



Basic Financial Statements
(with Independent Auditor's Report Thereon)
June 30, 2011

City of Shawnee, Oklahoma

CITY OF SHAWNEE, OKLAHOMA
TABLE OF CONTENTS
JUNE 30, 2011

Introduction Letter.....	1
Independent Auditor’s Report.....	5
Management’s Discussion and Analysis.....	7
Basic Financial Statements.....	16
Statement of Net Assets as of June 30, 2011.....	17
Statement of Activities for the year ended June 30, 2011.....	18
Balance Sheet - Governmental Funds as of June 30, 2011.....	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets as of June 30, 2011.....	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for the year ended June 30, 2011.....	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities for the year ended June 30, 2011.....	22
Statement of Net Assets - Proprietary Funds as of June 30, 2011.....	23
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds for the year ended June 30, 2011.....	24
Statement of Cash Flows - Proprietary Funds for the year ended June 30, 2011.....	25
Statement of Net Assets - Fiduciary Fund as of June 30, 2011.....	26
Notes to the Basic Financial Statements.....	27
Required Supplementary Information.....	54
General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - for the year ended June 30, 2011.....	55
Notes to Required Supplementary Information on Budgetary Accounting and Control.....	56
Defined Benefit Pension Plan Funding Schedules.....	58
Other Post Employment Benefits Schedule.....	59

**CITY OF SHAWNEE, OKLAHOMA
TABLE OF CONTENTS
JUNE 30, 2011**

Supplementary Information.....	60
Combining Balance Sheet - General Fund as of June 30, 2011	61
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - General Fund for the year ended June 30, 2011.....	62
Combining Balance Sheet - Nonmajor Governmental Funds as of June 30, 2011	63
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds for the year ended June 30, 2011.....	65

Mayor

LINDA PETERSON

**The City of Shawnee***Office of the City Manager*

P.O. Box 1448

Shawnee, Oklahoma 74802-1448

(405) 878-1601 Fax (405) 878-1571

www.ShawneeOK.org**Commissioners**

PAM STEPHENS

FRANK SIMS

JAMES HARROD

BILLY COLLIER

JOHN WINTERRINGER

STEVE SMITH

December 31, 2011

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 auditor's report thereon for the fiscal year ended June 30, 2011.

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, 2011, 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, 2011 are fairly presented in conformity with GAAP.

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

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

PROFILE OF THE CITY

The City of Shawnee provides many municipal services including police and fire public safety, emergency management, water, sewer, and sanitation services, street construction and maintenance, street lighting, parks, lake and recreational facilities, planning, community development, code enforcement, and general administration. For financial reporting purposes, all funds, agencies, boards, commissions, and authorities over which the City Council has financial accountability, are included in this report. Financial accountability is determined by several different factors including fiscal dependence, ability to impose will upon the entity's governing body, provision of specific financial burdens or benefits and separate legal entity status. After a careful evaluation of these factors, the City has included in this financial report the Shawnee Municipal Authority and the Shawnee Airport Authority, as well as all funds of the City. 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 62 square miles and has a population of 29,857 according to the latest census. Shawnee's retail base continues to expand along the I-40 corridor, with several new hotels, restaurants, and retail establishments.

ECONOMIC CONDITION AND OUTLOOK

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

The City is almost solely dependent on sales and use tax to fund all general government operations. Approximately 78% of the City's general fund revenues are provided by sales and use tax. These taxes are directly affected by the state of the local economy and their use is often restricted by voter approval. As a result, it is a volatile revenue source from a budget perspective. Further, over the past 10 years, the City's sales tax has not kept up with the cost of salaries, goods and services at an average annual increase of 3.1%.

Sales and use tax collected by the City during fiscal year 2010-2011 increased 4.74% or \$727,907 from the previous fiscal year. Current fiscal year sales tax collections received through November,

2011 are down \$30,694 over the same time last year. City staff continues to monitor revenues closely to communicate the current situation to the City Commission. The City also continues its proactive education of residents, contractors, and retailers that sales taxes are collected at the point of delivery. The City is also taking initiatives to educate its citizens in regard to the importance of "Shopping Shawnee" ensuring their sales tax dollars are used for improvements to the *City of Shawnee*. Recent adoption of the City's 20 year Capital Improvement Plan has led staff and commissioners to realize that if the City of Shawnee is going to be able to continue to provide the level of customer service our citizens desire, retail sales tax attraction and economic development need to be top on priorities to increase City revenues.

As staff continues to identify possible reductions, the following critical needs within the City of Shawnee Finance Department will remain in the Fiscal Year 2011-2012 budget:

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

The City has seen an increase in sales tax exemptions and federal regulations; rising expenses from grievances and binding arbitrations with employee unions; and more federal and state unfunded mandates. New requirements of audits (*GASB 54*) have added to the list of expenses for cities and towns.

In accordance with Oklahoma Statute Titles 11 Section 17-211 and 68 Section 3017, the City strives to maintain a minimum unassigned fund balance totaling 10% for budgeted expenditures as a reserve for revenue shortfalls, unanticipated expenditures, and to meet daily cash flow requirements.

The City's fiscal year 2011-2012 budget estimates General Fund revenues of \$18,161,572 and expenditures of \$17,907,929, which will slightly increase its unassigned fund balance. A goal included in the upcoming fiscal year 2011-2012 budget is to provide and retain as many services as possible and attempt to restore the City's unassigned fund balance to as near to 10% of budgeted expenditures as possible.

MAJOR INITIATIVES

As of June 30, 2011 the City encumbered \$4 million for the \$11 million Kickapoo Street construction project. The Oklahoma Department of Transportation will provide the remainder of the funding.

The regional sports park land has been purchased and a preliminary park plan is complete. The next step is to allow voters to determine the specific funding source for the initiative.

During fiscal year 2011-2012 the City has developed a comprehensive Capital Improvement plan that identifies the future needs of the City. The City has plans for a bond issue and sales tax increase in February 2012 to fund the critical projects. In addition in December 2011 the City will be issuing a short term note to complete Capital Projects that are deemed critical, for example the Expo parking lot and a new library roof to name a few.

The City purchased various vehicles and equipment to support its services. Emergency management received a new generator for City Hall and upgraded radios for various departments. Fire and police received new vehicles and necessary equipment such as rifles, e-ticket machines, radios and bunker gear.

The City expended over \$431,000 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 2010-2011, the City supported the Shawnee Civic and Cultural Development Authority (Expo Center) with \$423,400 from the general fund, \$50,000 from the economic development fund and \$100,000 for capital improvements.

The City provided \$196,000 in financial support through a contract with the Shawnee Economic Development Foundation for services provided by that entity. The City passed through \$404,689 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 \$70,400 for management of the Senior Citizens Center and paid the YMCA \$36,000 to manage the Community Center. The City helped fund the local transit system with \$50,000.

ACKNOWLEDGEMENT

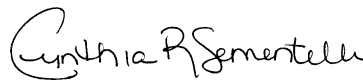
We would like to thank our consultants, Crawford & Associates, P.C., for their guidance. Also, thanks to our auditors, Eide Bailly, LLP, for their assistance in this process.

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, 2011.

Respectfully submitted,



Brian McDougal
City Manager



Cynthia Sementelli
Finance Director



Independent Auditor's Report

To the City Commission
City of Shawnee
Shawnee, Oklahoma:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Shawnee, Oklahoma as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Shawnee, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Shawnee Civic and Cultural Development Authority which statements reflect total assets constituting 100% and total revenues constituting 100% of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as they relate to the amounts included for the Shawnee Civic and Cultural Development Authority, are based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Shawnee, Oklahoma, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2011, on our consideration of the City of Shawnee, Oklahoma'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule, and funding schedules on pages 7 through 15, 55 through 57, and 58 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental

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

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma
December 28, 2011

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, 2011. We encourage readers to use this information in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

City-Wide Financial Statements (including capital assets and debt)

- The City's total assets increased by \$15.0 million and the assets of the City continued to exceed its liabilities at June 30, 2011, by \$75.9 million (net assets).
- Of the \$75.9 million in net assets, \$62.4 million is invested in capital assets, net of accumulated depreciation and related debt. Another \$12.5 million is restricted for capital projects, debt service, and public safety. The current unrestricted deficit for governmental activities is a (\$1.4) million which is offset by the business-type activities' unrestricted net assets of \$2.4 million. Thus, the City only has approximately \$1.0 million in unrestricted net assets available to spend at the City's discretion.

Fund Financial Statements (excluding capital assets and debt)

- At June 30, 2011, the City's governmental funds reported combined ending fund balances of \$15.4 million. Of this amount, \$9.9 million is restricted by outside source and enabling legislation and \$.4 million is assigned to projects by management.
- At June 30, 2011, enterprise funds reporting \$37.1 million of net assets. Of this amount, \$2.4 million is unrestricted, \$32.2 million is invested in capital assets net of related debt, and \$2.6 million is restricted for debt service.
- The City implemented GASB Statement 54 – Fund Balance Reporting and Governmental Fund Type Definitions which resulted in the reclassification of some fund types and presentation of fund balance in the new categories of nonspendable, restricted, assigned and unassigned.

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 government-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 government-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 17 and 18, 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 government-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 27-53 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 54, 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, 2011. Also reported here is the City's Defined Benefit Pension Plan Funding Schedules at June 30, 2011.

Other Supplementary Information (SI) is provided on pages 60-66. Other Supplementary Information contains combining statements on general fund and non-major governmental funds.

THE CITY AS A WHOLE

For the year ended June 30, 2011, net assets for the governmental activities and business-type activities increased \$7.2 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, 2011 and June 30, 2010:

TABLE 1
NET ASSETS (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2011	2010		2011	2010		2011	2010	
Current assets	\$ 18,368	\$ 16,036	15%	\$ 8,183	\$ 6,393	28%	\$ 26,551	\$ 22,429	18%
Capital assets, net	30,219	30,007	1%	55,181	44,541	24%	85,400	74,548	15%
Other non-current assets	-	-	0%	292	260	12%	292	260	12%
Total assets	48,587	46,043	6%	63,656	51,194	24%	112,243	97,237	15%
Current liabilities	3,628	3,455	5%	4,564	3,042	50%	8,192	6,497	26%
Non-current liabilities	6,234	5,961	5%	21,950	16,130	36%	28,184	22,091	28%
Total liabilities	9,862	9,416	5%	26,514	19,172	38%	36,376	28,588	27%
Net assets									
Invested in capital assets, net of related debt	30,219	30,007	1%	32,164	27,295	18%	62,383	57,302	9%
Restricted	9,897	8,293	19%	2,587	2,875	-10%	12,484	11,168	12%
Unrestricted	(1,391)	(1,673)	-17%	2,391	1,852	29%	1,000	179	459%
Total net assets	\$ 38,725	\$ 36,627	6%	\$ 37,142	\$ 32,022	16%	\$ 75,867	\$ 68,649	11%

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 \$62.4 million. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net assets, \$12.5 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, may be used to meet the government's ongoing obligations to citizens and creditors. The total unrestricted net assets are a positive amount, the governmental unrestricted net assets have a deficit balance of \$1,390,170 primarily due to an increase in workers' compensation claims liability of \$888,000, in prior years and two years of economic downturn where the City had to rely to reserves to pay operating cost. The business-type activities has a positive unrestricted net assets of \$2,390,406.

