

OLDEST TOWN IN OKLAHOMA

***FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDED JUNE 30, 2015***



***Clothier & Company CPA's P.C.***

P.O. Box 1495 \* Muskogee, Ok 74402  
(918) 687-0189 FAX (918) 687-3594

[cccpa@yahoo.com](mailto:cccpa@yahoo.com)



# 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

February 24, 2016

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Gibson, Oklahoma as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Gibson, Oklahoma as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information including a reconciliation of budgetary basis to the statement of revenues, expenses, and changes in fund balances on pages I through X and 34 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Information**

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

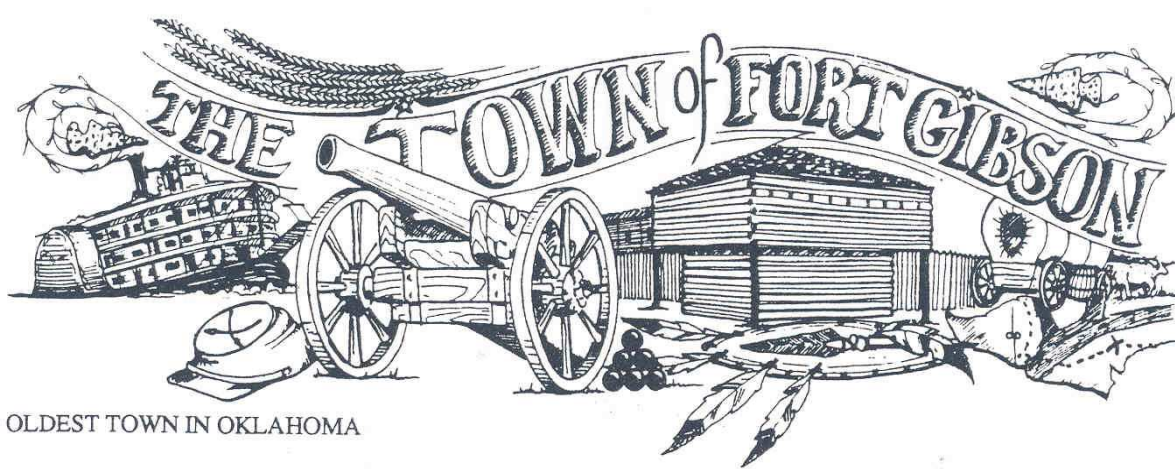
The budgetary comparison information for the Utility Authority including a reconciliation of budgetary basis to the statement of revenues, expenses, and changes in fund balance has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2016 on our consideration of The Town of Fort Gibson's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering The Town of Fort Gibson's internal control over financial reporting and compliance.

*Clothier + Company CPAs*

Muskogee, OK  
February 24, 2016



## 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, 2015. 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, 2011, 2012, 2013, 2014 and 2015, net assets changed as follows:

	<u>Activities</u>		<u>Business-type</u>		<u>Total</u>	
Net assets July 1, 2010	4,490,285		4,317,522		8,807,807	
Change 2011	1,193,156	26.58%	595,701	13.80%	1,788,857	20.31%
Net assets July 1, 2011	<u>5,683,441</u>		<u>4,913,223</u>		<u>10,596,664</u>	
Change 2012	915,708	16.12%	1,040,905	21.19%	1,956,613	18.47%
Net assets July 1, 2012	6,599,149		5,954,128		12,553,277	
Change 2013	343,141	5.20%	893,677	15.01%	1,236,818	9.86%
Net assets July 1, 2013	6,942,290		6,847,805		13,790,095	
Change 2014	459,888	6.63%	944,111	13.79%	1,403,999	10.19%
Net assets July 1, 2014	7,402,178		7,791,916		\$ 15,194,094	
Change 2015	410,313	5.54%	466,599	5.99%	876,912	5.77%
Pension Adjustments	<u>(620,679)</u>		<u>0</u>		<u>(620,679)</u>	
Net assets July 1, 2015	<u>\$7,191,812</u>		<u>\$8,258,515</u>		<u>\$15,450,327</u>	



That reflects an increase of 5.99% for Business-type activities and an increase of 5.55% for governmental activities for 2015 compared to the June 30, 2014 balance.

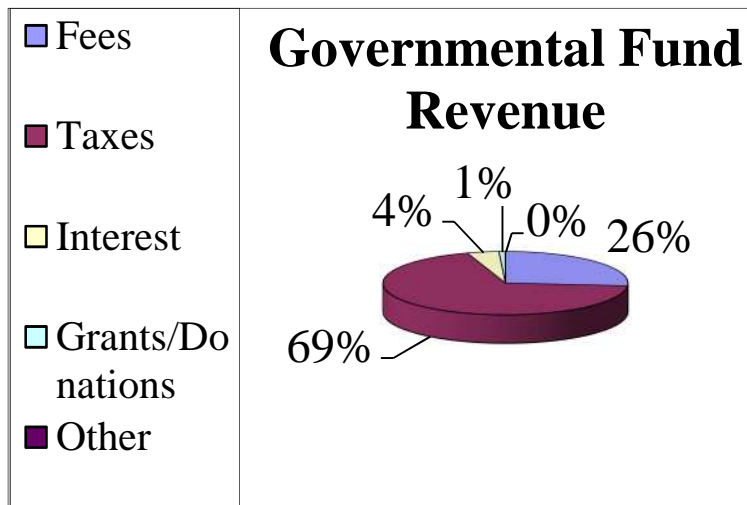
Most of the increase in net assets is a result of additional cash. The Cash and Cash Equivalents balance increased from \$4,712,019 to \$5,501,374.

**Governmental Activities**

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

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

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



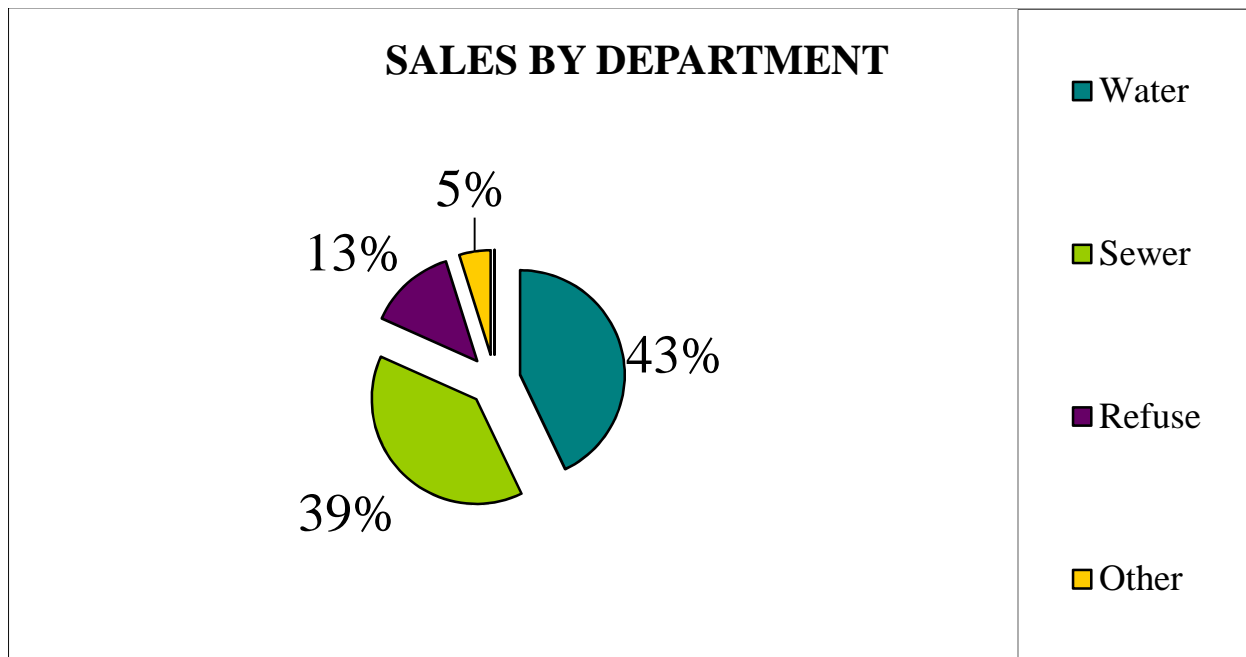
<u>Governmental Fund Revenue</u>		
Fees	\$ 688,377	26.4%
Taxes	\$ 1,786,627	68.6%
Interest	\$ 108,622	4.2%
Grants	\$ 21,734	0.8%
Other	\$ 909	0.0%
<b>Total Revenue</b>	<b>\$ 2,606,269</b>	<b>100.0%</b>

Fund Revenue from departments increased by 0.80% or \$20,791. Overall expenses decreased by 15.16% or \$323,103. General fund expenses decreased 9.94%, Street and Alley fund decreased by 58.27%, 1.25 Sales Tax fund increased by 1.16%, Debt Service Fund decreased by 3.93%, and Non-Major funds decreased by 25.99%.

