



Certified Public Accountants

CITY OF PONCA CITY, OKLAHOMA

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

CITY OF PONCA CITY, OKLAHOMA
FINANCIAL STATEMENTS
Year Ended June 30, 2020

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CITY OF PONCA CITY, OKLAHOMA
LIST OF PRINCIPAL OFFICIALS
June 30, 2020

City Commission

Homer Nicholson, Mayor

Lanita Chapman
Paul Taylor
Shasta Scott
Ryan Austin

Finance Director/Clerk/Treasurer

Marc LaBossiere



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Commission
City of Ponca City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ponca City, Oklahoma (the City) as of and for the year ended June 30, 2020, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ponca City Development Authority, which is reported as a discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Ponca City Development Authority, is based solely on the report of the other auditors. 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 City'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 City'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.

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Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ponca City, Oklahoma, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents 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.

Supplementary and Other 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 schedules and statements listed under supplementary information in the accompanying table of contents and other information, including the introductory section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules and statements listed under supplementary information in the accompanying table of contents 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 City's internal control over financial reporting and compliance.

BT + Co., P.A.

December 3, 2020
Topeka, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

Our discussion and analysis of the *City of Ponca City, Oklahoma*'s financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total assets and deferred outflows exceeded liabilities and deferred inflows (net position) by \$185,688,032 for the fiscal year ended June 30, 2020.
- Total net position are comprised of the following:
 - The net investment in capital assets was \$132,549,305.
 - A net position of \$33,815,662 is restricted by constraints imposed from outside the City, such as debt covenants, grantors, laws or regulations.
 - An unrestricted net position of \$19,323,065 represents the portion available to maintain the City's continuing obligations to citizens, creditors and employees.
- The General Fund maintained its committed fund balance for operating reserve at \$2.4M during the fiscal year.
- Sales and use tax revenue in the General Fund derived from a 2% rate to provide basic services totaled \$8,600,620, an increase of 4.1% from the prior year.
- The Ponca City Utility Authority increased its capital debt and refundable grant obligations by \$20,239,522 during the year ended June 30, 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the *City of Ponca City* (the "City") and its component units using the integrated approach as prescribed by GASB Statement No. 34 & 61. Included in this report are governmental-wide statements for each of two categories of activities – governmental and business-type, along with a discretely-presented component unit. 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, as well as all liabilities, including all long-term debt.

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 and liabilities 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 it from the prior year. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's financial 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 financial 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. There was an erosion in the overall net position, due to new accounting standards on pension liability.

As mentioned above, in the Statement of Net Position and the Statement of Activities, and throughout the report we divide the City into three 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 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, wastewater, solid waste, stormwater, broadband, Marland estate, recreation center, airport and golf course activities are reported here.
- **Discretely-presented component unit** – This accounts for activities of the City's reporting entity that does not meet the criteria for blending, specifically for the Ponca City Development Authority (PCDA).

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.

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 financial statements to those in the 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 and the Statement of Activities. 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.

Fiduciary funds – When the City is responsible for assets that – because of a trust arrangement or other fiduciary requirement – can be used only for trust beneficiaries or other parties, such as the Pension Trust Fund, these balances and activities are reported in fiduciary funds. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of the City’s fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We excluded these activities from the City’s government-wide financial statements because the City cannot use these assets to finance operations.

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 City’s assets and deferred outflows exceeded liabilities and deferred inflows by \$185,688,032 at the close of the most recent fiscal year.

The largest portion of the City’s net position reflects its investment in capital assets (e.g., land, buildings, and machinery and equipment), less any related debt used to acquire those assets that are still outstanding. For Fiscal 2020, this investment in capital assets, net of related debt amounted to \$132,549,305. 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.

NET POSITION (in 000's)						
	Governmental Activities		Business-type Activities		Total	
	2019	2020	2019	2020	2019	2020
Current assets	\$ 33,804	\$ 35,622	\$ 41,834	\$ 65,925	\$ 75,638	\$ 101,547
Capital assets, net	39,927	41,982	100,047	102,551	139,974	144,533
Other non-current assets	449	53	2,957	3,079	3,406	3,132
Total assets	<u>74,180</u>	<u>77,657</u>	<u>144,838</u>	<u>171,555</u>	<u>219,018</u>	<u>249,212</u>
Deferred outflows of resources	5,053	4,284	1,038	623	6,091	4,907
Current liabilities	4,076	2,494	6,461	7,163	10,537	9,657
Non-current liabilities	20,106	17,472	18,421	36,999	38,527	54,471
Total liabilities	<u>24,182</u>	<u>19,966</u>	<u>24,882</u>	<u>44,162</u>	<u>49,064</u>	<u>64,128</u>
Deferred inflows of resources	2,259	3,083	322	1,220	2,581	4,303
Net position						
Net investment in capital assets	39,927	41,982	86,452	90,567	126,379	132,549
Restricted	10,481	9,911	1,493	23,905	11,974	33,816
Unrestricted	2,384	6,999	32,727	12,324	35,111	19,323
Total net position	<u>\$ 52,792</u>	<u>\$ 58,892</u>	<u>\$ 120,672</u>	<u>\$ 126,796</u>	<u>\$ 173,464</u>	<u>\$ 185,688</u>

Another major portion of the City's net position, \$33,815,662, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$19,323,065, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole, although erosion did occur in the unrestricted portion due to accounting standard changes regarding pension liability.

Changes in Net Position

For the year ended June 30, 2020, net position of the primary government changed as follows:

	CHANGES IN NET POSITION (in 000's)					
	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Revenues						
Program revenues	\$ 6,411	\$ 7,900	\$ 59,981	\$ 59,222	\$ 66,392	\$ 67,122
Taxes and other general revenues	16,913	17,983	1,014	1,171	17,927	19,154
Total revenues	<u>23,324</u>	<u>25,883</u>	<u>60,995</u>	<u>60,393</u>	<u>84,319</u>	<u>86,276</u>
Expenses						
General government	3,538	3,219	-	-	3,538	3,219
Public safety	13,120	15,173	-	-	13,120	15,173
Streets and highways	3,920	3,543	-	-	3,920	3,543
Culture, parks and recreation	4,700	3,812	-	-	4,700	3,812
Community development	674	149	-	-	674	149
Economic development	2,061	2,127	-	-	2,061	2,127
Interest on long-term debt	49	45	-	-	49	45
Utility Authority	-	-	42,983	41,232	42,983	41,232
Airport	-	-	1,683	1,700	1,683	1,700
RecPlex	-	-	742	1,748	742	1,748
Golf Course	-	-	902	813	902	813
Marland Estate	-	-	423	491	423	491
Total expenses	<u>28,062</u>	<u>28,068</u>	<u>46,733</u>	<u>45,984</u>	<u>74,795</u>	<u>74,052</u>
Excess (deficiency) before transfers	(4,738)	(2,185)	14,262	14,409	9,524	12,224
Transfers	(13,348)	8,285	13,348	(8,285)	-	-
Increase (decrease) in net position	<u>\$ (18,086)</u>	<u>\$ 6,100</u>	<u>\$ 27,610</u>	<u>\$ 6,124</u>	<u>\$ 9,524</u>	<u>\$ 12,224</u>

The City's governmental activities' increase in net position of \$6,099,729 plus the business-type activities' increase in net position of \$6,124,099 combined represents an increase of \$12,223,828, or 7.05% increase. The results indicate the City as a whole experienced an increase in its financial condition from the prior year.

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 restricted for a specific purpose.

For the year ended June 30, 2020 total expenses for governmental activities amounted to \$28,067,746. Of these total expenses, taxes, other general revenues, and transfers funded \$26,267,395. Operating and Capital Grants and Contributions funded \$5,210,738. A total of \$2,689,342 was received from charges for services.

Net Revenue (Expense) of Governmental Activities (in 000's)

	Total Expense of Services		Net Revenue (Expense) of	
	2019	2020	2019	2020
General government	\$ 3,538	\$ 3,219	(3,538)	(3,219)
Public safety	13,120	15,173	(8,166)	(7,920)
Streets and highways	3,920	3,543	(3,920)	(3,543)
Culture, parks and recreation	4,700	3,812	(3,427)	(3,376)
Community development	674	149	(491)	62
Payment to PCDA	2,061	2,127	(2,061)	(2,127)
Interest on long-term debt	49	45	(49)	(45)
Total	\$ 28,062	\$ 28,068	(21,652)	(20,168)

Business-type Activities

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

- Total business-type activities reported an increase in net position of \$6,124,099 for the year ended June 30, 2020.
- All non-utility Proprietary Funds reported a net loss for the year ended June 30, 2020, including the RecPlex (\$1,081,405), Airport (\$438,016), and a combined Marland Estate/Wentz Golf Course (\$720,874). These results include the non-cash depreciation expense, and do not include budgeted cash transfer revenue subsidies from the General Fund, transfers to other funds, and capital contributions.

General Fund Budgetary Highlights

Over the course of the year, City Commission revised the General Fund budget at various times. The revised budget included an increase in the overall revenue projections of \$120,959 or 0.83%, and an increase in appropriations of \$4,459 or .02%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2020, the City had \$144,533,018 invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines, and sewer lines. (See table below.) This represents a net increase of \$4,558,793 or 3.26% over the previous year.

CAPITAL ASSETS (in 000's)

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Land	\$ 1,042	\$ 1,064	\$ 1,632	\$ 2,059	\$ 2,674	\$ 3,123
Buildings	6,353	6,120	32,686	31,349	39,039	37,469
Improvements	27,659	30,736	56,614	61,115	84,273	91,851
Machinery & Equipment	3,119	2,882	5,813	5,854	8,932	8,736
Construction in Progress	1,754	1,179	3,302	2,175	5,056	3,354
Totals	\$ 39,927	\$ 41,981	\$ 100,047	\$ 102,552	\$ 139,974	\$ 144,533

Long-term Debt

At year-end on June 30, 2020, the City had \$36,420,157 in long-term debt outstanding which represents an increase of \$20,239,522 from the prior year. This increase is largely due to the 2019 Public Safety Center Note of \$22 million that was passed by a vote from our Citizens on June 11, 2019. This note will be paid for by sales tax collections of .833% over an eight year period starting in October 1, 2020. The City's changes in long-term debt by type of debt are as follows:

Primary Government Long-term Debt

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Accrued compensated absences	\$ 960,048	\$ 951,609	\$ 373,623	\$ 421,710	\$ 1,333,671	\$ 1,373,319
Judgments payable	447,324	418,097	-	-	447,324	418,097
Revenue bonds payable	-	-	9,830,000	30,670,000	9,830,000	30,670,000
Notes payable	-	-	3,407,862	3,075,682	3,407,862	3,075,682
Capital lease obligation	-	-	318,701	219,031	318,701	219,031
Use tax recoupment liability	805,077	645,028	-	0	805,077	645,028
Refundable grant obligations	-	-	38,000	19,000	38,000	19,000
Totals	<u>\$ 2,212,449</u>	<u>\$ 2,014,734</u>	<u>\$ 13,968,186</u>	<u>\$ 34,405,423</u>	<u>\$ 16,180,635</u>	<u>\$ 36,420,157</u>

See Note 8. to the financial statements for more detail information on the City's long-term debt and changes therein.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic factors always play a key role in developing the City's budget. The economic downturn experienced in The Great Recession saw sales tax collections decrease in Fiscal 2009 by 2.2% and again in Fiscal 2010 by another 5.1%. A strong recovery began in Fiscal 2011, where sales tax collections increased by 5.2% over the prior year, and the recovery continued through Fiscal 2012 where sales tax collections increased by 7.9% from 2011. In Fiscal 2013 sales tax collections mellowed to an increase of 0.14% and an increase was realized in Fiscal 2014 of 4.3% and Fiscal 2015 of 1.0% over the previous years. The decline of oil prices affected the local economy in Fiscal 2016, where a decrease of 5.2% was realized, followed by a decrease of 0.7% in Fiscal 2017 when the contraction bottomed during the third quarter of the fiscal year. Fiscal 2018 saw sales tax rebound, with an increase of 6.3% over the prior year, and Fiscal 2019 contracted again, with a decrease of 4.0% over Fiscal 2018. Fiscal 2020 saw sales tax rebound with an increase of 1.86% over Fiscal 2019.

The Fiscal 2020-21 Budget was created with a primary emphasis on sustainability, as well as continued emphasis on performance measurement in City departments. This type of attention to cost versus community benefit of City services, including how we compare with peer cities and are measured by our users, will help guide operations to a more efficient and effective use of public funds.

