

OLDEST TOWN IN OKLAHOMA

***FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2011***



Clothier & Company CPA's P.C.

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TOWN OF FORT GIBSON

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INDEPENDENT AUDITORS' REPORT

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

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, 2011, 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 above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Gibson, Oklahoma as of June 30, 2011, 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.

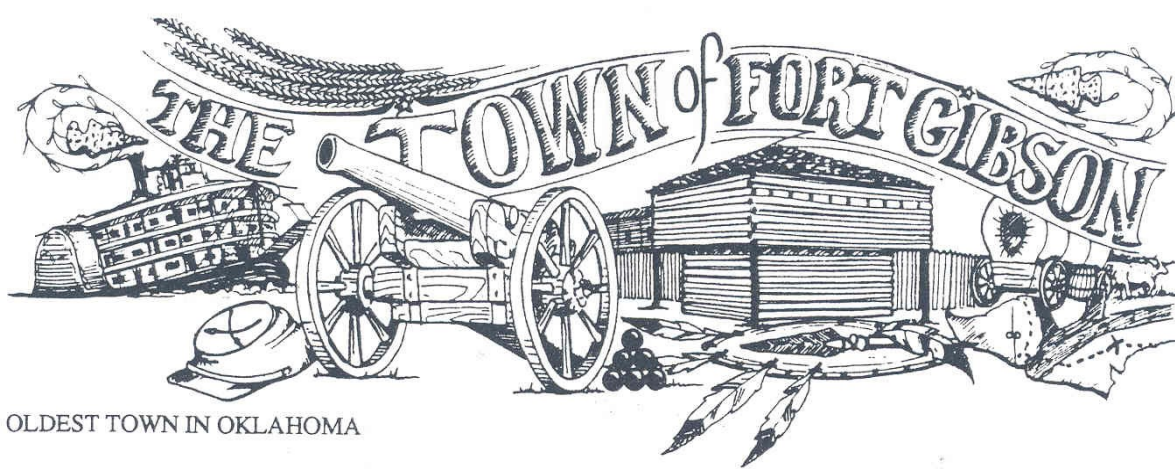
In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2011, on our consideration of the Town of Fort Gibson, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages I through VII and 26 through 29, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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. The budgetary comparison information for the Utility Authority has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Clothier & Company CPAs". The signature is written in black ink and is positioned above the printed name of the firm.

Clothier & Company, CPA's, P.C.
December 22, 2011



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, 2011. 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, 2009, 2010 and 2011, net assets changed as follows:

| | Government al Activities | | Business- type Activities | | Total | |
|----------------------|--------------------------------|--------|---------------------------------|---------|--------------|-------|
| Beginning Net Assets | \$3,607,793 | | \$ 3,833,846 | | \$ 7,441,639 | |
| Change 2009 | 464,505 | 12.87% | (57,456) | (1.50)% | 407,049 | 5.47% |

| | | | | | | |
|-------------------------|---------------------|--------|---------------------|--------|---------------------|--------|
| Net assets July 1, 2009 | 3,607,793 | | 3,776,390 | | 7,848,688 | |
| Change 2010 | 417,981 | 10.26% | 541,132 | 14.33% | 959,113 | 12.22% |
| Net assets July 1, 2010 | <u>4,490,279</u> | | <u>4,317,522</u> | | <u>8,807,801</u> | |
| Change 2011 | 1,193,156 | 26.57% | 595,701 | 13.80% | 1,788,857 | 20.37% |
| Ending Net Assets | <u>\$ 5,683,435</u> | | <u>\$ 4,913,223</u> | | <u>\$10,596,658</u> | |

That reflects an increase of 13.80% for Business-type activities and an increase of 26.57% for governmental activities for 2011 compared to the June 30, 2010 balance.

Governmental Activities

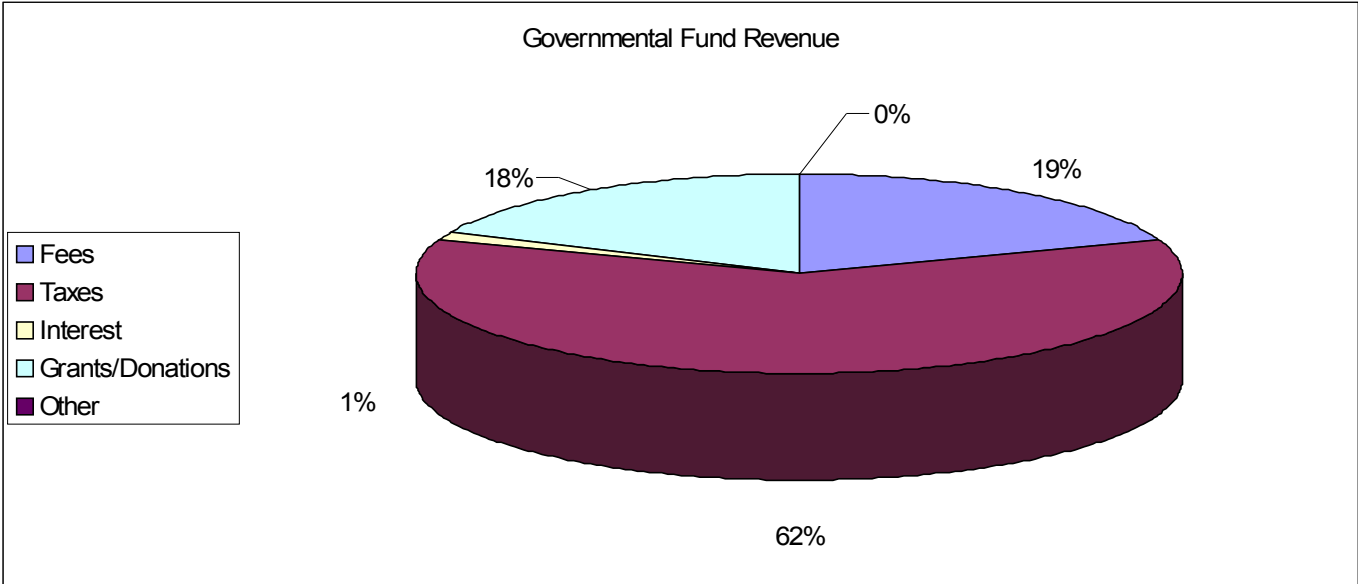
To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column 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.

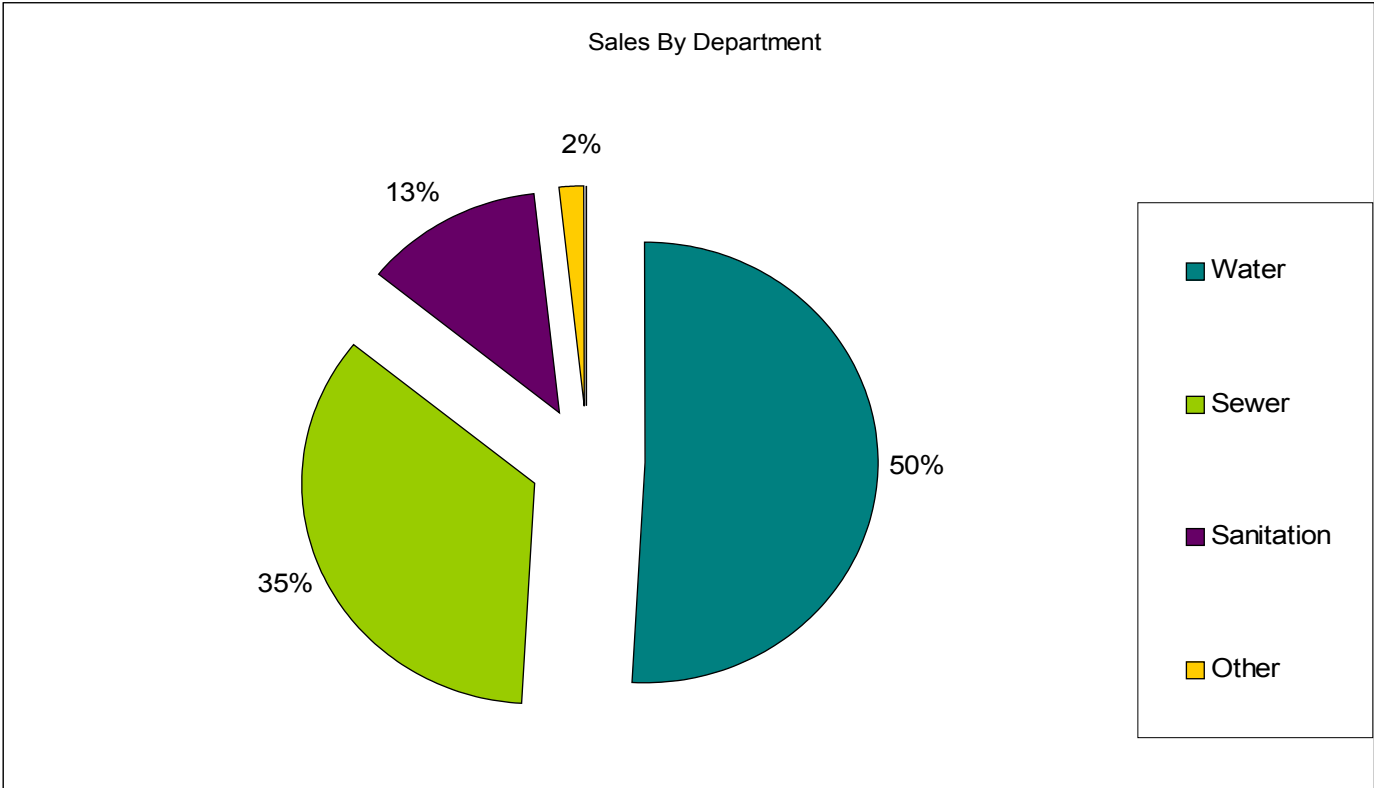
All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

