



CITY OF
KINGFISHER,
OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

**THE CITY OF KINGFISHER,
OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

CITY OF KINGFISHER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2017

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ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2017

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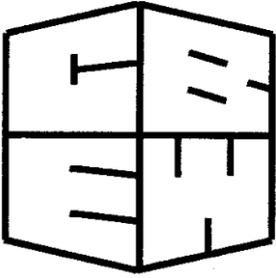
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INDEPENDENT AUDITOR'S REPORT

January 4, 2018

Honorable Board of City Commissioners
City of Kingfisher
Kingfisher, Oklahoma

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 City of Kingfisher, Oklahoma, (City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City'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 an opinion 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 City of Kingfisher, Oklahoma, as of June 30, 2017, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension exhibits and budgetary comparison information and related notes on pages 8 – 16 and 60 – 65 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2018, on our consideration of the City'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 to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

CITY OF KINGFISHER, OKLAHOMA
Management's Discussion and Analysis
As of and for the Fiscal Year Ended June 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF KINGFISHER, OKLAHOMA
Management's Discussion and Analysis
As of and for the Fiscal Year Ended June 30, 2017

Our discussion and analysis of the City of Kingfisher's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2017, the City's total net position increased by \$4.7 million or 15% from the prior year.
- During the year, the City's expenses for governmental activities were \$6.8 million and were funded by program revenues of \$1.8 million and further funded with taxes and other general revenues and transfers that totaled \$7.5 million.
- In the City's business-type activities, such as utilities, program revenues exceeded expenses by \$633 thousand.
- For budgetary reporting purposes, the General Fund reported revenues over estimates by \$45,438 or 1%, while expenditures were under the final appropriations by \$271,702 or 3.7%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Kingfisher (the "City") and its component units using the integrated approach as prescribed by GASB Statements No. 14, 34, 39, and 61. Included in this report are government-wide statements for each of two categories of activities – governmental and business-type, including four blended component units.

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. These statements include all assets of the City (including infrastructure capital assets) and deferred outflows, as well as all liabilities (including all long-term debt) and deferred inflows.

About the City

The City of Kingfisher is an incorporated municipality with a population of approximately 4,633 located in northwestern Oklahoma. The City is a Council/Manager form of government and operates under a home-rule charter that provides for three branches of government:

- Legislative – the City Commission is a five-member governing body with the mayor and four commissioners elected by the citizens at large
- Executive – the City Manager is the Chief Executive Officer and appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Commissioners

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, airport, and certain utility services including electric, water, sewer, and sanitation.

The City's Financial Reporting Entity

This annual report includes all activities for which the City of Kingfisher City Council is fiscally responsible. These activities, defined as the City's financial reporting entity, are operated within separate legal entities that make up the primary government.

The City's financial reporting entity includes the primary government (City of Kingfisher) and the blended component units as follows.

- **The City of Kingfisher** – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities
- **The City of Kingfisher Public Works Authority** – that operates the electric, water, sewer, and sanitation services of the City
- **The Kingfisher Special Projects Authority** – that promotes, develops and secures industrial development within the City
- **The Kingfisher Recreation Authority** – that operates the swimming pool facility of the City and oversees the management of the municipal golf course of the City
- **The Kingfisher Hospital Authority** – only finances the Kingfisher Regional Hospital with the 1% sales tax through 2032. This Authority was formed in May 2007 and had no financial activity in the current year.

All four component units (Authorities) have the City Commissioners as their governing body (trustees) and the City is able to impose its will on the Authorities through required approval of all debt obligations issued by these entities.

Using This Annual Report

This annual report is presented in a format that complies with the presentation requirements of the Governmental Accounting Standards Board (GASB) in accordance with generally accepted accounting principles. The presentation includes financial statements that communicate the City's financial condition and changes therein at two distinct levels:

- **The City as a Whole** (a government-wide presentation)
- **The City's Funds** (a presentation of the City's major and aggregate non-major funds)

The City's various government-wide and fund financial statements are presented throughout this annual report and are accompanied by:

- **Management's Discussion and Analysis** – that provides useful analysis that facilitates a better understanding of the City's financial condition and changes therein.
- **Footnotes** - that elaborate on the City's accounting principles used in the preparation of the financial statements and further explain financial statement elements
- **Supplemental Schedules** – that provide additional information about specified elements of the financial statements, such as budgetary comparison information

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows, using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report the City's net position and changes in them from the prior year. You can think of the City's net position – the residual difference between assets, deferred outflows, liabilities and deferred inflows, – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

As mentioned above, in the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's electric, water, sewer, and sanitation activities are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City of Kingfisher can be divided into two categories: governmental funds and proprietary funds.

Governmental funds – Most of the City'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 accrual 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 City's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the

CITY OF KINGFISHER, OKLAHOMA
Management's Discussion and Analysis
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Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – 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 Position, the Statement of Revenues, Expenses and Changes in Fund Net Position and Statement of Cash Flows. In fact, the City's enterprise funds are essentially 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.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the primary government, assets exceeded liabilities by \$36.2 million at the close of the most recent fiscal year.

TABLE 1
NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2017	2016		2017	2016		2017	2016	
Current assets	\$ 9,240	\$ 6,931	33%	\$ 3,314	\$ 3,840	-14%	\$ 12,554	\$ 10,771	17%
Non-current assets	11,202	10,250	9%	18,711	15,863	18%	29,913	26,113	15%
Total assets	20,442	17,181	19%	22,025	19,703	12%	42,467	36,884	15%
Deferred outflow of resources	1,231	635	94%	379	106	258%	1,610	741	117%
Current liabilities	1,231	451	173%	888	690	29%	2,119	1,141	86%
Non-current liabilities	4,127	3,332	24%	1,466	1,246	18%	5,593	4,578	22%
Total liabilities	5,358	3,783	42%	2,354	1,936	22%	7,712	5,719	35%
Deferred inflow of resources	117	352	-67%	27	76	-64%	144	428	-66%
Net position									
Net investment in capital assets	10,531	10,250	3%	17,842	14,933	19%	28,373	25,183	13%
Restricted	3,683	3,359	10%	149	192	-22%	3,832	3,551	8%
Unrestricted	1,984	72	2656%	2,032	2,672	-24%	4,016	2,744	46%
Total net position	\$ 16,198	\$ 13,681	18%	\$ 20,023	\$ 17,797	13%	\$ 36,221	\$ 31,478	15%

The largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. For 2017, this net investment in capital assets amounted to \$28.4 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the City's net position, \$3.8 million, also represents resources that are subject to external restrictions or internal legislation on how they may be used. The remaining balance of unrestricted net position approximately, \$4 million, is available to meet the government's ongoing obligations to citizens and creditors.

CITY OF KINGFISHER, OKLAHOMA
Management's Discussion and Analysis
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Governmental activities current liabilities increase is due to the issuance of a short-term loan with Interbank for the financing of street improvements.

Business-type activities current liabilities increased because accounts payable increased \$181,334.

Unrestricted net position for the governmental activities increased because sales tax increased \$1.4 million.

The increase/decrease in deferred outflows, deferred inflows and other liabilities relates to a shortfall in actual investment earnings versus projected investment earnings in all three defined benefit retirement plans. This also contributes to the increase in unrestricted net position.

Changes in Net Position

For the year ended June 30, 2017, net position of the primary government changed as follows:

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2017	2016		2017	2016		2017	2016	
Revenues									
Charges for service	\$ 997	\$ 826	21%	\$ 7,958	\$ 7,791	2%	\$ 8,955	\$ 8,617	4%
Operating grants and contributions	743	494	50%	59	-	100%	802	494	62%
Capital grants and contributions	53	102	-48%	2,020	-	100%	2,073	102	1932%
Taxes	6,699	5,302	26%	-	-	-	6,699	5,302	26%
Intergovernmental revenue	126	107	18%	-	123	-100%	126	230	-45%
Investment income	48	41	17%	10	8	25%	58	49	18%
Miscellaneous	187	173	8%	35	2	1650%	222	175	27%
Total revenues	8,853	7,045	26%	10,082	7,924	27%	18,935	14,969	26%
Expenses									
General government	627	706	-11%	-	-	-	627	706	-11%
Public safety	3,021	2,799	8%	-	-	-	3,021	2,799	8%
Highways and streets	621	649	-4%	-	-	-	621	649	-4%
Culture and recreation	607	552	10%	-	-	-	607	552	10%
Health and welfare	77	100	-23%	-	-	-	77	100	-23%
Airport	124	140	-11%	-	-	-	124	140	-11%
Hospital sales tax payment	1,731	1,330	30%	-	-	-	1,731	1,330	30%
Interest on long-term debt	-	5	-100%	-	-	-	-	5	-100%
Light and power	-	-	-	4,986	4,943	1%	4,986	4,943	1%
Water	-	-	-	860	689	25%	860	689	25%
Sewer	-	-	-	463	443	5%	463	443	5%
Sanitation	-	-	-	654	609	7%	654	609	7%
Golf course	-	-	-	132	128	3%	132	128	3%
Swimming pool	-	-	-	240	267	-10%	240	267	-10%
Winter nights	-	-	-	44	-	100%	44	-	100%
Economic development	-	-	-	5	5	-	5	5	-
Total expenses	6,808	6,281	8%	7,384	7,084	4%	14,192	13,365	6%
Excess (deficiency) before transfers	2,045	764	168%	2,698	840	221%	4,743	1,604	196%
Transfers	473	628	-25%	(473)	(628)	25%	-	-	-
Change in net position	2,518	1,392	81%	2,225	212	950%	4,743	1,604	196%
Beginning net position	13,681	12,289	11%	17,797	17,585	1%	31,478	29,874	5%
Ending net position	\$ 16,199	\$ 13,681	18%	\$ 20,022	\$ 17,797	13%	\$ 36,221	\$ 31,478	15%

CITY OF KINGFISHER, OKLAHOMA
Management's Discussion and Analysis
As of and for the Fiscal Year Ended June 30, 2017

Explanations for changes in excess of 20% and \$200,000 are as follows:

Governmental Activities:

Taxes – 26% or \$1.4 million increase related to the increase in the sales and use tax rate from 3% to 3.5% that started in the prior year. In the prior year there were 8 months of the 3.5% rate while this rate was in effect for the whole fiscal year this year. This is also the reason for the increase in the payment to the hospital and the change in net position for the governmental activities.

The large increase in business-type activities capital grants and contributions revenue and change in net position is due to receiving a grant for \$2.2 million to construct the new raw water plant/storage.