Changes in Net Assets:

Table 2 (shown on the next page) summarizes the City's changes in net assets for fiscal year 2009-2010 compared to fiscal year 2010-2011.

**MANAGEMENT'S DISCUSSION & ANALYSIS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2011**

Fiscal year 2010-2011 governmental and business-type activities increased the City's net assets by \$7.2 million compared to an increase of \$1.2 million from the previous fiscal year. Fiscal year 2010-2011 tax revenues totaled \$19.3 compared to \$18.25 million fiscal year 2009-2010. Operating grants and contributions totaled \$2.2 million for the current fiscal and previous fiscal year.

Increases in capital grants in the Business-Type activities are due to airport grants for terminal and taxiway projects. Increases in charges for services are due to rate increases and extreme weather conditions requiring the use of additional utilities. Other cost remained consistent with the prior year.

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

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2011	2010		2011	2010		2011	2010	
Revenues									
Charges for service	\$ 1,131	\$ 1,020	11%	\$ 11,675	\$ 9,851	19%	\$ 12,806	\$ 10,871	18%
Operating grants and contributions	2,181	2,199	-1%	-	-	0%	2,181	2,199	-1%
Capital grants and contributions	121	202	-40%	2,616	81	3130%	2,737	283	866%
Taxes	19,352	18,248	6%	-	-	-	19,352	18,248	6%
Intergovernmental revenue	338	318	6%	-	-	-	338	318	6%
Investment income	99	137	-28%	73	84	-13%	172	221	-22%
Miscellaneous	1,063	255	317%	305	235	30%	1,368	490	179%
Total revenues	24,285	22,379	9%	14,669	10,251	43%	38,954	32,630	19%
Expenses									
General government	4,101	3,945	4%	-	-	-	4,101	3,945	4%
Public safety	12,672	12,634	0%	-	-	-	12,672	12,634	0%
Streets	2,903	3,125	-7%	-	-	-	2,903	3,125	-7%
Culture and recreation	848	903	-6%	-	-	-	848	903	-6%
Culture - payment to component unit	6	-	100%	-	-	-	6	-	100%
Community development	1,027	1,022	0%	-	-	-	1,027	1,022	0%
Economic development	1,072	998	7%	-	-	-	1,072	998	7%
Water	-	-	-	4,197	4,015	5%	4,197	4,015	5%
Wastewater	-	-	-	2,275	2,330	-2%	2,275	2,330	-2%
Sanitation	-	-	-	1,383	1,302	6%	1,383	1,302	6%
Administration	-	-	-	500	437	14%	500	437	14%
Airport	-	-	-	692	627	10%	692	627	10%
Lake	-	-	-	60	52	16%	60	52	16%
Total expenses	22,629	22,627	0%	9,107	8,763	4%	31,736	31,391	-1%
Excess (deficiency) before transfers	1,656	(248)	-768%	5,562	1,488	274%	7,218	1,239	482%
Transfers	442	106	317%	(442)	(106)	317%	-	-	
Change in net assets	2,098	(142)	-1580%	5,120	1,382	270%	7,218	1,240	482%
Beginning net assets	36,627	36,769	0%	32,021	30,639	5%	68,648	67,408	2%
Ending net assets	\$ 38,725	\$ 36,627	6%	\$ 37,141	\$ 32,021	16%	\$ 75,866	\$ 68,648	11%

Governmental Activities

The City's governmental activities (as shown in Table 2 above) increased net assets by \$2.1 million representing a 6% increase in net assets.

Business-type Activities

The business-type activities' increase in net assets of approximately \$5.1 million represents a 16% increase in net assets. Charges for services increased by 19% due to rate increases. Capital grants increased by 3130% from airport grants.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	<u>2011</u>	<u>2010</u>		<u>2011</u>	<u>2010</u>	
General government	\$ 4,101	\$ 3,945	-4%	(\$3,927)	(\$3,786)	-4%
Public safety	12,672	12,634	0%	(10,753)	(10,908)	1%
Streets	2,903	3,125	7%	(2,637)	(2,619)	-1%
Culture, parks and recreation	848	903	6%	(746)	(837)	11%
Culture, payment to component unit	6	-	0%	(6)	-	0%
Community development	1,027	1,022	-1%	(85)	(83)	-2%
Economic development	1,072	998	-7%	(1,041)	(971)	-7%
Total	<u>\$ 22,629</u>	<u>\$ 22,627</u>	0%	<u>(\$19,195)</u>	<u>(\$19,204)</u>	0%

Tables 3 and 4 summarize the total cost of providing services from governmental activities and business-type activities for fiscal years 2010 and 2011. Total costs of services provided by governmental activities totaled \$22.6 million for fiscal years 2011 and 2010.

Total costs of services provided by business-type activities totaled \$9.1 million for fiscal year 2011 and \$8.7 million for fiscal year 2010.

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	<u>2011</u>	<u>2010</u>		<u>2011</u>	<u>2010</u>	
Water	\$ 4,197	\$ 4,015	5%	\$ 1,639	\$ 629	161%
Wastewater	2,275	2,330	-2%	1,625	749	117%
Sanitation	1,383	1,302	6%	380	415	-8%
Administration	500	437	14%	(500)	(437)	14%
Airport	692	627	10%	2,101	(135)	-1656%
Lake	60	52	15%	(60)	(52)	15%
Total	<u>\$ 9,107</u>	<u>\$ 8,763</u>	4%	<u>\$ 5,185</u>	<u>\$ 1,169</u>	344%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2011 fiscal year, the governmental funds reported a combined fund balance of \$15.4 million. The enterprise funds reported combined net assets of \$37.1 million. The fund balance reservations and net asset restrictions are listed below:

Governmental Funds:

Fund Balance:

Nonspendable	\$ 291,531	
Restricted	9,896,589	
Assigned	<u>375,109</u>	
Total governmental fund balance reservations		<u>\$10,563,229</u>

Proprietary Funds:

Net Asset Restrictions:

Invested in capital assets, net of related debt	\$ 32,163,853	
Debt service	<u>2,586,909</u>	
Total proprietary fund net asset restrictions		<u>\$ 34,750,762</u>

Other Fund Highlights Include:

- For the year ended June 30, 2011, the General Fund's total fund balance increased by \$1,144,586 or 26.6 percent.
- General fund fire departments total expenditures include \$725,831 and police departments total expenditures include \$245,661 for pension payments made on behalf of the City by the State. The total amount of \$971,492 has been included as both revenue and expenditures of the City for the year ended June 30, 2011.
- All general fund departments include \$582,457 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 increased by \$1.0 million because street improvement projects carried over from the prior year were completed.
- The Shawnee Municipal Authority reported a net income of \$3,238,610 before contributed capital, transfers in, and transfers out. SMA expenses include \$115,491 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 2011 General Fund revenues of \$17.11 million were \$603 thousand above budgeted revenues of \$16.5 million. This resulted from an increase in intergovernmental revenues.

Fiscal year 2011 General Fund budgeted expenditures were \$18.22 million compared to actual expenditures of \$17.77 million. The expenditures under budget were the result of all departments with the exception of the city attorney, equipment services, shared cost, dispatch, code compliance, and expo operations coming in below budget. The departments exceeded budget due to accounts payable expenditures.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2011, the City had \$85.4 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 \$10.9 million from last year.

Below are details regarding the change in the City's capital assets for the year ending June 30, 2011.¹

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 2,262	\$ 2,262	\$ 1,480	\$ 1,480	3,742	\$ 3,742
Buildings	3,677	3,506	2,735	2,971	6,412	6,477
Machinery, furniture and equipment	4,386	4,488	1,026	1,020	5,412	5,508
Infrastructure	16,741	17,083	25,175	26,018	41,916	43,101
Water rights	-	-	12,968	12,968	12,968	12,968
Construction in progress	3,153	2,667	11,797	83	14,950	2,750
Totals	<u>\$ 30,219</u>	<u>\$ 30,006</u>	<u>\$ 55,181</u>	<u>\$ 44,540</u>	<u>\$ 85,400</u>	<u>\$ 74,546</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.

¹ 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 \$30.6 million in long-term debt outstanding, which represents a \$6.6 million increase from the prior year. The City issued a low interest note payable to the Oklahoma Water Resources Board for the year ended June 30, 2011. These debts are further detailed below as follows: ²

TABLE 6
Long-Term Debt
(In Thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>		<u>Total</u> <u>Percentage</u> <u>Change</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	
Accrued absences	\$ 1,665	\$ 1,690	\$ 295	\$ 285	\$ 1,960	\$ 1,975	-0.8%
Notes payable	-	-	23,559	17,824	23,559	17,824	32.2%
Claims and judgments payable	5,110	5,088	-	-	5,110	5,088	0.4%
Totals	\$ 6,775	\$ 6,778	\$ 23,854	\$ 18,109	\$ 30,629	\$ 24,887	23.1%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic conditions improved slightly over last year but sales tax figures are down from last year and also down from budgetary numbers but we are optimistic that sales tax and use tax figures will remain steady. This trend looks promising that the economy is turning around slightly and we are optimistic that it will continue. With the addition of a large retailer that opened during the current fiscal year we feel that this is great progress to help the City grow and hopefully see the sales tax figure increase. The tribal gaming industry is also 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.

Total FY2011-2012 General Fund revenues are estimated at \$18.0 million, including \$1.5 million in transfers from other funds. As noted above, however, sales tax collections, representing approximately 60 percent of the total General Fund revenues are slightly below what was budgeted for.

Total FY2011-2012 Municipal Authority Utility Revenues are projected at \$12.3 million. This is higher than the previous year due to a rate increase that took place in July 2011. The additional revenue will help fund necessary capital improvements and pay the debt service on the \$30 million in waterline and pumps and controls loans.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office at 16 W 9th, Shawnee, Oklahoma or phone at (405) 878-1601.

