

OLDEST TOWN IN OKLAHOMA

***FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2012***

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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

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, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of The Town of Fort Gibson, Oklahoma's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

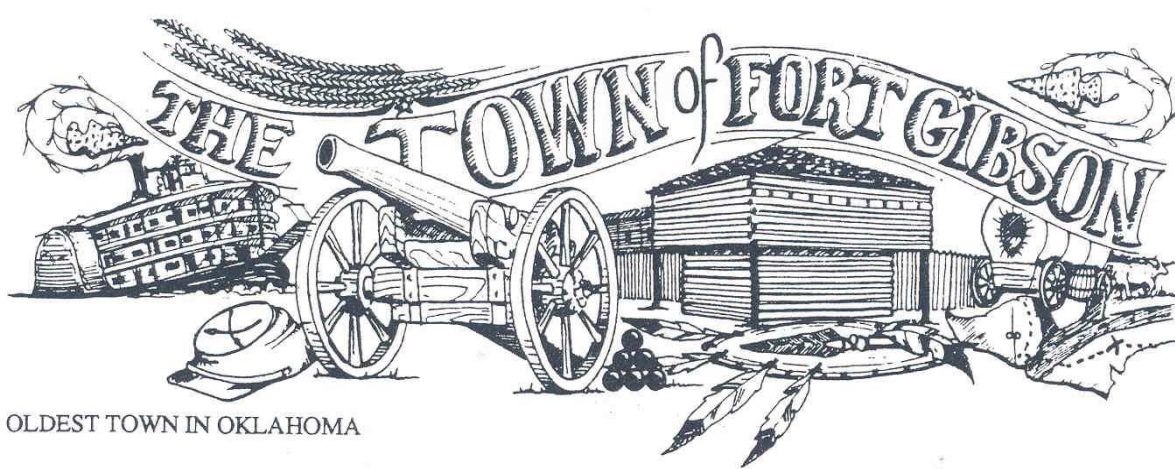
In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2013 on our consideration of the Town of Fort Gibson, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

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 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script that reads "Clothier & Company CPAs".

Clothier & Company, CPA's, P.C.
January 18, 2013



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, 2012. 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 and 2012, net assets changed as follows:

	Governmental		Business-type		Total	
	Activities		Activities			
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	4,490,297		4,317,522		8,807,801	
Change 2011	1,193,156	26.57%	595,701	13.80%	1,788,857	20.37%
Net assets July 1, 2011	5,683,435		4,913,223		10,596,857	
Change 2012	915,708	13.88%	1,040,905	17.48%	1,956,613	15.59%
Ending Net Assets	<u>\$ 6,599,149</u>		<u>\$ 5,954,128</u>		<u>\$12,553,271</u>	

That reflects an increase of 13.88% for Business-type activities and an increase of 17.48% for governmental activities for 2012 compared to the June 30, 2011 balance.

Governmental Activities

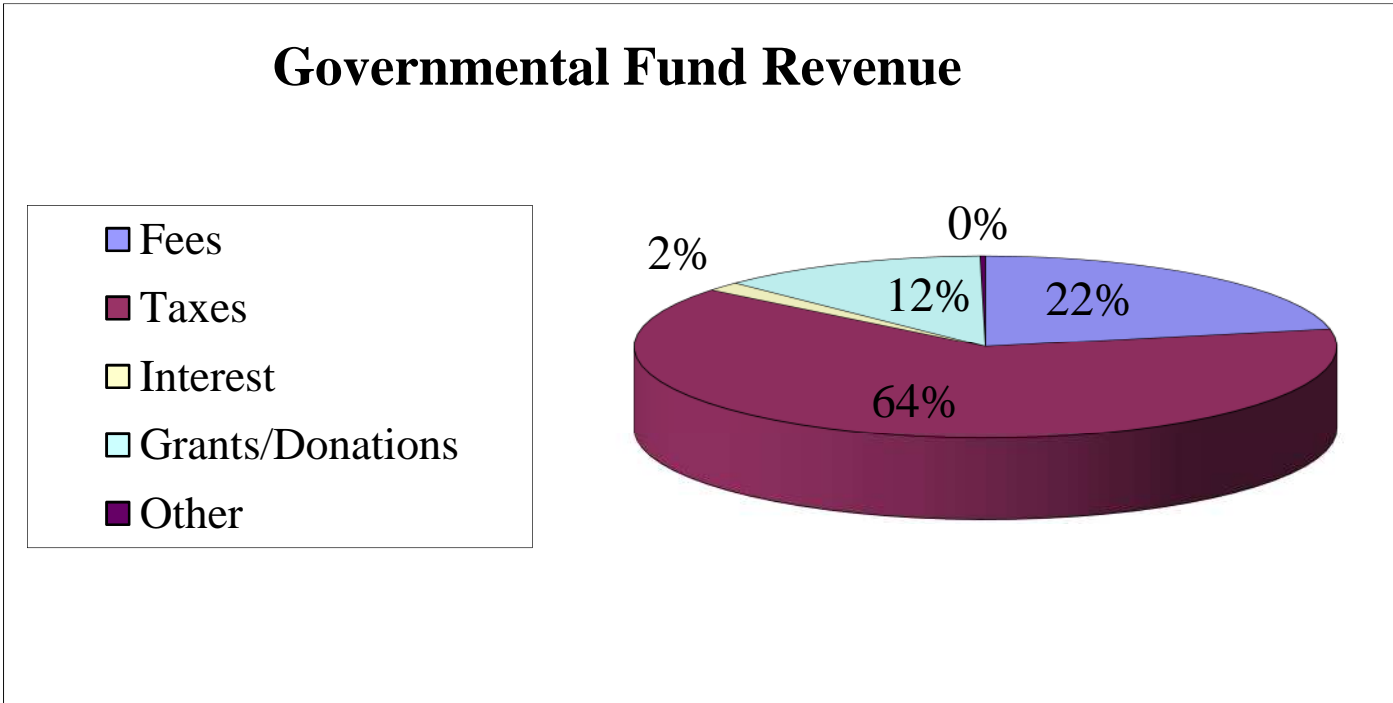
To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column 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.
- Police-Fines and 911 fees. More grants are categorized as operating grants.
- Fire-Outside Town limits fire run charges
- Cemetery-Grave opening/closing fees.
- Community building-Rental fees.