All departments have remained substantially the same from 2010 to 2011 except general fund and non-major fund. General fund income increased 43.01% and expenses 23.18%. Part of the increase was due to the Downtown Enhancement Grant & related expenses. The non-major funds income increased 68.33% and expenses 105.27%. These changes are in part due to Muskogee County Sales Tax that is used for the fire department that was used to purchase a Rescue Pumper plus equipment for the truck. Another large amount was in the 1.25% Sales Tax Fund. Insurance proceeds went through this fund and part of the roof project for the Town Hall was paid for out of that fund.

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, 2011 and the amounts and percentages of change in relation to 2010.

| | 2011 | | <u>Increase (Decrease)</u> | |
|----------------------------|--------------------|----------------|----------------------------|----------|
| | <u>Amounts.</u> | <u>%</u> | <u>Amounts.</u> | <u>%</u> |
| Expenditures: | | | | |
| Current operating expenses | \$1,614,051 | 63.72% | \$ 166,333 | 10.31% |
| Debt service | 124,462 | 4.91% | (2,898) | (2.33)% |
| Capital outlay | 794,707 | 31.37% | 612,679 | 77.09% |
| Total Expenditure | <u>\$2,533,220</u> | <u>100.00%</u> | <u>\$776,114</u> | |

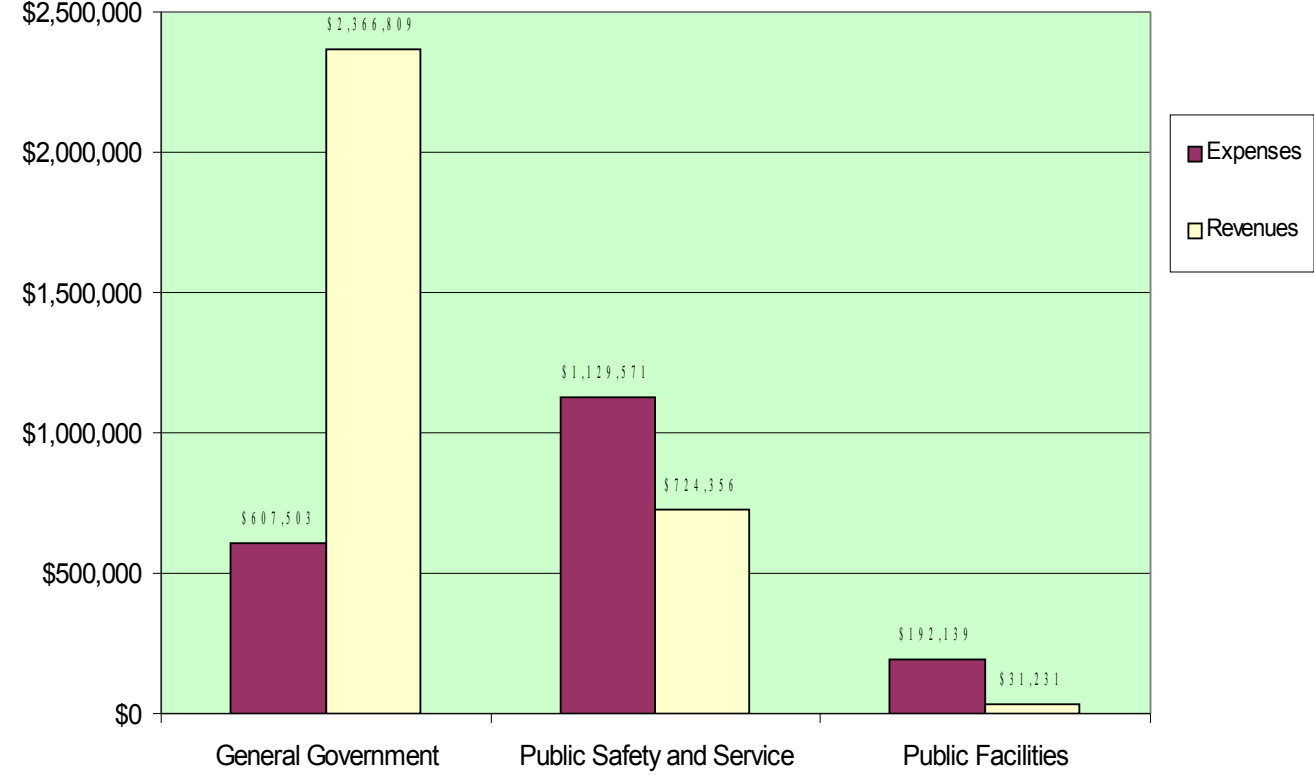
| | 2011 | | <u>Increase (Decrease)</u> | |
|--------------------------|--------------------|----------------|----------------------------|------------|
| | <u>Amounts.</u> | <u>%</u> | <u>Amounts.</u> | <u>%</u> |
| Revenue: | | | | |
| Taxes | \$1,815,938 | 61.21% | \$ 351,734 | 19.37% |
| Franchise fees | 162,694 | 5.48% | (4,968) | (3.06)% |
| Fines, fees, and charges | 414,772 | 13.98% | 117,787 | 28.40% |
| Grants and donations | 534,284 | 18.01% | 480,540 | 89.94% |
| Investment income | 37,149 | 1.26% | 852 | 2.30% |
| Miscellaneous | 1,525 | .06% | (25,292) | (1658.50)% |
| Total Revenues | <u>\$2,966,362</u> | <u>100.00%</u> | <u>\$ 920,653</u> | |

The following presents a summary of proprietary funds revenue and expenditures for the fiscal year ended June 30, 2011 and the amounts and percentages of change in relation to 2010.

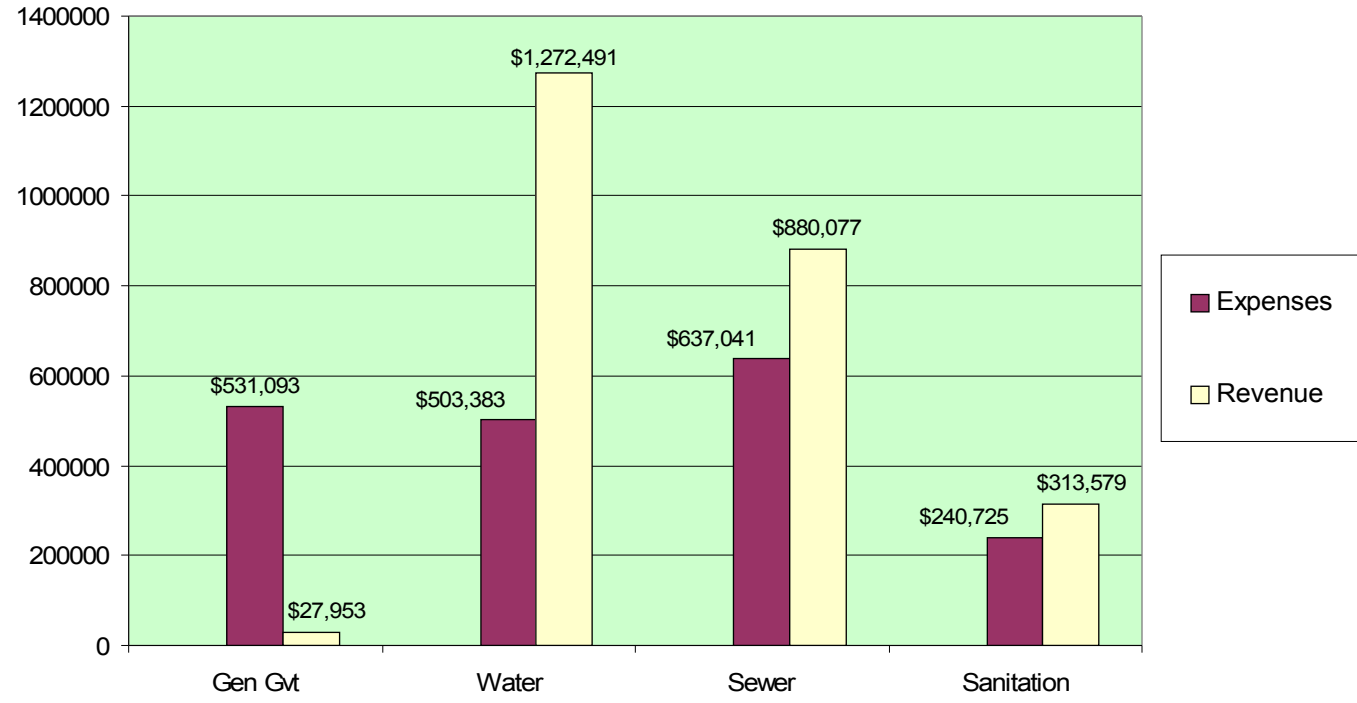
| | 2011 | | <u>Increase (Decrease)</u> | |
|--------------------------|---------------------|----------------|----------------------------|--------------|
| | <u>Amounts.</u> | <u>%</u> | <u>Amounts.</u> | <u>%</u> |
| Operating Expense | | | | |
| Utilities | <u>\$1,912,242</u> | <u>100.00%</u> | <u>\$ 84,511</u> | <u>4.42%</u> |
| Total Operating Expense | <u>\$ 1,912,242</u> | <u>100.00%</u> | <u>\$ 84,511</u> | |

