

OLDEST TOWN IN OKLAHOMA

***FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2017***

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TOWN OF FORT GIBSON

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INDEPENDENT AUDITORS' REPORT

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

January 29, 2018

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, 2017, 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, 2017, 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 IX 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.

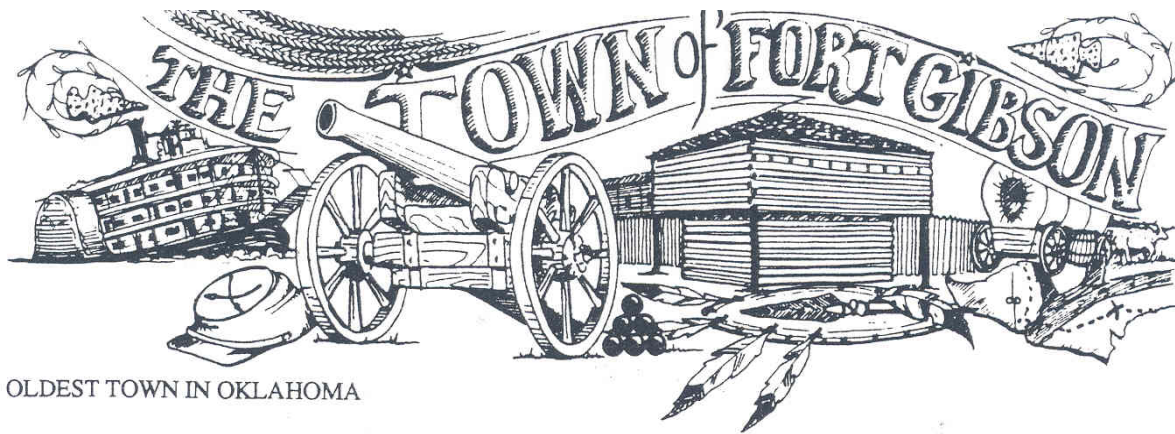
The budgetary comparison information for the Utility Authority including a reconciliation of budgetary basis to the statement of revenues, expenses, and changes in fund balance has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we 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 January 29, 2018 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
January 29, 2018



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, 2017. 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. However, you will need to consider other non-financial factors, 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 the 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, 2013 through 2017, net assets changed as follows:

For the year ending	Governmental Activities	Change (in %)	Business-type	Change (in %)	Total	Change (in %)
Net assets June 30, 2013	6,942,290	5.2%	6,847,805	15.0%	13,790,095	9.9%
Change 2014	459,888		944,111		1,403,999	
Net assets June 30, 2014	7,402,178	6.6%	7,791,916	13.8%	15,194,094	10.2%
Change 2015	(210,366)		466,599		256,233	
Net assets June 30, 2015	7,191,812	-2.8%	8,258,515	6.0%	15,450,327	1.7%
Change 2016	437,931		799,954		1,237,885	
Net assets June 30, 2016	7,629,743	6.1%	9,058,469	9.7%	16,688,212	8.0%
Change 2017	(179,561)		1,668,487		1,488,926	
Net assets June 30, 2017	7,450,182	-2.4%	10,726,956	18.4%	18,177,138	8.9%

Governmental activities had a decrease of 2.4% related to an increase in pension liabilities from \$569,373 in 2016 to \$813,305 in 2017. This amount was slightly offset by final payment of the General Obligation Bond.

Business-type activities had an increase of 18.4% from investments in the water and wastewater treatment projects. Total assets increased from \$11,615,132 to \$14,499,009 offset by total liabilities from \$2,556,666 to \$3,772,053.

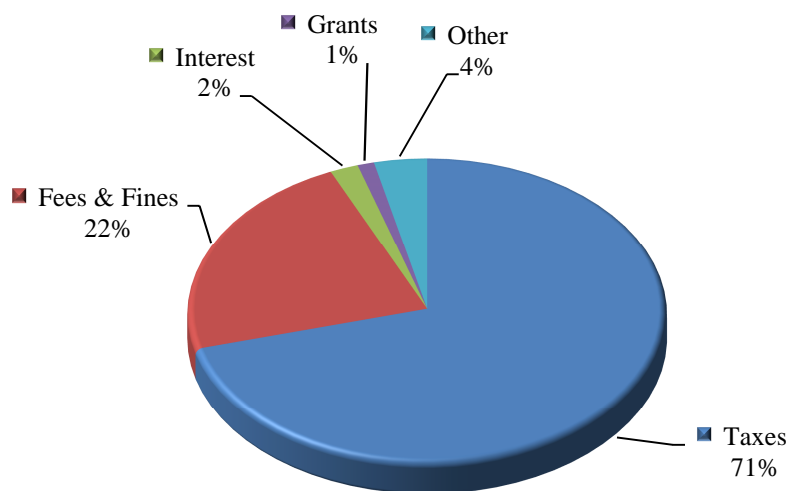
Governmental Activities

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, outside city limit fire fees, fire run charges, and 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.

Governmental Fund Revenues



Governmental Fund Revenues		
Taxes	\$ 1,688,058	70.79%
Fees & Fines	535,985	22.48%
Interest	46,421	1.95%
Grants	27,224	1.14%
Other	86,940	3.65%
Total Revenue	\$ 2,384,628	100.00%

Total Fund Revenue from departments decreased slightly by 7.91% or \$204,839. Overall expenses decreased by 1.16% or \$24,322. General fund expenses decreased by 5.8%, Street and Alley fund increased by 59.6%, 1.25 Sales Tax fund decreased by 7.9%, Debt Service Fund increased by 53.8%, and Non-Major funds decreased by 30.6%.

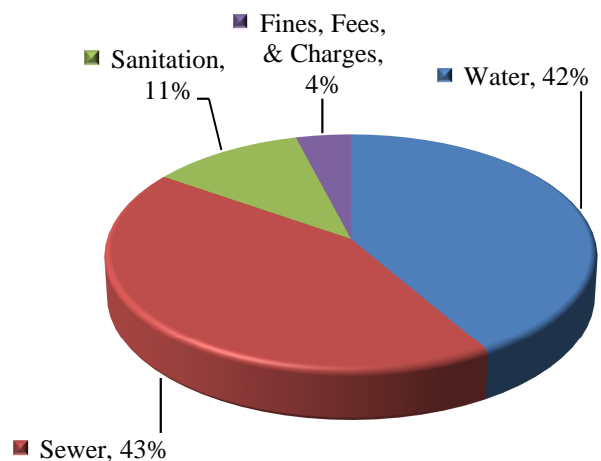
Business-type Activities

The business-type activities include the following residential and commercial services of water, sewer, and refuse along with the following individual line items reported for each department:

- Water – water taps, water tap material fees, and testing fees.
- Sewer – BOD and TSS charges, and sewer taps.
- Sanitation –state trash/landfill fees.
- Fines, Fees, & Charges – rental property, capital improvement fees, penalty income, brush lot fees, and non-payment fees.