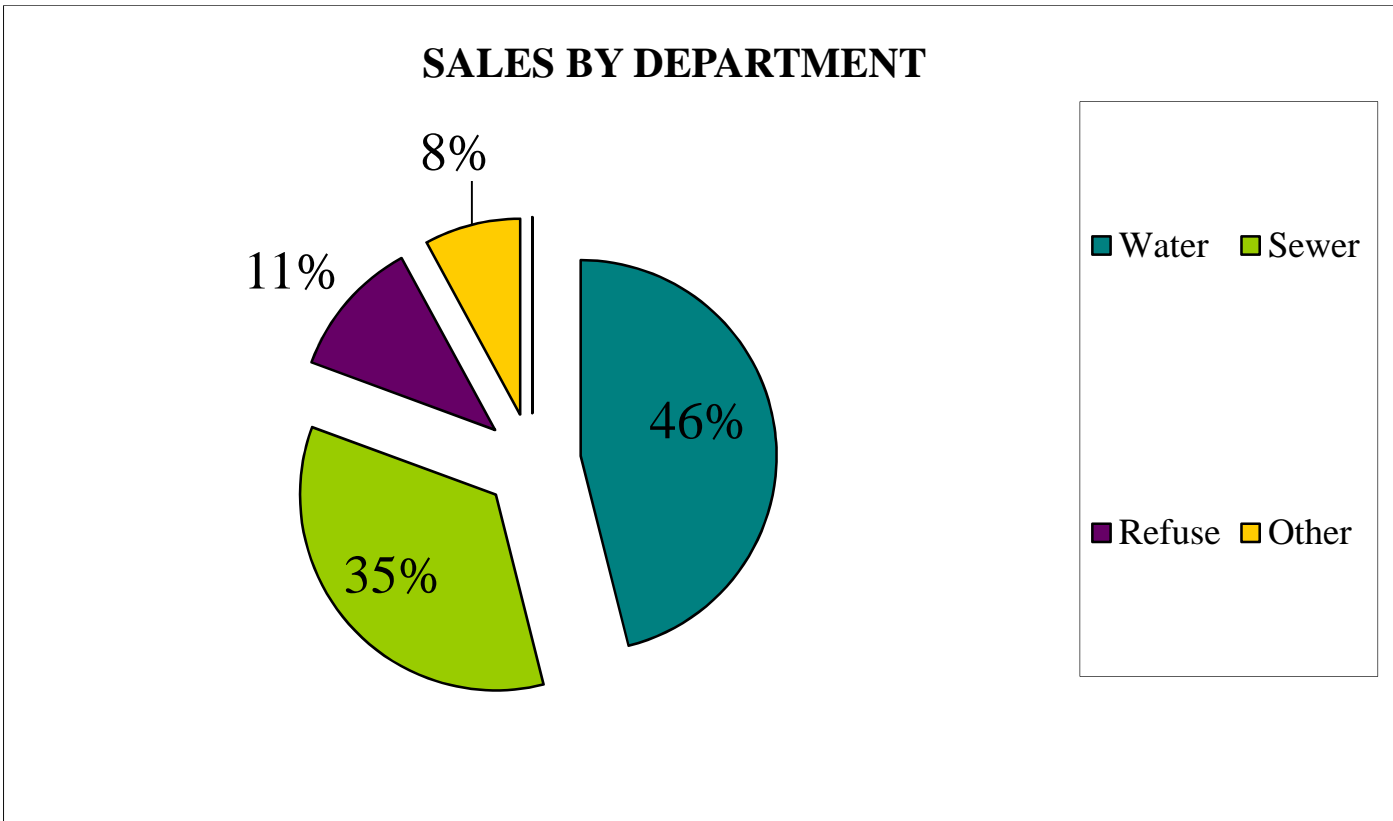
All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

All departments have remained substantially the same from 2011 to 2012 except general fund and non-major fund. General fund expenses decreased 9.8%. The largest of the decrease was personnel expenses. More of the personnel expenses were paid from the 1.25% sales tax fund. The non-major funds income decreased 39.11% but expenses remained the same. This change is due to a decrease in operating grants and donations for the Downtown Enhancement Project and a decrease in sales tax allocation.

Governmental Activities



Business-type Activities



THE TOWN'S FUNDS

The following presents a summary of governmental funds revenue and expenditures for the fiscal year ended June 30, 2012 and the amounts and percentages of change in relation to 2011.

	2012		Increase (Decrease)	
	<u>Amounts.</u>	<u>%</u>	<u>Amounts.</u>	<u>%</u>
<u>Expenditures:</u>				
Current operating expenses	\$1,477,031	50.76%	\$ (137,020)	(9.28)%
Debt service	120,035	4.12%	(4,427)	(3.69)%
Capital outlay	1,313,236	45.12%	518,529	39.48%
Total Expenditure	<u>\$2,910,302</u>	<u>100.00%</u>	<u>\$377,082</u>	

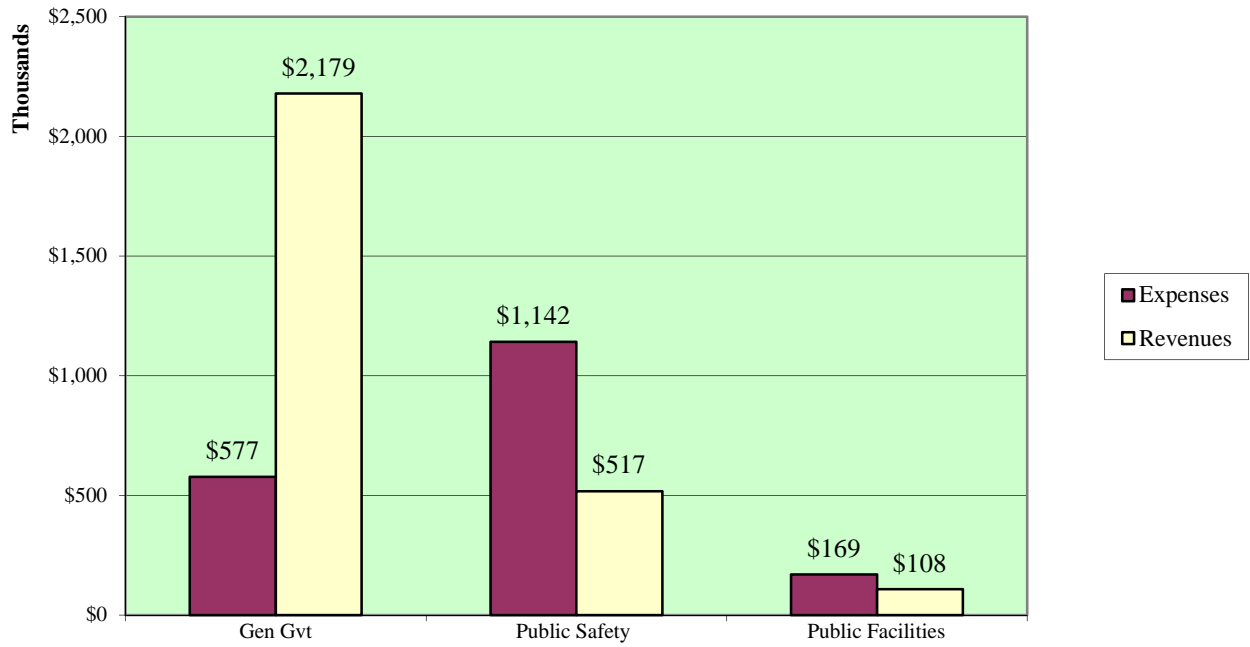
	2012		Increase (Decrease)	
	<u>Amounts.</u>	<u>%</u>	<u>Amounts.</u>	<u>%</u>
<u>Revenue:</u>				
Taxes	\$1,707,367	63.86%	\$ (108,571)	(6.36)%
Franchise fees	170,644	6.38%	7,950	4.66%
Fines, fees, and charges	414,417	15.50%	(355)	(.09)%
Grants and donations	331,497	12.40%	(202,787)	(61.17)%
Investment income	43,307	1.62%	6,158	14.22%
Miscellaneous	6,435	.24%	4,910	76.30%
Total Revenues	<u>\$2,673,667</u>	<u>100.00%</u>	<u>\$ (292,695)</u>	

The following presents a summary of proprietary funds revenue and expenditures for the fiscal year ended June 30, 2012 and the amounts and percentages of change in relation to 2011.