² For more detailed information on long-term debt activity please refer to page 40, Note 3.E. Long-Term Debt

BASIC FINANCIAL STATEMENTS

City of Shawnee, Oklahoma
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total	Civic & Cultural Development Authority
ASSETS				
Cash and cash equivalents	\$ 5,990,666	5,754,118	\$ 11,744,784	\$ 97,216
Investments	5,927,464	2,360,404	8,287,868	-
Interest receivable	10,282	11,499	21,781	-
Accounts receivable, net of allowance	2,698,530	2,118,584	4,817,114	5,621
Notes receivable, net of allowance	831,772	82,496	914,268	-
Internal Balances	2,529,723	(2,529,723)	-	36,225
Due from other governmental agencies	88,482	371,779	460,261	-
Inventories	-	13,531	13,531	-
Prepaid items	291,531	-	291,531	-
Capital assets:				
Land, construction in progress, and water rights	5,414,619	26,246,780	31,661,399	94,493
Other capital assets, net of depreciation	24,804,520	28,933,812	53,738,332	4,578,849
Unamortized bond issuance costs	-	291,507	291,507	-
Total Assets	<u>48,587,589</u>	<u>63,654,787</u>	<u>112,242,376</u>	<u>4,812,404</u>
LIABILITIES				
Accounts payable and accrued expenses	1,460,864	1,944,576	3,405,440	7,111
Accrued interest payable	-	392,501	392,501	1,516
Due to depositors	-	705,683	705,683	14,239
Due to bondholders	20,674	-	20,674	-
Unearned income	831,772	-	831,772	-
Long-term liabilities				
Due within one year	1,314,292	1,520,990	2,835,282	65,767
Due in more than one year	6,234,402	21,949,869	28,184,271	64,014
Total liabilities	<u>9,862,004</u>	<u>26,513,619</u>	<u>36,375,623</u>	<u>152,647</u>
NET ASSETS				
Invested in capital assets, net of related debt	30,219,139	32,163,853	62,382,992	4,626,057
Restricted by:				
Enabling Legislation	286,025	2,586,909	2,872,934	-
Statutory requirements	480,406	-	480,406	-
External contracts	9,130,185	-	9,130,185	-
Unrestricted (deficit)	(1,390,170)	2,390,406	1,000,236	33,700
Total net assets	<u>\$ 38,725,585</u>	<u>\$ 37,141,168</u>	<u>\$ 75,866,753</u>	<u>\$ 4,659,757</u>

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

**City of Shawnee, Oklahoma
Statement of Activities
Year Ended June 30, 2011**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Civic & Cultural Development Authority
Primary government								
Governmental Activities								
General government	\$ 4,101,214	\$ 171,081	\$ 2,680	\$ -	\$ (3,927,453)	\$ -	\$ (3,927,453)	\$ -
Public safety	12,671,815	631,702	1,198,580	88,195	(10,753,338)	-	(10,753,338)	-
Streets	2,902,751	1,400	262,637	1,752	(2,636,962)	-	(2,636,962)	-
Culture and recreation	847,807	67,115	3,175	31,484	(746,033)	-	(746,033)	-
Culture - payment to component unit	5,752	-	-	-	(5,752)	-	(5,752)	-
Community development	1,027,018	233,204	709,037	-	(84,777)	-	(84,777)	-
Economic development	1,072,505	26,438	5,000	-	(1,041,067)	-	(1,041,067)	-
Total governmental activities	<u>22,628,862</u>	<u>1,130,940</u>	<u>2,181,109</u>	<u>121,431</u>	<u>(19,195,382)</u>	<u>-</u>	<u>(19,195,382)</u>	<u>-</u>
Business-type activities:								
Water	4,196,550	5,835,562	-	-	-	1,639,012	1,639,012	-
Wastewater	2,274,826	3,676,708	-	222,750	-	1,624,632	1,624,632	-
Sanitation	1,382,686	1,762,621	-	-	-	379,935	379,935	-
Administration	499,820	-	-	-	-	(499,820)	(499,820)	-
Airport	692,458	400,047	-	2,393,396	-	2,100,985	2,100,985	-
Lake	60,293	-	-	-	-	(60,293)	(60,293)	-
Total business-type activities	<u>9,106,633</u>	<u>11,674,938</u>	<u>-</u>	<u>2,616,146</u>	<u>-</u>	<u>5,184,451</u>	<u>5,184,451</u>	<u>-</u>
Total primary government	<u>\$ 31,735,495</u>	<u>\$ 12,805,878</u>	<u>\$ 2,181,109</u>	<u>\$ 2,737,577</u>	<u>\$ (19,195,382)</u>	<u>\$ 5,184,451</u>	<u>\$ (14,010,931)</u>	
Component Unit								
Civic & Cultural Development	<u>\$ 1,688,725</u>	<u>\$ 953,285</u>	<u>\$ 548,511</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	\$ (186,929)
General revenues:								
Taxes:								
Sales and use taxes					\$ 17,069,349	\$ -	\$ 17,069,349	-
Franchise taxes and public service taxes					1,600,612	-	1,600,612	-
Hotel/motel taxes					404,690	-	404,690	-
Property tax					10,884	-	10,884	-
Payment in lieu of taxes					24,494	-	24,494	-
Other					242,205	-	242,205	-
Intergovernmental revenue not restricted to specific programs					337,910	-	337,910	-
Unrestricted investment earnings					98,567	72,965	171,532	838
Miscellaneous					1,063,067	304,929	1,367,996	2,766
Transfers					442,351	(442,351)	-	-
Total general revenues and transfers					<u>21,294,129</u>	<u>(64,457)</u>	<u>21,229,672</u>	<u>3,604</u>
Change in net assets					2,098,747	5,119,994	7,218,741	(183,325)
Net assets - beginning					36,626,838	32,021,174	68,648,012	4,843,082
Net assets - ending					<u>\$ 38,725,585</u>	<u>\$ 37,141,168</u>	<u>\$ 75,866,753</u>	<u>\$ 4,659,757</u>

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

City of Shawnee, Oklahoma
Balance Sheet – Governmental Funds
June 30, 2011

	<u>General Fund</u>	<u>Street Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 855,833	\$ 3,268,782	\$ 1,827,712	\$ 5,952,327
Investments	1,132,416	3,709,894	1,085,154	5,927,464
Interest receivable	5,920	3,567	201	9,688
Receivable from other governments	75,416	-	12,706	88,122
Due from other funds	2,349,173	-	69,023	2,418,196
Taxes receivable, net	1,668,892	301,509	387,655	2,358,056
Court fines receivable, net	139,535	-	-	139,535
Other receivables	118,559	-	914,512	1,033,071
Prepaid expenses	291,531	-	-	291,531
Total assets	<u>6,637,275</u>	<u>7,283,752</u>	<u>4,296,963</u>	<u>18,217,990</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	434,352	361,366	245,790	1,041,508
Accrued payroll payable	434,863	-	17	434,880
Due to other funds	273,383	-	171,267	444,650
Deferred revenue	48,697	-	831,827	880,524
Total liabilities	<u>1,191,295</u>	<u>361,366</u>	<u>1,248,901</u>	<u>2,801,562</u>
Fund balances:				
Nonspendable	291,531	-	-	291,531
Restricted	-	6,870,434	3,026,155	9,896,589
Assigned	301,250	51,952	21,907	375,109
Unassigned	4,853,199	-	-	4,853,199
Total fund balances	<u>5,445,980</u>	<u>6,922,386</u>	<u>3,048,062</u>	<u>15,416,428</u>
Total liabilities and fund balances	<u>\$ 6,637,275</u>	<u>\$ 7,283,752</u>	<u>\$ 4,296,963</u>	<u>\$ 18,217,990</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, 2011

Total fund balance, governmental funds	\$	15,416,428
--	----	------------

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.		30,219,139
---	--	------------

Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds.		48,752
---	--	--------

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:

Net pension obligations		(113,575)
Other post employment benefits		(659,553)
Accrued compensated absences		(1,665,105)

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		(4,520,501)
----------------------------------	--	-------------

Net Assets of Governmental Activities in the Statement of Net Assets	<u>\$</u>	<u>38,725,585</u>
--	-----------	-------------------

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, 2011

	<u>General Fund</u>	<u>Street Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 13,339,418	\$ 2,350,097	\$ 3,900,862	\$ 19,590,377
Intergovernmental	1,731,464	-	711,447	2,442,911
Licenses and permits	248,473	-	1,400	249,873
Charges for services	167,209	-	1,075	168,284
Fees and fines	633,498	-	-	633,498
Investment earnings	28,905	50,201	19,461	98,567
Miscellaneous	973,985	1,752	140,120	1,115,857
Total revenues	<u>17,122,952</u>	<u>2,402,050</u>	<u>4,774,365</u>	<u>24,299,367</u>
EXPENDITURES				
Current:				
General government	2,643,601	-	-	2,643,601
Engineering	366,063	-	-	366,063
Equipment and building maintenance	1,226,244	-	-	1,226,244
Police	5,034,358	-	-	5,034,358
Fire	4,955,006	-	-	4,955,006
Municipal court	317,158	-	-	317,158
Emergency management	354,718	-	-	354,718
Streets	875,824	-	278,453	1,154,277
Parks and recreation	456,476	-	16,777	473,253
Culture and recreation	146,872	-	-	146,872
Animal control/E911	780,127	-	96,499	876,626
Cemetery	182,756	-	-	182,756
Library	4,292	-	-	4,292
Economic development	517,438	-	1,407,387	1,924,825
Capital Outlay	2,173	1,301,158	1,410,190	2,713,521
Total expenditures	<u>17,863,106</u>	<u>1,301,158</u>	<u>3,209,306</u>	<u>22,373,570</u>
Excess (deficiency) of revenues over expenditures	<u>(740,154)</u>	<u>1,100,892</u>	<u>1,565,059</u>	<u>1,925,797</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,958,740	-	-	1,958,740
Transfers out	(74,000)	(100,000)	(1,342,389)	(1,516,389)
Total other financing sources and uses	<u>1,884,740</u>	<u>(100,000)</u>	<u>(1,342,389)</u>	<u>442,351</u>
Net change in fund balances	1,144,586	1,000,892	222,670	2,368,148
Fund balances - beginning	4,301,394	5,921,494	2,825,392	13,048,280
Fund balances - ending	<u>\$ 5,445,980</u>	<u>\$ 6,922,386</u>	<u>\$ 3,048,062</u>	<u>\$ 15,416,428</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, 2011

Net change in fund balances - total governmental funds:	\$	2,368,148
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Capital asset purchases capitalized		2,348,753
Depreciation expense		(2,136,318)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Change in deferred revenue		(14,109)
<p>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:</p>		
Increase in net pension obligation		(7,378)
Decrease in accrued compensated absences		25,265
Increase in other post employment benefits		(265,499)
<p>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:</p>		
Total change in net assets of governmental activities - proprietary funds		(220,115)
Change in net assets of governmental activities	\$	2,098,747

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

City of Shawnee, Oklahoma
Statement of Net Assets – Proprietary Funds
June 30, 2011