Sales By Department

Sales By Department		
Water	\$ 1,343,452	41.54%
Sewer	1,393,704	43.09%
Sanitation	365,738	11.31%
Fines, Fees, & Charges	131,272	4.06%
Total Revenue	\$ 3,234,165	100.00%

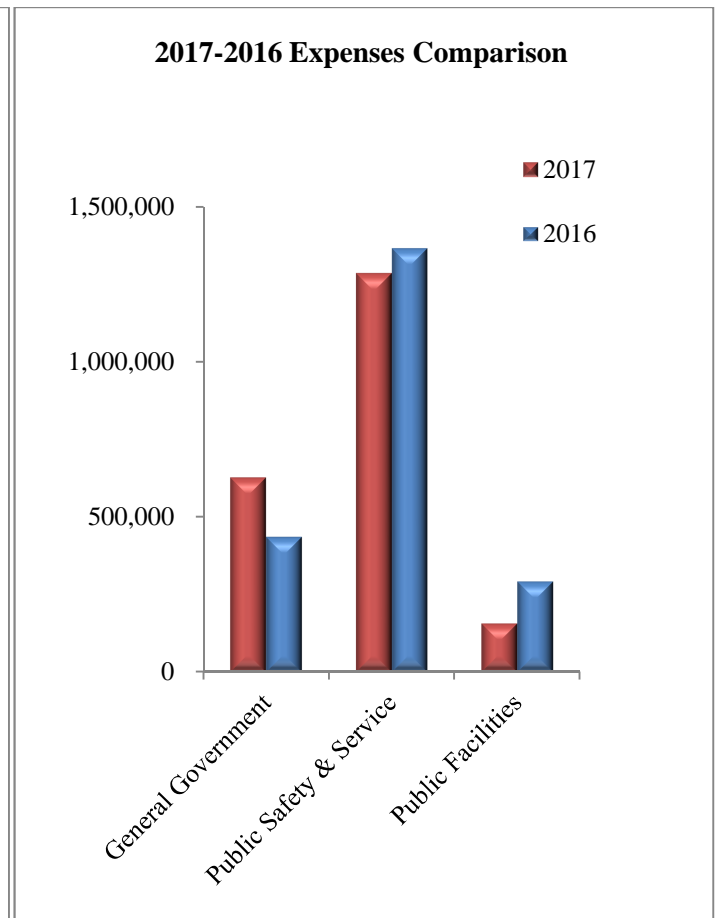
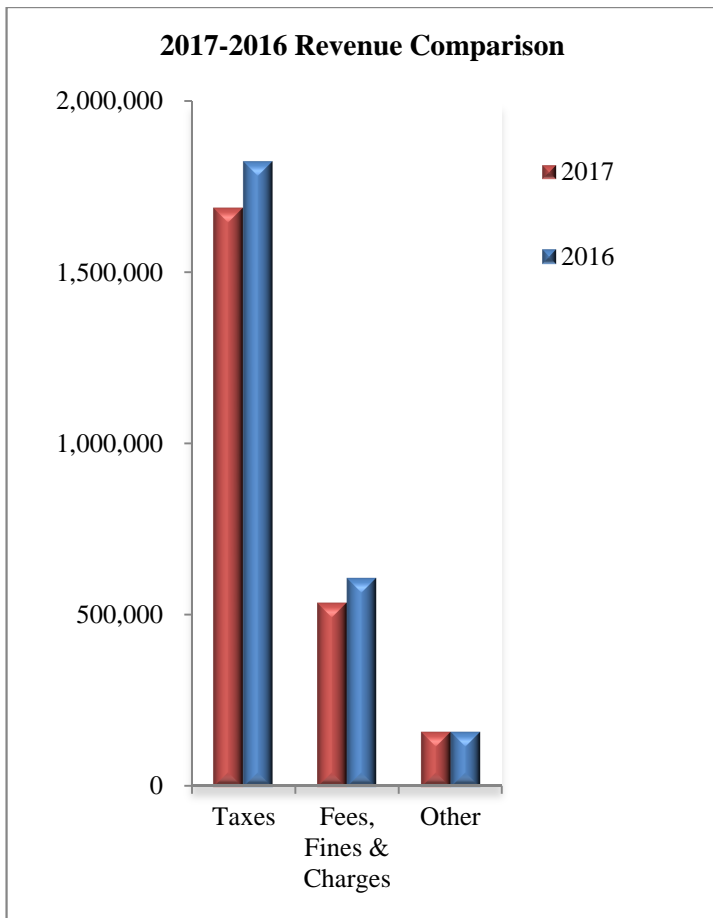


Business-type revenues increased by 6.19% or \$188,502 compared to 2016. Overall expenses increased by 1.23% or \$27,844. Total water expenses decreased by 15.93%, wastewater expenses increased by 8.69%, sanitation expenses decreased by 20.10%, and general government expenses increased by 10.97%.

The Town's Funds

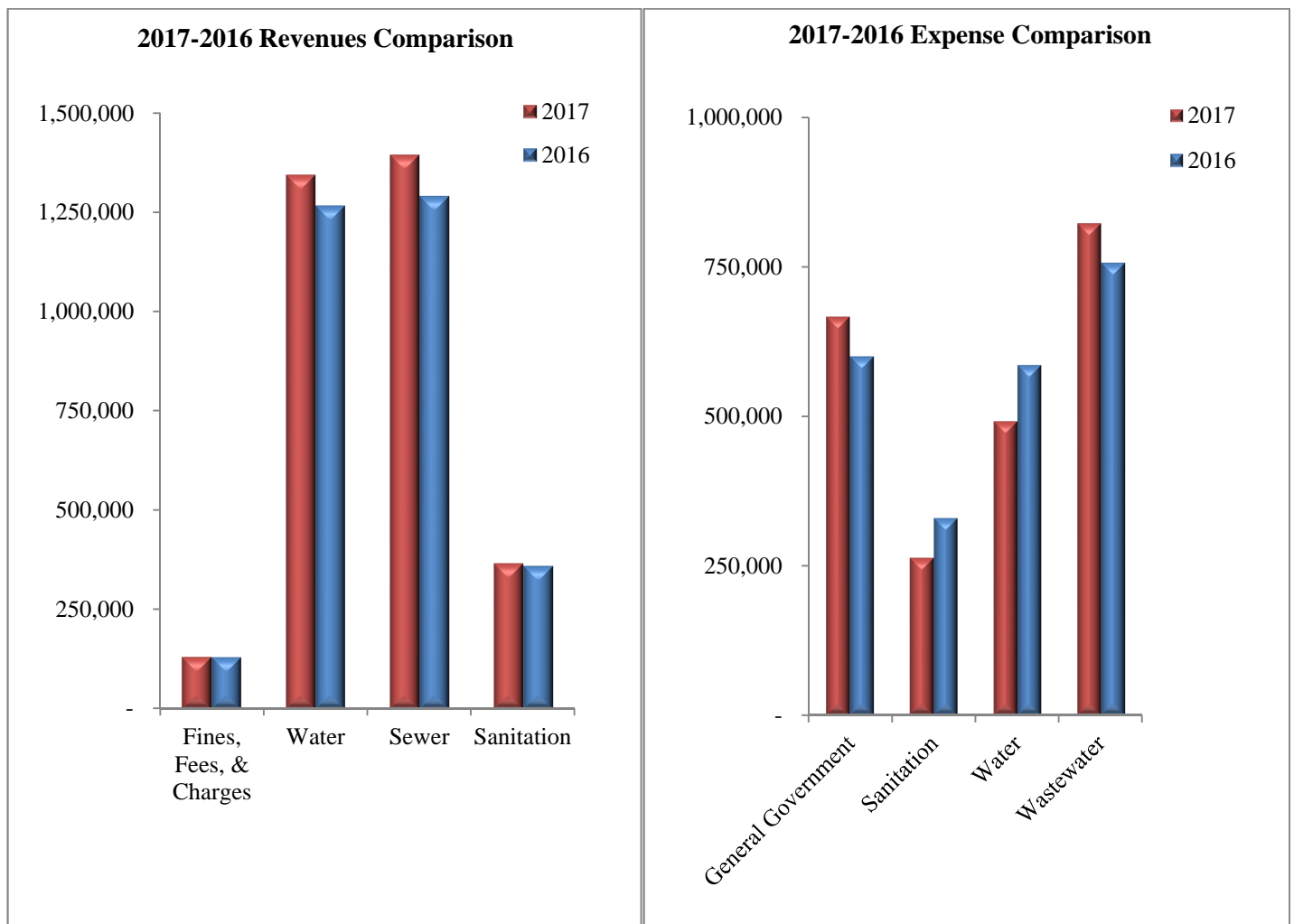
The following presents a summary of governmental funds revenue and expenditures for the fiscal year ended June 30, 2017 and the amounts and percentages of change in relation to 2016.