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 City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

TABLE 3
Net Revenue (Expense) of Governmental Activities
(In Thousands)

	<u>Total Expense</u>		<u>% Inc.</u>	<u>Net Revenue</u>		<u>% Inc.</u>
	<u>of Services</u>			<u>(Expense)</u>		
	<u>2017</u>	<u>2016</u>	<u>(Dec.)</u>	<u>of Services</u>	<u>(Dec.)</u>	
General government	\$ 627	\$ 706	-11%	(\$223)	(\$589)	-62%
Public safety	3,021	2,799	8%	(1,790)	(1,626)	10%
Highways and streets	621	649	-4%	(579)	(605)	-4%
Culture and recreation	607	552	10%	(592)	(523)	13%
Health and welfare	77	100	-23%	(47)	(72)	-35%
Airport	124	140	-11%	(54)	(107)	-50%
Hospital sales tax payment	1,731	1,330	30%	(1,731)	(1,330)	30%
Interest on long-term debt	-	5	-100%	-	(5)	-100%
Total	<u>6,808</u>	<u>\$ 6,281</u>	8%	<u>(\$5,016)</u>	<u>(\$4,857)</u>	3%

Explanations for significant changes are listed above under Table 2.

CITY OF KINGFISHER, OKLAHOMA
Management's Discussion and Analysis
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TABLE 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2017	2016		2017	2016	
	Light and power	\$ 4,986		\$ 4,943	1%	
Water	860	689	25%	2,169	253	757%
Sewer	463	443	5%	41	37	11%
Sanitation	654	609	7%	(92)	(71)	30%
Golf course	132	128	3%	(132)	(128)	3%
Swimming pool	240	267	-10%	(201)	(180)	12%
Winter Nights	44	-	100%	22	-	100%
Economic development	5	5	-	(5)	(5)	-
Total	\$ 7,384	\$ 7,084	4%	\$ 2,652	\$ 707	275%

The City's business-type activities include utility services for electric, water, sewer, sanitation, Winter nights, golf course, swimming pool and economic development.

In reviewing the business-type activities net (expense)/revenue, the following highlights should be noted:

- Total business-type activities reported net revenue of \$2.7 million for the year ended June 30, 2017.
- While the light and power, water, sewer and winter nights activities reported net revenues for the year ended June 30, 2017, sanitation, golf course, swimming pool and economic development had net expenses.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2017 fiscal year, the governmental funds reported a combined fund balance of \$8,214,637 or a 29% increase from 2016. The enterprise funds reported combined net position of approximately \$20 million or a 13% increase from 2016.

Other fund highlights include:

- In the General Fund there was a \$85,434 restriction for insurance, a \$2,505,698 commitment for economic stabilization, a \$1,962,394 assignment for capital improvements, and a \$15,765 assignment for sick leave buyback
- Proprietary fund net position restrictions included \$8,395 for debt service and \$140,216 for capital projects.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the General Fund budget various times. The revised budget included an increase in overall revenue projections (including transfers in) of 41% or \$2.5 million and an increase in appropriations (including transfers out) of 22% or \$1.3 million. Actual revenues and transfers were over estimates by \$45,438 or 1%, while expenditures and transfers were under final appropriations by \$271,702 or 3.7%.

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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2017, the City had approximately \$29.5 million invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, streets, and electric, water and sewer lines. (See Table 5). This represents a net increase of approximately \$3.8 million over last year.

TABLE 5
Capital Assets
(In Thousands)
(Net of accumulated depreciation)

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 1,154	\$ 1,154	\$ 1,228	\$ 1,228	\$ 2,382	\$ 2,382
Buildings and Improvements	2,778	2,975	2,914	3,036	5,692	6,011
Machinery and Equipment	1,340	1,116	761	699	2,101	1,815
Infrastructure	5,751	4,860	909	966	6,660	5,826
Utility Property	-	-	12,182	8,939	12,182	8,939
Construction in progress	180	146	293	595	473	741
Totals	\$ 11,203	\$ 10,251	\$ 18,287	\$ 15,463	\$ 29,490	\$ 25,714

This year's more significant capital asset additions included:

2017 Schwarse M6 Street Sweeper	\$269,893
Above Ground Water Tank	\$3,276,818
Road improvements	\$1,085,929
2016 Ford F-550 bucket truck	\$113,542

See Note 4 to the financial statements for more detail information on the City's capital assets and changes therein.

CITY OF KINGFISHER, OKLAHOMA
Management's Discussion and Analysis
As of and for the Fiscal Year Ended June 30, 2017

Long- Term Debt

At year-end, the City had \$1.5 million in long-term debt outstanding which represents a \$54,496 or 3% decrease from the prior year. The City's changes in long-term debt by type of debt are as follows:

TABLE 6
Long-Term Debt

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>				<u>Percentage</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2016-2017</u>
Accrued absences	\$ 317	\$ 320	\$ 316	\$ 314	\$ 633	\$ 634	-0.2%
Notes payable	-	-	445	530	445	530	-16%
Meter deposit liability	-	-	471	441	471	441	6.8%
Totals	\$ 317	\$ 320	\$ 1,232	\$ 1,285	\$ 1,549	\$ 1,605	-3.5%

See Note 5 to the financial statements for more detail information on the City's long-term debt and changes therein.

The Economic Outlook

The following information outlines significant known factors that will affect subsequent year finances:

- The City will continue to move forward with its flood and drainage projects.
- They City will also continue with the aquatic center rehab and the AMI meter system.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with an understanding of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at 301 N. Main Kingfisher, Oklahoma 73750 or telephone at 405-375-3705.

**CITY OF KINGFISHER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2017**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF KINGFISHER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2017

Statement of Net Position– June 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 5,585,019	\$ 319,459	\$ 5,904,478
Restricted cash and cash equivalents	-	141,357	141,357
Investments	1,446,145	650,000	2,096,145
Deposits with insurance pool	85,434	-	85,434
Accounts receivable, net	42,799	1,503,546	1,546,345
Court fine receivable, net	17,543	-	17,543
Internal balances	1,080	(1,080)	-
Due from other governments	2,062,029	280,857	2,342,886
Inventory	-	420,175	420,175
Total Current Assets	<u>9,240,049</u>	<u>3,314,314</u>	<u>12,554,363</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	-	165,605	165,605
Restricted investments	-	258,125	258,125
Capital Assets:			
Land and construction in progress	1,334,021	1,521,579	2,855,600
Other capital assets, net of depreciation	9,868,467	16,765,387	26,633,854
Total Noncurrent Assets	<u>11,202,488</u>	<u>18,710,696</u>	<u>29,913,184</u>
Total Assets	<u>20,442,537</u>	<u>22,025,010</u>	<u>42,467,547</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred amounts related to pensions	<u>1,230,502</u>	<u>378,934</u>	<u>1,609,436</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	79,039	712,826	791,865
Sales tax due to hospital	436,138	-	436,138
Accrued interest payable	11,791	1,521	13,312
Short-term note payable	671,834	-	671,834
Current portion of:			
Due to depositors	-	47,081	47,081
Notes payable	-	95,000	95,000
Accrued compensated absences	31,719	31,648	63,367
Total Current Liabilities	<u>1,230,521</u>	<u>888,076</u>	<u>2,118,597</u>
Noncurrent liabilities:			
Due to depositors	-	423,730	423,730
Notes payable	-	350,000	350,000
Accrued compensated absences	285,469	284,829	570,298
Net pension liability	3,842,458	407,740	4,250,198
Total Noncurrent Liabilities	<u>4,127,927</u>	<u>1,466,299</u>	<u>5,594,226</u>
Total Liabilities	<u>5,358,448</u>	<u>2,354,375</u>	<u>7,712,823</u>
DEFERRED INFLOW OF RESOURCES			
Deferred amounts related to pensions	<u>116,938</u>	<u>27,406</u>	<u>144,344</u>
NET POSITION			
Net investment in capital assets	10,530,654	17,841,966	28,372,620
Restricted by:			
External contracts and groups:			
Nonspendable	50,000	-	50,000
Other contracts/groups/legislation	3,632,510	148,611	3,781,121
Unrestricted	1,984,489	2,031,586	4,016,075
Total Net Position	<u>\$ 16,197,653</u>	<u>\$ 20,022,163</u>	<u>\$ 36,219,816</u>

See accompanying notes to the basic financial statements.

CITY OF KINGFISHER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2017

Statement of Activities –Fiscal Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General government	\$ 626,835	\$ 34,558	\$ 369,557	\$ -	\$ (222,720)	\$ -	\$ (222,720)
Public safety	3,020,731	893,451	322,488	14,850	(1,789,942)	-	(1,789,942)
Highways and streets	620,888	-	42,273	-	(578,615)	-	(578,615)
Culture and recreation	607,241	5,983	8,819	-	(592,439)	-	(592,439)
Health and welfare	77,323	30,670	-	-	(46,653)	-	(46,653)
Airport	124,245	32,552	-	37,945	(53,748)	-	(53,748)
Hospital sales tax payment	1,731,300	-	-	-	(1,731,300)	-	(1,731,300)
Interest on Long-term debt	-	-	-	-	-	-	-
Total governmental activities	<u>6,808,563</u>	<u>997,214</u>	<u>743,137</u>	<u>52,795</u>	<u>(5,015,417)</u>	<u>-</u>	<u>(5,015,417)</u>
Business-type activities:							
Light and power	4,986,393	5,836,100	-	-	-	849,707	849,707
Water	859,682	1,008,840	-	2,019,891	-	2,169,049	2,169,049
Sewer	462,868	503,804	-	-	-	40,936	40,936
Sanitation	653,660	561,817	-	-	-	(91,843)	(91,843)
Golf course	131,501	-	-	-	-	(131,501)	(131,501)
Swimming pool	239,689	38,653	-	-	-	(201,036)	(201,036)
Winter Nights	44,394	8,315	58,575	-	-	22,496	22,496
Economic development	5,061	-	-	-	-	(5,061)	(5,061)
Total business-type activities	<u>7,383,248</u>	<u>7,957,529</u>	<u>58,575</u>	<u>2,019,891</u>	<u>-</u>	<u>2,652,747</u>	<u>2,652,747</u>
Total primary government	<u>\$ 14,191,811</u>	<u>\$ 8,954,743</u>	<u>\$ 801,712</u>	<u>\$ 2,072,686</u>	<u>(5,015,417)</u>	<u>2,652,747</u>	<u>(2,362,670)</u>
General revenues:							
Taxes:							
Sales and use taxes					6,574,415	-	6,574,415
Franchise taxes and public service taxes					102,138	-	102,138
Hotel/motel taxes					22,644	-	22,644
Intergovernmental revenue not restricted to specific programs					125,992	-	125,992
Unrestricted investment earnings					47,619	9,590	57,209
Miscellaneous					186,754	35,458	222,212
Transfers - internal activities					<u>472,515</u>	<u>(472,515)</u>	<u>-</u>
Total general revenues and transfers					<u>7,532,077</u>	<u>(427,467)</u>	<u>7,104,610</u>
Change in net position					2,516,660	2,225,280	4,741,940
Net position - beginning					13,680,993	17,796,883	31,477,876
Net position - ending					<u>\$ 16,197,653</u>	<u>\$ 20,022,163</u>	<u>\$ 36,219,816</u>

See accompanying notes to the basic financial statements.

