decrease in donated infrastructure and grants received.

**Business-type Activities**

The business-type activities' increase in net assets of approximately \$1.2 represents a 4.1% positive increase in net assets. Charges for services increased by 11% from rate increases and capital grants increased by 24% from donated sewer lines and airport grants.

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

	<b>Total Expense</b>		<b>% Inc. (Dec.)</b>	<b>Net Revenue</b>		<b>% Inc. (Dec.)</b>
	<b>of Services</b>			<b>(Expense)</b>		
	<u>2009</u>	<u>2008</u>		<u>2009</u>	<u>2008</u>	
General government	\$ 2,847	\$ 3,439	17%	(\$2,657)	(\$3,230)	18%
Public safety	12,650	12,854	2%	(11,003)	(10,903)	-1%
Streets	3,313	2,842	-17%	(2,672)	(717)	-272%
Culture, parks and recreation	852	883	4%	(731)	(705)	-4%
Culture, payment to component unit	5	599	99%	(5)	(599)	99%
Community development	571	750	24%	(66)	(126)	48%
Economic development	1,475	593	-149%	(1,237)	(566)	-119%
Interest on long-term debt	8	17	53%	(8)	(17)	53%
<b>Total</b>	<u>\$ 21,720</u>	<u>\$ 21,977</u>	1%	<u>(\$18,378)</u>	<u>(\$16,864)</u>	-9%

Tables 3 and 4 summarize the total cost of providing services from governmental activities and business-type activities for fiscal years 2008 and 2009. Total costs of services provided by governmental activities totaled \$21.7 million for fiscal year 2009 compared to \$21.9 million for the previous year. Total costs of services provided by business-type activities totaled \$8.7 million for fiscal year 2009 and 2008.

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

	<b>Total Expense</b>		<b>% Inc. Dec.</b>	<b>Net Revenue</b>		<b>% Inc. Dec.</b>
	<b>of Services</b>			<b>(Expense)</b>		
	<u>2009</u>	<u>2008</u>		<u>2009</u>	<u>2008</u>	
Water	\$ 3,990	\$ 4,030	-1%	\$ 488	\$ 253	93%
Wastewater	2,142	2,165	-1%	455	323	41%
Sanitation	1,434	1,358	6%	181	100	81%
Administration	298	289	3%	(298)	(289)	3%
Airport	785	800	-2%	243	(311)	-178%
Lake	53	63	-16%	(53)	(63)	-16%
<b>Total</b>	<u>\$ 8,702</u>	<u>\$ 8,705</u>	0%	<u>\$ 1,016</u>	<u>\$ 13</u>	7715%

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

As the City completed its 2009 fiscal year, the governmental funds reported a combined fund balance of \$13.9 million. The enterprise funds reported combined net assets of \$30.64 million. The fund balance reservations and net asset restrictions are listed below:

**Governmental Funds:**

**Fund Balance Reservations:**

Encumbrances	\$ 582,686	
Capital projects	7,660,083	
Debt service	59,850	
Special revenue funds	<u>1,469,115</u>	
Total governmental fund balance reservations		<u>\$9,771,734</u>

**Proprietary Funds:**

**Net Asset Restrictions:**

Invested in capital assets, net of related debt	\$ 26,879,194	
Debt service	<u>2,575,814</u>	
Total proprietary fund net asset restrictions		<u>\$ 29,455,008</u>

**Other Fund Highlights Include:**

- For the year ended June 30, 2009, the General Fund's total fund balance increased by \$108,025 or 2.7 percent.
- General fund fire departments total expenditures include \$635,752 and police departments total expenditures include \$324,606 for pension payments made on behalf of the City by the State. The total amount of \$960,358 has been included as both revenue and expenditures of the City for the year ended June 30, 2009.
- All general fund departments include \$578,000 in workers' compensation "premiums" (allocations of workers' compensation expenditures from the Workers' Compensation Internal Service Fund) which were originally budgeted as a transfer out. See the budgetary comparison schedule and notes to the budgetary comparison schedule for more details.
- The Street Improvement Fund's total fund balance decreased by \$1.53 million because some large street improvement projects carried over from the prior year were completed.
- The Shawnee Municipal Authority reported a net income of \$915,699 before contributed capital, transfers in, and transfers out. SMA expenses include \$87,000 of workers' compensation "premiums" (allocations of workers' compensation expenditures from the Worker's Compensation Internal Service Fund) which were originally budgeted as a transfer out.



**General Fund Budgetary Highlights**

Fiscal year 2009 General Fund revenues of \$15.77 million were \$42 thousand over budgeted revenues of \$15.72 million. This resulted from the State of Oklahoma's on-behalf police and firefighter pension payments and the federal grants received.

Fiscal year 2009 General Fund budgeted expenditures were \$17.60 million compared to actual expenditures of \$17.14 million. The expenditures under budget were the result of all departments with the exception of the Expo Center, city manager, dispatch, and criminal investigation, coming in below budget. The Expo Center exceeded budget due to a change in accounting for the Center in the current year. After the change was made the City did not change the budget to move the cost from a transfer to the department. The other departments exceeded budget due to accounts payable expenditures.

**CAPITAL ASSETS & DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2009, the City had \$73.3 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 \$2.7 million from last year.

Below are details regarding the change in the City's capital assets for the year ending June 30, 2009.<sup>1</sup>

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

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 2,262	\$ 2,262	\$ 1,481	\$ 1,481	3,743	\$ 3,743
Buildings	3,653	3,545	3,230	3,167	6,883	6,712
Machinery, furniture and equipment	4,545	4,580	819	894	5,364	5,474
Infrastructure	16,437	13,971	26,803	27,075	43,240	41,046
Water rights	-	-	12,968	12,968	12,968	12,968
Construction in progress	1,144	651	-	15	1,144	666
<b>Totals</b>	<u>\$ 28,041</u>	<u>\$ 25,009</u>	<u>\$ 45,301</u>	<u>\$ 45,600</u>	<u>\$ 73,342</u>	<u>\$ 70,609</u>

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, purchase new computers and other technology for information systems, and the purchase of several police patrol cars.

<sup>1</sup> For more detailed information on capital asset activity please refer to page 37, Note 3.D. Capital Assets

**Debt Administration**

At year-end, the City had \$25.38 million in long-term debt outstanding, which represents a \$2,020,000 decrease from the prior year. The City issued no new debt for the year ended June 30, 2009. These debts are further detailed below as follows: <sup>2</sup>

**TABLE 6**  
**Long-Term Debt**  
**(In Thousands)**

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>		<b>Total Percentage Change</b>
	<b>Activities</b>		<b>Activities</b>				
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	
Accrued absences	\$ 1,667	\$ 1,533	\$ 288	\$ 271	\$ 1,955	\$ 1,804	8.4%
Notes payable	-	-	19,171	20,580	19,171	20,580	-6.8%
General obligation bonds	-	100	-	-	-	100	-100.0%
Claims and judgments payable	4,230	4,806	-	-	4,230	4,806	-12.0%
Capital leases	21	107	-	-	21	107	-80.4%
<b>Totals</b>	<u>\$ 5,918</u>	<u>\$ 6,546</u>	<u>\$ 19,459</u>	<u>\$ 20,851</u>	<u>\$ 25,377</u>	<u>\$ 27,397</u>	-7.4%

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Economic conditions are beginning to reflect the general state, of the economy with multiple months of sales tax receipts falling below previous years values and below budgeted projections. It is currently anticipated that receipts will be around 10% - 15% below original projected revenues. The tribal gaming industry is a major industry and a major employer for the area and the I-40 corridor sees continued growth with several new restaurants, hotels and other retail establishments but overall activity is down as it is across the nation. A leveling of receipts was anticipated during the budget cycle and accounted for in projections for the FY2009-2010 year but receipts continue to not meet those expectations.

Total FY2009-2010 General Fund revenues are estimated flat at \$17.0 million, including \$1.5 million in transfers from other funds. As noted above, however, sales tax collections, representing approximately 63 percent of the total General Fund revenues, are not meeting projections and adjustments will be made to revenues and expenditures to compensate.