	2017	2016	Increase (Decrease)	
	Amounts	Amounts	Amounts	%
<u>Revenues</u>				
Taxes	1,688,058	1,823,353	135,295	8.0%
Fees, Fines & Charges	535,985	607,562	(20,313)	-3.2%
Other	160,584	160,930	92,235	134.3%
Total Revenue	<u>2,384,628</u>	<u>2,591,844</u>	<u>207,216</u>	<u>8.7%</u>
<u>Expenses</u>				
General Government	627,251	435,544	191,707	30.6%
Public Safety and Service	1,284,505	1,364,022	(79,517)	-6.2%
Public Facilities	156,875	292,125	(135,250)	-86.2%
Total Expenses	<u>2,068,630</u>	<u>2,091,691</u>	<u>(23,061)</u>	<u>-1.1%</u>
Net Revenue over Expenses	<u>315,997</u>	<u>500,153</u>	<u>184,156</u>	<u>58.3%</u>



The following presents a summary of proprietary funds revenue and expenditures for the fiscal year ended June 30, 2017 and the amounts and percentages of change in relation to 2016.

	2017	2016	Increase (Decrease)	
	Amounts	Amounts	Amounts	%
Revenues				
Utilities	3,234,165	3,045,663	(188,502)	-5.8%
Expenses				
Utilities	2,244,877	2,272,721	27,844	1.2%
Operating Income	989,289	772,942	(216,347)	-21.9%
Non-operating revenues (expenses)	679,198	27,012	(652,187)	-96.0%
Net Income	1,668,487	799,954	(868,534)	-52.1%



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2017, the Town had over 20 million invested in capital assets including police and fire equipment, buildings, park facilities, roads, water, and sewer (see table below).

	<u>COST</u>	<u>ACCUMULATED DEPRECIATION</u>	<u>BOOK VALUE</u>
Governmental Funds	\$ 7,832,928	\$ 3,464,961	\$ 4,367,967
Fort Gibson Utility Authority	12,198,853	5,591,801	6,607,052
	<u>\$ 20,031,781</u>	<u>\$ 9,056,762</u>	<u>\$ 10,975,019</u>

The Town has a special sales tax that is for improvements to streets, fire, and police departments. The Town spent \$48,716 on buildings and improvements, \$25,766 on equipment, \$9,777 for office furniture/equipment, \$17,775 for street equipment, \$5,508 on fire equipment, and \$78,548 for police vehicles and equipment. The Authority spent \$2,454,039 on water treatment plant expansion, \$475,443 on lift station rehab project, \$206,833 on vehicles and equipment, and \$3,750 for office equipment. The Authority also capitalized \$27,625 in debt issue costs.

Debt

At year-end, the Town of Fort Gibson and Fort Gibson Utility Authority had \$3,558,308 in long-term outstanding notes compared to \$2,488,109 last year. The Utility Authority signed a note for a total of \$7,760,000 with the United States of America through the Rural Utilities Service. As of June 30, 2017, the Utility Authority had only received \$1,701,088 in loan disbursements for this loan.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following projects and grants are expected during the 2017/2018 year.

Fort Gibson Utilities Authority

General Government

- Increase water, sewer, and trash rates on August 1, 2017
- Replacement of water lines \$155,000
- Roof over maintenance building \$10,000
- ½ Copier \$6,000

Sanitation

- Polycarts and dumpsters \$50,000
- Sanitation Truck \$150,000

Wastewater Treatment Plant

- Chlorine dioxide system \$50,000
- Sludge removal \$350,000
- Collection system improvement loan \$1,600,000
- Principle and interest on collection system improvements \$53,000

Water Treatment Plant

- Increase in chemicals \$30,000
- Altitude valve on Garrison Tower and automatic flushers \$35,000
- Principle and interest on water plant loan \$295,200

Town of Fort Gibson

General Fund

Police Department

- New Class A uniforms \$6,000
- Radar, antenna, and radios for 2 new units \$12,600

Animal Control

- New metal roof \$28,000
- Vehicle \$12,000

Parks and Recreation

- Carl Perry Memorial Ball Field \$50,000
- Bleachers \$12,000
- Cherokee Healthy Community Incentive Grant \$20,000
- Shade sail for Fort Gibson Municipal Park (side area) and shelter \$22,000
- Corn Festival \$15,000
- Purchase of mower \$3,000

General Government

- Ricky Hayes economic development \$18,000
- Chamber of Commerce \$3,500
- ½ Copier \$6,000
- Desk \$5,000
- Table \$1,500
- Roof (Town Hall) \$300,000
- Audio Visual Equipment \$10,000
- Structural improvements to Town Hall \$100,000

Street & Alley

- Chemicals for weed control \$10,000
- Chip and seal \$200,000
- Increase in asphalt \$8,000
- Poplar St. sidewalk \$200,000
- Safe Route to School Grant \$177,500
- Boom truck \$75,000

Library

- EODL \$9,000
- Purchase of mower \$3,000

Cemetery

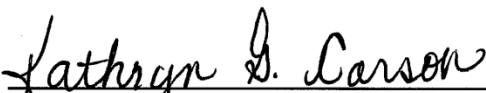
- Spray-Software Survey \$18,500
- Mower \$10,000

Police Department Sales Tax

- Purchase two units \$75,000

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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



Kathy Carson, Town Administrator

**TOWN OF FORT GIBSON
STATEMENT OF NET ASSETS
JUNE 30, 2017**

	Primary Government		
	Governmental	Business-type	Total
ASSETS			
Cash and Cash Equivalents	\$ 4,211,952	\$ 841,378	\$ 5,053,330
Sales Tax Receivable	149,397	0	149,397
Deferred Revenue	0	0	0
Other Tax Receivable	0	0	0
Trade Accounts Receivable	0	288,870	288,870
Total Current Assets	<u>4,361,348</u>	<u>1,130,248</u>	<u>5,491,596</u>
Noncurrent Assets			
Capital Assets			
Distribution System	0	13,420,726	13,420,726
Office Equipment	0	185,481	185,481
Building and Improvements	3,651,529	0	3,651,529
Equipment	1,733,223	644,406	2,377,629
Autos & Trucks	1,267,652	655,210	1,922,861
Land	260,000	42,581	302,581
Debt Issue Costs	0	283,240	283,240
Infrastructure	952,891	0	952,891
Accumulated Depreciation	(3,748,465)	(5,851,629)	(9,600,094)
Deferred Pension Outflows	308,642	0	308,642
Restricted Cash	0	3,988,747	3,988,747
Total Noncurrent Assets	<u>4,425,472</u>	<u>13,368,761</u>	<u>17,794,233</u>
Total Assets	<u>8,786,820</u>	<u>14,499,009</u>	<u>23,285,829</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	147,732	24,692	172,424
Accrued Payroll and Benefits	17,963	17,864	35,827
Accrued Expenses	20,503	7,602	28,105
Current Portion of Long-term Debt	0	217,687	217,687
Total Current Liabilities	<u>186,198</u>	<u>267,845</u>	<u>454,043</u>
Noncurrent Liabilities			
Accrued Vacations	28,493	19,092	47,585
Water Deposits	0	144,495	144,495
Deferred Pension Inflows	645,747	0	645,747
Net Pension Liability Police	7,519	0	7,519
Net Pension Liability Fire	468,681	0	468,681
Long-term Debt	0	3,340,621	3,340,621
Total Noncurrent Liabilities	<u>1,150,440</u>	<u>3,504,208</u>	<u>4,654,647</u>
Total Liabilities	<u>1,336,638</u>	<u>3,772,053</u>	<u>5,108,690</u>
NET ASSETS			
Invested in Capital Assets Net of Debt	4,116,830	5,821,706	9,938,536
Restricted for:			
Debt Service	0	884,063	884,063
Other Purposes	2,684,545	0	2,684,545
Unrestricted	648,808	4,021,187	4,669,995
Total Net Assets	<u>\$7,450,182</u>	<u>\$10,726,956</u>	<u>\$18,177,138</u>

See accompanying notes and independent auditors' report.