| | 2011 | | <u>Increase (Decrease)</u> | |
|-----------------|--------------------|----------------|----------------------------|--------------|
| | <u>Amounts.</u> | <u>%</u> | <u>Amounts.</u> | <u>%</u> |
| Revenue: | | | | |
| Utilities | <u>\$2,494,100</u> | <u>100.00%</u> | <u>\$ 150,529</u> | <u>6.04%</u> |
| Total Revenues | <u>\$2,494,100</u> | <u>100.00%</u> | <u>\$ 150,529</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, 2011, the Town had just under \$ 15 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 | \$ 5,222,167 | \$ 1,944,720 | \$ 3,277,447 |
| Fort Gibson Utility Authority | 9,491,536 | 4,191,214 | 5,300,322 |
| | <u>\$ 14,713,703</u> | <u>\$ 6,135,934</u> | <u>\$ 8,577,769</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 two new police vehicle for \$51,291 and equipment for the vehicles for \$13,346. Insurance proceeds were used to help pay for a new roof for the Town Hall for \$218,751. An Energy Efficiency Grant helped pay for the roof project as well as other improvements to the Town Hall. The Downtown Enhancement Project spent \$95,731 for improvement in sidewalks, lighting, and outdoor project in the downtown area. The fire department used Muskogee County Sales Tax Funds to help purchase a new Responder Pumper Truck for \$211,873 and equipment for the truck for \$21,153. The Utility Authority started a New Aerator Project.

Debt

At year-end, the Town of Fort Gibson and Fort Gibson Utility Authority had \$2,256,307 in long-term outstanding notes compared to \$2,622,592 last year. That is a decrease of 13.97 percent as shown in the following table.

| | Governmental Activities | | Business-type | |
|--------|------------------------------------|-------------|----------------------|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| Totals | \$ 600,000 | \$ 690,000 | \$ 1,656,307 | \$ 1,932,592 |

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 2011/12 year.

- Fort Gibson Utility Authority increased water, sewer, and trash rates on July 1, 2011.

General Fund

- Police Department computers and equipment 35,453.00
- Recreational Grant 50,000.00

Police Department Sales Tax

- Balance of computers and equipment 57,647.00
- New frequency radio equipment 77,000.00

Fire Department Special Equipment Account

| | |
|---|--------------|
| • Vehicle | 30,000.00 |
| Utility Authority | |
| • Water line to Georgetown | 50,000.00 |
| • Trackhoe | 55,000.00 |
| • Sanitation truck | 155,403.00 |
| • Automated meter reading system | 350,000.00 |
| • Dumpsters and poly carts | 30,000.00 |
| • Flushers for the water plant | 7,000.00 |
| • Worm gear repair and labor | 10,300.00 |
| • Inspection and maintenance of water towers | 24,000.00 |
| • Purchase of generator | 25,000.00 |
| • Vehicle for water plant | 18,500.00 |
| Special Projects | |
| • Fort Gibson Municipal Park | 471,828.00 |
| • Wastewater Aerator Replacement Project | 1,000,075.00 |
| • Replacement of 12 inch water line estimated | 434,124.00 |
| • Georgetown Waterline projected cost | 200,000.00 |

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, 2011**

| | Primary Government | | |
|--|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 2,261,397 | \$ 543,424 | \$ 2,804,821 |
| Sales Tax Receivable | 142,368 | 0 | 142,368 |
| Other Tax Receivable | 13,667 | 0 | 13,667 |
| Trade Accounts Receivable | <u>326,342</u> | <u>216,498</u> | <u>542,840</u> |
| Total Current Assets | <u>2,743,774</u> | <u>759,922</u> | <u>3,503,696</u> |
| Noncurrent Assets | | | |
| Capital Assets | | | |
| Distribution System | 0 | 8,316,733 | 8,316,733 |
| Office Equipment | 0 | 130,387 | 130,387 |
| Building and Improvements | 2,763,552 | 0 | 2,763,552 |
| Equipment | 631,720 | 493,309 | 1,125,029 |
| Autos & Trucks | 1,072,750 | 265,857 | 1,338,607 |
| Land | 60,000 | 42,581 | 102,581 |
| Construction in Progress | 12,000 | 106,516 | 118,516 |
| Debt Issue Costs | 0 | 136,153 | 136,153 |
| Infrastructure | 682,145 | 0 | 682,145 |
| Accumulated Depreciation | (1,944,720) | (4,191,214) | (6,135,934) |
| Restricted Cash | <u>383,940</u> | <u>735,295</u> | <u>1,119,235</u> |
| Total Noncurrent Assets | <u>3,661,387</u> | <u>6,035,617</u> | <u>9,697,004</u> |
| Total Assets | <u>6,405,161</u> | <u>6,795,539</u> | <u>13,200,700</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts Payable | 68,777 | 88,715 | 157,492 |
| Accrued Payroll and Benefits | 29,325 | 21,502 | 50,827 |
| Accrued Expenses | 1,862 | 24,996 | 26,858 |
| Current Portion of Long-term Debt | 90,000 | 273,674 | 363,674 |
| Water Deposits | <u>0</u> | <u>76,020</u> | <u>76,020</u> |
| Total Current Liabilities | 189,964 | 484,907 | 674,871 |
| Noncurrent Liabilities | | | |
| Accrued Vacations | 21,762 | 14,776 | 36,538 |
| Long-term Debt | <u>510,000</u> | <u>1,382,633</u> | <u>1,892,633</u> |
| Total Noncurrent Liabilities | <u>531,762</u> | <u>1,397,409</u> | <u>1,929,171</u> |
| Total Liabilities | <u>721,726</u> | <u>1,882,316</u> | <u>2,604,042</u> |
| NET ASSETS | | | |
| Invested in Capital Assets Net of Debt | 2,677,447 | 3,644,015 | 6,321,462 |
| Restricted for: | | | |
| Debt Service | 87,559 | 119,322 | 206,881 |
| Other Purposes | 400,411 | 43,025 | 443,436 |
| Unrestricted | <u>2,518,018</u> | <u>1,106,861</u> | <u>3,624,879</u> |
| Total Net Assets | <u>\$ 5,683,435</u> | <u>\$ 4,913,223</u> | <u>\$ 10,596,658</u> |

**TOWN OF FORT GIBSON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

| Function / Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--------------------------------------|---------------------|-------------------------|--|--|--|----------------------------------|----------------------|
| | | 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 | \$ 607,530 | \$ 91,950 | \$ 470,619 | \$ 0 | \$ (44,961) | \$ 0 | \$ (44,961) |
| Public Safety and Service | 1,129,571 | 298,878 | 56,665 | 0 | (774,028) | 0 | (774,028) |
| Public Facilities | 192,139 | 23,943 | 7,000 | 0 | (161,196) | 0 | (161,196) |
| Total Governmental Activities | <u>1,929,240</u> | <u>414,771</u> | <u>534,284</u> | <u>0</u> | <u>(980,185)</u> | <u>0</u> | <u>(980,185)</u> |
| Business-type Activities: | | | | | | | |
| Utility | 1,912,242 | 2,494,100 | 0 | 0 | 0 | 581,858 | 581,858 |
| Total Business-type Activities | <u>1,912,242</u> | <u>2,494,100</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>581,858</u> | <u>581,858</u> |
| Total Primary Government | <u>\$ 3,841,482</u> | <u>\$ 2,908,871</u> | <u>\$ 534,284</u> | <u>\$ 0</u> | <u>(980,185)</u> | <u>581,858</u> | <u>(398,327)</u> |
| General Revenues: | | | | | | | |
| Franchise Fees | | | | | 162,694 | 0 | 162,694 |
| Sales Tax Revenue | | | | | 1,690,510 | 0 | 1,690,510 |
| Other Taxes | | | | | 281,463 | 0 | 281,463 |
| Investment Income | | | | | 37,149 | 13,843 | 50,992 |
| Gain (Loss) on Capital Assets | | | | | <u>1,525</u> | <u>0</u> | <u>1,525</u> |
| Total General Revenues and Transfers | | | | | 2,173,341 | 13,843 | 2,187,184 |
| Change in Net Assets | | | | | 1,193,156 | 595,701 | 1,788,857 |
| Net Assets - Beginning | | | | | <u>4,490,279</u> | <u>4,317,522</u> | <u>8,807,801</u> |
| Net Assets - Ending | | | | | <u>\$ 5,683,435</u> | <u>\$ 4,913,223</u> | <u>\$ 10,596,658</u> |

See accompanying footnotes and auditors' report.