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Shawnee Municipal Authority</u>	<u>Shawnee Airport Authority</u>	<u>Total</u>	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,442,160	\$ 276,826	\$ 3,718,986	\$ 38,339
Investments	1,102,945	-	1,102,945	-
Restricted:				
Cash and cash equivalents	1,869,343	-	1,869,343	-
Investments	1,257,459	-	1,257,459	-
Accrued interest	11,499	-	11,499	594
Due from other funds	-	-	-	556,177
Accounts receivable, net	1,807,225	19,634	1,826,859	-
Receivables from other governments	-	371,779	371,779	-
Due from component unit	82,496	-	82,496	-
Assessments receivable	28,580	-	28,580	-
Other receivables	-	263,145	263,145	-
Inventories	-	13,531	13,531	-
Total current assets	<u>9,601,707</u>	<u>944,915</u>	<u>10,546,622</u>	<u>595,110</u>
Non-current assets:				
Restricted:				
Cash and cash equivalents	165,789	-	165,789	-
Capital assets:				
Land, construction in progress, and water rights	21,973,289	4,273,491	26,246,780	-
Other capital assets, net of accumulated depreciation	26,540,488	2,393,324	28,933,812	-
Unamortized note issue costs	291,507	-	291,507	-
Total non-current assets	<u>48,971,073</u>	<u>6,666,815</u>	<u>55,637,888</u>	<u>-</u>
Total assets	<u>58,572,780</u>	<u>7,611,730</u>	<u>66,184,510</u>	<u>595,110</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	976,380	878,239	1,854,619	5,150
Salaries payable	85,944	4,013	89,957	-
Accrued interest payable	392,501	-	392,501	-
Due to other funds	1,612,448	917,275	2,529,723	-
Deposits subject to refund	705,683	-	705,683	-
Compensated absences	54,882	4,138	59,020	-
Claims and judgments	-	-	-	981,271
Notes payable	1,461,970	-	1,461,970	-
Total current liabilities	<u>5,289,808</u>	<u>1,803,665</u>	<u>7,093,473</u>	<u>986,421</u>
Non-current liabilities:				
Compensated absences, net of current portion	219,526	16,550	236,076	-
Claims and judgments, net of current portion	-	-	-	4,129,190
Net pension obligation	53,706	2,885	56,591	-
Other post employment benefits	102,433	-	102,433	-
Notes payable, net of current portion	21,554,769	-	21,554,769	-
Total non-current liabilities	<u>21,930,434</u>	<u>19,435</u>	<u>21,949,869</u>	<u>4,129,190</u>
Total liabilities	<u>27,220,242</u>	<u>1,823,100</u>	<u>29,043,342</u>	<u>5,115,611</u>
NET ASSETS				
Invested in capital assets, net of related debt	25,497,038	6,666,815	32,163,853	-
Restricted for debt service	2,586,909	-	2,586,909	-
Unrestricted (deficit)	3,268,591	(878,185)	2,390,406	(4,520,501)
Total net assets (deficit)	<u>\$ 31,352,538</u>	<u>\$ 5,788,630</u>	<u>\$ 37,141,168</u>	<u>\$ (4,520,501)</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, 2011

	<u>Shawnee Municipal Authority</u>	<u>Shawnee Airport Authority</u>	<u>Total</u>	<u>Internal Service Fund</u>
REVENUES				
Water	\$ 5,691,709	\$ -	\$ 5,691,709	\$ 715,493
Sewer	3,626,101	-	3,626,101	-
Sanitation	1,762,621	-	1,762,621	-
Rents and royalties	10,940	185,948	196,888	-
Fuel sales	-	211,012	211,012	-
Miscellaneous	194,460	407	194,867	-
Total operating revenues	<u>11,285,831</u>	<u>397,367</u>	<u>11,683,198</u>	<u>715,493</u>
OPERATING EXPENSES				
General government	499,820	-	499,820	-
Lake	56,971	-	56,971	-
Water	2,746,666	-	2,746,666	-
Wastewater	1,618,974	-	1,618,974	-
Sanitation	1,219,674	-	1,219,674	-
Airport	-	463,301	463,301	-
Claims expense	-	-	-	946,160
Amortization expense	26,559	-	26,559	-
Depreciation	1,407,845	229,157	1,637,002	-
Total operating expenses	<u>7,576,509</u>	<u>692,458</u>	<u>8,268,967</u>	<u>946,160</u>
Operating income (loss)	<u>3,709,322</u>	<u>(295,091)</u>	<u>3,414,231</u>	<u>(230,667)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	72,965	-	72,965	(214)
Miscellaneous revenue	293,989	2,680	296,669	10,766
Operating grants and contributions	-	2,393,396	2,393,396	-
Interest expense	(837,666)	-	(837,666)	-
Total non-operating revenue (expenses)	<u>(470,712)</u>	<u>2,396,076</u>	<u>1,925,364</u>	<u>10,552</u>
Income (loss) before transfers	<u>3,238,610</u>	<u>2,100,985</u>	<u>5,339,595</u>	<u>(220,115)</u>
Capital contributions	222,750	-	222,750	-
Transfers in	657,649	-	657,649	-
Transfers out	(1,100,000)	-	(1,100,000)	-
Change in net assets	<u>3,019,009</u>	<u>2,100,985</u>	<u>5,119,994</u>	<u>(220,115)</u>
Total net assets (deficit) - beginning	28,333,529	3,687,645	32,021,174	(4,300,386)
Total net assets (deficit) - ending	<u>\$ 31,352,538</u>	<u>\$ 5,788,630</u>	<u>\$ 37,141,168</u>	<u>\$ (4,520,501)</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, 2011

	Shawnee Municipal Authority	Shawnee Airport Authority	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 11,738,517	\$ 154,261	\$ 11,892,778	\$ 726,259
Payments to suppliers and employees	(5,486,623)	413,958	(5,072,665)	-
Claims and judgments paid	-	-	-	(929,571)
Receipts of customer meter deposits	181,155	-	181,155	-
Refunds of customer meter deposits	(168,820)	-	(168,820)	-
Interfund receipts/payments	74,638	852,275	926,913	-
Net cash provided by (used in) operating activities	6,338,867	1,420,494	7,759,361	(203,312)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	657,649	-	657,649	-
Transfers to other funds	(1,100,000)	-	(1,100,000)	-
Net cash provided by (used in) noncapital financing activities	(442,351)	-	(442,351)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(8,608,437)	(3,667,943)	(12,276,380)	-
Proceeds of capital grants	-	2,021,617	2,021,617	-
Proceeds from debt	7,462,706	-	7,462,706	-
Note issuance cost paid	(58,000)	-	(58,000)	-
Principal paid on debt	(1,505,165)	-	(1,505,165)	-
Interest and fiscal agent fees paid on debt	(761,858)	-	(761,858)	-
Net cash provided by (used in) capital and related financing activities	(3,470,754)	(1,646,326)	(5,117,080)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(16,141)	-	(16,141)	-
Interest and dividends	76,972	-	76,972	-
Net cash provided by (used in) investing activities	60,831	-	60,831	-
Net increase (decrease) in cash and cash equivalents	2,486,593	(225,832)	2,260,761	(203,312)
Balances - beginning of year	2,990,699	502,658	3,493,357	241,651
Balances - end of year	\$ 5,477,292	\$ 276,826	\$ 5,754,118	\$ 38,339
Reconciliation to Statement of Net Assets:				
Cash and cash equivalents	\$ 3,442,160	\$ 276,826	\$ 3,718,986	\$ 38,339
Restricted cash and cash equivalents - current	1,869,343	-	1,869,343	-
Restricted cash and cash equivalents - noncurrent	165,789	-	165,789	-
Total cash and cash equivalents, end of year	\$ 5,477,292	\$ 276,826	\$ 5,754,118	\$ 38,339
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 3,709,322	\$ (295,091)	\$ 3,414,231	\$ (230,667)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	1,407,845	229,157	1,637,002	-
Amortization expense	26,559	-	26,559	-
Miscellaneous revenue	293,989	2,680	296,669	10,766
Change in assets and liabilities:				
Due to other funds	74,638	852,275	926,913	-
Accounts receivable	124,776	(13,236)	111,540	-
Other receivable	12,153	(232,550)	(220,397)	-
Inventory	21,768	15,010	36,778	-
Accounts payable	629,967	860,458	1,490,425	(5,468)
Accrued payroll payable	18,602	551	19,153	-
Deposits subject to refund	12,335	-	12,335	-
Claims and judgments liability	-	-	-	22,057
Net pension obligation	3,225	(1,217)	2,008	-
Other post employment benefits	(3,969)	-	(3,969)	-
Accrued compensated absences	7,657	2,457	10,114	-
Net cash provided by (used in) operating activities	\$ 6,338,867	\$ 1,420,494	\$ 7,759,361	\$ (203,312)
Noncash activities:				
Principal forgiven on capital debt	\$ 222,750	\$ -	\$ 222,750	\$ -
	\$ 222,750	\$ -	\$ 222,750	\$ -

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, 2011

	Agency Fund
	URM/DEPCA
ASSETS	
Cash and cash equivalents	\$ 9,492
Total assets	\$ 9,492
LIABILITIES	
URM/DEPCA payable	\$ 9,492
Total liabilities	\$ 9,492

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

I. Organization

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

II. Summary of significant accounting policies

A. Reporting entity

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

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

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

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

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

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

**FOOTNOTES TO BASIC FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2011**

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, 2010 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.

**FOOTNOTES TO BASIC FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2011**

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

The City reports the following major proprietary funds:

- The Shawnee Municipal Authority accounts for the City's water, sewer, and sanitation operations.
- The 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 through dedicated taxes.
- The E-911 fund accounts for the operations and maintenance of the City's 911 emergency services through dedicated taxes.

**FOOTNOTES TO BASIC FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2011**

- The economic development fund accounts for the promotion of economic development.
- The hotel/motel surcharge fund accounts for the collection of the City's hotel/motel surcharge.
- The police sales tax fund accounts for the 1/16 cent of a one-cent dedicated sales tax revenue for police officers.
- The fire sales tax fund accounts for the 1/16 cent of a one-cent dedicated sales tax revenue for firefighters.
- The CDBG & HOME grants funds account for federal funds received by the City and expenditures related to the operation of these grants.
- The cemetery care fund accounts for the continuing care and maintenance as well as future capital investments of the City owned cemetery.
- The gifts & contributions fund accounts for monies donated for various park projects, economic development, civic events, police, and fire donations.
- The tax increment finance fund accounts for ad valorem taxes paid to the City on properties located in the Shawnee Downtown Revitalization Area and Increment District to be used for economic development projects within that District.
- The drug forfeiture fund accounts for funds received from Pottawatomie County drug enforcement activities to help fund City drug-related law enforcement efforts.
- The debt service fund accounts for ad-valorem taxes levied by the City for use in retiring general obligation bonds, court-assessed judgments, and their related expenses and fiscal agent fees.
- The 1994 Street improvement project fund accounts for general obligation bond proceeds designated for the construction of specific street projects.
- The capital improvement fund accounts for the purchase of capital equipment and construction of facilities funded with sales tax.

The City maintains one fiduciary fund:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following

subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

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

2. *Receivable and payable*

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

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

3. *Restricted assets*

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

4. *Inventories*

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

5. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

6. *Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Sick leave may be accumulated up to a maximum of 120 days. Accumulated sick leave is paid to employees only upon retirement at a rate of one day's pay for every three day's accumulated sick leave, up to a maximum of 40 days. A liability for these amounts is reported in governmental funds when they have matured as a result of employee resignations and retirements.

7. *Long-term obligations*

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

8. *Fund equity*

Government-Wide and Proprietary Fund Financial Statements:

Net assets are displayed in three components:

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

Governmental Fund Financial Statements:

Governmental fund equity is classified as fund balance. Since the City implemented GASB Statement 54, fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.