Total FY2009-2010 Municipal Authority Utility Revenues are projected at \$8.9 million. The Shawnee Municipal Authority utility revenues are anticipated to increase due to rate adjustments approved in the middle of 2009 and implemented in November 2009. Additional receipts from the rate adjustments are scheduled for use in the updated Capital Improvement Plan for debt funded and pay as you go improvements.

<sup>2</sup> For more detailed information on long-term debt activity please refer to page 38, Note 3.E. Long-Term Debt

## **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**  
**Year Ended June 30, 2009**

	Governmental Activities	Business-type Activities	Total	Civic & Cultural Development Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,313,482	3,175,847	\$ 9,489,329	\$ 260,668
Investments	5,685,027	1,060,683	6,745,710	-
Interest receivable	35,279	12,675	47,954	-
Accounts receivable, net of allowance	2,534,457	1,355,731	3,890,188	15,301
Notes receivable, net of allowance	558,769	184,633	743,402	-
Internal Balances	1,602,810	(1,602,810)	-	(11,679)
Due from other governmental agencies	125,297	5,963	131,260	-
Inventories	-	10,585	10,585	-
Cash and cash equivalents, restricted	-	165,800	165,800	-
Investments, restricted	-	1,257,497	1,257,497	-
Capital assets:				
Land, construction in progress, and water rights	3,406,144	14,449,674	17,855,818	94,493
Other capital assets, net of depreciation	24,634,865	30,852,252	55,487,117	4,816,411
Unamortized bond issuance costs	-	175,082	175,082	-
Total Assets	<u>44,896,130</u>	<u>51,103,612</u>	<u>95,999,742</u>	<u>5,175,194</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	1,336,530	507,026	1,843,556	21,376
Accrued interest payable	-	367,851	367,851	3,705
Due to depositors	-	636,130	636,130	16,678
Due to bondholders	5,402	-	5,402	-
Due to primary government	-	-	-	134,647
Unearned income	558,769	-	558,769	-
Long-term liabilities				
Due within one year	1,205,593	1,512,763	2,718,356	49,986
Due in more than one year	5,022,097	17,440,615	22,462,712	-
Total liabilities	<u>8,128,391</u>	<u>20,464,385</u>	<u>28,592,776</u>	<u>226,392</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	28,019,561	26,879,194	54,898,755	4,726,271
Restricted for:				
Capital projects	8,296,269	-	8,296,269	-
Debt service	59,850	2,575,814	2,635,664	2,575,814
Other projects	959,671	-	959,671	-
Unrestricted	(567,612)	1,184,219	616,607	(2,353,283)
Total net assets	<u>\$ 36,767,739</u>	<u>\$ 30,639,227</u>	<u>\$ 67,406,966</u>	<u>\$ 4,948,802</u>

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

**City of Shawnee, Oklahoma  
Statement of Activities  
Year Ended June 30, 2009**

Functions/Programs Primary government	Program Revenue		Capital Grants and Contributions		Net (Expense) Revenue and Changes in Net Assets			Component Unit Civic & Cultural Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Contributions	Governmental Activities	Business-type Activities	Total	
Governmental Activities	\$ 2,846,689	\$ 189,940	\$ -	\$ -	\$ (2,656,749)	\$ -	\$ (2,656,749)	-
General government	12,650,222	545,105	1,069,523	32,446	(11,003,148)	-	(11,003,148)	-
Public safety	3,313,461	1,775	460,616	179,495	(2,671,575)	-	(2,671,575)	-
Streets	851,578	62,802	57,578	-	(731,198)	-	(731,198)	-
Culture and recreation	4,655	-	-	-	(4,655)	-	(4,655)	-
Culture - payment to component unit	570,858	2,708	502,010	-	(66,140)	-	(66,140)	-
Community development	1,474,623	27,208	209,960	-	(1,237,455)	-	(1,237,455)	-
Economic development	7,839	-	-	-	(7,839)	-	(7,839)	-
Interest on long-term debt	21,719,925	829,538	2,299,687	211,941	(18,378,759)	-	(18,378,759)	-
Total governmental activities	3,989,454	4,477,762	-	-	-	488,308	488,308	-
Business-type activities:	2,142,363	2,469,053	-	127,894	-	454,584	454,584	-
Water	1,433,801	1,614,641	-	-	-	180,840	180,840	-
Wastewater	297,960	-	-	-	-	(297,960)	(297,960)	-
Sanitation	785,268	638,903	-	389,509	-	243,144	243,144	-
Administration	53,066	-	-	517,403	-	(53,066)	(53,066)	-
Airport	8,701,912	9,200,359	-	-	-	1,015,850	1,015,850	-
Lake	30,421,837	10,029,897	2,299,687	729,344	(18,378,759)	1,015,850	(17,362,909)	-
Total business-type activities	1,777,624	983,943	589,498	42,982	-	-	-	(161,201)
Total primary government	\$ 30,421,837	\$ 10,029,897	\$ 2,299,687	\$ 729,344	\$ (18,378,759)	\$ 1,015,850	\$ (17,362,909)	\$ -
Component Unit Civic & Cultural Development								
General revenues:	\$ 1,777,624	\$ 983,943	\$ 589,498	\$ 42,982	\$ -	\$ -	\$ -	\$ (161,201)
Taxes:								
Sales and use taxes					\$ 16,697,240	\$ -	\$ 16,697,240	-
Franchise taxes and public service taxes					1,637,161	-	1,637,161	-
Hotel/motel taxes					376,992	-	376,992	-
Property tax					72,782	-	72,782	-
Payment in lieu of taxes					26,544	-	26,544	-
Other					122,652	-	122,652	-
Intergovernmental revenue not restricted to specific programs					315,833	-	315,833	-
Unrestricted investment earnings					275,010	160,629	435,639	3,678
Miscellaneous					268,718	206,905	475,623	-
Transfers					169,788	(169,788)	-	-
Total general revenues and transfers					19,962,720	197,746	20,160,466	(157,523)
Change in net assets					1,583,961	1,213,596	2,797,557	(157,523)
Net assets - beginning, restated					35,183,778	29,425,631	64,609,409	5,106,325
Net assets - ending					36,767,739	30,639,227	67,406,966	4,948,802

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

**City of Shawnee, Oklahoma**  
**Balance Sheet – Governmental Funds**  
**June 30, 2009**

	<u>General Fund</u>	<u>Street Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 832,503	\$ 2,723,380	\$ 2,293,472	\$ 5,849,355
Investments	1,089,025	3,567,741	1,028,261	5,685,027
Interest receivable	7,499	25,871	-	33,370
Receivable from other governments	60,796	-	1,794	62,590
Due from other funds	1,347,247	-	65,000	1,412,247
Taxes receivable, net	1,575,965	295,065	379,369	2,250,399
Court fines receivable, net	120,001	-	-	120,001
Other receivables	98,652	-	688,919	787,571
Total assets	<u>5,131,688</u>	<u>6,612,057</u>	<u>4,456,815</u>	<u>16,200,560</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	313,623	289,968	396,052	999,643
Accrued payroll payable	338,096	-	-	338,096
Due to other funds	273,383	-	92,231	365,614
Deferred revenue	70,828	-	558,824	629,652
Total liabilities	<u>995,930</u>	<u>289,968</u>	<u>1,047,107</u>	<u>2,333,005</u>
Fund balances:				
Reserved for:				
Encumbrances	39,937	514,184	28,565	582,686
Unreserved	4,095,821	-	-	4,095,821
Unreserved, reported in non-major:				
Special revenue funds	-	-	1,469,115	1,469,115
Capital projects funds	-	5,714,468	1,945,615	7,660,083
Debt service funds	-	-	59,850	59,850
Total fund balances	<u>4,135,758</u>	<u>6,228,652</u>	<u>3,503,145</u>	<u>13,867,555</u>
Total liabilities and fund balances	<u>\$ 5,131,688</u>	<u>\$ 6,518,620</u>	<u>\$ 4,550,252</u>	<u>\$ 16,200,560</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, 2009**

Total fund balance, governmental funds	\$	13,867,555
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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.		28,041,009
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Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds.		70,884
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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:

Capital lease obligations		(21,448)
Net pension obligations		(106,197)
Other post employment benefits		(203,027)
Accrued compensated absences		(1,666,576)