**TOWN OF FORT GIBSON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

| | General Fund | Street and Alley Fund | Development Authority | Debt Service | Non-major Funds | Total Governmental Funds |
|--|-------------------|--------------------------|--------------------------|------------------|---------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and Cash Equivalents | \$ 395,938 | \$ 660,550 | \$ 515,310 | \$ 86,858 | \$ 602,741 | \$ 2,261,397 |
| Trade Accounts Receivable | 208,690 | 0 | 0 | 0 | 117,652 | 326,342 |
| Restricted Cash | <u>61,431</u> | <u>0</u> | <u>4,662</u> | <u>0</u> | <u>317,847</u> | <u>383,940</u> |
| Total Assets | <u>\$ 666,059</u> | <u>\$ 660,550</u> | <u>\$ 519,972</u> | <u>\$ 86,858</u> | <u>\$ 1,038,240</u> | <u>\$ 2,971,679</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities | | | | | | |
| Accounts Payable | \$ 20,009 | \$ 1,766 | \$ 0 | \$ 0 | \$ 47,002 | \$ 68,777 |
| Accrued Payroll and Benefits | 22,418 | 1,398 | 0 | 0 | 5,509 | 29,325 |
| Accrued Expenses | <u>1,716</u> | <u>27</u> | <u>0</u> | <u>0</u> | <u>119</u> | <u>1,862</u> |
| Total Liabilities | 44,143 | 3,191 | 0 | 0 | 52,630 | 99,964 |
| Fund Balances | | | | | | |
| Nonspendable | 0 | 0 | 0 | 0 | 0 | 0 |
| Restricted | 0 | 657,359 | 0 | 86,858 | 680,704 | 1,424,921 |
| Committed | 78,998 | 0 | 519,972 | 0 | 304,906 | 903,876 |
| Assigned | 61,431 | 0 | 0 | 0 | 0 | 61,431 |
| Unassigned | <u>481,487</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>481,487</u> |
| Total Fund Balances | <u>621,916</u> | <u>657,359</u> | <u>519,972</u> | <u>86,858</u> | <u>985,610</u> | <u>2,871,715</u> |
| Total Liabilities and Fund Bala | <u>\$ 666,059</u> | <u>\$ 660,550</u> | <u>\$ 519,972</u> | <u>\$ 86,858</u> | <u>\$ 1,038,240</u> | <u>\$ 2,971,679</u> |
| <u>Amounts reported for governmental activities in the Statement of Net Assets are different</u> | | | | | | |
| Receivables reported in the governmental activities are recognized as revenue for the governmental act | | | | | | 156,035 |
| Capital assests used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | | | | | | 3,277,447 |
| Accrued liabilities used in the governmental activities are not payable from current resources and therefore are not reported in the government funds. | | | | | | (21,762) |
| Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | | | | | (600,000) |
| Net assets of governmental activities | | | | | | <u>\$ 5,683,435</u> |

TOWN OF FORT GIBSON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

| | General Fund | Street and Alley Fund | Development Authority | Debt Service | Non- major | Total Governmental Funds |
|---|-------------------|--------------------------|--------------------------|------------------|------------------|--------------------------------|
| REVENUES | | | | | | |
| Franchise Fees | \$ 162,694 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 162,694 |
| Sales Tax Revenue | 611,959 | 191,237 | 0 | 0 | 744,946 | 1,548,142 |
| Other Taxes | 116,702 | 31,982 | 0 | 119,112 | 0 | 267,796 |
| Investment Income | 10,904 | 8,662 | 6,762 | 1,535 | 9,286 | 37,149 |
| Gain (Loss) on Capital Asset | 0 | 0 | 0 | 0 | 1,525 | 1,525 |
| Fees Fines and Charges | 380,958 | 0 | 0 | 0 | 33,814 | 414,772 |
| Intergovernmental | 285,687 | 0 | 0 | 0 | 248,597 | 534,284 |
| Total Revenues | <u>1,568,904</u> | <u>231,881</u> | <u>6,762</u> | <u>120,647</u> | <u>1,038,168</u> | <u>2,966,362</u> |
| EXPENDITURES | | | | | | |
| General Government | | | | | | |
| Personel Services | 82,475 | 35,351 | 0 | 0 | 19,828 | 137,654 |
| Materials and Supplies | 9,574 | 10,242 | 0 | 0 | 0 | 19,816 |
| Other Services and Charges | 182,276 | 12,475 | 6,450 | 0 | 322 | 201,523 |
| Note Payments | 0 | 0 | 0 | 90,000 | 0 | 90,000 |
| Interest Expense | 0 | 0 | 0 | 32,785 | 0 | 32,785 |
| Agency and Trustee Fees | 0 | 0 | 0 | 1,677 | 0 | 1,677 |
| Capital Outlay | 181,411 | 19,953 | 0 | 0 | 225,952 | 427,316 |
| Other Service and Charges | 1,550 | 0 | 0 | 0 | 0 | 1,550 |
| Personel Services | 0 | 0 | 0 | 0 | 81,025 | 81,025 |
| Public Safety and Service | | | | | | |
| Personel Services | 603,352 | 0 | 0 | 0 | 254,225 | 857,577 |
| Materials and Supplies | 12,093 | 9,489 | 0 | 0 | 49,799 | 71,381 |
| Other Service and Charges | 106,950 | 2,042 | 0 | 0 | 22,965 | 131,957 |
| Capital Outlay | 1,956 | 0 | 0 | 0 | 315,247 | 317,203 |
| Public Facilities | | | | | | |
| Personel Services | 43,437 | 0 | 0 | 0 | 8,962 | 52,399 |
| Materials and Supplies | 11,002 | 0 | 0 | 0 | 0 | 11,002 |
| Other Service and Charges | 36,672 | 0 | 0 | 0 | 11,495 | 48,167 |
| Capital Outlay | 15,806 | 0 | 0 | 0 | 34,382 | 50,188 |
| Total Expenditures | <u>1,288,554</u> | <u>89,552</u> | <u>6,450</u> | <u>124,462</u> | <u>1,024,202</u> | <u>2,533,220</u> |
| Excess (deficiency) of Revenues Over | <u>280,350</u> | <u>142,329</u> | <u>312</u> | <u>(3,815)</u> | <u>13,966</u> | <u>433,142</u> |
| OTHER FINANCING | | | | | | |
| Transfers Out | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Other Financing Sources and Uses | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Net Change in Fund Bal | 280,350 | 142,329 | 312 | (3,815) | 13,966 | 433,142 |
| Fund Balances - Beginning | <u>341,566</u> | <u>515,030</u> | <u>519,660</u> | <u>90,673</u> | <u>971,644</u> | <u>2,438,573</u> |
| Fund Balances - Ending | <u>\$ 621,916</u> | <u>\$ 657,359</u> | <u>\$ 519,972</u> | <u>\$ 86,858</u> | <u>\$985,610</u> | <u>\$ 2,871,715</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, 2011

| | | |
|---|------------------|---------------------------|
| Net change in fund balances - total governmental funds | | \$433,142 |
| <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. | | 156,035 |
| 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 | 794,707 | |
| Less current year depreciation | <u>(199,793)</u> | 594,914 |
| <p>Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, these costs represent expenses of the current year.</p> | | |
| <p>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.</p> | | |
| | | 0 |
| <p>Governmental funds report expenditures when paid. The Statement of Activities reports expenditures when incurred.</p> | | |
| | | <u>(80,935)</u> |
| Change in Net Assets of Governmental Activities | | <u><u>\$1,193,156</u></u> |

See accompanying footnotes and auditors' report.