**FOOTNOTES TO BASIC FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2011**

- c. Committed – included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance while the SMA highest level of decision-making authority is made by resolution.
- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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

III. Detailed notes on all funds

A. Deposits and investments – The City held the following deposits/investments at June 30, 2011:

PRIMARY GOVERNMENT:

Schedule of Deposits and Investments by Type

Type	Fair Value	Credit Rating	Maturities in Years			
			On Demand	Less Than One	1 - 5	6 - 10
Demand accounts	\$ 2,541,460	n/a	\$ 2,541,460	\$ -	\$ -	\$ -
Time deposits	6,726,594	n/a	-	3,810,033	2,916,561	-
Money market mutual fund	9,213,053	AAAm	9,213,053	-	-	-
Money market mutual fund	264,608	not available	264,608	-	-	-
FHLMC obligation	1,257,459	AAAm	-	1,257,459	-	-
Corporate bonds	36,720	Caa3	-	-	-	36,720
Sub-total	20,039,894		\$ 12,019,121	\$ 5,067,492	\$ 2,916,561	\$ 36,720
Cash on hand	2,250					
Total Investments and Deposits	\$ 20,042,144					
Reconciliation to Statement of Net Assets:						
Cash and cash equivalents	\$ 11,744,784					
Investments	8,287,868					
Agency fund cash and cash equivalents	9,492					
	\$ 20,042,144					

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, 2011 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:

**FOOTNOTES TO BASIC FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2011**

- 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, 2011, 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 the exception of U.S. Treasury securities and authorized money market mutual funds, no more than 50% of the of City’s total investment portfolio will be invested in a single security type or with a single financial institution. Individual securities shall be limited as follows:

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, 2011. The \$97,216 of cash and cash equivalents was invested in cash deposits and interest-bearing certificated of deposit fully insured by Federal Depository Insurance (FDIC) or direct obligations of the U.S. government. The SCCDA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. There is

FOOTNOTES TO BASIC FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2011

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, 2011, 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	2,358,056	\$ -	\$ 2,358,056
Due from other governments	88,482	-	88,482
Court fines	1,395,350	(1,255,815)	139,535
Other	1,032,711	-	1,032,711
Total Governmental Activities	<u>\$ 4,874,599</u>	<u>\$ (1,255,815)</u>	<u>\$ 3,618,784</u>
Business-Type Activities:			
Utilities	<u>\$ 2,918,090</u>	<u>\$ (799,506)</u>	<u>\$ 2,118,584</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.

<u>Type of Restricted Assets</u>	<u>Current Cash and Cash Equivalents</u>	<u>Noncurrent Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Total</u>
Due to Depositors	\$ 705,683	\$ -	\$ -	\$ 705,683
Trustee Accounts:				
Pottawattomie County Series 03 Principal Fund	680,000	-	-	680,000
Pottawattomie County Series 03 Interest Fund	347,056	-	-	347,056
OWRB Series 97 Debt Service Fund	109,577	-	-	109,577
OWRB Series 97 Debt Reserve Fund	-	160,464	-	160,464
Revenue Note Series 03 Principal Fund	40	-	-	40
Revenue Note Series 03 Interest Fund	26,987	-	-	26,987
Revenue Note Series 03 Debt Reserve Fund	-	5,325	1,257,459	1,262,784
Total Restrictd Assets	<u>\$ 1,869,343</u>	<u>\$ 165,789</u>	<u>\$ 1,257,459</u>	<u>\$ 3,292,591</u>

D. Capital Assets

The following is a summary of changes in capital assets during fiscal year 2011 for the primary government:

**FOOTNOTES TO BASIC FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2011**

PRIMARY GOVERNMENT:

	Balance at July 1, 2010	Additions	Disposals	Balance at June 30, 2011
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 2,261,793	\$ -	\$ -	\$ 2,261,793
Construction in progress	2,667,227	485,599	-	3,152,826
Total capital assets not being depreciated	<u>4,929,020</u>	<u>485,599</u>	<u>-</u>	<u>5,414,619</u>
Other capital assets:				
Buildings	8,876,094	537,553	-	9,413,647
Machinery, furniture and equipment	13,162,418	906,571	569,413	13,499,576
Infrastructure	36,501,034	455,929	-	36,956,963
Total other capital assets at historical cost	<u>58,539,546</u>	<u>1,900,053</u>	<u>569,413</u>	<u>59,870,186</u>
Less accumulated depreciation for:				
Buildings	5,370,069	366,160	-	5,736,229
Machinery, furniture and equipment	8,673,904	971,797	532,515	9,113,186
Infrastructure	19,417,890	798,361	-	20,216,251
Total accumulated depreciation	<u>33,461,863</u>	<u>2,136,318</u>	<u>532,515</u>	<u>35,065,666</u>
Other capital assets, net	<u>25,077,683</u>	<u>(236,265)</u>	<u>36,898</u>	<u>24,804,520</u>
Governmental activities capital assets, net	<u>\$ 30,006,703</u>	<u>\$ 249,334</u>	<u>\$ 36,898</u>	<u>\$ 30,219,139</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 1,481,715	\$ -	\$ -	\$ 1,481,715
Water rights	12,967,959	-	-	12,967,959
Construction in progress	82,919	11,714,187	-	11,797,106
Total capital assets not being depreciated	<u>14,532,593</u>	<u>11,714,187</u>	<u>-</u>	<u>26,246,780</u>
Other capital assets:				
Buildings	10,808,107	14,840	-	10,822,947
Machinery, furniture and equipment	3,705,923	197,838	23,376	3,880,385
Utility property	45,265,844	349,512	-	45,615,356
Total other capital assets at historical cost	<u>59,779,874</u>	<u>562,190</u>	<u>23,376</u>	<u>60,318,688</u>
Less accumulated depreciation for:				
Buildings	7,837,389	250,838	-	8,088,227
Machinery, furniture and equipment	2,685,582	192,109	23,376	2,854,315
Utility property	19,248,279	1,194,055	-	20,442,334
Total accumulated depreciation	<u>29,771,250</u>	<u>1,637,002</u>	<u>23,376</u>	<u>31,384,876</u>
Other capital assets, net	<u>30,008,624</u>	<u>(1,074,812)</u>	<u>-</u>	<u>28,933,812</u>
Business-type activities capital assets, net	<u>\$ 44,541,217</u>	<u>\$ 10,639,375</u>	<u>\$ -</u>	<u>\$ 55,180,592</u>

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

**FOOTNOTES TO BASIC FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2011**

Governmental Activities:

General government	\$ 227,381
Culture and recreation	189,787
Community development	42,525
Public safety	630,478
Public works	1,046,147
	<u>\$ 2,136,318</u>

Business-Type Activities:

Water	\$ 580,367
Wastewater	655,852
Sanitation	163,012
Administration	5,292
Lake	3,322
Airport	229,157
	<u>\$ 1,637,002</u>

COMPONENT UNIT:

Shawnee Civic and Cultural Development Authority:	Balance, January 1, 2010	Increases	Decreases	Balance, December 31, 2011
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	9,562,047	-	-	9,562,047
Equipment	612,865	105,681	(120,167)	598,379
Total capital assets, being depreciated	<u>10,174,912</u>	<u>105,681</u>	<u>(120,167)</u>	<u>10,160,426</u>
Less accumulated depreciation	(5,434,572)	(259,775)	112,770	(5,581,577)
Total capital assets, being depreciated, net	<u>4,740,340</u>	<u>(154,094)</u>	<u>(7,397)</u>	<u>4,578,849</u>
Governmental activities capital assets, net	<u>\$ 4,834,833</u>	<u>\$ (154,094)</u>	<u>\$ (7,397)</u>	<u>\$ 4,673,342</u>

E. Long-term debt

Long-term liabilities of the City of Shawnee as of June 30, 2011, are summarized as follows:

Governmental activities

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

	<u>\$ 1,665,105</u>
Current portion	\$ 333,021
Noncurrent portion	1,332,084
	<u>\$ 1,665,105</u>

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

	<u>\$ 5,110,461</u>
Current portion	\$ 981,271
Noncurrent portion	4,129,190
	<u>\$ 5,110,461</u>

**FOOTNOTES TO BASIC FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2011**

Business-type Activities

Notes payable:

\$18,850,000 Series 2003 Utility Revenue Note dated April, 2003, payable in semiannual installments ranging from \$390,000 to \$1,265,000, interest from 2.0% to 5.0% through July 1, 2026, to fund utility improvements. The Shawnee Municipal Authority typically has been used to liquidate this liability. \$ 14,760,000

\$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. 310,687

\$7,780,000 2010 Promissory Note to Oklahoma Water Resources Board, dated June 25, 2010, payable in semiannual installments of approximately \$194,500, Interest at 3.15%. The Shawnee Municipal Authority typically pays this liability. 6,483,539

\$1,485,000 2010A Promissory Note to Oklahoma Water Resources Board, dated October 14, 2010, payable in semiannual installments of approximately \$63,120, Interest at 2.76%. The Shawnee Municipal Authority typically pays this liability. 861,667

\$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. 790,000

\$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. 324,787

\$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 an interfund balance to liquidate this liability. 28,083

Total notes payable before unearned loss and bond premium	23,558,763
Deferred amount on 2003 refunding	(604,401)
Bond premium	62,377
Total notes payable, net of unearned loss on 2003 refunding	<u>\$ 23,016,739</u>

Current portion	\$ 1,461,970
Noncurrent portion	22,096,793
	<u>\$ 23,558,763</u>

Accrued compensated absences. The Shawnee Municipal and Airport Authorities typically have been used to liquidate this liability. \$ 295,096

Current portion	\$ 59,020
Noncurrent portion	236,076
	<u>\$ 295,096</u>

**FOOTNOTES TO BASIC FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2011**

Long-term liability transactions for the year ended June 30, 2011 and changes therein were as follows:

<u>Type of Debt</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
Governmental Activities:					
Claims and judgments	\$ 5,088,404	\$ 22,057	\$ -	\$ 5,110,461	\$ 981,271
Accrued compensated absences	1,690,370	-	25,265	1,665,105	333,021
Total Governmental Activities	<u>\$ 6,778,774</u>	<u>\$ 22,057</u>	<u>\$ 25,265</u>	<u>\$ 6,775,566</u>	<u>\$ 1,314,292</u>
			Add: OPEB obligation	<u>773,128</u>	
				<u>\$ 7,548,694</u>	
Business-Type Activities:					
Notes Payable	\$ 17,823,972	\$ 7,462,706	\$ 1,727,915	\$ 23,558,763	\$ 1,461,970
Accrued compensated absences	284,982	10,114	-	295,096	59,020
Total Business-Type Activities	<u>18,108,954</u>	<u>7,472,820</u>	<u>1,727,915</u>	<u>\$ 23,853,859</u>	<u>1,520,990</u>
			Add: OPEB obligation	159,024	
			Less: Deferred amount on 2003 refunding	(604,401)	
			Add: Unamortized premium	62,377	
				<u>\$ 23,470,859</u>	
Total Long-Term Debt	<u>\$ 24,887,728</u>	<u>\$ 7,494,877</u>	<u>\$ 1,753,180</u>	<u>\$ 31,019,553</u>	<u>\$ 2,835,282</u>

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

Fiscal Year Ending June 30	<u>Business-Type Activities</u>	
	<u>Notes Payable</u>	
	Principal	Interest
2012	\$ 1,461,970	\$ 1,300,464
2013	1,134,100	1,255,693
2014	1,169,100	1,213,048
2015	1,194,100	1,168,266
2016	1,229,100	1,121,302
2017-2021	5,826,304	4,869,735
2022-2026	6,798,060	3,411,396
2027-2031	2,775,810	2,165,277
2032-2036	3,667,263	612,675
	<u>\$ 25,255,807</u>	<u>\$ 17,117,856</u>
Amount to be drawn on OWRB 2010	1,697,044	
Net principal outstanding	<u>\$ 23,558,763</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 \$361,644. Pledged sales taxes received in the current year were \$1,563,150. Debt service payments of \$714,518 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, \$2,973,279 of 1997A and 1997B Series OWRB Notes Payable and \$7,780,000 and \$1,485,000 of 2010 OWRB Notes Payable. Proceeds from the notes provided financing for utility system capital assets. The notes are payable through 2026, 2016, and 2031, respectively. The total principal and interest payable for the remainder of the life of these notes is \$40,676,618. The notes are payable from the above-mentioned utility revenues. The debt service payments on the notes this year were \$1,769,509 which was 19% of pledged utility revenues of \$9,512,270.

