

OLDEST TOWN IN OKLAHOMA

***FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2018***



Clothier & Company CPA's P.C.

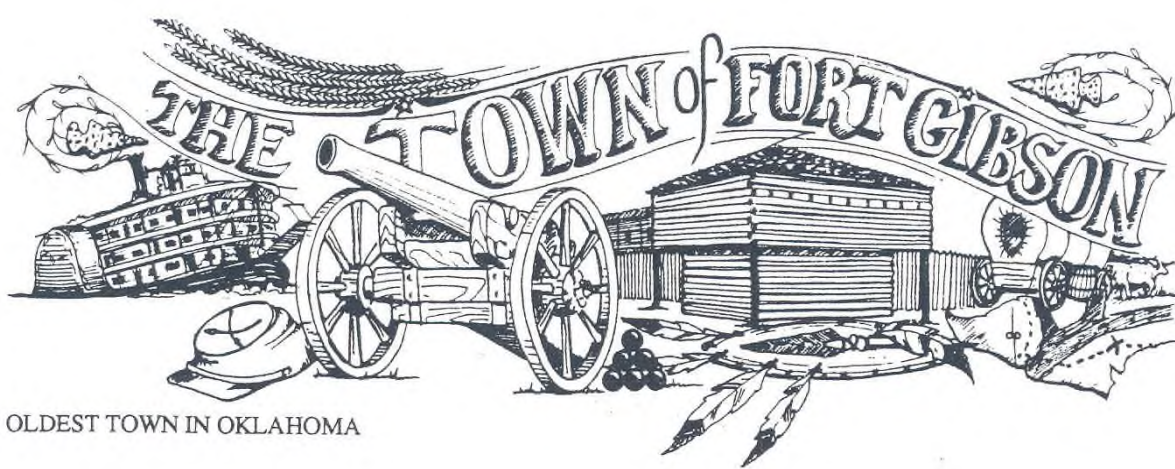
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TOWN OF FORT GIBSON

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OLDEST TOWN IN OKLAHOMA

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, 2018. 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, 2014 through 2018, net assets changed as follows:

For the year ending	Governmental Activities	Change (in %)	Business-type	Change (in %)	Total	Change (in %)
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	192,709		1,668,487		1,861,196	
Net assets June 30, 2017	7,822,452	2.5%	10,726,956	18.4%	18,549,408	11.2%
Change 2018	73,887		799,913		873,800	
Net assets June 30, 2018	7,896,339	0.9%	11,526,869	7.5%	19,423,208	4.7%

Governmental activities had an increase of 0.9% primarily related to a decrease in pension liabilities of \$441,035 in 2017 to \$329,974 in 2018.

Business-type activities had an increase of 7.5% primarily from investments in the water and wastewater treatment projects. Total assets increased from \$14,499,009 to \$19,831,380 offset by total liabilities from \$3,772,053 to \$8,304,511.

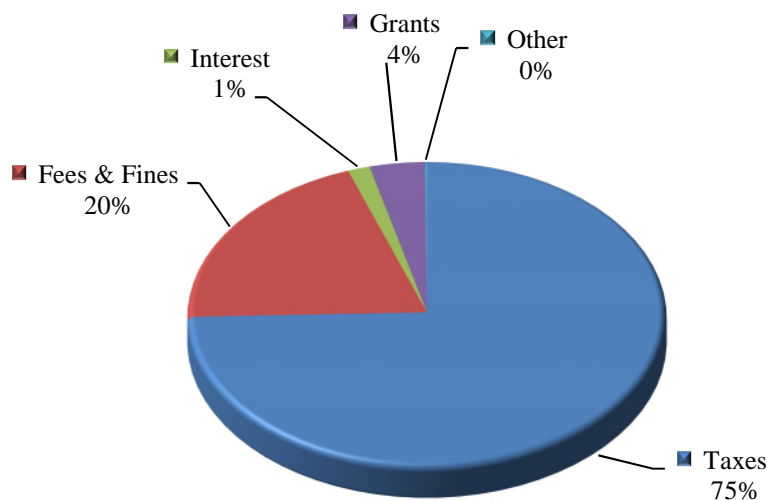
Governmental Activities

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	\$ 1,954,056	74.53%
Fees & Fines	524,706	20.01%
Interest	39,639	1.51%
Grants	100,027	3.82%
Other	3,400	0.13%
Total Revenue	\$ 2,621,828	100.00%

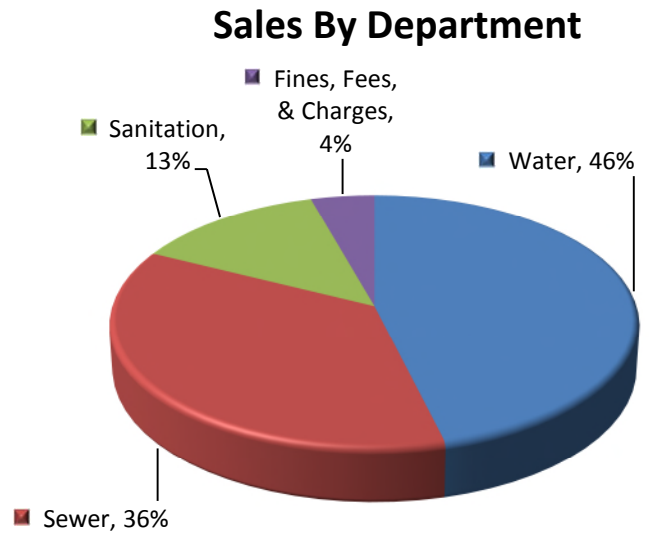
Total Governmental Fund Revenues increased slightly by 9.95% or \$237,201. Overall expenses increased by 14.07% or \$290,914. General fund increased by 15.1%, 1.25 Sales Tax fund increased by 23.9%, and Non-Major funds decreased by 16.9%. Street and Alley fund increased by 90.2% which included \$404,398 of overlay expenses. Debt Service Fund decreased by 99.6% which was directly related to final payment on the General Obligation 2002 Purpose Bonds being issued in April 2017.

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		
Water	\$ 1,347,621	46.14%
Sewer	1,057,581	36.21%
Sanitation	387,478	13.27%
Fines, Fees, & Charges	128,320	4.39%
Total Revenue	\$ 2,921,000	100.00%

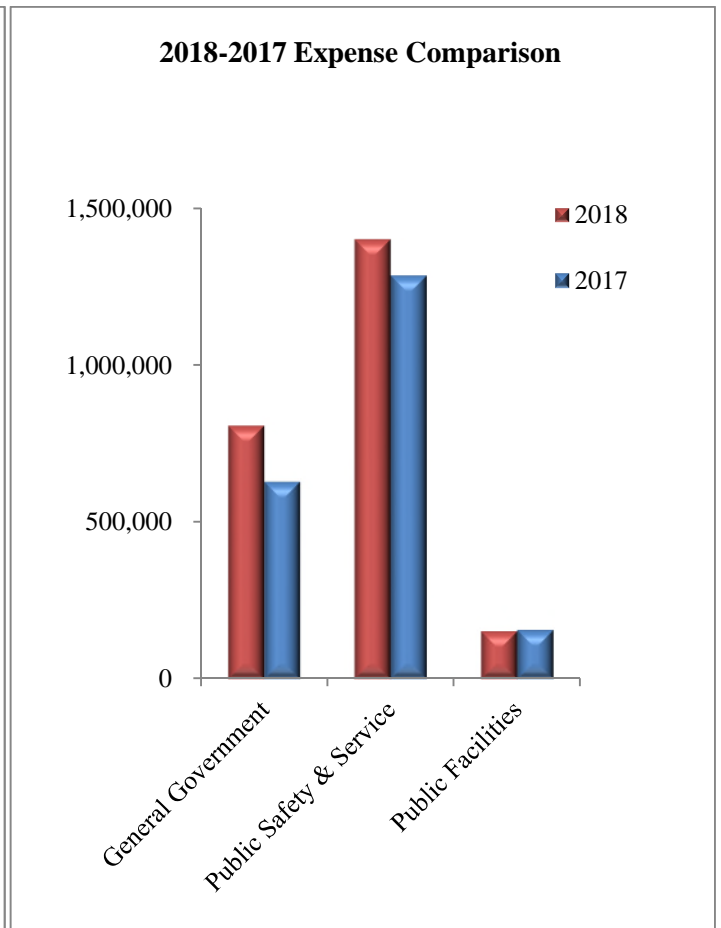
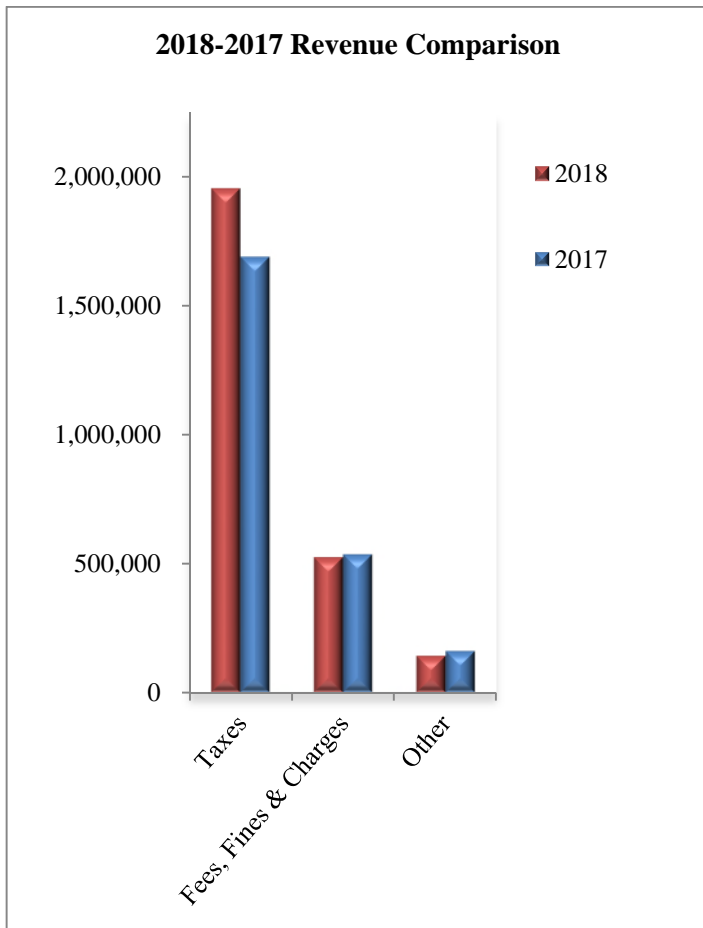