**TOWN OF FORT GIBSON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011**

| | Business-type Activities- Enterprise Funds | |
|-----------------------------------|---|---------------------|
| | Utilities | Totals |
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 543,424 | \$ 543,424 |
| Trade Accounts Receivable | <u>216,498</u> | <u>216,498</u> |
| Total Current Assets | <u>759,922</u> | <u>759,922</u> |
| Noncurrent Assets | | |
| Restricted Assets | | |
| Restricted Cash | 735,295 | 735,295 |
| Capital Assets | | |
| Distribution System | 8,316,733 | 8,316,733 |
| Office Equipment | 130,387 | 130,387 |
| Equipment | 493,309 | 493,309 |
| Autos & Trucks | 265,857 | 265,857 |
| Land | 42,581 | 42,581 |
| Construction in Progress | 106,516 | 106,516 |
| Debt Issue Costs | 136,153 | 136,153 |
| Accumulated Depreciation | <u>(4,191,214)</u> | <u>(4,191,214)</u> |
| Total Noncurrent Assets | <u>6,035,617</u> | <u>6,035,617</u> |
| Total Assets | <u>6,795,539</u> | <u>6,795,539</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable | 88,715 | 88,715 |
| Accrued Payroll and Benefits | 21,502 | 21,502 |
| Accrued Expenses | 24,996 | 24,996 |
| Current Portion of Long-term Debt | 273,674 | 273,674 |
| Water Deposits | <u>76,020</u> | <u>76,020</u> |
| Total Current Liabilities | <u>484,907</u> | <u>484,907</u> |
| Noncurrent Liabilities | | |
| Accrued Vacations | 14,776 | 14,776 |
| Long-term Debt | <u>1,382,633</u> | <u>1,382,633</u> |
| Total Noncurrent Liabilities | <u>1,397,409</u> | <u>1,397,409</u> |
| Total Liabilities | <u>1,882,316</u> | <u>1,882,316</u> |
| NET ASSETS | | |
| Invested in Capital Assets | 3,644,015 | 3,644,015 |
| Restricted for: | | |
| Debt Service | 127,312 | 127,312 |
| Capital Projects | 42,983 | 42,983 |
| Unrestricted | <u>1,098,913</u> | <u>1,098,913</u> |
| Total Net Assets | <u>\$ 4,913,223</u> | <u>\$ 4,913,223</u> |

TOWN OF FORT GIBSON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

| | Business-type Activities- Enterprise Funds | |
|---|---|---------------------|
| | Utilities | Total |
| Operating Revenues | | |
| Fines, Fees and Charges | \$ 27,953 | \$ 27,953 |
| Water | 1,272,491 | 1,272,491 |
| Sewer | 880,077 | 880,077 |
| Sanitation | 313,579 | 313,579 |
| Total Operating Revenues | <u>2,494,100</u> | <u>2,494,100</u> |
| Operating Expenses | | |
| General Government | | |
| Personel Services | 310,267 | 310,267 |
| Materials and Supplies | 49,959 | 49,959 |
| Other Services and Charges | 151,203 | 151,203 |
| Interest Expense | 17,109 | 17,109 |
| Agency and Trustee Fees | 2,555 | 2,555 |
| Sanitation | | |
| Personel Services | 124,621 | 124,621 |
| Materials and Supplies | 15,279 | 15,279 |
| Other Service and Charges | 100,825 | 100,825 |
| Water | | |
| Personel Services | 116,558 | 116,558 |
| Materials and Supplies | 178,900 | 178,900 |
| Other Service and Charges | 167,842 | 167,842 |
| Interest Expense | 37,333 | 37,333 |
| Agency and Trustee Fees | 2,750 | 2,750 |
| Wastewater | | |
| Personel Services | 61,089 | 61,089 |
| Materials and Supplies | 45,816 | 45,816 |
| Other Service and Charges | 301,042 | 301,042 |
| Interest Expense | 19,820 | 19,820 |
| Agency and Trustee Fees | 2,000 | 2,000 |
| Depreciation Expense | 207,274 | 207,274 |
| Total Operating Expenses | <u>1,912,242</u> | <u>1,912,242</u> |
| Operating Income (Loss) | <u>581,858</u> | <u>581,858</u> |
| Non-Operating Revenues (Expenses) | | |
| Interest Earnings | 13,843 | 13,843 |
| Total Non-Operating Revenues (Expenses) | <u>13,843</u> | <u>13,843</u> |
| Income (Loss) Before Contributions and Transfers | <u>595,701</u> | <u>595,701</u> |
| Change in Net Assets | 595,701 | 595,701 |
| Net Assets - Beginning | <u>4,317,522</u> | <u>4,317,522</u> |
| Net Assets - Ending | <u>\$ 4,913,223</u> | <u>\$ 4,913,225</u> |

See accompanying footnotes and auditors' report.

TOWN OF FORT GIBSON
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
JUNE 30, 2011

Cash Flows From Operating Activities

| | |
|--|----------------|
| Receipts from customers (users) | \$2,526,696 |
| Payments to suppliers | (957,183) |
| Payments to employees | (621,343) |
| Other operating payments | 20,174 |
| Net cash provided (used) by operating activities | <u>968,344</u> |

Cash Flows From Non-Capital Financing Activities

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

Cash Flows From Capital and Related Financing Activities

| | |
|--|------------------|
| Acquisition and construction of capital assets | (208,462) |
| Net sale of capital assets | 0 |
| Principal paid on long-term debt | (276,285) |
| Interest paid on long-term debt | (74,262) |
| Net cash provided (used) by capital financing activities | <u>(559,009)</u> |

Cash Flows From Investing Activities

| | |
|--|---------------|
| Interest received on cash deposits | 13,843 |
| Net cash provided (used) by investing activities | <u>13,843</u> |

| | |
|---|---------------------------|
| Net increase (decrease) in cash and cash equivalents | 423,178 |
| Cash and Cash Equivalents at June 30, 2010 (includes restricted cash) | <u>855,541</u> |
| Cash and Cash Equivalents at June 30, 2011 (includes restricted cash) | <u><u>\$1,278,719</u></u> |

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

| | |
|---|-------------------------|
| Operating Income (loss) | \$581,858 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Interest expense | 74,262 |
| Depreciation and amortization | 207,274 |
| (Increase)/decrease in accounts receivable | 32,596 |
| Increase/(decrease) in accounts payable | 60,988 |
| Increase/(decrease) in accrued expenses | (8,564) |
| Increase/(decrease) in customer deposits | 20,174 |
| Increase/(decrease) in accrued compensated absences | (244) |
| Net cash provided (used) by operating activities | <u><u>\$968,344</u></u> |

See accompanying footnotes and auditors' report.

TOWN OF FORT GIBSON
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

| | Municipal Court Bond Fund | Total Fiduciary Funds |
|----------------------------------|--------------------------------------|--------------------------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$0 | \$0 |
| Accounts Receivable | 150 | 150 |
| Due from Other Funds | 0 | 0 |
| | | |
| Total Assets | 150 | 150 |
| LIABILITIES | | |
| Due to Other Funds | 4,544 | 4,544 |
| Bonds Payable | 1,017 | 1,017 |
| | | |
| Total Liabilities | 5,561 | 5,561 |
| NET ASSETS | | |
| Held in Trust for Other Purposes | (\$5,411) | (\$5,411) |
| | | |

See accompanying footnotes and auditors' report.

TOWN OF FORT GIBSON
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

| | <u>Municipal Court Bond Fund</u> | <u>Total Fiduciary Funds</u> |
|---------------------------------|--------------------------------------|--------------------------------------|
| ADDITIONS | | |
| Investments Earnings | \$0 | \$0 |
| Bonds | 124,489 | 124,489 |
| | <hr/> | <hr/> |
| Total Additions | 124,489 | 124,489 |
| | <hr/> | <hr/> |
| DEDUCTIONS | | |
| Bond Forfeitures | 125,601 | 125,601 |
| Bond Applied to Fines | 2,583 | 2,583 |
| | <hr/> | <hr/> |
| Total Deductions | 128,184 | 128,184 |
| | <hr/> | <hr/> |
| Change in Net Assets | (3,695) | (3,695) |
| Net Assets at Beginning of Year | (1,716) | (1,716) |
| | <hr/> | <hr/> |
| Net Assets at End of Year | <u><u>\$(5,411)</u></u> | <u><u>\$(5,411)</u></u> |

See the accompanying footnotes and auditors' report.

**TOWN OF FORT GIBSON
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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 a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). The Town's financial statements are prepared 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, Drug Forfeiture funds, 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* are 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* are amounts that are constrained by the government's *intent* to be used for specific purposes but are neither restricted nor committed.

TOWN OF FORT GIBSON

- *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.

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.

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 90 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 Centennial Park and downtown enhancements.

Proprietary Fund:

- Unexpended proceeds of the 2005, 2006, and 2006 Subordinate Sales Tax Revenue Notes 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

The Town has assets with an initial, individual cost of \$500 or more and an estimated useful life or more than a single year generally defines capital assets. 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 at 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, 2011, 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, 2011, 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 by bank not in Town’s name | | | 3,096,481 |
| D. FDIC insured | | | <u>694,147</u> |
| Total | | | <u>\$3,790,628</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, 2011 were a six-month certificate of deposit at 1.24% interest, maturing July 19, 2011 held by the Fort Gibson Utilities Authority, a six-month certificate of deposit at .750% interest, maturing July 26, 2011 held by the Town Fort Gibson, a 182 day certificate of deposit at 1.1% interests, maturing July 18, 2011 held by the Fort Gibson Development Authority, and a 182 day certificate of deposit at 1.1% interest, maturing December 9, 2011 held by the Sports/Recreation Fund.

