

OLDEST TOWN IN OKLAHOMA

***FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2014***



Clothier & Company CPA's P.C.

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TOWN OF FORT GIBSON

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The Town of Fort Gibson
Fort Gibson, Oklahoma

May 2, 2015

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Gibson, Oklahoma as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America: this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting

policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Town of Fort Gibson, Oklahoma as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

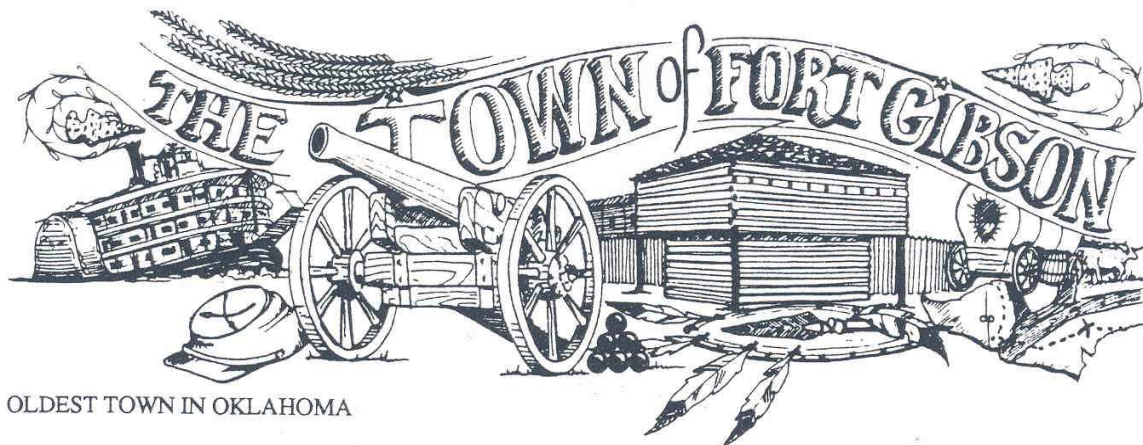
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information including a reconciliation of budgetary basis to the statement of revenues, expenses, and changes in fund balances on pages I through VII and 26 through 29 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Fort Gibson's basic financial statements. The budgetary comparison information for the Utility Authority including a reconciliation of budgetary basis to the statement of revenues, expenses, and changes in fund balance is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison information for the Utility Authority including a reconciliation of budgetary basis to the statement of revenues, expenses, and changes in fund balance 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.

Clotter + Company CPAs



MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Fort Gibson, Oklahoma's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2014. Please read it in conjunction with the financial statements, which begin on page 2.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 2-3) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 4. 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 Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Town as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the Town as a whole begins on page II. One of the most important questions asked about the Town's finances is "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. 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 Town's net assets and changes in them. You can think of the Town's net assets—the difference between assets and liabilities—as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities.

- *Governmental activities* - The Town's basic services are reported here, including the police, fire, general government, streets, and parks. Sales, property and other taxes, franchise fees, fines, and state and federal grants finance these activities.
- *Business-type activities* - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water, sewer, and sanitation systems are reported here.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 4 and provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State law. However, the Town Trustees establish many other funds to help it control and manage money for particular purposes (like the Development Authority Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like restricted sales tax). The Town's two kinds of funds - governmental and proprietary - use different accounting approaches.

- *Governmental funds* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified cash accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation on page 6.
- *Proprietary funds* - When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

The Town as Trustee

The Town is the trustee, or fiduciary, for the municipal court bond fund. All of the Town's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE TOWN AS A WHOLE

For the years ended June 30, 2010, 2011, 2012, 2013 and 2014, net assets changed as follows:

| | <u>Activities</u> | | Business-type | | <u>Total</u> | |
|-------------------------|---------------------|--------|-------------------|--------|---------------------|--------|
| Beginning Net Assets | \$3,607,793 | | \$ 3,776,846 | | \$ 7,848,688 | |
| Change 2010 | 417,981 | 10.26% | 541,132 | 14.33% | 959,113 | 12.22% |
| Net assets July 1, 2010 | <u>4,490,297</u> | | <u>4,317,522</u> | | <u>8,807,801</u> | |
| Change 2011 | 1,193,156 | 26.57% | 595,701 | 13.80% | 1,788,857 | 20.37% |
| Net assets July 1, 2011 | <u>5,683,435</u> | | <u>4,913,223</u> | | <u>10,596,857</u> | |
| Change 2012 | 915,708 | 13.88% | 1,040,905 | 18.05% | 1,956,613 | 17.01% |
| Ending Net Assets | <u>6,599,149</u> | | <u>5,954,128</u> | | <u>12,553,271</u> | |
| Change 2013 | 343,141 | 5.20% | 893,677 | 15.01% | 1,236,826 | 9.85% |
| Ending Net Assets | <u>6,942,290</u> | | <u>6,847,805</u> | | <u>13,790,095</u> | |
| Change 2014 | 459,888 | 6.62% | 944,111 | 13.79% | 1,403,999 | 10.18% |
| Ending Net Assets | <u>\$ 7,402,178</u> | | <u>\$ 791,916</u> | | <u>\$ 2,399,146</u> | |

That reflects an increase of 13.79% for Business-type activities and an increase of 6.62% for governmental activities for 2014 compared to the June 30, 2013 balance.

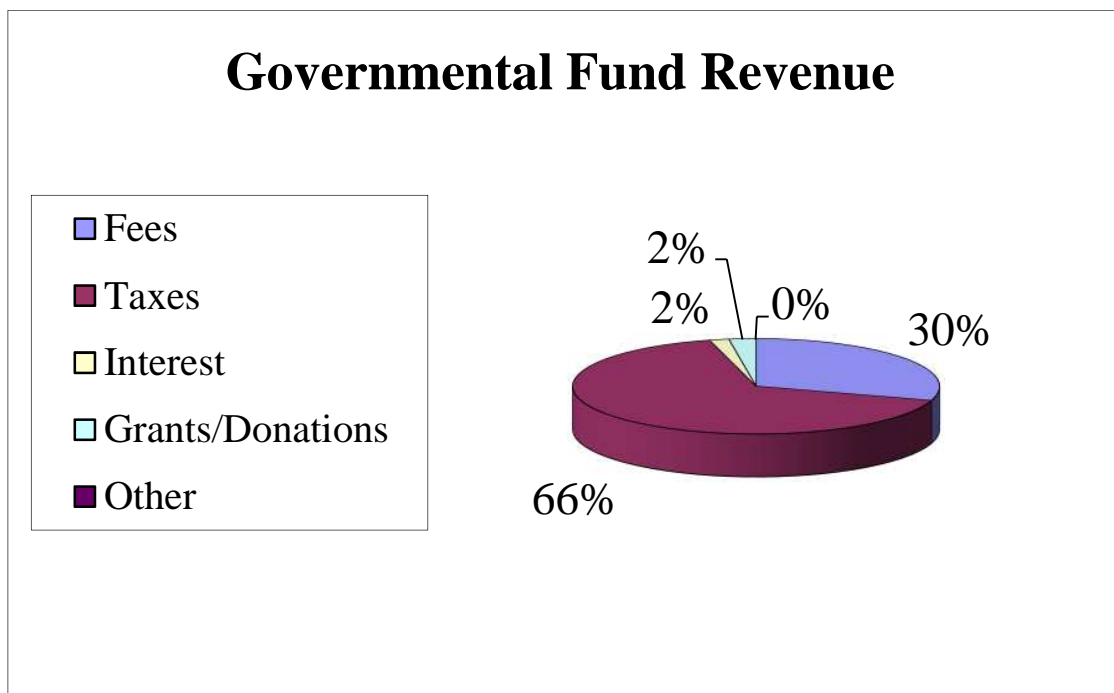
Most of the increase in net assets is a result of additional cash. The Cash and Cash Equivalents balance increased from \$3,504,040 to \$4,712,019.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues as if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

- General government-Building permits, street permits, occupational licenses, and other fees.
- Public Safety and Service-Police-Fines and 911 fees, Fire-Outside Town limits fire run charges, Cemetery-Grave opening/closing fees.
- Public Facilities-Community building-Rental fees.

All other governmental tax revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

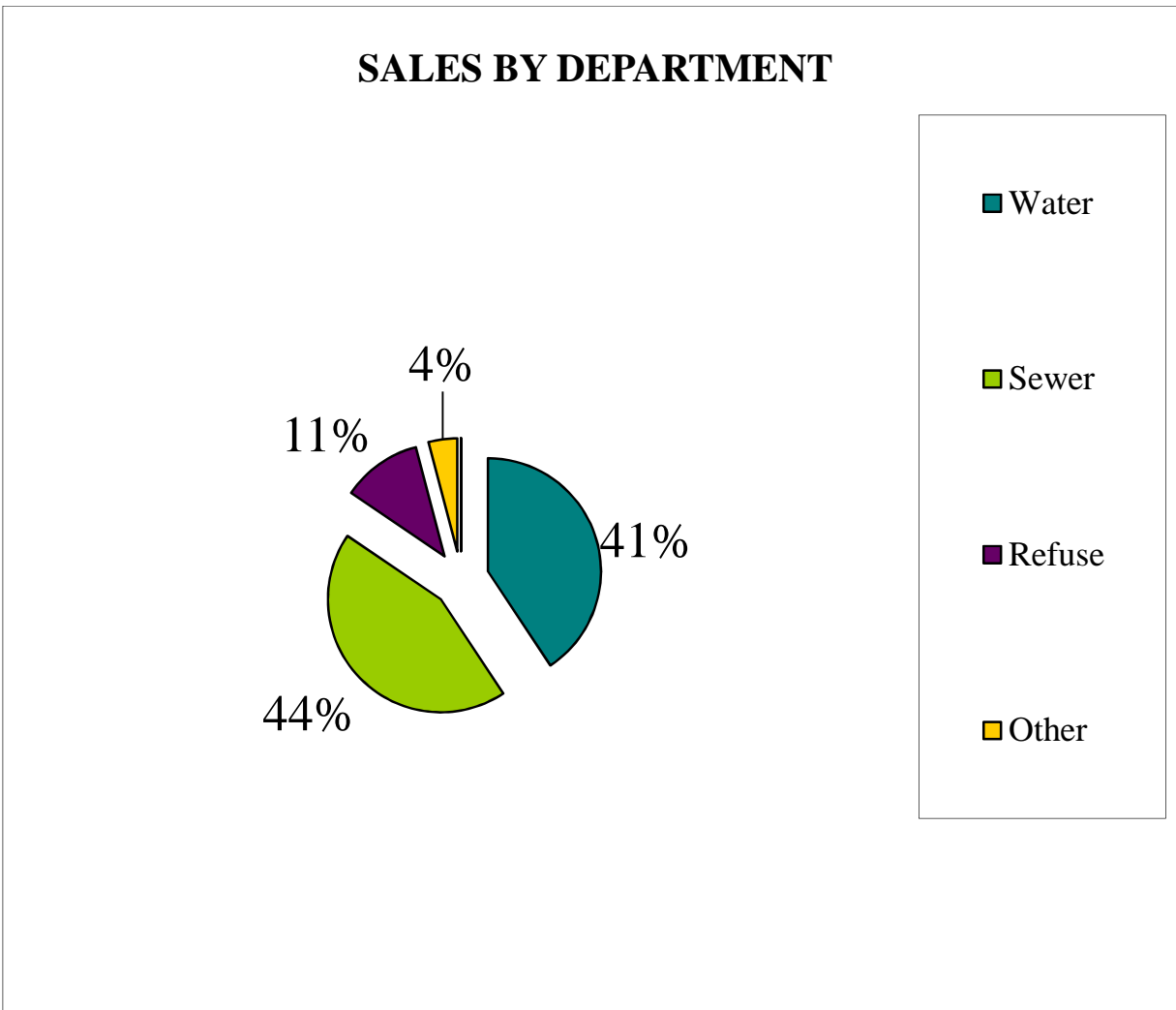


All departments have remained substantially the same from 2013 to 2014. General fund expenses decreased 3.68%. The largest of the decrease was capital outlay for public facilities. More of the expenses were paid from the 1.25% sales tax fund. The non-major funds income decreased 14.59% but expenses increased 29.6%. As a result the non-major net activities went from a positive \$119,468 to a positive \$30,524.