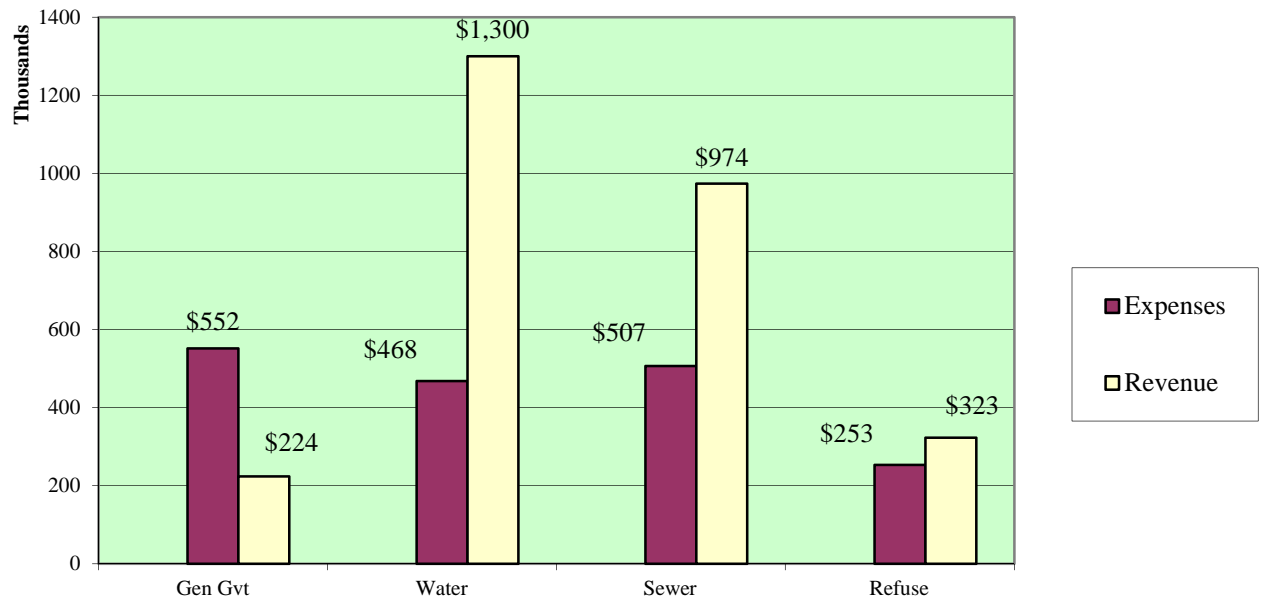
	2012		Increase (Decrease)	
	<u>Amounts.</u>	<u>%</u>	<u>Amounts.</u>	<u>%</u>
<u>Operating Expense</u>				
Utilities	\$ 1,780,339	100.00%	\$ (131,903)	(7.41)%
Total Operating Expense	<u>\$ 1,780,339</u>	<u>100.00%</u>	<u>\$ (131,903)</u>	

	2012		Increase (Decrease)	
	<u>Amounts.</u>	<u>%</u>	<u>Amounts.</u>	<u>%</u>
<u>Revenue:</u>				
Utilities	\$2,821,244	100.00%	\$ 327,144	11.60%
Total Revenues	<u>\$2,821,244</u>	<u>100.00%</u>	<u>\$ 327,144</u>	

Expense and Revenue-Governmental Activities



Expenses and Revenues-Business-type Activities



BUDGETARY HIGHLIGHTS

Changes to the General Fund were adjustments between departments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2012, the Town had just over \$ 17 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	\$ 6,586,708	\$ 2,155,696	\$ 4,431,012
Fort Gibson Utility Authority	11,071,762	4,415,363	6,656,399
	<u>\$ 17,658,470</u>	<u>\$ 6,571,059</u>	<u>\$ 11,087,411</u>

The Town of Fort Gibson has a special sales tax that is for improvements to streets, fire, and police departments. The Town's police department purchased computers/camera and software for the police cars for \$74,760 and 18 800MHZ radios for \$59,712. The Town did renovations to the Municipal Park for a skate park and splash pad for \$430,350. The spots and recreation fund purchased land and had some engineering work for \$208,550 for a new sports complex. The Town spent another \$429,360 for the Downtown Enhancement Project with funds from Oklahoma Department of Transportation. The fire department purchased a 2012 GMC Sierra 150 Truck for \$34,090 as well as equipment for \$57,485. The Utility Authority spent \$888,365 on the New Aerator Project. They also spent \$460,219 for water meter automation, \$134,903 for a new sanitation truck, \$25,000 for a generator, and \$23,835 for a Toyota Tacoma Truck. The Town and Utility Authority purchased new capital assets of over \$1.6 million during the year.

Debt

At year-end, the Town of Fort Gibson and Fort Gibson Utility Authority had \$2,631,525 in long-term outstanding notes compared to \$2,256,307 last year. That is an increase of 16.63 percent as shown in the following table.

	Governmental Activities		Business-type	
	2012	2011	2012	2011
Totals	\$ 510,000	\$ 600,000	\$ 2,101,547	\$ 1,656,307

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 2012/13 year.

- Fort Gibson Utility Authority increased water, sewer, and trash rates on July 1, 2012

General Fund

Police Department:

- Prisoner support increased by \$6,000.00
- Fuel increase by \$7,000.00

Parks and Recreation:

- Sports Complex budget of \$500,000.00

Cemetery:

- ½ cost of a track hoe \$23,500.00

Street and Alley:

- Street construction project of Boydstun, Walnut, and Pierce Streets bid at #363,584.50

Police Department Sales Tax:

- \$62,000.00 for two police cars

Utilities Authority budgeted items include:

General Government:

- ½ cost of track hoe \$23,500.00
- Pickup truck \$27,230.00
- Transfer to General Fund for Sports Complex \$141,739.00

Sanitation:

- Dumpsters and poly carts \$30,000.00

Water Plant:

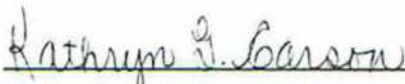
- Painting of clarifier \$29,000.00
- Replacing filter media \$44,000.00

Wastewater Treatment Plant:

- Lift station equipment \$21,000.00
- 2 aerators \$12,000.00
- Equipment \$6,650.00
- Sludge removal in chlorine contact basin \$5,000.00
- Fencing \$4,990.00
- Portable sampler \$3,740.00
- Removal of duck week \$3,000

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, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 2,265,165	\$ 445,249	\$ 2,710,414
Sales Tax Receivable	112,315	0	112,315
Other Tax Receivable	17,924	0	17,924
Trade Accounts Receivable	92,752	416,363	509,115
Total Current Assets	<u>2,488,156</u>	<u>861,612</u>	<u>3,349,768</u>
Noncurrent Assets			
Capital Assets			
Distribution System	0	9,779,952	9,779,952
Office Equipment	0	132,835	132,835
Building and Improvements	3,184,077	0	3,184,077
Equipment	1,306,789	555,646	1,862,435
Autos & Trucks	1,076,072	424,595	1,500,667
Land	260,000	42,581	302,581
Debt Issue Costs	0	136,153	136,153
Infrastructure	699,770	0	699,770
Accumulated Depreciation	(2,155,696)	(4,415,363)	(6,571,059)
Restricted Cash	360,498	998,959	1,359,457
Total Noncurrent Assets	<u>4,731,510</u>	<u>7,655,358</u>	<u>12,386,868</u>
Total Assets	<u>7,219,666</u>	<u>8,516,970</u>	<u>15,736,636</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	67,535	328,012	395,547
Accrued Payroll and Benefits	13,765	8,745	22,510
Accrued Expenses	1,709	23,973	25,682
Current Portion of Long-term Debt	90,000	341,300	431,300
Water Deposits	0	80,587	80,587
Total Current Liabilities	<u>173,009</u>	<u>782,617</u>	<u>955,626</u>
Noncurrent Liabilities			
Accrued Vacations	27,514	19,978	47,492
Long-term Debt	420,000	1,760,247	2,180,247
Total Noncurrent Liabilities	<u>447,514</u>	<u>1,780,225</u>	<u>2,227,739</u>
Total Liabilities	<u>620,523</u>	<u>2,562,842</u>	<u>3,183,365</u>
NET ASSETS			
Invested in Capital Assets Net of Debt	3,861,012	4,554,852	8,415,864
Restricted for:			
Debt Service	84,076	119,322	203,398
Other Purposes	1,450,780	463,580	1,914,360
Unrestricted	1,203,275	816,374	2,019,649
Total Net Assets	<u>\$ 6,599,143</u>	<u>\$ 5,954,128</u>	<u>\$ 12,553,271</u>