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 trade accounts receivable at June 30, 2011 for \$326,342. They consisted of:

| | |
|------------------------------------|-----------|
| A-SEECBG/Roof | \$223,400 |
| Downtown Enhancement Funds | 55,878 |
| Miscellaneous Transfer Receivables | 47,063 |

NOTE 5. CAPITAL ASSETS

Governmental Activities

Capital asset activity for the governmental activities for the year ended June 30, 2011 was as follows:

| | <u>Balance</u> <u>June 30, 2010</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>June 30, 2011</u> |
|--|--|------------------|------------------|--|
| 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 | 578,771 | 268,407 | 0 | 847,178 |
| General Government | 865,103 | 397,787 | 0 | 1,262,889 |

TOWN OF FORT GIBSON

| | | | | |
|---|--------------------|------------------|-----------------|--------------------|
| Police | 505,332 | 110,607 | (63,945) | 551,994 |
| Public Facilities | 573,152 | 53,267 | 0 | 626,419 |
| Public Services | 44,445 | 19,885 | 0 | 64,330 |
| Streets | 758,664 | 24,562 | 0 | 783,226 |
| Library | 1,026,130 | 0 | 0 | 1,026,130 |
| Subtotal | <u>4,351,598</u> | <u>874,515</u> | <u>(63,945)</u> | <u>5,162,167</u> |
| Less accumulated depreciation: | | | | |
| Fire | (372,416) | (52,816) | 0 | (425,232) |
| General Government | (526,453) | (23,907) | 0 | (550,360) |
| Police | (314,330) | (59,445) | 63,945 | (309,830) |
| Public Facilities | (245,568) | (20,952) | 0 | (266,520) |
| Public Services | (43,899) | (20,062) | 0 | (63,961) |
| Streets | (153,069) | (41,402) | 0 | (194,471) |
| Library | (113,150) | (21,196) | 0 | (134,346) |
| Subtotal | <u>(1,768,886)</u> | <u>(239,780)</u> | <u>63,945</u> | <u>(1,944,720)</u> |
| Total capital assets being depreciated, net | <u>2,582,711</u> | <u>634,735</u> | <u>0</u> | <u>3,217,447</u> |
| Governmental capital assets, net | <u>\$2,642,711</u> | <u>\$634,735</u> | <u>\$0</u> | <u>\$3,277,447</u> |

Business-type Proprietary Fund

Capital asset activity for the proprietary fund for the year ended June 30, 2011 was as follows:

| | <u>Balance</u> <u>June 30, 2010</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>June 30, 2011</u> |
|---|--|------------------|------------------|--|
| <u>Governmental activities:</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | <u>\$42,581</u> | <u>\$0</u> | <u>\$0</u> | <u>\$42,581</u> |
| Total capital assets not being depreciated | <u>42,581</u> | <u>0</u> | <u>0</u> | <u>42,581</u> |
| Capital assets being depreciated: | | | | |
| Vehicles | 265,857 | 0 | 0 | 265,857 |
| Equipment and machinery | 413,981 | 79,328 | 0 | 493,309 |
| Water and sewer system | 8,305,213 | 11,520 | 0 | 8,316,733 |
| Furniture | 119,289 | 11,097 | 0 | 130,387 |
| Construction in Process | 0 | 106,516 | 0 | 106,516 |
| Subtotal | <u>9,104,340</u> | <u>208,461</u> | <u>0</u> | <u>9,312,802</u> |
| Less accumulated depreciation: | | | | |
| Vehicles | (170,211) | (18,776) | 0 | (188,987) |
| Equipment and machinery | (293,155) | (23,858) | 0 | (317,013) |
| Water and sewer system | (3,425,934) | (157,661) | 0 | (3,583,595) |
| Furniture | (96,641) | (6,978) | 0 | (101,619) |
| Subtotal | <u>(3,983,940)</u> | <u>(207,273)</u> | <u>0</u> | <u>(4,191,214)</u> |
| Total capital assets being depreciated, net | <u>5,120,400</u> | <u>1,188</u> | <u>0</u> | <u>5,121,588</u> |
| Loan origination fees, net | <u>136,153</u> | <u>0</u> | <u>0</u> | <u>136,153</u> |
| Water & sewer system capital assets, net | <u>\$5,299,134</u> | <u>\$1,188</u> | <u>\$0</u> | <u>\$5,300,322</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.

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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

There were no transfers for the year ended June 30, 2011.

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, 2011, is presented below:

| | Balance | | | Balance June 30, 2011 | Classification | |
|--|--------------------|-----------------|--------------------|--------------------------|-----------------------------------|--|
| | July 1, 2010 | Additions | Retirements | | Amounts Due Within One Year | Amounts Due in More Than One Year |
| General Obligation Bonds: | | | | | | |
| 2002 Combined Purpose Bonds | \$690,000 | \$0 | (\$90,000) | \$600,000 | \$90,000 | \$510,000 |
| Fort Gibson Utilities Auth Notes Payable to: | | | | | | |
| Oklahoma Water Resources Board | 542,594 | 0 | (66,287) | 476,307 | 68,674 | 407,633 |
| Fort Gibson Utilities Auth Sales Tax: | | | | | | |
| Revenue Note, Series 2005 | 480,000 | 0 | (80,000) | 400,000 | 80,000 | 320,000 |
| Revenue Note, Series 2006 | 620,000 | 0 | (90,000) | 530,000 | 85,000 | 445,000 |
| Revenue Note, Series 2006 Subordinate | 290,000 | 0 | (40,000) | 250,000 | 40,000 | 210,000 |
| Compensated Absences | 46,829 | 48,589 | (58,880) | 36,538 | | |
| Total | \$2,669,423 | \$48,589 | (\$425,167) | \$2,292,845 | \$363,674 | \$2,498,478 |

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, 2011, the outstanding balance of the bonds was \$600,000.

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> |
|--------------------------------------|------------------|------------------|------------------|
| 2012 | 90,000 | 28,650 | 118,650 |
| 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 |
| 2017-2022 | 150,000 | 7,500 | 157,500 |
| Total | \$600,000 | \$109,350 | \$709,350 |

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 \$18,307, 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 \$24,607, secured by pledge of revenue and mortgage on the distribution system, matures in August 2020.

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> |
|--------------------------------------|------------------|-----------------|------------------|
| 2012 | 68,674 | 14,851 | 83,525 |
| 2013 | 71,160 | 15,715 | 86,875 |
| 2014 | 55,423 | 10,507 | 65,930 |
| 2015 | 38,860 | 8,997 | 47,857 |
| 2016 | 40,357 | 7,696 | 48,053 |
| 2017-2022 | <u>201,833</u> | <u>17,144</u> | <u>218,874</u> |
| Total | <u>\$476,307</u> | <u>\$74,910</u> | <u>\$551,114</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 June1 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> | | | |
|--------------------------------------|------------------|-----------------|------------------|
| 2012 | 80,000 | 16,150 | 96,150 |
| 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 |
| 2017-2022 | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | <u>\$400,000</u> | <u>\$43,670</u> | <u>\$443,670</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> | | | |
|--------------------------------------|------------------|-----------------|------------------|
| 2012 | 85,000 | 20,385 | 105,385 |
| 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 |
| 2017-2022 | <u>55,000</u> | <u>1,099</u> | <u>56,099</u> |
| Total | <u>\$530,000</u> | <u>\$65,950</u> | <u>\$595,950</u> |

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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,

| | | | |
|--------------|------------------|-----------------|------------------|
| 2012 | 40,000 | 10,032 | 50,032 |
| 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 |
| 2017-2022 | 25,000 | 523 | 25,523 |
| Total | \$250,000 | \$35,918 | \$285,913 |

Compensated Absences

The Town's liability for vested and unpaid compensated absences (accrued vacation) has been accrued and at June 30, 2011 amounts to \$21,762 and \$14,776 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 \$74,744 and \$57,796 respectively at June 30, 2011.