**CITY OF KINGFISHER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2017**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

CITY OF KINGFISHER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2017

Governmental Funds Balance Sheet - June 30, 2017

	<u>General Fund</u>	<u>Flood Control Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,628,826	\$ 1,479,206	\$ 1,476,987	\$ 5,585,019
Investments	1,000,000	-	446,145	1,446,145
Due from other funds	20,773	-	-	20,773
Receivables:				
Ambulance receivable, net	42,799	-	-	42,799
Court fines receivable, net	17,543	-	-	17,543
Due from other governments	1,408,650	369,557	263,706	2,041,913
Other receivables	20,116	-	-	20,116
Deposits in insurance pool	85,434	-	-	85,434
Total assets	<u>\$ 5,224,141</u>	<u>1,848,763</u>	<u>\$ 2,186,838</u>	<u>\$ 9,259,742</u>
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 70,132	-	\$ 20,698	\$ 90,830
Due to other funds	19,693	-	-	19,693
Sales tax due to hospital	436,138	-	-	436,138
Total liabilities	<u>525,963</u>	<u>-</u>	<u>20,698</u>	<u>546,661</u>
Deferred Inflows of resources:				
Deferred revenue	<u>128,887</u>	<u>369,557</u>	<u>-</u>	<u>498,444</u>
Fund balances:				
Nonspendable	-	-	50,000	50,000
Restricted for:				
Cemetery Capital Improvements	-	-	152,026	152,026
Library	-	-	402,365	402,365
Streets	-	-	77,888	77,888
Insurance	85,434	-	-	85,434
Flood Control	-	1,479,206	-	1,479,206
Military Memorial	-	-	88,073	88,073
Improvements benefiting citizens	-	-	73,172	73,172
Health, Exercise, Aquatics, Recreation and Trails	-	-	1,274,346	1,274,346
Committed to:				
Economic stabilization	2,505,698	-	-	2,505,698
Assigned to:				
Library	-	-	14,096	14,096
Capital Improvements	1,962,394	-	-	1,962,394
Airport	-	-	34,174	34,174
Sick leave buy back	15,765	-	-	15,765
Total fund balances	<u>4,569,291</u>	<u>1,479,206</u>	<u>2,166,140</u>	<u>8,214,637</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,224,141</u>	<u>\$ 1,848,763</u>	<u>\$ 2,186,838</u>	<u>\$ 9,259,742</u>

See accompanying notes to the basic financial statements.

CITY OF KINGFISHER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2017

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Fiscal Year Ended June 30, 2017

	<u>General Fund</u>	<u>Flood Control Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 5,881,191	\$ -	\$ 888,295	\$ 6,769,486
Intergovernmental	400,164	28,700	80,218	509,082
Charges for services	856,719	-	25,490	882,209
Fines and forfeitures	57,281	-	-	57,281
Licenses and permits	33,183	-	-	33,183
Investment income	17,012	8,213	5,711	30,936
Donations	3,843	-	1,525	5,368
Miscellaneous	206,014	-	34,485	240,499
Total revenues	<u>7,455,407</u>	<u>36,913</u>	<u>1,035,724</u>	<u>8,528,044</u>
EXPENDITURES				
Current:				
Administrative	12,179	-	-	12,179
City Treasurer	87,303	-	-	87,303
City Attorney	16,115	-	-	16,115
Municipal Court	25,338	-	-	25,338
Police	1,122,948	-	-	1,122,948
Fire	1,738,229	-	-	1,738,229
Streets	372,630	-	74	372,704
Culture, tourism and recreation	186,529	-	20,379	206,908
General government	260,944	241,539	-	502,483
Library	286,361	-	-	286,361
Cemetery	62,003	-	-	62,003
Airport	-	-	84,312	84,312
Capital Outlay	1,138,320	-	396,875	1,535,195
Debt Service:				
Interest and other charges	11,791	-	-	11,791
Total expenditures	<u>5,320,690</u>	<u>241,539</u>	<u>501,640</u>	<u>6,063,869</u>
Excess (deficiency) of revenues over expenditures	<u>2,134,717</u>	<u>(204,626)</u>	<u>534,084</u>	<u>2,464,175</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from short-term note	671,834	-	-	671,834
Transfers in	482,264	-	42,143	524,407
Transfers out	(38,050)	-	(34,407)	(72,457)
Sales tax payment to hospital	(1,731,300)	-	-	(1,731,300)
Total other financing sources (uses)	<u>(615,252)</u>	<u>-</u>	<u>7,736</u>	<u>(607,516)</u>
Net change in fund balances	1,519,465	(204,626)	541,820	1,856,659
Fund balances - beginning	<u>3,049,826</u>	<u>1,683,832</u>	<u>1,624,320</u>	<u>6,357,978</u>
Fund balances - ending	<u>\$ 4,569,291</u>	<u>\$ 1,479,206</u>	<u>\$ 2,166,140</u>	<u>\$ 8,214,637</u>

See accompanying notes to the basic financial statements.

CITY OF KINGFISHER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2017

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Total fund balance, governmental funds \$ 8,214,637

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 11,202,488

Certain long-term assets and deferred outflows are not available to pay for current fund liabilities and, therefore, are either deferred or not reported in the funds:

Pension related deferred outflows	1,230,502
Deferred revenue	498,444

Certain long-term liabilities along with certain deferred inflows, are not due and payable from current financial resources and, therefore, are not reported in the funds:

Net pension liability	(3,842,458)
Pension related deferred inflows	(116,938)
Note payable	(671,834)
Accrued compensated absences	(317,188)

Net Position of Governmental Activities in the Statement of Net Position	\$ 16,197,653
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See accompanying notes to the basic financial statements.

CITY OF KINGFISHER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2017

Reconciliation of Governmental Funds and Government-Wide Financial Statements (Continued):

Net change in fund balances - total governmental funds:	\$	1,856,659
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p>		
Capital asset purchases capitalized		1,599,751
Depreciation expense		(662,900)
<p>Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.</p>		
Book value of disposed capital assets		(5,230)
Transferred assets		20,565
<p>In the Statement of Activities, the net cost of pension benefits earned is calculated and reported as pension expense. The fund financial statements report pension contributions as pension expenditures. This amount represents the difference between pension contributions and calculated pension expense.</p>		
		32,278
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Change in deferred revenue		345,036
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:</p>		
Proceeds of long-term debt		(671,834)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:</p>		
Change in accrued compensated absences		2,335
Change in net position of governmental activities	\$	2,516,660

See accompanying notes to the basic financial statements.

CITY OF KINGFISHER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2017

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

CITY OF KINGFISHER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2017

Proprietary Funds Statement of Net Position - June 30, 2017

	Kingfisher Public Works Authority	Kingfisher Special Projects Authority	Kingfisher Recreation Authority	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 87,234	\$ 103,271	\$ 128,954	\$ 319,459
Investments	650,000	-	-	650,000
Restricted:				
Cash and cash equivalents	118,860	-	22,497	141,357
Accounts receivable, net	1,503,546	-	-	1,503,546
Due from other governments	280,857	-	-	280,857
Due from other funds	19,693	-	-	19,693
Inventory	420,175	-	-	420,175
Total current assets	<u>3,080,365</u>	<u>103,271</u>	<u>151,451</u>	<u>3,335,087</u>
Non-current assets:				
Restricted:				
Cash and cash equivalents	165,605	-	-	165,605
Investments	258,125	-	-	258,125
Capital assets:				
Land and construction in progress	430,683	29,150	1,061,746	1,521,579
Other capital assets, net of accumulated depreciation	14,990,025	45,131	1,730,231	16,765,387
Total non-current assets	<u>15,844,438</u>	<u>74,281</u>	<u>2,791,977</u>	<u>18,710,696</u>
Total assets	<u>\$ 18,924,803</u>	<u>\$ 177,552</u>	<u>\$ 2,943,428</u>	<u>\$ 22,045,783</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred amounts related to pensions	342,025	-	36,909	378,934
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 709,270	\$ -	\$ 3,556	\$ 712,826
Accrued interest payable	1,521	-	-	1,521
Due to other funds	20,773	-	-	20,773
Due to depositors	47,081	-	-	47,081
Notes payable	95,000	-	-	95,000
Accrued compensated absences	31,121	-	527	31,648
Total current liabilities	<u>904,766</u>	<u>-</u>	<u>4,083</u>	<u>908,849</u>
Non-current liabilities:				
Due to depositors	423,730	-	-	423,730
Notes payable	350,000	-	-	350,000
Accrued compensated absences	280,095	-	4,734	284,829
Net pension liability	369,269	-	38,471	407,740
Total non-current liabilities	<u>1,423,094</u>	<u>-</u>	<u>43,205</u>	<u>1,466,299</u>
Total liabilities	<u>2,327,860</u>	<u>-</u>	<u>47,288</u>	<u>2,375,148</u>
DEFERRED INFLOW OF RESOURCES				
Deferred amounts related to pensions	24,925	-	2,481	27,406
NET POSITION				
Net investment in capital assets	14,975,708	74,281	2,791,977	17,841,966
Restricted for debt service	8,395	-	-	8,395
Restricted for capital projects	140,216	-	-	140,216
Unrestricted	1,789,724	103,271	138,591	2,031,586
Total net position	<u>\$ 16,914,043</u>	<u>\$ 177,552</u>	<u>\$ 2,930,568</u>	<u>\$ 20,022,163</u>

See accompanying notes to the basic financial statements.