Business-type revenues decreased by 9.68% or \$313,165 compared to 2017. Overall expenses decreased by 2.39% or \$53,565. Total water expenses increased by 10.73%, wastewater expenses decreased by 12.76%, sanitation expenses increased by 0.18%, and general government expenses decreased by 0.28%.

The Town's Funds

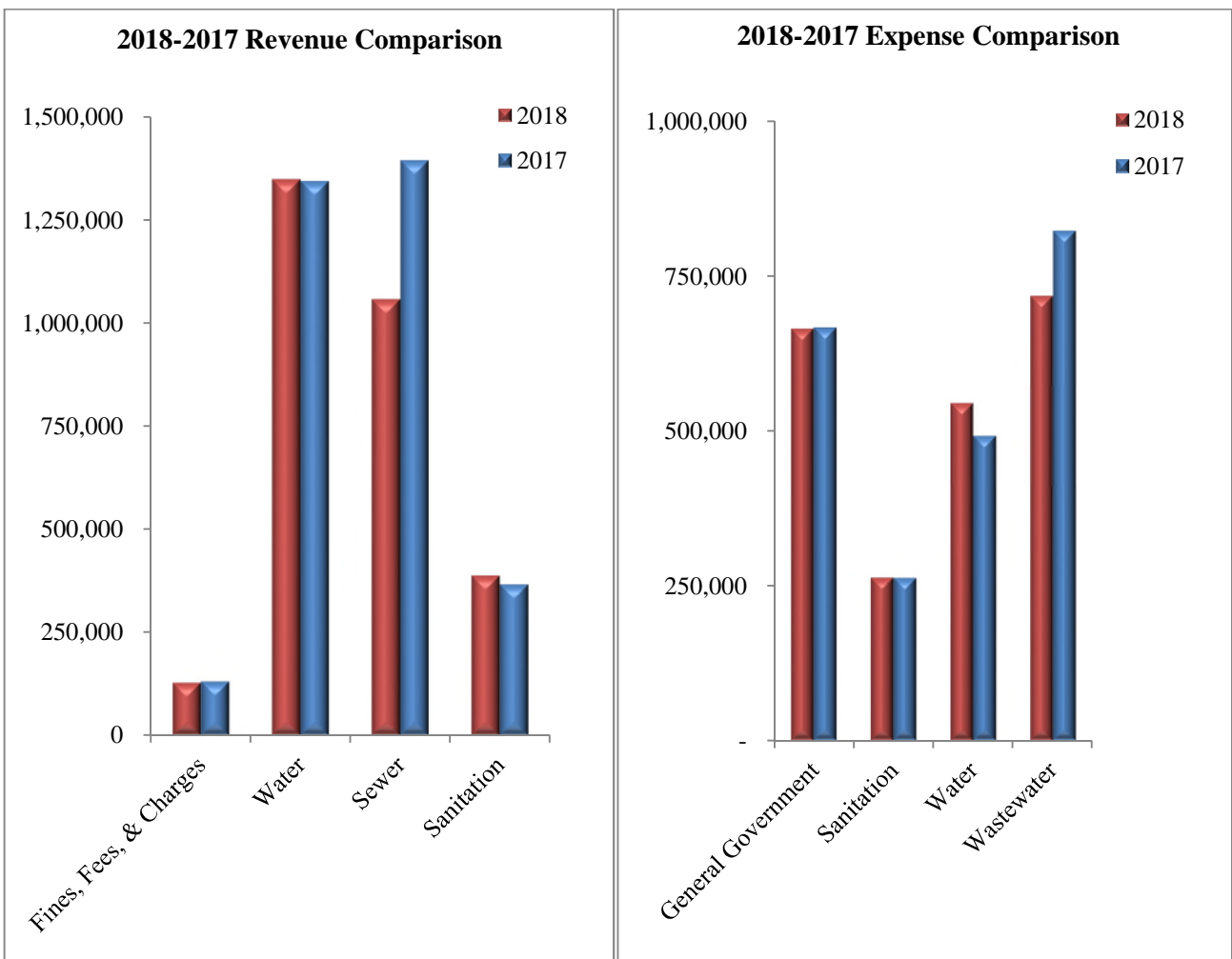
The following presents a summary of governmental funds revenue and expenditures for the fiscal year ended June 30, 2018 and the amounts and percentages of change in relation to 2017.

	2018	2017	Increase (Decrease)	
	Amounts	Amounts	Amounts	%
<u>Revenues</u>				
Taxes	1,954,056	1,688,058	(265,998)	-13.6%
Fees, Fines & Charges	524,706	535,985	11,279	2.1%
Other	143,066	160,584	17,518	12.2%
Total Revenue	2,621,828	2,384,628	(237,201)	-9.0%
<u>Expenses</u>				
General Government	806,322	627,251	179,071	22.2%
Public Safety & Service	1,394,414	1,284,505	109,909	7.9%
Public Facilities	152,058	156,875	(4,817)	-3.2%
Total Expenses	2,352,794	2,068,630	284,164	12.1%
Net Revenue over Expenses	269,034	315,997	46,963	17.5%



The following presents a summary of proprietary funds revenue and expenditures for the fiscal year ended June 30, 2018 and the amounts and percentages of change in relation to 2017.

	2018 Amounts	2017 Amounts	Increase (Decrease)	
			Amounts	%
<u>Revenue</u>				
Utilities	2,921,000	3,234,165	313,165	10.7%
<u>Expenses</u>				
Utilities	2,191,312	2,244,877	53,565	2.4%
Operating Income	729,688	772,942	43,254	5.9%
Non-operating revenues (expenses)	70,225	679,198	608,973	867.2%
Net Income	799,913	1,452,140	652,227	81.5%



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2018, the Town had over 28 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	\$ 7,989,954	\$ (4,033,047)	\$ 3,956,907
Fort Gibson Utility Authority	20,779,363	(6,190,334)	14,589,029
	<u>\$ 28,769,317</u>	<u>\$ (10,223,381)</u>	<u>\$ 18,545,936</u>

The Town has a special sales tax that is for improvements to streets, fire, and police departments. The Town spent \$6,000 for land, \$16,000 on trails plans, \$13,272 on buildings and improvements, \$9,000 on equipment, \$12,556 for office furniture/equipment, \$14,127 for street equipment, \$4,995 on fire equipment, and \$106,415 for police vehicles and equipment. The Authority spent \$4,991,499 on water treatment plant expansion, \$476,146 on lift station rehab project, \$51,440 on other distribution projects, \$10,019 on vehicles and equipment, \$13,061 for office equipment, and \$5,555 on land.