Business-type Activities

Sales By Department

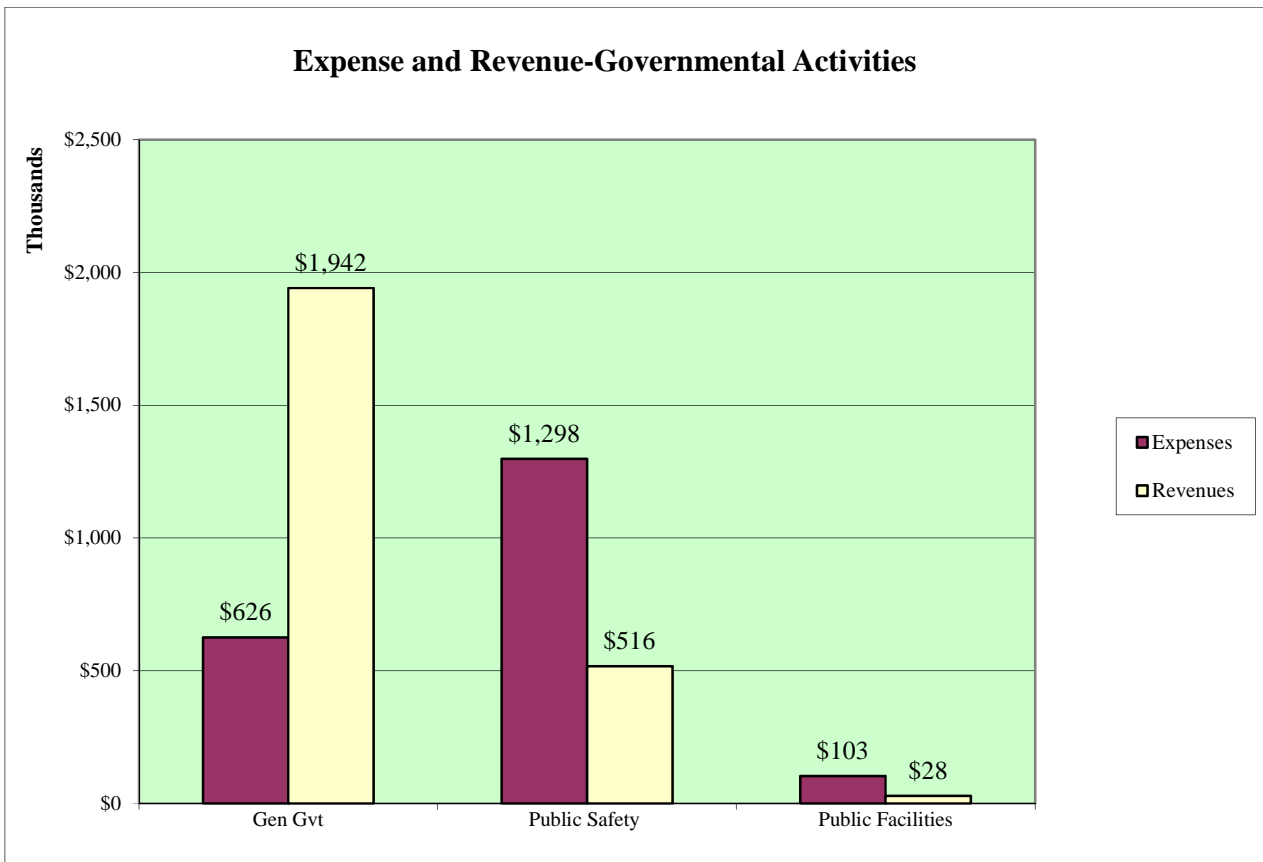
| | | |
|---------------|--------------|--------|
| Water | \$ 1,199,703 | 40.7% |
| Sewer | \$ 1,291,771 | 43.8% |
| Refuse | \$ 336,148 | 11.4% |
| Other | \$ 121,404 | 4.1% |
| <hr/> | | |
| Total Revenue | \$ 2,949,026 | 100.0% |



THE TOWN'S FUNDS

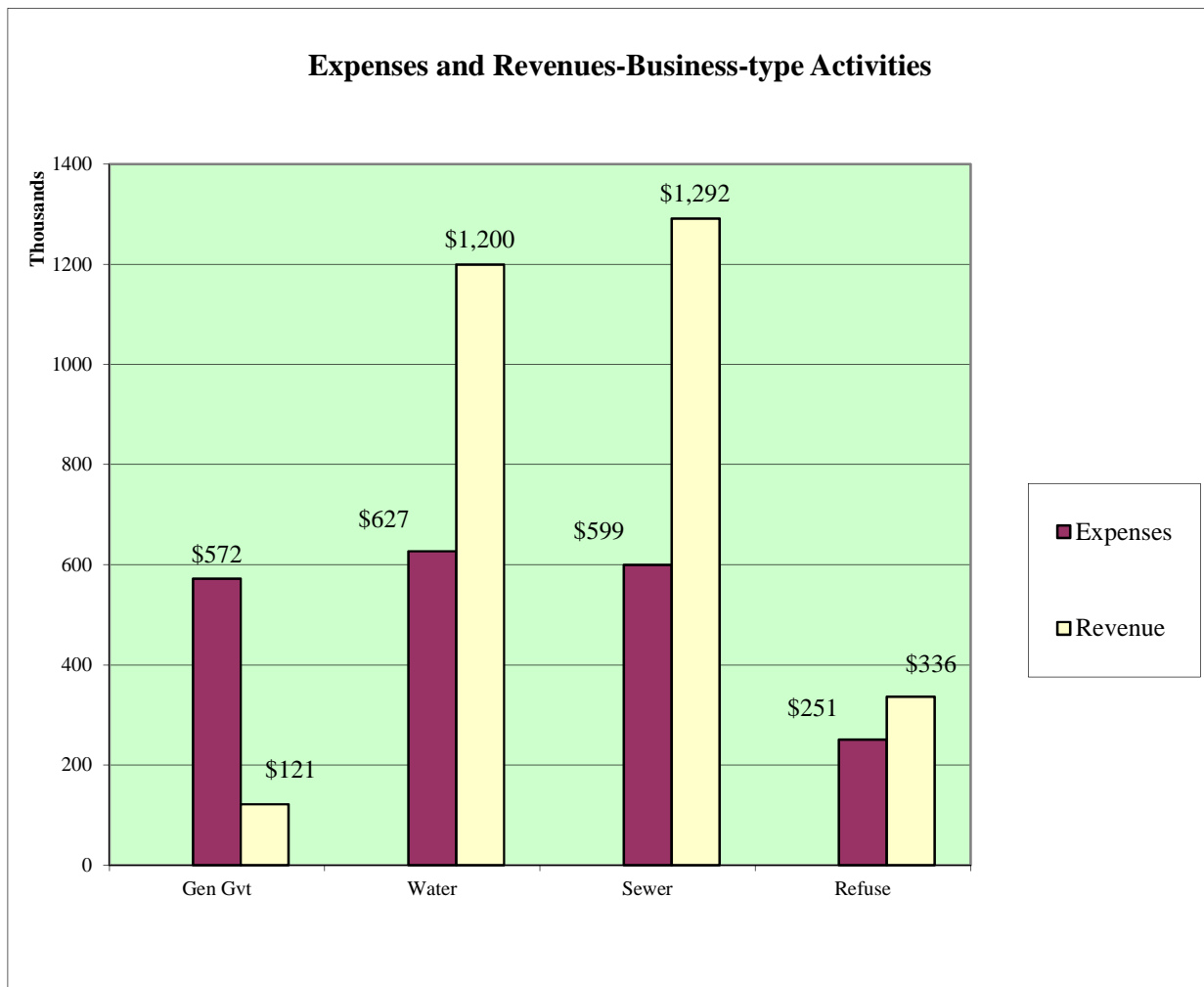
The following presents a summary of governmental funds revenue and expenditures for the fiscal year ended June 30, 2014 and the amounts and percentages of change in relation to 2013.

| | 2014 | | <u>Increase (Decrease)</u> | |
|---------------------------|-----------------|----------|----------------------------|----------|
| | <u>Amounts.</u> | <u>%</u> | <u>Amounts.</u> | <u>%</u> |
| <u>Revenue:</u> | | | | |
| Taxes | \$1,708,386 | 66.08% | \$ (137,679) | (7.46)% |
| Fees, Fines and Charges | 771,366 | 29.83% | 133,006. | (20.84)% |
| Other | 105,726 | 4.09% | (8,168) | 7.17% |
| | <hr/> | | <hr/> | |
| Total Revenue | 2,585,478 | 100.00% | (12,841) | (0.49)% |
| | | | | |
| <u>Expenses:</u> | | | | |
| General Government | 558,150 | 21.59% | 100,305. | 21.91% |
| Public Safety and Service | 1,299,870 | 50.28% | 361,659. | 38.55.% |
| Public Facilities | 273,749 | 10.58% | (285,001) | (51.01)% |
| | <hr/> | | <hr/> | |
| Total Expenses | 2,131,769 | 82.45% | 176,963. | 9.05% |
| | | | | |
| Net Revenue over Expenses | <hr/> | | <hr/> | |
| | \$453,709 | 17.55% | | |



The following presents a summary of proprietary funds revenue and expenditures for the fiscal year ended June 30, 2014 and the amounts and percentages of change in relation to 2013.

| | 2014 | | <u>Increase (Decrease)</u> | |
|------------------------------------|-------------------|---------------|----------------------------|---------------|
| | <u>Amounts.</u> | <u>%</u> | <u>Amounts.</u> | <u>%</u> |
| <u>Revenue</u> | | | | |
| Utilities | \$ 2,949,026 | 100.00% | \$240,743 | 8.89% |
| <u>Expenses</u> | | | | |
| Utilities | <u>2,048,855</u> | <u>69.48%</u> | <u>321,704</u> | <u>18.63%</u> |
| Operating Income | 900,171 | 30.52% | (80,961) | (8.25)% |
| <u>Non-Operating Income</u> | <u>43,940</u> | <u>1.49%</u> | <u>131,393</u> | <u>150.2%</u> |
| Net Income | <u>\$ 944,111</u> | <u>32.01%</u> | <u>\$ 50,432</u> | |



BUDGETARY HIGHLIGHTS

Changes to the General Fund Budget during the year included:

| | |
|--------------------------------|------------|
| Revenue decrease of | \$(36,711) |
| Police increase of | 41,136 |
| General government decrease of | (97,432) |
| Civil defense increase of | 10,038 |

Changes in other fund budgets included:

| | |
|---|---------|
| Street and alley fund revenue and expense increase of | 127,844 |
| Police sales tax fund revenue and expense increase of | 5,771 |
| 1.25 Sales tax fund revenue and expense increase of | 2,457 |
| Debt service fund revenue and expense increase of | 13,075 |

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2014, the Town had almost 19 million invested in capital assets including police and fire equipment, buildings, park facilities, roads, and water, and sewer. (See table below.)

| | <u>COST</u> | <u>ACCUMULATED DEPRECIATION</u> | <u>BOOK VALUE</u> |
|-------------------------------|----------------------|-------------------------------------|-----------------------|
| Governmental Funds | \$ 7,420,601 | \$ 2,785,485 | \$ 4,635,116 |
| Fort Gibson Utility Authority | 11,400,928 | 4,979,789 | 6,421,139 |
| | <u>\$ 18,821,529</u> | <u>\$ 7,765,274</u> | <u>\$ 11,056,255</u> |

The Town of Fort Gibson has a special sales tax that is for improvements to streets, fire, and police departments. The Town spent \$159,811 for a sports complex, which includes both baseball and softball fields. Police cars and other police equipment were purchased for \$51,910. The Utility Authority spent \$100,871 on a pump station rehab and \$120,775 for pumps and meters.