NOTE 8. NET ASSETS

Investment in Capital Assets, Net of Related Debt

As of June 30, 2011 the investment in capital assets, net of related debt consisted of the following:

| | Governmental | Business- Type | Total |
|---|--------------|-------------------|--------------|
| Capital assets, net (Note No. 4) | \$ 3,277,447 | \$ 5,300,322 | \$ 8,577,769 |
| 2002 General Obligations Combined Purpose Bonds | (600,000) | 0 | (600,000) |
| Oklahoma Water Resources Board Notes Payable | 0 | (476,307) | (476,307) |
| Sales Tax Revenue Note, Series 2005, 2006, sub 2006 | 0 | (1,180,000) | (1,180,000) |
| Investment in Capital Assets, net of related debt | \$ 2,677,447 | \$ 3,644,015 | \$ 6,321,462 |

Restricted Net Assets

As of June 30, 2011 restricted net assets consisted of the following:

| | Governmental | Business- Type | Total |
|--|-------------------|-------------------|-------------------|
| <u>Restricted for Debt Service:</u> | | | |
| For 2002 General Obligations Combined Purpose Bonds | \$ 87,559 | \$ 0 | \$ 87,559 |
| For 2005, 2006, sub 2006 Sales Tax Revenue Notes | 0 | 70,324 | 70,324 |
| For Meter Deposits | 0 | 48,998 | 48,998 |
| <u>Restricted for Capital Projects and Other Purposes:</u> | | | |
| Unexpended sales proceeds for Sports/Recreation Complex | 300,000 | 0 | 300,000 |
| Unexpended 2005, 2006, sub 2006 Sales Tax Revenue Note Proceeds | 0 | 43,024 | 43,024 |
| Special Revenue Funds | 100,411 | 0 | 100,411 |
| Total Restricted Net Assets | \$ 487,970 | \$ 162,346 | \$ 650,316 |

TOWN OF FORT GIBSON

The Governmental Funds Fund Balance is separated into five categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned. At June 30, 2011 the General Fund had \$78,998 committed to encumbrances, \$61,431 assigned to the Downtown Enhancement Project and Centennial Park. The Street and Alley Fund's entire \$657,359 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 \$519,972 is committed to economic development of the Town. \$86,858 fund balance in the Debt Service Fund is reserved for the General Obligation Bonds payment of debt. The non-major fund balance of \$985,610 is broken down between restricted and committed. The Sports and Recreation Fund has \$300,000 that is restricted for the purchase or construction of a sports complex. \$380,704 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 \$304,906 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:

| <u>Fiscal Year</u> | <u>Required Contribution</u> | <u>% Contributed</u> |
|--------------------|------------------------------|----------------------|
| 2007 | \$34,104 | 100% |
| 2008 | \$35,374 | 100% |
| 2009 | \$37,043 | 100% |
| 2010 | \$33,750 | 100% |
| 2011 | \$37,211 | 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

| <u>Fiscal Year</u> | <u>Required Contribution</u> | <u>% Contributed</u> |
|--------------------|------------------------------|----------------------|
| 2007 | \$ 4,640 | 100% |
| 2008 | \$ 5,758 | 100% |
| 2009 | \$12,394 | 100% |
| 2010 | \$12,596 | 100% |
| 2011 | \$13,486 | 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 7.428% of covered compensation. Participants are permitted to make voluntary deductible contributions to the plan.

For the year ended June 30, 2011, the following amounts relate to this defined contribution plan:

| | |
|-------------------------------|------------|
| Town's total payroll | \$ 757,516 |
| Payroll for covered employees | \$ 730,239 |
| Employer Contributions made | \$ 66,827 |

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, 2011, the Town's Rate Stabilization Reserve (RSR) balance was \$19,090. The RSR are reserves developed under the Premium Modification Guidelines to be applied against future premium increases. There was \$32,226 in loss funds available and interest earned for the year was \$725.

NOTE 11. SUBSEQUENT EVENTS

The Fort Gibson Utility Authority entered into a Clean Water SRF Loan, Series 2011 Clean Water SRF promissory note with Oklahoma Water Resource Board (OWRB) for \$980,000 for the replacement of the existing high speed surface aerators in the existing lagoons with a fine bubble diffused aerator system and all the related construction appurtenances. The note's interest rate is 1.92% per annum plus administrative fee of .5% per annum on outstanding balance of disbursed loan proceeds. Semi annual payments commence on September 15, 2011 for fifteen and one half years. The loan will be funded in part with moneys received pursuant to the provisions of a Clean Water State Revolving Fund Capitalization Grant (the "CWSRF Cap Grant") and may be eligible for Principal Forgiveness funds. As of June 30, 2011, the Utility Authority had some engineering expenses associated with this project listed as Construction in Process in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF FORT GIBSON
BUDGET TO ACTUAL - BUDGETARY BASIS
JUNE 30, 2011

| | BEGINNING BUDGET | FINAL BUDGET | YTD ACTUAL | BUDGET BALANCE |
|-----------------------|---------------------|-----------------|---------------|-------------------|
| <hr/> | | | | |
| 01 - GENERAL FUND | | | | |
| FINANCIAL SUMMARY | | | | |
| <hr/> | | | | |
| TOTAL REVENUES | 2,149,012 | 2,149,012 | 1,909,117 | 239,895 |
| EXPENDITURE SUMMARY | | | | |
| <hr/> | | | | |
| 00-TRUSTEES | 19,900 | 21,300 | 21,300 | 0 |
| 01-TOWN CLERK | 2,800 | 3,128 | 3,128 | 0 |
| 02-TOWN TREASURER | 1,700 | 1,550 | 1,550 | 0 |
| 03-TOWN ATTORNEY | 17,000 | 28,150 | 28,147 | 3 |
| 04-MUNICIPAL COURT | 39,508 | 41,208 | 41,168 | 40 |
| 05-POLICE | 503,490 | 502,397 | 502,263 | 134 |
| 07-FIRE | 18,450 | 18,929 | 16,572 | 2,357 |
| 08-ANIMAL CONTROL | 22,448 | 22,368 | 20,103 | 2,265 |
| 09-BUILDING INSPECTOR | 54,302 | 53,253 | 50,405 | 2,848 |
| 10-PARKS | 301,652 | 301,652 | 42,128 | 259,524 |
| 11-GENERAL GOVERNMENT | 974,655 | 961,692 | 358,492 | 603,200 |
| 13-LIBRARY | 30,824 | 30,824 | 21,479 | 9,345 |
| 15-CEMETERY | 41,193 | 41,306 | 37,804 | 3,502 |
| 17-E911 | 120,590 | 120,755 | 120,693 | 62 |
| 21-CIVIL DEFENSE | 500 | 500 | 227 | 273 |
| <hr/> | | | | |
| TOTAL EXPENDITURES | 2,149,012 | 2,149,012 | 1,265,459 | 883,553 |
| <hr/> | | | | |
| REVENUES OVER/(UNDER) | | | | |
| EXPENDITURES | 0 | 0 | 643,658 | (643,658) |
| <hr/> <hr/> | | | | |

TOWN OF FORT GIBSON

| | BEGINNING BUDGET | FINAL BUDGET | YTD ACTUAL | BUDGET BALANCE |
|---------------------------------------|---------------------|-----------------|---------------|-------------------|
| 10 -STREET & ALLEY FUND | | | | |
| FINANCIAL SUMMARY | | | | |
| TOTAL REVENUES | 644,850 | 644,850 | 675,731 | (30,881) |
| TOTAL EXPENDITURES | 644,850 | 644,850 | 89,571 | 555,279 |
| REVENUES OVER/(UNDER) EXPENDITURES | 0 | 0 | 586,160 | (586,160) |
| 13 -FG DEVELOPMENT AUTHORITY | | | | |
| FINANCIAL SUMMARY | | | | |
| TOTAL REVENUES | 178,100 | 178,100 | 177,999 | 101 |
| TOTAL EXPENDITURES | 6,600 | 6,600 | 6,450 | 150 |
| REVENUES OVER/(UNDER) EXPENDITURES | 171,500 | 171,500 | 171,549 | (49) |
| 14 -FIRE DEPT SPECIAL EQUIP | | | | |
| FINANCIAL SUMMARY | | | | |
| TOTAL REVENUES | 156,185 | 156,185 | 158,682 | (2,497) |
| TOTAL EXPENDITURES | 156,185 | 156,185 | 48,974 | 107,211 |
| REVENUES OVER/(UNDER) EXPENDITURES | 0 | 0 | 109,708 | (109,708) |
| 15 -FIRE DEPARTMENT SALES TAX | | | | |
| FINANCIAL SUMMARY | | | | |
| TOTAL REVENUES | 171,700 | 171,700 | 186,727 | (15,027) |
| TOTAL EXPENDITURES | 171,700 | 171,700 | 109,017 | 62,683 |
| REVENUES OVER/(UNDER) EXPENDITURES | 0 | 0 | 77,710 | (77,710) |