Debt

At year-end, the Town of Fort Gibson and Fort Gibson Utility Authority had \$8,026,154 in long-term outstanding notes compared to \$3,558,308 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, 2018, the Utility Authority had received \$6,480,105 in disbursements for this loan.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following projects and grants are expected during the 2018/19 year.

Fort Gibson Utilities Authority

General Fund

- Increase water, sewer, and trash rates on August 1, 2019
- Replacement of water lines \$325,000
- Shop fence \$20,000

Sanitation

- Polycarts and dumpsters \$20,000
- Sanitation Truck \$105,000
- OPC contract for curb-side pick-up 1x week \$7,200
- 100 Polycarts for curb-side recycling \$12,500

Wastewater Treatment Plant

- Rehab rock filter \$160,000
- Balance of Water Treatment Plant contract \$865,000
- Install bypass to new lift station \$30,000
- Purchase truck from Town Cemetery \$5,000
- Principal ORWB 2011 \$51,000
- Interest ORWB 2011 \$10,000
- Trustee/Admin Fee \$3,000
- Principle RDA Lift Station Rehab \$182,000
- Interest RDA Lift Station Rehab \$128,000

Water Treatment Plant

- Desludge ponds \$80,000
- Altitude valve for Garrison tower \$35,000
- Principle RDA Water Treatment Plant Project \$258,000
- Interest RDA Water Treatment Plant Project \$196,000
- Construction of Water Treatment Plant \$863,000

Town of Fort Gibson

General Fund

Police Department

- E911 Fees \$54,000
- Radar, antenna, and radios for 2 new units \$12,600
- One Vehicle \$36,050
- Eleven Kenwood 800 MGH radios

Parks and Recreation

- Match on walking trail \$30,000
- 12 new steel light poles at Carl Perry Memorial Park \$100,000
- Swings, handicap swings and Shade sail for FG Municipal Park (slide area) \$118,242
- Corn Festival \$15,000

General Government

- Chamber of Commerce \$33,000
- Land Purchase/betterment \$100,000
- New generator for Town Hall \$37,000
- New computer \$3,900

Library

- EODLS \$12,000

Cemetery

- Spray grounds \$15,000
- Mower \$9,000
- Flag pole \$1,000
- Truck ¾ ton diesel 4X4 \$35,960

Street & Alley Fund

- Chemicals for weed control \$12,000
- Asphalt \$29,500
- Safe Route to Schools \$177,500
- Safe Route to Schools match \$44,375
- 3 lamp poles for downtown \$18,300

Fire Department Special Equipment

- New vehicle \$50,000

Police Department Sales Tax

- New vehicle \$44,400
- Building for firing range \$15,000

Cemetery Care Fund

- Survey grounds and grave markers \$11,000

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



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Town of Fort Gibson, OK

January 28, 2019

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, OK as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Fort Gibson, OK'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.

Auditor's 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 from 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 auditor's judgment, including the assessment of the 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, OK, as of June 30, 2018, 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 on pages I – X and the schedule of changes in net pension liability (asset), schedule of proportionate share of net pension & contributions, and budget to actual – budgetary basis and reconciliation to the statement of revenues, expenditures, and changes in fund balance – governmental funds on pages 32 – 39 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, OK's basic financial statements. The budget to actual – budgetary basis and reconciliation to the statements of revenues, expenses, and change in fund balance – proprietary fund on page 40 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 28, 2019, on our consideration of The Town of Fort Gibson, OK's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Fort Gibson, OK's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Town of Fort Gibson, OK's internal control over financial reporting and compliance.

Clother + Company CPAs

Muskogee, OK
January 28, 2019

**TOWN OF FORT GIBSON
STATEMENT OF NET ASSETS
JUNE 30, 2018**

	Primary Government		
	Governmental	Business-type	Total
ASSETS			
Cash and Cash Equivalents	\$ 4,219,288	\$ 1,849,249	\$ 6,068,537
Sales Tax Receivable	165,544	0	165,544
Deferred Revenue	0	0	0
Other Tax Receivable	0	0	0
Trade Accounts Receivable	0	283,353	283,353
Total Current Assets	<u>4,384,832</u>	<u>2,132,602</u>	<u>6,517,434</u>
Noncurrent Assets			
Capital Assets			
Distribution System	0	18,939,810	18939810
Office Equipment	0	198,542	198542
Building and Improvements	3,683,151	0	3,683,151
Equipment	1,796,393	654,426	2,450,819
Autos & Trucks	1,291,519	655,209	1,946,728
Land	266,000	48,136	314,136
Debt Issue Costs	0	283,240	283240
Infrastructure	952,891	0	952,891
Accumulated Depreciation	(4,033,047)	(6,190,334)	(10,223,381)
Deferred Outflows Police Pension	160,117	0	160,117
Deferred Outflows Fire Pension	110,752	0	110,752
Restricted Cash	0	3,109,749	3,109,749
Total Noncurrent Assets	<u>4,227,776</u>	<u>17,698,778</u>	<u>21,926,554</u>
Total Assets	<u>8,612,608</u>	<u>19,831,380</u>	<u>28,443,988</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	41,725	34,685	76,410
Accrued Payroll and Benefits	21,808	17,746	39,554
Accrued Expenses	17,935	57,136	75,071
Current Portion of Long-term Debt	0	221,756	221,756
Total Current Liabilities	<u>81,468</u>	<u>331,323</u>	<u>412,791</u>
Noncurrent Liabilities			
Accrued Vacations	33,958	16,500	50,458
Water Deposits	0	152,290	152,290
Deferred Inflows Police Pension	148,233	0	148,233
Deferred Inflows Fire Pension	58,178	0	58,178
Net Pension Liability Police	(50,660)	0	-50,660
Net Pension Liability Fire	445,092	0	445,092
Long-term Debt	0	7,804,398	7,804,398
Total Noncurrent Liabilities	<u>634,801</u>	<u>7,973,188</u>	<u>8,607,989</u>
Total Liabilities	<u>716,269</u>	<u>8,304,511</u>	<u>9,020,780</u>
NET ASSETS			
Invested in Capital Assets Net of Debt	3,956,907	6,562,875	10,519,782
Restricted for:			
Debt Service	0	884,063	884,063
Other Purposes	2,647,108	0	2,647,108
Unrestricted	1,292,324	4,079,931	5,372,255
Total Net Assets	<u>\$7,896,339</u>	<u>\$11,526,869</u>	<u>\$19,423,208</u>

See accompanying notes and independent auditor's report.

**TOWN OF FORT GIBSON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	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
<u>Governmental Activities:</u>							
General Government	\$ 826,795	\$ 25,780	\$ 100,027	\$ -	\$ (700,988)	\$ -	\$ (700,988)
Public Safety and Service	1,420,516	346,152	-	-	(1,074,364)	-	(1,074,364)
Public Facilities	267,470	-	-	-	(267,470)	-	(267,470)
Total Governmental Activities	2,514,781	371,932	100,027	-	(2,042,822)	-	(2,042,822)
<u>Business-type Activities:</u>							
Utility	2,191,312	2,921,000	-	45,558	-	775,246	775,246
Total Business-type Activities	2,191,312	2,921,000	-	45,558	-	775,246	775,246
Total Primary Government	\$ 4,706,093	\$ 3,292,932	\$ 100,027	\$ 45,558	(2,042,822)	775,246	(1,267,576)

General Revenues:

Franchise Fees	152,774	-	152,774
Sales Tax Revenue	1,633,138	-	1,633,138
Other Taxes	320,918	-	320,918
Investment Income	39,639	24,667	64,306
Transfers	(140,822)	-	(140,822)
Total General Revenues and Transfers	2,005,647	24,667	2,030,314
Change in Net Assets	(37,175)	799,913	762,738
Net Assets - Beginning	7,822,452	10,726,956	18,549,408
Pension Adjustments	111,061	-	111,061
Net Assets - Ending	\$ 7,896,338	\$ 11,526,869	\$ 19,423,207

See accompanying notes and independent auditor's report.