Debt

At year-end, the Town of Fort Gibson and Fort Gibson Utility Authority had \$1,594,905 in long-term outstanding notes compared to \$2,309,228 last year. That is a decrease of 30.93% as shown in the following table.

| | Governmental Activities | | Business-type | |
|--------|------------------------------------|-------------|----------------------|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| Totals | \$ 330,000 | \$ 420,000 | \$ 1,264,905 | \$ 1,889,228 |

Other obligations of the Town include accrued compensated absences.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following projects and grants are expected during the 2014/15 year.

Fort Gibson Utilities Authority

General Fund

- Increase water, sewer, and trash rates on August 1, 2014
- Increase cleaning lines \$40,000
- Georgetown water line \$300,000
- Folder for water bills, 2 new computers \$15,000
- New vehicle \$50,000
- Transfer to Street & Alley for tin horn maintenance under streets \$50,000

Sanitation

- Increase for polycarts and dumpsters \$30,000
- Sanitation truck \$150,000

Wastewater Treatment Plant

- SCBA \$1,921
- Vacuum pump \$5,100
- One-ton heating blankets quantity two \$3,000
- PLC spare for wastewater treatment plant lift station \$2,100
- Lift station backup motor wastewater treatment plant \$11,000
- Automatic gate opener \$2,850
- Sludge removal in cell 3 and 4 \$120,000
- Sludge removal in chlorine contact basin \$5,000
- Portable sampler \$2,800

Water Treatment Plant

- Increase in chemicals, alum, fluoride \$65,000
- Sludge removal \$30,000
- Remodel building \$40,000
- Back-up turbidity meter, sensor, PH meter, and 4 flow meters, vacuum pump, Rebuild 2 river pumps and replace 3 actuators \$70,000
- Engineering fees \$25,000
- Extra testing for fluoride \$5,000
- Chlorine dioxide system installation and chemicals \$400,000

General Fund

Police Department

- Increase in training \$14,000
- Increase in vehicle maintenance \$8,000
- Four new computers \$6,000
- Records clerk position added \$27,630
- Two internet IPS lines \$7,200
- Increase in fuel and oil \$9,000
- Two vehicles with emergency equipment \$60,908
- Body cameras for 11 personnel \$16,750
- Purchase of a K-9 and related expenses \$20,332

Parks and Recreation

- Carl Perry Memorial Ball field improvements \$75,000
- Shade sail for Fort Gibson Municipal Park (slide area) \$15,000
- Whitlock Sports Complex \$20,000
- Zero turn mower \$9,000
- Corn Festival \$5,000
- Fuel and oil increase \$3,000
- Engineering \$25,000

General Government

- New phone system \$22,000
- Chamber of Commerce economic development \$4,000
- Clean carpets, tile and paint town hall \$8,000
- Lobby furniture and assembly hall chairs \$15,000
- Community Building remodel \$30,000
- Community Building roof \$40,000
- Sidewalk from Lee to Municipal Park \$30,000
- Structural repair to town hall foundation \$75,000
- Fire proof file cabinet, tables and chairs for community building, and office furniture \$30,000

Library

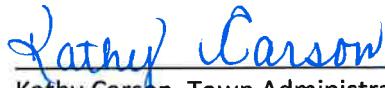
- Repair or replace air conditioner units \$15,000

Street & Alley Fund

- Engineering fees \$40,000
- Plate packer \$4,000
- Tractor and brush hog \$55,028
- Bucket truck \$60,000
- Asphalt \$150,000
- Street Construction \$431,800
- Transfer from Utility Authority to St. and Alley for tin horn maintenance under streets \$50,000

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk's Office at 200 West Poplar, Fort Gibson, Oklahoma.



Kathy Carson, Town Administrator

TOWN OF FORT GIBSON
STATEMENT OF NET ASSETS
June 30, 2014

| | Primary Government | | |
|--|--------------------|--------------------|---------------------|
| | Governmental | Business-type | Total |
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 2,979,767 | \$ 1,732,252 | \$ 4,712,019 |
| Sales Tax Receivable | 139,733 | 0 | 139,733 |
| Other Tax Receivable | 5,832 | 0 | 5,832 |
| Trade Accounts Receivable | 0 | 283,602 | 283,602 |
| Total Current Assets | <u>3,125,332</u> | <u>2,015,854</u> | <u>5,141,186</u> |
| Noncurrent Assets | | | |
| Capital Assets | | | |
| Distribution System | 0 | 9,844,478 | 9844478 |
| Office Equipment | 0 | 0 | 0 |
| Building and Improvements | 3,343,888 | 132,834 | 3,476,722 |
| Equipment | 1,497,109 | 593,939 | 2,091,048 |
| Autos & Trucks | 1,124,663 | 424,595 | 1,549,258 |
| Land | 359,900 | 42,581 | 402,481 |
| Debt Issue Costs | 0 | 136,153 | 136153 |
| Infrastructure | 1,095,041 | 226,348 | 1,321,389 |
| Accumulated Depreciation | (2,785,485) | (\$4,979,789) | (7,765,274) |
| Restricted Cash | 82,038 | 783,608 | 865,646 |
| Total Noncurrent Assets | <u>4,717,154</u> | <u>7,204,747</u> | <u>11,921,901</u> |
| Total Assets | <u>7,842,486</u> | <u>9,220,601</u> | <u>17,063,087</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts Payable | 67,506 | 38,628 | 106,134 |
| Accrued Payroll and Benefits | 18,524 | 13,917 | 32,441 |
| Accrued Expenses | 277 | 18,995 | 19,272 |
| Current Portion of Long-term Debt | 90,000 | 376,535 | 466,535 |
| Water Deposits | 0 | 116,240 | 116240 |
| Total Current Liabilities | <u>176,307</u> | <u>564,315</u> | <u>740,622</u> |
| Noncurrent Liabilities Accrued Vacations | 0 | 0 | 0 |
| Noncurrent Liabilities | | | |
| Accrued Vacations | 24,001 | 17,820 | 41,821 |
| Long-term Debt | 240,000 | 846,549 | 1,086,549 |
| Total Noncurrent Liabilities | <u>264,001</u> | <u>864,369</u> | <u>1,128,370</u> |
| Total Liabilities | <u>440,308</u> | <u>1,428,684</u> | <u>1,868,992</u> |
| NET ASSETS | | | |
| Invested in Capital Assets Net of Debt | 4,305,116 | 5,198,055 | 9,503,171 |
| Restricted for: | | | |
| Debt Service | 82,038 | 783,608 | 865,646 |
| Other Purposes | 2,110,631 | 0 | 2,110,631 |
| Unrestricted | 904,393 | 1,810,253 | 2,714,646 |
| Total Net Assets | <u>\$7,402,178</u> | <u>\$7,791,916</u> | <u>\$15,194,094</u> |

See accompanying footnotes and auditors' report.

**TOWN OF FORT GIBSON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

| Function / Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and | | |
|--------------------------------|--------------------|-------------------------|--|--|----------------------------|-----------------------------|--------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-Type Activities | |
| Primary Government | | | | | | | |
| Governmental Activities: | | | | | | | |
| General Government | \$625,517 | \$121,828 | \$7,179 | \$0 | (\$496,510) | \$0 | (\$496,510) |
| Public Safety and Service | 1,297,901 | 462,857 | 53,417 | 0 | (781,627) | 0 | (781,627) |
| Public Facilities | 102,881 | 27,201 | 1,020 | 0 | (74,660) | 0 | (74,660) |
| Total Governmental Activities | <u>2,026,299</u> | <u>611,886</u> | <u>61,616</u> | <u>0</u> | <u>(1,352,797)</u> | <u>0</u> | <u>(1,352,797)</u> |
| Business-type Activities: | | | | | | | |
| Utility | 2,148,145 | 2,949,026 | 25,000 | 0 | 0 | 825,881 | 825,881 |
| Total Business-type Activities | <u>2,048,855</u> | <u>2,949,026</u> | <u>25,000</u> | <u>0</u> | <u>0</u> | <u>825,881</u> | <u>825,881</u> |
| Total Primary Government | <u>\$4,075,154</u> | <u>\$3,560,912</u> | <u>\$86,616</u> | <u>\$0</u> | <u>(1,352,797)</u> | <u>825,881</u> | <u>(526,916)</u> |

General Revenues:

| | | | |
|----------------------------|--------------------|--------------------|---------------------|
| Franchise Fees | 159,480 | 0 | 159,480 |
| Sales Tax Revenue | 1,421,290 | 0 | 1,421,290 |
| Other Taxes | 287,096 | 0 | 287,096 |
| Investment Income | 44,109 | 18,940 | 63,049 |
| Transfers | -99,290 | 99,290 | 0 |
| Total General Revenues and | <u>1,812,685</u> | <u>118,230</u> | <u>63,049</u> |
| Change in Net Assets | 459,888 | 944,111 | 1,403,999 |
| Net Assets - Beginning | 6,942,290 | 6,847,805 | 13,790,095 |
| Net Assets - Ending | <u>\$7,402,178</u> | <u>\$7,791,916</u> | <u>\$15,194,094</u> |

See accompanying footnotes and auditors' report.

**TOWN OF FORT GIBSON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

| | General Fund | Street and Alley Fund | 1.25 Sales Tax Fund | Debt Service Fund | Non- major Funds | Total Governmental Funds |
|--|---------------------|--------------------------|------------------------|-------------------------|------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and Cash Equivalents | \$ 956,483 | \$ 777,017 | \$ 693,576 | \$ 82,038 | \$ 552,691 | \$ 3,061,805 |
| Accounts Receivable | 69,797 | 17,484 | 34,968 | 0 | 17,484 | 139,733 |
| Restricted Cash | 5,832 | 0 | 0 | 0 | 0 | 5,832 |
| Total Assets | \$ 1,032,112 | \$ 794,501 | \$ 728,544 | \$ 82,038 | \$ 570,175 | \$ 3,207,370 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities | | | | | | |
| Accounts Payable | \$ 62,490 | \$ 2,980 | \$ 144 | \$ - | \$ 1,892 | \$ 67,506 |
| Accrued Payroll and Benefits | 16,784 | 904 | 0 | 0 | 836 | 18,524 |
| Accrued Expenses | 271 | (0) | 0 | 0 | 6 | 277 |
| Total Liabilities | 79,545 | 3,884 | 144 | 0 | 2,734 | 86,307 |
| Fund Balances | | | | | | |
| Nonspendable | 0 | 0 | 0 | 0 | 0 | 0 |
| Restricted | 0 | 763,530 | 728,400 | 82,038 | 536,663 | 2,110,631 |
| Committed | 79,545 | 0 | 0 | 0 | 0 | 79,545 |
| Assigned | 0 | 0 | 0 | 0 | 0 | 0 |
| Unassigned | 873,022 | 27,087 | 0 | 0 | 30,778 | 930,887 |
| Total Fund Balances | 952,567 | 790,617 | 728,400 | 82,038 | 567,441 | 3,121,063 |
| Total Liabilities and Fund Balances | \$ 1,032,112 | \$ 794,501 | \$ 728,544 | \$ 82,038 | \$ 570,175 | \$ 3,207,370 |

Amounts reported for governmental activities in the Statement of Net Assets are different because:

| | |
|--|---------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | 4,635,116 |
| Accrued vacations reported in the government wide statements are not recognized as expense for the governmental funds. | (24,001) |
| Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | (330,000) |
| Net assets of governmental activities | <u>\$ 7,402,178</u> |

See accompanying footnotes and auditors' report.