TOWN OF FORT GIBSON

| | BEGINNING BUDGET | FINAL BUDGET | YTD ACTUAL | BUDGET BALANCE |
|---|---------------------|-----------------|----------------|-------------------|
| <u>16 -POLICE DEPT SALES TAX FINANCIAL SUMMARY</u> | | | | |
| TOTAL REVENUES | 214,700 | 214,700 | 236,418 | (21,718) |
| TOTAL EXPENDITURES | 214,700 | 214,700 | 164,640 | 50,060 |
| REVENUES OVER/(UNDER) EXPENDITURES | <u>0</u> | <u>0</u> | <u>71,778</u> | <u>(71,778)</u> |
| <u>21-1.25% SALES TAX FUND FINANCIAL SUMMARY</u> | | | | |
| TOTAL REVENUES | 606,650 | 606,650 | 781,776 | (175,126) |
| TOTAL EXPENDITURES | 606,650 | 606,650 | 386,428 | 220,222 |
| REVENUES OVER/(UNDER) EXPENDITURES | <u>0</u> | <u>0</u> | <u>395,348</u> | <u>(395,348)</u> |
| <u>23-AUXILIARY FIRE DEPARTMENT FINANCIAL SUMMARY</u> | | | | |
| TOTAL REVENUES | 0 | 0 | 1,072 | (1,072) |
| TOTAL EXPENDITURES | 0 | 0 | 1,708 | (1,708) |
| REVENUES OVER/(UNDER) EXPENDITURES | <u>0</u> | <u>0</u> | <u>(636)</u> | <u>636</u> |
| <u>30 -CEMETERY FUND FINANCIAL SUMMARY</u> | | | | |
| TOTAL REVENUES | 40,450 | 40,450 | 41,341 | (891) |
| TOTAL EXPENDITURES | 40,450 | 40,450 | 34,382 | 6,068 |
| REVENUES OVER/(UNDER) EXPENDITURES | <u>0</u> | <u>0</u> | <u>6,959</u> | <u>(6,959)</u> |

TOWN OF FORT GIBSON

| | BEGINNING BUDGET | FINAL BUDGET | YTD ACTUAL | BUDGET BALANCE |
|---------------------------------------|---------------------|-----------------|----------------|-------------------|
| <u>40 -DEBT SERVICE</u> | | | | |
| <u>FINANCIAL SUMMARY</u> | | | | |
| TOTAL REVENUES | 129,000 | 129,000 | 128,247 | 753 |
| TOTAL EXPENDITURES | <u>129,000</u> | <u>129,000</u> | <u>124,462</u> | <u>4,538</u> |
| REVENUES OVER/(UNDER) EXPENDITURES | <u>0</u> | <u>0</u> | <u>3,785</u> | <u>(3,785)</u> |
| | | | | |
| <u>45-SPORTS/RECREATION COMPLEX</u> | | | | |
| <u>FINANCIAL SUMMARY</u> | | | | |
| TOTAL REVENUES | 343,931 | 343,931 | 355,721 | (11,790) |
| TOTAL EXPENDITURES | <u>343,931</u> | <u>343,931</u> | <u>11,496</u> | <u>332,435</u> |
| REVENUES OVER/(UNDER) EXPENDITURES | <u>0</u> | <u>0</u> | <u>344,225</u> | <u>(344,225)</u> |

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

| | Budget | Statement of Revenues, Expenditures, and Changes in Net Assets |
|--|-----------|--|
| General Fund | | |
| Revenues | 1,909,117 | |
| Prior Year Fund Balance | (340,502) | |
| Additional Interest Income | 289 | |
| Adjusted Balance | 289 | 1,568,904 |
| Expenditures | 1,265,459 | |
| Adjustment to Correct Accruals | 23,095 | |
| Adjusted Balance | 23,095 | 1,288,554 |
| Street & Alley Fund | | |
| Revenues | 675,731 | |
| Prior Year Fund Balance | (443,850) | |
| Adjusted Balance | (443,850) | 231,881 |
| Expenditures | 89,571 | |
| Adjustment to Correct Accruals | (19) | |
| Adjusted Balance | (19) | 89,552 |
| Development Authority | | |
| Revenues | 177,999 | |
| Prior Year Fund Balance | (175,899) | |
| Adjusted Balance | (175,899) | 2,100 |
| Expenditures | 6,450 | |
| Adjusted Balance | 6,450 | 6,450 |
| Debt Service Fund | | |
| Revenues | 128,247 | |
| Prior Year Fund Balance | (7,600) | |
| Adjusted Balance | (7,600) | 120,647 |
| Expenditures | 124,462 | |
| Adjusted Balance | 124,462 | 124,462 |
| Non-major Funds | | |
| Fire Dept Special Equip Revenue | 158,682 | |
| Prior Year Fund Balance | (125,185) | |
| Additional Interest Income | 4,662 | |
| Fire Dept Sales Tax Revenue | 186,727 | |
| Prior Year Fund Balance | (89,700) | |
| Sales Tax for Pumper Truck | 171,234 | |
| Police Dept Sales Tax Revenue | 236,418 | |
| Prior Year Fund Balance | (129,900) | |
| 1.25% Sales Tax Revenue | 781,776 | |
| Prior Year Fund Balance | (281,650) | |
| Reclass Insurance Proceeds | 108,281 | |
| Auxiliaray Fire Dept Revenue | 1,072 | |
| Cemetery Fund Revenues | 41,341 | |
| Prior Year Fund Balance | (37,200) | |
| Sports/Recreation Complex Revenue | 355,721 | |
| Prior Year Fund Balance | (343,931) | |
| Additional Interest Income | 4,482 | |
| Adjusted Balance | 4,482 | 1,042,830 |
| Fire Dept Special Equip Expenditures | 48,974 | |
| Fire Dept Sales Tax Expenditures | 109,017 | |
| Adjustment to Correct Accruals | 1,263 | |
| Capital Outlay - Pumper Truck | 171,234 | |
| Police Dept Sales Tax Expenditures | 164,640 | |
| Adjustment to Correct Accruals | (539) | |
| Voided Check | (12,681) | |
| 1.25% Sales Tax Expenditures | 386,428 | |
| Reclass Insurance Proceeds | 108,280 | |
| Auxiliaray Fire Dept Expenditures | 1,708 | |
| Cemetery Fund Expenditures | 34,382 | |
| Sports/Recreation Complex Expenditures | 11,496 | |
| Adjusted Balance | 11,496 | 1,024,202 |

SUPPLEMENTARY INFORMATION

TOWN OF FORT GIBSON
BUDGET TO ACTUAL - BUDGETARY BASIS
JUNE 30, 2011

| | BEGINNING BUDGET | FINAL BUDGET | YTD ACTUAL | BUDGET BALANCE |
|--|---------------------|-----------------|---------------|-------------------|
| <hr/> | | | | |
| 50 -FORT GIBSON UTILITIES FINANCIAL SUMMARY | | | | |
| <hr/> | | | | |
| TOTAL REVENUES | 2,552,150 | 2,552,150 | 2,889,274 | (337,124) |
| | | | | |
| EXPENDITURE SUMMARY | | | | |
| <hr/> | | | | |
| 21-GENERAL GOVERNMENT | 750,904 | 753,625 | 644,101 | 109,524 |
| 31-SANITATION | 266,166 | 263,872 | 251,355 | 12,517 |
| 41-WASTE WATER | 716,337 | 716,096 | 593,216 | 122,880 |
| 51-WATER | 818,743 | 818,557 | 636,150 | 182,407 |
| <hr/> | | | | |
| TOTAL EXPENDITURES | 2,552,150 | 2,552,150 | 2,124,822 | 427,328 |
| | | | | |
| REVENUES OVER/(UNDER) EXPENDITURES | 0 | 0 | 764,452 | (764,452) |
| <hr/> <hr/> | | | | |

TOWN OF FORT GIBSON
RECONCILIATION OF ACTUAL - BUDETARY BASIS TO STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
JUNE 30, 2011

| Utility Authority | <u>Budget</u> | <u>Statement of Revenues, Expenses, and Changes in Fund Net Assets</u> |
|-----------------------------|---------------|--|
| Revenue | 2,889,274 | |
| Prior Year Fund Balance | (365,000) | |
| Adjust Accounts Receivable | (16,461) | |
| Additional Interest Income | 130 | |
| Adjusted Balance | | <u>2,507,943</u> |
| General Government Expenses | 644,101 | |
| Correction of Accruals | (8,599) | |
| Additional Interest Expense | 790 | |
| Payment of Principal | (68,556) | |
| Adjust Management Fees | 2,269 | |
| Expenses Capitalized | (38,912) | |
| Adjusted Balance | | 531,093 |
| Sanitation Expenses | 251,355 | |
| Expenses Capitalized | (10,630) | |
| Adjusted Balance | | 240,725 |
| Wastewater Expenses | 593,216 | |
| Additional Interest Expense | 622 | |
| Payment of Principal | (80,069) | |
| Expenses Capitalized | (84,002) | |
| Adjusted Balance | | 429,767 |
| Water Expenses | 636,150 | |
| Bad Debt Expense Adjustment | 23,205 | |
| Additional Interest Expense | 2,948 | |
| Payment of Principal | (130,256) | |
| Expenses Capitalized | (28,664) | |
| Adjusted Balance | | 503,383 |
| Depreciation | 207,274 | 207,274 |
| Total Expenses | | <u>1,912,242</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, 2011, and have issued our report thereon dated December 22, 2011. 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 above.

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 object 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.
December 22, 2011