CITY OF KINGFISHER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2017

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position – Fiscal Year Ended June 30, 2017

	Kingfisher Public Works Authority	Kingfisher Special Projects Authority	Kingfisher Recreation Authority	Total
REVENUES				
Charges for services:				
Light and power charges	\$ 5,515,579	\$ -	\$ -	\$ 5,515,579
Water charges	988,018	-	-	988,018
Sewer charges	493,405	-	-	493,405
Penalties	67,653	-	-	67,653
Sanitation charges	550,221	-	-	550,221
Recreation	-	-	38,653	38,653
Refunds and reimbursements	213,736	-	-	213,736
Miscellaneous	18,055	1,226	-	19,281
Total operating revenues	<u>7,846,667</u>	<u>1,226</u>	<u>38,653</u>	<u>7,886,546</u>
OPERATING EXPENSES				
Administration	741,491	-	-	741,491
Light and power	4,200,522	-	-	4,200,522
Power plant	142,336	-	-	142,336
Water	541,184	-	-	541,184
Sanitation	584,094	-	-	584,094
Sewer	270,979	-	-	270,979
Recreation	-	-	341,464	341,464
Depreciation expense	482,044	5,061	74,120	561,225
Total operating expenses	<u>6,962,650</u>	<u>5,061</u>	<u>415,584</u>	<u>7,383,295</u>
Operating income (loss)	<u>884,017</u>	<u>(3,835)</u>	<u>(376,931)</u>	<u>503,251</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income	9,590	-	-	9,590
Grant revenue	2,082,559	-	-	2,082,559
Gain on capital asset disposal	7,250	-	-	7,250
Miscellaneous	28,208	-	66,890	95,098
Interest expense	(20,518)	-	-	(20,518)
Total non-operating revenue (expenses)	<u>2,107,089</u>	<u>-</u>	<u>66,890</u>	<u>2,173,979</u>
Income (loss) before contributions and transfers	2,991,106	(3,835)	(310,041)	2,677,230
Capital contributions	31,268	-	-	31,268
Transfers in	-	-	312,000	312,000
Transfers out	(792,000)	-	(3,218)	(795,218)
Change in net position	2,230,374	(3,835)	(1,259)	2,225,280
Total net position - beginning	<u>14,683,669</u>	<u>181,387</u>	<u>2,931,827</u>	<u>17,796,883</u>
Total net position - ending	<u>\$ 16,914,043</u>	<u>\$ 177,552</u>	<u>\$ 2,930,568</u>	<u>\$ 20,022,163</u>

See accompanying notes to the basic financial statements.

CITY OF KINGFISHER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2017

Proprietary Funds Statement of Cash Flows – Fiscal Year Ended June 30, 2017

	Kingfisher Public Works Authority	Kingfisher Special Projects Authority	Kingfisher Recreation Authority	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 7,799,645	\$ 1,226	\$ 105,543	\$ 7,906,414
Payments to suppliers	(4,902,498)	-	(158,848)	(5,061,346)
Payments to employees	(1,420,218)	-	(188,964)	(1,609,182)
Receipts of customer deposits	93,821	-	-	93,821
Refunds of customer meter deposits	(63,928)	-	-	(63,928)
Receipts (payments) from other funds	20,773	-	-	20,773
Net cash provided by (used in) operating activities	1,527,595	1,226	(242,269)	1,286,552
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	1,402	-	312,000	313,402
Transfers to other funds	(793,402)	-	(3,218)	(796,620)
Receipts from governmental grants	2,009,351	-	-	2,009,351
Net cash provided by (used in) noncapital financing activities	1,217,351	-	308,782	1,526,133
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(3,346,466)	-	-	(3,346,466)
Principal paid on debt	(85,000)	-	-	(85,000)
Interest and fiscal agent fees paid on debt	(20,808)	-	-	(20,808)
Net cash provided by (used in) capital and related financing activities	(3,452,274)	-	-	(3,452,274)
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of investments	498,972	-	-	498,972
Interest and dividends	9,590	-	-	9,590
Net cash provided by investing activities	508,562	-	-	508,562
Net increase in cash and cash equivalents	(198,766)	1,226	66,513	(131,027)
Balances - beginning of year	570,465	102,045	84,938	757,448
Balances - end of year	\$ 371,699	\$ 103,271	\$ 151,451	\$ 626,421
Reconciliation to Statement of Net Position:				
Cash and cash equivalents	\$ 87,234	\$ 103,271	\$ 128,954	\$ 319,459
Restricted cash and cash equivalents - current	118,860	-	22,497	141,357
Restricted cash and cash equivalents - noncurrent	165,605	-	-	165,605
Total cash and cash equivalents, end of year	\$ 371,699	\$ 103,271	\$ 151,451	\$ 626,421
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 884,017	\$ (3,835)	\$ (376,931)	\$ 503,251
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	482,044	5,061	74,120	561,225
Other non-operating revenues	28,208	-	66,890	95,098
Change in assets and liabilities:				
Due to other funds	20,773	-	-	20,773
Accounts receivable	(75,230)	-	-	(75,230)
Accounts payable	181,153	-	211	181,364
Net Pension liability	259,289	-	29,824	289,113
Pension deferrals	(289,615)	-	(32,267)	(321,882)
Deposits subject to refund	29,893	-	-	29,893
Accrued compensated absences	7,063	-	(4,116)	2,947
Net cash provided by (used in) operating activities	\$ 1,527,595	\$ 1,226	\$ (242,269)	\$ 1,286,552
Noncash activities:				
Contributed capital assets	\$ 31,268	\$ -	\$ -	\$ 31,268
	\$ 31,268	\$ -	\$ -	\$ 31,268

See accompanying notes to the basic financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of Kingfisher) and the four blended component units as noted below. This annual report includes all activities for which the City of Kingfisher City Commissioners are fiscally responsible.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," as amended by Statement 61, and includes all component units for which the City is financially accountable.

The City of Kingfisher – provides the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities.

The City of Kingfisher has a population of 4,633 located in northwestern Oklahoma. The City is a Council/Manager form of government and operates under a home-rule charter that provides for three branches of government:

- Legislative – the City Commission is a five-member governing body with the mayor and four commissioners elected by the citizens at large
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Commissioners
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Commissioners

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, airport, and certain utility services including electric, water, wastewater, and sanitation.

Component Units:

- **The City of Kingfisher Public Works Authority** – operates the electric, water, wastewater and sanitation services of the City
- **The Kingfisher Special Projects Authority** – promotes, develops and secures industrial development within the City
- **The Kingfisher Recreation Authority** – operates the swimming pool facility of the City and oversees the management of the municipal golf course of the City
- **The Kingfisher Hospital Authority** – only finances the Kingfisher Regional Hospital with the 1% sales tax through 2032. This Authority was formed in May 2007 and had no financial activity in the current fiscal year.

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All four component units (Authorities) have the City Commissioners as their governing body (trustees) and the City is able to impose its will on the Authorities through required approval of all debt obligations issued by these entities.

Each of these component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statements of net position and activities are reported on the accrual basis of accounting and economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

Program revenues in the Statement of Activities are revenues that are derived directly from each activity or from parties outside of the City's taxpayers. The City has the following program revenues in each activity:

- General Government – licenses and permits, inspection fees, rental fees, operating grants
- Public Safety – fine revenue, fire run fees and ambulance fees, on-behalf pension payments, operating and capital grants
- Highways and Streets – Commercial vehicle and gasoline excise tax shared by the State
- Culture and Recreation – Library fines, operating grants
- Health and Welfare – Cemetery revenue
- Airport – rental fees, fuel sales, operating and capital grants

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Governmental Funds:

The City's governmental funds include:

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds
- Flood Control – accounts for grant revenues, transfers, and expenditures for flood control relief

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Aggregated Non-Major Funds (reported as Other Governmental Funds):

Special Revenue Funds:

- Street and Alley Fund – accounts for revenues from gasoline and vehicle taxes restricted for street repairs and maintenance
- Cemetery Care Fund – accounts for 12.5 percent of cemetery revenue restricted by State law for cemetery capital improvements, with interest used for maintenance or capital improvements
- Hotel/Motel Tax Fund – accounts for hotel/motel tax collections paid to the Chamber of Commerce for tourism
- Overstreet Memorial – accounts for donations to the City restricted for improvements benefiting the citizens of Kingfisher
- Military Memorial Fund – accounts for donations to the City restricted for maintenance of the military memorial monument
- Permanent Fund – Library Endowment Fund – accounts for funds donated to the City and interest earnings for use as deemed by the City Commissioners
- Airport Fund – accounts for transfers, revenues and expenditures for airport operations
- H.E.A.R.T. Tax Fund– accounts for one-half of one percent of sales tax and one-half of one percent of use tax restricted for improvement and creation of enhancements to health, exercise, aquatics, recreation and trails

The governmental funds are reported on the modified accrual basis of accounting in which revenues are recorded when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and payable from current financial resources. The City defines revenue availability as collected within 60 days of period end.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the accrual basis of accounting and economic resources measurement focus at the government-wide level.

The General Fund and Flood Control Fund are considered major funds and are therefore displayed in separate columns. All other governmental funds are considered non-major funds and are aggregated under the column Other Governmental Funds.

Proprietary Funds:

The City's proprietary funds include:

Enterprise Funds

- Kingfisher Public Works Authority - accounts for the activities of the public trust in providing electric, water, sewer, and sanitation services to the public.
- Kingfisher Special Projects Authority - accounts for the activities related to promoting economic development.
- Kingfisher Recreation Authority – accounts for revenues and expenses of the municipal golf and swimming pool.

The proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus.

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For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.
- c. For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Firefighters Pension & Retirement System (FPRS) and Oklahoma Police Pension & Retirement System (OPPRS) and additions to/deductions from FPRS's and OPPRS's fiduciary net position have been determined on the same basis as they are reported by FPRS and OPPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available

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means collectible within the current period or soon enough thereafter (within 60 days of period end) to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

D. Assets, Liabilities, Deferrals and Equity

Cash and Investments

For the purposes of the statements of net position, balance sheets, and statement of cash flows, "cash and cash equivalents" includes all demand and savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. Investments of the promissory note trustee accounts are considered cash equivalents.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines, and ambulance fees. Business-type activities report utilities as its major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories are valued at average cost. The cost of governmental funds inventories are recorded as expenditures when purchased rather than when consumed because they are immaterial.

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Capital Assets

The accounting treatment over 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, all capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 1992.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$2,500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

- Buildings	50 years
- Improvements other than buildings	20-30 years
- Machinery, furniture and equipment	3-24 years
- Utility property and improvements	15-50 years
- Infrastructure	15-50 years

Fund Financial Statements

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

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to capital improvement funds, promissory note trustee accounts and utility meter deposits.