The employee base of the City included 390 full-time positions for Fiscal 2021, a net decrease of two positions one from City Attorney and the other from Recplex. While continued efforts for efficiency are likely, no layoffs or additions are planned for the coming year.

Capital spending for Fiscal 2021 is budgeted at \$10,543,758, a decrease of 7.92% from the prior year. Visible projects for the year include four marked sedans for the Police Department, and a new ambulance vehicle. The Ponca City Utility Authority will see construction of a sludge handling basin at the Water Treatment Plant, a new street sweeper for the Stormwater Department, and \$1.62M in electric distribution system improvements.

Staff was happy to recommend, and have approved, a zero percent rate increase for electric, water, wastewater, and solid waste utility services for the year.

The voter approved 5-year extension of a ½ cent dedicated sales and use tax for economic development effective February 1, 2019 will assist the Ponca City Development Authority in its mission to add jobs and diversify the City's economic use. Ponca City continued to serve as a regional shopping area. Other signs of progress include major investment in the Ponca City Regional Medical Center in facilities and staff as well as recent retail expansion into the Ponca City market by international retailers such as Marshall's, Harbor Freight, Atwoods, and addition of restaurants such as Rib Crib and Sakura. Additions like these to our community are vital to the local economy and critical to the long-term health and welfare of Ponca City.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office at 516 E. Grand Avenue, Ponca City, Oklahoma 74602 or phone at (580) 767-0303.

CITY OF PONCA CITY, OKLAHOMA
STATEMENT OF NET POSITION
June 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Ponca City Development Authority
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 26,329,621	\$ 19,808,309	\$ 46,137,930	\$ 7,934,757
Investments	4,653,952	10,303,801	14,957,753	-
Restricted assets:				
Cash and cash equivalents	-	23,055,540	23,055,540	27,686
Investments	-	696,204	696,204	-
Receivables:				
Accounts receivable, net of allowance	3,081,202	6,514,244	9,595,446	39,153
Other receivables, net of allowance	610,386	46,951	657,337	-
Due from other governments	1,446,312	-	1,446,312	387,779
Prepaid expenses	29,591	57,532	87,123	18,365
Internal balance	(696,471)	696,471	-	-
Inventory	167,852	4,745,824	4,913,676	-
Total current assets	<u>35,622,445</u>	<u>65,924,876</u>	<u>101,547,321</u>	<u>8,407,740</u>
Non-current assets:				
Restricted assets:				
Cash and cash equivalents	-	848,980	848,980	-
Investment in joint venture	-	2,230,312	2,230,312	-
Net pension asset	52,949	-	52,949	-
Capital assets:				
Non-depreciable	2,243,701	4,233,688	6,477,389	279,240
Depreciable, net of depreciation	39,737,999	98,317,630	138,055,629	9,953,845
Total non-current assets	<u>42,034,649</u>	<u>105,630,610</u>	<u>147,665,259</u>	<u>10,233,085</u>
Total assets	<u>77,657,094</u>	<u>171,555,486</u>	<u>249,212,580</u>	<u>18,640,825</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred amounts related to pensions	\$ 4,283,591	\$ 623,199	\$ 4,906,790	\$ -

(Continued)

CITY OF PONCA CITY, OKLAHOMA
STATEMENT OF NET POSITION
(Continued)
June 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Ponca City Development Authority
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 1,488,182	\$ 3,991,538	\$ 5,479,720	\$ 51,095
Accrued interest payable	-	567,517	567,517	-
Advanced revenues	392,254	-	392,254	32,469
Meter deposit liability	-	696,204	696,204	-
Non-current liabilities - due within one year:				
Judgments payable	209,741	-	209,741	-
Notes payable	-	281,781	281,781	-
Capital lease obligations	-	94,908	94,908	-
Revenue bonds payable	-	1,470,000	1,470,000	-
Refundable grant obligations	-	19,000	19,000	-
Use tax recoupment obligation	92,140	-	92,140	-
Estimated liability for claims	216,342	-	216,342	-
Accrued compensated absences	95,161	42,170	137,331	5,114
Total current liabilities	2,493,820	7,163,118	9,656,938	88,678
Non-current liabilities - due in more than one year:				
Judgments payable	208,356	-	208,356	-
Notes payable	-	2,793,901	2,793,901	-
Capital lease obligations	-	124,123	124,123	-
Revenue bonds payable	-	29,200,000	29,200,000	-
Use tax recoupment obligation	552,888	-	552,888	-
Estimated liability for claims	498,308	-	498,308	-
Accrued compensated absences	856,448	379,540	1,235,988	46,030
Net pension liability	15,254,430	2,641,874	17,896,304	-
Total OPEB liability	101,827	101,827	203,654	-
Landfill closure/post-closure liability	-	1,758,008	1,758,008	-
Security deposits	-	-	-	27,686
Total non-current liabilities	17,472,257	36,999,273	54,471,530	73,716
Total liabilities	19,966,077	44,162,391	64,128,468	162,394
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred amounts related to pensions	3,083,005	1,219,865	4,302,870	-
<u>NET POSITION</u>				
Net investment in capital assets	41,981,700	90,567,605	132,549,305	10,233,085
Restricted by:				
Enabling legislation	7,965,124	-	7,965,124	-
Statutory requirements	380,186	-	380,186	-
External contracts	1,565,832	23,904,520	25,470,352	-
Unrestricted	6,998,761	12,324,304	19,323,065	8,245,346
Total net position	\$ 58,891,603	\$ 126,796,429	\$ 185,688,032	\$ 18,478,431

See accompanying notes to financial statements.

CITY OF PONCA CITY, OKLAHOMA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Change in Net Position			Component Unit Ponca City Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary government:								
Governmental activities:								
General government	\$ 3,218,879	\$ -	\$ -	\$ -	\$ (3,218,879)	\$ -	\$ (3,218,879)	\$ -
Public safety	15,172,503	2,135,383	5,099,646	17,762	(7,919,712)	-	(7,919,712)	-
Streets and highways	3,542,904	-	-	-	(3,542,904)	-	(3,542,904)	-
Cultural, parks and recreation	3,811,884	342,771	10,865	82,465	(3,375,783)	-	(3,375,783)	-
Community development	149,553	211,188	-	-	61,635	-	61,635	-
Payment to PCDA	2,127,291	-	-	-	(2,127,291)	-	(2,127,291)	-
Interest on long-term debt	44,732	-	-	-	(44,732)	-	(44,732)	-
Total governmental activities	28,067,746	2,689,342	5,110,511	100,227	(20,167,666)	-	(20,167,666)	-
Business-type activities:								
Electric	26,543,626	35,224,686	-	-	-	8,681,060	8,681,060	-
Broadband	686,548	416,981	-	-	-	(269,567)	(269,567)	-
Water	4,629,333	8,507,373	-	52,305	-	3,930,345	3,930,345	-
Solid waste	3,917,326	5,454,260	-	25,189	-	1,562,123	1,562,123	-
Wastewater	2,720,353	6,307,084	-	-	-	3,586,731	3,586,731	-
Stormwater	260,757	572,978	-	-	-	312,221	312,221	-
Administrative costs	2,473,598	72,825	-	-	-	(2,400,773)	(2,400,773)	-
Airport	1,699,903	885,360	-	403,984	-	(410,559)	(410,559)	-
Golf course	813,480	512,797	-	-	-	(300,683)	(300,683)	-
RecPlex	1,748,192	676,237	-	-	-	(1,071,955)	(1,071,955)	-
Marland Estate	491,053	110,286	-	-	-	(380,767)	(380,767)	-
Total business-type activities	45,984,169	58,740,867	-	481,478	-	13,238,176	13,238,176	-
Total primary government	\$ 74,051,915	\$ 61,430,209	\$ 5,110,511	\$ 581,705	(20,167,666)	13,238,176	(6,929,490)	-
Component unit:								
Ponca City Development Authority	\$ 2,593,113	\$ 496,304	\$ -	\$ -				\$ (2,096,809)

(Continued)

CITY OF PONCA CITY, OKLAHOMA
STATEMENT OF ACTIVITIES
(Continued)
For the Year Ended June 30, 2020

	Net (Expenses) Revenues and Change in Net Position			Component Unit Ponca City Development Authority
	Primary Government			
	Governmental Activities	Business-Type Activities	Total	
General revenues and transfers:				
Taxes:				
Sales and use taxes:				
Unrestricted	\$ 8,600,620	\$ -	\$ 8,600,620	\$ -
Streets and highways	2,150,155	-	2,150,155	-
Economic development	2,150,155	-	2,150,155	2,127,291
Recreation center	2,150,155	-	2,150,155	-
Franchise and public service taxes	418,002	-	418,002	-
Hotel/motel taxes	486,992	-	486,992	-
Ad valorem taxes	251,806	-	251,806	-
Other taxes	18,392	-	18,392	-
Investment income	485,997	1,135,241	1,621,238	98,915
Miscellaneous	1,232,445	6,397	1,238,842	40,072
Gain on sales of capital assets	37,860	29,101	66,961	-
Transfers - internal activity	8,284,816	(8,284,816)	-	-
Total general revenues and transfers	<u>26,267,395</u>	<u>(7,114,077)</u>	<u>19,153,318</u>	<u>2,266,278</u>
Change in net position	<u>6,099,729</u>	<u>6,124,099</u>	<u>12,223,828</u>	<u>169,469</u>
Net position, beginning of year	<u>52,791,874</u>	<u>120,672,330</u>	<u>173,464,204</u>	<u>18,308,962</u>
Net position, end of year	<u>\$ 58,891,603</u>	<u>\$ 126,796,429</u>	<u>\$ 185,688,032</u>	<u>\$ 18,478,431</u>

See accompanying notes to the financial statements.

CITY OF PONCA CITY, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 7,220,996	\$ 11,815,104	\$ 19,036,100
Investments	-	1,153,952	1,153,952
Receivables:			
Accounts receivable, net	3,036,513	44,689	3,081,202
Due from other governments	803,848	642,464	1,446,312
	<u>\$ 11,061,357</u>	<u>\$ 13,656,209</u>	<u>\$ 24,717,566</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 787,260	\$ 496,191	\$ 1,283,451
Advanced revenues	392,254	-	392,254
	<u>1,179,514</u>	<u>496,191</u>	<u>1,675,705</u>
Fund balances:			
Nonspendable	-	1,153,952	1,153,952
Restricted	-	8,704,241	8,704,241
Committed	2,649,448	-	2,649,448
Assigned	4,911,250	3,301,825	8,213,075
Unassigned	2,321,145	-	2,321,145
	<u>9,881,843</u>	<u>13,160,018</u>	<u>23,041,861</u>
Total fund balances	<u>\$ 9,881,843</u>	<u>\$ 13,160,018</u>	<u>\$ 23,041,861</u>
Total liabilities and fund balances	<u>\$ 11,061,357</u>	<u>\$ 13,656,209</u>	<u>\$ 24,717,566</u>

See accompanying notes to financial statements.

CITY OF PONCA CITY, OKLAHOMA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
Year Ended June 30, 2020

Total fund balance, governmental funds \$ 23,041,861

Amounts reported for governmental activities in the statement of net position are different because:

The net pension asset is not an available revenue source and, therefore, is not reported in the funds. 52,949

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. 41,954,994

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.
Pension-related deferred outflows 4,257,857

Some liabilities are not due and payable in the current period and are not included in the fund balance statement, but are included in the governmental activities of the statement of net position.

Judgments payable	(418,097)
Use tax recoupment obligation	(645,028)
Net pension liability	(15,151,879)
Total OPEB liability	(101,827)
Accrued compensated absences liability	(928,676)
Pension-related deferred inflows	(3,033,468)

Internal service funds are used by management to charge costs of certain activities that benefit multiple funds, such as self-insurance, vehicle maintenance and other such costs, to individual funds. The assets and liabilities of certain of these internal service funds are reported in governmental activities in the statement of net position:

Net position of internal service funds and internal balance	9,862,917
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Net position of governmental activities in the statement of net position \$ 58,891,603

See accompanying notes to financial statements.