See accompanying footnotes and auditors' report.

**TOWN OF FORT GIBSON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Function / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	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	\$ 577,391	\$ 57,012	\$ 272,477	\$ 0	\$ (247,902)	\$ 0	\$ (247,902)
Public Safety and Service	1,141,513	252,785	56,020	0	(832,708)	0	(832,708)
Public Facilities	169,293	104,619	3,000	0	(61,674)	0	(61,674)
Total Governmental Activities	<u>1,888,197</u>	<u>414,416</u>	<u>331,497</u>	<u>0</u>	<u>(1,142,284)</u>	<u>0</u>	<u>(1,142,284)</u>
Business-type Activities:							
Utility	1,780,342	2,606,419	196,596	0	0	1,022,673	1,022,673
Total Business-type Activities	<u>1,780,342</u>	<u>2,606,419</u>	<u>196,596</u>	<u>0</u>	<u>0</u>	<u>1,022,673</u>	<u>1,022,673</u>
Total Primary Government	<u>\$ 3,668,539</u>	<u>\$ 3,020,835</u>	<u>\$ 528,093</u>	<u>\$ 0</u>	<u>(1,142,284)</u>	<u>1,022,673</u>	<u>(119,611)</u>
General Revenues:							
Franchise Fees					170,644	0	170,644
Sales Tax Revenue					1,542,945	0	1,542,945
Other Taxes					294,661	0	294,661
Investment Income					43,307	18,232	61,539
Gain (Loss) on Capital Assets					<u>6,435</u>	<u>0</u>	<u>6,435</u>
Total General Revenues and Transfers					2,057,992	18,232	2,076,224
Change in Net Assets					915,708	1,040,905	1,956,613
Net Assets - Beginning					<u>5,683,435</u>	<u>4,913,223</u>	<u>10,596,658</u>
Net Assets - Ending					<u>\$ 6,599,143</u>	<u>\$ 5,954,128</u>	<u>\$ 12,553,271</u>

See accompanying footnotes and auditors' report.

**TOWN OF FORT GIBSON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General Fund	Street and Alley Fund	Development Authority	Debt Service Fund	Non-major Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 202,091	\$ 823,453	\$ 419,205	\$ 84,076	\$ 736,340	\$ 2,265,165
Trade Accounts Receivable	92,752	0	0	0	0	92,752
Restricted Cash	240,824	0	0	0	119,674	360,498
	<u>535,667</u>	<u>823,453</u>	<u>419,205</u>	<u>84,076</u>	<u>856,014</u>	<u>2,718,415</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 56,154	\$ 2,071	\$ 0	\$ 0	\$ 9,310	\$ 67,535
Accrued Payroll and Benefits	12,322	772	0	0	671	13,765
Accrued Expenses	1,616	93	0	0	0	1,709
Total Liabilities	70,092	2,936	0	0	9,981	83,009
Fund Balances						
Nonspendable	0	0	0	0	0	0
Restricted	0	820,517	0	84,076	630,263	1,534,856
Committed	78,998	0	419,205	0	215,770	713,973
Assigned	234,991	0	0	0	0	234,991
Unassigned	151,586	0	0	0	0	151,586
Total Fund Balances	465,575	820,517	419,205	84,076	846,033	2,635,406
Total Liabilities and Fund Balan	<u>\$ 535,667</u>	<u>\$ 823,453</u>	<u>\$ 419,205</u>	<u>\$ 84,076</u>	<u>\$ 856,014</u>	<u>\$ 2,718,415</u>

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

Receivables reported in the governmental activities are recognized as revenue for the governmental activities.	130,239
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	4,371,012
Accrued liabilities used in the governmental activities are not payable from current resources and therefore are not reported in the government funds.	(27,514)
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(510,000)
Net assets of governmental activities	<u>\$ 6,599,143</u>

TOWN OF FORT GIBSON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Street and Alley Fund	Development Authority	Debt Service Fund	Non-major Funds	Total Governmental Funds
REVENUES						
Franchise Fees	\$ 170,644	\$ 0	\$ 0	\$ 0	\$ 0	\$ 170,644
Sales Tax Revenue	635,972	198,665	0	0	595,993	1,430,630
Other Taxes	125,211	35,736	0	115,790	0	276,737
Investment Income	6,587	11,479	11,233	1,463	12,545	43,307
Gain (Loss) on Capital Assets	0	0	0	0	6,435	6,435
Fees Fines and Charges	382,222	0	0	0	32,195	414,417
Intergovernmental	310,419	0	0	0	21,078	331,497
Total Revenues	<u>1,631,055</u>	<u>245,880</u>	<u>11,233</u>	<u>117,253</u>	<u>668,246</u>	<u>2,673,667</u>
EXPENDITURES						
General Government						
Personel Services	82,576	33,952	0	0	22,959	139,487
Materials and Supplies	11,734	6,461	0	0	0	18,195
Other Services and Charges	146,983	25,364	6,000	0	9,354	187,701
Note Payments	0	0	0	90,000	0	90,000
Interest Expense	0	0	0	28,650	0	28,650
Agency and Trustee Fees	0	0	0	1,385	0	1,385
Capital Outlay	433,444	10,309	0	0	200,000	643,753
Personel Services	0	0	0	0	47,521	47,521
Public Safety and Service						
Personel Services	515,391	0	0	0	293,190	808,581
Materials and Supplies	7,683	5,108	0	0	15,799	28,590
Other Service and Charges	137,979	1,528	0	0	19,798	159,305
Capital Outlay	37,951	0	0	0	188,941	226,892
Public Facilities						
Personel Services	38,388	0	0	0	10,587	48,975
Materials and Supplies	10,218	0	0	0	0	10,218
Other Service and Charges	28,458	0	0	0	0	28,458
Capital Outlay	442,591	0	0	0	0	442,591
Total Expenditures	<u>1,893,396</u>	<u>82,722</u>	<u>6,000</u>	<u>120,035</u>	<u>808,149</u>	<u>2,910,302</u>
Excess (deficiency) of Revenues Over	<u>(262,341)</u>	<u>163,158</u>	<u>5,233</u>	<u>(2,782)</u>	<u>(139,903)</u>	<u>(236,635)</u>
OTHER FINANCING						
Transfers Out	<u>106,000</u>	<u>0</u>	<u>(106,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources and Uses	<u>106,000</u>	<u>0</u>	<u>(106,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balan	(156,341)	163,158	(100,767)	(2,782)	(139,903)	(236,635)
Fund Balances - Beginning	<u>621,916</u>	<u>657,359</u>	<u>519,972</u>	<u>86,858</u>	<u>985,770</u>	<u>2,871,875</u>
Fund Balances - Ending	<u>\$ 465,575</u>	<u>\$ 820,517</u>	<u>\$ 419,205</u>	<u>\$ 84,076</u>	<u>\$ 845,867</u>	<u>\$ 2,635,240</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, 2012