Long-Term Debt

The accounting treatment of long-term debt 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.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists of revenue bonds payable, deposits subject to refund and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as

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expenditures. The accounting for the proprietary funds is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Net Position and Fund Balances

Net position is displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balances:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. These classifications are defined as:

- a. Nonspendable – 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.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the city's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City's policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are

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available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Proprietary fund equity is classified the same as in the government-wide statements.

E. Revenues, Expenditures, and Expenses

Sales Tax

The City presently levies a three and one-half cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. Three cents of the sales tax is recorded in the General Fund, with one cent transferred to the local hospital per voter approval. The other one-half cent is recorded in the H.E.A.R.T Tax Fund per voter approval.

Property Tax

At the present time the City levies no property tax. Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund - By Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements:

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans - amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services - sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements - repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers - flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government-Wide Financial Statements:

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances - amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities - amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers - Internal Activities. The effect of interfund services between funds, if any, is not eliminated in the Statement of Activities.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

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2. Cash, Cash Equivalents, and Investments

For the purpose of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less.

At June 30, 2017, the reporting entity held the following deposits and investments:

Primary Government:

Type	Credit Rating	Fair Value Valuation Level	Carrying Value
Deposits:			
Demand deposits			\$ 6,201,524
Time deposits, due within one year			2,354,270
			8,555,794
Investments:			
Cavanal Hill US Treasury Funds	AAAm	Level I	9,916
			9,916
Total deposits and investments			\$ 8,565,710
 Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 5,904,478
Restricted cash and cash equivalents			141,357
Investments			2,096,145
Noncurrent restricted cash and cash equivalents			165,605
Noncurrent restricted investments			258,125
			\$ 8,565,710

See accompanying footnotes to this schedule.

Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City’s name or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City’s name.

The City’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 110% of the uninsured deposits and accrued interest thereon. At June 30, 2017, the City had no custodial credit risk as described above.

Investment Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City’s investment policy indicates that the City will attempt to

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match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than one year from the date of purchase.

Investment Credit Risk - The City's investment policy limits investments to the following:

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U. S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are significant unobservable inputs.

Concentration of Investment Credit Risk - the City limits, with the exception of U.S. Treasury and authorized pools, no more than 70% of total investments can be invested with a single financial institution.

The City was not exposed to concentration of credit risk as defined above.

Restricted Cash and Investments – The amounts reported as restricted assets of the proprietary fund statement of net position are comprised of amounts held by the Public Works Authority for utility deposits (refunded upon termination of service or applied to final bill), amounts held by the trustee bank for debt retirement, and amounts held in a capital improvement fund. The restricted assets as of June 30, 2017 are as follows:

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	<u>Current</u> Cash and cash equivalents	<u>Noncurrent</u> Cash and cash equivalents	<u>Noncurrent</u> Investments
Utility Deposits	\$ 47,081	\$ 165,605	\$ 258,125
Winter Nights	22,497	-	-
Capital Improvement	61,863	-	-
Trustee Accounts:			
2006 Interest Fund	9,916	-	-
Total	<u>\$ 141,357</u>	<u>\$ 165,605</u>	<u>\$ 258,125</u>

3. Accounts and Notes Receivable

Accounts Receivable - Accounts receivable of the business-type activities consist of customers utilities services provided, both billed and unbilled, due at year end, reported net of allowance for uncollectible amounts. The governmental activities receivables include ambulance and court fines receivables.

	<u>Accounts</u> Receivable	<u>Less: Allowance</u> for Uncollectible Accounts	<u>Net</u> Accounts Receivable
Governmental Activities:			
Ambulance receivable	\$ 427,991	\$ (385,192)	\$ 42,799
Court fines	35,087	(17,544)	17,543
Total Governmental Activities	<u>\$ 463,078</u>	<u>\$ (402,736)</u>	<u>\$ 60,342</u>
Business-Type Activities:			
Utilities	\$ 1,527,410	\$ (23,864)	\$ 1,503,546
Total Business-Type Activities	<u>\$ 1,527,410</u>	<u>\$ (23,864)</u>	<u>\$ 1,503,546</u>

4. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation.

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For the year ended June 30, 2017, capital assets balances changed as follows:

	Balance at July 1, 2016	Additions	Disposals	Balance at June 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,154,016	\$ -	\$ -	\$ 1,154,016
Construction in progress	145,870	1,120,064	1,085,929	180,005
Total capital assets not being depreciated	<u>1,299,886</u>	<u>1,120,064</u>	<u>1,085,929</u>	<u>1,334,021</u>
Other capital assets:				
Buildings	2,376,845	20,565	-	2,397,410
Improvements	2,774,738	-	-	2,774,738
Infrastructure	7,504,666	1,128,124	-	8,632,790
Machinery, furniture and equipment	3,749,226	437,492	66,613	4,120,105
Total other capital assets at historical cost	<u>16,405,475</u>	<u>1,586,181</u>	<u>66,613</u>	<u>17,925,043</u>
Less accumulated depreciation for:				
Buildings	1,223,139	55,655	-	1,278,794
Improvements	953,339	162,760	-	1,116,099
Infrastructure	2,644,883	236,597	-	2,881,480
Machinery, furniture and equipment	2,633,698	207,888	61,383	2,780,203
Total accumulated depreciation	<u>7,455,059</u>	<u>662,900</u>	<u>61,383</u>	<u>8,056,576</u>
Other capital assets, net	<u>8,950,416</u>	<u>923,281</u>	<u>5,230</u>	<u>9,868,467</u>
Governmental activities capital assets, net	<u>\$ 10,250,302</u>	<u>\$ 2,043,345</u>	<u>\$ 1,091,159</u>	<u>\$ 11,202,488</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,228,419	\$ -	\$ -	\$ 1,228,419
Construction in progress	594,740	3,086,655	3,388,235	293,160
Total capital assets not being depreciated	<u>1,823,159</u>	<u>3,086,655</u>	<u>3,388,235</u>	<u>1,521,579</u>
Other capital assets:				
Buildings	3,544,375	-	-	3,544,375
Improvements	2,105,610	-	-	2,105,610
Machinery, furniture and equipment	3,228,366	168,228	15,449	3,381,145
Utility property	14,004,718	3,518,335	-	17,523,053
Infrastructure	1,449,646	-	-	1,449,646
Total other capital assets at historical cost	<u>24,332,715</u>	<u>3,686,563</u>	<u>15,449</u>	<u>28,003,829</u>
Less accumulated depreciation for:				
Buildings	1,506,701	76,147	-	1,582,848
Improvements	1,106,890	46,932	-	1,153,822
Machinery, furniture and equipment	2,529,294	106,530	15,449	2,620,375
Utility property improvements	5,065,926	274,745	-	5,340,671
Infrastructure	483,856	56,870	-	540,726
Total accumulated depreciation	<u>10,692,667</u>	<u>561,224</u>	<u>15,449</u>	<u>11,238,442</u>
Other capital assets, net	<u>13,640,048</u>	<u>3,125,339</u>	<u>-</u>	<u>16,765,387</u>
Business-type activities capital assets, net	<u>\$ 15,463,207</u>	<u>\$ 6,211,994</u>	<u>\$ 3,388,235</u>	<u>\$ 18,286,966</u>

See accompanying footnotes to this schedule.

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Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

Governmental Activities:		Business-Type Activities:	
General government	\$ 24,359	Power and light	\$ 116,012
Public safety	147,261	Water	200,910
Highways and streets	276,715	Sewer	143,413
Culture, tourism, and recreation	98,468	Sanitation	15,509
Health and welfare	16,636	Administration	6,199
Airport	99,461	Pool	63,893
	<u>\$ 662,900</u>	Golf	10,227
		Economic developmen	5,061
			<u>\$ 561,224</u>

5. Debt and Debt Service Requirements

For the year ended June 30, 2017, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
Governmental Activities:					
Accrued compensated absences	\$ 319,522	\$ 17,920	\$ 20,254	\$ 317,188	\$ 31,719
Total Governmental Activities	<u>\$ 319,522</u>	<u>\$ 17,920</u>	<u>\$ 20,254</u>	<u>\$ 317,188</u>	<u>\$ 31,719</u>
Business-Type Activities:					
Notes Payable	\$ 530,000	\$ -	\$ 85,000	\$ 445,000	\$ 95,000
Deposits subject to refund	440,918	59,786	29,893	470,811	47,081
Accrued compensated absences	313,530	39,854	36,907	316,477	31,648
Total Business-Type Activities	<u>1,284,448</u>	<u>99,640</u>	<u>151,800</u>	<u>1,232,288</u>	<u>173,729</u>
Total Long-Term Debt	<u>\$ 1,603,970</u>	<u>\$ 117,560</u>	<u>\$ 172,054</u>	<u>\$ 1,549,476</u>	<u>\$ 205,448</u>

Governmental accrued compensated absences will be liquidated by the general fund.

Governmental activities long-term debt:

Governmental activities long-term debt payables from net revenues include the following:

Accrued Compensated Absences:

Current portion	\$ 31,719
Noncurrent portion	285,469
Total Accrued Compensated Absences	<u>\$ 317,188</u>

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Business-type activities long-term debt payable from net revenues generated by and taxes pledged to the City's business-type activities include the following:

Notes Payable:

2006 Series Sales Tax Revenue Note, original issue amount of \$1,135,000 dated December 21, 2006, issued by the Kingfisher Public Works Authority secured by sales tax revenue, interest rate of 4.1% with a final maturity of December 1, 2021

	\$ 445,000
Total Notes Payable	\$ 445,000

	\$ 95,000
Noncurrent portion	350,000
Total Notes Payable	\$ 445,000

Meter Deposit Liability:

	\$ 47,081
Noncurrent portion	423,730
Total Meter Deposit Liability	\$ 470,811

Accrued Compensated Absences:

	\$ 31,648
Noncurrent portion	284,829
Total Accrued Compensated Absences	\$ 316,477

Debt Service Requirements to Maturity:

<u>Year Ending June 30,</u>	<u>Business-Type Activities</u>	
	Notes Payable	
	<u>Principal</u>	<u>Interest</u>
2018	95,000	17,220
2019	95,000	13,325
2020	100,000	9,430
2021	100,000	5,330
2022	55,000	1,128
Totals	\$ 445,000	\$ 46,433

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Non-Commitment Debt:

In November 2007, the Kingfisher Hospital Authority issued its Series 2007 Hospital and Sales Tax Revenue Bonds for \$25,000,000 for the purpose of financing certain hospital facilities. The bonds are secured and payable solely from a one cent sales tax restricted for hospital purposes. The City of Kingfisher and the Kingfisher Hospital Authority are not liable for this debt and have no obligation other than the annual appropriation and remittance of the pledged sales taxes.