CITY OF PONCA CITY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 9,037,014	\$ 7,189,263	\$ 16,226,277
Intergovernmental	2,677,222	385,442	3,062,664
Charges for services	2,528,413	1,580	2,529,993
Fines and forfeitures	536,867	27,697	564,564
Licenses and permits	159,349	-	159,349
Investment income	201,241	284,745	485,986
Miscellaneous	157,346	360,056	517,402
Total revenues	<u>15,297,452</u>	<u>8,248,783</u>	<u>23,546,235</u>
Expenditures:			
Current:			
General government	2,899,480	-	2,899,480
Public safety	13,818,431	22,000	13,840,431
Streets and highways	1,709,819	522,334	2,232,153
Culture, parks and recreation	3,100,054	490,288	3,590,342
Community development	-	2,280,641	2,280,641
Capital outlay	540,860	3,483,254	4,024,114
Debt service:			
Principal retirement	-	239,684	239,684
Interest and fiscal charges	-	44,732	44,732
Total expenditures	<u>22,068,644</u>	<u>7,082,933</u>	<u>29,151,577</u>
Excess (deficiency) of revenues under expenditures	<u>(6,771,192)</u>	<u>1,165,850</u>	<u>(5,605,342)</u>
Other financing sources (uses):			
Transfers in	10,655,084	1,115,000	11,770,084
Transfers out	(1,405,000)	(1,970,472)	(3,375,472)
Sale of capital assets	37,860	-	37,860
Total other financing sources (uses)	<u>9,287,944</u>	<u>(855,472)</u>	<u>8,432,472</u>
Net change in fund balances	2,516,752	310,378	2,827,130
Fund balances, beginning of year	<u>7,365,091</u>	<u>12,849,640</u>	<u>20,214,731</u>
Fund balances, end of year	<u>\$ 9,881,843</u>	<u>\$ 13,160,018</u>	<u>\$ 23,041,861</u>

See accompanying notes to financial statements.

CITY OF PONCA CITY, OKLAHOMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

Net change in fund balances - total governmental funds: \$ 2,827,130

Amounts reported for governmental activities in the statement of activities are different because:

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.

Capital asset purchases capitalized	4,085,077
Donated capital assets	700,000
Capital assets transferred from business-type activities	33,066
Loss on disposal of capital assets	(28,609)
Capital assets transferred to business-type activities	(132,862)
Depreciation expense	(2,613,461)

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:

Change in judgments payable	29,227
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Some revenues (expenses) reported in the statement of activities do not provide (require the use of) current financial resources and, therefore, are not reported as revenues (expenditures) in governmental funds:

Change in accrued compensated absences	8,696
Change in use tax recoupment obligation	160,049
Change in net pension asset and liability	112,487
Change in total OPEB liability	(9,533)

Internal service funds are used by management to charge the costs of certain activities, such as workers' compensation and health insurance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

928,462

Change in net position - statement of activities \$ 6,099,729

See accompanying notes to financial statements.

CITY OF PONCA CITY, OKLAHOMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Ponca City Utility Authority	Ponca City Airport	Ponca City RecPlex	Other Enterprise Funds		
<u>ASSETS</u>						
Current assets:						
Cash and cash equivalents	\$ 19,217,429	\$ 31,602	\$ 243,874	\$ 315,404	\$ 19,808,309	\$ 7,293,521
Investments	10,303,801	-	-	-	10,303,801	3,500,000
Restricted assets:						
Cash and cash equivalents	23,055,540	-	-	-	23,055,540	-
Investments	696,204	-	-	-	696,204	-
Receivables:						
Utility billing, net of allowance for uncollectible accounts	6,514,244	-	-	-	6,514,244	-
Accounts receivable - other	42,689	1,835	2,427	-	46,951	610,386
Prepaid expenses	57,637	(105)	-	-	57,532	29,591
Inventory	4,627,695	50,055	3,651	64,423	4,745,824	167,852
Total current assets	<u>64,515,239</u>	<u>83,387</u>	<u>249,952</u>	<u>379,827</u>	<u>65,228,405</u>	<u>11,601,350</u>
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	848,980	-	-	-	848,980	-
Investment in joint venture	2,230,312	-	-	-	2,230,312	-
Capital assets:						
Nondepreciable	2,549,622	1,053,861	170,335	459,870	4,233,688	-
Depreciable, net of accumulated depreciation	66,856,319	9,061,083	21,399,238	1,000,990	98,317,630	26,706
Total noncurrent assets	<u>72,485,233</u>	<u>10,114,944</u>	<u>21,569,573</u>	<u>1,460,860</u>	<u>105,630,610</u>	<u>26,706</u>
Total assets	<u>137,000,472</u>	<u>10,198,331</u>	<u>21,819,525</u>	<u>1,840,687</u>	<u>170,859,015</u>	<u>11,628,056</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>						
Deferred amounts related to pensions	\$ 548,951	\$ 18,210	\$ 2,182	\$ 53,856	\$ 623,199	\$ 25,734

(Continued)

CITY OF PONCA CITY, OKLAHOMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
(Continued)
June 30, 2020

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Ponca City Utility Authority	Ponca City Airport	Ponca City RecPlex	Other Enterprise Funds	Total Enterprise Funds	
<u>LIABILITIES</u>						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 3,805,609	\$ 21,105	\$ 65,496	\$ 99,328	\$ 3,991,538	\$ 207,359
Accrued interest payable	567,517	-	-	-	567,517	-
Meter deposit liability	696,204	-	-	-	696,204	-
Current portion - due within one year:						
Notes payable	281,781	-	-	-	281,781	-
Capital lease obligations	94,908	-	-	-	94,908	-
Revenue bonds payable	1,470,000	-	-	-	1,470,000	-
Refundable grant obligations	19,000	-	-	-	19,000	-
Estimated claims liability	-	-	-	-	-	216,342
Accrued compensated absences	35,780	2,156	792	3,442	42,170	2,030
Total current liabilities	<u>6,970,799</u>	<u>23,261</u>	<u>66,288</u>	<u>102,770</u>	<u>7,163,118</u>	<u>425,731</u>
Noncurrent liabilities - due in more than one year:						
Notes payable, net of unamortized premium	2,793,901	-	-	-	2,793,901	-
Capital lease obligations	124,123	-	-	-	124,123	-
Revenue bonds payable	29,200,000	-	-	-	29,200,000	-
Estimated claims liability	-	-	-	-	-	498,308
Accrued compensated absences	322,032	19,403	7,128	30,977	379,540	18,275
Net pension liability	2,349,294	78,710	(8,580)	222,450	2,641,874	102,551
Total OPEB liability	87,571	4,073	2,037	8,146	101,827	-
Landfill closure/post-closure liability	1,758,008	-	-	-	1,758,008	-
Total noncurrent liabilities	<u>36,634,929</u>	<u>102,186</u>	<u>585</u>	<u>261,573</u>	<u>36,999,273</u>	<u>619,134</u>
Total liabilities	<u>43,605,728</u>	<u>125,447</u>	<u>66,873</u>	<u>364,343</u>	<u>44,162,391</u>	<u>1,044,865</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred amounts related to pensions	1,084,888	35,271	4,539	95,167	1,219,865	49,537
<u>NET POSITION</u>						
Net investment in capital assets	57,422,228	10,114,944	21,569,573	1,460,860	90,567,605	26,706
Restricted for debt service	23,904,520	-	-	-	23,904,520	-
Unrestricted	11,532,059	(59,121)	180,722	(25,827)	11,627,833	10,532,682
Total net position	<u>\$ 92,858,807</u>	<u>\$ 10,055,823</u>	<u>\$ 21,750,295</u>	<u>\$ 1,435,033</u>	<u>126,099,958</u>	<u>\$ 10,559,388</u>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time.					<u>696,471</u>	
Net position of business-type activities					<u>\$ 126,796,429</u>	

See accompanying notes to financial statements.

CITY OF PONCA CITY, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2020

	Business-Type Activities - Enterprise Funds					Governmental
	Ponca City				Total	Activities -
	Utility Authority	Ponca City Airport	Ponca City RecPlex	Other Enterprise Funds	Enterprise Enterprise Funds	Internal Service Funds
Operating revenues:						
Charges for services:						
Electric	\$ 35,224,686	\$ -	\$ -	\$ -	\$ 35,224,686	\$ -
Broadband	416,981	-	-	-	416,981	-
Water	8,507,373	-	-	-	8,507,373	-
Solid waste	5,454,260	-	-	-	5,454,260	-
Wastewater	6,307,084	-	-	-	6,307,084	-
Stormwater	572,978	-	-	-	572,978	-
Airport	-	885,360	-	-	885,360	-
Golf course	-	-	-	512,797	512,797	-
RecPlex	-	-	676,237	-	676,237	-
Marland Estate	-	-	-	110,286	110,286	-
Other charges for services	79,222	-	-	-	79,222	7,024,412
Total operating revenues	<u>56,562,584</u>	<u>885,360</u>	<u>676,237</u>	<u>623,083</u>	<u>58,747,264</u>	<u>7,024,412</u>
Operating expenses:						
Electric	26,600,585	-	-	-	26,600,585	-
Broadband	696,907	-	-	-	696,907	-
Water	4,628,103	-	-	-	4,628,103	-
Solid waste	3,939,389	-	-	-	3,939,389	-
Wastewater	2,705,686	-	-	-	2,705,686	-
Stormwater	260,757	-	-	-	260,757	-
Bond accounts	336,500	-	-	-	336,500	-
Administrative	1,643,167	-	-	-	1,643,167	-
Airport	-	1,729,667	-	-	1,729,667	-
Golf course	-	-	-	844,146	844,146	-
RecPlex	-	-	1,763,750	-	1,763,750	-
Marland Estate	-	-	-	506,611	506,611	-
City garage	-	-	-	-	-	1,669,887
Insurance claims and administrative	-	-	-	-	-	4,558,561
Total operating expenses	<u>40,811,094</u>	<u>1,729,667</u>	<u>1,763,750</u>	<u>1,350,757</u>	<u>45,655,268</u>	<u>6,228,448</u>
Operating income (loss)	<u>15,751,490</u>	<u>(844,307)</u>	<u>(1,087,513)</u>	<u>(727,674)</u>	<u>13,091,996</u>	<u>795,964</u>
Non-operating revenues (expenses):						
Investment income	997,360	2,107	6,468	6,800	1,012,735	225,593
Income from joint venture	122,506	-	-	-	122,506	-
Intergovernmental	77,494	403,984	-	-	481,478	-
Change in estimate of post-closure costs	(121,165)	-	-	-	(121,165)	-
Loss on asset disposals	(4,165)	-	-	-	(4,165)	-
Interest expense and fiscal charges	(806,171)	-	-	-	(806,171)	-
Gain (loss) on asset retirement	-	200	-	-	200	-
Miscellaneous	-	-	-	-	-	515,340
Net non-operating revenues (expenses)	<u>265,859</u>	<u>406,291</u>	<u>6,468</u>	<u>6,800</u>	<u>685,418</u>	<u>740,933</u>
Income (loss) before capital contributions and transfers	<u>\$ 16,017,349</u>	<u>\$ (438,016)</u>	<u>\$ (1,081,045)</u>	<u>\$ (720,874)</u>	<u>\$ 13,777,414</u>	<u>\$ 1,536,897</u>

(Continued)

CITY OF PONCA CITY, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
(Continued)
Year Ended June 30, 2020

	Business-Type Activities - Enterprise Funds				Governmental	
	Ponca City			Other	Activities -	
	Utility Authority	Ponca City Airport	Ponca City RecPlex	Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Capital contributions and transfers:						
Capital contributions	\$ -	\$ 5,660	\$ 109,965	\$ 17,237	\$ 132,862	\$ -
Transfers from other funds	2,163,805	206,667	450,000	550,000	3,370,472	-
Transfers to other funds	(11,755,084)	-	-	-	(11,755,084)	(10,000)
Net capital contributions and transfers	(9,591,279)	212,327	559,965	567,237	(8,251,750)	(10,000)
Change in net position	6,426,070	(225,689)	(521,080)	(153,637)	5,525,664	1,526,897
Net position, beginning of year	86,432,737	10,281,512	22,271,375	1,588,670		9,032,491
Net position, end of year	<u>\$ 92,858,807</u>	<u>\$ 10,055,823</u>	<u>\$ 21,750,295</u>	<u>\$ 1,435,033</u>		<u>\$ 10,559,388</u>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds.				598,435		
Change in net position of business-type activities				<u>\$ 6,124,099</u>		

See accompanying notes to financial statements.