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		(3,214,461)
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Net Assets of Governmental Activities in the Statement of Net Assets	\$	36,767,739
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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, 2009**

	<b>General Fund</b>	<b>Street Improvement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 13,058,047	\$ 2,324,464	\$ 3,788,246	\$ 19,170,757
Intergovernmental	1,579,461	-	602,861	2,182,322
Licenses and permits	259,783	-	17,275	277,058
Charges for services	222,507	-	6,340	228,847
Fees and fines	487,635	-	4,164	491,799
Investment earnings	65,041	145,205	64,764	275,010
Miscellaneous	92,894	-	216,690	309,584
Total revenues	<u>15,765,368</u>	<u>2,469,669</u>	<u>4,700,340</u>	<u>22,935,377</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,670,332	-	2,630	2,672,962
Engineering	345,890	-	-	345,890
Equipment and building maintenance	410,968	-	-	410,968
Police	5,218,428	-	5,252	5,223,680
Fire	4,884,044	-	-	4,884,044
Municipal court	304,204	-	-	304,204
Emergency management	290,604	-	-	290,604
Streets	934,483	-	295,781	1,230,264
Parks and recreation	481,026	-	454,385	935,411
Culture and recreation	143,015	-	-	143,015
Animal control/E911	765,553	-	96,932	862,485
Cemetery	207,516	-	-	207,516
Library	-	-	44,705	44,705
Economic development	483,446	-	985,087	1,468,533
Capital Outlay	-	3,899,265	1,803,545	5,702,810
Debt Service:				
Principal	-	-	187,032	187,032
Interest and other charges	-	-	6,216	6,216
Total expenditures	<u>17,139,509</u>	<u>3,899,265</u>	<u>3,881,565</u>	<u>24,920,339</u>
Excess (deficiency) of revenues over expenditures	<u>(1,374,141)</u>	<u>(1,429,596)</u>	<u>818,775</u>	<u>(1,984,962)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,531,166	-	164,000	1,695,166
Transfers out	(49,000)	(100,000)	(1,464,815)	(1,613,815)
Total other financing sources and uses	<u>1,482,166</u>	<u>(100,000)</u>	<u>(1,300,815)</u>	<u>81,351</u>
Net change in fund balances	108,025	(1,529,596)	(482,040)	(1,903,611)
Fund balances - beginning, restated	4,027,733	7,758,248	3,985,185	15,771,166
Fund balances - ending	<u>\$ 4,135,758</u>	<u>\$ 6,228,652</u>	<u>\$ 3,503,145</u>	<u>\$ 13,867,555</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, 2009**

Net change in fund balances - total governmental funds: \$ (1,903,611)

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	4,855,052
Depreciation expense	(1,993,056)
Donated capital assets	169,995

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	28,728
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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:

Principal payments on capital lease obligations	85,409
Principal payments on general obligation bonds	100,000
Increase in accrued compensated absences	(133,630)
Increase in other post employment benefits	(203,027)

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	578,101
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Change in net assets of governmental activities	\$ 1,583,961
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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, 2009**

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Shawnee Municipal Authority</u>	<u>Shawnee Airport Authority</u>	<u>Total</u>	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 817,548	\$ 542,754	\$ 1,360,302	\$ 464,127
Investments	1,060,683	-	1,060,683	-
Restricted:				
Cash and cash equivalents	1,815,545	-	1,815,545	-
Accrued interest	12,675	-	12,675	1,909
Due from other funds	-	-	-	556,177
Accounts Receivable, net	1,255,409	9,509	1,264,918	-
Receivables from other governments	-	5,963	5,963	-
Due from component unit	184,633	-	184,633	-
Assessments receivable	86,763	-	86,763	-
Other receivables	4,050	-	4,050	-
Inventories	-	10,585	10,585	-
Total current assets	<u>5,237,306</u>	<u>568,811</u>	<u>5,806,117</u>	<u>1,022,213</u>
Non-current assets:				
Restricted:				
Cash and cash equivalents	165,800	-	165,800	-
Investments	1,257,497	-	1,257,497	-
Capital Assets:				
Land, construction in progress, and water rights	13,899,313	550,361	14,449,674	-
Other capital assets, net of accumulated depreciation	28,026,470	2,825,782	30,852,252	-
Unamortized note issue costs	175,082	-	175,082	-
Total non-current assets	<u>43,524,162</u>	<u>3,376,143</u>	<u>46,900,305</u>	<u>-</u>
Total assets	<u>48,761,468</u>	<u>3,944,954</u>	<u>52,706,422</u>	<u>1,022,213</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and accrued liabilities	370,592	26,524	397,116	6,231
Salaries payable	61,961	4,287	66,248	-
Accrued interest payable	367,851	-	367,851	-
Due to other funds	1,537,810	65,000	1,602,810	-
Deposits subject to refund	663,028	-	663,028	-
Compensated absences	56,805	4,191	60,996	-
Claims and judgments	-	-	-	850,830
Notes payable	1,451,767	-	1,451,767	-
Total current liabilities	<u>4,509,814</u>	<u>100,002</u>	<u>4,609,816</u>	<u>857,061</u>
Non-current liabilities:				
Compensated absences	227,218	16,764	243,982	-
Claims and judgments	-	-	-	3,379,613
Net pension obligation	50,481	4,102	54,583	-
Other post employment benefits	53,201	-	53,201	-
Notes payable	17,105,613	-	17,105,613	-
Total non-current liabilities	<u>17,436,513</u>	<u>20,866</u>	<u>17,457,379</u>	<u>3,379,613</u>
Total liabilities	<u>21,946,327</u>	<u>120,868</u>	<u>22,067,195</u>	<u>4,236,674</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	23,503,051	3,376,143	26,879,194	-
Restricted for debt service	2,575,814	-	2,575,814	-
Unrestricted	736,276	447,943	1,184,219	(3,214,461)
Total net assets	<u>\$ 26,815,141</u>	<u>\$ 3,824,086</u>	<u>\$ 30,639,227</u>	<u>\$ (3,214,461)</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, 2009**

	<b>Shawnee Municipal Authority</b>	<b>Shawnee Airport Authority</b>	<b>Total</b>	<b>Internal Service Fund</b>
<b>REVENUES</b>				
Water	\$ 4,349,604	\$ -	\$ 4,349,604	\$ -
Sewer	2,412,226	-	2,412,226	-
Sanitation	1,614,641	-	1,614,641	-
Rents and royalties	11,630	266,356	277,986	-
Fuel sales	-	165,630	165,630	-
Miscellaneous	184,985	206,917	391,902	559,848
Total operating revenues	<u>8,573,086</u>	<u>638,903</u>	<u>9,211,989</u>	<u>559,848</u>
<b>OPERATING EXPENSES</b>				
General government	304,477	-	304,477	-
Lake	37,507	-	37,507	-
Water	2,579,575	-	2,579,575	-
Wastewater	1,537,439	-	1,537,439	-
Sanitation	1,295,059	-	1,295,059	-
Airport	-	391,242	391,242	-
Amortization expense	20,684	-	20,684	-
Depreciation	1,365,818	394,026	1,759,844	-
Total Operating Expenses	<u>7,140,559</u>	<u>785,268</u>	<u>7,925,827</u>	<u>-</u>
Operating income (loss)	<u>1,432,527</u>	<u>(146,365)</u>	<u>1,286,162</u>	<u>559,848</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest and investment revenue	152,419	8,210	160,629	10,706
Miscellaneous revenue	195,275	-	195,275	7,547
Operating grants and contributions	-	389,509	389,509	-
Interest expense	(864,522)	-	(864,522)	-
Miscellaneous expenses	-	-	-	-
Total non-operating revenue (expenses)	<u>(516,828)</u>	<u>397,719</u>	<u>(119,109)</u>	<u>18,253</u>
Income (loss) before transfers	<u>915,699</u>	<u>251,354</u>	<u>1,167,053</u>	<u>578,101</u>
Capital contributions	127,894	-	127,894	-
Transfers in	657,649	25,000	682,649	-
Transfers out	(764,000)	-	(764,000)	-
Change in net assets	<u>937,242</u>	<u>276,354</u>	<u>1,213,596</u>	<u>578,101</u>
Total net assets (deficit) - beginning	25,877,899	3,547,732	29,425,631	(3,792,562)
Total net assets (deficit) - ending	<u>\$ 26,815,141</u>	<u>\$ 3,824,086</u>	<u>\$ 30,639,227</u>	<u>\$ (3,214,461)</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, 2009**