**TOWN OF FORT GIBSON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	Expenses	Program Revenues			Net (Expense) Revenue and Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 666,411	\$ 17,625	\$ 27,224	\$ -	\$ (621,562)	\$ -	\$ (621,562)
Public Safety and Service	1,153,077	372,453	-	-	(780,625)	-	(780,625)
Public Facilities	277,589	-	-	-	(277,589)	-	(277,589)
Total Governmental Activities	2,097,077	390,078	27,224	-	(1,679,776)	-	(1,679,776)
Business-type Activities:							
Utility	2,244,877	3,234,166	2,875	678,288	-	1,670,453	1,670,453
Total Business-type Activities	2,244,877	3,234,166	2,875	678,288	-	1,670,453	1,670,453
Total Primary Government	\$ 4,341,953	\$ 3,624,243	\$ 30,099	\$ 678,288	(1,679,776)	1,670,453	(9,323)

General Revenues:

Franchise Fees	145,908	-	145,908
Sales Tax Revenue	1,418,642	-	1,418,642
Other Taxes	269,416	-	269,416
Investment Income	46,421	26,363	72,784
Gain (Loss) on Sale of Assets	(12,961)	(28,328)	-
Transfers	(150,488)	-	(150,488)
Total General Revenues and Transfers	1,716,938	(1,965)	1,756,262
Change in Net Assets	37,162	1,668,487	1,705,649
Net Assets - Beginning	7,629,743	9,058,469	16,688,212
Pension Adjustments	(216,723)	-	(216,723)
Net Assets - Ending	\$ 7,450,182	\$ 10,726,957	\$ 18,177,139

See accompanying notes and independent auditors' report.

**TOWN OF FORT GIBSON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General Fund	Street & Alley Fund	1.25 Sales Tax Fund	Debt Service Fund	Non-major Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 1,453,215	\$ 1,085,614	\$ 893,372	\$ (7,371)	\$ 787,122	\$ 4,211,952
Accounts Receivable	77,576	20,276	34,144	328	17,072	149,397
Deferred Revenue	0	0	0	0	0	0
Restricted Cash	0	0	0	0	0	0
Total Assets	\$ 1,530,791	\$ 1,105,891	\$ 927,516	\$ (7,043)	\$ 804,194	\$ 4,361,348

**LIABILITIES AND FUND
BALANCES**

Liabilities						
Accounts Payable	\$ 9,288	\$ 134,315	\$ 4,129	\$ -	\$ -	\$ 147,732
Accrued Payroll and Benefits	12,782	900	0	0	4,282	17,963
Accrued Expenses	18,116	833	0	0	1,555	20,503
Total Liabilities	40,185	136,048	4,129	0	5,836	186,198
Fund Balances						
Nonspendable	0	0	0	0	0	0
Restricted	0	969,843	923,387	(7,043)	798,358	2,684,545
Committed	0	0	0	0	0	0
Assigned	0	0	0	0	0	0
Unassigned	1,490,606	0	0	0	0	1,490,606
Total Fund Balances	1,490,606	969,843	923,387	(7,043)	798,358	4,175,150
Total Liabilities and Fund Balances	\$ 1,530,791	\$ 1,105,891	\$ 927,516	\$ (7,043)	\$ 804,194	\$ 4,361,348

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.	4,116,830
Accrued vacations reported in the government wide statements are not recognized as expense for the governmental funds.	(28,493)
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Pension Adjustments:	
Current Pension Balance	(476,200)
Net Deferred Inflows and Outflows	(337,105)
	(813,305)
Net assets of governmental activities	<u>\$ 7,450,182</u>

See accompanying notes and independent auditors' report.

TOWN OF FORT GIBSON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Street and Alley Fund	1.25 Sales Tax Fund	Debt Service Fund	Non- major Funds	Total Governmental Funds
REVENUES						
Franchise Fees	\$145,908	\$0	\$0	\$0	\$0	\$145,908
Sales Tax Revenue	635,267	196,330	390,728	0	196,317	1,418,642
Other Taxes	149,714	38,307	0	81,395	0	269,416
Investment Income	14,766	13,498	9,375	751	8,030	46,421
Fees Fines and Charges	372,453	0	0	0	17,625	390,078
Gain (Loss) on Sale of Assets	0	0	0	0	86,940	86,940
Operating Grants/Donations	0	0	0	0	27,224	27,224
Intergovernmental	0	0	0	0	0	0
Total Revenues	<u>1,318,108</u>	<u>248,135</u>	<u>400,104</u>	<u>82,146</u>	<u>336,135</u>	<u>2,384,628</u>
EXPENDITURES						
General Government						
Personel Services	78,869	44,542	38,833	0	0	162,244
Materials and Supplies	11,485	28,126	0	0	0	39,611
Other Service and Charges	204,648	14,304	0	0	450	219,402
Note Payments	0	0	0	150,000	0	150,000
Interest Expense	0	0	0	7,500	0	7,500
Agency and Trustee Fees	0	0	0	1,155	0	1,155
Capital Outlay	27,962	18,093	0	0	0	46,055
Public Safety and Service						
Personel Services	523,935	0	132,708	0	105,957	762,600
Materials and Supplies	35,391	18,934	0	0	5,624	59,949
Other Service and Charges	185,690	0	0	0	3,516	189,207
Capital Outlay	44,187	145,346	0	0	83,216	272,749
Public Facilities						
Personel Services	35,311	0	13,827	0	0	49,138
Materials and Supplies	5,658	0	0	0	0	5,658
Other Service and Charges	73,843	0	0	0	0	73,843
Capital Outlay	28,235	0	0	0	0	28,235
Total Expenditures	<u>1,255,215</u>	<u>269,344</u>	<u>185,368</u>	<u>158,655</u>	<u>198,764</u>	<u>2,067,346</u>
Excess (deficiency) of Revenues Over	62,893	(21,210)	214,735	(76,509)	137,371	317,282
OTHER FINANCING						
Transfers In (Out)	0	0	(150,488)	0	0	(150,488)
Total Other Financing	<u>0</u>	<u>0</u>	<u>(150,488)</u>	<u>0</u>	<u>0</u>	<u>(150,488)</u>
Net Change in Fund Balances	62,893	(21,210)	64,248	(76,509)	137,371	166,794
Fund Balances - Beginning	1,427,712	991,052	859,139	69,466	660,986	4,008,356
Fund Balances - Ending	<u>\$ 1,490,606</u>	<u>\$ 969,843</u>	<u>\$ 923,387</u>	<u>\$ (7,043)</u>	<u>\$ 798,358</u>	<u>\$ 4,175,150</u>

See accompanying notes and independent 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, 2017**

Net change in fund balances - total governmental funds	\$	166,794
Amounts reported for governmental activities in the Statement of Activities are different because:		
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.		
		150,000
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their useful lives:		
Expenditures for capital assets	186,091	
Less current year depreciation	<u>(337,329)</u>	(151,238)
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.		
		(28,493)
Governmental funds report expenditures when paid. The Statement of Activities reports expenditures when incurred.		
		<u>(99,901)</u>
Change in Net Assets of Governmental Activities	\$	<u><u>37,162</u></u>

See accompanying notes and independent auditors' report.