Net change in fund balances - total governmental funds		(\$236,635)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		25,796
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.		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	1,343,733	
Less current year depreciation	<u>(250,002)</u>	1,093,731
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.		5,752
When recognizing the sale of capital assets, the governmental funds report the total proceeds of the sale. Only the gain or loss on the sale is reported on the Statement of Net Assets.		(166)
Governmental funds report expenditures when paid. The Statement of Activities reports expenditures when incurred.		<u>(62,770)</u>
Change in Net Assets of Governmental Activities		<u><u>\$915,708</u></u>

See accompanying footnotes and auditors' report.

TOWN OF FORT GIBSON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business-type Activities- Enterprise Funds	
	Utilities	Totals
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 445,249	\$ 445,249
Trade Accounts Receivable	416,363	416,363
Total Current Assets	861,612	861,612
Noncurrent Assets		
Restricted Assets		
Restricted Cash	998,959	998,959
Capital Assets		
Distribution System	9,779,952	9,779,952
Office Equipment	132,835	132,835
Equipment	555,646	555,646
Autos & Trucks	424,595	424,595
Land	42,581	42,581
Debt Issue Costs	136,153	136,153
Accumulated Depreciation	(4,415,363)	(4,415,363)
Total Noncurrent Assets	7,655,358	7,655,358
Total Assets	8,516,970	8,516,970
LIABILITIES		
Current Liabilities		
Accounts Payable	328,012	328,012
Accrued Payroll and Benefits	8,745	8,745
Accrued Expenses	23,973	23,973
Current Portion of Long-term Debt	341,300	341,300
Water Deposits	80,587	80,587
Total Current Liabilities	782,617	782,617
Noncurrent Liabilities		
Accrued Vacations	19,978	19,978
Long-term Debt	1,760,247	1,760,247
Total Noncurrent Liabilities	1,780,225	1,780,225
Total Liabilities	2,562,842	2,562,842
NET ASSETS		
Invested in Capital Assets	4,554,852	4,554,852
Restricted for:		
Debt Service	119,322	119,322
Other Purposes	463,580	463,580
Unrestricted	816,374	816,374
Total Net Assets	\$ 5,954,128	\$ 5,954,128

See accompanying footnotes and auditors' report.

TOWN OF FORT GIBSON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds	
	Utilities	Total
Operating Revenues		
Fines, Fees and Charges	\$ 9,093	\$ 9,093
Water	1,299,959	1,299,959
Sewer	974,184	974,184
Sanitation	323,183	323,183
Total Operating Revenues	<u>2,606,419</u>	<u>2,606,419</u>
Operating Expenses		
General Government		
Personel Services	340,143	340,143
Materials and Supplies	49,001	49,001
Other Services and Charges	142,938	142,938
Interest Expense	14,038	14,038
Agency and Trustee Fees	2,175	2,175
Capital Outlay	3,859	3,859
Sanitation		
Personel Services	237,497	237,497
Capital Outlay	15,725	15,725
Water		
Personel Services	126,249	126,249
Materials and Supplies	119,424	119,424
Other Service and Charges	180,766	180,766
Interest Expense	25,946	25,946
Agency and Trustee Fees	2,750	2,750
Capital Outlay	374	374
Wastewater		
Personel Services	59,562	59,562
Materials and Supplies	34,039	34,039
Other Service and Charges	172,461	172,461
Interest Expense	16,404	16,404
Capital Outlay	157	157
Depreciation Expense	224,149	224,149
Total Operating Expenses	<u>1,767,657</u>	<u>1,767,657</u>
Operating Income (Loss)	<u>838,762</u>	<u>838,762</u>
Non-Operating Revenues (Expenses)		
Interest Earnings	18,229	18,229
Operating Grants and Donations	196,596	196,596
Bad Debt Expense	(12,682)	(12,682)
Total Non-Operating Revenues (Expenses)	<u>202,143</u>	<u>202,143</u>
Income (Loss) Before Contributions and Transfers	<u>1,040,905</u>	<u>1,040,905</u>
Change in Net Assets	1,040,905	1,040,905
Net Assets - Beginning	<u>4,913,223</u>	<u>4,913,223</u>
Net Assets - Ending	<u>\$ 5,954,128</u>	<u>\$ 5,954,128</u>

See accompanying footnotes and auditors' report.

TOWN OF FORT GIBSON
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
JUNE 30, 2012

Cash Flows From Operating Activities

Receipts from customers (users)	\$	2,603,150
Payments to suppliers		(496,522)
Payments to employees		(772,029)
Other operating payments		4,567
Net cash provided (used) by operating activities		1,339,166

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		(1,580,229)
Net sale of capital assets		0
Proceeds from long-term debt		900,215
Principal paid on long-term debt		(454,975)
Interest paid on long-term debt		(56,920)
Net cash provided (used) by capital financing activities		(1,191,909)

Cash Flows From Investing Activities

Interest received on cash deposits		18,232
Net cash provided (used) by investing activities		18,232

Net increase (decrease) in cash and cash equivalents		165,489
Cash and Cash Equivalents at June 30, 2011 (includes restricted cash)		1,278,719
Cash and Cash Equivalents at June 30, 2012 (includes restricted cash)	\$	1,444,208

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

Operating Income (loss)	\$	838,762
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Interest expense		56,920
Depreciation and amortization		224,149
Non-operating revenues		183,914
(Increase)/decrease in accounts receivable		(199,865)
Increase/(decrease) in accounts payable		239,297
Increase/(decrease) in accrued expenses		(13,780)
Increase/(decrease) in customer deposits		4,567
Increase/(decrease) in accrued compensated absences		5,202
Net cash provided (used) by operating activities	\$	1,339,166

See accompanying footnotes and auditors' report.

TOWN OF FORT GIBSON
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Municipal Court Bond Fund	Total Fiduciary Funds
ASSETS		
Cash and Cash Equivalents	\$0	\$0
Accounts Receivable	150	150
Due from Other Funds	0	0
<hr/>		
Total Assets	150	150
LIABILITIES		
Due to Other Funds	2,295	2,295
Bonds Payable	1,440	1,440
<hr/>		
Total Liabilities	3,735	3,735
NET ASSETS		
Held in Trust for Other Purposes	(\$3,585)	(\$3,585)
<hr/> <hr/>		

See accompanying footnotes and auditors' report.

TOWN OF FORT GIBSON
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Municipal Court Bond Fund	Total Fiduciary Funds
ADDITIONS		
Investments Earnings	\$0	\$0
Bonds	107,291	107,291
Total Additions	107,291	107,291
DEDUCTIONS		
Bond Forfeitures	102,332	102,332
Bond Applied to Fines	3,133	3,133
Total Deductions	105,465	105,465
Change in Net Assets	1,826	1,826
Net Assets at Beginning of Year	(5,411)	(5,411)
Net Assets at End of Year	<u>\$ (3,585)</u>	<u>\$ (3,585)</u>

See the accompanying footnotes and auditors' report.