	Shawnee Municipal Authority	Shawnee Airport Authority	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 8,774,250	\$ 1,012,940	\$ 9,787,190	\$ 568,260
Payments to suppliers and employees	(5,488,100)	(400,332)	(5,888,432)	1,559
Claims and judgments paid	-	-	-	(575,991)
Receipts of customer meter deposits	179,289	-	179,289	-
Refunds of customer meter deposits	(155,303)	-	(155,303)	-
<b>Net cash provided by (used in) operating activities</b>	<u>3,310,136</u>	<u>612,608</u>	<u>3,922,744</u>	<u>(6,172)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	657,649	25,000	682,649	-
Transfers to other funds	(764,000)	-	(764,000)	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>(106,351)</u>	<u>25,000</u>	<u>(81,351)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(909,134)	(415,909)	(1,325,043)	-
Principal paid on debt	(1,409,548)	-	(1,409,548)	-
Interest and fiscal agent fees paid on debt	(838,839)	-	(838,839)	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(3,157,521)</u>	<u>(415,909)</u>	<u>(3,573,430)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Sale of investments	(445,180)	-	(445,180)	-
Interest and dividends	151,227	8,220	159,447	11,725
<b>Net cash provided by (used in) investing activities</b>	<u>(293,953)</u>	<u>8,220</u>	<u>(285,733)</u>	<u>11,725</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(247,689)</u>	<u>229,919</u>	<u>(17,770)</u>	<u>5,553</u>
<b>Balances - beginning of year</b>	<u>3,046,582</u>	<u>312,835</u>	<u>3,359,417</u>	<u>458,574</u>
<b>Balances - end of year</b>	<u>\$ 2,798,893</u>	<u>\$ 542,754</u>	<u>\$ 3,341,647</u>	<u>\$ 464,127</u>
<b>Reconciliation to Statement of Net Assets:</b>				
Cash and cash equivalents	\$ 817,548	\$ 542,754	\$ 1,360,302	\$ 464,127
Restricted cash and cash equivalents - current	1,815,545	-	1,815,545	-
Restricted cash and cash equivalents - noncurrent	165,800	-	165,800	-
<b>Total cash and cash equivalents, end of year</b>	<u>\$ 2,798,893</u>	<u>\$ 542,754</u>	<u>\$ 3,341,647</u>	<u>\$ 464,127</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 1,432,527	\$ (146,365)	\$ 1,286,162	\$ 559,848
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	1,365,818	394,026	1,759,844	-
Amortization expense	20,684	-	20,684	-
Operating grants and contributions	-	389,509	389,509	-
Miscellaneous revenue	195,275	-	195,275	7,547
Change in assets and liabilities:				
Accounts receivable	(38,744)	(9,509)	(48,253)	-
Due from other governments	-	(5,963)	(5,963)	-
Other receivable	7,842	-	7,842	865
Prepaid expenses	3,296	-	3,296	-
Inventories	36,791	60,198	96,989	-
Accounts payable	170,264	(74,735)	95,529	1,559
Accrued payroll payable	9,348	1,438	10,786	-
Deposits subject to refund	23,986	-	23,986	-
Claims liability	-	-	-	(575,991)
Other post employment benefits	53,201	-	53,201	-
Accrued compensated absences	29,848	4,009	33,857	-
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 3,310,136</u>	<u>\$ 612,608</u>	<u>\$ 3,922,744</u>	<u>\$ (6,172)</u>
<b>Noncash activities:</b>				
Contributed capital assets	\$ 127,894	\$ -	\$ 127,894	\$ -
	<u>\$ 127,894</u>	<u>\$ -</u>	<u>\$ 127,894</u>	<u>\$ -</u>

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, 2009**

	<b>Agency Fund</b>
	<b>URM/DEPCA</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$6,482
Total assets	\$6,482
 <b>LIABILITIES</b>	
URM/DEPCA payable	\$6,482
Total liabilities	\$6,482

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 Shawnees 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, 2008 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 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 street improvement fund accounts for the construction or major reconstruction of street projects.

**The City reports the following major proprietary funds:**

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

**The City reports the following fund type:**

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

**Included in the aggregated governmental fund totals are the following funds:**

- The street and alley fund accounts for the operation and maintenance of local streets and thoroughfares.
- The E-911 fund accounts for the operations and maintenance of the City's 911 emergency services.
- The revolving oil & gas fund accounts for the inspection and monitoring of oil and gas wells.
- The economic development fund accounts for the promotion of economic development.
- The spay and neuter fund accounts for the City's animal adoption program.
- The hotel/motel surcharge funds 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 account for federal funds received by the City and expenditures related to the operation of these grants.
- The library fund accounts for the maintenance of the municipal library.
- The cemetery care fund accounts for the continuing care and maintenance as well as future capital investments of the City owned cemetery.
- The senior citizens fund accounts for the maintenance of the senior citizens center.
- The gifts & contributions fund accounts for monies donated for various park projects, economic development, civic events, police, and fire donations.
- The sister cities fund accounts for the financial activity of the sister cities program.
- The 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 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.

**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.

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

**D. Assets, liabilities, and net assets or equity**

***1. Deposits and investments***

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

State statutes authorize the City to invest in obligations of the U.S. Treasury; time deposits with financial institutions, if such deposits are fully insured by federal depository insurance or pledged collateral; and debt 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. *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

**5. Compensated absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Sick leave may be accumulated up to a maximum of 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.

**6. Long-term obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, 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.

**7. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**III. Detailed notes on all funds**

**A. Deposits and investments** – The City held the following deposits/investments at June 30, 2009:

**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	\$ 518,557	n/a	\$ 518,557	\$ -	\$ -	\$ -
Time deposits	6,725,711	n/a	-	3,794,609	2,931,102	-
Money market mutual fund	9,125,192	AAAm	9,125,192	-	-	-
Money market mutual fund	15,231	not available	15,231	-	-	-
FHLMC obligation	1,257,497	n/a	-	1,257,497	-	-
Corporate bonds	20,000	B-	-	-	-	20,000
Sub-total	17,662,188		\$ 9,658,980	\$ 5,052,106	\$ 2,931,102	\$ 20,000
Cash on hand	2,630					
Total Investments and Deposits	\$ 17,664,818					
Reconciliation to Statement of Net Assets:						
Cash and cash equivalents	\$ 9,489,329					
Investments	6,745,710					
Noncurrent restricted cash and cash equivalents	165,800					
Noncurrent restricted investments	1,257,497					
Agency fund cash and cash equivalents	6,482					
	\$ 17,664,818					

*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, 2009 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, 2009, the City had concentration of credit risk in the following investment: Federal Home Loan Mortgage Corporation (FHLMC) 16%.