**TOWN OF FORT GIBSON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund	Street & Alley Fund	1.25 Sales Tax Fund	Debt Service Fund	Non-major Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 1,624,527	\$ 713,247	\$ 987,173	\$ (5,518)	\$ 899,859	\$ 4,219,288
Accounts Receivable	80,981	22,993	41,017	44	20,509	165,544
Deferred Revenue	0	0	0	0	0	0
Restricted Cash	0	0	0	0	0	0
Total Assets	<u>\$ 1,705,508</u>	<u>\$ 736,240</u>	<u>\$ 1,028,190</u>	<u>\$ (5,475)</u>	<u>\$ 920,368</u>	<u>\$ 4,384,832</u>

**LIABILITIES AND FUND
BALANCES**

Liabilities						
Accounts Payable	\$ 19,634	\$ 7,206	\$ 14,838	\$ -	\$ 47	\$ 41,725
Accrued Payroll and Benefits	15,624	1,086	0	0	5,098	21,808
Accrued Expenses	13,994	405	0	0	3,536	17,935
Total Liabilities	<u>49,252</u>	<u>8,697</u>	<u>14,838</u>	<u>0</u>	<u>8,681</u>	<u>81,468</u>
Fund Balances						
Nonspendable	0	0	0	0	0	0
Restricted	0	727,543	1,013,353	(5,475)	911,687	2,647,108
Committed	0	0	0	0	0	0
Assigned	0	0	0	0	0	0
Unassigned	1,656,256	0	0	0	0	1,656,256
Total Fund Balances	<u>1,656,256</u>	<u>727,543</u>	<u>1,013,353</u>	<u>(5,475)</u>	<u>911,687</u>	<u>4,303,364</u>
Total Liabilities and Fund Balances	<u>\$ 1,705,508</u>	<u>\$ 736,240</u>	<u>\$ 1,028,190</u>	<u>\$ (5,475)</u>	<u>\$ 920,368</u>	<u>\$ 4,384,832</u>

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.	3,956,907
Accrued vacations reported in the government wide statements are not recognized as expense for the governmental funds.	(33,958)
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	(394,432)
Net Deferred Inflows and Outflows	<u>64,458</u>
Net assets of governmental activities	<u><u>\$ 7,896,339</u></u>

See accompanying notes and independent auditor's report.

TOWN OF FORT GIBSON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Street and Alley Fund	1.25 Sales Tax Fund	Debt Service Fund	Non-major Funds	Total Governmental Funds
REVENUES						
Franchise Fees	\$152,774	\$0	\$0	\$0	\$0	\$152,774
Sales Tax Revenue	729,406	225,933	451,866	0	225,933	1,633,138
Other Taxes	283,637	34,983	0	2,298	0	320,918
Investment Income	14,840	9,127	8,675	(52)	7,049	39,639
Fees Fines and Charges	346,152	0	0	0	25,780	371,932
Gain (Loss) on Sale of Assets	3,000	0	0	0	400	3,400
Operating Grants/Donations	80,723	0	0	0	19,304	100,027
Intergovernmental	0	0	0	0	0	0
Total Revenues	<u>1,610,532</u>	<u>270,043</u>	<u>460,541</u>	<u>2,246</u>	<u>278,466</u>	<u>2,621,828</u>
EXPENDITURES						
General Government						
Personel Services	94,647	48,291	41,344	0	0	184,282
Materials and Supplies	11,688	23,669	0	0	0	35,357
Other Service and Charges	200,917	353,635	0	0	467	555,019
Note Payments	0	0	0	0	0	0
Interest Expense	0	0	0	0	0	0
Agency and Trustee Fees	0	0	0	678	0	678
Capital Outlay	16,794	14,192	0	0	0	30,986
Public Safety and Service						
Personel Services	615,689	0	173,110	0	111,678	900,477
Materials and Supplies	25,585	2,556	0	0	2,793	30,934
Other Service and Charges	259,065	70,000	0	0	11,307	340,372
Capital Outlay	83,739	0	0	0	38,892	122,631
Public Facilities						
Personel Services	39,834	0	15,300	0	0	55,134
Materials and Supplies	3,784	0	0	0	0	3,784
Other Service and Charges	67,068	0	0	0	0	67,068
Capital Outlay	26,072	0	0	0	0	26,072
Total Expenditures	<u>1,444,882</u>	<u>512,343</u>	<u>229,754</u>	<u>678</u>	<u>165,137</u>	<u>2,352,794</u>
Excess (deficiency) of Revenues Over	<u>165,650</u>	<u>(242,300)</u>	<u>230,787</u>	<u>1,568</u>	<u>113,329</u>	<u>269,034</u>
OTHER FINANCING						
Transfers In (Out)	0	0	(140,822)	0	0	(140,822)
Total Other Financing	<u>0</u>	<u>0</u>	<u>(140,822)</u>	<u>0</u>	<u>0</u>	<u>(140,822)</u>
Net Change in Fund Balances	<u>165,650</u>	<u>(242,300)</u>	<u>89,965</u>	<u>1,568</u>	<u>113,329</u>	<u>128,212</u>
Fund Balances - Beginning	1,462,113	969,843	923,387	(7,043)	798,358	4,146,658
Fund Balances - Ending	<u>\$ 1,627,763</u>	<u>\$ 727,543</u>	<u>\$ 1,013,353</u>	<u>\$ (5,475)</u>	<u>\$ 911,687</u>	<u>\$ 4,274,870</u>

See accompanying notes and independent auditor's 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, 2018**

Net change in fund balances - total governmental funds		\$ 128,212
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the Statement of Net Assets.</p>		
	0	0
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their useful lives:</p>		
Expenditures for capital assets	182,365	
Less current year depreciation	<u>(342,287)</u>	(159,922)
<p>Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, these costs represent expenses of the current year.</p>		
		(2,065)
<p>Governmental funds report expenditures when paid. The Statement of Activities reports expenditures when incurred.</p>		
		<u>(3,400)</u>
Change in Net Assets of Governmental Activities		<u><u>\$ (37,175)</u></u>

See accompanying notes and independent auditor's report.

**TOWN OF FORT GIBSON
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2018**

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 1,849,249
Trade Accounts Receivable	283,353
Total Current Assets	2,132,602
 Noncurrent Assets	
Fixed Assets	20,779,363
Accumulated Depreciation	(6,190,334)
Total Noncurrent Assets	14,589,029
 Other Assets	
Restricted Cash	3,109,749
Total Other Assets	3,109,749
Total Assets	\$ 19,831,380

LIABILITIES AND EQUITY

Current Liabilities	
Accounts Payable	\$ 34,685
Accrued Payroll and Benefits	17,746
Accrued Expenses	57,136
Current Portion of Debt	221,756
Total Current Liabilities	331,323
 Noncurrent Liabilities	
Water Deposits	152,290
Accrued Vacations	16,500
Long-term Debt	7,804,398
Total Noncurrent Liabilities	7,973,188
 Net Assets	
Invested in Capital Assets	6,562,875
Restricted for Debt Service	884,063
Unrestricted	3,280,018
Current Income (Loss)	799,913
Total Net Assets	11,526,869
Total Liabilities & Equity	\$ 19,831,380

See accompanying notes and independent auditor's report.

TOWN OF FORT GIBSON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

Revenue	
Fines, Fees, and Charges	\$ 128,320
Water	1,347,621
Sewer	1,057,581
Sanitation	<u>387,478</u>
Total Revenue	2,921,000
 Operating Expenses	
General Government	664,820
Sanitation	263,459
Water	545,373
Wastewater	378,955
Depreciation Expense	<u>338,705</u>
Total Operating Expenses	<u>2,191,312</u>
	 Operating Income 729,688
Non-operating Revenues (Expenses)	<u>70,225</u>
	 Net Income (Loss) \$ <u><u>799,913</u></u>

See accompanying notes and independent auditor's report.

**TOWN OF FORT GIBSON
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018**

Cash Flows From Operating Activities

Receipts from customers (users)	\$	2,926,516
Payments to suppliers		(817,397)
Payments to employees		(852,451)
Proceeds from water deposits		7,795
Other operating receipts (payments)		0
Net cash provided (used) by operating activities		1,264,463

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		(5,502,162)
Cash loan proceeds		4,779,017
Principal paid on long-term debt		(311,170)
Interest paid on long-term debt		(125,942)
Net cash provided (used) by capital financing activities		(1,160,257)

Cash Flows From Investing Activities

Interest received on cash deposits		24,667
Net cash provided (used) by investing activities		24,667

Net increase (decrease) in cash and cash equivalents		128,873
Cash and Cash Equivalents at June 30, 2017 (includes restricted cash)		4,830,125
Cash and Cash Equivalents at June 30, 2018 (includes restricted cash)	\$	4,958,998

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

Operating Income (loss)	\$	855,791
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Interest expense		125,942
Depreciation and amortization		338,705
Non-operating revenues/expense		(70,225)
(Increase)/decrease in accounts receivable		5,517
Increase/(decrease) in accounts payable		9,993
Increase/(decrease) in accrued expenses		(6,463)
Increase/(decrease) in customer deposits		7,795
Increase/(decrease) in accrued compensated absences		(2,592)
Net cash provided (used) by operating activities	\$	1,264,463

See accompanying notes and independent auditor's report.