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:

**FOOTNOTES TO BASIC FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2011**

Governmental activities	\$ 1,665,105
Business-type activities	<u>295,096</u>
Total accrued compensated absences	<u>\$ 1,960,201</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, 2011 is as follows:

Receivable Fund	Payable Fund	Amount	Nature of Interfund Balance
General	SMA	\$ 1,255,016	Construction projects
General	SMA	74,638	Revenue posted to incorrect fund
General	Street and Alley	11,457	Negative cash
Worker's Comp Fund	General	273,383	Self insurance funding
Worker's Comp Fund	SMA	282,794	Self insurance funding
Gifts and Contributions	Capital Improvement Fund	4,023	Negative cash
General	Drug and Forfeiture	1,535	Negative cash
General	CDBG & Home Grants Fund	154,252	Negative cash
General	SAA	852,275	Negative cash
Capital Improvement Fund	Shawnee Airport Authority	65,000	Federal grant match on future projects
		<u>\$ 2,974,373</u>	

Reconciliation to Fund Financial Statements:

	Due From	Due to	Net Interfund Balances
Governmental Funds	\$ 2,418,196	\$ 444,650	\$ 1,973,546
Proprietary Funds	-	2,529,723	(2,529,723)
Internal Service Funds	556,177	-	556,177
	<u>\$ 2,974,373</u>	<u>\$ 2,974,373</u>	<u>\$ -</u>

A summary of interfund transfers for the fiscal year ended June 30, 2011 is as follows:

**FOOTNOTES TO BASIC FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2011**

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
SMA	General	\$ 1,100,000	Operating subsidy
Police Tax Fund	General	334,870	Restricted sales tax transfer
Fire Tax Fund	General	334,870	Restricted sales tax transfer
Street Improvement Fund	General	100,000	Engineering services for capital projects
Capital Improvement Fund	SMA	657,649	Debt service
Economic Development Fund	Sister Cities Fund	15,000	Sister Cities program support
General Fund	Library Fund	74,000	Operating subsidy
Total		<u><u>\$ 2,616,389</u></u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 1,958,740	\$ (1,516,389)	\$ 442,351
Proprietary Funds	657,649	(1,100,000)	(442,351)
	<u><u>\$ 2,616,389</u></u>	<u><u>\$ (2,616,389)</u></u>	<u><u>\$ -</u></u>

Net Assets/Fund Equity

Government-Wide and Proprietary Fund Financial Statements

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

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

**FOOTNOTES TO BASIC FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2011**

Fund	Restricted By	Amount
Governmental Activities:		
Tax Increment Financing Fund	Enabling legislation	286,025
		<u>\$ 286,025</u>
Cemetery Fund	Statutory requirements	\$ 168,108
Street and Alley Fund	Statutory requirements	4,436
E911 Fund	Statutory requirements	307,397
Drug Forfeiture fund	Statutory requirements	465
		<u>\$ 480,406</u>
CDBG Fund	External contracts	\$ 185,657
Gifts and Contributions	External contracts	109,457
Police Sales Tax Fund	External contracts	43,558
Fire Sales Tax Fund	External contracts	43,616
Hotel/Motel Fund	External contracts	50,162
Economic Development Fund	External contracts	136,724
94 Street Improvement Fund	External contracts	77,667
Capital Projects Fund	External contracts	1,500,901
Street Improvement Fund	External contracts	6,870,434
Debt Service Fund	External contracts	112,009
		<u>\$ 9,130,185</u>
Business Type Activities:		
Debt Service Reserves	Enabling legislation	<u>\$ 2,586,909</u>

Governmental Fund Financial Statements:

Governmental fund equity is classified as fund balance. Since the City implemented GASB Statement 54, fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned.

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

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

**FOOTNOTES TO BASIC FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2011**

	<u>General Fund</u>	<u>Street Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balance:				
Nonspendable:				
Prepaid expenses	\$ 291,531	\$ -	\$ -	\$ 291,531
	<u>291,531</u>	<u>-</u>	<u>-</u>	<u>291,531</u>
Restricted For:				
Street improvements	-	6,870,434	77,667	6,948,101
Fire operations	-	-	43,616	43,616
Police operations	-	-	43,558	43,558
Debt service	-	-	398,007	398,007
Capital improvements	-	-	1,500,901	1,500,901
Street operations	-	-	4,436	4,436
Culture and rec programs	-	-	109,457	109,457
Cemetery improvements	-	-	168,108	168,108
Police - drug programs	-	-	465	465
Emergency operations	-	-	307,397	307,397
Economic development	-	-	372,543	372,543
Sub-total restricted	<u>-</u>	<u>6,870,434</u>	<u>3,026,155</u>	<u>9,896,589</u>
Assigned in:				
Street operations	-	51,952	7,230	59,182
Community development	233,779	-	-	233,779
Economic development	-	-	5,000	5,000
Capital improvements	-	-	1,870	1,870
Cemetery operations	-	-	3,257	3,257
Culture and recreation programs	-	-	4,550	4,550
Library programs	18,968	-	-	18,968
Senior citizens programs	21,147	-	-	21,147
Sister cities programs	14,486	-	-	14,486
Animal shelter	12,870	-	-	12,870
Sub-total assigned	<u>301,250</u>	<u>51,952</u>	<u>21,907</u>	<u>375,109</u>
Unassigned:	4,853,199	-	-	4,853,199
TOTAL FUND BALANCE	<u>\$ 5,445,980</u>	<u>\$ 6,922,386</u>	<u>\$ 3,048,062</u>	<u>\$ 15,416,428</u>

H. Postemployment Healthcare Plan

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

Funding Policy. The contribution requirements of plan members and the City are established by the City Council. Annual health insurance premium amounts are established by the third party insurance provider. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2011, the actuarially expected City contribution in the form of net

**FOOTNOTES TO BASIC FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2011**

age adjustment was \$88,000 to the Plan. Plan members receiving benefits contributed \$158,797 of the total premiums, through their payment of the full carrier determined premium in FY 2011.

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, 2011:

Normal cost	\$ 184,796
Amortization of Actuarial Accrued Liability (AAL)	167,937
Annual Required Contribution (with Interest)	<u>352,733</u>
Interest on Net OPEB Obligation	20,018
Adjustment to the ARC	<u>(23,221)</u>
Annual OPEB cost (expense)	349,530
Employer Contributions of FY 11	(88,000)
Net OPEB obligation—beginning of year	500,456
Net OPEB obligation—end of year	<u><u>\$ 761,986</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
6/30/10	\$333,228	26.7%	\$500,456
6/30/11	\$349,530	25.2%	\$761,986

Funded Status and Funding Progress. As of July 1, 2010, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability (AAL) for benefits was \$3.48 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.48 million. The covered payroll (annual payroll of active employees covered by the plan) was \$10.02 million, and the ratio of the UAAL to the covered payroll was 34.7 percent. Because the plan is a substantive plan there are no plan assets.

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

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

In the July 1, 2010, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the Plan at the valuation date, and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after ten years. The UAAL is being amortized over 30 years based on a level percent-of-pay open-period basis. The remaining amortization period at July 1, 2010, 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, 2009 to June 30, 2011, are as follows:

**FOOTNOTES TO BASIC FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2011**

CLAIMS LIABILITY ANALYSIS

Claims liability, June 30, 2009	\$	4,230,443
Claims and changes in estimates		1,715,922
Claims payments		857,961
Claims liability, June 30, 2010		5,088,404
Claims and changes in estimates		880,000
Claims payments		857,943
Claims liability, June 30, 2011	\$	5,110,461

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, 2011, the City's records indicate that the City's banked match of the Home Grant Program totaled \$831,772.

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, 2011:

Governmental Activities:

Regional Park	\$	1,000,000	\$	65,826
City Hall heat/air replacement		524,000		11,509
Kickapoo Street south		3,329,309		3,076,227
Rehab Asphalt Streets Project		1,421,981		1,135,455

Business-type activities:

Parrallel Taxiway Construction	1,935,906	627,208
Reservoir Yield Study	98,300	73,375
Pipe for 30 inch waterline	4,000,000	272,017

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-

**FOOTNOTES TO BASIC FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2011**

sharing multiple-employer defined benefit pension plans administered by the State of Oklahoma. Copies of the State of Oklahoma sponsored multiple-employer plans and a schedule of funding progress is available, for each from the respective Plan. The State of Oklahoma is responsible for any funding deficiencies. Additionally, for other City employees not covered by the other plans, the City of Shawnee maintains the Oklahoma Municipal Retirement Fund, an agent multiple employer defined benefit pension plan.

Oklahoma State Police Pension and Retirement System (OPPRS)

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

Funding Policy – Plan members are required to contribute 8.0% of their annual covered salary, and the City of Shawnee contributes 13.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the state legislature. Contributions to the OPPRS for the year ended June 30, 2011, for employees and employer were \$188,905 and \$306,971, respectively, on covered payroll of \$2,361,312. The state made on-behalf payments for the police pension system of \$245,661. 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>
2010-2011	\$306,971	\$306,971
2009-2010	\$330,180	\$330,180
2008-2009	\$294,112	\$315,064

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

**FOOTNOTES TO BASIC FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2011**

legislature. Contributions to the OFPRS for the year ended June 30, 2011, for employees and employer were \$236,150 and \$388,916, respectively, on covered payroll of \$2,950,534. The state made on-behalf payments for the fire pension system of \$725,831. 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>
2010-2011	\$388,916	\$388,916
2009-2010	\$385,618	\$385,618
2008-2009	\$373,019	\$382,086

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

**FOOTNOTES TO BASIC FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2011**

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, 2010. Significant actuarial assumptions used in the valuation include 1) a rate of return on the investment of present and future assets of 7.5% compounded annually, and 2) future salary increases based on the age of the employee.