**Business-type Activities**

Sales By Department

Water	\$ 1,114,375	42.9%
Sewer	\$ 1,007,636	38.8%
Refuse	\$ 349,361	13.4%
Other	\$ 126,207	4.9%
<hr/>		
Total Revenue	\$ 2,597,579	100.0%

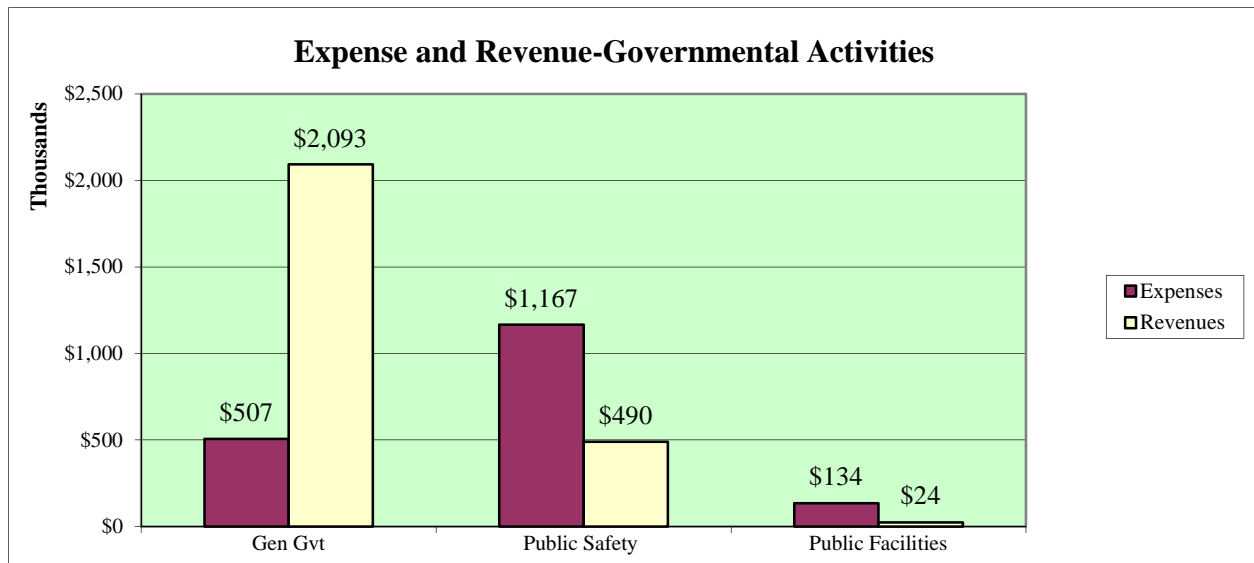


Business Revenue decreased by 11.92% or \$351,447. Overall expenses decreased by 5.06% or \$109,310. Water expenses increased by 24.29%, Sewer expenses decreased by 20.07%, Refuse expenses decreased by 3.35%, and Other expenses decreased by 11.27%.

**THE TOWN'S FUNDS**

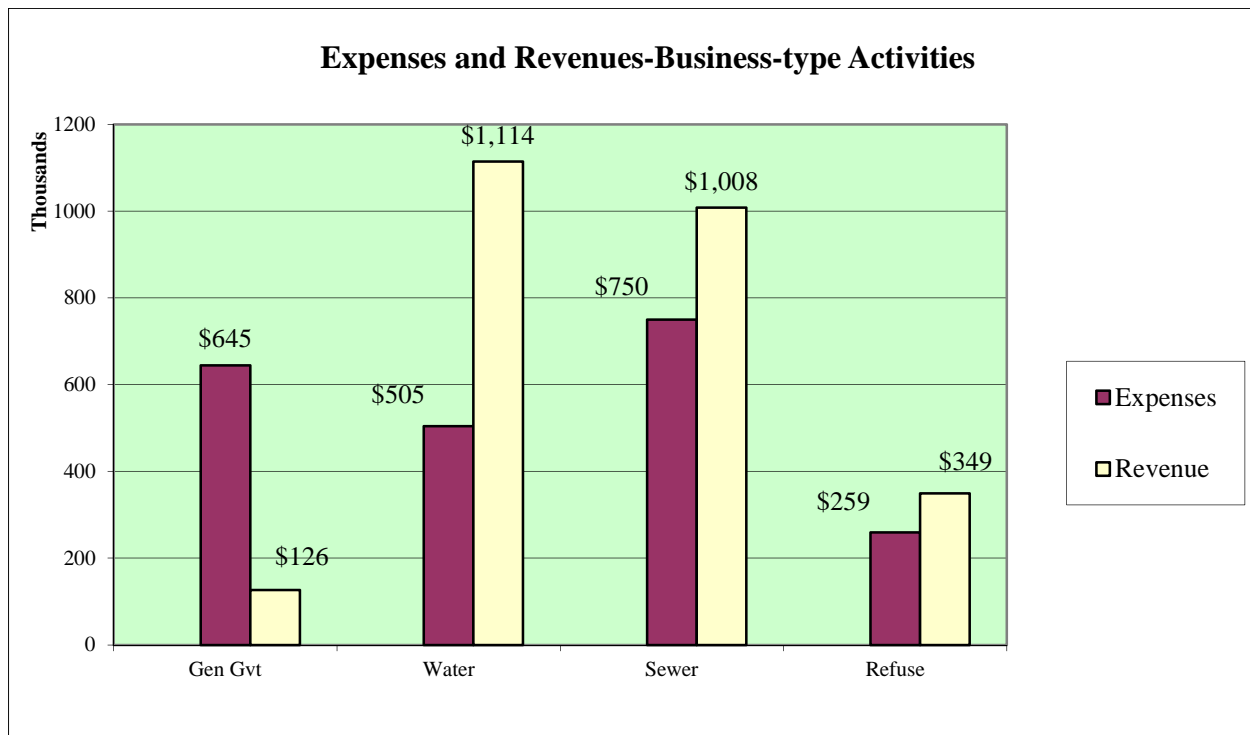
The following presents a summary of governmental funds revenue and expenditures for the fiscal year ended June 30, 2015 and the amounts and percentages of change in relation to 2014.

	2015	2014		<u>Increase (Decrease)</u>	
	<u>Amounts.</u>	<u>Amounts.</u>	<u>%</u>	<u>Amounts.</u>	<u>%</u>
<b><u>Revenue:</u></b>					
Taxes	\$1,786,627	\$1,708,386	66.08%	\$78,241	4.58%
Fees, Fines and Charges	688,377	771,366	29.83%	(\$82,989)	-10.76%
Other	131,265	105,726	4.09%	25,539	24.16%
<b>Total Revenue</b>	<b>2,606,269</b>	<b>2,585,478</b>	<b>100.00%</b>	<b>\$20,791</b>	<b>0.80%</b>
<b><u>Expenses:</u></b>					
General Government	507,313	558,150	28.05%	(50,837)	-9.11%
Public Safety and Service	1,166,872	1,299,870	64.52%	(132,998)	-10.23%
Public Facilities	134,481	273,749	7.44%	(139,268)	-50.87%
<b>Total Expenses</b>	<b>1,808,666</b>	<b>2,131,769</b>	<b>100.00%</b>	<b>(323,103)</b>	<b>-15.16%</b>
<b>Net Revenue over Expenses</b>	<b>\$797,603</b>	<b>\$453,709</b>	<b>50.28%</b>	<b>\$343,894</b>	<b>75.80%</b>



The following presents a summary of proprietary funds revenue and expenditures for the fiscal year ended June 30, 2015 and the amounts and percentages of change in relation to 2014.

	<u>2015</u> <u>Amounts.</u>	<u>2014</u> <u>Amounts.</u>	<u>%</u>	<u>Increase (Decrease)</u> <u>Amounts.</u>	<u>%</u>
<b><u>Revenue</u></b>					
Utilities	\$2,597,579	\$2,949,026	100.00%	(\$351,447)	-11.92%
<b><u>Expenses</u></b>					
Utilities	2,158,165	2,048,855	83.08%	109,310	5.34%
Operating Income	439,414	900,171	16.92%	(460,757)	-51.19%
<b><u>Non-Operating Income</u></b>					
	27,167	43,940	1.05%	(16,773)	-38.17%
<b><u>Net Income</u></b>					
	\$466,581	\$944,111	17.96%	(\$477,530)	-50.58%



## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of June 30, 2015, the Town had over 19 million invested in capital assets including police and fire equipment, buildings, park facilities, roads, and water, and sewer. (See table below.)

	<u>COST</u>	<u>ACCUMULATED DEPRECIATION</u>	<u>BOOK VALUE</u>
Governmental Funds	\$ 7,540,834	\$ 3,124,848	\$ 4,415,986
Fort Gibson Utility Authority	11,740,709	5,273,298	6,467,411
	<u>\$ 19,281,543</u>	<u>\$ 8,398,146</u>	<u>\$ 10,883,397</u>

The Town of Fort Gibson has a special sales tax that is for improvements to streets, fire, and police departments. The Town spent \$59,836 on machinery and tools, \$14,697 for office equipment, and \$45,702 for Police cars. The Utility Authority spent \$177,697 on a pump station rehab, \$142,463 for a sanitation truck, and \$19,621 for office equipment.

### Debt

At year-end, the Town of Fort Gibson and Fort Gibson Utility Authority had \$1,218,370 in long-term outstanding notes compared to \$1,594,905 last year. That is a decrease of 23.61% as shown in the following table.

	<b>Governmental Activities</b>		<b>Business-type</b>	
.	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Totals	\$ 264,001	\$ 354,001	\$ 954,369	\$ 1,240,904

Other obligations of the Town include accrued compensated absences which are included.

**BUDGETARY HIGHLIGHTS**

Over the course of the year the Trustees revised the budgets. The following is a list of the budget changes:

Budget Amendment #	Net	Net	Appropriations	Net	Net
TOWN	Increase	Decrease		Increase	Decrease
Town Gen. Gov.#01		39,673.00			39,673.00
St. & Alley #02		137,725.00			137,725.00
F.D. Spec. Equip. #3		10,850.00			10,850.00
F.D. Sales Tax #4		17,450.00			17,450.00
P.D. Sales Tax #5	2,730.00			2,730.00	
1.25% Sales Tax #6		100,925.00			100,925.00
Cemetery #07	185.00			185.00	
Debt Service #8	270.00			270.00	
PD Sales Tax #09	6,500.00			6500.00	
Work. Comp. # 10	15,096.63			15,096.63	
PD Fines & Forfeit.#11		10,000.00			10,000.00
UTILITIES AUTHORITY					
Gen. Gov. #1		87,560.00			87,560.00
Work Comp #2	11,382.03			11,382.03	
Gen. Gov. #3		363,000.00			363,000.00
DEV. AUTH.		52,365.00			52,365.00

Other changes were adjustments between departments.