**TOWN OF FORT GIBSON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

| | General Fund | Street and Alley Fund | 1.25 Sales Tax Fund | Debt Service Fund | Non- major Funds | Total Governmental Funds |
|---|-------------------|--------------------------|------------------------|-------------------------|------------------------|--------------------------------|
| REVENUES | | | | | | |
| Franchise Fees | \$159,480 | \$0 | \$0 | \$0 | \$0 | \$159,480 |
| Sales Tax Revenue | 628,234 | 198,231 | 396,594 | 0 | 198,231 | 1,421,290 |
| Other Taxes | 141,131 | 39,253 | 0 | 106,712 | 0 | 287,096 |
| Investment Income | 13,340 | 11,201 | 10,230 | 1,397 | 7,941 | 44,109 |
| Gain (Loss) on Capital Assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Fees Fines and Charges | 588,570 | 1,542 | 0 | 0 | 21,774 | 611,886 |
| Intergovernmental | 49,340 | 0 | 0 | 0 | 12,277 | 61,617 |
| Total Revenues | <u>1,580,095</u> | <u>250,227</u> | <u>406,824</u> | <u>108,109</u> | <u>240,223</u> | <u>2,585,478</u> |
| EXPENDITURES | | | | | | |
| General Government | | | | | | |
| Personel Services | 111,421 | 52,602 | 31,772 | 0 | 0 | 195,795 |
| Materials and Supplies | 18,277 | 12,924 | 0 | 0 | 390 | 31,591 |
| Other Services and Charges | 174,635 | 13,298 | 0 | 0 | 14,450 | 202,383 |
| Note Payments | 0 | 0 | 0 | 90,000 | 0 | 90,000 |
| Interest Expense | 0 | 0 | 0 | 20,460 | 0 | 20,460 |
| Agency and Trustee Fees | 0 | 0 | 0 | 1,406 | 0 | 1,406 |
| Capital Outlay | 16,515 | 0 | 0 | 0 | 0 | 16,515 |
| Public Safety and Service | | | | | | |
| Personel Services | 538,114 | 0 | 167,645 | 0 | 107,803 | 813,562 |
| Materials and Supplies | 25,996 | 15,255 | 0 | 0 | 22,562 | 63,813 |
| Other Service and Charges | 171,020 | 129,060 | 0 | 0 | 32,084 | 332,164 |
| Capital Outlay | 57,921 | 0 | 0 | 0 | 32,410 | 90,331 |
| Public Facilities | | | | | | |
| Personel Services | 37,842 | 0 | 12,864 | 0 | 0 | 50,706 |
| Materials and Supplies | 4,196 | 0 | 0 | 0 | 0 | 4,196 |
| Other Service and Charges | 48,169 | 0 | 0 | 0 | 0 | 48,169 |
| Capital Outlay | 170,678 | 0 | 0 | 0 | 0 | 170,678 |
| Total Expenditures | <u>1,374,784</u> | <u>223,139</u> | <u>212,281</u> | <u>111,866</u> | <u>209,699</u> | <u>2,131,769</u> |
| Excess (deficiency) of Revenues Over | 205,311 | 27,088 | 194,543 | (3,757) | 30,524 | 453,709 |
| OTHER FINANCING | | | | | | |
| Transfers In (Out) | 24,084 | 0 | (123,374) | 0 | 0 | (99,290) |
| Total Other Financing | <u>24,084</u> | <u>0</u> | <u>(123,374)</u> | <u>0</u> | <u>0</u> | <u>(99,290)</u> |
| Net Change in Fund Balances | <u>229,395</u> | <u>27,088</u> | <u>71,169</u> | <u>(3,757)</u> | <u>30,524</u> | <u>354,419</u> |
| Fund Balances - Beginning | 723,172 | 763,529 | 657,231 | 85,795 | 536,917 | 2,766,644 |
| Fund Balances - Ending | <u>\$ 952,567</u> | <u>\$ 790,617</u> | <u>\$ 728,400</u> | <u>\$ 82,038</u> | <u>\$ 567,441</u> | <u>\$ 3,121,063</u> |

See accompanying footnotes and auditors' report.

**TOWN OF FORT GIBSON
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

| | | |
|---|------------------|-----------------------|
| Net change in fund balances - total governmental funds | \$ | 354,419 |
| <p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> | | |
| <p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the Statement of Net Assets.</p> | | 90,000 |
| <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their useful lives:</p> | | |
| Expenditures for capital assets | \$ 400,084 | |
| Less current year depreciation | <u>(329,423)</u> | 70,661 |
| <p>Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, these costs represent expenses of the current year.</p> | | 3,513 |
| <p>Governmental funds report expenditures when paid. The Statement of Activities reports expenditures when incurred.</p> | | <u>(58,705)</u> |
| Change in Net Assets of Governmental Activities | \$ | <u><u>459,888</u></u> |

See accompanying footnotes and auditors' report.

TOWN OF FORT GIBSON - PROPRIETARY FUND

Statement of Net Assets

June 30, 2014

ASSETS

Current Assets

Cash and Cash Equivalents \$ 1,732,252
Trade Accounts Receivable 283,602

Total Current Assets \$ 2,015,854

Noncurrent Assets

Fixed Assets 11,400,928
Accumulated Depreciation (4,979,789)

Total Noncurrent Assets 6,421,139

Other Assets

Restricted Cash 783,608

Total Other Assets 783,608

Total Assets \$ 9,220,601

LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable \$ 38,629
Accrued Payroll and Benefits 13,917
Accrued Expenses 18,995
Current Portion of Debt 376,535

Total Current Liabilities \$ 448,076

Noncurrent Liabilities

Water Deposits 116,240
Accrued Vacations 17,820
Long-term Debt 846,549

Total Noncurrent Liabilities 980,609

Net Assets

Invested in Capital Assets 4,868,054
Restricted for Debt Service 783,608
Unrestricted 1,196,143
Current Income (Loss) 944,111

Total Net Assets 7,791,916

Total Liabilities & Equity \$ 9,220,601

See notes and independent auditors' report.

TOWN OF FORT GIBSON - PROPRIETARY FUND
Statement of Revenues, Expenses, and Changes
For the Period Ended June 30, 2014

| | | |
|-----------------------------------|----|-----------------------|
| Revenue | | |
| Fines, Fees, and Charges | \$ | 121,404 |
| Water | | 1,199,703 |
| Sewer | | 1,291,771 |
| Sanitation | | <u>336,148</u> |
| Total Revenue | | 2,949,026 |
| Operating Expenses | | |
| General Government | | 571,849 |
| Sanitation | | 250,516 |
| Water | | 627,049 |
| Wastewater | | <u>599,441</u> |
| Total Operating Expenses | | <u>2,048,855</u> |
| Operating Income | | 900,171 |
| Non-operating Revenues (Expenses) | | <u>43,940</u> |
| Net Income (Loss) | \$ | <u><u>944,111</u></u> |

See notes and independent auditors' report.

TOWN OF FORT GIBSON- PROPRIETARY FUND
Statement of Cash Flows
For the Period Ended June 30, 2014

Cash Flows From Operating Activities

| | | |
|--|----|-------------|
| Receipts from customers (users) | \$ | 2,901,044 |
| Payments to suppliers | | (1,091,571) |
| Payments to employees | | (614,748) |
| Other operating receipts (payments) | | 25,000 |
| Net cash provided (used) by operating activities | | 1,219,725 |

Cash Flows From Non-Capital Financing Activities

| | | |
|--|--|---|
| Transfer to other funds | | 0 |
| Net cash provided (used) by non-capital financing activities | | 0 |

Cash Flows From Capital and Related Financing Activities

| | | |
|--|--|-----------|
| Acquisition and construction of capital assets | | (226,346) |
| Proceeds from water deposits | | 15,769 |
| Principal paid on long-term debt | | (616,295) |
| Interest paid on long-term debt | | (53,850) |
| Net cash provided (used) by capital financing activities | | (880,722) |

Cash Flows From Investing Activities

| | | |
|--|--|--------|
| Interest received on cash deposits | | 18,940 |
| Net cash provided (used) by investing activities | | 18,940 |

| | | |
|---|----|-----------|
| Net increase (decrease) in cash and cash equivalents | | 357,943 |
| Cash and Cash Equivalents at June 30, 2012 (includes restricted cash) | | 2,157,917 |
| Cash and Cash Equivalents at June 30, 2013 (includes restricted cash) | \$ | 2,515,860 |

**Reconciliation of Operating Income (Loss) to Net Cash
Provided (Used) by Operating Activities**

| | | |
|---|----|-----------|
| Operating Income (loss) | \$ | 944,111 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | |
| Interest expense | | 53,850 |
| Depreciation and amortization | | 284,537 |
| Non-operating revenues/expense | | (34,706) |
| (Increase)/decrease in accounts receivable | | (47,980) |
| Increase/(decrease) in accounts payable | | 941 |
| Increase/(decrease) in accrued expenses | | 2,859 |
| Increase/(decrease) in customer deposits | | 15,765 |
| Increase/(decrease) in accrued compensated absences | | 348 |
| Net cash provided (used) by operating activities | \$ | 1,219,725 |

See notes and independent auditors' report.

TOWN OF FORT GIBSON

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2014**

| | <u>Municipal Court Bond Fund</u> |
|----------------------------------|---|
| ASSETS | |
| Cash and Cash Equivalents | \$5,399 |
| Accounts Receivable | 150 |
| Due from Other Funds | <u>0</u> |
| Total Assets | 5,549 |
| LIABILITIES | |
| Due to Other Funds | <u>6,187</u> |
| Total Liabilities | 6,187 |
| NET ASSETS | |
| Held in Trust for Other Purposes | <u><u>(\$638)</u></u> |

See accompanying footnotes and auditors' report.

TOWN OF FORT GIBSON

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2014**

| | <u>Municipal Court Bond Fund</u> |
|---------------------------------|--------------------------------------|
| ADDITIONS | |
| Investments Earnings | \$19 |
| Bonds | <u>236,195</u> |
| Total Additions | <u>236,214</u> |
| DEDUCTIONS | |
| Bonds Applied and Forfeitures | <u>236,576</u> |
| Total Deductions | <u>236,576</u> |
| Change in Net Assets | (362) |
| Net Assets at Beginning of Year | <u>(276)</u> |
| Net Assets at End of Year | <u><u>\$ (638)</u></u> |

See the accompanying footnotes and auditors' report.