Outstanding balance at June 30, 2017 \$23,020,000

Governmental activities short-term debt:

Short-term Promissory note, first draw was in Aug of 2016, original amount \$671,834, due in monthly installments of \$15,000 for the first 11 months then a single balloon payment for the unpaid balance due August 1, 2018 with an interest rate of 2.400%.

	\$ 671,834
Total Notes Payable	\$ 671,834

For the year ended June 30, 2017 the reporting entity's short-term debt changed as follows:

Type of Debt	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
Governmental Activities:					
Short-term note payable	\$ -	\$ 671,834	\$ -	\$ 671,834	\$ 671,834
Total Governmental Activities	\$ -	\$ 671,834	\$ -	\$ 671,834	\$ 671,834

Pledge of Future Revenues

Sales Tax Pledge - The City has pledged one cent (or 28.6%) of future sales tax revenues to repay \$25,000,000 of Series 2007 Hospital and Sales Tax Revenue Bonds. Proceeds from the notes provided financing for certain hospital facilities. The bonds are payable through 2042, however, the pledged sales tax revenues are only pledged through 2032. The total principal and interest payable for the remainder of the life of these bonds is \$47,556,200. Pledged sales taxes received in the current year were \$1,731,300. When the pledged sales tax revenue is received it is sent to the trustee bank to be held for debt service on the bonds. As noted above, the City of Kingfisher and the Kingfisher Hospital Authority are not liable for this debt and have no obligation other than the annual appropriation and remittance of the pledged sales taxes. The payments made to the trustee bank were \$1,731,300 and were 100% of the pledged sales tax received.

Sales Tax Pledge - The City has pledged one half cent (or 14.3%) of future sales tax revenues to repay \$1,135,000 of Series 2006 Sales Tax Revenue Note. Proceeds from the note provided financing for capital assets. The bonds are payable from pledged sales tax revenues and are payable through 2021. The total principal and interest payable for the remainder of the life of these bonds is \$491,433. Pledged sales taxes received in the current year were \$778,475. Debt service payments of \$105,808 for the current fiscal year were 14% of the pledged sales taxes.

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6. Internal and Interfund Balances and Transfers

The City's policy is to eliminate interfund transfers and balances in the statements of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances and then offset in the total column in the government-wide statements. Interfund transfers and balances between funds are not eliminated in the fund financial statements.

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2017 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	Airport	\$ 10,000	Operating subsidy
KPWA	General Fund	480,000	Operating subsidy
KPWA	KRA	312,000	Operating subsidy
General Fund	Overstreet Memorial	32,143	Operating subsidy
Hotel/Motel Fund	General Fund	2,264	Administrative fee
Total		<u>\$ 836,407</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 524,407	\$ (72,457)	\$ 451,950
Proprietary Funds	312,000	(795,218)	(483,218)
	<u>\$ 836,407</u>	<u>\$ (867,675)</u>	<u>(31,268)</u>

Reconciliation to Statement of Activities:

Governmental Funds	\$ (483,218)
Transfer of governmental activity asset to business-type activity	31,268
Transfer of business-type activity asset to governmental activity	(20,565)
Transfers - internal activity	<u>\$ (472,515)</u>

Balances:

Interfund receivable and payables at June 30, 2017 were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
Public Works Authority	General Fund	\$ 19,693	Operating
General Fund	Public Works Authority	20,773	Operating
Total		<u>\$ 40,466</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 20,773	\$ (19,693)	\$ 1,080
Proprietary Funds	19,693	(20,773)	(1,080)
Total	<u>\$ 40,466</u>	<u>\$ (40,466)</u>	<u>\$ -</u>

7. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows:

- General Liability and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool
- Worker’s Compensation – Worker’s compensation is covered through participation in the Oklahoma Municipal Assurance Group risk entity pool
- Employee’s Group Medical – Covered through participation in commercial insurance

Management believes the insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

8. Contingencies

Litigation:

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City Sinking Fund for the payment of any court assessed judgment rendered against the City. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Federal and State Award Programs:

The City of Kingfisher participates in various federal and state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

9. Pension Plan Participation

The City of Kingfisher participates in three pension or retirement plans:

- Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
- Oklahoma Public Employees Retirement System (OPERS) – a state-wide cost-sharing plan

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Firefighters' Plan:

Plan description - The City of Kingfisher, as the employer, participates in the Firefighters Pension & retirement—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs

Benefits provided - FPRS provides retirement, disability, and death benefits to members of the plan. Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have complete 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more of service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have complete 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more of service.

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

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$108,160. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$266,537 (modified-accrual); these on-behalf payments did not meet the criteria of a special funding situation. For full-accrual reporting the amount of on-behalf payments made were \$250,041.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the City reported a liability of \$3,308,540 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2016. Based upon this information, the City's proportion was 0.27081%.

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For the year ended June 30, 2017, the City recognized pension expense of \$388,762. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 88,693	\$ -
Net difference between projected and actual earnings on pension plan investments	202,432	-
Changes in proportion	253,232	59,556
Changes in differences between City contributions and proportionate share of contributions	-	1,468
City contributions subsequent to the measurement date	108,160	-
Total	\$ 652,517	\$ 61,024

\$108,160 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 72,787
2019	72,787
2020	178,176
2021	144,916
2022	15,435
Thereafter	(747)
	\$ 483,354

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.18%
Domestic equity	47%	8.70%
International equity	15%	10.87%
Real estate	10%	7.23%
Other assets	8%	6.24%

Discount Rate-The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% 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>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.5%</u>	<u>1% Increase 8.50%</u>
Employers' net pension liability	\$4,188,336	\$ 3,308,540	\$2,570,906

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS; which can be located at www.ok.gov/fprs.

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Police Plan:

Plan description-The City of Kingfisher, as the employer, participates in the Oklahoma Police Pension and Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at www.ok.gov/OPPRS.

Benefits provided-OPPRS provides retirement, disability, and death benefits to members of the plan. 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.

Contributions -The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$71,715. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$65,124 during the calendar year and this is reported as both expense and revenue in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$64,477. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions -At June 30, 2017, the City reported a liability of \$274,934 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an

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actuarial valuation as of July 1, 2016. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2016. Based upon this information, the City's proportion was 0.17953%.

For the year ended June 30, 2017, the City recognized pension expense of \$99,210. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 882	\$ 30,883
Net difference between projected and actual earnings on pension plan investments	264,165	-
Changes in proportion	4,017	506
Changes in differences between City contributions and proportionate share of contributions	-	842
City contributions subsequent to the measurement date	71,715	-
Total	\$ 340,779	\$ 32,231

\$71,715 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 39,027
2018	39,027
2019	93,095
2020	65,670
2021	14
	\$ 236,833

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

- Inflation: 3%
- Salary increases: 4.5% to 17% average, including inflation
- Investment rate of return: 7.5% net of pension plan investment expense

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Cost-of-living adjustments: Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary.

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

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

Disabled pensioners RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	3.27%
Domestic equity	5.16%
International equity	8.61%
Real estate	4.97%
Private Equity	8.32%
Commodities	2.42%

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

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 State statutes. Projected cash flows also assume the State of Oklahoma will

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continue contributing 14% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employers' net pension liability (asset)	\$ 721,336	\$ 274,934	\$(101,985)

Pension plan fiduciary net position-Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPPRS; which can be located at www.ok.gov/OPPRS.

Oklahoma Public Employees Retirement System:

Plan description - The City of Kingfisher, as the employer, participates in Oklahoma Public Employees Retirement Plan —a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Title 74 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OPERS. OPERS issues a publicly available financial report that can be obtained at www.opers.ok.gov.

Benefits provided - OPERS provides retirement, disability, and death benefits to members of the plan. Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90).

Normal retirement date is further qualified to require that all members employed on or after January 1, 1983 must have six or more years of full-time equivalent employment with a participating employer before being eligible to receive benefits. Credited service is the sum of participating and prior service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employer and active wartime military service.

A member with a minimum of ten years of participating service may elect early retirement with reduced benefits beginning at age 55 if the participant became a member prior to November 1, 2011, or age 60 if the participant became a member on or after November 1, 2011.

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Benefits are calculated for each member category as follows:

- Employees
 - Benefits are determined at 2% of the average annual salary received during the highest thirty-six months of the last ten years of participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Members who join OPERS on or after July 1, 2013, will have their salary averaged over the highest 60 months of the last ten years. Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.
 - Members who elect to pay the additional contribution rate, which became available in January 2004, will receive benefits using a 2.5% computation factor for each full year the additional contributions are made. In 2004, legislation was enacted to provide an increased benefit to retiring members who were not yet eligible for Medicare. The Medicare Gap benefit option became available to members under age 65 who retired on or after May 1, 2006. Members may elect to receive a temporary increased benefit to cover the cost of health insurance premiums until the member is eligible to receive Medicare. After the member becomes eligible for Medicare, the retirement benefit will be permanently reduced by an actuarially determined amount. The option is irrevocable, must be chosen prior to retirement, and is structured to have a neutral actuarial cost to the Plan.
 - Members become eligible to vest fully upon termination of employment after attaining eight years of credited service, or the members' contributions may be withdrawn upon termination of employment.

Disability retirement benefits are available for members having eight years of credited service whose disability status has been certified as being within one year of the last day on the job by the Social Security Administration. Disability retirement benefits are determined in the same manner as retirement benefits, but payable immediately without an actuarial reduction.

Upon the death of an active member, the accumulated contributions of the member are paid to the member's named beneficiary(ies) in a single lump sum payment. If a retired member elected a joint annuitant survivor option or an active member was eligible to retire with either reduced or unreduced benefits or eligible to vest the retirement benefit at the time of death, benefits can be paid in monthly payments over the life of the spouse if the spouse so elects.

Upon the death of a retired member, the Plan will pay a \$5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary.

Contributions - The contribution rates for each member category of the Plan are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. Employees are required to contribute 7.5% percent of their annual pay. Participating entities are required to contribute 12.5% of the employees' annual pay. Contributions to the pension plan from the City were \$195,851.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the City reported a liability of \$666,724 for its

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proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2016. Based upon this information, the City's proportion was 0.06719%.