**TOWN OF FORT GIBSON
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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.
- *Development Authority* - a special revenue fund operating as an economic development revolving loan fund using funds received in prior years for this purpose.
- *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 \$8,252 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,
- Donations and grant proceeds to be used for the Municipal Park Project and downtown enhancements.

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 statues 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, 2012, 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, 2012, 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	3,640,112
D. FDIC insured	<u>90,799</u>
Total	<u>\$3,730,911</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 Statues and the Town's charter.

The Town's investments (carried at cost which approximates fair value) as of June 30, 2012 were a twelve-month certificate of deposit at 1.15% interest, maturing January 4, 2013 held by the Fort Gibson Utilities Authority in the amount of \$469,877, a six-month certificate of deposit at .750% interest, maturing July 26, 2012 held by the Town Fort Gibson in the amount of \$35,498, and a 182 day certificate of deposit at .850% interest, maturing December 7, 2012 held by the Sports/Recreation Fund for \$119,674.

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. ACCOUNTS RECEIVABLE

The Town had a trade accounts receivable at June 30, 2012 – Miscellaneous Transfer Receivable for \$92,752 for the Municipal Park Project.

NOTE 5. CAPITAL ASSETS

Governmental Activities

Capital asset activity for the governmental activities for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$60,000	\$0	\$0	\$60,000
Total capital assets not being depreciated	60,000	0	0	60,000
Capital assets being depreciated:				
Fire	847,179	99,999	(16,500)	930,678
General Government	1,262,889	429,218	0	1,752,107
Police	551,994	134,472	(22,692)	663,774
Public Facilities	626,419	652,110	0	1,278,529
Public Services	64,330	0	0	64,330
Streets	783,226	27,934	0	811,160

TOWN OF FORT GIBSON

Library	1,026,130	0	0	1,026,130
Subtotal	5,162,167	1,343,733	(39,192)	6,526,708
Less accumulated depreciation:				
Fire	(452,232)	(57,073)	16,334	(465,971)
General Government	(550,360)	(33,200)	0	(583,560)
Police	(309,830)	(74,041)	22,692	(361,179)
Public Facilities	(266,520)	(22,202)	0	(288,722)
Public Services	(63,961)	(177)	0	(64,138)
Streets	(194,471)	(42,112)	0	(236,583)
Library	(134,346)	(21,197)	0	(155,543)
Subtotal	(1,944,720)	(250,003)	39,026	(2,155,696)
Total capital assets being depreciated, net	3,217,447	1,093,730	(166)	4,311,012
Governmental capital assets, net	<u>\$3,277,477</u>	<u>\$634,735</u>	<u>\$(166)</u>	<u>\$4,371,012</u>

Business-type Proprietary Fund

Capital asset activity for the proprietary fund for the year ended June 30, 2012 was as follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</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	265,857	158,738	0	424,595
Equipment and machinery	493,309	62,337	0	555,646
Water and sewer system	8,316,733	1,463,219	0	9,779,952
Furniture	130,387	2,448	0	132,835
Construction in Process	106,516	0	(106,516)	0
Subtotal	9,312,802	1,686,742	(106,516)	10,893,028
Less accumulated depreciation:				
Vehicles	(188,987)	(30,944)	0	(219,931)
Equipment and machinery	(317,013)	(27,927)	0	(344,940)
Water and sewer system	(3,583,595)	(157,900)	0	(3,741,495)
Furniture	(101,619)	(7,378)	0	(108,997)
Subtotal	(4,191,214)	(224,149)	0	(4,415,363)
Total capital assets being depreciated, net	5,121,588	1,462,593	(106,516)	6,477,665
Loan origination fees, net	136,153	0	0	136,153
Water & sewer system capital assets, net	<u>\$5,300,322</u>	<u>\$1,462,593</u>	<u>\$(106,516)</u>	<u>\$6,656,399</u>

NOTE 6. 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.

Transfers in/out

Fort Gibson Development Authority transferred \$106,000 to the Town for the Municipal Park Project.

TOWN OF FORT GIBSON

NOTE 7. LONG-TERM DEBT

Long-term debt Transactions

A summary of the Town's long-term debt activity for the year ended June 30, 2012, is presented below:

				Balance June 30, 2012	Classification	
	Balance July 1, 2011	Additions	Retirements		Amounts Due Within One Year	Amounts Due in More Than One Year
General Obligation Bonds:						
2002 Combined Purpose Bonds	\$600,000	\$0	(\$90,000)	\$510,000	\$90,000	\$420,000
Fort Gibson Utilities Auth Notes Payable to:						
Oklahoma Water Resources Board	476,307	900,215	(249,975)	1,126,547	121,300	1,005,247
Fort Gibson Utilities Auth Sales Tax:						
Revenue Note, Series 2005	400,000	0	(80,000)	320,000	90,000	230,000
Revenue Note, Series 2006	530,000	0	(85,000)	445,000	90,000	355,000
Revenue Note, Series 2006 Subordinate	250,000	0	(40,000)	210,000	40,000	170,000
Compensated Absences	36,538	49,203	(38,249)	47,492		
Total	\$2,292,845	\$949,418	(\$583,224)	\$2,659,039	\$431,300	\$2,180,247

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, 2012, the outstanding balance of the bonds was \$510,000.

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>
2013	90,000	24,600	114,600
2014	90,000	20,460	110,460
2015	90,000	16,230	106,230
2016	90,000	11,910	101,910
2017	150,000	7,500	157,500
2018-2023	0	0	0
Total	\$510,000	\$80,700	\$590,700

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 3.29%) with OWRB, payments semi-annually including principal, interest and administrative fees of \$18,299, secured by pledge of revenue and mortgage on the distribution system, matures in September 2013
- Adjustable rate mortgage (currently 3.82%) with the OWRB, payments semi-annually including principal, interest and administrative fees of \$24,515, 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 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 are \$31,753 includes principal, interest, and administration fees. This note may be 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>
2013	121,300	19,840	141,140
2014	100,837	24,860	125,697
2015	85,395	22,461	107,856
2016	87,998	20,282	108,280
2017	90,772	17,760	108,532
2018-2023	479,518	59,507	539,025
2023-2029	<u>160,727</u>	<u>9,805</u>	<u>170,532</u>
Total	<u>\$1,126,547</u>	<u>\$174,515</u>	<u>\$1,301,062</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>			
2013	90,000	12,644	102,644
2014	90,000	8,819	98,819
2015	90,000	4,994	94,994
2016	50,000	1,063	51,063
2017	0	0	0
2018-2023	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$320,000</u>	<u>\$27,520</u>	<u>\$347,520</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>			
2013	90,000	16,887	106,887
2014	100,000	13,190	113,190
2015	100,000	9,193	109,193
2016	100,000	5,196	105,196
2017	55,000	1,099	56,099
2018-2023	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$445,000</u>	<u>\$65,950</u>	<u>\$490,565</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,

2013	40,000	8,360	48,360
2014	45,000	6,688	51,688
2015	50,000	4,702	54,702
2016	50,000	5,613	55,613
2017	25,000	523	25,523
2018-2023	0	0	0
Total	\$210,000	\$25,886	\$235,886

Compensated Absences

The Town's liability for vested and unpaid compensated absences (accrued vacation) has been accrued and at June 30, 2012 amounts to \$27,514 and \$19,978 respectively. 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 \$105,592 and \$59,478 respectively at June 30, 2012.