**TOWN OF FORT GIBSON
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Fort Gibson, Oklahoma, (the "Town") is a municipality organized and operated under the laws of the State of Oklahoma. The Town operates under the statutory form of government and is governed by a five- (5) member board of trustees elected by the citizens of the Town. The Town's major operations include police and fire protection, public facilities and services, and general government administrative services. In addition, the Town owns and operates water and sewer system through a public trust called the Fort Gibson Utilities Authority ("Authority").

The Town's fund financial statements are prepared on the modified cash basis of accounting, which is in accordance with generally accepted accounting principles (GAAP). The Authority's financial statements are prepared on the accrual basis of accounting in accordance with GAAP. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that does not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

In accordance with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements. In accordance with GASB Statement No. 34, the Town is reporting infrastructure assets on a prospective basis only (infrastructure assets acquired on or after July 1, 2003).

Reporting Entity

The accompanying financial statements present the activities of the Town (the primary government) and its blended component units (entities for which the Town is considered financially accountable). Blended component units, although legally separate entities are, in substance, part of the Town's operations and data from these units are combined with the data of the primary government.

Due to restrictions of the State Constitution relating to the issuance of municipal debt, the Town created public trusts to finance Town services with revenue bonds or other non-general obligation financing and to provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the Town. The following Public Trusts are blended component units:

- *The Fort Gibson Development Authority* is a Public Trust governed by the Town of Fort Gibson Board of Trustees. The Development Authority is a special revenue fund operating as an economic development revolving loan fund using funds received in prior years for this purpose. The Development Authority is presented as a government fund.
- *The Fort Gibson Utilities Authority* is a Public Trust governed by the Town of Fort Gibson Board of Trustees. The Utilities Authority provides utility services to the citizens of the town and surrounding community. The Utilities Authority is presented as a proprietary fund.

Basic Financial Statements—Government-wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. *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 Town's police and fire protection, public facilities and services, and general government administrative services are classified as governmental activities. The Town's water, sewer and trash services are classified as business-type activities.

The *Government-Wide Statement of Net Assets* presents the Town's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- *Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. It is the Town's policy to first utilize restricted resources to finance qualifying activities.
- *Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

TOWN OF FORT GIBSON

The *Government-Wide Statement of Activities* demonstrates the degree to which the direct expenses of a given function or activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. *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 activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity including special assessments. *Operating grants* include operating-specific and discretionary (either operating or capital) grants while *capital grants* are capital-specific grants. Taxes and other items not properly included as program revenues are reported instead as general revenues.

In general, the effect of inter-fund activity has been eliminated from the government-wide financial statements. However, inter-fund services provided and used are not eliminated in the process of consolidation and include rent charged by the General Fund to the Fort Gibson Utilities Authority in the amount of \$42,000.

Basic Financial Statements—Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activity categories. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expense of either fund category or the governmental and enterprise categories combined for the determination of major funds. Major individual governmental funds and major individual business-type funds are reported as separate columns in the fund financial statements. All remaining non-major funds are aggregated by category and reported in a column in the fund financial statements.

The following fund types are used by the Town:

Governmental Funds:

The following is a description of the governmental funds of the Town:

- *General Fund* is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The special revenue funds used by the town include: Street and Alley, Cemetery Fund, Development Authority, Fire Department Equipment, Fire Department Sales Tax, Auxiliary Fire Department, Police Department Sales Tax, 1.25% Sales Tax Fund, and Sports/Recreation Complex Fund.
- *Debt Service Fund* is used to account for the accumulation of financial resources for the periodic payment of principal and interest on general long-term debt.
- *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

The following funds are major governmental funds for the Town of Fort Gibson:

- *General Fund* - described above.
- *Street and Alley Fund* - a special revenue fund for the purpose of street construction. A percentage of the Town's sales tax is restricted for this fund as well as the gasoline excise tax and commercial vehicle tax.
- *1.25% Sales Tax Revenue* - a special revenue fund that uses sales tax proceeds to pay additional salaries and benefits for the Town and Utility Authority's employees.
- *Debt Service Fund* – described above.

The *Governmental Funds Balance Sheet* present the Town's non-fiduciary and non-proprietary assets and liabilities, with the difference reported as fund balance. Fund balance is reported in five categories:

- *Nonspendable fund balance* classification 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.
- *Restricted fund balance* are reported as restricted when constraints placed on the use of resources are either:
 - Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
 - Imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* is the amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- *Assigned fund balance* is the amounts that are constrained by the government's *intent* to be used for specific purposes but are neither restricted nor committed.
- *Unassigned fund balance* is the residual classification for the general fund that represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes with the general fund.

TOWN OF FORT GIBSON

Proprietary Funds:

Proprietary funds are used to account for business-like activities provided to the general public. These activities are organized to be self-supporting through user charges. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Town's proprietary fund activities are carried on through a public trust called the Fort Gibson Utilities Authority ("Authority"), established October 29, 1962 under the provisions of the Oklahoma Trust Act, to provide services to the citizens of the town and surrounding community.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Town's proprietary fund (the Authority) are charges to customers for sales and services. Operating expenses for the fund 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 non-operating revenues and expenses.

Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the Town's programs. Since by definition these assets are being held for the benefit of a third party (other local government, agency, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The Town maintains the Municipal Court Bond Fund, which is accounted for as a fiduciary/trust type fund.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. *Basis of accounting* refers to "when" transactions are recorded regardless of the measurement focus applied.

Government-Wide Financial Statements

On the government-wide financial statements both governmental and business-like activities are presented using the *economic resources measurement focus* and the *accrual basis of accounting* as described below for proprietary funds.

Fund Financial Statements

In the fund financial statements:

All *governmental funds* utilize a *current financial resources measurement focus* and the *modified cash basis of accounting*, the same basis of accounting used for preparing budgets for these governmental funds. Generally, only cash-basis assets and liabilities are included on their statements of assets, liabilities and fund balances. Their statements of revenues, expenditures and changes in fund balances present sources and uses of cash during a given period. These funds use fund balances as their measure of available resources at the end of the period. Capital asset acquisitions are reported as expenditures in government funds. Proceeds of general long-term debt are reported as other financing sources. Under the *modified cash basis of accounting*, revenues are generally recognized when received and expenditures generally are recognized when incurred.

The *proprietary fund* financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with fund activities are reported. Proprietary fund equity is classified as net assets. Under the *accrual basis of accounting*, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used.

Fiduciary funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them. Fiduciary funds record transactions using the *accrual basis of accounting*.

Assets, Liabilities and Net Assets or Equity

Cash and Investments

Cash and cash equivalents include all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less. For the purpose of the proprietary fund Statement of Cash Flows, cash and cash equivalents includes both restricted and unrestricted cash accounts.

TOWN OF FORT GIBSON

Oklahoma statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, banker's acceptances, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, the Town can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

Investments are stated at cost, which approximates market value.

Receivables

In the government-wide statements, receivables consist of revenues earned at year-end and not yet received. Receivables recorded in the government-wide statements for the governmental activities are primarily for taxes and franchise fees subsequently collected; therefore, no allowance for uncollectible accounts is required. Since fund financial statements for the government activities are on the modified cash basis of accounting, no receivables have been recorded in the fund financial statements.

In the government-wide statements and the fund financial statements, the business-type activity reports receivables for water, sewer and other services, which are shown net of an allowance for uncollectible accounts. Allowances for uncollectible receivables are estimated based on historical trends and the periodic aging of accounts. The allowance is \$500 for this year.

Property Taxes

Property tax revenues are provided to the Town only for the specific purpose of repayment of their General Obligation Bond issue. In accordance with State statutes, the Town levies property tax on July 1, the beginning of their fiscal year. The taxes levied are due in two equal installments on the subsequent December 31 and March 31 with interest and penalties accruing beginning April 1. These taxes are based on the assessed values as of December 21 of the preceding year. The Town's uncollected portion of property tax is not material to the financial statements and therefore only amounts collected within 30 days subsequent to June 30 are included as receivables.

Restricted Assets

Restricted assets include cash and cash equivalents and accrued interest thereon that are restricted as to their use, including cash from the following sources:

Governmental Funds:

- Unexpended proceeds of sale of land to be used to construct and operate a sports/recreation complex,

Proprietary Fund:

- Unexpended proceeds of the 2005, 2006, 2006 Subordinate Sales Tax Revenue Notes and the Series 2011 Clean Water SRF Note restricted to utility construction projects,
- Funds transferred to trustee accounts for the retirement of Oklahoma Water Resources Debt and the 2005, 2006, and 2006 Subordinate Sales Tax Revenue Notes, and
- Utility meter deposits.

Deferred Charges

In the government-wide and proprietary fund statements, loan origination fees are deferred and amortized over the life of the underlying loan.

Capital Assets

The accounting treatment of property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements:

In the government-wide financial statements, when capital assets are purchased, they are capitalized and depreciated. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of fixed assets acquired prior to July 1, 2003. As previously stated, in accordance with GASB Statement No. 34, the Town has elected to report general infrastructure assets prospectively only (capitalize infrastructure acquired after the effective implementation date). Therefore, infrastructure acquired prior to July 1, 2003 is not reported in these financial statements.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' useful lives are not capitalized. Depreciation of all exhaustible capital assets is charged as an expense against their operations or functions.

TOWN OF FORT GIBSON

Capital assets are assets with an initial, individual cost of \$500 or more and an estimated useful life of more than a single year. Exhaustible capital assets are depreciated using the straight-line method over the following estimated useful lives:

| | |
|-------------------------|-------------|
| Furniture and equipment | 5-15 years |
| Water and sewer systems | 15-40 years |
| Buildings | 50 years |
| Infrastructure | 20-50 years |

Fund Financial Statements:

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as the government-wide statements.

Long –Term Debt

The accounting treatment of long-term debt depends on whether the debt is incurred and serviced in governmental fund operations or in proprietary fund operations.

Government-Wide Statements:

Liabilities for long-term debt to be repaid from governmental and business-type resources are reported in the government-wide statements.

Fund Financial Statements:

Liabilities for long-term debt in governmental funds are not reported in the fund financial statements. In governmental funds, the debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures. Liabilities for long-term debt in proprietary funds are reported in the fund statements the same as in the government-wide statements.

Compensated Absences

Full-time, permanent employees of the Town are granted vacation benefits after one year of service. Sick leave accrues to full-time permanent employees upon hire. Town employees are entitled to payment for accrued vacation (but not sick leave) upon termination with no specified maximums. The liability for the accrued compensated absences (vacation only) is recorded as long-term debt in the government-wide statements. In the fund financial statements, the modified cash basis governmental funds report no liability for compensated absences while the proprietary funds report the liability as it is incurred. For the Town, the current portion of the accumulated compensated absences is not considered to be material.

Other

Inter-fund Transactions

Inter-fund transactions are reflected as loans, services provided, reimbursements or transfers.

- During the course of operations, individual funds within the Town's pooled cash accounts may borrow money from the other funds with the pool on a short-term basis. These receivables and payables are classified as "internal balances" on the fund financial statements. Inter-fund receivables and payables between funds within governmental activities are eliminated in the government-wide Statement of Net Assets, with any residual balances outstanding between the governmental activities and business-type activities reported as "internal balances". Inter-fund receivables and payables with fiduciary funds are included in accounts receivable or accounts payable on the government-wide Statement of Net Assets.
- Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses.
- Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement.
- All other inter-fund transactions are treated as transfers and are reported "gross" in the fund financial statements. Transfers between governmental funds are eliminated in the conversion to the government-wide financial statements, while transfers between governmental and proprietary funds are reported "net".