For the year ended June 30, 2017, the City recognized pension expense of \$137,224. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 29,299
Changes of assumptions	106,590	-
Net difference between projected and actual earnings on pension plan investments	278,976	-
Changes in proportion	34,724	14,361
City contributions during measurement date		7,449
City contributions subsequent to the measurement date	195,851	-
Total	\$ 616,141	\$ 51,109

\$195,851 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ 68,043
2018	79,536
2019	137,741
2020	83,861
	\$ 369,181

Actuarial Assumptions- The total pension liability as of June 30, 2016, was determined based on an actuarial valuation prepared as of July 1, 2016, using the following actuarial assumptions:

- Investment return – 7.25% compounded annually net of investment expense and including inflation
- Salary increases – 4.5% to 8.4% per year including inflation
- Mortality rates – Active participants and nondisabled pensioners – RP-2000 Mortality Table projected to 2010 by Scale AA (disabled pensioners set forward 15 years)

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- No annual post-retirement benefit increases
- Assumed inflation rate – 3.0%
- Payroll growth – 4.0% per year
- Actuarial cost method – Entry age
- Select period for the termination of employment assumptions – 10 years

The actuarial assumptions used in the July 1, 2016, valuation are based on the results of the most recent actuarial experience study, which cover the three-year period ending June 30, 2013. The experience study report is dated May 9, 2014.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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 Target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	38.0%	5.3%
U.S. Small Cap Equity	6.0%	5.6%
U.S. Fixed Income	25.0%	0.7%
International Stock	18.0%	5.6%
Emerging Market Stock	6.0%	6.4%
TIPS	3.5%	0.7%
Rate Anticipation	3.5%	1.5%
Total	<u>100.0%</u>	

Discount Rate- The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those 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. The discount rate determined does not use a municipal bond rate.

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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 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease</u> <u>6.25%</u>	<u>Current Discount</u> <u>Rate 7.25%</u>	<u>1% Increase</u> <u>8.25%</u>
Net Pension Liability	\$ 1,364,816	\$ 666,724	\$ 74,104

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPERS; which can be located at www.opers.ok.gov.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedule (Budgetary Basis) – Flood Control Fund – Fiscal Year Ended June 30, 2017

	FLOOD CONTROL			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 1,764,455	\$ 1,764,455	\$ 1,764,455	\$ -
Resources (Inflows):				
Grants	1,125,000	1,125,000	28,700	(1,096,300)
Interest	8,000	8,000	8,213	213
Total Revenue	<u>1,133,000</u>	<u>1,133,000</u>	<u>36,913</u>	<u>(1,096,087)</u>
Amounts available for appropriation	<u>\$ 2,897,455</u>	<u>\$ 2,897,455</u>	<u>\$ 1,801,368</u>	<u>\$ (1,096,087)</u>
FLOOD:				
Other services and charges	\$ 1,000,000	\$ 1,000,000	\$ 241,539	\$ 758,461
Capital outlay	500,000	500,000	-	500,000
Total Expenditures	<u>1,500,000</u>	<u>1,500,000</u>	<u>241,539</u>	<u>1,258,461</u>
Ending Budgetary Fund Balance	<u>\$ 1,397,455</u>	<u>\$ 1,397,455</u>	<u>\$ 1,559,829</u>	<u>\$ 162,374</u>

See accompanying notes to budgetary comparison schedules.

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedule is reported on a non-GAAP budgetary basis that reports revenues and expenditures on a modified cash basis.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the approval of the City Commission. All supplemental appropriations require the approval of the City Commission. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.

The city exceeded the legal level of budgetary control as follows:

Transfers	\$124
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3. The budgetary basis differs from the modified accrual basis as shown in the schedule below:

General Fund:	
Total budgetary revenues and transfers	\$ 8,519,601
Less: budgetary expenses and transfers	<u>(7,063,423)</u>
Net Change to Budgetary Fund Balance	1,456,178
Change in revenue accruals	1,084
Change in expenditure accruals	(839,690)
Capital Improvement sub-account change in balance	<u>904,173</u>
Change in Fund Balance- Modified Accrual	<u>\$ 1,521,745</u>

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**SCHEDULE OF THE CITY OF KINGFISHER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years***

	<u>2015</u>	<u>2016</u>	<u>2017</u>
City's proportion of the net pension liability	0.245167%	0.277143%	0.270811%
City's proportionate share of the net pension liability	\$ 2,521,171	\$ 2,941,609	\$ 3,308,540
City's covered-employee payroll	\$ 665,806	\$ 757,126	\$ 755,600
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	379%	389%	438%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only three years are presented because 10-year data is not yet available.

**SCHEDULE OF CITY CONTRIBUTIONS
OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorially required contribution	\$ 105,998	\$ 105,784	\$ 108,160
Contributions in relation to the statutorially required contribution	<u>105,998</u>	<u>105,784</u>	<u>108,160</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 757,126	\$ 755,600	\$ 772,571
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%

Notes to Schedule:

Only three years are presented because 10-year data is not yet available.

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SCHEDULE OF THE CITY OF KINGFISHER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
City's proportion of the net pension liability (asset)	0.1748%	0.1810%	0.1795%
City's proportionate share of the net pension liability (asset)	\$ (58,859)	\$ 7,379	\$ 274,934
City's covered-employee payroll	\$ 506,050	\$ 512,283	\$ 529,392
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.63%	1.44%	51.93%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.53%	99.82%	93.50%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only three years are presented because 10-year data is not yet available.

SCHEDULE OF CITY CONTRIBUTIONS
OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorially required contribution	\$ 66,596	\$ 68,821	\$ 71,715
Contributions in relation to the statutorially required contribution	<u>66,596</u>	<u>68,821</u>	<u>71,715</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 512,283	\$ 529,392	\$ 551,654
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%

Notes to Schedule:

Only three years are presented because 10-year data is not yet available.

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SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
Last 10 Fiscal Years* (Dollar amounts in thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>
City's proportion of the net pension liability	0.0624%	0.0594%	0.0672%
City's proportionate share of the net pension liability	\$ 114,472	\$ 213,735	\$ 666,724
City's covered-employee payroll	\$ 1,394,587	\$ 1,386,599	\$ 1,501,544
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	8%	15%	44%
Plan fiduciary net position as a percentage of the total pension liability	97.90%	96.00%	89.48%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only three fiscal years are presented because 10-year data is not yet available.
The Plan's net pension liability increased between 2015 and 2016 due to changes in assumptions adopted by the System's Board .
The most notable change was the lowering of the System's discount rate from 7.25% to 7.5%.

SCHEDULE OF THE CITY'S CONTRIBUTIONS
OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
Last 10 Fiscal Years (Dollar amounts in thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 173,326	\$ 187,693	\$ 195,852
Contributions in relation to the contractually required contribution	<u>173,326</u>	<u>187,693</u>	<u>195,852</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,386,599	\$ 1,501,544	\$ 1,566,816
Contributions as a percentage of covered-employee payroll	12.50%	12.50%	12.50%

Notes to Schedule:

Only three fiscal years are presented because 10-year data is not yet available.

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OTHER SUPPLEMENTARY INFORMATION

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Combining Balance Sheet – General Fund Accounts – June 30, 2017

	General Fund	Sick Leave Buy Back Account	Total General Fund Accounts
ASSETS			
Cash and cash equivalents	\$ 2,613,061	\$ 15,765	\$ 2,628,826
Investments	1,000,000	-	1,000,000
Due from other governments	1,408,650	-	1,408,650
Due from other funds	20,773	-	20,773
Court fines receivable, net	17,543	-	17,543
Ambulance receivable, net	42,799	-	42,799
Other receivables	20,116	-	20,116
Deposits with insurance pool	85,434	-	85,434
Total assets	\$ 5,208,376	\$ 15,765	\$ 5,224,141
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 70,132	\$ -	\$ 70,132
Due to other funds	19,693	-	19,693
Sales tax due to hospital	436,138	-	436,138
Total liabilities	525,963	-	525,963
 Deferred Inflows of resources:			
Deferred revenue	128,887	-	128,887
 Fund balances:			
Restricted for:			
Insurance	85,434	-	85,434
Committed to:			
Economic Stabilization	2,505,698	-	2,505,698
Assigned to:			
Capital Improvements	1,962,394	-	1,962,394
Sick leave buy back	-	15,765	15,765
Total fund balances	4,553,526	15,765	4,569,291
Total liabilities, deferred inflows and fund balances	\$ 5,208,376	\$ 15,765	\$ 5,224,141

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Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund Accounts – For the Fiscal Year Ended June 30, 2017

	<u>General Fund</u>	<u>Sick Leave Buy Back Account</u>	<u>Total General Fund Accounts</u>
REVENUES			
Taxes	\$ 5,881,191	\$ -	\$ 5,881,191
Fines and forfeitures	57,281	-	57,281
Licenses and permits	33,183	-	33,183
Intergovernmental	400,164	-	400,164
Charges for services	856,719	-	856,719
Investment earnings	17,012	-	17,012
Miscellaneous	206,014	-	206,014
Donations	3,843	-	3,843
Total revenues	<u>7,455,407</u>	<u>-</u>	<u>7,455,407</u>
EXPENDITURES			
Current:			
General government	258,664	2,280	260,944
City Treasurer	87,303	-	87,303
City Attorney	16,115	-	16,115
Municipal Court	25,338	-	25,338
Police	1,122,948	-	1,122,948
Fire	1,738,229	-	1,738,229
Highways and streets	372,630	-	372,630
Culture, tourism and recreation	186,529	-	186,529
Cemetery	62,003	-	62,003
Administrative	12,179	-	12,179
Library	286,361	-	286,361
Interest and other charges	11,791	-	11,791
Capital Outlay	<u>1,138,320</u>	<u>-</u>	<u>1,138,320</u>
Total Expenditures	<u>5,318,410</u>	<u>2,280</u>	<u>5,320,690</u>
Revenues over (under) expenditures	<u>2,136,997</u>	<u>(2,280)</u>	<u>2,134,717</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt	671,834	-	671,834
Transfers in	482,264	-	482,264
Transfers out	(38,050)	-	(38,050)
Sales tax payment to hospital	<u>(1,731,300)</u>	<u>-</u>	<u>(1,731,300)</u>
Total other financing sources (uses)	<u>(615,252)</u>	<u>-</u>	<u>(615,252)</u>
Revenues and other sources over (under) expenditures and other uses	1,521,745	(2,280)	1,519,465
Fund balances - beginning	3,031,781	18,045	3,049,826
Fund balances - ending	<u>\$ 4,553,526</u>	<u>\$ 15,765</u>	<u>\$ 4,569,291</u>