Total actuarial accrued liability was more than net assets available for benefits by \$6,059,084 as of January 1, 2010, as follows:

Actuarial accrued liability	\$ 30,823,183
Net assets available for benefits (actuarial value)	<u>24,764,099</u>
Underfunded actuarial accrued liability	<u>\$ 6,059,084</u>

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

Significant actuarial assumptions used for the Plan are as follows:

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

For the year ended June 30, 2011, employees were required to contribute 0.0% of annual compensation while the City contributed 22.9%, the actuarially required contribution rate. Contributions to the Plan for the year ended June 30, 2011, for employees and employer were \$0 and \$1,345,207, respectively. For the year ended June 30, 2011, the City's covered payroll was \$8,866,580. 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
2010-2011	\$ 1,354,593	\$ 1,345,207	\$ 170,166
2009-2010	1,363,924	1,363,924	160,780
2008-2009	1,166,956	1,166,956	160,780

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:

**FOOTNOTES TO BASIC FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2011**

Annual required contribution for 2011 plan year	\$ 1,354,593
Actual contributions made	<u>(1,345,207)</u>
Increase/(decrease) in net pension obligation	9,386
Beginning of year net pension obligation	<u>160,780</u>
End of year net pension obligation	<u><u>\$ 170,166</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%
1/1/2010	\$ 24,764,099	\$ 30,823,183	\$ 6,059,084	80.3%	\$ 5,792,921	104.6%
1/1/2011	\$ 26,348,831	\$ 32,167,742	\$ 5,818,911	81.9%	\$ 5,424,459	107.3%

Oklahoma Municipal Retirement Fund Defined Contribution Plan (the Plan)

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

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

Funding Policy – Benefits depend solely on amounts contributed to the Plan plus investment earnings. Employees are eligible to participate upon employment, and must make a mandatory minimum pre-tax contribution of 4.25%. Employees are allowed to contribute in excess of the 4.25%; however, these contributions are not pre-tax. By City ordinance, the City, as the employer, is required to make variable contributions to the Plan, based on availability of funds. The employee is fully vested after 7 years of service. City contributions for, and interest forfeited by, employees who leave employment prior to fully vesting are allocated back to remaining eligible participants. The authority to establish and amend the provisions of the Plan rests with the City Commission. Contributions to the Plan for the year ended June 30, 2011, for employees and employer were \$221,406 and zero, respectively, on a covered payroll of \$5,209,538. Contributions for the years ended June 30, 2010 and 2009 were \$224,501 and \$286, respectively.

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

**FOOTNOTES TO BASIC FINANCIAL STATEMENTS
CITY OF SHAWNEE, OKLAHOMA
JUNE 30, 2011**

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, 2011, for employees and employer were \$66,513 and \$41,571, respectively, on a covered payroll of \$831,418.

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, 2011, employees contributed \$161,638 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, 2011, were \$10,790. Separate audited GAAP – basis financial statements are not available.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SHAWNEE, OKLAHOMA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget - Positive (Negative)</u>
REVENUES				
Taxes	\$ 12,866,416	\$ 13,437,586	\$ 13,339,418	\$ (98,168)
Licenses and permits	218,400	218,400	236,473	18,073
Intergovernmental	1,241,500	1,298,375	1,731,464	433,089
Charges for services	79,600	79,600	167,209	87,609
Fees and fines	738,100	738,100	628,545	(109,555)
Investment earnings	22,900	22,900	28,905	6,005
Miscellaneous	77,500	707,186	973,580	266,394
Total revenues	<u>15,244,416</u>	<u>16,502,147</u>	<u>17,105,594</u>	<u>603,447</u>
EXPENDITURES				
Departmental:				
<i>General Government:</i>				
City manager	377,802	377,802	375,645	2,157
City attorney	93,171	132,340	209,185	(76,845)
Human resources	335,792	373,792	373,533	259
City clerk	265,020	265,020	239,499	25,521
Accounting	579,491	583,058	482,889	100,169
Municipal court	303,918	371,918	317,158	54,760
Information services	347,845	358,845	345,389	13,456
Engineering	379,372	379,372	366,063	13,309
Equipment services	335,912	335,912	340,775	(4,863)
Building maintenance	68,662	892,750	885,469	7,281
Shared cost	-	-	1,686	(1,686)
<i>Total General Government</i>	<u>3,086,985</u>	<u>4,070,809</u>	<u>3,937,291</u>	<u>133,518</u>
<i>Public Safety:</i>				
Police administration	629,890	635,455	614,881	20,574
Police operations	3,971,455	3,982,369	3,872,719	109,650
Disptach	482,486	530,561	548,099	(17,538)
Criminal investigations	544,098	552,098	534,588	17,510
Animal Control	235,035	242,386	236,018	6,368
Code Compliance	545,191	595,191	617,948	(22,757)
Fire suppression	4,434,127	4,457,989	4,379,540	78,449
Fire prevention	427,815	430,815	431,909	(1,094)
Emergency Management	282,321	375,621	364,797	10,824
Fire Training	147,909	147,909	133,478	14,431
L.E.P.C	9,600	9,600	4,082	5,518
<i>Total Public Safety</i>	<u>11,709,927</u>	<u>11,959,994</u>	<u>11,738,059</u>	<u>221,935</u>
<i>Street:</i>				
Street	700,111	704,331	645,517	58,814
Traffic control	221,099	231,099	230,307	792
<i>Total Street</i>	<u>921,210</u>	<u>935,430</u>	<u>875,824</u>	<u>59,606</u>
<i>Culture and Recreation:</i>				
Expo Operations	407,413	426,541	430,997	(4,456)
Municipal auditorium	11,000	33,000	27,212	5,788
Senior citizens	78,420	78,420	75,191	3,229
Community center	46,600	51,600	44,469	7,131
Cemetery	185,380	189,034	182,756	6,278
Parks	479,078	479,757	456,476	23,281
<i>Total Culture and Recreation</i>	<u>1,207,891</u>	<u>1,258,352</u>	<u>1,217,101</u>	<u>41,251</u>
Total Expenditures	<u>16,926,013</u>	<u>18,224,585</u>	<u>17,768,275</u>	<u>456,310</u>
Excess (deficiency) of revenues over expenditures	<u>(1,681,597)</u>	<u>(1,722,438)</u>	<u>(662,681)</u>	<u>1,059,757</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,839,900	1,839,900	1,869,740	29,840
Transfers out	(74,000)	(94,598)	(74,000)	20,598
Total other financing sources and uses	<u>1,765,900</u>	<u>1,745,302</u>	<u>1,795,740</u>	<u>50,438</u>
Net change in fund balances	84,303	22,864	1,133,059	1,110,195
Fund balances - beginning	519,818	519,818	4,011,671	3,491,853
Fund balances - ending	<u>\$ 604,121</u>	<u>\$ 542,682</u>	<u>\$ 5,144,730</u>	<u>\$ 4,602,048</u>

**CITY OF SHAWNEE, OKLAHOMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 Attorney	\$76,845
Shared cost	1,686
Dispatch	17,538
Code compliance	22,757
Fire prevention	1,094
Expo center	4,456

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

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

Budgetary Accounting

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

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

	General Fund
Total revenue - budgetary basis	\$ 18,975,334
Total expenses - budgetary basis	(17,842,275)
Change in fund balance - budgetary basis	<u>1,133,059</u>
Add fund balance of funds combined for reporting purposes:	
Revolving Oil and Gas Fund	12,000
Spay and Neuter Fund	855
Library Fund	(12,441)
Sister Cities Fund	11,113
Change in fund balance - GAAP basis	<u><u>\$ 1,144,586</u></u>

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, 2011

I. Schedule of Funding Progress

Accrual Valuation Date	Value of Assets Available for Benefits	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Percentage Funded	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
1/1/2010	\$ 24,764,099	\$ 30,823,183	\$ 6,059,084	80.34%	\$ 5,792,921	104.6%
1/1/2009	24,092,460	30,145,970	6,053,510	79.92%	5,724,277	105.8%
1/1/2008	24,813,645	28,447,562	3,633,917	87.23%	5,772,950	62.9%
1/1/2007	23,176,682	25,754,610	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	2,072,137	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
2011	\$1,354,593	99.3%
2010	1,363,924	100%
2009	1,166,956	100%

III. Notes to Required Supplementary Information Pension Plan Funding Schedules

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

Actuarial method is "Entry Age Normal".

CITY OF SHAWNEE, OKLAHOMA
 REQUIRED SUPPLEMENTARY INFORMATION
 OTHER POST EMPLOYMENT BENEFITS
 June 30, 2011

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

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

July 1, 2008, was the first actuarial valuation for the OPEB Plan. Three year trend information is not available. The City has chosen to perform actuarial evaluations bi-annually.

SUPPLEMENTARY INFORMATION

City of Shawnee, Oklahoma
Combining Balance Sheet – General Fund
June 30, 2011

	<u>General Fund</u>	<u>Revolving Oil & Gas Fund</u>	<u>Spay and Neuter Fund</u>	<u>Library Fund</u>	<u>Senior Citizens Fund</u>	<u>Sister Cities Fund</u>	<u>Total General Fund</u>
ASSETS							
Cash and cash equivalents	\$ 554,130	\$ 233,779	\$ 13,208	\$ 19,083	\$ 21,147	\$ 14,486	\$ 855,833
Investments	1,132,416	-	-	-	-	-	1,132,416
Interest receivable	5,920	-	-	-	-	-	5,920
Receivable from other governments	75,416	-	-	-	-	-	75,416
Due from other funds	2,349,173	-	-	-	-	-	2,349,173
Taxes receivable, net	1,668,892	-	-	-	-	-	1,668,892
Court fines receivable, net	139,535	-	-	-	-	-	139,535
Other receivables	118,559	-	-	-	-	-	118,559
Prepaid expenses	291,531	-	-	-	-	-	291,531
Total assets	<u>6,335,572</u>	<u>233,779</u>	<u>13,208</u>	<u>19,083</u>	<u>21,147</u>	<u>14,486</u>	<u>6,637,275</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	433,899	-	338	115	-	-	434,352
Accrued payroll payable	434,863	-	-	-	-	-	434,863
Due to other funds	273,383	-	-	-	-	-	273,383
Deferred revenue	48,697	-	-	-	-	-	48,697
Total liabilities	<u>1,190,842</u>	<u>-</u>	<u>338</u>	<u>115</u>	<u>-</u>	<u>-</u>	<u>1,191,295</u>
Fund balances:							
Nonspendable	291,531	-	-	-	-	-	291,531
Assigned	-	233,779	12,870	18,968	21,147	14,486	301,250
Unassigned	4,853,199	-	-	-	-	-	4,853,199
Total fund balances	<u>5,144,730</u>	<u>233,779</u>	<u>12,870</u>	<u>18,968</u>	<u>21,147</u>	<u>14,486</u>	<u>5,445,980</u>
Total liabilities and fund balances	<u>\$ 6,335,572</u>	<u>\$ 233,779</u>	<u>\$ 13,208</u>	<u>\$ 19,083</u>	<u>\$ 21,147</u>	<u>\$ 14,486</u>	<u>\$ 6,637,275</u>

City of Shawnee, Oklahoma
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – General Fund
Year Ended June 30, 2011