**TOWN OF FORT GIBSON
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2018**

	<u>Municipal Court Bond Fund</u>
ASSETS	
Cash and Cash Equivalents	\$4,511
Accounts Receivable	150
Due from Other Funds	<u>0</u>
 Total Assets	 4,661
LIABILITIES	
Due to Other Funds	<u>5,299</u>
 Total Liabilities	 5,299
NET ASSETS	
Held in Trust for Other Purposes	<u><u>(\$638)</u></u>

See accompanying notes and independent auditor's report.

TOWN OF FORT GIBSON
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	ADDITIONS	<u>Municipal Court</u> <u>Bond Fund</u>
Investment Earnings		36
Bonds		<u>144,805</u>
Total Additions		<u>144,841</u>
	DEDUCTIONS	
Bonds Applied and Forfeitures		<u>144,841</u>
Total Deductions		<u>144,841</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 auditor's report.

TOWN OF FORT GIBSON

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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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, 2018, the Authority complied with all provisions of this covenant.

As more fully described in NOTE 6, the Town has pledged and created a security interest for the benefit of the holders of the 2016 Sales Tax Revenue Note in all of the revenues derived from Ordinance 1976-2-1, 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, and 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, 2018, all of the Town and Authority'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	
	Fort Gibson State Bank	Armstrong Bank	Fort Gibson State Bank	Armstrong Bank
A. Insured or collateralized by the Federal Deposit Insurance Corp (FDIC)	250,000	500,000	250,000	500,000
B. Collateralized with securities held in a Federal Reserve Bank Pledge	1,589,600	0	0	0
C. Collateralized with an irrevocable letter of credit issued by the Federal Home Loan Bank of Topeka (FHLB)	0	2,240,000	0	3,175,000
Total insured or collateralized	1,839,600	2,740,000	250,000	3,675,000
Total deposits	1,753,005	2,535,232	137,736	3,434,253
Total over (under) insured	86,595	204,768	112,264	240,747

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.

Investment 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.

Investment 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, 2018 was as follows:

	Balance June 30, 2017	Increase	Decrease	Balance June 30, 2018
Capital assets being depreciated:				
Fire Department	1,031,271	4,995	0	1,036,266
General Government	1,853,430	49,728	0	1,903,158
Library	1,026,130	0	0	1,026,130
Police Department	964,158	106,415	(57,705)	1,012,868
Public Facilities	1,609,406	7,100	0	1,616,506
Public Services	64,330	0	0	64,330
Street Department	1,316,569	14,127	0	1,330,696
Subtotal	7,865,296	182,365	(57,705)	7,989,954
Accumulated depreciation:				
Fire Department	(782,736)	(57,306)	0	(840,042)
General Government	(815,706)	(52,136)	0	(867,842)
Library	(261,523)	(21,196)	0	(282,719)
Police Department	(716,020)	(80,206)	57,705	(738,521)
Public Facilities	(560,820)	(60,911)	0	(621,731)
Public Services	(64,330)	0	0	(64,330)
Street Department	(547,330)	(70,532)	0	(617,862)
Subtotal	(3,748,465)	(342,287)	57,705	(4,033,047)
Governmental Capital Assets, net	4,116,831	(159,922)	0	3,956,907

Business-type Proprietary Fund

Capital asset activity for the proprietary fund for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Increase	Decrease	Balance June 30, 2018
Capital assets not being depreciated:				
Land	42,581	5,555	0	48,136
Water and sewer system (Const. in process)	3,026,061	5,019,039	(503,362)	7,541,738
Total capital assets not being depreciated	3,068,642	5,024,594	(503,362)	7,589,874
Capital assets being depreciated:				
Vehicles	655,209	0	0	655,209
Furniture and fixtures	185,481	13,061	0	198,542
Machinery and equipment	644,407	10,019	0	654,426
Water and sewer system	10,394,665	1,003,407	0	11,398,072
Loan origination fees	283,240	0	0	283,240
Subtotal	12,163,002	1,026,487	0	13,189,489
Less accumulated depreciation:				
Vehicles	(338,936)	(44,493)	0	(383,429)
Furniture and fixtures	(138,058)	(10,158)	0	(148,216)
Machinery and equipment	(512,293)	(29,151)	0	(541,444)
Water and sewer system	(4,787,423)	(234,441)	0	(5,021,864)
Loan origination fees	(74,921)	(20,460)	0	(95,381)
Subtotal	(5,851,630)	(338,703)	0	(6,190,334)
Water & Sewer System Capital Assets, net	9,380,014	5,712,378	(503,362)	14,589,029

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, 2018, is presented below:

	Balance			Classification		
	July 1, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year	Due in More Than One Year
Fort Gibson Utilities Auth Notes Payable to:						
Oklahoma Water Resources Board	560,049	0	(50,066)	509,983	51,301	458,682
Fort Gibson Utilities Auth Sales Tax:						
Revenue Note, Series 2016	1,579,000	0	(43,000)	1,536,000	43,000	1,493,000
2016 RDA Note	1,419,259	4,779,017	(218,105)	5,980,171	127,455	5,852,716
Total	3,558,308	4,779,017	(311,171)	8,026,154	221,756	7,804,398

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. As of June 30, 2018, the unpaid principal balance is \$509,983.

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

<u>For the Year Ending, June 30, 2018</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	51,302	12,203	63,505
2020	52,539	10,966	63,505
2021	53,865	9,640	63,505
2022	55,195	8,310	63,505
2023-2027	297,082	20,442	317,524
Total	509,983	61,561	571,544

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, 2018, the unpaid principal balance is \$1,536,000.

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, 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.

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

<u>For the Year Ending, June 30, 2018</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	43,000	32,493	75,493
2020	45,000	31,567	76,567
2021	71,000	30,597	101,597
2022	97,000	28,819	125,819
2023-2027	533,000	111,442	644,442
2028-2031	747,000	36,317	783,317
Total	<u>1,536,000</u>	<u>271,235</u>	<u>1,807,235</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, 2018, the disbursed loan funds total \$6,480,105. Per the loan agreement, funds will be disbursed as the long-term construction project advances. As of June 30, 2018, the unpaid principal balance is \$5,980,181.

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

<u>For the Year Ending, June 30, 2018</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	127,455	167,745	295,200
2020	130,352	164,848	295,200
2021	133,316	161,884	295,200
2022	136,346	158,854	295,200
2023-2027	729,659	746,341	1,476,000
2028-2056	6,256,359	2,252,131	8,508,490
Total	<u>7,513,487</u>	<u>3,651,803</u>	<u>11,165,290</u>

Compensated Absences

The Town's liability for vested and unpaid compensated absences (accrued vacation) has been accrued and at June 30, 2018 amounts to \$33,958 for Town employees and \$16,500 for Utility Authority employees. The compensated absence liability will generally be liquidated through the General Fund and the Fort Gibson Utilities Authority for their respective employees. Sick pay is not paid when an employee service ends; therefore, there is not an accrued liability for sick pay.

NOTE 7. NET ASSETS

Investment in Capital Assets, Net of Related Debt

As of June 30, 2018 the investment in capital assets, net of related debt, consisted of the following:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Capital Assets	7,989,954	20,779,363	28,769,317
Accumulated Depreciation	(4,033,047)	(6,190,334)	(10,223,381)
Current Portion of Long-term Debt	0	(221,756)	(221,756)
Long-term Debt	0	(7,804,398)	(7,804,398)
Investment in Capital Assets, net of related debt	<u>3,956,907</u>	<u>6,562,875</u>	<u>10,519,782</u>

Restricted Net Assets

As of June 30, 2018 restricted net assets consisted of the following:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
<u>Restricted for Debt Service:</u>			
Utility Authority Debt	0	884,063	884,063
<u>Restricted for Capital Projects and Other Purposes:</u>			
Special Revenue Funds	2,647,108	0	2,647,108
Total Restricted Net Assets	<u>2,647,108</u>	<u>884,064</u>	<u>3,531,171</u>

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The Governmental Funds Fund Balance is separated into five categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned. At June 30, 2018 the General Fund had \$49,252 committed to encumbrances. The Street and Alley Fund’s entire \$727,543 fund balance is restricted by legislation to be used for the improvements and maintenance of the Town’s streets. The 1.25% Sales Tax Fund’s entire \$1,013,353 is restricted for the compensation, fringe benefits, and purchase of capital outlay for the Town. The (\$5,475) fund balance in the Debt Service Fund is reserved for the General Obligation Bonds payment of debt. The Non-Major fund balance of \$911,687 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 8. PENSIONS AND OTHER RETIREMENT PLANS

The Town participates in three employee 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.