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

The following projects and grants are expected during the 2015/16 year.

### **Fort Gibson Utilities Authority**

#### **General Fund**

- Increase water, sewer, and trash rates on August 1, 2015
- Roof over maintenance building \$10,000
- Georgetown water line \$300,000
- 2/3 cost of new vehicle \$17,000
- 1/3 cost of rodding machine \$32,530

#### **Sanitation**

- Increase for polycarts and dumpsters \$50,000

#### **Wastewater Treatment Plant**

- Boat \$18,000
- 850 ton rock \$18,000
- Spectrophotometer \$20,000
- 1/3 cost of rodding machine \$32,530

#### **Water Treatment Plant**

- De sludge 2 ponds \$80,000

### **Town of Fort Gibson**

#### **General Fund**

##### **Police Department**

- Bullet proof vests for officers \$15,400

##### **Parks and Recreation**

- Softball fields for Carl Perry Memorial Ball Field \$100,000
- Carl Perry Memorial Ball Field improvements \$61,000
- Part time parks director \$10,000
- Shade sail for Fort Gibson Municipal Park (slide area) and shelter \$22,000
- Whitlock Sports Complex playground equipment \$35,000
- Corn Festival to include a carnival \$15,000
- 1/2 cost of mower \$7,000

##### **Cemetery**

- Platting of cemetery lots \$13,800
- Mower \$15,000

##### **General Government**

- New phone system \$22,000
- Increase in contract services for litigation \$12,000
- Awning over drive thru window area \$50,000
- Portion of new sidewalk on East Poplar \$60,000
- Structural improvements to Town Hall \$200,000

#### Animal Control

- 1/3 cost of new vehicle \$8,400

#### Street & Alley Fund

- Increase in chemicals \$13,700
- Batwing mower \$18,000
- John Deer Tractor \$55,000
- Snow plow \$10,000
- 1/2 cost mower \$6,000
- 1/3 cost rodding machine \$32,530
- Street construction cost \$948,500
- Portion of new sidewalk on East Poplar \$150,000

#### Fire Department Sales Tax


- Breathing Apparatus \$20,000
- New truck \$150,000

#### Police Department Sales Tax

- Purchase two Dodge Chargers including equipment \$69,730

### **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.

  
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Kathy Carson, Town Administrator



**TOWN OF FORT GIBSON**  
**STATEMENT OF NET ASSETS**  
**June 30, 2015**

	Primary Government		
	Governmental	Business-type	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	3,627,763	1,873,611	5,501,374
Sales Tax Receivable	149,092	217,887	366,979
Deferred Revenue	0	0	0
Other Tax Receivable	0	0	0
Trade Accounts Receivable	0	0	0
Total Current Assets	<u>3,776,855</u>	<u>2,091,498</u>	<u>5,868,353</u>
Noncurrent Assets			
Capital Assets			
Distribution System	0	10,243,823	10,243,823
Office Equipment	14,697	152,455	167,152
Building and Improvements	3,343,888	0	3,343,888
Equipment	1,556,945	598,640	2,155,585
Autos & Trucks	1,170,365	567,057	1,737,422
Land	359,900	42,581	402,481
Debt Issue Costs	0	136,153	136,153
Infrastructure	1,095,039	0	1,095,039
Accumulated Depreciation	(3,124,848)	(5,273,298)	(8,398,146)
Deferred Pension Outflows	10,814	0	10,814
Restricted Cash	0	884,064	884,064
Total Noncurrent Assets	<u>4,426,800</u>	<u>7,351,475</u>	<u>11,778,275</u>
Total Assets	<u>8,203,655</u>	<u>9,442,973</u>	<u>17,646,628</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	98,650	79,603	178,253
Accrued Payroll and Benefits	16,593	13,917	30,510
Accrued Expenses	1,106	9,258	10,364
Current Portion of Long-term Debt	90,000	247,641	337,641
Total Current Liabilities	<u>206,349</u>	<u>350,419</u>	<u>556,768</u>
Noncurrent Liabilities			
Accrued Vacations	24,001	17,820	41,821
Water Deposits	0	127,310	127,310
Deferred Revenue Pensions	25,115	0	25,115
Deferred Pension Inflows	133,461	0	133,461
Net Pension Liability Police	4,449	0	4,449
Net Pension Liability Fire	468,468	0	468,468
Long-term Debt	150,000	688,909	838,909
Total Noncurrent Liabilities	<u>805,494</u>	<u>834,039</u>	<u>1,639,533</u>
Total Liabilities	<u>1,011,843</u>	<u>1,184,458</u>	<u>2,196,301</u>
<b>NET ASSETS</b>			
Invested in Capital Assets Net of Debt	4,175,986	5,530,861	9,706,847
Restricted for:			
Debt Service	54,835	884,064	938,899
Other Purposes	2,458,000	0	2,458,000
Unrestricted	502,991	1,843,590	2,346,581
Total Net Assets	<u>7,191,812</u>	<u>8,258,515</u>	<u>15,450,327</u>

See accompanying footnotes and auditors' report.

**TOWN OF FORT GIBSON  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

	Program Revenues				Net (Expense) Revenue and Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$499,126	\$37,136	\$0	\$0	(461,990)	0	(461,990)
Public Safety and Service	1,219,762	489,556	21,734	0	(708,472)	0	(708,472)
Public Facilities	218,908	2,200	0	0	(216,708)	0	(216,708)
<b>Total Governmental Activities</b>	<b>1,937,796</b>	<b>528,892</b>	<b>21,734</b>	<b>0</b>	<b>(1,387,170)</b>	<b>0</b>	<b>(1,387,170)</b>
<b>Business-type Activities:</b>							
Utility	2,158,147	2,597,579	0	0	0	439,432	439,432
<b>Total Business-type Activities</b>	<b>2,158,165</b>	<b>2,597,579</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>439,432</b>	<b>439,432</b>
<b>Total Primary Government</b>	<b>\$4,095,961</b>	<b>\$3,126,471</b>	<b>\$21,734</b>	<b>\$0</b>	<b>(1,387,170)</b>	<b>439,432</b>	<b>(947,738)</b>

**General Revenues:**

Franchise Fees	159,485	0	159,485
Sales Tax Revenue	1,460,283	0	1,460,283
Other Taxes	326,344	0	326,344
Investment Income	109,531	27,167	136,698
Transfers	(258,160)	0	(258,160)
<b>Total General Revenues and Transfers</b>	<b>1,797,483</b>	<b>27,167</b>	<b>(121,462)</b>
Change in Net Assets	410,313	466,599	876,912
Net Assets - Beginning	7,402,178	7,791,916	15,194,094
Pension Adjustments	(620,679)	0	(620,679)
<b>Net Assets - Ending</b>	<b>7,191,812</b>	<b>8,258,515</b>	<b>15,450,327</b>

See accompanying footnotes and auditors' report

**TOWN OF FORT GIBSON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	<b>General Fund</b>	<b>Street and Alley Fund</b>	<b>1.25 Sales Tax Fund</b>	<b>Debt Service Fund</b>	<b>Non- major Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 1,183,429	\$ 944,897	\$ 758,170	\$ 75,069	\$ 666,198	\$ 3,627,763
Accounts Receivable	73,912	21,242	35,959	0	17,979	149,092
Deferred Revenue	0	0	0	0	0	0
Restricted Cash	0	0	0	0	0	0
<b>Total Assets</b>	<b>\$ 1,257,341</b>	<b>\$ 966,139</b>	<b>\$ 794,129</b>	<b>\$ 75,069</b>	<b>\$ 684,177</b>	<b>\$ 3,776,855</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 38,948	\$ 59,251	\$ -	\$ -	\$ 451	\$ 98,650
Accrued Payroll and Benefits	14,787	970	0	0	836	16,593
Accrued Expenses	1,100	0	0	0	6	1,106
<b>Total Liabilities</b>	<b>54,835</b>	<b>60,221</b>	<b>0</b>	<b>0</b>	<b>1,293</b>	<b>116,349</b>
<b>Fund Balances</b>						
Nonspendable	0	0	0	0	0	0
Restricted	0	905,918	794,129	75,069	682,884	2,458,000
Committed	54,835	0	0	0	0	54,835
Assigned	0	0	0	0	0	0
Unassigned	1,147,671	0	0	0	0	1,147,671
<b>Total Fund Balances</b>	<b>1,202,506</b>	<b>905,918</b>	<b>794,129</b>	<b>75,069</b>	<b>682,884</b>	<b>3,660,506</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,257,341</b>	<b>\$ 966,139</b>	<b>\$ 794,129</b>	<b>\$ 75,069</b>	<b>\$ 684,177</b>	<b>\$ 3,776,855</b>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	4,415,986
Accrued vacations reported in the government wide statements are not recognized as expense for the governmental funds.	(24,001)
Pension Adjustments: Prior Period Adjustments	(620,679)
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(240,000)
Net assets of governmental activities	<u>\$ 7,191,812</u>

See accompanying footnotes and auditors' report.