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Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2017

	Street and Alley Fund	Cemetery Care Fund	Hotel Motel Tax Fund	Military Memorial Fund	Overstreet Memorial Fund	Library Endowment Fund	H.E.A.R.T Tax Fund	Airport Fund	Total-Other Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 70,196	\$ 91,947	\$ 1	\$ 8,073	\$ 63,172	\$ 170,395	\$ 1,056,277	\$ 16,926	\$ 1,476,987
Investments	-	60,079	-	80,000	10,000	296,066	-	-	446,145
Due from other governments	7,692	-	-	-	-	-	218,069	37,945	263,706
Total assets	<u>\$ 77,888</u>	<u>\$ 152,026</u>	<u>\$ 1</u>	<u>\$ 88,073</u>	<u>\$ 73,172</u>	<u>\$ 466,461</u>	<u>\$ 1,274,346</u>	<u>\$ 54,871</u>	<u>\$ 2,186,838</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,698	\$ 20,698
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,698</u>	<u>20,698</u>
Fund balances:									
Nonspendable	-	-	-	-	-	50,000	-	-	50,000
Restricted for:									
Cemetery Capital Improvements	-	152,026	-	-	-	-	-	-	152,026
Library	-	-	-	-	-	402,365	-	-	402,365
Streets	77,888	-	-	-	-	-	-	-	77,888
Military Memorial	-	-	-	88,073	-	-	-	-	88,073
Improvements benefiting citizens	-	-	-	-	73,172	-	-	-	73,172
Health, Exercise, Aquatics, Recreation a	-	-	-	-	-	-	1,274,346	-	1,274,346
Assigned to:									
Library	-	-	-	-	-	14,096	-	-	14,096
Airport	-	-	1	-	-	-	-	34,173	34,174
Total fund balances	<u>77,888</u>	<u>152,026</u>	<u>1</u>	<u>88,073</u>	<u>73,172</u>	<u>466,461</u>	<u>1,274,346</u>	<u>34,173</u>	<u>2,166,140</u>
Total liabilities and fund balances	<u>\$ 77,888</u>	<u>\$ 152,026</u>	<u>\$ 1</u>	<u>\$ 88,073</u>	<u>\$ 73,172</u>	<u>\$ 466,461</u>	<u>\$ 1,274,346</u>	<u>\$ 54,871</u>	<u>\$ 2,186,838</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Fiscal Year Ended June 30, 2017

	Street and Alley Fund	Cemetery Care Fund	Hotel Motel Tax Fund	Military Memorial Fund	Overstreet Memorial Fund	Library Endowment Fund	H.E.A.R.T Tax Fund	Airport Fund	Total-Other Governmental Funds
REVENUES									
Taxes	\$ -	\$ -	\$ 22,644	\$ -	\$ -	\$ -	\$ 865,651	\$ -	\$ 888,295
Intergovernmental	42,273	-	-	-	-	-	-	37,945	80,218
Charges for services	-	10,740	-	-	-	-	-	14,750	25,490
Investment earnings	-	239	-	466	40	1,619	3,347	-	5,711
Miscellaneous	-	-	-	-	16,683	-	-	17,802	34,485
Donations	-	-	-	-	-	1,525	-	-	1,525
Total revenues	<u>42,273</u>	<u>10,979</u>	<u>22,644</u>	<u>466</u>	<u>16,723</u>	<u>3,144</u>	<u>868,998</u>	<u>70,497</u>	<u>1,035,724</u>
EXPENDITURES									
Current:									
Highways and streets	-	-	-	-	74	-	-	-	74
Culture, tourism and recreation	-	-	20,379	-	-	-	-	-	20,379
Airport	-	-	-	-	-	-	-	84,312	84,312
Capital Outlay	267,857	-	-	17,953	13,476	9,178	65,703	22,708	396,875
Total Expenditures	<u>267,857</u>	<u>-</u>	<u>20,379</u>	<u>17,953</u>	<u>13,550</u>	<u>9,178</u>	<u>65,703</u>	<u>107,020</u>	<u>501,640</u>
Revenues over (under) expenditures	<u>(225,584)</u>	<u>10,979</u>	<u>2,265</u>	<u>(17,487)</u>	<u>3,173</u>	<u>(6,034)</u>	<u>803,295</u>	<u>(36,523)</u>	<u>534,084</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	32,143	-	-	10,000	42,143
Transfers out	(32,143)	-	(2,264)	-	-	-	-	-	(34,407)
Total other financing sources (uses)	<u>(32,143)</u>	<u>-</u>	<u>(2,264)</u>	<u>-</u>	<u>32,143</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>7,736</u>
Revenues and other sources over (under) expenditures and other uses	<u>(257,727)</u>	<u>10,979</u>	<u>1</u>	<u>(17,487)</u>	<u>35,316</u>	<u>(6,034)</u>	<u>803,295</u>	<u>(26,523)</u>	<u>541,820</u>
Fund balances - beginning	<u>335,615</u>	<u>141,047</u>	<u>-</u>	<u>105,560</u>	<u>37,856</u>	<u>472,495</u>	<u>471,051</u>	<u>60,696</u>	<u>1,624,320</u>
Fund balances - ending	<u>\$ 77,888</u>	<u>\$ 152,026</u>	<u>\$ 1</u>	<u>\$ 88,073</u>	<u>\$ 73,172</u>	<u>\$ 466,461</u>	<u>\$ 1,274,346</u>	<u>\$ 34,173</u>	<u>\$ 2,166,140</u>

**CITY OF KINGFISHER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2017**

Schedule of Expenditures of State Awards

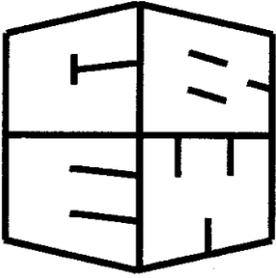
State Grantor/Pass Through Agency Grantor/Program Title	Pass-thru Grant #	Award Amount	Awards Expended
STATE AWARDS:			
Department of Libraries:			
State Aid FY 2017	N/A	\$ 7,294	\$ 7,294
Oklahoma Aeronautics Commission:			
Construct Taxilane	N/A	189,181	37,945
Department of Agriculture:			
State Aid FY 2017	N/A	3,817	3,817
Oklahoma Department of Health			
Hospital Preparedness Program	N/A	3,689	3,689
Oklahoma Department of Emergency Management			
Disaster Assistance	N/A	1,145	1,145
Disaster Assistance	N/A	1,112	1,112
Total Department of Emergency Management		2,257	2,257
TOTAL STATE AWARDS		\$ 206,238	\$ 55,002

Footnotes to Schedule of Expenditures of State Awards:

1. The Schedules of Expenditures of State Awards are prepared on an accrual basis of accounting. The expenditures are recorded when the liability is incurred regardless of when the award proceeds are received.

**CITY OF KINGFISHER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2017**

SINGLE AUDIT AND INTERNAL CONTROL AND COMPLIANCE SECTION



CBEW Professional Group, LLP

Certified Public Accountants

P.O. Box 790

Cushing, OK 74023

918-225-4216 FAX 918-225-4315

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

January 4, 2018

Honorable Board of City Commissioners
City of Kingfisher
Kingfisher, 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 City of Kingfisher, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Kingfisher, Oklahoma's basic financial statements, and have issued our report thereon dated January 4, 2018

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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.

City of Kingfisher
January 4, 2018

Compliance and Other Matters

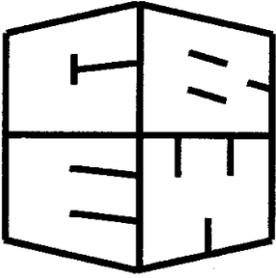
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 report is not suitable for any other purpose.

CBEW Professional Group, LLP

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Certified Public Accountants



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

August 14, 2017

The Honorable Governance Board
City of Kingfisher
Kingfisher, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the City of Kingfisher, Oklahoma (City)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance

Opinion on Each Major Federal Program

In our opinion, the City of Kingfisher, Oklahoma, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of City of Kingfisher, Oklahoma, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CBEW Professional Group, LLP

CBEW PROFESSIONAL GROUP, LLP
Certified Public Accountants

CITY OF KINGFISHER
Kingfisher, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

<u>Federal Grantor/ Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development:</u>				
<u>Passed through the Oklahoma Department of Commerce:</u>				
16233 CDBGDR13	14.228	2,200,000	2,019,891	2,019,891
Sub-total U.S. Department of Housing and Urban Development		<u>2,200,000</u>	<u>2,019,891</u>	<u>2,019,891</u>
<u>U.S. Department of Homeland Security:</u>				
Disaster Grants - PA-06-OK-4256	97.036	41,649	4,608	4,608
Disaster Grants - PA-06-OK-4247	97.036	56,101	55,803	55,803
Hazard Mitigation Grant	97.039	6,749,421	369,557	369,557
Sub-total U.S. Department of Homeland Security		<u>6,847,171</u>	<u>429,968</u>	<u>429,968</u>
<u>Office of Library Services, Institute of Museum and Library Services, National Foundation on the Arts and the Humanities:</u>				
<u>Passed through the Oklahoma Department of Libraries:</u>				
State Library Program	45.310	7,294	7,294	7,294
Total Expenditures of Federal Awards		<u>\$ 9,054,465</u>	<u>\$ 2,457,153</u>	<u>\$ 2,457,153</u>

Note A - Basis of Presentation - The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only selected portion of the operations of the City, it is not intended and does not present the financial position, changes in net assets, or cash flows of the City.

Note B - Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported using accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**CITY OF KINGFISHER
Kingfisher, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of Auditor's Report Issued: An unqualified opinion on the basic financial statements.

Internal Control Over Financial Reporting:

Material Weakness(es) identified? Yes No

Significant Deficiencies identified not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards:

Type of auditors report issued on compliance for major programs: Unqualified

Internal Control Over Major Programs:

Material Weakness(es) identified? Yes No

Significant Deficiencies identified not considered to be material weaknesses? None reported

Audit findings disclosed that are required to be reported in accordance with Uniform Guidance? Yes No

Dollar threshold used to distinguish Type A and Type B programs \$750,000

Auditee Qualified as low-risk auditee? Yes No

Identification of Major Programs:

CFDA#

14.228 16233 CDBGDR13

FINDINGS - FINANCIAL STATEMENT AUDIT

1. None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. None

**CITY OF KINGFISHER
Kingfisher, Oklahoma**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017**

There were no prior year audit findings.