CITY OF PONCA CITY, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2020

	Business-Type Activities - Enterprise Funds					Governmental
	Ponca City				Total	Activities -
	Utility Authority	Ponca City Airport	Ponca City RecPlex	Other Enterprise Funds	Enterprise Funds	Internal Service Funds
Cash flows from operating activities:						
Receipts from customers	\$ 57,409,773	\$ 887,235	\$ 675,129	\$ 626,513	\$ 59,598,650	\$ 7,123,538
Payments to suppliers	(27,383,952)	(643,971)	(550,818)	(401,012)	(28,979,753)	(5,479,018)
Payments to employees	(9,181,051)	(384,288)	(556,904)	(799,791)	(10,922,034)	(1,189,449)
Net cash flows from operating activities	<u>20,844,770</u>	<u>(141,024)</u>	<u>(432,593)</u>	<u>(574,290)</u>	<u>19,696,863</u>	<u>455,071</u>
Cash flows from noncapital financing activities:						
Miscellaneous cash collections	-	-	-	-	-	515,340
Federal grants	-	403,984	-	-	403,984	-
Transfers from other funds	2,163,805	206,667	450,000	550,000	3,370,472	-
Transfers to other funds	(11,755,084)	-	-	-	(11,755,084)	(10,000)
Net cash flows from noncapital financing activities	<u>(9,591,279)</u>	<u>610,651</u>	<u>450,000</u>	<u>550,000</u>	<u>(7,980,628)</u>	<u>505,340</u>
Cash flows from capital and related financing activities:						
Proceeds from sale of capital assets	22,000,000	200	-	-	22,000,200	-
Capital grants	77,494	-	-	-	77,494	-
Purchase of capital assets	(8,447,987)	(929,190)	-	-	(9,377,177)	(20,990)
Principal paid or retired on capital debt	(1,492,180)	-	-	-	(1,492,180)	-
Payment of grant obligation	(19,000)	-	-	-	(19,000)	-
Payment of capital lease obligations	(99,670)	-	-	-	(99,670)	-
Interest paid on capital debt	(375,238)	-	-	-	(375,238)	-
Contributions to joint venture	(1,000)	-	-	-	(1,000)	-
Net cash flows from capital and related financing activities	<u>11,642,419</u>	<u>(928,990)</u>	<u>-</u>	<u>-</u>	<u>10,713,429</u>	<u>(20,990)</u>
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	2,107	6,468	-	8,575	-
Purchase of investments	(1,814,300)	-	-	-	(1,814,300)	1,000,000
Interest and dividends	942,049	-	-	6,800	948,849	225,593
Net cash flows from investing activities	<u>(872,251)</u>	<u>2,107</u>	<u>6,468</u>	<u>6,800</u>	<u>(856,876)</u>	<u>1,225,593</u>
Net increase (decrease) in cash and cash equivalents	22,023,659	(457,256)	23,875	(17,490)	21,572,788	2,165,014
Cash and cash equivalents, beginning of year	21,098,290	488,858	219,999	332,894	22,140,041	5,128,507
Cash and cash equivalents, end of year	<u>\$ 43,121,949</u>	<u>\$ 31,602</u>	<u>\$ 243,874</u>	<u>\$ 315,404</u>	<u>\$ 43,712,829</u>	<u>\$ 7,293,521</u>

(Continued)

CITY OF PONCA CITY, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)
Year Ended June 30, 2020

	Business-Type Activities - Enterprise Funds					Governmental	
	Ponca City				Other	Total	Activities -
	Utility Authority	Ponca City Airport	Ponca City RecPlex	Enterprise Funds	Enterprise Funds	Enterprise Funds	Internal Service Funds
Reconciliation to statement of net position:							
Cash and cash equivalents	\$ 19,217,429	\$ 31,602	\$ 243,874	\$ 315,404	\$ 19,808,309	\$ 7,293,521	
Current restricted cash and cash equivalents	23,055,540	-	-	-	23,055,540	-	
Noncurrent restricted cash and cash equivalents	848,980	-	-	-	848,980	-	
Total cash and cash equivalents, end of year	<u>\$ 43,121,949</u>	<u>\$ 31,602</u>	<u>\$ 243,874</u>	<u>\$ 315,404</u>	<u>\$ 43,712,829</u>	<u>\$ 7,293,521</u>	
Reconciliation of operating income (loss) to net cash flows from operating activities:							
Operating income (loss)	\$ 15,751,490	\$ (844,307)	\$ (1,087,513)	\$ (727,674)	\$ 13,091,996	\$ 795,964	
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:							
Depreciation expense	5,397,808	702,112	652,868	157,494	6,910,282	9,575	
Change in assets and liabilities:							
(Increase) decrease in receivables, net	754,362	1,875	(1,108)	3,430	758,559	99,126	
(Increase) decrease in prepaids	(1,463)	(25)	-	-	(1,488)	18,954	
(Increase) decrease in inventories	(784,697)	5,323	(3,651)	13,232	(769,793)	39,827	
(increase) decrease in deferred outflows	365,011	11,629	5,735	33,005	415,380	18,334	
Increase (decrease) in accounts and other payables	(98,420)	3,947	7,023	6,592	(80,858)	4,892	
Increase (decrease) in claims payable	-	-	-	-	-	(497,562)	
Increase (decrease) in customer meter deposit liability	92,827	-	-	-	92,827	-	
Increase (decrease) in accrued compensated absences	42,831	(159)	4,613	802	48,087	444	
Increase (decrease) in net pension liability	(1,475,580)	(47,010)	(23,185)	(133,423)	(1,679,198)	(74,116)	
Increase (decrease) in total OPEB liability	11,564	454	227	908	13,153	-	
Increase (decrease) in deferred inflows	789,037	25,137	12,398	71,344	897,916	39,633	
Net cash flows from operating activities	<u>\$ 20,844,770</u>	<u>\$ (141,024)</u>	<u>\$ (432,593)</u>	<u>\$ (574,290)</u>	<u>\$ 19,696,863</u>	<u>\$ 455,071</u>	
Noncash investing, capital, and financing activities:							
Capital asset contributions	\$ -	\$ 5,660	\$ 109,965	\$ 17,237		\$ -	
Net income in joint venture	121,506	-	-	-		-	
Change in landfill closure/post-closure liability	(66,262)	-	-	-		-	

See accompanying notes to financial statements.

CITY OF PONCA CITY, OKLAHOMA
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUND
June 30, 2020

ASSETS

Restricted investments at fair value:	
Guaranteed interest account	\$ 4,262,378
Pooled separate accounts	<u>24,426,105</u>
Total restricted investments	<u>\$ 28,688,483</u>

NET POSITION

Restricted for pension benefits	<u>\$ 28,688,483</u>
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See accompanying notes to financial statements.

CITY OF PONCA CITY, OKLAHOMA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND
Year Ended June 30, 2020

Additions:	
Employer contributions	\$ 1,181,791
Investment income	1,103,618
	2,285,409
Deductions:	
Benefits paid to participants or beneficiaries	1,629,790
Administrative expense	-
	1,629,790
Total additions	655,619
Change in net position	28,032,864
Net position restricted for pension, beginning of year	28,032,864
Net position restricted for pension, end of year	\$ 28,688,483

See accompanying notes to financial statements.

CITY OF PONCA CITY, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

1 - Summary of Significant Accounting Policies

The City of Ponca City, Oklahoma’s (the City) accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

A. Financial Reporting Entity

The City’s financial reporting entity comprises the following:

Primary Government:	The City of Ponca City
Blended Component Units:	Ponca City Utility Authority Ponca City Municipal Authority Ponca City Public Works Authority
Discretely Presented Component Unit:	Ponca City Development Authority

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 61, *The Financial Reporting Entity*, and includes all component units of which the City is fiscally accountable.

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 the City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Commission 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. In addition, the City has leased certain existing assets at the creation of the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

Blended Component Units

Blended component units are separate legal entities that meet the GASB Statement No. 61 component unit criteria and whose governing body is the same or substantially the same as the City Commission, or the component unit provides services entirely to the City. These component units’ funds are blended into the City’s by appropriate fund type to comprise part of the primary government presentation.

Component units blended into the primary government’s fund types are presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>
Ponca City Utility Authority (PCUA)	Created March 23, 1970, to finance, develop and operate the electric, water, wastewater, stormwater and solid waste facilities. The current City Commission serves as the governing body (Trustees) of the PCUA. The City is

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

able to impose its will on the PCUA because, by state law, all PCUA issuances of debt require a two-thirds approval of the City Commission. The PCUA funds are reported as enterprise funds within the primary government presentation. The City issues a separate report on only the PCUA.

Ponca City Municipal Authority (PCMA)	Established January 24, 1966, to collect and account for sewer connection fees on certain dedicated sewer lines. The current City Commission serves as the governing body (Trustees) of the PCMA. The Authority is presently inactive.
Ponca City Public Works Authority (PCPWA)	Established October 12, 1959, to collect and account for sewer connection fees on certain dedicated sewer lines. The current City Commission serves as the governing body (Trustees) of the PCPWA. The Authority is presently inactive.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the GASB Statement No. 61 component unit criteria but do not meet the criteria for blending. The City has one component unit that is discretely presented in the City's report as presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>
Ponca City Development Authority (PCDA)	Created August 4, 1969, to promote and encourage the development of the agricultural, commercial, health care and industrial resources in the City. The Authority provides financing to businesses for the purpose of acquiring facilities and developing services in or near the City. The PCDA Board of Trustees is separate from the Mayor and City Commission. The PCDA is financially dependent on the City. The City maintains a beneficial interest in the PCDA. Their separately issued financial statements may be obtained at 400 E. Central Avenue, Suite 200, Ponca City OK 74601.

Joint Venture

The City is a participant with other local Oklahoma governments in the Association for Landfill Financial Assurance (ALFA) to fund landfill closure and post-closure care costs (see Note 6). ALFA is a not-for-profit Oklahoma corporation authorized by state law and approved by the Oklahoma Department of Environmental Quality as a financial assurance mechanism for landfill closure and post-closure care costs on behalf of each ALFA participant. ALFA's board of directors consists of one representation from each government. Financial statements for ALFA for the year ended June 30, 2020 may be obtained from its administrative offices at 100 E Street, Suite 200, Ardmore, OK 73401.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Basis of Presentation and Accounting

Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.
- c. A fund not meeting the criteria of (a) and (b), except that management has elected to report the fund as a major fund due to its significance to users of the financial statements.

All remaining governmental and enterprise funds not meeting the above criteria are aggregated and reported as nonmajor funds. The funds of the financial reporting entity are described below:

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Governmental Funds/Governmental Fund Types

General Fund

The General Fund is the primary fund of the City, which accounts for all financial transactions except for those accounted for in other funds and certain Public Trust activities that require separate accountability for services rendered.

The City reports the General Fund as its major governmental fund and, therefore, it is displayed in a separate column.

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally or administratively restricted to expenditures for specified purposes. The reporting entity includes the following special revenue funds:

Nonmajor funds:

- Special Projects Fund
- Street and Alley Fund
- Hotel/Motel Tax Fund
- Community Development Fund
- Library Grant Fund
- Library State Aid Fund
- Miscellaneous Trust Fund
- Economic Development Fund

Capital Projects Funds

The nonmajor Recreation Center Fund, Street Improvement Project Fund and Capital Improvement Project Fund are used to account for and report financial resources that are restricted, committed, or assigned to expenditure capital outlays including the acquisition or construction of capital facilities or other capital assets.

Permanent Funds

Permanent Funds are used to account for and report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes of benefiting the reporting entity. The reporting entity includes the following permanent funds:

Nonmajor Funds:

- Matzene Book Fund
- Cann Estate Fund

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Debt Service Fund

As prescribed by State Law, the Debt Service Fund receives all ad valorem taxes paid to the City for the retirement of general obligation bonded debt. Such revenues are used for the payment of principal and interest on the City's court-assessed judgments.

The governmental funds are reported on the modified accrual basis of accounting. On the modified accrual basis of accounting, 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 30 days of the 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.

Proprietary Funds/Proprietary Fund Types

Enterprise Funds

The City's Enterprise Funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Non-operating revenues and expenses of the proprietary funds include such items as investment earnings, interest expense and subsidies.

The City reports three major enterprise funds:

Ponca City Utility Authority – used to account for the operation and maintenance of the City electric, water, wastewater, stormwater, solid waste and broadband utility services.

Ponca City Airport – used to account for the operation and maintenance of the City airport services.

Ponca City RecPlex – used to account for the operation and maintenance of the City recreation facility.

Nonmajor enterprise funds include:

Marland Estate
Lew Wentz Golf Course

Internal Service Funds

The City's Internal Service Funds are used to account for the financing of services provided by one department to other departments of the City. Internal service funds are included in governmental activities in government-wide statements.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Internal service funds include:

City Garage Fund
Insurance Imprest Fund

For purposes of the statement of revenues, expenses and changes in 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.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the City in a trustee capacity. The City reports the Pension Trust Fund as a fiduciary fund.

Pension Trust Fund – used to account for the net position and changes therein of the City Employee Retirement System.

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-type 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. The funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize 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. The fiduciary fund utilizes an “*economic resources*” measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fiduciary fund equity is classified as net position.