Under Ordinance 2015-003, the Town’s contribution for each employee begins vesting after 1 year and is fully vested after 10 years. If an employee terminates before becoming fully vested, the employer’s contributions that are forfeited are allocated between the active participants.

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:	21
Number of Participating Employees:	6
Number of Participating Employers:	222 (as of 06/30/18)
Authority of Plan:	Internal Revenue Code Section 401(a)
Employer Contributions:	\$94,137
Employee Contributions:	\$15,215
Forfeited Employer Contributions:	\$7,811
Total Payroll:	\$1,443,099
Payroll for Covered Employees:	\$840,192

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

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fiduciary for investment of funds and the application of plan interpretations. At June 30, 2018, there were 472 cities, 27 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.

Contributions

The contribution requirements of the Plan are at an established rate determined by Oklahoma statute and are not based on actuarial calculations.

Prior to November 1, 2013, participating paid firefighters contributed 8% of applicable earnings, while member cities contributed 13% of the members' applicable earnings. For the period beginning November 1, 2013, participating paid firefighters contributed 9% of applicable earnings, while member cities contributed 14% of the members' applicable earnings. In addition, the member cities contribute \$60 for each volunteer firefighter unless their annual income in the general fund is less than \$25,000, in which case they are exempt. Prior to November 1, 2013, the State of Oklahoma, a non-employer contributing entity, allocated 34% of insurance premium tax collected from various types of insurance policies to the Plan. For the period beginning November 1, 2013, and presently, the State of Oklahoma, a non-employer contributing entity, allocated 36% of insurance premium tax collected from various types of insurance policies to the Plan. The State of Oklahoma may also appropriate additional funds annually as needed to pay current costs and to amortize the unfunded actuarial present value of accumulated plan benefits. No such appropriations were received during the year ended June 30, 2018 or 2017.

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:

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.

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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-the-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-the-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, 2018 and 2017, total death benefits of \$1,210,000 and \$1,130,000, respectively, were paid from the Plan.

Terminations

Hired Prior to November 1, 2013

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

Hired After November 1, 2013

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

Firefighters hired prior to November 1, 2013, with 20 or more years of service may elect to participate in the Oklahoma Firefighters Deferred Retirement Option Plan (the "Deferred Option Plan"). Firefighters hired after November 1, 2013, with 22 or more years or more of service may elect to participate in the Deferred Option Plan. Active participation (having benefit payments credited to the account) in the Deferred Option Plan shall not exceed 5 years. Under the Deferred Option Plan, retirement benefits are calculated based on compensation and service at the time of election. The retirement benefits plus half of the municipal contributions on behalf of the participant are deposited into a deferred retirement account. The Deferred Option Plan accounts are credited with interest at a rate of 2% below the rate of return on the investment portfolio of the Plan, with a guaranteed minimum interest rate equal to the assumed actuarial interest rate of 7.5%, as approved by the Board. The participant is no longer required to make contributions. Upon retirement, the firefighter receives his/her monthly retirement benefit as calculated at the time of election. The member can elect to either leave the account balance accumulated in the Deferred Option Plan account or they can elect to have the balance paid to them either as a lump sum or in specified monthly payments. If the member elects to leave their account balance in the Deferred Option Plan account, they will continue to earn interest on their balance at the rate described above; however, no more benefit payments will be credited to their account. The member can leave their account balance in the Deferred Option Plan account until the age of 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, 2018, there were 1,221 members actively participating in the Deferred Option Plan.

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, 2018, there were 1,391 members participating in the "Back" DROP.

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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, 2018, the Town’s proportionate share of the net pension liability was \$445,092. The net pension liability for the plan in total was measured as of June 30, 2018 and determined by an actuarial valuation as of that date. The Town's proportionate share of the total net pension liability was based on the ratio of actual contributions of \$15,735 paid to OFPRP for the year ended June 30, 2017 relative to the actual contributions of \$39,793,158 from all participating employers. At June 30, 2017, the district's proportionate share was 0.039541%.

For the year ended June 30, 2017, the Town recognized a pension expense of \$54,965, our proportionate share of the total pension expense.

At June 30, 2018, the Town 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	66,433	0
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	44,319	(58,178)
Total	110,752	(58,178)

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

Year Ending June 30:	
2018	3,875
2019	19,263
2020	14,407
2021	1,393
2022	11,147
Thereafter	2,489
	<u>52,574</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, 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, 2018 and 2017, 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/.

TOWN OF FORT GIBSON

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 2018 and 2017. 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)	
	2018	2017
Fixed income	4.37%	4.38%
Domestic equity	7.01%	7.72%
International equity	8.83%	9.70%
Real estate	6.58%	6.96%
Other assets	5.70%	5.75%

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:

At June 30, 2018	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability (asset)	1,474,374,208	1,125,646,431	832,769,504
Town's proportionate liability (asset)	582,982	445,092	329,285

Summary of Significant Accounting Policies

Financial reporting information pertaining to the Town's participation in the Plan as reported at June 30, 2018: Net Position: \$1,075,474, Net Pension Liability: \$445,092, Deferred outflows: \$110,752, Deferred inflows: \$58,178, 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 financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade date. Contributions to the Plan are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements. Benefit payments and refunds of the Plan are recognized when due and payable in accordance with the terms of the Plan.

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 fiduciary net position is reflected in the measurement of the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense.

TOWN OF FORT GIBSON

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 144 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.

Contributions

The contribution requirements of the Plan are at an established rate determined by Oklahoma statute and are not based on actuarial calculations.

An eligible municipality may join the Plan on the first day of any month. Upon approval by the Board, its membership is irrevocable. All persons employed as police officers are required to participate in the Plan upon initial employment with the police department of the participating municipality. The Oklahoma Legislature has authority to establish and amend contribution amounts. Until July 1, 1991, each municipality contributed to the System 10% of the actual base salary of each participant employed by the municipality. Beginning July 1, 1991, municipality contributions increased by 1/2% per year and continued this increase until July 1, 1996, when the contribution level reached 13%, which it remains at currently. Each participant of the Plan contributes 8% of their actual paid base salary. Additional funds are provided to the Plan by the State of Oklahoma, a non-employer contributing entity, through a 14% allocation of the tax on premiums collected by insurance companies operating in Oklahoma and by the net investment income generated on assets held by the Plan. The Plan is responsible for paying administrative costs. Administrative costs of the Plan are paid by using the earnings from the invested assets of the Plan.

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:

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Normal Retirement

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

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.

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- c) If the portfolio earns less than zero percentage points, there shall be a deduction from the retired member’s balance equal to the net annual rate of return of the investment portfolio of the System.

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

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

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

At June 30, 2018, the Town’s proportionate share of the net pension liability was (\$50,660). The net pension liability for the plan in total was measured as of June 30, 2018 and determined by an actuarial valuation as of that date. The Town's proportionate share of the total net pension liability was based on the ratio of actual contributions of \$41,228 paid to OPPRP for the year ended June 30, 2017 relative to the actual contributions of \$38,766,326 from all participating employers. At June 30, 2017, the district's proportionate share was 0.106350%.

For the year ended June 30, 2017, the district recognized a pension expense of \$49,960, our proportionate share of the total pension expense.

At June 30, 2018, the Town 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	411	(49,457)
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	159,706	(98,776)
Total	160,117	(148,233)

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

Year Ending June 30:	
2018	(1,959)
2019	30,071
2020	13,950
2021	(24,558)
2022	(5,620)
	11,884

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	2.75% (3.00% as of July 1, 2017)
Salary increases:	3.5% to 10.0% average, including inflation (4.5% to 17.0% average, including inflation as of July 1, 2017)
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.

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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, 2018, valuation were based on the results of an actuarial experience study for the period of July 2012 to June 2017. The July 1, 2017, 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 2018 and 2017. 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)	
	2018	2017
Fixed income	4.53%	4.51%
Domestic equity	5.86%	6.62%
International equity	8.83%	9.70%
Real estate	6.58%	6.96%
Private equity	9.21%	9.86%
Commodities	5.06%	5.18%

Discount Rate

The discount rate used to measure the total pension liability was 7.5% for 2018 and 2017. 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:

<u>At June 30, 2018</u>	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability (asset)	220,964,000	(47,635,000)	(274,705,000)
Town's proportionate liability (asset)	234,995	(50,660)	(292,149)

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, 2018: Net Position: \$2,726,226, Net Pension Liability: (\$50,660), Deferred outflows: \$160,117, Deferred inflows: \$148,233, 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 financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade date. 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.