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

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

Type of Investment	Percentage of Cash Available for Investment Not to Exceed
Negotiable certificates of deposit	50%
Bankers’ acceptances	50%
Commercial paper	50%
Obligations of state and local 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, 2009. The \$260,668 of cash and cash equivalents was invested in a money market instrument with a credit rating of AAAM. 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, 2009, for the City of Shawnee’s governmental funds, including the applicable allowances for uncollectible accounts are as follows:

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental Activities:			
Taxes	\$ 2,095,620	\$ -	\$ 2,095,620
Due from other governments	24,807	-	\$ 24,807
Franchise taxes	129,972	-	\$ 129,972
Court fines	923,082	(803,081)	120,001
Accounts	11,116	-	11,116
Other	154,979	(2,038)	152,941
Total Governmental Activities	<u>\$ 3,339,576</u>	<u>(805,119)</u>	<u>\$ 2,534,457</u>
Business-Type Activities:			
Utilities	<u>1,966,132</u>	<u>(610,401)</u>	<u>\$ 1,355,731</u>

**C. Restricted assets**

The amounts reported as restricted assets of the business-type activities are comprised of assets held by the trustee bank of 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	Noncurrent Investments	Total
Due to Depositors	663,028	\$ -	\$ -	\$ 663,028
Trustee Accounts:				
Pottawattomie County Series 03 Principal Fund	21	-	-	21
Pottawattomie County Series 03 Interest Fund	72,990	-	-	72,990
OWRB Series 97 Debt Service Fund	120,359	-	-	120,359
OWRB Series 97 Debt Reserve Fund	-	160,474	-	160,474
Revenue Note Series 03 Principal Fund	635,824	-	-	635,824
Revenue Note Series 03 Interest Fund	323,323	-	-	323,323
Revenue Note Series 03 Debt Reserve Fund	-	5,326	1,257,497	1,262,823
Total Restriced Assets	<u>\$ 1,815,545</u>	<u>\$ 165,800</u>	<u>\$ 1,257,497</u>	<u>\$ 3,238,842</u>

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**D. Capital Assets**

The following is a summary of changes in capital assets during fiscal year 2009 for the primary government:

**PRIMARY GOVERNMENT:**

	Balance at July 1, 2008	Additions	Disposals	Balance at June 30, 2009
<b><i>Governmental activities:</i></b>				
Capital assets not being depreciated:				
Land	\$ 2,261,793	\$ -	\$ -	\$ 2,261,793
Construction in progress	650,955	1,110,991	617,595	1,144,351
Total capital assets not being depreciated	<u>2,912,748</u>	<u>1,110,991</u>	<u>617,595</u>	<u>3,406,144</u>
Other capital assets:				
Buildings	8,271,784	416,996	-	8,688,780
Machinery, furniture and equipment	11,475,130	872,020	48,569	12,298,581
Infrastructure	31,829,225	3,242,635	-	35,071,860
Total other capital assets at historical cost	<u>51,576,139</u>	<u>4,531,651</u>	<u>48,569</u>	<u>56,059,221</u>
Less accumulated depreciation for:				
Buildings	4,727,184	308,432	-	5,035,616
Machinery, furniture and equipment	6,894,677	908,039	48,569	7,754,147
Infrastructure	17,858,008	776,585	-	18,634,593
Total accumulated depreciation	<u>29,479,869</u>	<u>1,993,056</u>	<u>48,569</u>	<u>31,424,356</u>
Other capital assets, net	<u>22,096,270</u>	<u>2,538,595</u>	<u>-</u>	<u>24,634,865</u>
Governmental activities capital assets, net	<u>\$ 25,009,018</u>	<u>\$ 3,649,586</u>	<u>\$ 617,595</u>	<u>\$ 28,041,009</u>
<b><i>Business-type activities:</i></b>				
Capital assets not being depreciated:				
Land	\$ 1,481,715	\$ -	\$ -	\$ 1,481,715
Water rights	12,967,959	-	-	12,967,959
Construction in progress	14,534	497,334	511,868	-
Total capital assets not being depreciated	<u>14,464,208</u>	<u>497,334</u>	<u>511,868</u>	<u>14,449,674</u>
Other capital assets:				
Buildings	10,316,455	491,652	-	10,808,107
Machinery, furniture and equipment	3,232,955	111,444	-	3,344,399
Utility property	44,009,792	873,652	-	44,883,444
Total other capital assets at historical cost	<u>57,559,202</u>	<u>1,476,748</u>	<u>-</u>	<u>59,035,950</u>
Less accumulated depreciation for:				
Buildings	7,150,133	428,437	-	7,578,570
Machinery, furniture and equipment	2,338,676	186,402	-	2,525,078
Utility property	16,935,045	1,145,005	-	18,080,050
Total accumulated depreciation	<u>26,423,854</u>	<u>1,759,844</u>	<u>-</u>	<u>28,183,698</u>
Other capital assets, net	<u>31,135,348</u>	<u>(283,096)</u>	<u>-</u>	<u>30,852,252</u>
Business-type activities capital assets, net	<u>\$ 45,599,556</u>	<u>\$ 214,238</u>	<u>\$ 511,868</u>	<u>\$ 45,301,926</u>

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

Governmental Activities:

General government	\$ 143,725
Culture and recreation	133,574
Community development	28,108
Public safety	630,175
Public works	1,057,474
	<u>\$ 1,993,056</u>

Business-Type Activities:

Water	\$ 548,164
Wastewater	639,309
Sanitation	156,780
Administration	4,850
Lake	16,715
Airport	394,026
	<u>\$1,759,844</u>



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**COMPONENT UNIT:**

<b>Shawnee Civic and Cultural Development Authority:</b>	<b>Balance, January 1, 2008</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance, December 31, 2008</b>
Capital assets, not being depreciated:				
Land	\$ 94,493	\$ -	\$ -	\$ 94,493
Total capital assets, not being depreciated	<u>94,493</u>	<u>-</u>	<u>-</u>	<u>94,493</u>
Capital assets, being depreciated:				
Buildings and improvements	9,341,770	70,246	-	9,412,016
Equipment	488,004	62,167	-	550,171
Total capital assets, being depreciated	<u>9,829,774</u>	<u>132,413</u>	<u>-</u>	<u>9,962,187</u>
Less accumulated depreciation	<u>(4,872,992)</u>	<u>(272,784)</u>	<u>-</u>	<u>(5,145,776)</u>
Total capital assets, being depreciated, net	<u>4,956,782</u>	<u>(140,371)</u>	<u>-</u>	<u>4,816,411</u>
Governmental activities capital assets, net	<u>\$ 5,051,275</u>	<u>\$ (140,371)</u>	<u>\$ -</u>	<u>\$ 4,910,904</u>

**E. Long-term debt**

Long-term liabilities of the City of Shawnee as of June 30, 2009, are summarized as follows:

**Governmental activities**

Capital lease obligation, dated July 28, 2004, in the amount of \$400,000, payable monthly installments of \$22,062 including interest at 3.81%, due September 2009, for a fire engine. The capital improvement fund typically pays this liability.

\$ 21,448

Current portion

\$ 21,488

Noncurrent portion

-

\$ 21,488

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

\$ 1,666,576

Current portion

\$ 333,315

Noncurrent portion

1,333,261

\$ 1,666,576

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

\$ 4,230,443

Current portion

\$ 850,830

Noncurrent portion

3,379,613

\$ 4,230,443

**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.	\$ 16,050,000
\$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.	423,664
\$1,900,000 1997B Promissory Note to Oklahoma Water Resources Board, dated September, 1, 1997, payable in semiannual installments of approximately \$80,000, Interest from 3.895% to 5.245% through 2017. The Shawnee Municipal Authority typically pays this liability.	1,005,000
\$5,350,000 2001 Sales Tax Revenue Note, to a financial institution, dated September, 1, 1997, payable in 120 installments of \$54,804, interest at 4.25% through November 28, 2011. The Shawnee Municipal Authority collects funding from the capital improvement fund in the form of transfers to liquidate this liability.	1,557,179
\$395,000 Series 2003 Sales Tax Revenue Note dated September 25, 2003, payable in 99 installments of \$ 4,739, interest at 4.25% through December 28, 2011. The Shawnee Municipal Authority collects funding from the discretely presented component unit in the form of a interfund balance to liquidate this liability.	<u>134,648</u>
Total notes payable before unearned loss and bond premium	19,170,491
Deferred amount on 2003 refunding	(683,667)
Bond premium	70,556
Total notes payable, net of unearned loss on 2003 refunding	<u>\$ 18,557,380</u>
Current portion	1,451,767
Noncurrent portion	17,105,613
	<u>\$ 18,557,380</u>
Accrued compensated absences. The Shawnee Municipal and Airport Authorities typically have been used to liquidate this liability.	<u>\$ 304,978</u>
Current portion	60,996
Noncurrent portion	243,982
	<u>\$ 304,978</u>

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Long-term liability transactions for the year ended June 30, 2009 and changes therein were as follows:

Type of Debt	Restated, Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009	Due Within One Year
<b>Governmental Activities:</b>					
Capital lease payable	\$ 106,857	\$ -	\$ 85,409	\$ 21,448	21,448
General obligation bonds	100,000	-	100,000	-	-
Claims and judgments	4,806,434	-	575,991	4,230,443	850,830
Accrued compensated absences	1,532,946	387,910	254,280	1,666,576	333,315
Total Governmental Activities	<u>\$ 6,546,237</u>	<u>\$ 387,910</u>	<u>\$ 1,015,680</u>	<u>\$ 5,918,467</u>	<u>\$ 1,205,593</u>
<b>Business-Type Activities:</b>					
Notes Payable	\$ 20,580,037	\$ -	\$ 1,409,548	\$ 19,170,489	1,451,767
Accrued compensated absences	271,121	78,147	44,290	304,978	60,996
Total Business-Type Activities	<u>20,851,158</u>	<u>78,147</u>	<u>1,453,838</u>	<u>19,475,467</u>	<u>1,512,763</u>
Total Long-Term Debt	<u>\$ 27,397,395</u>	<u>\$ 466,057</u>	<u>\$ 2,469,518</u>	<u>\$ 25,393,934</u>	<u>\$ 2,718,356</u>

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

Fiscal Year Ending June 30	<u>Governmental Activities</u>		
	<u>Capital Lease Bonds</u>		
	Principal	Interest	
2010	\$ 21,448	\$ 614	
	<u>\$ 21,448</u>	<u>\$ 614</u>	
Fiscal Year Ending June 30	<u>Business-Type Activities</u>		
	<u>Notes Payable</u>		
	Principal	Interest	
	2010	\$ 1,451,767	\$ 782,966
	2011	1,505,165	729,399
	2012	1,204,359	676,169
	2013	876,488	642,850
	2014	911,488	611,651
	2015-2019	5,496,222	2,530,594
	2020-2024	5,250,000	1,484,400
2025-2028	2,475,000	255,530	
	<u>\$ 19,170,489</u>	<u>\$ 7,713,559</u>	

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

SMA acquired a contractual interest in the water 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 \$1,786,287. Pledged sales taxes received in the current year were \$1,544,355. Debt service payments of \$714,515 for the current fiscal year were 46% 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 and \$2,973,279 of 1997A and 1997B Series OWRB Notes Payable. Proceeds from the notes provided financing for utility system capital assets. The notes are payable through 2026 and 2016, respectively. The total principal and interest payable for the remainder of the life of these notes is \$25,097,766. The notes are payable from the above-mentioned utility revenues. The debt service payments on the notes this year were \$1,533,872 which was 22% of pledged utility revenues of \$6,946,815.

**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	\$ 1,666,576
Business-type activities	<u>288,214</u>
Total accrued compensated absences	<u>\$ 1,954,790</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, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Nature of Interfund Balance</u>
General	SMA	\$ 1,253,766	Construction projects
General	SMA	1,250	Revenue posted to incorrect fund
Worker's Comp Fund	General	273,383	Self insurance funding
Worker's Comp Fund	SMA	282,794	Self insurance funding
General	Police Sales Tax Fund	25,342	Negative cash
General	Fire Sales Tax Fund	25,342	Negative cash
General	CDBG & Home Grants Fund	41,547	Negative cash
Capital Improvement Fund	Shawnee Airport Authority	65,000	Federal grant match on future projects
		<u>\$ 1,968,424</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due to</u>	<u>Net Interfund Balances</u>
Governmental Funds	\$ 1,412,247	\$ 365,614	\$ 1,046,633
Proprietary Funds	-	1,602,810	(1,602,810)
Internal Service Funds	556,177	-	556,177
	<u>\$ 1,968,424</u>	<u>\$ 1,968,424</u>	<u>\$ -</u>

A summary of interfund transfers for the fiscal year ended June 30, 2009 is as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
SMA	General	\$ 764,000	Operating subsidy
Police Tax Fund	General	333,583	Restricted sales tax transfer
Fire Tax Fund	General	333,583	Restricted sales tax transfer
Street Improvement Fund	General	100,000	Engineering services for capital projects
Capital Improvement Fund	Economic Development Fund	100,000	Operating subsidy for component unit
Capital Improvement Fund	SMA	657,649	Debt service
Economic Development Fund	Shawnee Airport Authority	25,000	Match on federal grant projects
Economic Development Fund	Sister Cities Fund	15,000	Sister Cities program support
General Fund	Library Fund	49,000	Operating subsidy
Total		<u>\$ 2,377,815</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 1,695,166	\$ (1,613,815)	\$ 81,351
Proprietary Funds	682,649	(764,000)	(81,351)
	<u>\$ 2,377,815</u>	<u>\$ (2,377,815)</u>	<u>\$ -</u>

**Reconciliation to Statement of Activities:**

Net transfers	\$ 81,351
Transfer of business-type activity expenses to governmental:	
Internal service fund net loss allocation	88,437
Transfers - internal activity	<u>\$ 169,788</u>

**G. 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 amended benefit provisions rest with the City Council. Retirees may continue coverage with the City by paying the carrier premium rate. 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 2009, the actuarially expected City contribution in the form of net age adjustment was \$77,000 to the Plan. Plan members receiving benefits contributed \$196,278 of the total premiums, through their payment of the full carrier determined premium in FY 2009.

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the City's annual OPEB cost the amount actually contributed to the plan, and changes in the City's net OPEB obligation to for the year ended June 30, 2009:

Normal cost	\$ 169,936
Amortization of Acturial Accrued Liability (AAL)	163,292
Annual OPEB cost (expense)	<u>333,228</u>
Expected net benefits During the year	<u>(77,000)</u>
Increase in net OPEB obligation	256,228
Net OPEB obligation—beginning of year	-
Net OPEB obligation—end of year	<u><u>\$ 256,228</u></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

Information for the two preceding years was not available. Fiscal year 2009 was the first year the City was required to have an actuary performed and report any liability.

*Funded Status and Funding Progress.* As of July 1, 2009, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability (AAL) for benefits was \$3.5 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$9.8 million, and the ratio of the UAAL to the covered payroll was 35.9 percent. Because the plan is a substantive plan there are no plan assets.

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

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

In the July 1, 2008, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.0 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 9 percent initially, reduced by decrements to an ultimate rate of 6 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, 2008, was thirty years. As of the date of this valuation, there are no plan assets. Retiree premiums are paid as they come due from general operating assets of the City.

#### **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 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, 2007 to June 30, 2009, are as follows:

**CLAIMS LIABILITY ANALYSIS**

Claims liability, June 30, 2007	\$	3,997,519
Claims and changes in estimates		1,436,117
Claims payments		<u>(627,202)</u>
Claims liability, June 30, 2008		4,806,434
Claims and changes in estimates		-
Claims payments		<u>(575,991)</u>
Claims liability, June 30, 2009	\$	<u><u>4,230,443</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, 2009, the City's records indicate that the City's banked match of the Home Grant Program totaled \$585,297.

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, 2009:



Fund/Project	Original Contract	Balance Remaining at June 30, 2009
<b>Governmental Activities:</b>		
Regional Park	\$ 1,000,000	\$ 888,794
City Hall heat/air replacement	524,000	111,515
Phase II of Municipal Pool Redesign	21,300	585
Kickapoo Street/45th paving	291,290	248,418
Kickapoo Street south	2,000,000	2,000,000
Rehab Asphalt Streets Project	265,900	165,257
Overlay Streets Maint Project	314,573	314,573
ADA Handicap Ramps Project	80,976	80,976
Architectual Fees For Cemetery Building	4,868	1,944
Electrical Drawings For Cem. Building	500	500
<b>Business-type activities:</b>		
Walkway for Basin/NWTP	17,350	17,350

**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. 63<sup>rd</sup> 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, 2009, for employees and employer were \$180,992 and \$315,064, respectively, on covered payroll of \$2,423,570. The state made on-behalf payments for the police pension system of \$324,606. 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>
2008-2009	\$294,112	\$315,064
2007-2008	\$309,328	\$309,328
2006-2007	\$284,201	\$284,201

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, 2009, for employees and employer were \$229,547 and \$382,086, respectively, on covered payroll of \$2,939,085. The state made on-behalf payments for the fire pension system of \$635,752. 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>
2008-2009	\$373,019	\$382,086
2007-2008	\$359,602	\$359,602
2006-2007	\$346,074	\$346,074