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 means collectible within the current period or soon enough thereafter to pay current liabilities. The City has defined “available” as collected within 30 days. Sales and use taxes, franchise taxes, hotel/motel taxes, court fines and interest are considered susceptible to accrual. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general long-term debt principal and interest, claims and judgments, and accrued compensated absences, which are recorded as expenditures to the extent they have matured. Proceeds of general long-term debt and capital leases are reported as other financing sources.

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

D. Assets, Liabilities and Net Position

Cash and Cash Equivalents

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, money market investment in trust accounts, certificates of deposit and short-term investments with an original maturity of three months or less. Investments in open-end mutual fund shares are also considered cash equivalents and are reported at the funds’ current share prices.

Investments

Investments are carried at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value as estimated by a broker/dealer. Investments of the pension trust fund are also carried at fair value. Securities of the pension trust fund traded on a national or international exchange are valued at the last reported sales price at current exchange rates. All nonnegotiable long-term certificates of deposit are carried at cost.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts are based on historical trends and the periodic aging of

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

accounts receivable. Major receivable balances for the governmental activities include sales tax, franchise tax, 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 the modified accrual basis, 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 30 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 account receivable comprises the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventory

Inventories for the Enterprise Funds are capitalized at cost and charged to expense on the first-in, first-out, and average cost basis. Inventories for the general fund and all other funds are insignificant and purchases of such items are expensed.

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 revenue bond and promissory note trustee accounts restricted for the debt service and utility meter deposits held for refund.

Capital Assets and Depreciation

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

In the government-wide financial statements, property, plant and equipment are accounted for as capital assets. The City's capitalization threshold is \$ 5,000. 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 acquisition value at the date of donation. Street infrastructure assets acquired prior to July 1, 2003 and bridges acquired prior to July 1, 2004, are reported at estimated historical cost using deflated replacement costs. The cost of normal maintenance and repairs to these assets that do not add materially to the value of the asset or materially extend the assets' useful lives are not capitalized. Interest costs, net of interest earned on any invested capital debt proceeds, are capitalized when incurred by proprietary funds.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. The range of estimated useful lives by type of assets is as follows:

Primary government:	
Buildings	50 years
Other improvements	25 years
Infrastructure	15-50 years
Equipment and vehicles	3-25 years
Ponca City Development Authority:	
Buildings	40 years
Office furniture	7 years
Office equipment	5 years

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.

Deferred Outflows of Resources

Deferred outflows are the consumption of net position that are applicable to a future reporting period. At June 30, 2020, the City has deferred outflows of resources related to pension deferrals.

Deferred Inflows of Resources

Deferred inflows are the acquisition of net position by the City that are applicable to a future reporting period. At June 30, 2020, the City has deferred inflows of resources related to pension deferrals.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in the 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 are reported as liabilities in the government-wide statements.

Long-term debt is reported net of unamortized premiums, discounts and amounts deferred from refunding, if any. 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 expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

Under the terms of the City's personnel policies, the City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation. The maximum

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

accumulation for vacation is 30 days. However, upon retirement, the maximum days of accumulated vacation for which the employee can be reimbursed cannot exceed 20 days.

Sick leave accrues to full-time employees but is payable only for sick time actually taken. Therefore, the City does not record a liability for unused sick leave.

All vacation leave is accrued when incurred in the government-wide and proprietary fund financial statements. In the governmental fund financial statements, a liability is accrued when it has matured, for example, as a result of employee resignations and retirements. The estimated liabilities include required salary-related payments.

It is the Ponca City Development Authority's policy to permit employees to accumulate earned but unused vacation time. Full-time employees accrue two weeks of vacation time per year. Vacation time may be accumulated to a maximum of 20 days. Employees are entitled to all accrued vacation leave upon termination. Sick leave may be accumulated but employees are not compensated for unused sick leave upon termination. The unused portion of annual leave is paid upon severance and thus is recorded as accrued compensated absences in the financial statements.

Other Postemployment Benefits (OPEB)

Other postemployment benefits are part of an exchange of salaries and benefits for employee services rendered. Of the total benefits offered by employers to attract and retain qualified employees, some benefits, including salaries and active employee health care, are taken while the employees are in active service, whereas other benefits, including postemployment health care and other OPEB, are taken after the employees' services have ended. Nevertheless, both types of benefits constitute compensation for employee services. In accordance with GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," the City recognizes annual OPEB costs during the period when employees render their services. For additional information about OPEB, see Note 15.

Arbitrage Rebate

The proceeds from the Ponca City Utility Authority's tax-exempt bond issues are subject to arbitrage rebate laws under the Internal Revenue Code. This arbitrage rebate limits the earnings on investment of tax-exempt proceeds in non-purpose investments. The Ponca City Utility Authority had no arbitrage rebate liability at June 30, 2020.

Pension

For purposes of measuring the net pension liability, 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 (OFPRS), Oklahoma Police Pension & Retirement System (OPPRS), and the City of Ponca City Employees' Retirement System and additions to/deductions from these pension plans' fiduciary net position have been determined on the same basis as they are reported by each listed pension plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Income Taxes

As a municipal government, the income of the City and its public authorities, which is derived from the exercise of any essential governmental function, is not subject to federal or state income taxes.

Equity Classification

Government-wide Statements:

Equity is classified as net position and 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”.

Governmental Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned.

- a. *Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.
- b. *Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party (such as citizens, public interest groups, or the judiciary) to use resources created by enabling legislation only for the purpose specified by the legislation.

- c. *Committed* – The committed fund balance classification includes amounts that can be used only for specific purposes imposed by (ordinance or resolution of) the City Commission. Those committed amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation,

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the City Commission, separate from the authorization to raise the underlying revenue; therefore, those constraints are not considered to be legally enforceable. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

- d. *Assigned* – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General fund, assigned amounts represent intended uses established by City Commission or a City official delegated that authority by City Charter, ordinance or resolution.
- e. *Unassigned* – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within the unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

It is the City's and the Ponca City Development Authority'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.

E. 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.

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

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effect of interfund services between funds, if any, are not eliminated in the statement of activities.

3. Primary government and component unit activity and balances – resource flows between the primary government (the City and PCUA) and the discretely presented component unit (Ponca City Development Authority) are reported as if they were external transactions.

Fund Financial Statements:

Interfund activity, if any, within and among the governmental, proprietary fund and fiduciary 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/expense 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.

F. Revenues, Expenditures and Expenses

Sales Tax

The City 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. The Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax is allocated among four funds as follows:

- 2 cents recorded as revenue within the General Fund.
- ½ cent recorded as revenue within the Street Improvement Project Fund to account for maintenance and construction of street improvements per voter approval.
- ½ cent recorded as revenue within the Economic Development Fund to account for sales taxes restricted for economic development and subsequently transferred to the Ponca City Development Authority (a discretely presented component unit) per voter approval.
- ½ cent recorded as revenue within the Recreation Center Tax Fund to account for sales taxes restricted for specific capital projects per voter approval beginning October 1, 2007.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Sales tax collected by the State in June and July (which represent sales for May and June) and received by the City in July have been accrued and are included under the caption *Due from Other Governments*.

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. At the present time, the City levies a property tax to fund the annual debt service requirements of court-assessed judgments.

The property tax levy, as determined by the City's debt service needs, is submitted to the County Excise Board for approval. County assessors, who are elected officials, determine the taxable value of real estate and personal property in the County. A State Board of Equalization hears complaints on real estate values with the power to equalize assessments. Under present State law, the ratio of assessed value to true value cannot be less than 11 percent or more than 13½ percent.

Property taxes levied by the City are billed and collected by the Kay County Treasurer's Office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid are attached by an enforceable lien on the property in the following October. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 30 days of year-end.

Cigarette, Tobacco, and Tobacco Products Tax

Beginning in January 2005, the City receives tax levied on wholesalers for cigarettes, tobacco and tobacco products. The tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The Tax Commission receives the tax approximately one month after accumulation by wholesalers. The cigarette, tobacco and tobacco products tax is allocated to the General Fund. The cigarette, tobacco and tobacco products tax collected by the City in July have been accrued and are included under the caption *Due from Other Governments*.

Operating Revenue and Expenses

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

Expenditures and Expenses

In the government-wide statements, expenses are classified by function for both governmental and business-type activities. In the fund financial statements, expenditures are classified by character as current (further reported by function), capital outlay and debt service. In proprietary fund financial statements, expenses are reported by operating and non-operating. In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expense relating to use of economic resources. Fiduciary funds report additions and deductions to net position.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

2 - **Stewardship, Compliance and Accountability**

By its nature as a local government unit, the City and its component units are subject to various federal, state and local laws and contractual regulations.

Deficit Fund Balances or Net Position

Title II, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund of the City (excluding public trusts). At June 30, 2020, the City reported no individual fund deficits.

Deposit and Investment Requirements

In accordance with State Law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, surety bonds or certain letters of credit. As required by 12 U.S.C.A. Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

Investments of a City (excluding Public Trusts) are limited by State Law 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 of Oklahoma is pledged.
- b) Certificates of deposit or savings accounts 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) Negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- 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.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

- 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.

Public trusts and pension trust funds are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures.

Debt Restrictions and Covenants

General Long-Term Debt

As required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue without first obtaining voter approval. As of June 30, 2020, the City had no general obligation debt.

Notes Payable

The loan agreements with the Oklahoma Water Resources Board relating to construction notes payable of PCUA contain a number of financial restrictions or covenants. These include covenants requiring a flow of funds through special accounts, reserve account balances and a notes payable debt service coverage requirement. The PCUA complied with the requirements of the loan agreements in all material respects for the fiscal year ended June 30, 2020.

Revenue Bond Debt

The bond indentures relating to the revenue bond issues of the PCUA contain a number of financial restrictions or covenants. These include covenants requiring a flow of funds through special accounts, required reserve account balances and revenue bond debt service coverage requirement. The PCUA complied with the requirements of the bond indentures in all material respects for the fiscal year ended June 30, 2020.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - Deposits and Investments

At June 30, 2020, the reporting entity held the following deposits and investments:

Type	Credit Rating	Maturities in Years					
		Fair Value	On Demand	Less Than One	1-5	6-10	More Than 10
Petty cash	N/A	\$ 6,600	\$ 6,600	\$ -	\$ -	\$ -	\$ -
Demand accounts	N/A	26,631,319	26,631,319	-	-	-	-
Time deposits	N/A	34,050,015	-	27,050,015	7,000,000	-	-
Money market mutual funds	Not rated	23,904,520	-	23,904,520	-	-	-
Mutual funds - fixed income	Not rated	196,275	-	196,275	-	-	-
Mutual funds - equities	Not rated	844,010	-	844,010	-	-	-
Money market account	N/A	63,668	-	63,668	-	-	-
Guaranteed interest account	Not rated	4,262,378	-	4,262,378	-	-	-
Pooled separate accounts	Not rated	24,426,105	-	24,426,105	-	-	-
		<u>\$ 114,384,890</u>	<u>\$ 26,637,919</u>	<u>\$ 80,746,971</u>	<u>\$ 7,000,000</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliations to Statement of Net Position:							
Cash and cash equivalents		\$ 46,137,930					
Investments		14,957,753					
Current restricted cash and cash equivalents		23,055,540					
Current restricted investments		696,204					
Noncurrent restricted cash and cash equivalents		848,980					
Pension fund investments		28,688,483					
Total		<u>\$ 114,384,890</u>					

Discretely Presented Component Unit:

Type	Credit Rating	Maturities in Years				
		Fair Value	On Demand	Less Than One	6-10	More Than 10
Money market	AAAm	\$ 7,962,443	\$ -	\$ 7,962,443	\$ -	\$ -

Custodial Credit Risk – Exposure to custodial 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 to cover the uninsured deposits and accrued interest thereon. At June 30, 2020, the City was not exposed to custodial credit risk.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 limits investments to those with a maturity no more than two years from the date of purchase, except for reserve funds, as a means of managing exposure to fair value losses arising from increasing interest rates. The City discloses its exposure to interest rate risk by disclosing the maturity date ranges of its various investments.

Investment Credit Risk – The City’s investment policy limits investments to those allowed by state law applicable to municipalities. These investment limitations are described in Note 2. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no formal policy limiting investments based on credit rating, but discloses any such risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations – rating agencies – as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Concentration of Investment Credit Risk – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of the total investments of the City (any over five percent (5%) are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City’s investment policy requires diversification of investments and indicates that, with the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City’s total investment portfolio will be invested in a single security type or with a single financial institution.