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 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 9. 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 10. PRIOR PERIOD ADJUSTMENT

Beginning governmental net assets as of June 30, 2017 were restated for prior period adjustments. The adjustments relate to the change in allocation proportion and estimates related to recording net pension liabilities along with the deferred outflows and inflows. Net assets of the Town as of June 30, 2017 have been restated as follows:

June 30, 2017 Net Assets	\$ 7,450,182
Prior Period Adjustments	<u>372,270</u>
June 30, 2017 Net Assets Restated	<u>\$ 7,822,452</u>

NOTE 11. EVALUATION OF SUBSEQUENT EVENTS

The Town has evaluated subsequent events through January 28, 2019, 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 Town. Unless otherwise noted below, management has not yet determined the impact of these Statements on the Town’s financial statements.

- GASB Statement No. 87, “Leases” – The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the

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relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

- GASB Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements" – The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.
- GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period" – The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.
- GASB Statement No. 90, "Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61" – The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF FORT GIBSON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
COST SHARING PENSION PLANS
JUNE 30, 2018

	Increase (Decrease)		
	Total Town Pensions		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Beg Balance at July 1, 2017	4,045,256	3,539,759	505,497
Changes for the year:			
Service Cost	92,449	0	92,449
Interest Cost	296,204	0	296,204
Changes of benefit terms	(54,679)	0	(54,679)
Difference Between expected and actual experience	35,548	0	35,548
Changes in assumptions	26,914	0	26,914
Contributions Employer	0	59,129	(59,129)
Contributions Members	0	36,633	(36,633)
Contributions State of Oklahoma	0	81,179	(81,179)
Net Investment Income	0	333,219	(333,219)
Benefit Payments including refunds	(245,559)	(245,559)	0
Administrative Expense	0	(2,660)	2,660
Other	0	0	0
Net Changes	<u>150,876</u>	<u>261,941</u>	<u>(111,065)</u>
Ending Balance at June 30, 2018	<u><u>4,196,132</u></u>	<u><u>3,801,700</u></u>	<u><u>394,432</u></u>

TOWN OF FORT GIBSON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION & CONTRIBUTIONS
COST SHARING PENSION PLANS
JUNE 30, 2018

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)

	OPP&RS - POLICE				OPP&RS - FIRE			
	<u>FY2018</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>	<u>FY2018</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>
Town's proportion of the net pension liability (asset)	0.106%	0.106%	0.098%	0.088%	0.040%	0.040%	0.037%	0.037%
Town's proportionate share of the net pension liability (asset)	\$ (50,660)	\$ 8,180	\$ 149,705	\$ 3,605	\$ 445,092	\$ 497,313	\$ 455,258	\$ 395,778
Town's total employee payroll	\$ 1,443,099	\$ 1,425,591	\$ 1,404,387	\$ 1,333,713	\$ 1,443,099	\$ 1,425,591	\$ 1,404,387	\$ 1,333,713
Proportionate share of the net pension liability (asset) as a percentage of its total employee payroll	-3.511%	0.574%	10.660%	0.270%	30.843%	34.885%	32.417%	29.675%

SCHEDULE OF CONTRIBUTIONS

	OPP&RS - POLICE				OPP&RS - FIRE			
	<u>FY2018</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>	<u>FY2018</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>
Contractually required contributions	\$ 45,441	\$ 41,228	\$ 37,477	\$ 32,492	\$ 16,064	\$ 15,735	\$ 14,593	\$ 14,263
Contributions in relation to the contractually required contribution	(45,441)	(41,228)	(37,477)	(32,492)	(16,064)	(15,735)	(14,593)	(14,263)
Contribution deficiency (excess)	0	0	0	0	0	0	0	0
Town's total employee payroll	\$ 1,443,099	\$ 1,425,591	\$ 1,404,387	\$ 1,333,713	\$ 1,443,099	\$ 1,425,591	\$ 1,404,387	\$ 1,333,713
Contribution as a percentage of covered employee payroll	3.149%	2.892%	2.669%	2.436%	1.113%	1.104%	1.039%	1.069%

Note: These schedules are intended to show information for ten years. Additional years will be presented as they become available. Current year amounts are based on estimates due to reports not being available.

TOWN OF FORT GIBSON
BUDGET TO ACTUAL - BUDGETARY BASIS AND RECONCILIATION TO THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
JUNE 30, 2018

	BEGINNING BUDGET	FINAL BUDGET	YTD ACTUAL	BUDGET BALANCE
01 - GENERAL FUND				
FINANCIAL SUMMARY				
TOTAL REVENUES	2,733,835	2,736,971	2,988,040	(251,069)
EXPENDITURE SUMMARY				
00-TRUSTEES	19,500	20,620	20,620	0
01-TOWN CLERK	2,750	3,800	2,500	1,300
02-TOWN TREASURER	1,800	1,800	1,550	250
03-TOWN ATTORNEY	30,000	30,000	30,000	0
04-MUNICIPAL COURT	59,205	59,397	52,302	7,095
05-POLICE	821,675	886,532	802,397	84,135
07-FIRE	32,650	34,150	27,323	6,827
08-ANIMAL CONTROL	80,250	76,855	48,660	28,195
09-BUILDING INSPECTOR	63,606	63,836	59,655	4,181
10-PARKS	94,900	110,750	54,843	55,907
11-GENERAL GOVERNMENT	1,394,394	1,315,962	217,073	1,098,889
13-LIBRARY	36,700	36,700	23,839	12,861
15-CEMETERY	92,805	92,969	58,040	34,929
21-CIVIL DEFENSE	3,600	3,600	132	3,468
TOTAL EXPENDITURES	2,733,835	2,736,971	1,398,934	1,338,037
REVENUES OVER/(UNDER) EXPENDITURES	0	0	1,589,106	(1,589,106)
RECONCILIATION				
TOTAL REVENUES			2,988,040	
PRIOR YEAR FUND BALANCE			(1,425,875)	
ADDITIONAL INTEREST INCOME			239	
ADJUSTMENT TO CORRECT ACCRUALS			3,405	
ADJUSTMENT TO GRANT INCOME			44,723	
ADJUSTED BALANCE			<u>1,610,532</u>	
TOTAL EXPENDITURES			1,398,934	
ADJUSTMENT TO CORRECT ACCRUALS			45,948	
ADJUSTED BALANCE			<u>1,444,882</u>	

TOWN OF FORT GIBSON
BUDGET TO ACTUAL - BUDGETARY BASIS AND RECONCILIATION TO THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
JUNE 30, 2018

	BEGINNING BUDGET	FINAL BUDGET	YTD ACTUAL	BUDGET BALANCE
10 -STREET & ALLEY FUND				
FINANCIAL SUMMARY				
TOTAL REVENUES	975,800	976,019	827,027	148,992
TOTAL EXPENDITURES	975,800	976,019	512,157	463,862
REVENUES OVER/(UNDER) EXPENDITURES	0	0	314,870	(314,870)

RECONCILIATION

TOTAL REVENUES	827,027
PRIOR YEAR FUND BALANCE	(559,700)
ADJUSTMENT TO CORRECT ACCRUALS	2,716
ADJUSTED BALANCE	<u>270,043</u>
TOTAL EXPENDITURES	512,157
ADJUSTMENT TO CORRECT ACCRUALS	186
ADJUSTED BALANCE	<u>512,343</u>

21-1.25% SALES TAX FUND
FINANCIAL SUMMARY

TOTAL REVENUES	1,312,250	1,312,646	1,338,019	(25,373)
TOTAL EXPENDITURES	1,312,250	1,312,646	370,576	942,070
REVENUES OVER/(UNDER) EXPENDITURES	0	0	967,443	(967,443)

RECONCILIATION

TOTAL REVENUES	1,338,019
PRIOR YEAR FUND BALANCE	(884,350)
ADJUSTMENT TO CORRECT ACCRUALS	6,872
ADJUSTED BALANCE	<u>460,541</u>
TOTAL EXPENDITURES	370,576
TRANSFER PAYROLL EXPENSES	(140,822)
ADJUSTED BALANCE	<u>229,754</u>

TOWN OF FORT GIBSON
BUDGET TO ACTUAL - BUDGETARY BASIS AND RECONCILIATION TO THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
JUNE 30, 2018