TOWN OF FORT GIBSON

Use of Estimates

The preparation of basic financial statements in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Process

In accordance with state statutes of the State of Oklahoma, the town's trustees adopt a budget on the modified cash basis for all governmental funds and the accrual basis for the proprietary fund. They follow the required public notice and hearings for all funds and appropriate the amount deemed necessary for each of the different Town activities. The budget may be amended during the year utilizing similar statutorily prescribed procedures and time limitations. Encumbrances are not recognized on the modified cash basis and appropriations lapse 90 days after the year-end.

Formal and legal budgetary control is based upon each independent fund. Disbursements are budgeted in each fund including the general fund, special revenue funds, debt service fund, capital projects fund, and proprietary fund.

Debt Covenants

The loan agreement between the Fort Gibson Utilities Authority and the Oklahoma Water Resources Board contains "rate covenant" provisions requiring rates or charges for the services of the system to be sufficient to provide funds to meet current loan-related financial criteria. Additionally, this covenant requires the Authority to maintain debt service funds at specified levels based on debt service requirements of the outstanding debt. For the year ended June 30, 2014, the Authority complied with all provisions of this covenant.

As more fully described in NOTE 7, the Town has pledged and created a security interest for the benefit of the holders of the 2005 Sales Tax Revenue Note, the 2006 Sales Tax Revenue Note, and the 2006 Subordinate Sales Tax Revenue Note in all of the revenues derived from Ordinance 1967-9 and 1976-2-1 respectively, a 1.00% excise (sales) tax to provide revenues for the support of the functions of the municipal government of the Town of Fort Gibson. The Town has segregated this sales tax revenue in the general fund and the sales tax proceeds, in accordance with the sales tax agreement included in the loan document, the Fort Gibson Utilities Authority has transferred funds necessary to meet their obligations under the note to accounts held by the Bank of Oklahoma as trustee.

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

The town follows the practice of pooling cash from all funds for the purpose of disbursements for operating expenses. Each fund's portion of total pooled cash is shown in the financial statements as cash and cash equivalents. Funds restricted for debt service are generally held by outside custodians on behalf of the Utilities Authority.

Deposit Policies

Okla. Stat. Ann. Title 62 Sec. 516.1 through 516.10 provide for the furnishing of acceptable collateral securities valued at the lower of market or par to be pledged to secure the deposits of public funds in excess of the amount insured by an agency of the United States Government. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, or surety bonds. The Town's deposit policies comply with state statutes.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits might not be recovered. As of June 30, 2014, all of the Town's cash in financial institutions was covered by the FDIC or secured pledges. The categories of credit risk are as follows:

| | | |
|---|----|------------------|
| A. Insured or collateralized with securities held by the Town | \$ | 0 |
| B. Collateralized with securities held by banks trust department | | 0 |
| C. Collateralized with securities held in a Federal Reserve Pledge account in the Town's name | | 4,739,374 |
| D. FDIC insured | | 1,000,000 |
| Total | | \$5,739,374 |
| Total deposits | | <u>5,588,895</u> |
| Total over-insured | | <u>\$150,479</u> |

TOWN OF FORT GIBSON

Investments

Investment Policies

Investments of the Town are limited by state law to: (1) direct obligations of the U.S. Government or its agencies or instrumentality's, or direct obligations of the State of Oklahoma; (2) certificates of deposit or savings accounts that are either insured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions; (3) with certain limitations, negotiable certificates of deposit and bank investment contracts and similar contracts; (4) county, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes or money judgments; (5) notes or bonds secured by mortgage or trust deed insured by FHA and debentures issued by the FHA and debentures issued by the FHA and in obligation of national mortgage associations; (6) money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous items 1,2,3 and 4.

The Town invests primarily in short- to mid-term obligations to produce income from funds not required for immediate disbursement. Currently, the Town's policy is for funds to be deposited or invested in or through local financial institutions in order to obtain the highest rate of return consistent with prudent financial management and in compliance with State Statutes and the Town's charter.

Credit Risks

For an investment, *custodial credit risk* is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. *Credit risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. There is an additional dimension to credit risk that relates to the *concentration of credit risk* for investments held in any one entity. The Town's investment policies limit all credit risks by limiting investments to those: 1) insured by FDIC, 2) collateralized by securities held in a Federal Reserve Pledge Account in the Town's name, 3) directly invested in U.S. Government obligations or Agencies, or 4) money market funds invested exclusively in short-term obligations of the U.S. Treasury.

Interest Rate Risk

Interest rate risk arises from investments in debt instruments and is defined as "the risk that changes in interest rates will adversely affect the fair value of an investment." The Town's exposure to interest rate risk is indicated by the maturity reported above and is limited by the Town's policy to limit the types of investments and the term of investments to no longer than 5 years and by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities prior to maturity.

NOTE 4. CAPITAL ASSETS

Governmental Activities

Capital asset activity for the governmental activities for the year ended June 30, 2013 was as follows:

| | <u>Balance</u> <u>June 30, 2013</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>June 30, 2014</u> |
|-----------------------------------|--|------------------|------------------|--|
| Capital assets being depreciated: | | | | |
| Fire | 947,356 | 15,951 | 0 | 963,307 |
| General Government | 1,854,947 | 30,262 | 0 | 1,885,209 |
| Police | 740,808 | 51,910 | 0 | 792,718 |
| Public Facilities | 1,322,665 | 159,811 | 0 | 1,482,476 |
| Public Services | 64,330 | 0 | 0 | 64,330 |
| Streets | 1,064,281 | 142,150 | 0 | 1,206,431 |
| Library | 1,026,130 | 0 | 0 | 1,026,130 |
| | <hr/> | | | |
| Subtotal | 7,020,517 | 400,084 | 0 | 7,420,601 |
| Less accumulated depreciation: | | | | |
| Fire | (529,985) | (67,988) | 0 | (597,973) |
| General Government | (625,218) | (42,423) | 0 | (667,641) |

TOWN OF FORT GIBSON

| | | | | |
|-------------------|-------------|-----------|---|-------------|
| Police | (441,825) | (87,904) | 0 | (529,729) |
| Public Facilities | (335,993) | (48,959) | 0 | (384,952) |
| Public Services | (64,138) | (15) | 0 | (64,153) |
| Streets | (281,987) | (60,938) | 0 | (342,925) |
| Library | (176,739) | (21,196) | 0 | (197,935) |
| Subtotal | (2,456,062) | (329,423) | 0 | (2,785,485) |

| | | | | |
|----------------------------------|-------------|----------|-----|-------------|
| Governmental capital assets, net | \$4,564,455 | \$70,661 | \$0 | \$4,635,116 |
|----------------------------------|-------------|----------|-----|-------------|

Business-type Proprietary Fund

Capital asset activity for the proprietary fund for the year ended June 30, 2014 was as follows:

| | <u>Balance</u> <u>June 30, 2013</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>June 30, 2014</u> |
|---|--|------------------|------------------|--|
| <u>Governmental activities:</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$42,581 | \$0 | \$0 | \$42,581 |
| Total capital assets not being depreciated | 42,581 | 0 | 0 | 42,581 |
| Capital assets being depreciated: | | | | |
| Vehicles | 424,595 | 0 | 0 | 424,595 |
| Equipment and machinery | 593,939 | 4,700 | 0 | 598,639 |
| Water and sewer system | 9,844,478 | 221,646 | 0 | 10,066,124 |
| Furniture | 132,835 | 0 | 0 | 132,835 |
| Construction in Process | 0 | 0 | 0 | 0 |
| Subtotal | 10,995,847 | 226,346 | 0 | 11,222,193 |
| Less accumulated depreciation: | | | | |
| Vehicles | (249,933) | (29,257) | 0 | (279,190) |
| Equipment and machinery | (378,522) | (34,152) | 0 | (412,674) |
| Water and sewer system | (3,937,043) | (203,878) | 0 | (4,140,921) |
| Furniture | (116,139) | (3,635) | 0 | (119,774) |
| Subtotal | (4,681,637) | (270,922) | 0 | (4,952,559) |
| Total capital assets being depreciated, net | 6,356,791 | (44,576) | 0 | 6,312,215 |
| Loan origination fees, net | 136,153 | (27,230) | 0 | 108,923 |
| Water & sewer system capital assets, net | \$6,492,944 | (71,806) | 0 | \$6,421,138 |

NOTE 5. INTER-FUND RECEIVABLE, PAYABLE AND TRANSFERS

Due From/to Other Funds

Due from/to funds were eliminated when the Town went to the "pooled cash system". They were closed out into each funds pooled cash account.

Fiduciary funds are not incorporated into the government-wide statements. Therefore, the amount due to the fiduciary fund from governmental funds is included in accounts payable on the government-wide financial statements and is reported as receivable in the fiduciary fund financial statements.

TOWN OF FORT GIBSON

NOTE 6. LONG-TERM DEBT

Long-term debt Transactions

A summary of the Town's long-term debt activity for the year ended June 30, 2014, is presented below:

| | Balance July 1, 2013 | Additions | Retirements | Balance June 30, 2014 | Classification | |
|--|-------------------------|------------|--------------------|--------------------------|--------------------------------------|---|
| | | | | | Amounts Due Within One Year | Amounts Due in More Than One Year |
| General Obligation Bonds: | | | | | | |
| 2002 Combined Purpose Bonds | \$420,000 | \$0 | (\$90,000) | \$330,000 | \$90,000 | \$240,000 |
| Fort Gibson Utilities Auth Notes Payable to: | | | | | | |
| Oklahoma Water Resources Board | 1,084,379 | 0 | (381,295) | 703,084 | 46,535 | 656,549 |
| Fort Gibson Utilities Auth Sales Tax: | | | | | | |
| Revenue Note, Series 2005 | 230,000 | 0 | (90,000) | 140,000 | 90,000 | 50,000 |
| Revenue Note, Series 2006 | 355,000 | 0 | (100,000) | 255,000 | 100,000 | 155,000 |
| Revenue Note, Series 2006 Subordinate | 170,000 | 0 | (45,000) | 125,000 | 50,000 | 75,000 |
| Compensated Absences | 49,849 | 0 | (8,028) | 41,821 | | |
| Total | \$2,309,228 | \$0 | (\$714,323) | \$1,594,905 | \$376,535 | \$1,176,549 |

General Obligation 2002 Combined Purpose Bonds

On May 7, 2002, the Town issued General Obligation Bonds Series 2002 in the amount of \$1,320,000. The proceeds of the bonds were to improve streets and build a new library. The bonds are payable from and secured by certain property taxes within the Town. Interest on the bonds ranges from 4.0% to 6.5 % and is payable on May 1 and November 1 of each year, commencing May 1, 2003. Principal is due annually beginning May 1, 2004 in amounts ranging from \$90,000 to \$150,000. The bonds mature on May 1, 2017. At June 30, 2013, the outstanding balance of the bonds was \$330,000.