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, 2008. 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 \$6,053,511 as of January 1, 2009, as follows:

Actuarial accrued liability	\$ 30,145,970
Net assets available for benefits (actuarial value)	<u>24,092,460</u>
Underfunded actuarial accrued liability	<u>\$ 6,053,510</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	UP 1994 Mortality Table with projected mortality improvement

NOTES TO THE FINANCIAL STATEMENTS  
CITY OF SHAWNEE, OKLAHOMA  
JUNE 30, 2009

For the year ended June 30, 2009, employees were required to contribute 0.0% of annual compensation while the City contributed 19.68%, the actuarially required contribution rate. Contributions to the Plan for the year ended June 30, 2009, for employees and employer were \$0 and \$1,166,956, respectively. For the year ended June 30, 2009, the City's covered payroll was \$5,929,658. 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
2008-2009	\$ 1,166,956	\$ 1,166,956	\$ 160,780
2007-2008	1,054,126	955,124	160,780
2006-2007	980,989	919,211	61,778

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 2009 plan year	\$ 1,166,956
Actual contributions made	<u>(1,166,956)</u>
Increase/(decrease) in net pension obligation	-
Beginning of year net pension obligation	<u>160,780</u>
End of year net pension obligation	<u><u>\$ 160,780</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
1/1/2009	\$ 24,092,460	\$ 30,145,970	\$ 6,053,510	79.9%	\$ 5,724,277	105.8%

**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 Account Principal (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, 2009, for employees and employer were \$223,257 and \$286, respectively, on a covered payroll of \$5,251,656. No employer contributions were made during the years ended June 30, 2008 and 2007 due to budget constraints.

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, 2009, for employees and employer were \$65,022 and \$40,639, respectively, on a covered payroll of \$812,778.

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, 2009, employees contributed \$223,257 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, 2009, were \$13,160. Separate audited GAAP – basis financial statements are not available.

**D. Prior Period Adjustments**

During the year ended June 30, 2009, the City had the following restatements to its beginning fund balances/net assets:

	Other Governmental Funds	Governmental Activities
Beginning fund balance/net assets as previously reported	\$ 3,995,951	\$ 34,796,975
Correction of errors:		
Overstated capital lease payable	-	21,216
Overstated grant receivable	(10,766)	(10,766)
Understated capital assets	-	376,353
Beginning fund balance/net assets as restated	\$ 3,985,185	\$ 35,183,778

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SHAWNEE, OKLAHOMA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u>	<u>Variance with</u>
			<u>Budgetary Basis</u>	<u>Final Budget -</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
<b>REVENUES</b>				
Taxes	\$ 13,336,667	\$ 13,336,667	\$ 13,058,047	\$ (278,620)
Licenses and permits	273,100	273,100	259,783	(13,317)
Intergovernmental	182,000	1,377,735	1,579,461	201,726
Charges for services	86,836	86,836	222,507	135,671
Fees and fines	505,100	505,100	487,635	(17,465)
Investment earnings	51,400	51,400	65,041	13,641
Miscellaneous	82,300	91,820	92,894	1,074
Total revenues	<u>14,517,403</u>	<u>15,722,658</u>	<u>15,765,368</u>	<u>42,710</u>
<b>EXPENDITURES</b>				
Departmental:				
<i>General Government:</i>				
City manager	447,703	456,949	476,586	(19,637)
City attorney	98,234	98,234	94,079	4,155
Human resources	449,477	524,022	516,711	7,311
City clerk	262,229	215,743	198,639	17,104
Accounting	578,377	587,810	515,493	72,317
Municipal court	328,533	335,115	304,204	30,911
Information services	324,060	320,047	299,475	20,572
Planning and zoning	224,387	192,212	133,124	59,088
Engineering	363,313	370,410	345,890	24,520
Equipment services	380,280	387,982	334,016	53,966
Building maintenance	79,783	80,812	76,952	3,860
Total General Government	<u>3,536,376</u>	<u>3,569,336</u>	<u>3,295,169</u>	<u>274,167</u>
<i>Public Safety:</i>				
Police administration	608,780	607,935	574,400	33,535
Police operations	3,626,241	4,127,193	4,110,479	16,714
Disptach	533,966	560,756	565,020	(4,264)
Criminal investigations	442,380	513,960	530,448	(16,488)
Animal Control	201,004	205,184	200,533	4,651
Code Compliance	441,285	482,600	435,516	47,084
Fire suppression	3,841,775	4,580,152	4,238,129	342,023
Fire prevention	375,957	512,443	507,999	4,444
Emergency Management	282,443	356,032	290,604	65,428
Fire Training	144,330	152,226	137,916	14,310
L.E.P.C	3,700	5,100	3,101	1,999
Total Public Safety	<u>10,501,861</u>	<u>12,103,581</u>	<u>11,594,145</u>	<u>509,436</u>
<i>Street:</i>				
Street	755,105	767,456	701,825	65,631
Traffic control	234,384	238,848	232,658	6,190
Total Street	<u>989,489</u>	<u>1,006,304</u>	<u>934,483</u>	<u>71,821</u>
<i>Culture and Recreation:</i>				
Expo Operations	-	9,835	484,155	(474,320)
Municipal auditorium	13,700	13,700	10,744	2,956
Senior citizens	82,600	81,600	79,709	1,891
Community center	56,150	56,150	52,562	3,588
Cemetery	196,540	215,552	207,516	8,036
Parks	575,540	569,824	481,026	88,798
Total Culture and Recreation	<u>924,530</u>	<u>946,661</u>	<u>1,315,712</u>	<u>(369,051)</u>
Total Expenditures	<u>15,952,256</u>	<u>17,625,882</u>	<u>17,139,509</u>	<u>486,373</u>
Excess (deficiency) of revenues over expenditures	<u>(1,434,853)</u>	<u>(1,903,224)</u>	<u>(1,374,141)</u>	<u>529,083</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,531,166	1,531,166	1,531,166	-
Transfers out	(949,000)	(514,081)	(49,000)	465,081
Total other financing sources and uses	<u>582,166</u>	<u>1,017,085</u>	<u>1,482,166</u>	<u>465,081</u>
Net change in fund balances	(852,687)	(886,139)	108,025	994,164
Fund balances - beginning - restated	1,462,223	1,462,223	4,027,733	2,565,510
Fund balances - ending	<u>\$ 609,536</u>	<u>\$ 576,084</u>	<u>\$ 4,135,758</u>	<u>\$ 3,559,674</u>



**CITY OF SHAWNEE, OKLAHOMA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
ON BUDGETARY ACCOUNTING AND CONTROL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**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 –	
City manager	\$19,637
Dispatch	4,264
Criminal Investigation Division	16,488
Expo Center	474,320

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 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 SHAWNEE, OKLAHOMA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 DEFINED BENEFIT PENSION PLAN  
 FUNDING SCHEDULES  
 June 30, 2009

**H. 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
1/1/2009	\$ 24,092,460	\$ 30,145,970	\$ 6,053,510	79.9%	\$ 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	25,754,610	90.00%	5,378,234	47.9%
1/1/2006	21,914,001	23,744,809	23,744,809	92.30%	4,952,709	37.0%
1/1/2005	21,548,548	22,838,766	22,838,766	94.40%	4,767,083	27.1%
1/1/2004	19,956,987	20,893,487	20,893,487	95.50%	5,273,332	17.8%
1/1/2003	19,398,530	18,661,318	18,661,318	104.00%	4,692,250	-15.7%
1/1/2002	21,491,773	18,552,363	18,552,363	115.80%	4,331,334	-62.6%
1/1/2001	20,721,347	14,717,465	14,717,465	140.80%	4,101,801	-138.6%

**II. Schedule of Employer Contributions**

Fiscal Year	Annual Required Contribution	Percentage Contributed
2009	\$1,166,956	100%
2008	\$1,054,126	90.6%
2007	980,989	93.7%

**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, 2009

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

July 14, 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 – Nonmajor Governmental Funds June 30, 2009