	BEGINNING BUDGET	FINAL BUDGET	YTD ACTUAL	BUDGET BALANCE
40 -DEBT SERVICE				
FINANCIAL SUMMARY				
TOTAL REVENUES	191,400	191,400	2,530	188,870
TOTAL EXPENDITURES	191,400	191,400	678	190,722
REVENUES OVER/(UNDER)				
EXPENDITURES	0	0	1,852	(1,852)

RECONCILIATION

TOTAL REVENUES	2,530	
ADJUSTMENT TO CORRECT ACCRUALS	(284)	
ADJUSTED BALANCE		2,246
TOTAL EXPENDITURES	678	
ADJUSTMENT TO CORRECT ACCRUALS	0	
ADJUSTED BALANCE		678

13 -FG DEVELOPMENT AUTHORITY
FINANCIAL SUMMARY

TOTAL REVENUES	309,600	309,600	310,013	(413)
TOTAL EXPENDITURES	309,600	309,600	467	309,133
REVENUES OVER/(UNDER)				
EXPENDITURES	0	0	309,546	(309,546)

RECONCILIATION

TOTAL REVENUES	310,013	
PRIOR YEAR FUND BALANCE	(306,100)	
ADJUSTED BALANCE		3,913
TOTAL EXPENDITURES	467	
ADJUSTMENT TO CORRECT ACCRUALS	0	
ADJUSTED BALANCE		467

TOWN OF FORT GIBSON
BUDGET TO ACTUAL - BUDGETARY BASIS AND RECONCILIATION TO THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
JUNE 30, 2018

	BEGINNING BUDGET	FINAL BUDGET	YTD ACTUAL	BUDGET BALANCE
14 -FIRE DEPT SPECIAL EQUIP				
FINANCIAL SUMMARY				
TOTAL REVENUES	169,280	169,280	167,486	1,794
TOTAL EXPENDITURES	169,280	169,280	18,922	150,358
REVENUES OVER/(UNDER) EXPENDITURES	0	0	148,564	(148,564)

RECONCILIATION

TOTAL REVENUES			167,486	
PRIOR YEAR FUND BALANCE			(132,580)	
ADJUSTED BALANCE				34,906
TOTAL EXPENDITURES			18,922	
ADJUSTMENT TO CORRECT ACCRUALS			0	
ADJUSTED BALANCE				18,922

15 -FIRE DEPARTMENT SALES TAX
FINANCIAL SUMMARY

TOTAL REVENUES	285,450	285,701	300,278	(14,577)
TOTAL EXPENDITURES	285,450	285,701	61,456	224,245
REVENUES OVER/(UNDER) EXPENDITURES	0	0	238,822	(238,822)

RECONCILIATION

TOTAL REVENUES			300,278	
PRIOR YEAR FUND BALANCE			(186,650)	
ADJUSTMENT TO CORRECT ACCRUALS			1,718	
ADJUSTED BALANCE				115,346
TOTAL EXPENDITURES			61,456	
ADJUSTMENT TO CORRECT ACCRUALS			679	
ADJUSTED BALANCE				62,135

TOWN OF FORT GIBSON
BUDGET TO ACTUAL - BUDGETARY BASIS AND RECONCILIATION TO THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
JUNE 30, 2018

	BEGINNING BUDGET	FINAL BUDGET	YTD ACTUAL	BUDGET BALANCE
16 -POLICE DEPT SALES TAX				
FINANCIAL SUMMARY				
TOTAL REVENUES	162,300	162,455	176,819	(14,364)
TOTAL EXPENDITURES	162,300	162,455	81,757	80,698
REVENUES OVER/(UNDER) EXPENDITURES	0	0	95,062	(95,062)

RECONCILIATION

TOTAL REVENUES	176,819	
PRIOR YEAR FUND BALANCE	(56,650)	
ADJUSTMENT TO CORRECT ACCRUALS	1,719	
ADJUSTED BALANCE		121,888
TOTAL EXPENDITURES	81,757	
ADJUSTMENT TO CORRECT ACCRUALS	1,856	
ADJUSTED BALANCE		83,613

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

RECONCILIATION

TOTAL REVENUES	0	
PRIOR YEAR FUND BALANCE	0	
ADJUSTED BALANCE		0
TOTAL EXPENDITURES	0	
ADJUSTMENT TO CORRECT ACCRUALS	0	
ADJUSTED BALANCE		0

TOWN OF FORT GIBSON
BUDGET TO ACTUAL - BUDGETARY BASIS AND RECONCILIATION TO THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
JUNE 30, 2018

	BEGINNING BUDGET	FINAL BUDGET	YTD ACTUAL	BUDGET BALANCE
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

RECONCILIATION

TOTAL REVENUES	0			
PRIOR YEAR FUND BALANCE			0	
ADJUSTED BALANCE			0	0
TOTAL EXPENDITURES			0	
ADJUSTMENT TO CORRECT ACCRUALS			0	
ADJUSTED BALANCE			0	0

30 -CEMETERY FUND
FINANCIAL SUMMARY

TOTAL REVENUES	21,020	21,020	22,013	(993)
TOTAL EXPENDITURES	21,020	21,020	0	21,020
REVENUES OVER/(UNDER) EXPENDITURES	0	0	22,013	(22,013)

RECONCILIATION

TOTAL REVENUES			22,013	
PRIOR YEAR FUND BALANCE			(19,600)	
ADJUSTED BALANCE			2,413	2,413
TOTAL EXPENDITURES			0	
ADJUSTMENT TO CORRECT ACCRUALS			0	
ADJUSTED BALANCE			0	0

SUPPLEMENTARY INFORMATION

TOWN OF FORT GIBSON
BUDGET TO ACTUAL - BUDGETARY BASIS AND RECONCILIATION TO THE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
PROPRIETARY FUND
JUNE 30, 2018

	BEGINNING BUDGET	FINAL BUDGET	YTD ACTUAL	BUDGET BALANCE
50 -FORT GIBSON UTILITIES				
FINANCIAL SUMMARY				
TOTAL REVENUES	11,129,672	11,132,750	9,000,957	2,131,793
EXPENDITURE SUMMARY				
21-GENERAL GOVERNMENT	1,882,205	1,883,856	711,431	1,172,425
31-SANITATION	338,375	338,975	263,378	75,597
41-WASTE WATER	1,986,791	1,987,067	973,911	1,013,156
51-WATER	6,922,301	6,922,852	5,761,822	1,161,030
TOTAL EXPENDITURES	11,129,672	11,132,750	7,710,542	3,422,208
REVENUES OVER/(UNDER) EXPENDITURES	0	0	1,290,415	(1,290,415)
RECONCILIATION				
TOTAL REVENUES			9,000,957	
PRIOR YEAR FUND BALANCE			(1,175,100)	
LOAN PROCEEDS			(4,779,017)	
ADJUST ACCOUNTS RECEIVABLE			(55,615)	
NON-OPERATING INCOME			(70,225)	
ADJUSTED BALANCE				2,921,000
GENERAL GOVERNMENT EXPENSES			711,431	
CORRECTION OF ACCRUALS			2,762	
ADJUST MANAGEMENT FEES			(2,591)	
EXPENSES CAPITALIZED			(46,782)	
ADJUSTED BALANCE				664,820
SANITATION EXPENSES			263,378	
CORRECTION OF ACCRUALS			81	
EXPENSES CAPITALIZED			0	
ADJUSTED BALANCE				263,459
WASTEWATER EXPENSES			973,911	
CORRECTION OF ACCRUALS			72	
ADDITIONAL INTEREST EXPENSE			4,384	
PAYMENT OF PRINCIPAL			(102,378)	
EXPENSES CAPITALIZED			(497,034)	
ADJUSTED BALANCE				378,955
WATER EXPENSES			5,761,822	
CORRECTION OF ACCRUALS			161	
ADDITIONAL INTEREST EXPENSE			50,274	
PAYMENT OF PRINCIPAL			(268,380)	
EXPENSES CAPITALIZED			(4,998,504)	
ADJUSTED BALANCE				545,373
DEPRECIATION EXPENSE				338,705
TOTAL ADJUSTED EXPENSES				2,191,312



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

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

We have audited, 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, OK as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Fort Gibson, OK's basic financial statements, and have issued our report thereon dated January 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Fort Gibson, OK's internal control over financial reporting (internal control) to determine the audit 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, OK's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Fort Gibson, OK'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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 weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider 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, OK's financial statements are free from material misstatement, 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 of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity'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 28, 2019