NOTE 8. NET ASSETS

Investment in Capital Assets, Net of Related Debt

As of June 30, 2012 the investment in capital assets, net of related debt consisted of the following:

	Governmental	Business-Type	Total
Capital assets, net (Note No. 5)	\$4,371,012	\$6,656,399	\$11,027,411
2002 General Obligations Combined Purpose Bonds	(510,000)	0	(510,000)
Oklahoma Water Resources Board Notes Payable	0	(1,126,547)	(1,126,547)
Sales Tax Revenue Note. Series 2005, 2006, sub 2006	0	(975,000)	(975,000)
Investment in Capital Assets, net of related debt	\$3,861,012	\$4,554,852	\$8,415,864

Restricted Net Assets

As of June 30, 2012 restricted net assets consisted of the following:

	Governmental	Business-Type	Total
Restricted for Debt Service:			
For 2002 General Obligations Combined Purpose Bonds	\$84,076	\$0	\$84,076
For 2005, 2006, sub 2006 Sales Tax Revenue Notes	0	119,322	119,322
For Meter Deposits	0	129,533	129,533
Restricted for Capital Projects and Other Purposes:			
Unexpended sales proceeds for Sports/Recreation Complex	119,674	0	119,674
Unexpended sub 2006 Sales Tax Revenue Note and 2011 OWRB Note Proceeds	0	334,047	334,047
Special Revenue Funds	1,331,106	0	1,331,106
Total Restricted Net Assets	1,534,856	582,902	2,117,758

TOWN OF FORT GIBSON

The Governmental Funds Fund Balance is separated into five categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned. At June 30, 2012 the General Fund had \$78,998 committed to encumbrances, \$234,991 assigned to the Downtown Enhancement Project and Municipal Park Project. The Street and Alley Fund's entire \$820,517 fund balance is restricted by legislation to be used for the improvements and maintenance of the Town's streets. The Economic Development Authority's fund balance of \$419,205 is committed to economic development of the Town. \$84,076 fund balance in the Debt Service Fund is reserved for the General Obligation Bonds payment of debt. The non-major fund balance of \$846,033 is broken down between restricted and committed. The Sports and Recreation Fund has \$119,674 that is restricted for the purchase or construction of a sports complex. \$510,590 is restricted for the 1.25% Sales Tax Fund for the compensation, fringe benefits, and purchase of capital outlay for the Town. The balance of the \$215,769 is committed for the rest of the non-major special revenue funds - Cemetery Fund, Fire Special Equipment Fund, Fire Sales Tax Fund, Auxiliary Fire Department Fund, Police Department Sales Tax Fund, and the balance of 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 that 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
2008	\$35,374	100%
2009	\$37,043	100%
2010	\$33,750	100%
2011	\$37,211	100%
2012	\$35,773	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 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
2008	\$ 5,758	100%
2009	\$12,394	100%
2010	\$12,596	100%
2011	\$13,486	100%
2012	\$13,642	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, 2012, the following amounts relate to this defined contribution plan:

Town's total payroll	\$ 754,834
Payroll for covered employees	\$ 691,391
Employer Contributions made	\$ 62,582

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. At June 30, 2012, the Town's Rate Stabilization Reserve (RSR) balance was \$16,159. The RSR are reserves developed under the Premium Modification Guidelines to be applied against future premium increases. There was \$59,842 in loss funds available and interest earned for the year was \$404.

NOTE 11. EVALUATION OF SUBSEQUENT EVENTS

The Town has evaluated subsequent events through January 18, 2013, 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, 2012

	BEGINNING BUDGET	FINAL BUDGET	YTD ACTUAL	BUDGET BALANCE
<hr/>				
01 - GENERAL FUND FINANCIAL SUMMARY				
<hr/>				
TOTAL REVENUES	2,149,012	2,312,590	2,219,864	92,726
EXPENDITURE SUMMARY				
<hr/>				
00-TRUSTEES	19,900	20,000	18,150	1,850
01-TOWN CLERK	2,800	2,800	2,500	300
02-TOWN TREASURER	1,700	1,650	1,200	450
03-TOWN ATTORNEY	17,000	26,400	19,555	6,845
04-MUNICIPAL COURT	39,508	44,496	41,864	2,632
05-POLICE	503,490	576,908	576,787	121
07-FIRE	18,450	23,023	21,300	1,723
08-ANIMAL CONTROL	22,448	23,757	22,002	1,755
09-BUILDING INSPECTOR	54,302	52,856	50,870	1,986
10-PARKS	301,652	742,528	446,362	296,166
11-GENERAL GOVERNMENT	974,655	691,864	588,450	103,414
13-LIBRARY	30,824	31,710	20,669	11,041
15-CEMETERY	41,193	56,270	51,788	4,482
17-E911	120,590	17,817	17,817	0
21-CIVIL DEFENSE	500	511	267	244
<hr/>				
TOTAL EXPENDITURES	2,149,012	2,312,590	1,879,581	433,009
<hr/>				
REVENUES OVER/(UNDER) EXPENDITURES	0	0	340,283	(340,283)
<hr/> <hr/>				

TOWN OF FORT GIBSON

	BEGINNING BUDGET	FINAL BUDGET	YTD ACTUAL	BUDGET BALANCE
10 -STREET & ALLEY FUND				
FINANCIAL SUMMARY				
TOTAL REVENUES	644,850	922,300	940,880	(18,580)
TOTAL EXPENDITURES	644,850	922,300	83,348	838,952
REVENUES OVER/(UNDER) EXPENDITURES	0	0	857,532	(857,532)
13 -FG DEVELOPMENT AUTHORITY				
FINANCIAL SUMMARY				
TOTAL REVENUES	178,100	516,982	526,015	(9,033)
TOTAL EXPENDITURES	6,600	516,982	112,000	404,982
REVENUES OVER/(UNDER) EXPENDITURES	171,500	0	414,015	(414,015)
14 -FIRE DEPT SPECIAL EQUIP				
FINANCIAL SUMMARY				
TOTAL REVENUES	156,185	127,800	134,344	(6,544)
TOTAL EXPENDITURES	156,185	127,800	62,460	65,340
REVENUES OVER/(UNDER) EXPENDITURES	0	0	71,884	(71,884)
15 -FIRE DEPARTMENT SALES TAX				
FINANCIAL SUMMARY				
TOTAL REVENUES	171,700	163,200	175,693	(12,493)
TOTAL EXPENDITURES	171,700	163,200	110,907	52,293
REVENUES OVER/(UNDER) EXPENDITURES	0	0	64,786	(64,786)

TOWN OF FORT GIBSON

	BEGINNING BUDGET	FINAL BUDGET	YTD ACTUAL	BUDGET BALANCE
16 -POLICE DEPT SALES TAX				
FINANCIAL SUMMARY				
TOTAL REVENUES	214,700	190,800	203,815	(13,015)
TOTAL EXPENDITURES	214,700	190,800	146,551	44,249
REVENUES OVER/(UNDER) EXPENDITURES	0	0	57,264	(57,264)
21-1.25% SALES TAX FUND				
FINANCIAL SUMMARY				
TOTAL REVENUES	606,650	658,000	677,620	(19,620)
TOTAL EXPENDITURES	606,650	658,000	279,395	378,605
REVENUES OVER/(UNDER) EXPENDITURES	0	0	398,225	(398,225)
23-AUXILIARY FIRE DEPARTMENT				
FINANCIAL SUMMARY				
TOTAL REVENUES	0	1,066	3,864	(2,798)
TOTAL EXPENDITURES	0	1,066	0	1,066
REVENUES OVER/(UNDER) EXPENDITURES	0	0	3,864	(3,864)
30 -CEMETERY FUND				
FINANCIAL SUMMARY				
TOTAL REVENUES	40,450	5,545	4,867	678
TOTAL EXPENDITURES	40,450	5,545	0	5,545
REVENUES OVER/(UNDER) EXPENDITURES	0	0	4,867	(4,867)