ASSETS	Street and Alley Fund	L-911 Fund	Revolving Oil & Gas Fund	Research & Development Fund	Spas and Natter Fund	Hotel/Motel Fund	Police Sales Tax Fund	Fire Sales Tax Fund	CDRF/Home Grants Fund	Library Fund	Cemetery Care Fund	Senior Citizens Fund	Gifts and Contributions Fund	Slater Child Fund	Tax Increment Financing Fund	Drug Perfeiture Fund	1945 Street Improvement Fund	Capital Improvement Fund	Debt Service Fund	Field Office Governmental Fund
Investments	\$ 49,899	\$ 238,264	\$ 215,796	\$ 95,428	\$ 14,457	\$ 18,191	\$ -	\$ -	\$ 138,333	\$ 3,818	\$ 230,448	\$ 212,219	\$ 93,029	\$ 19,246	\$ 213,276	\$ 4,808	\$ 77,933	\$ 769,441	\$ 59,704	\$ 2,294,472
Receivable from other governments	-	-	-	-	-	-	-	-	1,794	-	-	-	20,000	-	-	-	-	1,008,261	-	1,028,261
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	61,000	-	61,794
Taxes receivable, net	-	6,883	-	33,722	-	34,499	42,152	42,152	617,453	-	-	-	4,073	-	-	-	-	291,343	-	379,369
Other receivables	22,213	-	-	-	-	3,499	-	-	-	-	-	-	-	-	41,96	-	-	-	-	68,919
Total assets	\$ 72,112	\$ 244,647	\$ 215,796	\$ 129,150	\$ 14,457	\$ 52,670	\$ 42,152	\$ 42,152	\$ 757,580	\$ 3,818	\$ 230,448	\$ 212,219	\$ 117,052	\$ 19,246	\$ 217,432	\$ 4,808	\$ 77,933	\$ 2,158,265	\$ 59,704	\$ 4,458,814
<b>LIABILITIES AND FUND BALANCES</b>																				
Liabilities	-	-	-	2,500	400	34,449	25,342	25,342	52,250	398	1,080	-	3,540	-	-	-	-	301,435	-	398,052
Account payable and accrued liabilities	-	-	-	-	-	-	-	-	41,547	-	-	-	-	-	-	-	-	-	-	82,231
Due to other funds	-	-	-	2,500	400	34,449	25,342	25,342	652,566	398	1,080	-	3,540	-	-	-	-	301,435	-	1,062,301
Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	55	55
Total liabilities	-	-	-	2,500	400	34,449	25,342	25,342	652,566	398	1,080	-	3,540	-	-	-	-	301,435	-	1,062,301
Fund balances:																				
Encumbrances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,545	-	28,545
Unreserved, reported in non-major	72,112	244,647	215,796	126,650	14,058	18,221	16,810	16,810	106,014	33,420	229,368	212,219	113,512	19,246	217,432	4,808	77,933	1,867,682	-	1,691,116
Capital projects funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	196,615
Debt service funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	59,850
Total fund balances	\$ 72,112	\$ 244,647	\$ 215,796	\$ 126,650	\$ 14,058	\$ 18,221	\$ 16,810	\$ 16,810	\$ 106,014	\$ 33,420	\$ 229,368	\$ 212,219	\$ 113,512	\$ 19,246	\$ 217,432	\$ 4,808	\$ 77,933	\$ 1,898,247	\$ 59,850	\$ 3,501,145
Total liabilities and fund balances	\$ 72,112	\$ 244,647	\$ 215,796	\$ 129,150	\$ 14,458	\$ 52,670	\$ 42,152	\$ 42,152	\$ 757,580	\$ 3,818	\$ 230,448	\$ 212,219	\$ 117,052	\$ 19,246	\$ 217,432	\$ 4,808	\$ 77,933	\$ 2,158,265	\$ 59,850	\$ 4,589,252

**City of Shawnee, Oklahoma  
Combing Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Fund  
June 30, 2009**

	Street and Alley Fund	E-911 Fund	Revolving Oil & Gas Fund	Economic Development Fund	Spray and Water Fund	Hotel/Valet Fund	Police Sales Tax Fund	Fire Sales Tax Fund	CDRC Home Grants Fund	Libraries Fund	Cemetery Care Fund	Senior Citizens Fund	Gifts and Contribution Fund	State Child Fund	Tax Increment Financing Fund	Drug Forfeiture Fund	1944 Street Improvement Fund	Capital Improvement Fund	Debt Service Fund	Total Other Governmental Funds	
<b>REVENUES</b>																					
Taxes	\$ 262,247	\$ 85,946	\$ -	\$ 265,653	\$ -	\$ 376,932	\$ 332,066	\$ 332,066	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,782	\$ -	\$ -	\$ 2,058,811	\$ 1,433	\$ 3,788,286	
Fees and fines	1,775	-	15,500	-	-	-	-	-	-	-	-	-	-	-	-	4,164	-	-	-	4,164	
Intergovernmental	-	-	-	204,900	-	-	-	-	351,932	-	-	-	4,623	-	-	-	-	41,946	-	46,569	
Changes in accounts receivable	1,844	-	4,297	5,339	46,200	-	529	-	-	302	1,220	-	(13,265)	-	3,468	-	-	-	-	6,340	
Miscellaneous	2,650	5,730	-	-	742	-	-	-	703,139	-	3,656	485	53,552	285	-	19	1,781	4,232	2,461	216,009	
Total Revenues	288,616	91,676	20,297	475,592	5,002	381,932	332,595	332,595	423,251	702	10,901	485	49,311	15,881	76,250	4,183	1,781	2,183,040	30,785	4,700,340	
<b>EXPENDITURES</b>																					
Current:																					
Police	-	-	330	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,269	2,600	
Streets	296,781	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	296,781	
Animal Control (E911)	-	90,187	-	409,960	6,745	38,123	-	-	376,453	-	-	-	44,622	-	-	-	-	-	-	496,212	
Economic development	-	-	-	20,039	-	-	-	-	-	44,707	-	-	-	24,472	-	-	-	-	-	-	983,087
Library	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44,707	
Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest and other charges	-	-	-	-	-	-	-	-	5,345	-	28,388	-	-	-	-	-	-	-	-	33,733	
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	109,009	
Total Expenditures	296,781	90,187	330	610,299	6,745	381,223	332,595	332,595	381,798	44,707	28,388	485	49,243	24,472	5,345	5,345	1,853,007	107,260	3,881,565		
Excess (deficiency) of revenues over expenditures	(7,165)	1,489	19,897	(133,507)	(1,743)	(1,291)	332,595	332,595	40,453	(44,003)	(18,387)	485	(112)	(8,521)	76,250	(1,099)	1,781	326,990	(76,472)	818,775	
<b>OTHER FINANCING SOURCES (USES)</b>																					
Transfers in	-	-	-	10,000	-	-	-	-	-	49,000	-	-	-	15,000	-	-	-	-	-	-	164,000
Transfers out	-	-	-	(5,000)	-	-	(133,580)	(133,580)	-	(9,000)	-	-	-	(15,000)	-	-	-	(757,649)	-	(1,464,835)	
Total other financing sources and uses	-	-	-	5,000	-	-	(133,580)	(133,580)	-	40,000	-	-	-	-	-	-	-	-	-	-	(1,300,835)
Net change in fund balances	(27,165)	1,489	19,897	(175,047)	(1,743)	(1,291)	(980)	(980)	40,453	4,997	(18,387)	485	(112)	6,479	76,250	(1,099)	1,781	(430,609)	(76,472)	(482,000)	
Fund balances - beginning, stated	99,277	243,158	198,889	201,697	15,881	194,532	17,798	17,798	64,451	23,423	247,715	20,734	113,624	12,789	41,182	5,877	76,152	2,326,916	136,322	3,985,185	
Fund balances - ending	\$ 71,112	\$ 244,647	\$ 218,786	\$ 126,650	\$ 14,138	\$ 193,241	\$ 16,818	\$ 16,818	\$ 105,004	\$ 28,420	\$ 229,328	\$ 21,219	\$ 113,512	\$ 19,288	\$ 117,432	\$ 4,778	\$ 77,931	\$ 1,896,307	\$ 59,850	\$ 3,503,185	