**TOWN OF FORT GIBSON
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2017**

ASSETS

Current Assets

Cash and Cash Equivalents	\$	841,378
Trade Accounts Receivable		288,870
Total Current Assets		1,130,248

Noncurrent Assets

Fixed Assets		15,231,643
Accumulated Depreciation		(5,851,629)
Total Noncurrent Assets		9,380,014

Other Assets

Restricted Cash		3,988,747
Total Other Assets		3,988,747

	Total Assets	\$ 14,499,009
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LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable	\$	24,692
Accrued Payroll and Benefits		17,864
Accrued Expenses		7,602
Current Portion of Debt		217,687
Total Current Liabilities		267,845

Noncurrent Liabilities

Water Deposits		144,495
Accrued Vacations		19,092
Long-term Debt		3,340,621
Total Noncurrent Liabilities		3,504,208

Net Assets

Invested in Capital Assets		5,821,706
Restricted for Debt Service		884,063
Unrestricted		2,352,700
Current Income (Loss)		1,668,487
Total Net Assets		10,726,956

	Total Liabilities & Equity	\$ 14,499,009
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See accompanying notes and independent auditors' report.

TOWN OF FORT GIBSON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

Revenue	
Fines, Fees, and Charges	\$ 131,272
Water	1,343,452
Sewer	1,393,704
Sanitation	<u>365,738</u>
Total Revenue	3,234,166
 Operating Expenses	
General Government	666,701
Sanitation	262,989
Water	492,526
Wastewater	<u>822,661</u>
Total Operating Expenses	<u>2,244,877</u>
	 Operating Income 989,289
Non-operating Revenues (Expenses)	 <u>679,198</u>
	 Net Income (Loss) \$ <u><u>1,668,487</u></u>

See accompanying notes and independent auditors' report.

**TOWN OF FORT GIBSON
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

Cash Flows From Operating Activities

Receipts from customers (users)	\$	3,294,900
Payments to suppliers		(1,027,222)
Payments to employees		(844,000)
Proceeds from water deposits		10,980
Other operating receipts (payments)		0
Net cash provided (used) by operating activities		1,434,659

Cash Flows From Non-Capital Financing Activities

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

Cash Flows From Capital and Related Financing Activities

Acquisition and construction of capital assets		(2,448,527.11)
Cash loan proceeds		1,491,932
Principal paid on long-term debt		(271,733)
Interest paid on long-term debt		(61,045)
Net cash provided (used) by capital financing activities		(1,289,373)

Cash Flows From Investing Activities

Interest received on cash deposits		26,363
Net cash provided (used) by investing activities		26,363

Net increase (decrease) in cash and cash equivalents		171,648
Cash and Cash Equivalents at June 30, 2016 (includes restricted cash)		4,658,477
Cash and Cash Equivalents at June 30, 2017 (includes restricted cash)	\$	4,830,125

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

Operating Income (loss)	\$	1,668,487
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Interest expense		61,045
Depreciation and amortization		328,403
Non-operating revenues/expense		(679,198)
(Increase)/decrease in accounts receivable		60,735
Increase/(decrease) in accounts payable		9,174
Increase/(decrease) in accrued expenses		(18,911)
Increase/(decrease) in customer deposits		10,980
Increase/(decrease) in accrued compensated absences		(6,056)
Net cash provided (used) by operating activities	\$	1,434,659

See notes and independent auditors' report.

**TOWN OF FORT GIBSON
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2017**

	<u>Municipal Court Bond Fund</u>
ASSETS	
Cash and Cash Equivalents	\$6,165
Accounts Receivable	150
Due from Other Funds	<u>0</u>
 Total Assets	 6,315
LIABILITIES	
Due to Other Funds	<u>6,953</u>
 Total Liabilities	 6,953
NET ASSETS	
Held in Trust for Other Purposes	<u><u>(\$638)</u></u>

See accompanying notes and independent auditors' report.

**TOWN OF FORT GIBSON
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	ADDITIONS	<u>Municipal Court Bond Fund</u>
Bonds		<u>121,687</u>
Total Additions		<u>121,687</u>
	DEDUCTIONS	
Bonds Applied and Forfeitures		<u>121,687</u>
Total Deductions		<u>121,687</u>
Change in Net Assets		0
Net Assets at Beginning of Year		<u>(638)</u>
Net Assets at End of Year		<u><u>\$ (638)</u></u>

See accompanying notes and independent auditors' report.

TOWN OF FORT GIBSON

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 a 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). Although legally separate entities, blended component units 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

TOWN OF FORT GIBSON

assessments. *Operating grants* include operating-specific and discretionary (either operating or capital) grants while *capital grants* are capital-specific grants. Taxes and other items not properly included as program revenues are reported instead as general revenues.

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

Basic Financial Statements—Fund Financial Statements

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

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

The following fund types are used by the Town:

Governmental Funds:

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

- *General Fund* is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The special revenue funds used by the town include: Street and Alley, Cemetery Fund, Development Authority, Fire Department Equipment, Fire Department Sales Tax, Auxiliary Fire Department, Police Department Sales Tax, and 1.25% Sales Tax 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* is described above.
- *Street and Alley Fund* is 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* is 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* is 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 (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) 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),

TOWN OF FORT GIBSON

established October 29, 1962 under the provisions of the Oklahoma Trust Act, to provide services to the citizens of the town and surrounding community.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the 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 are generally 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.

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 balance of *Special Revenue Funds* used for street improvements, employee salaries and benefits, capital outlay, and public service maintenance and equipment.

Proprietary Fund:

- Unexpended proceeds of the 2006 Subordinate Sales Tax Revenue Notes, the Series 2011 Clean Water SRF, the Series 2016 Utility System Revenue Note, and the 2016 RDA note. Note proceeds are restricted to utility construction projects.
- Funds transferred to trustee accounts for the retirement of Oklahoma Water Resources Debt and 2006 Subordinate Sales Tax Revenue Notes.
- 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.

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.

TOWN OF FORT GIBSON

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 on the accrual basis for the proprietary fund. The Town follows the required public notice and hearings for all funds and appropriates 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 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, 2017, the Authority complied with all provisions of this covenant.

As more fully described in NOTE 7, the Town has pledged and created a security interest for the benefit of the holders of the 2006 Sales Tax Revenue Note, the 2006 Subordinate Sales Tax Revenue Note, and the 2016 Sales Tax Revenue Note in all of the revenues derived from Ordinance 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. 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 Authority has transferred funds necessary to meet their obligations under the note to accounts held by the Bank of Oklahoma as trustee.

TOWN OF FORT GIBSON

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 Authority.