At June 30, 2020, the City had no concentration of credit risk as defined above.

Various inputs may be used to determine the value of the City’s investments. These inputs are summarized in three broad levels. The inputs used to value securities are not necessarily an indication of the risk associated with those securities.

- Level 1 – Quoted prices in active markets for identical securities
- Level 2 – Other significant observable inputs
- Level 3 – Significant unobservable inputs

The City’s mutual funds and pooled separate accounts are valued using level 1 inputs and the guaranteed interest account is valued using level 3 inputs.

4 - Receivables

Accounts receivable of the governmental activities includes fines, taxes and miscellaneous receivables. Accounts receivable for governmental activities are shown net of an allowance for uncollectibles. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. At June 30, 2020, an allowance for uncollectible receivables of \$ 433,475 was recorded for governmental activities. Accounts receivable of the business-type activities includes customers utilities services provided, both billed and unbilled, due at year end. It is the City’s policy to write off uncollectible accounts throughout the year in the business-type activities and not to record an allowance for uncollectible accounts on the statement of net position.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - Restricted Assets

The amounts reported as restricted assets in the proprietary fund statement of net position are comprised of assets held by the trustee bank on behalf of the PCUA related to their required revenue bonds and notes payable, amounts set aside for landfill financial assurance, and deposits held for refund.

The restricted assets as of June 30, 2020, are as follows:

	Cash and Cash Equivalents		Investments	Investment in	Total
	Current	Noncurrent	Current	Joint Venture	
Revenue bond and note payable trustee accounts	\$ 23,055,540	\$ 848,980	\$ -	\$ -	\$ 23,904,520
Landfill financial assurance	-	-	-	2,230,312	2,230,312
Deposits held for refund	-	-	696,204	-	696,204
	<u>\$ 23,055,540</u>	<u>\$ 848,980</u>	<u>\$ 696,204</u>	<u>\$ 2,230,312</u>	<u>\$ 26,831,036</u>

6 - Investment in Joint Venture

As discussed in Note 1, in accordance with the terms of the joint venture agreement with ALFA, PCUA is obligated to pay a share of ALFA's operating budget each year in the form of participation fees.

The joint venture agreement also requires that PCUA establish a "Funding Program" through ALFA to accumulate the estimated costs of closing and providing thirty years of maintenance and monitoring of its landfill by the time the landfill ceases operations. The amounts required for the Funding Program are determined by formula. Each ALFA member deposits funds annually into a common escrow account managed by ALFA. PCUA contributed \$ 1,000 in funding in fiscal 2020. In that regard, PCUA's proportionate share of the net investment earnings in the escrow account, which includes unrealized gains and losses on investments, amounts to \$ 122,506 which is reported as "Income (Loss) from Joint Venture".

The sum of the deposits made and PCUA's share of the net income or loss on the escrow account represents the equity interest in this joint venture. At June 30, 2020, PCUA's equity interest totaled \$ 2,230,312 which is reported as an investment in joint venture on the statement of net position. For the year ended June 30, 2020, the investment in joint venture balance changed as follows:

Beginning investment in joint venture	\$ 2,107,806
Contribution	1,000
Net income in joint venture	<u>121,506</u>
Ending investment in joint venture	<u><u>\$ 2,230,312</u></u>

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - Capital Assets

For the year ended June 30, 2020, capital assets balances changed as follows:

	Balance at July 1, 2019	Additions	Transfers	Disposals	Balance at June 30, 2020
Governmental activities:					
Non-depreciable capital assets:					
Land	\$ 1,042,271	\$ 22,055	\$ -	\$ -	\$ 1,064,326
Construction-in-progress	1,753,982	786,739	(1,346,921)	(14,425)	1,179,375
Total non-depreciable capital assets	<u>2,796,253</u>	<u>808,794</u>	<u>(1,346,921)</u>	<u>(14,425)</u>	<u>2,243,701</u>
Depreciable capital assets:					
Buildings	16,166,311	-	(57,361)	-	16,108,950
Improvements	132,553,684	3,496,978	1,231,296	(16,000)	137,265,958
Machinery and equipment	12,875,202	500,295	183,583	(385,214)	13,173,866
Total depreciable capital assets	<u>161,595,197</u>	<u>3,997,273</u>	<u>1,357,518</u>	<u>(401,214)</u>	<u>166,548,774</u>
Less accumulated depreciation:					
Buildings	(9,813,702)	(232,608)	57,361	-	(9,988,949)
Improvements	(104,894,315)	(1,651,489)	-	16,000	(106,529,804)
Machinery and equipment	(9,756,353)	(738,939)	(167,754)	371,024	(10,292,022)
Total accumulated depreciation	<u>(124,464,370)</u>	<u>(2,623,036)</u>	<u>(110,393)</u>	<u>387,024</u>	<u>(126,810,775)</u>
Net depreciable capital assets	<u>37,130,827</u>	<u>1,374,237</u>	<u>1,247,125</u>	<u>(14,190)</u>	<u>39,737,999</u>
Governmental activities capital assets, net	<u>\$ 39,927,080</u>	<u>\$ 2,183,031</u>	<u>\$ (99,796)</u>	<u>\$ (28,615)</u>	<u>\$ 41,981,700</u>
Business-type activities:					
Non-depreciable capital assets:					
Land	\$ 1,632,007	\$ 478,784	\$ 11,200	\$ (63,361)	\$ 2,058,630
Construction-in-progress	3,302,213	1,837,304	(2,964,459)	-	2,175,058
Total non-depreciable capital assets	<u>4,934,220</u>	<u>2,316,088</u>	<u>(2,953,259)</u>	<u>(63,361)</u>	<u>4,233,688</u>
Depreciable capital assets:					
Buildings	68,267,401	-	57,361	-	68,324,762
Improvements	146,983,810	5,786,794	3,068,884	(17,010)	155,822,478
Machinery and equipment	17,237,555	1,275,138	(183,583)	(293,234)	18,035,876
Total depreciable capital assets	<u>232,488,766</u>	<u>7,061,932</u>	<u>2,942,662</u>	<u>(310,244)</u>	<u>242,183,116</u>
Less accumulated depreciation:					
Buildings	(35,581,838)	(1,336,450)	(57,361)	-	(36,975,649)
Improvements	(90,369,688)	(4,354,863)	-	17,010	(94,707,541)
Machinery and equipment	(11,424,315)	(1,218,969)	167,754	293,234	(12,182,296)
Total accumulated depreciation	<u>(137,375,841)</u>	<u>(6,910,282)</u>	<u>110,393</u>	<u>310,244</u>	<u>(143,865,486)</u>
Net depreciable capital assets	<u>95,112,925</u>	<u>151,650</u>	<u>3,053,055</u>	<u>-</u>	<u>98,317,630</u>
Business-type capital assets, net	<u>\$ 100,047,145</u>	<u>\$ 2,467,738</u>	<u>\$ 99,796</u>	<u>\$ (63,361)</u>	<u>\$ 102,551,318</u>

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Discretely Presented Component Unit: Ponca City Development Authority	Balance at July 1, 2019	Additions	Disposals	Balance at June 30, 2020
Non-depreciable capital assets:				
Land	\$ 259,640	\$ -	\$ -	\$ 259,640
Construction-in-progress	7,600	12,000	-	19,600
Total non-depreciable capital assets	<u>267,240</u>	<u>12,000</u>	<u>-</u>	<u>279,240</u>
Depreciable capital assets:				
Buildings	11,147,015	233,997	-	11,381,012
Office equipment and furniture	54,313	5,963	-	60,276
Total depreciable capital assets	<u>11,201,328</u>	<u>239,960</u>	<u>-</u>	<u>11,441,288</u>
Less accumulated depreciation	<u>(1,185,656)</u>	<u>(301,787)</u>	<u>-</u>	<u>(1,487,443)</u>
Net depreciable capital assets	<u>10,015,672</u>	<u>(61,827)</u>	<u>-</u>	<u>9,953,845</u>
Capital assets, net	<u>\$ 10,282,912</u>	<u>\$ (49,827)</u>	<u>\$ -</u>	<u>\$ 10,233,085</u>

Depreciation:

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:

General government	\$ 209,502
Public safety	201,816
Streets and highways	1,696,711
Cultural, parks and recreation	508,266
Internal service funds	6,741
Total	<u>\$ 2,623,036</u>

Business-Type Activities:

PCUA	\$ 5,397,808
Airport	702,112
RecPlex	652,868
Marland Estate	94,731
Golf	62,763
Total	<u>\$ 6,910,282</u>

Discretely Presented Component Unit:

Ponca City Development Authority	<u>\$ 301,787</u>
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CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

8 - Long-Term Debt

The reporting entity's long-term debt is segregated by the amounts involving governmental activities, business-type activities and the discretely presented component unit.

Governmental Activities Long-Term Debt

Governmental activities long-term debt for the year ended June 30, 2020 consisted of the following:

Accrued compensated absences:

Accrued compensated absences reported in the governmental activities are comprised of accrued vacation leave.

Current portion	\$ 95,161
Non-current portion	856,448
	856,448
Total accrued compensated absences	\$ 951,609

Judgments payable:

Court-assessed judgments to be paid with ad valorem taxes over a three-year period.

Current portion	\$ 209,741
Non-current portion	208,356
	208,356
Total judgments payable	\$ 418,097

Use tax recoupment liability:

Current portion	\$ 92,140
Non-current portion	552,888
	552,888
Total use tax recoupment liability	\$ 645,028

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Business-Type Activities Long-Term Debt

Business-type activities long-term debt for the year ended June 30, 2020 consisted of the following:

Revenue Bonds Payable:

2012A Utility System Revenue Note to Banc of America Public Capital Corp, dated March 1, 2012, original issue amount of \$ 16,090,000, secured by gross utility revenues, interest rate of 2.7%, final maturity August 1, 2025	\$ 8,670,000
2019 Utility System Revenue Note to JPMorgan Chase Bank, N.A., dated July 25, 2019, original issue amount of \$ 22,000,000, secured by gross utility revenues, interest rate of 2.16%, final maturity February 1, 2029	<u>22,000,000</u>
Total revenue bonds payable	<u><u>\$ 30,670,000</u></u>
Current portion	\$ 1,470,000
Non-current portion	<u>29,200,000</u>
Total revenue bonds payable	<u><u>\$ 30,670,000</u></u>

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Notes Payable:

<p>Series 2007 Clean Water SRF Promissory Note to Oklahoma Water Resources Board, dated October 9, 2007, original issue amount \$ 5,565,000, secured by a pledge and assignment of revenues, derived from water, sanitary sewer, garbage, and electric systems, interest rate of 2.61% per annum plus an administrative fee of 0.5% per annum, final maturity September 15, 2029.</p>	<p>\$ 2,865,039</p>
<p>Series 2009A Clean Water SRF Promissory Note to Oklahoma Water Resources Board, dated October 1, 2009, original issue amount \$ 575,000, secured by a pledge and assignment of revenues derived from water, sanitary sewer, garbage, and electric systems, interest rate of 2.09% per annum plus an administrative fee of 0.5% per annum, final maturity March 15, 2030.</p>	<p style="border-top: 1px solid black;">210,643</p>
<p>Total notes payable</p>	<p style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 3,075,682</p>
<p>Current portion</p>	<p>\$ 281,781</p>
<p>Non-current portion</p>	<p style="border-bottom: 1px solid black;">2,793,901</p>
<p style="padding-left: 40px;">Total notes payable</p>	<p style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 3,075,682</p>

Refundable Grant Obligations:

<p>\$ 380,000 refundable grant obligation for water line improvements, dated July 1, 2001, payable in semi-annual installments of \$ 9,500, final payment due July 1, 2021, non-interest bearing.</p>	<p style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 19,000</p>
<p>Current portion</p>	<p style="border-bottom: 1px solid black;">\$ 19,000</p>
<p style="padding-left: 40px;">Total refundable grant obligations</p>	<p style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 19,000</p>

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital Lease Obligations:

Lease of equipment payable in monthly installments through August 2022, including interest calculated at 4.02%.	\$ 219,031
Current portion payable from restricted assets	\$ 94,908
Non-current portion	124,123
	\$ 219,031

Capital Assets Financed by Lease Obligations:

Total cost of capital assets financed by outstanding lease obligations	\$ 462,746
Less: accumulated depreciation	(234,488)
	\$ 228,258

Accrued Compensated Absences:

Accrued Compensated Absences:	
Accrued compensated absences reported in the business-type activities are comprised of accrued vacation leave:	
Current portion	\$ 42,170
Non-current portion	379,540
	\$ 421,710