**TOWN OF FORT GIBSON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Street and Alley Fund	1.25 Sales Tax Fund	Debt Service Fund	Non-major Funds	Total Governmental Funds
<b>REVENUES</b>						
Franchise Fees	\$159,485	\$0	\$0	\$0	\$0	\$159,485
Sales Tax Revenue	649,234	202,391	405,772	0	202,886	1,460,283
Other Taxes	176,099	51,097	0	99,148	0	326,344
Investment Income	74,100	12,565	11,149	1,348	9,460	108,622
Gain (Loss) on Capital Assets	0	0	0	0	909	909
Fees Fines and Charges	489,556	2,200	1,487	0	35,649	528,892
Intergovernmental	0	0	0	0	21,734	21,734
Total Revenues	<u>1,548,474</u>	<u>268,253</u>	<u>418,408</u>	<u>100,496</u>	<u>270,638</u>	<u>2,606,269</u>
<b>EXPENDITURES</b>						
General Government						
Personel Services	58,975	45,380	36,193	0	0	140,548
Materials and Supplies	7,005	25,491	0	0	0	32,496
Other Service and Charges	200,872	17,195	0	0	6,800	224,867
Note Payments	0	0	0	90,000	0	90,000
Interest Expense	0	0	0	16,230	0	16,230
Agency and Trustee Fees	0	0	0	1,235	0	1,235
Capital Outlay	1,937	0	0	0	0	1,937
Public Safety and Service						
Personel Services	102,044	0	165,267	0	116,189	383,500
Materials and Supplies	511,110	5,050	0	0	23,821	539,981
Other Service and Charges	195,117	0	0	0	5,903	201,020
Capital Outlay	39,890	0	0	0	2,481	42,371
Public Facilities						
Personel Services	37,572	0	13,294	0	0	50,866
Materials and Supplies	11,183	0	0	0	0	11,183
Other Service and Charges	49,766	0	0	0	0	49,766
Capital Outlay	22,666	0	0	0	0	22,666
Total Expenditures	<u>1,238,137</u>	<u>93,116</u>	<u>214,754</u>	<u>107,465</u>	<u>155,194</u>	<u>1,808,666</u>
Excess (deficiency) of Revenues Over	<u>310,337</u>	<u>175,137</u>	<u>203,654</u>	<u>(6,969)</u>	<u>115,444</u>	<u>797,603</u>
<b>OTHER FINANCING</b>						
Transfers In (Out)	(60,399)	(59,836)	(137,925)	0	0	(258,160)
Total Other Financing	<u>(60,399)</u>	<u>(59,836)</u>	<u>(137,925)</u>	<u>0</u>	<u>0</u>	<u>(258,160)</u>
Net Change in Fund Balances	<u>249,938</u>	<u>115,301</u>	<u>65,729</u>	<u>(6,969)</u>	<u>115,444</u>	<u>539,443</u>
Fund Balances - Beginning	<u>952,567</u>	<u>790,617</u>	<u>728,400</u>	<u>82,038</u>	<u>567,441</u>	<u>3,121,063</u>
Fund Balances - Ending	<u>\$ 1,202,505</u>	<u>\$ 905,918</u>	<u>\$ 794,129</u>	<u>\$ 75,069</u>	<u>\$ 682,885</u>	<u>\$ 3,660,506</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, 2015**

Net change in fund balances - total governmental funds		\$ 539,443
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the Statement of Net Assets.</p>		
	90,000	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their useful lives:</p>		
Expenditures for capital assets	120,235	
Less current year depreciation	<u>(339,364)</u>	-219,129
<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>		
		0
<p>Governmental funds report expenditures when paid. The Statement of Activities reports expenditures when incurred.</p>		
		<u>(1)</u>
Change in Net Assets of Governmental Activities		<u><u>\$ 410,313</u></u>

See accompanying footnotes and auditors' report.

**TOWN OF FORT GIBSON - PROPRIETARY FUND**

**Statement of Net Assets**

**June 30, 2015**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$	1,873,611
Trade Accounts Receivable		217,887
<b>Total Current Assets</b>		<u>2,091,498</u>

**Noncurrent Assets**

Fixed Assets		11,740,709
Accumulated Depreciation		(5,273,298)
<b>Total Noncurrent Assets</b>		<u>6,467,411</u>

**Other Assets**

Restricted Cash		884,064
<b>Total Other Assets</b>		<u>884,064</u>

**Total Assets** \$ 9,442,973

**LIABILITIES AND EQUITY**

**Current Liabilities**

Accounts Payable	\$	79,603
Accrued Payroll and Benefits		13,917
Accrued Expenses		9,258
Current Portion of Debt		247,641
<b>Total Current Liabilities</b>		<u>350,419</u>

**Noncurrent Liabilities**

Water Deposits		127,310
Accrued Vacations		17,820
Long-term Debt		688,909
<b>Total Noncurrent Liabilities</b>		<u>834,039</u>

**Net Assets**

Invested in Capital Assets		5,530,861
Restricted for Debt Service		884,064
Unrestricted		1,377,009
Current Income (Loss)		466,581
<b>Total Net Assets</b>		<u><u>8,258,515</u></u>

**Total Liabilities & Equity** \$ 9,442,973

See notes and independent auditors' report.

**TOWN OF FORT GIBSON - PROPRIETARY FUND**  
**Statement of Revenues, Expenses, and Changes**  
**For the Period Ended June 30, 2015**

<b>Revenue</b>	
Fines, Fees, and Charges	\$ 126,207
Water	1,114,375
Sewer	1,007,636
Sanitation	<u>349,361</u>
<b>Total Revenue</b>	<b>2,597,579</b>
 <b>Operating Expenses</b>	
General Government	644,512
Sanitation	259,199
Water	504,501
Wastewater	<u>749,953</u>
<b>Total Operating Expenses</b>	<b><u>2,158,165</u></b>
	 <b>Operating Income</b> 439,414
Non-operating Revenues (Expenses)	 <u>27,167</u>
	 <b>Net Income (Loss)</b> \$ <u><u>466,581</u></u>

See notes and independent auditors' report.

**TOWN OF FORT GIBSON- PROPRIETARY FUND**

**Statement of Cash Flows**

**For the Period Ended June 30, 2015**

**Cash Flows From Operating Activities**

Receipts from customers (users)	\$	2,663,294
Payments to suppliers		(1,026,180)
Payments to employees		(732,989)
Other operating receipts (payments)		0
Net cash provided (used) by operating activities		<u>904,125</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		(339,781)
Proceeds from water deposits		11,070
Principal paid on long-term debt		(286,534)
Interest paid on long-term debt		(74,232)
Net cash provided (used) by capital financing activities		<u>(689,477)</u>

**Cash Flows From Investing Activities**

Interest received on cash deposits		27,167
Net cash provided (used) by investing activities		<u>27,167</u>

Net increase (decrease) in cash and cash equivalents		241,815
Cash and Cash Equivalents at June 30, 2014 (includes restricted cash)		<u>2,515,860</u>
Cash and Cash Equivalents at June 30, 2015 (includes restricted cash)	\$	<u><u>2,757,675</u></u>

**Reconciliation of Operating Income (Loss) to Net Cash**

**Provided (Used) by Operating Activities**

Operating Income (loss)	\$	466,581
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Interest expense		74,232
Depreciation and amortization		293,509
Non-operating revenues/expense		(27,167)
(Increase)/decrease in accounts receivable		65,715
Increase/(decrease) in accounts payable		40,974
Increase/(decrease) in accrued expenses		(9,719)
Increase/(decrease) in customer deposits		0
Increase/(decrease) in accrued compensated absences		0
Net cash provided (used) by operating activities	\$	<u><u>904,125</u></u>

See notes and independent auditors' report.



**TOWN OF FORT GIBSON**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2015**

	<b><u>Municipal Court</u></b> <b><u>Bond Fund</u></b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$11,991
Accounts Receivable	300
Due from Other Funds	<u>0</u>
 Total Assets	 12,291
<b>LIABILITIES</b>	
Due to Other Funds	<u>13,566</u>
 Total Liabilities	 13,566
<b>NET ASSETS</b>	
Held in Trust for Other Purposes	<u><u>(\$1,275)</u></u>

See accompanying footnotes and auditors' report.

**TOWN OF FORT GIBSON**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2015**

	<u>Municipal Court Bond Fund</u>
<b>ADDITIONS</b>	
Investments Earnings	(\$16)
Bonds	<u>219,622</u>
 Total Additions	 <u>219,605</u>
<b>DEDUCTIONS</b>	
Bonds Applied and Forfeitures	<u>220,242</u>
 Total Deductions	 <u>220,242</u>
Change in Net Assets	(637)
 Net Assets at Beginning of Year	 <u>(638)</u>
 Net Assets at End of Year	 <u><u>\$ (1,275)</u></u>

See the accompanying footnotes and auditors' report.

**TOWN OF FORT GIBSON  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

Reporting Entity

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

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

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

Basic Financial Statements—Government-wide Statements

The Town’s basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town’s major funds). The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent on fees and charges for support. The Town’s police and fire protection, public facilities and services, and general government administrative services are classified as governmental activities. The Town’s water, sewer and trash services are classified as business-type activities.

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

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

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.

## TOWN OF FORT GIBSON

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

### Basic Financial Statements—Fund Financial Statements

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

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

The following fund types are used by the Town:

#### Governmental Funds:

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

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

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

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

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

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

#### 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.

## TOWN OF FORT GIBSON

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.

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.