Deposit Policies

Oklahoma 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 U.S. 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, 2017, all of the Town’s cash in financial institutions was covered by the FDIC, secured pledges, or letter of credit. The categories of credit risk are as follows:

	Town	Authority
A. Insured or collateralized by the Federal Deposit Insurance Corp (FDIC)	500,000	1,000,000
B. Collateralized with securities held in a Federal Reserve Bank Pledge	1,644,596	
C. Collateralized with an irrevocable letter of credit issued by the Federal Home Loan Bank of Topeka (FHLB)	0	5,300,000
Total insured or collateralized	2,144,596	6,300,000
Total deposits	1,853,356	5,602,185
Total over (under) insured	291,240	697,815

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, 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, 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, 2017 was as follows:

	Balance June 30, 2016	Increase	Decrease	Balance June 30, 2017
Capital assets being depreciated:				
Fire Department	1,023,999	7,273	0	1,031,272
General Government	1,916,330	36,997	(99,900)	1,853,427
Library	1,026,130	0	0	1,026,130
Police Department	907,843	110,140	(53,826)	964,157
Public Facilities	1,595,501	13,905	0	1,609,406
Public Services	64,330	0	0	64,330
Street Department	1,298,794	17,775	0	1,316,569
Subtotal	7,832,928	186,091	(153,726)	7,865,293
Accumulated depreciation:				
Fire Department	(721,646)	(61,088)	0	(782,734)
General Government	(766,757)	(48,949)	0	(815,706)
Library	(240,327)	(21,196)	0	(261,523)
Police Department	(694,947)	(74,898)	53,825	(716,020)
Public Facilities	(499,544)	(61,276)	0	(560,820)
Public Services	(64,330)	0	0	(64,330)
Street Department	(477,408)	(69,922)	0	(547,330)
Subtotal	(3,464,959)	(337,329)	53,825	(3,748,463)
Governmental Capital Assets, net	4,367,969	(151,239)	(99,901)	4,116,830

Business-type Proprietary Fund

Capital asset activity for the proprietary fund for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Increase	Decrease	Balance June 30, 2017
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	595,619	194,493	(134,903)	655,209
Furniture and fixtures	181,731	3,750	0	185,481
Machinery and equipment	631,167	13,240	0	644,407
Water and sewer system	10,492,142	2,928,583	0	13,420,725
Subtotal	11,900,660	3,140,066	(134,903)	14,905,822
Less accumulated depreciation:				
Vehicles	(357,421)	(50,090)	68,575	(338,936)
Furniture and fixtures	(129,601)	(8,457)	0	(138,058)
Machinery and equipment	(480,496)	(31,797)	0	(512,293)
Water and sewer system	(4,569,824)	(217,599)	0	(4,787,423)
Subtotal	(5,537,341)	(307,943)	68,575	(5,776,709)
Total capital assets, net	6,363,319	2,832,123	(66,328)	9,171,694
Loan origination fees, net	201,155	7,165	0	208,320
Water & sewer system capital assets, net	6,564,473	2,839,288	(66,328)	9,380,014

TOWN OF FORT GIBSON

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

Due From/To Other Funds

Due from/to other funds were eliminated when the Town went to the pooled cash system. These accounts were consolidated in each funds “pooled cash” account. Fiduciary funds are part of the pooled cash system but are not incorporated into the government-wide 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, 2017, is presented below:

	Balance			Balance June 30, 2017	Classification	
	July 1, 2016	Additions	Retirements		Due Within One Year	Due in More Than One Year
General Obligation Bonds:						
2002 Combined Purpose Bonds	150,000	0	(150,000)	0	0	0
Fort Gibson Utilities Auth Notes Payable to:						
Oklahoma Water Resources Board	608,909	0	(48,860)	560,049	50,066	509,983
Fort Gibson Utilities Auth Sales Tax:						
Revenue Note, Series 2006	55,000	0	(55,000)	0	0	0
Revenue Note, Series 2006 Subordinate	25,000	0	(25,000)	0	0	0
Revenue Note, Series 2016	1,600,000	0	(21,000)	1,579,000	43,000	1,536,000
2016 RDA Note	49,200	1,411,768	(41,709)	1,419,259	124,622	1,294,638
Compensated Absences (See Below in Note 6)	52,356		(3,961)	48,395		48,395
Total	2,540,465	1,411,768	(345,530)	3,606,703	217,687	3,389,015

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 matured on May 1, 2017, and final payment was made in April 2017.

Fort Gibson Utilities Authority Notes Payable

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

The Authority entered into a new mortgage with OWRB for \$980,000 for improvements to the wastewater system 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. 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% per annum, and the administration fee is .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 the Principal Forgiveness Grant in the amount of \$153,596 which was applied to the balance before June 30, 2012.

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

<u>For the Year Ending, June 30, 2017</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	50,066	13,439	63,505
2019	51,302	12,203	63,505
2020	52,539	10,966	63,505
2021	53,865	9,640	63,505
2022-2027	352,278	28,753	698,555
Total	560,049	75,001	952,576

Sales Tax Revenue Note Payable, Series 2006

The 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, is due March 1 and September 1 thereafter until the final principal payment of \$55,000 is due on September 1, 2016. The interest rate is 3.997% per annum, which is payable semi-annually with each principal payment.

TOWN OF FORT GIBSON

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 Authority. The pledged sales tax revenues are collected and recorded in the General Fund. The Authority paid the final payment in August 2016, and the note is at a \$0 balance as of June 30, 2017.

Sales Tax Revenue Note Payable, Subordinate Series 2006

The 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, is due March 1 and September 1 thereafter until the final principal payment of \$25,000 is due on September 1, 2016. The interest rate is 4.18% per annum, which is payable semi-annually with each principal payment.

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 Authority. The pledged sales tax revenues are collected and recorded in the General Fund. The Authority paid the final payment in August 2016, and the note is at a \$0 balance as of June 30, 2017.

Sales Tax Revenue Note Payable, Series 2016

The Authority, acting on behalf of the Town, issued a Series 2016 Sales Tax Revenue Note in the principal amount of \$1,600,000 dated March 14, 2016, maturing March 1, 2031. The first principal payment of \$16,850.67 is due September 1, 2016 and subsequent principal payments, beginning at \$38,040 and increasing to \$64,100 in 2021, is due March 1 and September 1 thereafter until the final principal payment of \$97,022 is due on March 1, 2031. The interest rate is 4.26% per annum, which is payable semi-annually with each principal payment. As of June 30, 2017, the unpaid principal balance is \$1,579,000.

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 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, 2017</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	43,000	33,409	76,409
2019	43,000	32,493	75,493
2020	45,000	31,567	76,567
2021	71,000	30,597	101,597
2022-2026	517,000	122,539	639,539
2027-2031	860,000	54,038	914,038
Total	<u>1,579,000</u>	<u>304,643</u>	<u>1,883,643</u>

2016 RDA NOTE

The Authority entered into two notes payable agreements with the United States of America, acting through the Rural Utilities Service, in the amounts of \$7,055,000 and \$705,000 for a total of \$7,760,000 on June 27, 2016, maturing April 27, 2056. This note is for the expansion of the water treatment plant and is secured by a real estate mortgage. The interest rate is 2.25% per annum on the outstanding balance of disbursed loan proceeds. As of June 30, 2017, the disbursed loan funds total \$1,460,968. Per the loan agreement, funds will be disbursed as the long-term construction project advances.

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

<u>For the Year Ending, June 30, 2017</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	124,622	170,578	295,200
2019	127,455	167,745	295,200
2020	130,352	164,848	295,200
2021	133,316	161,884	295,200
2022-2026	713,440	762,560	1,476,000
2027-2056	6,408,924	2,394,726	8,803,650
Total	<u>7,638,108</u>	<u>3,822,342</u>	<u>11,460,450</u>

TOWN OF FORT GIBSON

NOTE 8. NET ASSETS

Investment in Capital Assets, Net of Related Debt

As of June 30, 2017 the investment in capital assets, net of related debt, consisted of the following:

	Governmental	Business-Type	Total
Capital assets, net (Note No. 4)	4,116,830	9,380,014	13,496,844
2002 General Obligations Combined Purpose Bonds	0	0	0
Utility Authority Debt	0	(3,558,308)	(3,558,308)
Investment in Capital Assets, net of related debt	4,116,830	5,821,705	9,938,535

Restricted Net Assets

As of June 30, 2017 restricted net assets consisted of the following:

	Governmental	Business-Type	Total
<u>Restricted for Debt Service:</u>			
2002 General Obligations Combined Purpose Bonds	0	0	0
Utility Authority Debt	0	884,064	884,064
<u>Restricted for Capital Projects and Other Purposes:</u>			
Unexpended sub 2006 Sales Tax Revenue Note and 2011 OWRB Note Proceeds	0	0	0
Special Revenue Funds	2,684,545	0	2,684,545
Total Restricted Net Assets	2,684,545	884,064	3,568,608