Discretely Presented Component Unit Long-Term Debt:

Accrued Compensated Absences:	
Accrued compensated absences reported as a liability within the component unit statement of net position at June 30, 2020 are as follows:	
Current portion	\$ 5,114
Non-current portion	46,030
	\$ 51,144

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Changes in Long-Term Liabilities

	Balance at July 1, 2019	Additions	Reductions	Balance at June 30, 2020	Amounts due within one year
Governmental activities:					
Judgments payable	\$ 447,324	\$ 210,457	\$ (239,684)	\$ 418,097	\$ 209,741
Accrued compensated absences	960,048	47,001	(55,440)	951,609	95,161
Use tax recoupment liability	805,077	-	(160,049)	645,028	92,140
 Governmental activities long-term liabilities	 \$ 2,212,449	 \$ 257,458	 \$ (455,173)	 \$ 2,014,734	 \$ 397,042
Business-type activities:					
Direct borrowings and placements:					
Notes payable	\$ 3,407,862	\$ -	\$ (332,180)	\$ 3,075,682	\$ 281,781
Revenue bonds payable	9,830,000	22,000,000	(1,160,000)	30,670,000	1,470,000
Refundable grant obligations	38,000	-	(19,000)	19,000	19,000
Capital lease obligations	318,701	-	(99,670)	219,031	94,908
Accrued compensated absences	373,623	71,868	(23,781)	421,710	42,170
 Business-type activities long-term liabilities	 \$ 13,968,186	 \$ 22,071,868	 \$ (1,634,631)	 \$ 34,405,423	 \$ 1,907,859
Discretely presented component unit:					
Accrued compensated absences	\$ 46,949	\$ 4,195	\$ -	\$ 51,144	\$ 5,114

Debt Service Requirements to Maturity – Primary Government

The annual debt service requirements to maturity for long-term debt as of June 30, 2020 are as follows:

Year Ending June 30,	Judgments Payable	
	Principal	Interest
2019	\$ 209,741	\$ 41,810
2020	138,204	34,656
2021	70,152	21,046
	<u>\$ 418,097</u>	<u>\$ 97,512</u>

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Year Ending June 30,	Business-type Activities			
	Notes Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2021	\$ 281,781	\$ 78,474	\$ 1,470,000	\$ 946,224
2022	290,636	71,059	3,460,000	650,376
2023	299,770	63,410	4,135,000	564,665
2024	309,016	55,666	4,285,000	466,749
2025	318,904	47,386	4,445,000	365,094
2026 - 2030	1,575,575	105,647	12,875,000	556,767
Total	\$ 3,075,682	\$ 421,642	\$ 30,670,000	\$ 3,549,875

Year Ending June 30,	Capital Lease Obligations		Refundable Grant Obligations
	Principal	Interest	Principal
	2021	\$ 94,908	\$ 7,075
2022	98,797	3,185	-
2023	25,326	170	-
Total	\$ 219,031	\$ 10,430	\$ 19,000

All of the City's notes with the OWRB have a debt coverage covenant of 125% of maximum annual debt service. As of June 30, 2020, the City fully complied with the requirement.

9 - Landfill Closure and Post-Closure Liability

Oklahoma laws and regulations require PCUA to perform certain closure activities for its landfill and to provide certain maintenance and monitoring functions at the site for thirty years after it ceases operations. Although closure and post-closure care costs will be paid only near or after the date the facility stops accepting waste, PCUA reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$ 1,758,008 reported as "Landfill Closures/Post-Closure Cost" at June 30, 2020, represents the cumulative amount to date based on the use of 56.75% of the estimated capacity of the landfill. PCUA will recognize the remaining estimated cost and closure and post-closure care of \$ 1,339,804 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care at the site in 2020. However, PCUA expects its landfill to remain in operation for another 34 years with closure scheduled for the year 2054. Therefore, actual cost may be higher due to inflation, changes in technology, or changes in laws and regulations.

PCUA is also required by Federal and State regulations to provide evidence of financial assurance that funds are available to properly close the facility and to perform post-closure care for thirty years after the

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

facility has stopped accepting waste. PCUA is in compliance with this requirement and, as evidence of the financial assurance obligation, PCUA is a member of and has entered into a participation agreement with the Association for Landfill Financial Assurance (ALFA), an Oklahoma not-for-profit corporation. ALFA is a joint venture of local government owners and operators of landfills, including PCUA and is authorized by Oklahoma statute to serve as an approved financial assurance mechanism for its members.

PCUA periodically deposits a portion of the revenues derived from the operation of its landfill to a common escrow account managed by ALFA in amounts calculated to aggregate the estimated total cost of closure and post-closure care over the remaining operating life of the facility and through the post-closure period such amounts are determined in accordance with the terms of the joint venture agreement between PCUA and ALFA. PCUA expects that future inflation costs will be paid from investment earnings on these restricted assets.

However, if investment earnings are inadequate or if additional closure and post-closure care expenditures are deemed necessary due, for example, to changes in technology or applicable laws or regulations, then these costs may need to be covered by charges to future landfill users or from future borrowing.

10 - Interfund Balances and Activities

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.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Interfund transfers for the year ended June 30, 2020 were as follows:

Transfer From	Transfer To	Amount
PCUA	General	\$ 10,655,084
General	PCUA	200,000
General	Nonmajor Enterprise Funds	550,000
General	Nonmajor Governmental Funds	15,000
General	Ponca City Airport	190,000
General	Ponca City RecPlex	450,000
PCUA	Nonmajor Governmental Funds	1,100,000
Nonmajor Governmental Funds	PCUA	1,953,805
Nonmajor Governmental Funds	Ponca City Airport	16,667
Internal Service Funds	PCUA	10,000
		<u>\$ 15,140,556</u>

Reconciliation to Fund Financial Statements:

	Transfer In	Transfer Out
General Fund	\$ 10,655,084	\$ 1,405,000
Nonmajor Governmental Funds	1,115,000	1,970,472
PCUA	2,163,805	11,755,084
Ponca City Airport	206,667	-
Ponca City RecPlex	450,000	-
Nonmajor Enterprise Funds	550,000	-
Internal Service Funds	-	10,000
	<u>\$ 15,140,556</u>	<u>\$ 15,140,556</u>

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

11 - Fund Balances and Net Position

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental fund and all other governmental funds are presented as follows as shown on the Governmental Funds Balance Sheet in accordance with GASB Statement 54:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund balances:			
Nonspendable:			
Permanent fund principal	\$ -	\$ 1,153,952	\$ 1,153,952
Restricted for:			
Street and alley	-	336,600	336,600
Tourism	-	2,421,295	2,421,295
Grants	-	162,606	162,606
Library	-	196,325	196,325
Street improvements	-	4,498,387	4,498,387
Recreation center	-	1,045,442	1,045,442
Debt service	-	43,586	43,586
Committed to:			
Operating reserve	2,400,000	-	2,400,000
E-911/Cap	249,448	-	249,448
Assigned to:			
Other purposes	4,911,250	-	4,911,250
Special projects	-	32,440	32,440
Capital improvements	-	3,180,220	3,180,220
Matzene Book	-	916	916
Cann Estate	-	88,249	88,249
Unassigned	2,321,145	-	2,321,145
Total fund balances	<u>\$ 9,881,843</u>	<u>\$ 13,160,018</u>	<u>\$ 23,041,861</u>

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Restricted net position as reported in the Statement of Net Position is comprised of the following:

	<u>Enabling Legislation</u>	<u>Statutory Requirements</u>	<u>External Contracts</u>
Restricted net position - governmental activities:			
Street and alley	\$ -	\$ 336,600	\$ -
Hotel/motel tax	2,421,295	-	-
Grants	-	-	162,606
Library grant	-	-	196,325
Street improvement project	4,498,387	-	-
Recreation center tax	1,045,442	-	-
Debt service	-	43,586	-
Net pension asset	-	-	52,949
Matzene book	-	-	50,000
Cann Estate	-	-	1,103,952
	<hr/>	<hr/>	<hr/>
Total restricted net position	<u>\$ 7,965,124</u>	<u>\$ 380,186</u>	<u>\$ 1,565,832</u>
Restricted net position - business-type activities:			
Debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,904,520</u>

12 - Operating Leases

The Ponca City Development Authority leases office space on a month-to-month basis to different industries at the industrial park. Additional office space is leased and subleased, all on multiple-year terms. All paying leases for office space expired before the end of the year. The Authority is currently in negotiations to resume the leasing of office space.

Operating lease income received during the year ended June 30, 2020 amounted to \$ 447,389.

13 - Pledged Future Revenues

Utility Gross Revenue Pledge – The City has pledged future gross utility system revenues to repay \$ 16,090,000 of 2012A and \$ 22,000,000 of 2019 Series Utility System Revenue Notes. Proceeds of the bonds provided financing for utility system capital assets and other improvements. The bonds are payable through 2025 and 2029, respectively. The total principal and interest payable for the remainder of the life of these bonds is \$ 34,219,875. The bonds are payable from gross utility system revenues, and the debt service payments on the bonds this year were \$ 1,417,648, which was 2.54% of pledged system revenues of \$ 55,910,384.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Utility Net Revenues Pledge – The City has also pledged future net electric, water, wastewater, broadband and solid waste revenues to repay \$ 6,140,000 of 2007 and 2009A Series OWRB Notes Payable. Proceeds from the notes provided financing for utility system capital assets and improvements. The notes are payable through 2029 and 2030, respectively. The total principal and interest payable for the remainder of the life of these notes is \$ 3,497,324. The notes are payable from the above mentioned utility revenues. The debt service payments on the notes this year were \$ 376,265 which was 1.62% pledged net utility revenues of \$ 23,163,906.

14 - Employee Pension Plans

The City participates in three pension or retirement plans:

- Oklahoma Firefighters Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
- Ponca City Employees Retirement System – a single employer defined benefit pension plan

Oklahoma State Firefighters Pension and Retirement System (OFPRS)

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

Summary of significant accounting policies – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of OFPRS and additions to/deductions from OFPRS’s fiduciary net position have been determined on the same basis as they are reported by OFPRS. 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.

Benefits provided: OFPRS provides retirement, disability, and death benefits to members of the plan. Retirement benefits for members hired prior to November 1, 2013 are determined as 50% of the employee’s final average compensation for employees who have reached the age of 50 or have completed 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 55% of the employee’s final average compensation for employees who have reached the age of 50 or have completed 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

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Contributions: The contribution requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% 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 \$ 524,930. The State of Oklahoma also made on-behalf contributions to the Plan during the year. In the government-wide statement of activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$ 1,255,407. 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, 2020, the City reported a liability of \$ 13,043,711 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. 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 the pension plan for all participating employers as of June 30, 2019. Based upon this information, the City's proportion was 1.234421%.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

For the year ended June 30, 2020, the City recognized pension expense of \$ 2,407,565. At June 30, 2020 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	\$ 2,184,165	\$ 265,314
Change in assumptions	-	335,085
Net difference between projected and actual earnings on pension plan investments	-	944,214
Changes in proportion and differences between City contributions and proportionate share of contributions	-	276,085
City contributions subsequent to the measurement date	524,930	-
Total	\$ 2,709,095	\$ 1,820,698

The \$ 524,930 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, 2021. 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,		
2021	\$	310,388
2022		(200,502)
2023		195,715
2024		99,688
2025		(41,822)
	\$	363,467

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	2.75%
Salary increases:	2.75% to 10.5% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the Pub-2010 Public Safety Table, with generational mortality improvement using MP-2018.

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, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income	4.90%
Domestic equity	7.09%
International equity	9.19%
Real estate	7.99%
Other assets	5.57%

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 to 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.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's net pension liability	\$ 16,843,099	\$ 13,043,711	\$ 8,871,611

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 OFPRS; which can be located at www.ok.gov/fprs.

Oklahoma State Police Pension and Retirement System (OPPRS)

Plan description: The City of Ponca City, Oklahoma, 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.

Summary of significant accounting policies: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources relates to pension, and pension expense, information about the fiduciary net position of the OPPRS and additions to/deductions from OPPRS’s fiduciary net position have been determined on the same basis as they are reported by 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.

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 are provided for participants due to permanent disability. Survivor’s benefits are payable in full to the participant’s beneficiary upon the death of a retired participant.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Contributions: The contribution requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% 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 \$ 369,494. The State of Oklahoma also made on-behalf contributions to OPPRS to the Plan during the year. In the government-wide statement of activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$ 328,102. 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, 2020, the City reported an asset of \$ 52,949 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2019. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2019. Based on this information, the City's proportion was .8294 percent.