## TOWN OF FORT GIBSON

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

### Property Taxes

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

### Restricted Assets

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

#### *Governmental Funds:*

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

#### *Proprietary Fund:*

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

### Deferred Charges

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

### Capital Assets

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

#### *Government-Wide Statements:*

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

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

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

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

#### *Fund Financial Statements:*

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

## TOWN OF FORT GIBSON

### 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.

### 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”.

### Use of Estimates

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

## **NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### Budgetary Process

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

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

### Debt Covenants

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

## TOWN OF FORT GIBSON

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

Okl. 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, 2015, 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	\$ 1,000,000
B. Collateralized with securities held by banks trust department	0
C. Collateralized with securities held in a Federal Reserve Pledge account in the Town's name	<u>4,739,374</u>
Total	\$5,739,374
Total deposits	<u>6,234,252</u>
Total under-insured	<u>\$ 494,878</u>

#### Investments

#### Investment Policies

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

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

#### Credit Risks

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

#### Interest Rate Risk

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



**TOWN OF FORT GIBSON**

**NOTE 4. CAPITAL ASSETS**

Governmental Activities

Capital asset activity for the governmental activities for the year ended June 30, 2015 was as follows:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets being depreciated:				
Fire	963,305	0	0	963,305
General Government	1,885,208	60,399	0	1,945,607
Police	792,718	0	0	792,718
Public Facilities	1,482,476	0	0	1,482,476
Public Services	64,331	0	0	64,331
Streets	1,206,431	59,836	0	1,266,267
Library	1,026,130	0	0	1,026,130
	<hr/>			
Subtotal	7,420,599	120,235	0	7,540,834
Less accumulated depreciation:				
Fire	(597,973)	(63,046)	0	(661,019)
General Government	(667,640)	(52,211)	0	(719,851)
Police	(529,729)	(79,844)	0	(609,573)
Public Facilities	(384,952)	(57,321)	0	(442,273)
Public Services	(64,330)	(0)	0	(64,330)
Streets	(342,925)	(65,746)	0	(408,671)
Library	(197,935)	(21,196)	0	(219,131)
	<hr/>			
Subtotal	(2,785,484)	(339,364)	0	(3,124,848)
	<hr/>			
Governmental capital assets, net	\$4,635,115,	(219,129)	\$0	\$4,415,986

Business-type Proprietary Fund

Capital asset activity for the proprietary fund for the year ended June 30, 2015 was as follows:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$42,581	\$0	\$0	\$42,581
Total capital assets not being depreciated	42,581	0	0	42,581
Capital assets being depreciated:				
Vehicles	424,595	142,462	0	567,057
Equipment and machinery	598,640	0	0	598,640
Water and sewer system	10,066,124	177,699	0	10,243,823
Furniture	132,834	19,621	0	152,455
Construction in Process	0	0	0	0
	<hr/>			
Subtotal	11,222,193	339,782	0	11,561,975
Less accumulated depreciation:				
Vehicles	(279,190)	(30,444)	0	(309,634)

**TOWN OF FORT GIBSON**

Equipment and machinery	(412,674)	(34,387)	0	(447,061)
Water and sewer system	(4,140,921)	(211,647)	0	(4,352,568)
Furniture	(119,774)	(3,416)	0	(123,190)
Subtotal	(4,952,559)	(279,894)	0	(5,232,453)
Total capital assets being depreciated, net	6,269,634	59,888	0	6,329,522
Loan origination fees, net	108,923	(13,615)	0	95,308
Water & sewer system capital assets, net	\$6,421,138	46,273	0	\$6,467,411

**NOTE 5. INTER-FUND RECEIVABLE, PAYABLE AND TRANSFERS**

Due From/to Other Funds

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

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

**NOTE 6. LONG-TERM DEBT**

Long-term debt Transactions

A summary of the Town's long-term debt activity for the year ended June 30, 2015, is presented below:

				<u>Classification</u>		
	Balance		Retirements	Balance	Amounts	Amounts
	July 1, 2014	Additions		June 30, 2015	Due Within One Year	Due in More Than One Year
General Obligation Bonds:						
2002 Combined Purpose Bonds	\$330,000	\$0	(\$90,000)	\$240,000	\$90,000	\$150,000
Fort Gibson Utilities Auth Notes Payable to:						
Oklahoma Water Resources Board	703,084	0	(46,534)	656,550	47,641	608,909
Fort Gibson Utilities Auth Sales Tax:						
Revenue Note, Series 2005	140,000	0	(90,000)	50,000	50,000	0
Revenue Note, Series 2006	255,000	0	(100,000)	155,000	100,000	55,000
Revenue Note, Series 2006 Subordinate	125,000	0	(50,000)	75,000	50,000	25,000
Compensated Absences (See Below in Note 6)	41,821	0	0	41,821		41,821
Total	\$1,594,905	\$0	(\$376,534)	\$1,218,371	\$337,641	\$880,730

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, 2015, the outstanding balance of the bonds was \$240,000.

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, 2015</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	90,000	11,910	101,910
2017	150,000	7,500	157,500
2018	0	0	0
2019-2024	0	0	0
Total	\$240,000	\$19,410	\$259,410

**TOWN OF FORT GIBSON**

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:

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

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

<u>For the Year Ending, June 30, 2015</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	47,641	15,864	63,505
2017	48,860	14,645	63,505
2018	50,066	13,439	63,505
2019	51,302	12,203	63,505
2020	52,539	10,966	63,505
2021-2025	282,940	34,585	317,525
2026-2030	123,202	3,808	127,010
Total	<u>\$656,550</u>	<u>\$105,510</u>	<u>\$762,060</u>

Sales Tax Revenue Note Payable, Series 2005

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

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

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

<u>For the Year Ending, June 30, 2015</u>			
2016	50,000	1,063	51,063
2017	0	0	0
2018	0	0	0
2019-2024	0	0	0
Total	<u>\$50,000</u>	<u>\$1,063</u>	<u>\$51,063</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.

## TOWN OF FORT GIBSON

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

For the Year Ending, June 30, 2015

2016	100,000	5,196	105,196
2017	55,000	1,099	56,099
2018	0	0	0
2019-2024	0	0	0
Total	\$155,000	\$6,295	\$161,295

Sales Tax Revenue Note Payable, Subordinate Series 2006

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

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

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

For the Year Ending, June 30, 2015

2016	50,000	2,612	52,612
2017	25,000	523	25,523
2018	0	0	0
2019-2024	0	0	0
Total	\$75,000	\$3,135	\$78,135

Compensated Absences

The Town's liability for vested and unpaid compensated absences (accrued vacation) has been accrued and at June 30, 2015 amounts to \$24,001 for Town employees and \$17,820 Utility Authority employees. The compensated absence liability will generally be liquidated through the General Fund and the Fort Gibson Utilities Authority for their respective employees. Sick pay is not paid when an employee service ends; therefore there is not a liability for sick pay. The sick pay amount was \$93,118 for Town employees and \$79,811 for Utility Authority employees at June 30, 2015.

### NOTE 8. NET ASSETS

Investment in Capital Assets, Net of Related Debt

As of June 30, 2015 the investment in capital assets, net of related debt consisted of the following:

	Governmental	Business-Type	Total
Capital assets, net (Note No. 4)	\$4,415,986	\$6,467,411	\$10,883,397
2002 General Obligations Combined Purpose Bonds	(240,000)	0	(240,000)
Utility Authority debt	0	(936,550)	(936,550)
Investment in Capital Assets, net of related debt	\$4,175,986	\$5,530,861	\$9,706,847

Restricted Net Assets

As of June 30, 2015 restricted net assets consisted of the following:

	Governmental	Business-Type	Total
<u>Restricted for Debt Service:</u>			

**TOWN OF FORT GIBSON**

For 2002 General Obligations Combined Purpose Bonds	\$78,836	\$0	\$78,836
Utility Authority debt	0	884,064	884,064

Restricted for Capital Projects and Other Purposes:

Unexpended sub 2006 Sales Tax Revenue Note and 2011 OWRB Note Proceeds	0	0	0
Special Revenue Funds	2,458,000	0	2,458,000
Total Restricted Net Assets	<u>2,536,836</u>	<u>884,064</u>	<u>3,420,900</u>

The Governmental Funds Fund Balance is separated into five categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned. At June 30, 2015 the General Fund had \$54,835 committed to encumbrances. The Street and Alley Fund’s entire \$905,918 fund balance is restricted by legislation to be used for the improvements and maintenance of the Town’s streets. \$75,069 fund balance in the Debt Service Fund is reserved for the General Obligation Bonds payment of debt. The 1.25% Sales Tax Fund entire \$794,129 is restricted for the compensation, fringe benefits, and purchase of capital outlay for the Town. The non-major fund balance of \$682,884 is broken down between restricted and committed among the non-major special revenue funds - Economic Development Authority Fund, Cemetery Fund, Fire Special Equipment Fund, Fire Sales Tax Fund, Auxiliary Fire Department Fund, Police Department Sales Tax Fund, and the Sports and Recreation Fund.

**NOTE 9. PENSIONS AND OTHER RETIREMENT PLANS**

The Town participates in three employee pension plans:

Name of Plan/System	Type of Plan
Oklahoma Municipal Retirement Fund	Agent Multiple Employer Defined Contribution Plan
Oklahoma Firefighters’ Pension and Retirement System	Cost Sharing Multiple Employers’ Public Employee Retirement System –Defined Benefit Plan
Oklahoma Police Pension and Retirement System	Cost Sharing Multiple Employers’ Public Employee Retirement System –Defined Benefit Plan

***Change in Accounting Principle***

Effective July 1, 2014, the Town implemented Governmental Accounting Standards Board (GASB) statement number 68, Accounting and Financial Reporting for Pensions as amended by GASB statement number 71, Pension Transition for Contributions Made Subsequent to the Measurement Date and GASB statement number 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This statement, as amended, establishes standards for measuring and recognizing assets/liabilities, deferred outflows of resources, deferred inflows of resources, and expense for employers providing pension plans. It also includes note disclosure and required supplementary information requirements. The implementation of this statement resulted in recording previously unrecorded net pension assets and liabilities, as well as, deferrals of employer contributions. This resulted in a restatement of previously reported net position.

Net Position as previously reported a June 30, 2014: \$7,402,178

Prior Period Adjustment:	<u>OPPRS</u>	<u>OFPRP</u>	
2014 Net Pension Liability	36,744	(453,877)	(417,133)
Deferred Outflows	0	10,814	10,814
Deferred Inflows	<u>(145,655)</u>	<u>(68,705)</u>	<u>(214,360)</u>
Total Prior Period Adjustment	(108,911)	(511,768)	(620,679)

Net Position as restated, July 1, 2014: \$6,781,499

**A. Oklahoma Municipal Retirement Fund (OMRF):**

All full time non-uniformed Town employees are provided pension benefits through a defined contribution plan created in accordance with Internal Revenue Code Section 401(a). The employee begins participation on the date of employment. 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 0% of their covered compensation and the Town is required to contribute 12% of covered compensation. Participants are permitted to make voluntary deductible contributions to the plan.

## TOWN OF FORT GIBSON

The Town's contribution for each employee begins vesting after 5 years and is fully vested after 10 years. If an employee terminates before becoming fully vested, the employer's contributions that are forfeited may be used to reduce the Town's current period contributions requirement.