The Governmental Funds Fund Balance is separated into five categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned. At June 30, 2017 the General Fund had \$40,185 committed to encumbrances. The Street and Alley Fund’s entire \$969,842 fund balance is restricted by legislation to be used for the improvements and maintenance of the Town’s streets. The (\$7,043) fund balance in the Debt Service Fund is reserved for the General Obligation Bonds payment of debt. The 1.25% Sales Tax Fund’s entire \$923,387 is restricted for the compensation, fringe benefits, and purchase of capital outlay for the Town. The Non-Major fund balance of \$798,358 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, and Police Department Sales Tax 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

A. Oklahoma Municipal Retirement Fund (OkMRF)

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:	22
Number of Participating Employees:	7
Number of Participating Employers:	194 (as of 6/30/16)
Authority of Plan:	Internal Revenue Code Section 401(a)
Employer Contributions:	\$93,927
Employee Contributions:	\$14,298
Total payroll:	\$1,425,591
Payroll for covered employees:	\$793,195

B. Oklahoma Firefighters' Pension and Retirement System

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, 2017, there were 472 cities, 26 fire protection districts, and 128 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, 2017 and 2016, total death benefits of \$1,130,000 and \$1,188,333, 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 70½. When the member reaches 70½ 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, 2017, there were 1,261 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 70½.

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, 2017, there were 1,344 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, 2017, the district’s proportionate share of the net pension liability was \$468,681. The net pension liability for the Plan in total was measured as of June 30, 2016 and determined by an actuarial valuation as of that date. The district’s proportionate share of the total net pension liability was based on the ratio of actual contributions of \$14,593 paid to the System for the year ended June 30, 2016 relative to the actual contributions of \$39,160,870 from all participating employers. At June 30, 2016, the district’s proportionate share was 0.037264%.

For the year ended June 30, 2017, the district recognized a pension expense of \$47,012, our proportionate share of the total pension expense.

At June 30, 2017, we reported deferred outflows of resources and deferred inflows of resources from the following sources related to pension benefits:

	Outflows	Inflows
Balance of Deferred Outflows and Inflows due to:		
Differences between expected and actual experience	72,486	0
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	49,657	(186,090)
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	(41,845)
Total	122,143	(227,935)

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

Year Ending June 30:	
2018	(45,169)
2019	(27,995)
2020	(21,888)
2021	(21,925)
2022	11,185
	(105,792)

TOWN OF FORT GIBSON

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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 disabled lives.

The actuarial assumptions used in the July 1, 2017 and 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

Fiduciary Net Position – the System issues a publicly available financial report that can be obtained at www.ok.gov/fprs/.

Expected Rate of Return

The long-term expected rate of return on the Plan's 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. The inflation factor added back was 2.26% for both 2017 and 2016. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of June 30 (see discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return (includes inflation factor)	
	2017	2016
Fixed income	4.38%	5.18%
Domestic equity	7.72%	8.70%
International equity	9.70%	10.87%
Real estate	6.96%	7.23%
Other assets	5.75%	6.24%

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 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 the Plan's 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:

<u>At June 30, 2017</u>	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability (asset)	1,649,949,319	1,257,723,651	925,321,337
Town's proportionate liability (asset)	614,841	468,681	344,814

TOWN OF FORT GIBSON

Summary of Significant Accounting Policies

Financial reporting information pertaining to the Town's participation in the Plan as reported at June 30, 2017: Net Position: \$935,135, Net Pension Liability: \$468,681, Deferred outflows: \$122,143, Deferred inflows: \$227,935, 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 the Plan have been determined on the same basis as they are reported by the System. The financial statements were prepared using the accrual basis of accounting. Member and employer contributions to the Plan are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a recurring 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 System

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 141 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 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. 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 represented by 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

TOWN OF FORT GIBSON

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.

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.

TOWN OF FORT GIBSON

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.

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

At June 30, 2017, the district's proportionate share of the net pension liability was \$7,519. The net pension liability for the Plan in total was measured as of June 30, 2016 and determined by an actuarial valuation as of that date. The district's proportionate share of the total net pension liability was based on the ratio of our actual contributions of \$37,477 paid to the System for the year ended June 30, 2016 relative to the actual contributions of \$38,338,093 from all participating employers. At June 30, 2016, the district's proportionate share was 0.097755%.

For the year ended June 30, 2017, the district recognized a pension expense of \$53,613, our proportionate share of the total pension expense.

At June 30, 2017, we reported deferred outflows of resources and deferred inflows of resources from the following sources related to pension benefits:

	Outflows	Inflows
Balance of Deferred Outflows and Inflows due to:		
Differences between expected and actual experience	377	(65,256)
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	183,565	(342,635)
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,557	(9,921)
Total	186,499	(417,812)

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

Year Ending June 30:	
2018	(77,541)
2019	(44,674)
2020	(36,580)
2021	(65,676)
2022	(6,842)
	<u>(231,313)</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, 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.

TOWN OF FORT GIBSON

Mortality rates:

Active employees (pre-retirement): RP-2000 Combined Blue Collar Healthy Table with age set back 4 years with fully generational improvement using Scale AA.

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

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

The actuarial assumptions used in the July 1, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period July 2007 to June 2012.

Fiduciary Net Position – the System issues a publicly available financial report that can be obtained at www.ok.gov/opprs/.

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. The inflation factor added back was 2.26% for both 2017 and 2016. 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 (see discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return (includes inflation factor)	
	2017	2016
Fixed income	4.51%	5.53%
Domestic equity	6.62%	7.42%
International equity	9.70%	9.74%
Real estate	6.96%	7.23%
Private equity	9.86%	10.58%
Commodities	5.18%	4.68%

Discount Rate

The discount rate used to measure the total pension liability was 7.5% for 2017 and 2016. 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:

At June 30, 2017	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability (asset)	259,969,000	7,692,000	(205,394,000)
Town's proportionate liability (asset)	254,132	7,519	(200,782)

TOWN OF FORT GIBSON

Summary of Significant Accounting Policies

Financial reporting information pertaining to the Town's participation in the Plan as reported at June 30, 2017: Net Position: \$2,341,595, Net Pension Liability: \$7,519, Deferred outflows: \$186,499, Deferred inflows: \$417,812, 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 the Plan have been determined on the same basis as they are reported by the System. The financial statements were prepared using the accrual basis of accounting. Member and employer contributions to the Plan are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a recurring 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 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, 2018, 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. 82, "Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73" – The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and 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. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.
- GASB Statement No. 84, "Fiduciary Activities" – This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

TOWN OF FORT GIBSON

- GASB Statement No. 85, “Omnibus 2017” – The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.
- GASB Statement No. 86, “Certain Debt Extinguishment Issues” – The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF FORT GIBSON
REQUIRED SUPPLEMENTARY INFORMATION
COST SHARING PENSION PLANS
JUNE 30, 2017

	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, 2016	3,597,793	2,992,825	604,968
Changes for the year:			
Service Cost	84,527	0	84,527
Interest Cost	263,569	0	263,569
Difference Between expected and actual experience	22,506	0	22,506
Contributions Employer	0	53,041	(53,041)
Contributions Members	0	32,783	(32,783)
Contributions State of Oklahoma	0	66,356	(66,356)
Net Investment Income	0	349,741	(349,741)
Benefit Payments including refunds	(215,465)	(215,465)	0
Administrative Expense	0	(2,551)	2,551
Other	0	0	0
Net Changes	<u>155,137</u>	<u>283,905</u>	<u>(128,767)</u>
Ending Balance at June 30, 2017	<u><u>3,752,930</u></u>	<u><u>3,276,730</u></u>	<u><u>476,200</u></u>