TOWN OF FORT GIBSON

	BEGINNING BUDGET	FINAL BUDGET	YTD ACTUAL	BUDGET BALANCE
<u>40 -DEBT SERVICE FINANCIAL SUMMARY</u>				
TOTAL REVENUES	129,000	208,600	204,254	4,346
TOTAL EXPENDITURES	129,000	208,600	120,035	88,565
REVENUES OVER/(UNDER) EXPENDITURES	0	0	84,219	(84,219)
<u>45-SPORTS/RECREATION COMPLEX FINANCIAL SUMMARY</u>				
TOTAL REVENUES	343,931	376,000	376,281	(281)
TOTAL EXPENDITURES	343,931	376,000	209,351	166,649
REVENUES OVER/(UNDER) EXPENDITURES	0	0	166,930	(166,930)
<u>46-SPORTS/RECREATION COMPLEX FINANCIAL SUMMARY</u>				
TOTAL REVENUES	0	0	1,826	(1,826)
TOTAL EXPENDITURES	0	0	0	0
REVENUES OVER/(UNDER) EXPENDITURES	0	0	1,826	(1,826)

TOWN OF FORT GIBSON
RECONCILIATION OF ACTUAL - BUDGETARY BASIS TO STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

JUNE 30, 2012

	Budget	Statement of Revenues, Expenditures, and Changes in Net Assets
General Fund		
Revenues	2,219,864	
Prior Year Fund Balance	(485,000)	
Additional Interest Income	327	
Adjustment to Fines, Fees, Charges	1,864	
Adjusted Balance	<u>1,864</u>	<u>1,737,055</u>
Expenditures	1,879,581	
Adjustment to Correct Accruals	13,815	
Adjusted Balance	<u>13,815</u>	<u>1,893,396</u>
Street & Alley Fund		
Revenues	940,880	
Prior Year Fund Balance	(695,000)	
Adjusted Balance	<u>245,880</u>	<u>245,880</u>
Expenditures	83,348	
Adjustment to Correct Accruals	(626)	
Adjusted Balance	<u>82,722</u>	<u>82,722</u>
Development Authority		
Revenues	526,015	
Prior Year Fund Balance	(514,782)	
Adjusted Balance	<u>11,233</u>	<u>11,233</u>
Expenditures	112,000	
Adjusted Balance	<u>112,000</u>	<u>112,000</u>
Debt Service Fund		
Revenues	204,254	
Prior Year Fund Balance	(87,001)	
Adjusted Balance	<u>117,253</u>	<u>117,253</u>
Expenditures	120,035	
Adjusted Balance	<u>120,035</u>	<u>120,035</u>
Non-major Funds		
Fire Dept Special Equip Revenue	134,344	
Prior Year Fund Balance	(99,500)	
Fire Dept Sales Tax Revenue	175,693	
Prior Year Fund Balance	(68,700)	
Police Dept Sales Tax Revenue	203,815	
Prior Year Fund Balance	(96,600)	
Adjustment for Sale of Asset	(164)	
1.25% Sales Tax Revenue	677,620	
Prior Year Fund Balance	(273,000)	
Auxiliaray Fire Dept Revenue	3,864	
Cemetery Fund Revenues	4,867	
Prior Year Fund Balance	(2,700)	
Sports/Recreation Complex Revenue	378,107	
Prior Year Fund Balance	(169,400)	
Proceeds from CD Cashed In	(200,000)	
Adjusted Balance	<u>668,246</u>	<u>668,246</u>
Fire Dept Special Equip Expenditures	62,460	
Fire Dept Sales Tax Expenditures	110,907	
Adjustment to Correct Accruals	193	
Police Dept Sales Tax Expenditures	146,551	
Adjustment to Correct Accruals	(708)	
1.25% Sales Tax Expenditures	279,395	
Auxiliaray Fire Dept Expenditures	0	
Cemetery Fund Expenditures	0	
Sports/Recreation Complex Expenditures	209,351	
Adjusted Balance	<u>808,149</u>	<u>808,149</u>

SUPPLEMENTARY INFORMATION

TOWN OF FORT GIBSON
BUDGET TO ACTUAL - BUDGETARY BASIS
JUNE 30, 2012

	BEGINNING BUDGET	FINAL BUDGET	YTD ACTUAL	BUDGET BALANCE
<hr/>				
50 -FORT GIBSON UTILITIES FINANCIAL SUMMARY				
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TOTAL REVENUES	2,552,150	4,161,820	3,993,419	168,401
EXPENDITURE SUMMARY				
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21-GENERAL GOVERNMENT	750,904	1,545,875	1,089,422	456,453
31-SANITATION	266,166	429,801	387,095	42,706
41-WASTE WATER	644,337	1,500,278	1,341,634	158,644
51-WATER	890,743	685,866	640,782	45,084
<hr/>				
TOTAL EXPENDITURES	2,552,150	4,161,820	3,458,933	702,887
REVENUES OVER/(UNDER) EXPENDITURES	0	0	534,486	(534,486)
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TOWN OF FORT GIBSON
RECONCILIATION OF ACTUAL - BUDETARY BASIS TO STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
JUNE 30, 2012

Utility Authority	<u>Budget</u>	<u>Statement of Revenues, Expenses, and Changes in Fund Net Assets</u>
Revenue	3,993,419	
Prior Year Fund Balance	(632,600)	
Loan Proceeds	(705,495)	
Adjust Accounts Receivable	12,324	
Additional Grant Income	153,596	
Adjusted Balance		<u>2,821,244</u>
General Government Expenses	1,089,422	
Correction of Accruals	6,614	
Payment of Principal	(70,777)	
Adjust Management Fees	2,175	
Expenses Capitalized	(475,280)	
Adjusted Balance		552,154
Sanitation Expenses	387,095	
Correction of Accruals	1,033	
Expenses Capitalized	(134,906)	
Adjusted Balance		253,222
Wastewater Expenses	1,341,634	
Correction of Accruals	115	
Additional Interest Expense	1,031	
Payment of Principal	(104,486)	
Expenses Capitalized	(955,671)	
Adjusted Balance		282,623
Water Expenses	640,782	
Correction of Accruals	400	
Additional Interest Expense	(1,366)	
Payment of Principal	(123,676)	
Expenses Capitalized	(60,631)	
Adjusted Balance		455,509
Bad Debt Expense		12,682
Depreciation Expense		224,149
Total Expenses		<u><u>1,780,339</u></u>



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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*.

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

We have audited the financial statements of the Town of Fort Gibson as of and for the year ended June 30, 2012, and have issued our report thereon dated January 18, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any

deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined previously.

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*.

This report is intended solely for the information and use of the Board of Trustees, management, others within the Town, and the Office of the State Auditor and Inspector and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Clothier & Company CPA's".

Clothier & Company, CPA's, P.C.
January 18, 2013