The annual debt service requirements on these bonds to be provided through the Debt Service Fund with ad valorem tax assessments are as follows:

| <u>For the Year Ending, June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|------------------|-----------------|------------------|
| 2015 | 90,000 | 16,230 | 106,230 |
| 2016 | 90,000 | 11,910 | 101,910 |
| 2017 | 150,000 | 7,500 | 157,500 |
| 2018 | 0 | 0 | 0 |
| 2019-2024 | 0 | 0 | 0 |
| Total | \$330,000 | \$35,640 | \$365,640 |

Fort Gibson Utilities Authority Notes Payable

Notes payable to the Oklahoma Water Resources Board ("OWRB") to be serviced by the Fort Gibson Utility Authority are as follows:

- Adjustable rate mortgage (currently 3.82%) with the OWRB, payments semi-annually including principal, interest and administrative fees, secured by pledge of revenue and mortgage on the distribution system, matures in August 2020.
- The Authority entered into a new mortgage with OWRB for \$980,000 with \$900,215 being received or requested before June 30, 2012 and the balance of \$79,785 was requested and received before June 30, 2013 for improvements to the wastewater system. This note is secured by and entitled to the protection of a Loan Agreement for Clean Water SRF Loan dated June 1, 2011, secured by pledge and assignment of revenues and mortgage on the distribution system, maturing September 2029. The interest rate is 2.42% and administration fees of .5% per annum on the outstanding balance of disbursed loan proceeds. Semi-annual payments include principal, interest, and administration fees. This note was eligible for Principal Forgiveness Grant and was forgiven \$153,596 before June 30, 2012.

TOWN OF FORT GIBSON

The annual debt service requirements on these bonds are as follows:

| <u>For the Year Ending, June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|------------------|-----------------|------------------|
| 2015 | 46,535 | 13,464 | 59,999 |
| 2016 | 47,641 | 12,586 | 60,227 |
| 2017 | 48,860 | 11,619 | 60,479 |
| 2018 | 50,066 | 10,662 | 60,728 |
| 2019-2024 | 337,398 | 26,551 | 363,949 |
| 2024-2030 | <u>172,584</u> | <u>16,293</u> | <u>188,877</u> |
| Total | <u>\$703,084</u> | <u>\$91175</u> | <u>\$794,259</u> |

Sales Tax Revenue Note Payable, Series 2005

The Fort Gibson Utilities Authority, acting on behalf of the Town, issued a Series 2005 Sales Tax Revenue Note in the principal amount of \$680,000 dated December 20, 2005, maturing December 1, 2015. The first principal payment of \$20,000 is due December 1, 2007 and subsequent principal payments beginning at \$35,000 and increasing in periodic increments of \$5,000 as reflected in the table below are due each June 1 and December 1, thereafter until the final principal payment of \$50,000 is paid on December 1, 2015. The note bears interest at the rate of \$4.25% per annum, with interest payable semiannually with each principal repayment.

In order to secure the payments required by the note, the Town has pledged and created a security interest for the benefit of the holders of the note in all of the revenues derived from Ordinance 1967-9, a 1.00% excise (sales tax to provide revenues to be used for improvements to the wastewater treatment system. This note is recorded in and is to be repaid from the Fort Gibson Utilities Authority. The pledged sales tax revenues are collected and recorded in the General fund.

The annual debt service requirements on this note are as follows:

| <u>For the Year Ending, June 30,</u> | | | |
|--------------------------------------|------------------|----------------|------------------|
| 2015 | 90,000 | 4,994 | 94,994 |
| 2016 | 50,000 | 1,063 | 51,063 |
| 2017 | 0 | 0 | 0 |
| 2018 | 0 | 0 | 0 |
| 2019-2024 | 0 | 0 | 0 |
| Total | <u>\$140,000</u> | <u>\$6,057</u> | <u>\$146,057</u> |

Sales Tax Revenue Note Payable, Series 2006

The Fort Gibson Utilities Authority, acting on behalf of the Town, issued a Series 2006 Sales Tax Revenue Note in the principal amount of \$875,000 dated September 29, 2006, maturing September 1, 2016. The first principal payment of \$25,000 is due March 1, 2007 and subsequent principal payments beginning at \$35,000 and increasing in periodic increments of \$5,000 as reflected in the table below are due each March 1 and September 1 thereafter until the final principal payment of \$55,000 is paid on September 1, 2016. The note bears interest at the rate of 3.997% per annum, with interest payable semiannually with each principal repayment.

In order to secure the payments required by the note, the Town has pledged and created a security interest for the benefit of the holders of the note in all of the revenues derived from Ordinance 1976-2-1, a 1.00% excise (sales) tax to provide revenues to be used for construction of improvements to the drinking water system. This note is recorded in and is to be repaid from the Fort Gibson Utilities Authority. The pledged sales tax revenues are collected and recorded in the General Fund.

The annual debt service requirements on this note are as follows:

| <u>For the Year Ending, June 30,</u> | | | |
|--------------------------------------|------------------|-----------------|------------------|
| 2015 | 100,000 | 9,193 | 109,193 |
| 2016 | 100,000 | 5,196 | 105,196 |
| 2017 | 55,000 | 1,099 | 56,099 |
| 2018 | 0 | 0 | 0 |
| 2019-2024 | 0 | 0 | 0 |
| Total | <u>\$255,000</u> | <u>\$15,488</u> | <u>\$270,488</u> |

TOWN OF FORT GIBSON

Sales Tax Revenue Note Payable, Subordinate Series 2006

The Fort Gibson Utilities Authority, acting on behalf of the Town, issued a Subordinate Series 2006 Sales Tax Revenue Note in the principal amount of \$390,000 dated December 1, 2006, maturing September 1, 2016. The first principal payment of \$10,000 is due March 1, 2007 and subsequent principal payments beginning at \$15,000 and increasing in periodic increments of \$5,000 as reflected in the table below are due each March 1 and September 1 thereafter until the final principal payment of \$25,000 is paid on September 1, 2016. The note bears interest at the rate of 4.18% per annum, with interest payable semiannually with each principal repayment.

In order to secure the payments required by the note, the Town has pledged and created a security interest for the benefit of the holders of the note in all of the revenues derived from Ordinance 1976-2-1, a 1.00% excise (sales) tax, subordinate to the Series 2006 Sales Tax Revenue Note to provide revenues to be used for construction of improvements to the drinking water system. This note is recorded in and is to be repaid from the Fort Gibson Utilities Authority. The pledged sales tax revenues are collected and recorded in the General Fund.

The annual debt service requirements on this note are as follows:

For the Year Ending, June 30,

| | | | |
|-----------|-----------|----------|-----------|
| 2015 | 50,000 | 4,703 | 54,703 |
| 2016 | 50,000 | 2,612 | 52,612 |
| 2017 | 25,000 | 523 | 25,523 |
| 2018 | 0 | 0 | 0 |
| 2019-2024 | 0 | 0 | 0 |
| Total | \$125,000 | \$14,526 | \$184,526 |

Compensated Absences

The Town's liability for vested and unpaid compensated absences (accrued vacation) has been accrued and at June 30, 2014 amounts to \$24,001 for Town employees and \$17,820 Utility Authority employees. The compensated absence liability will generally be liquidated through the General Fund and the Fort Gibson Utilities Authority for their respective employees. Sick pay is not paid when an employee service ends; therefore there is not a liability for sick pay. The sick pay amount was \$82,625 for Town employees and \$67,119 for Utility Authority employees at June 30, 2014.

NOTE 8. NET ASSETS

Investment in Capital Assets, Net of Related Debt

As of June 30, 2014 the investment in capital assets, net of related debt consisted of the following:

| | Governmental | Business-Type | Total |
|---|--------------|---------------|--------------|
| Capital assets, net (Note No. 4) | \$4,635,116 | \$6,421,138 | \$11,056,254 |
| 2002 General Obligations Combined Purpose Bonds | (330,000) | 0 | (330,000) |
| Utility Authority debt | 0 | (1,223,083) | (1,223,083) |
| Investment in Capital Assets, net of related debt | \$4,305,116 | \$5,198,055 | \$9,503,171 |

Restricted Net Assets

As of June 30, 2014 restricted net assets consisted of the following:

| | Governmental | Business-Type | Total |
|--|--------------|---------------|-----------|
| <u>Restricted for Debt Service:</u> | | | |
| For 2002 General Obligations Combined Purpose Bonds | \$82,038 | \$0 | \$82,038 |
| Utility Authority debt | 0 | 783,608 | 783,608 |
| <u>Restricted for Capital Projects and Other Purposes:</u> | | | |
| Unexpended sub 2006 Sales Tax Revenue Note and 2011 OWRB Note Proceeds | 0 | 0 | 0 |
| Special Revenue Funds | 2,110,631 | 0 | 2,110,631 |
| Total Restricted Net Assets | 2,192,669 | 783,608 | 2,976,277 |

TOWN OF FORT GIBSON

The Governmental Funds Fund Balance is separated into five categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned. At June 30, 2014 the General Fund had \$79,545 committed to encumbrances. The Street and Alley Fund's entire \$790,617 fund balance is restricted by legislation to be used for the improvements and maintenance of the Town's streets. \$82,038 fund balance in the Debt Service Fund is reserved for the General Obligation Bonds payment of debt. The 1.25% Sales Tax Fund entire \$728,400 is restricted for the compensation, fringe benefits, and purchase of capital outlay for the Town. The non-major fund balance of \$567,441 is broken down between restricted and committed among the non-major special revenue funds - Economic Development Authority Fund, Cemetery Fund, Fire Special Equipment Fund, Fire Sales Tax Fund, Auxiliary Fire Department Fund, Police Department Sales Tax Fund, and the Sports and Recreation Fund.

NOTE 9. PENSIONS PLANS

The Town participates in three employee pension plans.

Oklahoma Police Pension and Retirement Fund

The Oklahoma Police Pension and Retirement Fund is a cost-sharing multiple employer defined benefit plan as follows:

- Eligibility to participate: All full-time officers, not less than 21 years of age or more than 45 years of age when hired.
- Authority establishing contribution obligations and benefits: State Statute
- Employee's contribution rate: 8% of covered payroll
- Town's contribution rate: 13% of covered payroll
- State obligation: State appropriation to fund unfunded actuarial accrued liability.
- Period required to vest: 10 years
- Benefit eligibility and calculation (full-time): 20 years credited service, 2 ½ % of final average salary multiplied by the years of credit service with a maximum of 30 years considered. If vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
- Deferred retirement options: Yes, 20 years credited service, with continued service for a maximum of 5 years.
- Provision for cost-of-living adjustments (normal retirement): Yes
- Death benefits: Yes (duty, non-duty, post-retirement)
- Disability: Yes (duty and non-duty)
- Trend information, contributions required by State statute:

| Fiscal Year | Required Contribution | % Contributed |
|-------------|-----------------------|---------------|
| 2009 | \$37,043 | 100% |
| 2010 | \$33,750 | 100% |
| 2011 | \$37,211 | 100% |
| 2012 | \$35,773 | 100% |
| 2013 | \$37,135 | 100% |
| 2014 | \$38,120 | 100% |

Trend information showing the process of the System in accumulating sufficient assets to pay Benefits when due is presented in the System's separately issued financial statements.