**TOWN OF FORT GIBSON
REQUIRED SUPPLEMENTARY INFORMATION
COST SHARING PENSION PLANS
JUNE 30, 2017**

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

	OPP&RS			OFP&RS		
	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>
City's proportion of the net pension liability (asset)	0.098%	0.088%	0.109%	0.037%	0.037%	0.044%
City's proportionate share of the net pension liability (asset)	\$ 7,519	\$ 135,416	\$ 4,449	\$ 468,681	\$ 455,553	\$ 468,468
City's total employee payroll	\$ 1,425,591	\$ 1,404,387	\$ 1,333,713	\$ 1,425,591	\$ 1,404,387	\$ 1,333,713
City's proportionate share of the net pension liability (asset) as a percentage of its total employee payroll	0.527%	9.642%	0.334%	32.876%	32.438%	35.125%

SCHEDULE OF CITY CONTRIBUTIONS

	OPP&RS			OFP&RS		
	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>
Contractually required contributions	\$ 37,477	\$ 32,492	\$ 39,690	\$ 14,593	\$ 14,263	\$ 16,496
Contributions in relation to the contractually required contribution	(37,477)	(32,492)	(39,690)	(14,593)	(14,263)	(16,496)
Contribution deficiency (excess)	0	0	0	0	0	0
City's total employee payroll	\$ 1,425,591	\$ 1,404,387	\$ 1,333,713	\$ 1,425,591	\$ 1,404,387	\$ 1,333,713
Contribution as a percentage of covered employee payroll	2.629%	2.314%	2.976%	1.024%	1.016%	1.237%

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

TOWN OF FORT GIBSON
BUDGET TO ACTUAL - BUDGETARY BASIS
JUNE 30, 2017

	BEGINNING BUDGET	FINAL BUDGET	YTD ACTUAL	BUDGET BALANCE
<hr/>				
01 - GENERAL FUND				
FINANCIAL SUMMARY				
<hr/>				
TOTAL REVENUES	2,888,660	2,930,411	2,760,355	170,055
EXPENDITURE SUMMARY				
<hr/>				
00-TRUSTEES	20,500	20,635	19,135	1,500
01-TOWN CLERK	3,150	3,150	2,385	765
02-TOWN TREASURER	2,200	2,065	1,650	415
03-TOWN ATTORNEY	24,000	24,010	24,009	1
04-MUNICIPAL COURT	56,915	57,449	48,836	8,614
05-POLICE	784,145	825,389	654,353	171,036
07-FIRE	36,560	58,600	25,355	33,245
08-ANIMAL CONTROL	97,780	98,306	50,542	47,764
09-BUILDING INSPECTOR	59,721	62,806	56,430	6,376
10-PARKS	156,150	156,150	58,002	98,148
11-GENERAL GOVERNMENT	1,514,744	1,487,166	228,955	1,258,212
13-LIBRARY	40,100	40,100	23,877	16,223
15-CEMETERY	89,995	91,079	61,168	29,911
21-CIVIL DEFENSE	2,700	3,505	2,523	982
		0		
<hr/>				
TOTAL EXPENDITURES	2,888,660	2,930,411	1,257,220	1,673,191
<hr/>				
REVENUES OVER/(UNDER)				
EXPENDITURES	0	0	1,503,135	(1,503,135)
<hr/> <hr/>				

	BEGINNING BUDGET	FINAL BUDGET	YTD ACTUAL	BUDGET BALANCE
10 -STREET & ALLEY FUND				
FINANCIAL SUMMARY				
TOTAL REVENUES	1,401,000	1,224,927	1,220,825	4,102
TOTAL EXPENDITURES	1,401,000	1,224,927	269,415	955,512
REVENUES OVER/(UNDER) EXPENDITURES	0	0	951,410	(951,410)
13 -FG DEVELOPMENT AUTHORITY				
FINANCIAL SUMMARY				
TOTAL REVENUES	307,950	307,950	390,625	(82,675)
TOTAL EXPENDITURES	307,950	307,950	450	307,500
REVENUES OVER/(UNDER) EXPENDITURES	0	0	390,175	(390,175)
14 -FIRE DEPT SPECIAL EQUIP				
FINANCIAL SUMMARY				
TOTAL REVENUES	150,200	150,200	148,578	1,622
TOTAL EXPENDITURES	150,200	150,200	14,237	135,963
REVENUES OVER/(UNDER) EXPENDITURES	0	0	134,341	(134,341)
15 -FIRE DEPARTMENT SALES TAX				
FINANCIAL SUMMARY				
TOTAL REVENUES	249,300	250,948	247,703	3,245
TOTAL EXPENDITURES	249,300	250,948	58,178	192,770
REVENUES OVER/(UNDER) EXPENDITURES	0	0	189,525	(189,525)

	BEGINNING BUDGET	FINAL BUDGET	YTD ACTUAL	BUDGET BALANCE
16 -POLICE DEPT SALES TAX				
FINANCIAL SUMMARY				
TOTAL REVENUES	165,260	169,396	165,250	4,146
TOTAL EXPENDITURES	165,260	169,396	122,454	46,943
REVENUES OVER/(UNDER) EXPENDITURES	0	0	42,796	(42,796)

21-1.25% SALES TAX FUND
FINANCIAL SUMMARY

TOTAL REVENUES	1,244,400	1,247,095	1,236,831	10,264
TOTAL EXPENDITURES	1,244,400	1,247,095	364,914	882,180
REVENUES OVER/(UNDER) EXPENDITURES	0	0	871,916	(871,916)

23-AUXILIARY FIRE DEPARTMENT
FINANCIAL SUMMARY

TOTAL REVENUES	0	0	0	0
TOTAL EXPENDITURES	0	0	0	0
REVENUES OVER/(UNDER) EXPENDITURES	0	0	0	0

30 -CEMETERY FUND
FINANCIAL SUMMARY

TOTAL REVENUES	19,450	19,450	19,686	(236)
TOTAL EXPENDITURES	19,450	19,450	0	19,450
REVENUES OVER/(UNDER) EXPENDITURES	0	0	19,686	(19,686)

	BEGINNING BUDGET	FINAL BUDGET	YTD ACTUAL	BUDGET BALANCE
40 -DEBT SERVICE				
FINANCIAL SUMMARY				
TOTAL REVENUES	191,400	191,400	162,218	29,182
TOTAL EXPENDITURES	191,400	191,400	158,655	32,745
REVENUES OVER/(UNDER) EXPENDITURES	0	0	3,563	(3,563)

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

SUPPLEMENTARY INFORMATION

TOWN OF FORT GIBSON UTILITY AUTHORITY
BUDGET TO ACTUAL - BUDGETARY BASIS
JUNE 30, 2017

	BEGINNING BUDGET	FINAL BUDGET	YTD ACTUAL	BUDGET BALANCE
<hr/>				
50 -FORT GIBSON UTILITIES				
FINANCIAL SUMMARY				
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TOTAL REVENUES	6,736,810	9,998,189	8,120,823	1,877,366.71
EXPENDITURE SUMMARY				
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21-GENERAL GOVERNMENT	2,482,696	2,492,564	723,643	1,768,921
31-SANITATION	498,812	503,075	396,715	106,360
41-WASTE WATER	2,505,057	2,595,597	1,072,193	1,523,405
51-WATER	1,250,245	4,406,953	3,269,618	1,137,335
<hr/>				
TOTAL EXPENDITURES	6,736,810	9,998,189	5,462,168	4,536,021
REVENUES OVER/(UNDER)				
EXPENDITURES	0	-	2,658,654	(2,658,654)
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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, 2017, 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 January 29, 2018.

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.
January 29, 2018