	<u>General Fund</u>	<u>Revolving Oil & Gas Fund</u>	<u>Spay and Neuter Fund</u>	<u>Library Fund</u>	<u>Senior Citizens Fund</u>	<u>Sister Cities Fund</u>	<u>Total Governmental Funds</u>
REVENUES							
Taxes	\$ 13,339,418	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,339,418
Intergovernmental	1,731,464	-	-	-	-	-	1,731,464
Licenses and permits	236,473	12,000	-	-	-	-	248,473
Charges for services	167,209	-	-	-	-	-	167,209
Fees and fines	628,545	-	4,953	-	-	-	633,498
Investment earnings	28,905	-	-	-	-	-	28,905
Miscellaneous	973,580	-	-	-	-	405	973,985
Total revenues	<u>17,105,594</u>	<u>12,000</u>	<u>4,953</u>	<u>-</u>	<u>-</u>	<u>405</u>	<u>17,122,952</u>
EXPENDITURES							
Current:							
General government	2,643,601	-	-	-	-	-	2,643,601
Engineering	366,063	-	-	-	-	-	366,063
Equipment and building maintenance	1,226,244	-	-	-	-	-	1,226,244
Police	5,034,358	-	-	-	-	-	5,034,358
Fire	4,955,006	-	-	-	-	-	4,955,006
Municipal court	317,158	-	-	-	-	-	317,158
Emergency management	354,718	-	-	-	-	-	354,718
Streets	875,824	-	-	-	-	-	875,824
Parks and recreation	456,476	-	-	-	-	-	456,476
Culture and recreation	146,872	-	-	-	-	-	146,872
Animal control/E911	776,029	-	4,098	-	-	-	780,127
Cemetery	182,756	-	-	-	-	-	182,756
Library	-	-	-	-	-	4,292	4,292
Economic development	430,997	-	-	86,441	-	-	517,438
Capital Outlay	2,173	-	-	-	-	-	2,173
Total expenditures	<u>17,768,275</u>	<u>-</u>	<u>4,098</u>	<u>86,441</u>	<u>-</u>	<u>4,292</u>	<u>17,863,106</u>
Excess (deficiency) of revenues over expenditures	<u>(662,681)</u>	<u>12,000</u>	<u>855</u>	<u>(86,441)</u>	<u>-</u>	<u>(3,887)</u>	<u>(740,154)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	1,869,740	-	-	74,000	-	15,000	1,958,740
Transfers out	(74,000)	-	-	-	-	-	(74,000)
Total other financing sources and uses	<u>1,795,740</u>	<u>-</u>	<u>-</u>	<u>74,000</u>	<u>-</u>	<u>15,000</u>	<u>1,884,740</u>
Net change in fund balances	1,133,059	12,000	855	(12,441)	-	11,113	1,144,586
Fund balances - beginning	4,011,671	221,779	12,015	31,409	21,147	3,373	4,301,394
Fund balances - ending	<u>\$ 5,144,730</u>	<u>\$ 233,779</u>	<u>\$ 12,870</u>	<u>\$ 18,968</u>	<u>\$ 21,147</u>	<u>\$ 14,486</u>	<u>\$ 5,445,980</u>

City of Shawnee, Oklahoma
Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2011

	Street and Alley Fund	E-911 Fund	Economic Development Fund	Hotel/Motel Fund	Police Sales Tax Fund	Fire Sales Tax Fund	CDBG/Home Grants Funds
ASSETS							
Cash and cash equivalents	\$ -	\$ 323,869	\$ 102,225	\$ 54,054	\$ 434	\$ 434	\$ 345,120
Investments	-	-	-	-	-	-	-
Interest receivable	-	-	41	-	51	109	-
Receivable from other governments	-	-	-	-	-	-	12,706
Due from other funds	-	-	-	-	-	-	-
Taxes receivable, net	-	-	34,458	-	43,073	43,073	-
Other receivables	23,612	12,300	-	44,712	-	-	832,132
Total assets	<u>23,612</u>	<u>336,169</u>	<u>136,724</u>	<u>98,766</u>	<u>43,558</u>	<u>43,616</u>	<u>1,189,958</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	489	28,772	-	43,604	-	-	18,260
Due to other funds	11,457	-	-	-	-	-	154,252
Deferred revenue	-	-	-	-	-	-	831,772
Other payables	-	-	-	-	-	-	17
Total liabilities	<u>11,946</u>	<u>28,772</u>	<u>-</u>	<u>43,604</u>	<u>-</u>	<u>-</u>	<u>1,004,301</u>
Fund balances:							
Restricted	4,436	307,397	136,724	50,162	43,558	43,616	185,657
Assigned	7,230	-	-	5,000	-	-	-
Total fund balances	<u>11,666</u>	<u>307,397</u>	<u>136,724</u>	<u>55,162</u>	<u>43,558</u>	<u>43,616</u>	<u>185,657</u>
Total liabilities and fund balances	<u>\$ 23,612</u>	<u>\$ 336,169</u>	<u>\$ 136,724</u>	<u>\$ 98,766</u>	<u>\$ 43,558</u>	<u>\$ 43,616</u>	<u>\$ 1,189,958</u>

(continued)

City of Shawnee, Oklahoma
Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2011

	Cemetery Care Fund	Gifts and Contribution Fund	Tax Increment Financing Fund	Drug Forfeiture Fund	1994 Street Improvement Fund	Capital Improvement Fund	Debt Service Fund	Total Other Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 171,365	\$ 73,264	\$ 284,297	\$ 2,000	\$ 77,667	\$ 280,974	\$ 112,009	\$ 1,827,712
Investments	-	36,720	-	-	-	1,048,434	-	1,085,154
Interest receivable	-	-	-	-	-	-	-	201
Receivable from other governments	-	-	-	-	-	-	-	12,706
Due from other funds	-	4,023	-	-	-	65,000	-	69,023
Taxes receivable, net	-	-	-	-	-	267,051	-	387,655
Other receivables	-	-	1,728	-	-	-	28	914,512
Total assets	<u>171,365</u>	<u>114,007</u>	<u>286,025</u>	<u>2,000</u>	<u>77,667</u>	<u>1,661,459</u>	<u>112,037</u>	<u>4,296,963</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	-	-	-	-	-	154,665	-	245,790
Due to other funds	-	-	-	1,535	-	4,023	-	171,267
Deferred revenue	-	-	-	-	-	-	55	831,827
Other payables	-	-	-	-	-	-	-	17
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,535</u>	<u>-</u>	<u>158,688</u>	<u>55</u>	<u>1,248,901</u>
Fund balances:								
Restricted	168,108	109,457	286,025	465	77,667	1,500,901	111,982	3,026,155
Assigned	3,257	4,550	-	-	-	1,870	-	21,907
Total fund balances	<u>171,365</u>	<u>114,007</u>	<u>286,025</u>	<u>465</u>	<u>77,667</u>	<u>1,502,771</u>	<u>111,982</u>	<u>3,048,062</u>
Total liabilities and fund balances	<u>\$ 171,365</u>	<u>\$ 114,007</u>	<u>\$ 286,025</u>	<u>\$ 2,000</u>	<u>\$ 77,667</u>	<u>\$ 1,661,459</u>	<u>\$ 112,037</u>	<u>\$ 4,296,963</u>

City of Shawnee, Oklahoma
Combing Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Fund
Year Ended June 30, 2011

	Street and Alley Fund	E-911 Fund	Economic Development Fund	Hotel/Motel Fund	Police Sales Tax Fund	Fire Sales Tax Fund	CDBG/Home Grants Funds
REVENUES							
Taxes	\$ 262,637	\$ 201,097	\$ 268,583	\$ 404,690	\$ 335,728	\$ 335,728	\$ -
Licenses and permits	1,400	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	711,447
Charges for services	-	-	-	-	-	-	-
Investment earnings	-	-	300	-	376	434	-
Miscellaneous	5,830	-	-	5,000	-	-	96,493
Total revenues	<u>269,867</u>	<u>201,097</u>	<u>268,883</u>	<u>409,690</u>	<u>336,104</u>	<u>336,162</u>	<u>807,940</u>
EXPENDITURES							
Current:							
Streets	278,453	-	-	-	-	-	-
Parks and recreation	-	-	8,000	-	-	-	-
Animal Control/E911	-	96,499	-	-	-	-	-
Economic development	-	-	226,400	410,516	-	-	770,471
Capital Outlay	-	29,282	-	-	-	-	548
Total Expenditures	<u>278,453</u>	<u>125,781</u>	<u>234,400</u>	<u>410,516</u>	<u>-</u>	<u>-</u>	<u>771,019</u>
Excess (deficiency) of revenues over expenditures	<u>(8,586)</u>	<u>75,316</u>	<u>34,483</u>	<u>(826)</u>	<u>336,104</u>	<u>336,162</u>	<u>36,921</u>
OTHER FINANCING SOURCES (USES)							
Transfers out	-	-	(15,000)	-	(334,870)	(334,870)	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>-</u>	<u>(334,870)</u>	<u>(334,870)</u>	<u>-</u>
Net change in fund balances	(8,586)	75,316	19,483	(826)	1,234	1,292	36,921
Fund balances - beginning	20,252	232,081	117,241	55,988	42,324	42,324	148,736
Fund balances - ending	<u>\$ 11,666</u>	<u>\$ 307,397</u>	<u>\$ 136,724</u>	<u>\$ 55,162</u>	<u>\$ 43,558</u>	<u>\$ 43,616</u>	<u>\$ 185,657</u>

(continued)

City of Shawnee, Oklahoma
Combing Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Fund
Year Ended June 30, 2011

	Cemetery Care Fund	Gifts and Contribution Fund	Tax Increment Financing Fund	Drug Forfeiture Fund	1994 Street Improvement Fund	Capital Improvement Fund	Debt Service Fund	Total Other Governmental Funds
REVENUES								
Taxes	\$ -	\$ -	\$ 10,363	\$ -	\$ -	\$ 2,081,515	\$ 521	\$ 3,900,862
Licenses and permits	-	-	-	-	-	-	-	1,400
Intergovernmental	-	-	-	-	-	-	-	711,447
Charges for services	1,075	-	-	-	-	-	-	1,075
Investment earnings	-	4,550	-	-	-	13,800	1	19,461
Miscellaneous	3,257	3,175	-	-	-	1,870	24,495	140,120
Total revenues	<u>4,332</u>	<u>7,725</u>	<u>10,363</u>	<u>-</u>	<u>-</u>	<u>2,097,185</u>	<u>25,017</u>	<u>4,774,365</u>
EXPENDITURES								
Current:								
Streets	-	-	-	-	-	-	-	278,453
Parks and recreation	-	8,777	-	-	-	-	-	16,777
Animal Control/E911	-	-	-	-	-	-	-	96,499
Economic development	-	-	-	-	-	-	-	1,407,387
Capital Outlay	6,658	-	-	-	-	1,373,702	-	1,410,190
Total Expenditures	<u>6,658</u>	<u>8,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,373,702</u>	<u>-</u>	<u>3,209,306</u>
Excess (deficiency) of revenues over expenditures	<u>(2,326)</u>	<u>(1,052)</u>	<u>10,363</u>	<u>-</u>	<u>-</u>	<u>723,483</u>	<u>25,017</u>	<u>1,565,059</u>
OTHER FINANCING SOURCES (USES)								
Transfers out	-	-	-	-	-	(657,649)	-	(1,342,389)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(657,649)</u>	<u>-</u>	<u>(1,342,389)</u>
Net change in fund balances	(2,326)	(1,052)	10,363	-	-	65,834	25,017	222,670
Fund balances - beginning	173,691	115,059	275,662	465	77,667	1,436,937	86,965	2,825,392
Fund balances - ending	<u>\$ 171,365</u>	<u>\$ 114,007</u>	<u>\$ 286,025</u>	<u>\$ 465</u>	<u>\$ 77,667</u>	<u>\$ 1,502,771</u>	<u>\$ 111,982</u>	<u>\$ 3,048,062</u>