Salary deferred under the plan is not available to employees until termination, death, retirement or unforeseeable emergency. All amounts of compensation deferred under the plan, all property, and rights purchased with these amounts and all income attributable to these amounts remain the property of the Town without being restricted to the provisions of benefits under the plan until such amounts are paid or made available to the employees, subject only to the claims of the Town's general creditors.

The plan is administered by the Oklahoma Municipal Retirement Fund. Neither the Oklahoma Municipal Retirement Fund nor the Town have a liability for losses under the plan, but have the duty of due care that would be required of an ordinary prudent investor.

Classes of Plan Members Covered:	Non-Uniformed Town employees
Number of Plan Members:	23
Number of Participating Employees:	23
Number of Participating Employers:	196
Authority of Plan:	Internal Revenue Code Section 401(a).

Employer Contributions:	\$39,059
Employee Contributions:	\$11,437
Total payroll:	\$1,333,713
Payroll for covered employees	\$779,341

### B. Oklahoma Firefighters' Pension and Retirement System (OFPRP):

#### **Plan Description.**

The Oklahoma Firefighters Pension and Retirement System (the "System") was established by legislative act and became effective on January 1, 1981. The System assumed responsibility for all previous existing municipal firefighters' pension plans in the state of Oklahoma. These municipalities transferred all existing pension assets and pension payment obligations to the System. The System recorded the investments at fair value as of the date of transfer. The System is administered by a 13-member board which acts as a fiduciary for investment of funds and the application of plan interpretations. At June 30, 2015, there were 471 cities, 24 fire protection districts, and 123 county fire departments participating in the System. For report purposes, the System is deemed to be the administrator of the Oklahoma Firefighters Pension and Retirement Plan (the "Plan"). The State of Oklahoma remits, through the Oklahoma Insurance Department, a portion of the insurance premium taxes collected by authority of the State of Oklahoma. As a result of these contributions, the State of Oklahoma is considered a non-employer contributing entity to the Plan.

Copies of reports may be obtained from Oklahoma Firefighters Pension and Retirement System at 4545 N. Lincoln Blvd. Suite 265, Oklahoma City, OK 73105.

The System is a part of the State of Oklahoma financial reporting entity, which is combined with other similar funds (multiple-employer, cost-sharing) to comprise the fiduciary pension trust funds of the State of Oklahoma.

The Oklahoma Firefighters Pension and Retirement System Board of Trustees (the "Board") is responsible for the operation, administration, and management of the System. The Board also determines the general investment policy of the System's assets. The Board is comprised of 13 members. Five members shall be the Board of Trustees of the Oklahoma State Firefighters Association, a 5-year term. One member shall be the President of the Professional Firefighters of Oklahoma or his designee. One member shall be the President of the Oklahoma State Retired Firefighters Association or his designee. One member shall be appointed by the Speaker of the House of Representatives, a 4-year term. One member shall be appointed by the President Pro Tempore of the Senate, a 4-year term. Two members shall be appointed by the President of the Oklahoma Municipal League, a 4-year term. One member shall be the State Insurance Commissioner or his designee. One member shall be the Director of the Office of Management and Enterprise Services or his designee.

#### **Benefits Provided.**

In general, the Plan provides defined retirement benefits based on members' final average compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. The Plan's benefits are established and amended by Oklahoma statute. Retirement provisions are as follows:

## TOWN OF FORT GIBSON

### Normal Retirement

Hired Prior to November 1, 2013

Normal retirement is attained upon completing 20 years of service. The normal retirement benefit is equal to 50% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month.

Hired After November 1, 2013

Normal retirement is attained upon completing 22 years of service. The normal retirement benefit is equal to 55% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. Also participants must be age 50 to begin receiving benefits. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit. For the years ended June 30, 2015 and 2014, total death benefits of \$931,666 and \$875,000, respectively, were paid from the Plan.

### Terminations

Hired Prior to November 1, 2013

A member who terminates after 10 years of credited service is eligible for a vested severance benefit determined by the normal retirement formula, based on service and salary history to date of termination. The benefit is payable at age 50, or when the member would have completed 20 years of service, whichever is later, provided the member's contribution accumulation is not withdrawn. Members terminating with less than 10 years of credited service may elect to receive a refund of their contribution accumulation without interest.

Hired After November 1, 2013

A member who terminates after 11 years of credited service is eligible for a vested severance benefit determined by the normal retirement formula, based on service and salary history to date of termination. The benefit is payable at age 50, or when the member would have completed 22 years of service, whichever is later, provided the member's contribution accumulation is not withdrawn. Members terminating with less than 11 years of credited service may elect to receive a refund of their contribution accumulation without interest.

Firefighters hired prior to November 1, 2013, with 20 or more years of service may elect to participate in the Oklahoma Firefighters Deferred Retirement Option Plan (the "Deferred Option Plan"). Firefighters hired after November 1, 2013, with 22 or more years or more of service may elect to participate in the Deferred Option Plan. Active participation (having benefit payments credited to the account) in the Deferred Option Plan shall not exceed 5 years. Under the Deferred Option Plan, retirement benefits are calculated based on compensation and service at the time of election. The retirement benefits plus half of the municipal contributions on behalf of the participant are deposited into a deferred retirement account. The Deferred Option Plan accounts are credited with interest at a rate of 2% below the rate of return on the investment portfolio of the Plan, with a guaranteed minimum interest rate equal to the assumed actuarial interest rate of 7.5%, as approved by the Board. The participant is no longer required to make contributions. Upon retirement, the firefighter receives his/her monthly retirement benefit as calculated at the time of election. The member can elect to either leave the account balance accumulated in the Deferred Option Plan account or they can elect to have the balance paid to them either as a lump sum or in specified monthly payments. If the member elects to leave their account balance in the Deferred Option Plan account, they will continue to earn interest on their balance at the rate described above; however, no more benefit payments will be credited to their account. The member can leave their account balance in the Deferred Option Plan account until the age of 70<sup>1</sup>/<sub>2</sub>. When the member reaches 70<sup>1</sup>/<sub>2</sub> years of age, they must either begin receiving regular monthly payments, based on the annuity method, or a lump sum distribution. As of June 30, 2015, there were 1,254 members actively participating in the Deferred Option Plan.

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The Deferred Option Plan was modified effective November 1, 2013, to limit post-retirement interest for new members to a rate of return on the portfolio, less a 1% administrative fee. In addition, the members participating must withdraw all money by the age of 70<sup>1</sup>/<sub>2</sub>.

In the 2003 Legislative Session, Senate Bill 286 and House Bill 1464 created a "Back" DROP for members of the System effective July 1, 2003. The "Back" DROP is a modified deferred retirement option plan. The "Back" DROP allows the member flexibility by not having to commit to terminate employment within 5 years. Once a member has met their normal retirement period of 20 years for those hired prior to November 1, 2013, and 22 years for those hired after November 1, 2013, the member can choose, upon retirement, to be treated as if the member had entered into the Deferred Option Plan. A member, however, cannot receive credit to the Deferred Option Plan account based upon any years prior to when the member reached their normal retirement date. Once a member is ready to retire, the member can make the election to participate in the "Back" DROP and can receive a Deferred Option Plan benefit based upon up to 5 years of participation. The member's regular retirement benefit will not take into account any years of service credited to the "Back" DROP. As of June 30, 2015, there were 1,050 members participating in the "Back" DROP.

Firefighters with 20 years of service or who were receiving pension benefits as of May 26, 1983, are entitled to post-retirement adjustments equal to one-half the increase or decrease for top-step firefighters. Pensions will not be adjusted below the level at which the firefighter retired.

### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the district's proportionate share of the net pension liability was \$468,469. The net pension liability for the plan in total was measured as of June 30, 2015 and determined by an actuarial valuation as of that date June 30, 2014. The district's proportionate share of the total net pension liability was based on the ratio of our actual contributions of \$16,496 paid to OFPRP for the year ended June 30, 2014 relative to the actual contributions of \$37,374,912 from all participating employers. At June 30, 2014, the district's proportionate share was 0.0441365%.

For the year ended June 30, 2015, the district recognized a pension expense of \$40,764, our proportionate share of the total pension expense.

At June 30, 2015, we reported deferred outflows of resources and deferred inflows of resources from the following sources related to OFPRP pension benefits:

	Outflows	Deferred Inflows
<b>Balance of Deferred Outflows and Inflows Due to:</b>		
Differences between expected and actual experience	\$10,814	\$ 0
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	0	52,112
Changes in proportion and differences between Employer contributions and proportionate share of contributions	0	0
Total	<u>\$ 10,814</u>	<u>\$ 52,112</u>

Other amounts reported as collective deferred (inflows) / outflows of resources to be recognized in pension expense:

Year Ending June 30:	
2016	( 13,028)
2017	( 13,028)
2018	( 13,028)
2019	<u>( 13,028)</u>
	<u>\$ ( 52,112)</u>

### **Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:



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Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disables lives.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

Fiduciary Net Position- OFPRP issues a publicly available financial report that can be obtained at [www.ok.gov/fprs/](http://www.ok.gov/fprs/).

**Expected Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	Long-Term Expected Real Rate of Return
Fixed income	5.13%
Domestic equity	8.02%
International equity	9.94%
Real estate	7.47%
Other assets	6.25%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by Oklahoma statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by Oklahoma statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate:**

The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability	<u>\$ 1,378,127,473</u>	<u>1,061,408,249</u>	<u>795,774,620</u>

**Summary of Significant Accounting Policies**

Financial reporting information pertaining to the Town's participation in the Oklahoma Firefighters Pension and Retirement Plan ("OFPRP") has been corrected by this Change in Accounting Principle. Net Position as previously reported at June 30, 2014: \$7,402,178, Net Pension Liability: \$453,877, Deferred outflows: \$10,814, Deferred inflows: \$68,705, and Total prior period adjustment: \$511,768. Net position as restated after this adjustment is \$6,890,410 and Net Position as restated after all prior period adjustments on July 1, 2014 is \$6,781,499, in accordance with Governmental Accounting Standards Board ("GASB) Statement No.