- Obtaining separately issued financial statements:
 Police Pension and Retirement
 1001 N.W. 63rd Street, Suite 605
 Oklahoma City, OK 73116-7335

Oklahoma firefighter's Pension and Retirement Fund

The Oklahoma Firefighters Pension and Retirement Fund is a cost-sharing multiple employer defined benefit plan as follows:

- Eligibility to participate: All full-time or voluntary firefighters hired before age 45.
- Authority establishing contribution obligations and benefits: State statute
- Employee's contribution rate: 8% of covered payroll
- Town's contribution rate: 13% of covered payroll
- State obligation: State Appropriation to fund unfunded actuarial accrued liability
- Benefit eligibility and calculation (full-time): 20 years credited service, 2 ½ % of final average salary multiplied by the years of credited service with a maximum of 30 years considered. If vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
- Deferred retirement option: Yes, 20 years credited service with continued service for a maximum of 30 or more years.
- Provision for cost-of-living adjustments (normal retirement): Yes
- Death benefits: Yes (duty, non-duty, post retirement)
- Trend information, contributions required by State Statute:

TOWN OF FORT GIBSON

| Fiscal Year | Required Contribution | % Contributed |
|-------------|-----------------------|---------------|
| 2009 | \$12,394 | 100% |
| 2010 | \$12,596 | 100% |
| 2011 | \$13,486 | 100% |
| 2012 | \$13,642 | 100% |
| 2013 | \$11,245 | 100% |
| 2014 | \$13,373 | 100% |

- Obtaining separately issued financial statements:
Firefighter's Pension and Retirement
4545 N. Lincoln Blvd., Suite 265
Oklahoma City, OK 73105-3414

Oklahoma Municipal Retirement Fund

The Town participates in a one agent multiple employers' defined contribution plan with the Oklahoma Municipal Retirement Fund. The defined contribution plan is available to all full-time employees not already participating in another plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participant's benefits that may be allocated to remaining participant's accounts. Benefits vest after 10 years credited service, with normal retirement at age 65, early retirement at age 55, with 10 years or more of service. Participants are required to contribute 3% of their covered compensation and the Town is required to contribute 9% of covered compensation. Participants are permitted to make voluntary deductible contributions to the plan.

For the year ended June 30, 2014, the following amounts relate to this defined contribution plan:

| | |
|-------------------------------|-----------|
| Town's total payroll | \$702,861 |
| Payroll for covered employees | \$679,590 |
| Employer Contributions made | \$81,525 |

NOTE 10. RISK MANAGEMENT

The Town of Fort Gibson is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters, all of which is satisfactorily insured by general liability insurance. Commercial insurance policies are also obtained for other specific risks of loss, including workers compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The Town maintains a self-insurance program for workers' compensation coverage administered by the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan). The purpose of the Plan is to provide workers' compensation coverage through the State Insurance Fund.

NOTE 11. EVALUATION OF SUBSEQUENT EVENTS

The Town has evaluated subsequent events through May 2, 2015, the date which the financial statements were available to be issued with none found.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF FORT GIBSON

**BUDGET TO ACTUAL - BUDGETARY BASIS
JUNE 30, 2014**

| | BEGINNING BUDGET | FINAL BUDGET | YTD ACTUAL | BUDGET BALANCE |
|-----------------------|---------------------|-----------------|---------------|-------------------|
| <hr/> | | | | |
| 01 - GENERAL FUND | | | | |
| FINANCIAL SUMMARY | | | | |
| <hr/> | | | | |
| TOTAL REVENUES | 2,151,485 | 2,114,774 | 2,246,846 | (132,072) |
| | | | | |
| EXPENDITURE SUMMARY | | | | |
| <hr/> | | | | |
| 00-TRUSTEES | 19,950 | 19,950 | 18,450 | 1,500 |
| 01-TOWN CLERK | 2,800 | 2,821 | 2,421 | 400 |
| 02-TOWN TREASURER | 1,650 | 1,650 | 1,650 | 0 |
| 03-TOWN ATTORNEY | 21,600 | 21,600 | 21,600 | 0 |
| 04-MUNICIPAL COURT | 44,730 | 45,480 | 45,182 | 298 |
| 05-POLICE | 667,565 | 708,701 | 670,944 | 37,757 |
| 07-FIRE | 83,821 | 83,845 | 25,581 | 58,264 |
| 08-ANIMAL CONTROL | 25,874 | 26,669 | 24,645 | 2,024 |
| 09-BUILDING INSPECTOR | 51,343 | 52,351 | 51,206 | 1,145 |
| 10-PARKS | 243,314 | 252,760 | 197,662 | 55,098 |
| 11-GENERAL GOVERNMENT | 868,118 | 770,686 | 207,545 | 563,141 |
| 13-LIBRARY | 26,940 | 29,470 | 29,384 | 86 |
| 15-CEMETERY | 68,050 | 63,023 | 33,841 | 29,182 |
| 17-E911 | 0 | 0 | 0 | 0 |
| 21-CIVIL DEFENSE | 25,730 | 35,768 | 17,900 | 17,868 |
| <hr/> | | | | |
| TOTAL EXPENDITURES | 2,151,485 | 2,114,774 | 1,348,011 | 766,763 |
| | | | | |
| REVENUES OVER/(UNDER) | | | | |
| EXPENDITURES | 0 | 0 | 898,835 | (898,835) |
| <hr/> <hr/> | | | | |

TOWN OF FORT GIBSON

| | BEGINNING BUDGET | FINAL BUDGET | YTD ACTUAL | BUDGET BALANCE |
|---------------------------------------|---------------------|-----------------|---------------|-------------------|
| <u>10 -STREET & ALLEY FUND</u> | | | | |
| <u>FINANCIAL SUMMARY</u> | | | | |
| TOTAL REVENUES | 864,520 | 992,364 | 997,468 | (5,104) |
| TOTAL EXPENDITURES | 864,520 | 992,364 | 211,853 | 780,511 |
| REVENUES OVER/(UNDER) EXPENDITURES | 0 | 0 | 785,615 | (785,615) |
| <u>13 -FG DEVELOPMENT AUTHORITY</u> | | | | |
| <u>FINANCIAL SUMMARY</u> | | | | |
| TOTAL REVENUES | 421,100 | 421,170 | 318,240 | 102,930 |
| TOTAL EXPENDITURES | 421,100 | 421,170 | 14,586 | 406,584 |
| REVENUES OVER/(UNDER) EXPENDITURES | 0 | 0 | 303,654 | (303,654) |
| <u>14 -FIRE DEPT SPECIAL EQUIP</u> | | | | |
| <u>FINANCIAL SUMMARY</u> | | | | |
| TOTAL REVENUES | 108,584 | 108,434 | 98,013 | 10,421 |
| TOTAL EXPENDITURES | 108,584 | 108,434 | 23,021 | 85,413 |
| REVENUES OVER/(UNDER) EXPENDITURES | 0 | 0 | 74,992 | (74,992) |
| <u>15 -FIRE DEPARTMENT SALES TAX</u> | | | | |
| <u>FINANCIAL SUMMARY</u> | | | | |
| TOTAL REVENUES | 204,400 | 205,717 | 209,690 | (3,973) |
| TOTAL EXPENDITURES | 204,400 | 205,717 | 209,690 | (3,973) |
| REVENUES OVER/(UNDER) EXPENDITURES | 0 | 0 | 0 | 0 |

TOWN OF FORT GIBSON

| | BEGINNING BUDGET | FINAL BUDGET | YTD ACTUAL | BUDGET BALANCE |
|--|---------------------|-----------------|---------------|-------------------|
| <u>16 -POLICE DEPT SALES TAX FINANCIAL SUMMARY</u> | | | | |
| TOTAL REVENUES | 115,800 | 121,571 | 121,325 | 246 |
| TOTAL EXPENDITURES | 115,800 | 121,571 | 103,761 | 17,810 |
| REVENUES OVER/(UNDER) EXPENDITURES | 0 | 0 | 17,564 | (17,564) |

| | | | | |
|--|-----------|-----------|-----------|-----------|
| <u>21-1.25% SALES TAX FUND FINANCIAL SUMMARY</u> | | | | |
| TOTAL REVENUES | 1,029,600 | 1,032,057 | 1,034,941 | (2,884) |
| TOTAL EXPENDITURES | 1,029,600 | 1,032,057 | 337,703 | 694,354 |
| REVENUES OVER/(UNDER) EXPENDITURES | 0 | 0 | 697,238 | (697,238) |

| | | | | |
|---|---|-------|----|-------|
| <u>23-AUXILIARY FIRE DEPARTMENT FINANCIAL SUMMARY</u> | | | | |
| TOTAL REVENUES | 0 | 1,085 | 38 | 1,047 |
| TOTAL EXPENDITURES | 0 | 1,085 | 0 | 1,085 |
| REVENUES OVER/(UNDER) EXPENDITURES | 0 | 0 | 38 | (38) |

| | | | | |
|--|--------|--------|--------|----------|
| <u>30 -CEMETERY FUND FINANCIAL SUMMARY</u> | | | | |
| TOTAL REVENUES | 10,700 | 10,720 | 13,139 | (2,419) |
| TOTAL EXPENDITURES | 10,700 | 10,720 | 0 | 10,720 |
| REVENUES OVER/(UNDER) EXPENDITURES | 0 | 0 | 13,139 | (13,139) |

TOWN OF FORT GIBSON

| | BEGINNING BUDGET | FINAL BUDGET | YTD ACTUAL | BUDGET BALANCE |
|--|---------------------|-----------------|---------------|-------------------|
| <u>40 -DEBT SERVICE FINANCIAL SUMMARY</u> | | | | |
| TOTAL REVENUES | 199,000 | 212,075 | 193,681 | 18,394 |
| TOTAL EXPENDITURES | 199,000 | 212,075 | 111,866 | 100,209 |
| REVENUES OVER/(UNDER) EXPENDITURES | 0 | 0 | 81,815 | (81,815) |
| <u>17-DRUG FORFIETURE SALE FINANCIAL SUMMARY</u> | | | | |
| TOTAL REVENUES | 0 | 466 | 466 | 0 |
| TOTAL EXPENDITURES | 0 | 466 | 466 | 0 |
| REVENUES OVER/(UNDER) EXPENDITURES | 0 | 0 | 0 | 0 |

SUPPLEMENTARY INFORMATION

TOWN OF FORT GIBSON

**BUDGET TO ACTUAL - BUDGETARY BASIS
JUNE 30, 2014**

| | BEGINNING BUDGET | FINAL BUDGET | YTD ACTUAL | BUDGET BALANCE |
|--|---------------------|-----------------|---------------|-------------------|
| <hr/> | | | | |
| 50 -FORT GIBSON UTILITIES FINANCIAL SUMMARY | | | | |
| <hr/> | | | | |
| TOTAL REVENUES | 3,288,973 | 3,384,982 | 3,688,743 | (303,761) |
| <hr/> | | | | |
| EXPENDITURE SUMMARY | | | | |
| <hr/> | | | | |
| 21-GENERAL GOVERNMENT | 1,698,132 | 1,563,901 | 930,038 | 633,863 |
| 31-SANITATION | 388,860 | 372,826 | 254,565 | 118,261 |
| 41-WASTE WATER | 564,983 | 588,156 | 574,725 | 13,431 |
| 51-WATER | 636,998 | 860,099 | 849,183 | 10,916 |
| <hr/> | | | | |
| TOTAL EXPENDITURES | 3,288,973 | 3,384,982 | 2,608,511 | 776,471 |
| <hr/> | | | | |
| REVENUES OVER/(UNDER) EXPENDITURES | 0 | 0 | 1,080,232 | (1,080,232) |
| <hr/> <hr/> | | | | |



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

Independent Auditors' Report

To the Board of Trustees of
The Town of Fort Gibson
Fort Gibson, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Gibson as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Fort Gibson's basic financial statements, and have issued our report thereon dated May 2, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Fort Gibson's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Clothier & Company, CPA's, P.C.
May 2, 2015