## TOWN OF FORT GIBSON

68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date.

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of OFPRP have been determined on the same basis as they are reported by OFPRP. The financial statements were prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the statutes governing PSRS. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the district's net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense.

### C. Oklahoma Police Pension & Retirement Plan (OPPRS):

#### ***Plan Description.***

The Oklahoma Police Pension and Retirement System (the "System") was established by legislative act and became effective on January 1, 1981. The System is the administrator of a multiple-employer, cost-sharing defined benefit pension plan that provides participants with retirement, death, and disability benefits and a deferred option plan (the "Deferred Option"), both established by the State of Oklahoma. These plans are considered a single plan for financial reporting purposes. The System is part of the State of Oklahoma financial reporting entity and is included in the State of Oklahoma's financial reports as a pension trust fund. The System covers substantially all police officers employed by the 137 participating municipalities and state agencies within the state of Oklahoma. The System administers the Oklahoma Police Pension and Retirement Plan (the "Plan"). For report purposes, the System is deemed to be the administrator of the Plan. The State of Oklahoma remits, through the Oklahoma Insurance Department, a portion of the insurance premium taxes collected by authority of the State. As a result of these contributions, the State is considered a non-employer contributing entity to the Plan.

Copies of reports may be obtained from Oklahoma Police Pension and Retirement System 1001 N.W. 63rd Street, Suite 305, Oklahoma City, OK 73116-7335.

The System is a part of the State of Oklahoma financial reporting entity, which is combined with other similar funds (multiple-employer, cost-sharing) to comprise the fiduciary-pension trust funds of the State of Oklahoma.

The Oklahoma Police Pension and Retirement Board of Trustees (the "Board") is responsible for the operation, administration, and management of the System. The Board also determines the general investment policy of the System's assets. The Board is comprised of 13 members. Six members are active System members and represent specific geographic areas of the state. They must work for a police department physically located in the district they serve. The 7th district shall be a retired member of the System and encompasses the entire state area. These elected members serve 3-year terms. The remaining six members are either governmental office holders or are appointed as follows: one by the Speaker of the House of Representatives, one by the President Pro Tempore of the Senate, one by the Governor, and one by the President of the Oklahoma Municipal League; the final two members of the Board are the State Insurance Commissioner or designee and the Director of the Office of Management and Enterprise services or designee. The appointees and office holders or designees all serve a 4-year term, with the governor appointee's term being coterminous with that office. The appointees of the board or designees of ex officio members should have either demonstrated professional experience in investment or funds management, demonstrated experience in the banking profession, be licensed to practice law in the state and have demonstrated professional experience in commercial matters, or be licensed by the Oklahoma Accountancy Board to practice in this state as a public accountant or a certified public accountant.

#### ***Benefits Provided.***

In general, the Plan provides defined retirement benefits based on members' final average compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. The Plan's benefits are established and amended by State statute. Retirement provisions are as follows:

#### ***Normal Retirement***

The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

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Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit. Effective July 1, 1999, a \$5,000 death benefit is also paid, in addition to any survivor's pension benefits under the Plan, to the participant's beneficiary or estate for active or retired members.

### *Terminations*

The Deferred Option allows participants otherwise eligible for a normal retirement benefit to defer terminating employment and drawing retirement benefits for a period not to exceed 5 years. Under the Deferred Option, retirement benefits are calculated based on compensation and service at the time of election and a separate account is established for each participant. During the participation period, the employee's retirement benefit is credited to the participant's account along with a portion of the employer's contribution and interest. Interest is credited at a rate of 2% below the rate of return on the investment portfolio of the Plan, with a guaranteed minimum interest equal to the assumed actuarial interest of 7.5%. Employee contributions cease once participation in the Deferred Option is elected. At the conclusion of participation in the Deferred Option, the participant will receive the balance in the separate account under payment terms allowed by the Deferred Option and will then begin receiving retirement benefit payments as calculated at the time of election.

In the 2003 Legislative Session, Senate Bill 688 and House Bill 1464 created a "Back" DROP for members of the System. The "Back" DROP is a modified deferred retirement option plan. The "Back" DROP allows the member flexibility by not having to commit to terminate employment within 5 years. Once a member has met their normal retirement period of 20 years, the member can choose, upon retirement, to be treated as if the member had entered into the "Back" DROP. A member, however, cannot receive credit to the "Back" DROP account based upon any years prior to when the member reached their normal retirement date. Once a member is ready to retire, the member can make the election to participate in the "Back" DROP and can receive a "Back" DROP benefit based upon up to 5 years of participation. The member's regular retirement benefit will not take into account any years of service credited to the "Back" DROP.

In 2006, the Board approved a method of payment called the Deferred Option Payout Provision (the "Payout Provision"). The Payout Provision allows a retired member who has completed participation in the Deferred Option or the "Back" DROP the ability to leave their account balance in the Plan. The retired member's account balance will be commingled and reinvested with the total assets, and therefore the member will not be able to direct their personal investments. Written election must be made to the Board no more than 30 days following the termination of employment.

Upon participating in the Payout Provision, a retired member shall not be guaranteed a minimum rate of return on their investment. A retired member shall earn interest on their account as follows:

- a) The retired member shall earn two percentage points below the net annual rate of return of the investment portfolio of the System.
- b) If the portfolio earns less than a 2% rate of return, but more than zero, the retired member shall earn zero percentage points.
- c) If the portfolio earns less than zero percentage points, there shall be a deduction from the retired member's balance equal to the net annual rate of return of the investment portfolio of the System.

Interest as earned above shall be credited to the retired member's account.

The Oklahoma Legislature has the authority to grant percentage increases or special one-time payments to persons receiving benefits from the Plan. Additionally, certain retirees are entitled to receive a cost-of-living adjustment (COLA) when a COLA is granted to active police officers in the retiree's city. Participants eligible to receive both types of benefit increases are to receive the greater of the legislative increase or the benefit increase the participant would receive pursuant to the COLA provision.

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**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the district's proportionate share of the net pension liability was \$4,449. The net pension liability for the plan in total was measured as of June 30, 2015 and determined by an actuarial valuation as of that date June 30, 2014. The district's proportionate share of the total net pension liability was based on the ratio of our actual contributions of \$39,690 paid to OPPRP for the year ended June 30, 2014 relative to the actual contributions of \$36,368,579 from all participating employers. At June 30, 2014, the district's proportionate share was 0.1091327%.

For the year ended June 30, 2015, the district recognized a pension expense of \$13,468, our proportionate share of the total pension expense.

At June 30, 2015, we reported deferred outflows of resources and deferred inflows of resources from the following sources related to OPPRP pension benefits:

	Deferred Outflows	Deferred Inflows
<b>Balance of Deferred Outflows and Inflows Due to:</b>		
Differences between expected and actual experience	\$ 0	\$16,508
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	0	64,841
Changes in proportion and differences between Employer contributions and proportionate share of contributions	0	0
<b>Total</b>	<u>\$ 0</u>	<u>\$ 81,349</u>

Other amounts reported as collective deferred (inflows) / outflows of resources to be recognized in pension expense:

Year Ending June 30:	
2016	( 16,210)
2017	( 16,210)
2018	( 16,210)
2019	<u>( 16,211)</u>
	<u>\$ (64,841)</u>

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement.

Inflation:	3%
Salary increases:	4.5% to 17% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Cost-of-living adjustments:	Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary.
Mortality rates:	Active employees (pre-retirement): RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.

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Active employees (post-retirement) and nondisabled pensioners:  
RP-2000 Blue Collar Healthy Combined table with fully  
generational improvement using scale AA.

Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set  
forward 4 years.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 2007 to June 2012.

### Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, (see discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	2.24%
Domestic equity	4.87%
International equity	7.68%
Real estate	5.47%
Private equity	5.80%
Commodities	2.96%

### Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by the Oklahoma Statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the employers, calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase(8.5%) (7.5%)
	<u>(Amounts in Thousands)</u>		
Employers' net pension liability (asset)	<u>\$245,001</u>	<u>\$4,077</u>	<u>\$ (199,038)</u>

### Summary of Significant Accounting Policies

Financial reporting information pertaining to the Town's participation in the Oklahoma Police Pension and Retirement Plan ("OPPRP") has been corrected by this Change in Accounting Principle. Net Position as previously reported at June 30, 2014: \$7,402,178, Net Pension Liability: (\$36,744), Deferred outflows: \$0, Deferred inflows: \$145,655, and Total prior period adjustment \$108,911. Net position as restated after this adjustment is \$7,293,267 and Net Position as restated, after all prior period adjustments on July 1, 2014 is \$6,781,499, in accordance with Governmental Accounting Standards Board ("GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date.

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of OPPRP have been determined on the same basis as they are reported by OPPRP. The financial statements were prepared using the accrual basis of accounting. Member

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and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the statutes governing PSRS. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the district's net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense.

### **NOTE 10. RISK MANAGEMENT**

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

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

### **NOTE 11. EVALUATION OF SUBSEQUENT EVENTS**

The Town has evaluated subsequent events through February 2, 2016, the date which the financial statements were available to be issued with none found.

### **NOTE 12. RECENTLY ISSUED ACCOUNTING STANDARDS**

The following accounting standards have been recently issued and will be adopted as applicable by the City. Unless otherwise noted below, management has not yet determined the impact of these Statements on the City's financial statements.

- GASB Statement No. 72, "Fair Value Measurement and Application" — This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement will become effective for the City in the fiscal year ended June 30, 2016.
- GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68" — This objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement will become effective for the City in the fiscal year ended June 30, 2016.
- GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" — The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability and replaces the requirements of GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" and GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans". This Statement also includes requirements for those OPEB plans in GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and GASB Statement No. 50, "Pension Disclosures". This Statement will become effective for the City in the fiscal year ended June 30, 2017.
- GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" — The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions and replaces the requirements of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" and GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans". This Statement will become effective for the City in the fiscal year ended June 30, 2018
- GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" — The objective of this Statement is to identify the hierarchy of generally accepted accounting principles and supersedes GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". This Statement will become effective for the City in the fiscal year ended June 30, 2016.
- GASB Statement No. 77, "Tax Abatement Disclosures" — This Statement requires governments that enter into tax abatement agreements to disclose information about the nature and magnitude of the agreements to increase transparency to financial statement users. This Statement will become effective for the City in the fiscal year ended June 30, 2017.

***REQUIRED SUPPLEMENTARY INFORMATION***

TOWN OF FORT GIBSON  
 REQUIRED SUPPLEMENTARY INFORMATION  
 COST SHARING PENSION PLANS  
 JUNE 30, 2015

SCHEDULE OF CHANGES IN NET PENSION LIABILITY			
Increase (Decrease)			
Total Town Pensions			
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Beg Balance at July 1, 2014	\$1,426,010	\$972,169	\$453,841
Changes for the year:			
Service Cost	27,068	0	27,068
Interest Cost	105,954	0	105,954
Difference Between expected and actual experience	527	0	527
Contributions Employer	0	17,199	(17,199)
Contributions Members	0	10,755	(10,755)
Contributions State of Oklahoma	0	40,307	(40,307)
Net Investment Income		51,552	(51,552)
Benefit Payments including refunds	(80,726)	(80,726)	0
Administrative Expense		(898)	898
Other	(1)	0	(1)
Net Changes	52,822	38,190	14,632
Ending Balance at June 30, 2015	\$1,478,832	\$1,010,359	\$468,473



TOWN OF FORT GIBSON  
 REQUIRED SUPPLEMENTARY INFORMATION  
 COST SHARING PENSION PLANS  
 JUNE 30, 2015

SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

	<u>OPP&amp;RS</u>	<u>OFP&amp;RS</u>
Town's proportion of the net pension liability (asset)	.1091327%	.0441365%
Town's proportionate share of the net pension liability (asset)	\$(36,744)	\$453,877
Town's covered employee payroll	\$1,333,713	\$1,333,713
Town's proportionate share of the net pension liability (asset) As a percentage of its covered employee payroll	(2.755%)	3.4031%
Plan fiduciary net position as a percentage of the Total pension liability (asset)	101.53%	68.12%

SCHEDULE OF TOWN CONTRIBUTIONS

	<u>OPP&amp;RS</u>	<u>OFP&amp;RS</u>
Contractually required contributions	\$39,690	\$16,496
Contributions in relation to the contractually required contribution	<u>(39,690)</u>	<u>(16,496)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>
City's covered employee payroll	\$1,333,713	\$1,333,713
Contribution as a percentage of covered employee payroll	2.976%	1.234%

Note: These schedules are intended to show information for ten years. Additional years will be presented as they become available.

**BUDGET TO ACTUAL - BUDGETARY BASIS**  
**JUNE 30, 2015**

	BEGINNING BUDGET	FINAL BUDGET	YTD ACTUAL	BUDGET BALANCE
<hr/>				
01 - GENERAL FUND				
FINANCIAL SUMMARY				
<hr/>				
TOTAL REVENUES	2,488,017	2,488,017	2,469,823	18,194
EXPENDITURE SUMMARY				
<hr/>				
00-TRUSTEES	20,500	20,500	17,617	2,883
01-TOWN CLERK	2,950	3,185	3,099	86
02-TOWN TREASURER	1,650	1,650	1,650	0
03-TOWN ATTORNEY	21,600	21,600	21,600	0
04-MUNICIPAL COURT	48,017	48,695	46,044	2,651
05-POLICE	835,725	833,809	742,061	91,748
07-FIRE	39,100	39,100	24,199	14,901
08-ANIMAL CONTROL	25,773	26,063	23,653	2,411
09-BUILDING INSPECTOR	60,295	61,186	57,790	3,397
10-PARKS	189,675	189,675	53,618	136,057
11-GENERAL GOVERNMENT	1,134,842	1,095,915	239,520	856,394
13-LIBRARY	44,753	44,431	34,560	9,872
15-CEMETERY	61,467	62,065	32,989	29,076
17-E911	0	0	0	0
21-CIVIL DEFENSE	1,670	1,670	115	1,555
<hr/>				
TOTAL EXPENDITURES	2,488,017	2,449,545	1,298,515	1,151,030
<hr/>				
REVENUES OVER/(UNDER)				
EXPENDITURES	0	38,472	1,171,308	(1,132,836)
<hr/> <hr/>				

	BEGINNING BUDGET	FINAL BUDGET	YTD ACTUAL	BUDGET BALANCE
<b>10 -STREET &amp; ALLEY FUND</b>				
<b>FINANCIAL SUMMARY</b>				
TOTAL REVENUES	1,208,825	1,071,888	1,032,854	39,034
TOTAL EXPENDITURES	1,208,825	1,071,888	152,885	919,003
REVENUES OVER/(UNDER) EXPENDITURES	0	(0)	879,969	(879,969)
<b>13 -FG DEVELOPMENT AUTHORITY</b>				
<b>FINANCIAL SUMMARY</b>				
TOTAL REVENUES	359,750	307,385	307,756	(371)
TOTAL EXPENDITURES	359,750	307,385	6,800	300,585
REVENUES OVER/(UNDER) EXPENDITURES	0	0	300,956	(300,956)
<b>14 -FIRE DEPT SPECIAL EQUIP</b>				
<b>FINANCIAL SUMMARY</b>				
TOTAL REVENUES	104,250	93,400	109,655	(16,255)
TOTAL EXPENDITURES	104,250	93,400	16,523	76,877
REVENUES OVER/(UNDER) EXPENDITURES	0	0	93,132	(93,132)
<b>15 -FIRE DEPARTMENT SALES TAX</b>				
<b>FINANCIAL SUMMARY</b>				
TOTAL REVENUES	258,000	241,459	244,476	(3,017)
TOTAL EXPENDITURES	258,000	241,459	66,050	175,409
REVENUES OVER/(UNDER) EXPENDITURES	0	0	178,427	(178,427)

	BEGINNING BUDGET	FINAL BUDGET	YTD ACTUAL	BUDGET BALANCE
<b>16 -POLICE DEPT SALES TAX FINANCIAL SUMMARY</b>				
TOTAL REVENUES	127,400	137,343	143,198	(5,854)
TOTAL EXPENDITURES	127,400	137,343	65,521	71,823
REVENUES OVER/(UNDER) EXPENDITURES	0	0	77,677	(77,677)

<b>21-1.25% SALES TAX FUND FINANCIAL SUMMARY</b>				
TOTAL REVENUES	1,204,500	1,105,062	1,110,993	(5,931)
TOTAL EXPENDITURES	1,204,500	1,105,062	352,679	752,383
REVENUES OVER/(UNDER) EXPENDITURES	0	0	758,314	(758,314)

<b>23-AUXILIARY FIRE DEPARTMENT FINANCIAL SUMMARY</b>				
TOTAL REVENUES	0	1,085	20	1,065
TOTAL EXPENDITURES	0	1,085	0	1,085
REVENUES OVER/(UNDER) EXPENDITURES	0	0	20	(20)

<b>30 -CEMETERY FUND FINANCIAL SUMMARY</b>				
TOTAL REVENUES	15,080	15,265	15,653	(388)
TOTAL EXPENDITURES	15,080	15,265	0	15,265
REVENUES OVER/(UNDER) EXPENDITURES	0	0	15,653	(15,653)

	BEGINNING BUDGET	FINAL BUDGET	YTD ACTUAL	BUDGET BALANCE
<b>40 -DEBT SERVICE</b>				
<b>FINANCIAL SUMMARY</b>				
TOTAL REVENUES	187,245	187,515	182,536	4,979
TOTAL EXPENDITURES	187,245	187,515	107,465	80,050
REVENUES OVER/(UNDER) EXPENDITURES	0	0	75,071	(75,071)

<b>17-DRUG FORFIETURE SALE</b>				
<b>FINANCIAL SUMMARY</b>				
TOTAL REVENUES	0	0	0	0
TOTAL EXPENDITURES	0	0	0	0
REVENUES OVER/(UNDER) EXPENDITURES	0	0	0	0

***SUPPLEMENTARY INFORMATION***

**BUDGET TO ACTUAL - BUDGETARY BASIS**  
**JUNE 30, 2015**

	BEGINNING BUDGET	FINAL BUDGET	YTD ACTUAL	BUDGET BALANCE
<hr/>				
50 -FORT GIBSON UTILITIES FINANCIAL SUMMARY				
<hr/>				
TOTAL REVENUES	4,845,661	4,406,483	4,417,534	(11,051)
<hr/>				
EXPENDITURE SUMMARY				
<hr/>				
21-GENERAL GOVERNMENT	2,160,156	1,681,665	664,071	1,017,594
31-SANITATION	580,222	582,574	401,661	180,913
41-WASTE WATER	602,220	611,692	602,734	8,958
51-WATER	1,503,063	1,530,552	832,199	698,352
<hr/>				
TOTAL EXPENDITURES	4,845,661	4,406,483	2,500,665	1,905,818
<hr/>				
REVENUES OVER/(UNDER) EXPENDITURES	0	(0)	1,916,869	(1,916,869)



Clothier & Company CPA's P.C.  
cccpa@yahoo.com

P.O. Box 1495  
Muskogee, Oklahoma 74402  
918-687-0189 FAX 918-687-3594

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Gibson as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Fort Gibson's basic financial statements, and have issued our report thereon dated February 24, 2016.

**Internal Control Over Financial Reporting**

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

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



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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

Clothier & Company, CPA's, P.C.  
February 24, 2016