For the year ended June 30, 2020, the City recognized pension expense of \$ 629,454. At June 30, 2020, 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	\$ 31,776	\$ 249,996
Change in assumptions	135,200	-
Net difference between projected and actual earnings on pension plan investments	483,851	-
Changes in proportion and differences between City contributions and proportionate share of contributions	47,689	-
City contributions subsequent to the measurement date	369,494	-
Total	\$ 1,068,010	\$ 249,996

The \$ 369,494 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 asset in the year ended June 30, 2021.

CITY OF PONCA CITY, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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,		
2021	\$	243,743
2022		(63,864)
2023		86,428
2024		168,941
2025		13,272
	\$	448,520

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	2.75%	
Wage inflation:	3.50%	
Salary increases:	3.5% to 12.00% average, including inflation	
Investment rate of return:	7.50% net of pension plan investment expense	
Mortality rates:	Active participants: RP-2000 Combined Blue Collar Healthy Employees (generational using Scale AA) with age set back four years	
	Active participants (post-retirement) and nondisabled pensioners: RP-2000 Combined Blue Collar Healthy Employees (generational using Scale AA)	
	Disabled pensioners: RP-2000 Combined Blue Collar Healthy Employees with age set forward four years (no generational improvement)	

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2017.

The long-term expected rate of return on pension plan investments was determined using a building block method 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.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income	4.79%
Domestic equity	5.74%
International equity	9.19%
Real estate	7.99%
Private equity	10.20%
Commodities	3.50%

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 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 (asset) of the City calculated using the discount rate of 7.5% as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's net pension (asset) liability	\$ 2,255,604	\$ (52,949)	\$ (2,004,859)

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.

City of Ponca City Retirement Plan

Plan Description, Contribution Information and Funding Policies

The City sponsors the City of Ponca City Retirement Plan (the Plan), which is a single-employer defined benefit pension plan controlled by the provisions of a Group Contract adopted pursuant to City Ordinance. The plan is governed by the City of Ponca City, Oklahoma which may amend plan provisions, and which is responsible for the management of the plan assets. The City has delegated the authority to manage certain plan assets to Principal Life Insurance Company. All non-union full-time City employees who have attained

CITY OF PONCA CITY, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

the age of 21 are eligible to participate in the Plan after one year of service. The City requires annual actuarial valuations to determine if the City's fixed contribution rate is adequate to fund the actuarially determined contribution requirement. The Plan does not issue separate annual financial statements.

The Plan has a December 31 year-end. The City has elected to use December 31, 2019, as its measurement date; therefore, net pension liability and related deferred inflows are reported as of December 31, 2019. Pension payments made by the City from the measurement date to June 30, 2020, are reported as deferred outflows.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources relates to pension, and pension expense, amounts and disclosures have been prepared using the accrual basis of accounting. Employee and employer contributions are recognized as Plan revenues in the period in which they are due to the Plan. Benefits and refunds are recognized when due and payable pursuant to plan provisions. Investments are reported at fair value.

Eligibility Factors and Benefit Provisions

Governing authority	City Commission
Determination of contribution requirements	City ordinance, actuarially determined
Employer	Actuarially determined
Plan member	0%
Period required to vest	5 years – 50%; additional 10% vesting each year thereafter
Eligibility for benefits	Age 65 with 5 years of credited service or age 55 with 10 years credited service
Provisions for:	
Disability benefits	Yes
Death benefits	Yes
Benefits paid	1 $\frac{2}{3}$ % of average compensation multiplied by accrual service not to exceed 30 years; early retirement reduced by 5% each year up to 10 years

Contributions

The basis for determining the City's contributions is an actuarially determined contribution rate that is calculated each year in the Plan's actuarial valuation. The actuarially determined contribution rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses. The actuarially determined employer contribution for the measurement period ending December 31, 2019 is \$ 1,118,227.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Plan Membership

Active plan members	216
Inactive plan members entitled to but not yet receiving benefits	122
Disabled plan members entitled to benefits	7
Retired plan members or beneficiaries currently receiving benefits	<u>189</u>
Total	<u>534</u>

Investment Rate of Return

For the plan year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 21.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The cash flows used as inputs in the calculation are determined on a monthly basis.

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

At June 30, 2020, the City reported a liability of \$ 4,852,593 for its net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. There were no changes in assumptions or benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of December 31, 2019, and June 30, 2020, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balance, January 1, 2019	\$ 32,986,314	\$ 25,114,823	\$ 7,871,491
Changes for the year:			
Service cost	373,812	-	373,812
Interest	2,357,184	-	2,357,184
Benefit payments	(1,583,137)	(1,583,137)	-
Differences between expected and actual experience	(191,587)	-	(191,587)
Changes in assumptions	966,272	-	966,272
Employer contributions	-	1,138,159	(1,138,159)
Net investment income	-	5,386,420	(5,386,420)
Net changes	1,922,544	4,941,442	(3,018,898)
Balance, December 31, 2019	\$ 34,908,858	\$ 30,056,265	\$ 4,852,593

Plan fiduciary net position as a percentage of the total pension liability is 86.10%.

For the year ended June 30, 2020, the City recognized pension expense of \$ 487,484. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 359,066
Effects of changes in assumptions	708,599	-
Net differences between expected and net investment income	-	1,873,110
Employer contributions made after measurement date	421,086	-
Total deferred outflows and inflows of resources	\$ 1,129,685	\$ 2,232,176

The \$ 421,086 reported as deferred outflows of resources related to pension 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, 2021.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in the pension expense as follows:

Fiscal Year Ending June 30,	Amount to be Recognized
2021	\$ (483,505)
2022	(424,587)
2023	103,897
2024	(719,382)
	\$ (1,523,577)

Actuarial Assumptions

Key assumptions used in the plan actuarial valuation were:

Discount rate	7.00%
Long-term expected rate of return	7.00%
Measurement date	December 31, 2019
Inflation	2.25%
Projected salary increase	1.88% to 4.18%
Mortality	RP-2006 total data set mortality table
Actuarial cost method	Entry age normal

The long-term expected rate of return on pension plan investments as 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.

Discount rate: The discount rate used to measure the total pension liability was 7.00%. Because the City intends to fund the plan to cover all benefits, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return was adjusted to all periods of projected benefit payments to determine the total pension liability.

CITY OF PONCA CITY, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the City calculated using the discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's net pension liability	\$ 9,193,904	\$ 4,852,593	\$ 1,233,301

15 - Post-Employment Benefit Other Than Pensions (OPEB)

Plan Description, Benefits Provided and Contributions

The City provides post-retirement benefit options for certain health care benefits for retired employees, terminated employees and their dependents that are not eligible for Medicare, through a single employer defined benefit postemployment healthcare plan. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). Substantially all of the City's employees may become eligible for post-retirement benefits if they reach normal retirement age while working for the City.

The contribution requirements of plan members are established by City Trustees. Annual health insurance premiums are established by the third-party insurance provider.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The plan does not issue a stand-alone financial report.

Employees Covered by Benefit Terms

At June 30, 2020, the following City employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>304</u>
	<u>305</u>

Total OPEB Liability

The City's total OPEB liability of \$ 203,654 was measured and determined by an actuarial valuation performed as of June 30, 2020.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Interest discount rate	2.21% per year, compounded annually
Mortality	RPA-2000 Mortality Table projected to 2020 for males and females
Retirement date	Age 63
Pre-retirement termination	Table T-3 of the Actuary's Pension Handbook (excluding mortality)
Trend	5% per year
Actuarial cost method	Entry age normal

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2019	\$ 180,968
Changes for the year:	
Service cost	12,015
Interest cost	6,207
Differences between expected and actual experience	(14,987)
Changes in assumptions and inputs	19,899
Benefit payments	(448)
Net changes	<u>22,686</u>
Balance at June 30, 2020	<u><u>\$ 203,654</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease (1.21%)</u>	<u>Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Total OPEB liability	\$ 217,795	\$ 203,654	\$ 188,755

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following represents the total OPEB liability of the City as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (4%)	Healthcare Cost Trend Rates (5%)	1% Increase (6%)
Total OPEB liability	\$ 184,332	\$ 203,654	\$ 226,652

OPEB Expense

For the year ended June 30, 2020, the City recognized OPEB expense of \$ 23,134.

16 - 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; employees' health and life; and natural disasters.

The City management these various risks of loss as follows:

Type of Loss	Risk of Method Managed	Loss Retained
a. General Liability: - Torts - Errors and omissions - Police liability - Vehicle	Purchased insurance with Oklahoma Municipal Assurance Group	None
b. Physical Property: - Theft - Damage to assets - Natural disasters	Purchased insurance with \$ 25,000 deductible	None
c. Workers Compensation: - Employee injuries	Self-insured with third-party administration of the claims process. Insurance Fund used to account for activities with participating funds charged through an estimated annual claim cost for each fund. Administered by United Safety Claims.	Entire risk of loss retained for medial payments only.
d. Health and Life: - Medical - Dental	Self-insured with City paying a portion of health care premiums, and all of life and disability premiums. Administered by UMR.	Claims up to \$ 300,000 per individual self-funded with stop-loss insurance up to \$ 1,000,000 per person.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Claims Liability Analysis

At June 30, 2020, the City's workers' compensation and health care claims liability was \$ 714,650 based upon the estimated claims payable reported as reserves in the third-party administrator's monthly and quarterly reports to the City. The claims liabilities related to the above noted risks of loss that are retained are determined in accordance with the requirements of FASB ASC 450-10, Loss Contingencies (formerly Statement of Financial Accounting Standards (SFAS) No. 5), which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The City has elected to report its estimated claim liability at the discounted net present value of future payments. All court-ordered judgments are levied in accordance with State law over three years. For the internal service self-insurance funds, changes in the claims liability for the last three years are as follows:

	Health Care	Workers' Compensation	Total
Claim liability, June 30, 2017	\$ 293,957	\$ 451,558	\$ 745,515
Claims and changes in estimates	254,393	2,945,196	3,199,589
Claims payments	(313,525)	(3,046,817)	(3,360,342)
Claim liability, June 30, 2018	234,825	349,937	584,762
Claims and changes in estimates	387,617	4,084,127	4,471,744
Claims payments	(215,259)	(3,629,035)	(3,844,294)
Claim liability, June 30, 2019	407,183	805,029	1,212,212
Claims and changes in estimates	199,713	2,538,893	2,738,606
Claims payments	(282,943)	(2,953,225)	(3,236,168)
Claim liability, June 30, 2020	<u>\$ 323,953</u>	<u>\$ 390,697</u>	<u>\$ 714,650</u>

Reconciliation to Statement of Net Position:

Current portion	\$ 216,342
Noncurrent portion	498,308
Total	<u>\$ 714,650</u>

The City maintains a stop-loss policy for plans to limit risk associated with the plans. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Liability Protection Plan

The basic insurance agreement covers claims against municipalities for all government functions, utilities, and services covered in the Plan. These include bodily injury, property damage, wrongful acts, personal injury, and related torts under the state tort claims law and federal civil rights laws. All public officials, employees, services, and municipal functions are covered unless they are specifically listed as exclusions in the Plan.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

The title to all assets acquired by the Plan are vested in the Group. In the event of termination of the Group, such property shall belong to the then members of the Group in equal shares. Each participating City pays all costs, premiums, or other fees attributable to its respective participation in the Plan and is responsible for its obligation under any contract entered into with the Plan.

Reserves for claim losses include provisions for reported claims on a case basis and an estimate of claims incurred but not reported limited by aggregate and individual loss levels as specified by the Plan's reinsurance contracts. These credits, if any, represent contingent liabilities of the Plan if the reinsurer was unable to meet its obligations under the reinsurance agreement.

The Plan's insurance agreements are reinsured for excess losses based upon the contract year. The significant components of each reinsurance contract can be obtained from the Plan's annual financial report.

Workers' Compensation

The Workers' Compensation Insurance Fund is used to account for activities with participating funds charged through an estimated annual claim cost for each fund. Judgments are levied on property taxes. The claims process is administered by United Safety & Claims, Incorporated. The entire risk of loss is retained by the City.

17 - Commitments, Contingencies and Concentrations

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 judgement 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.

Grant Program Involvement:

In the normal course of operations, the City participates in various federal or 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 to ensure compliance with specific provisions of the grant or loan. Any liability or 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.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

CARES Act:

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and, on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the City operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the pandemic.

It is unknown how long the adverse conditions associated with the pandemic will last and what the complete financial effect will be to the City.

Ponca City Development Authority

The Ponca City Development Authority (the Authority) has several outstanding agreements in aid of economic development in which incentives are offered to entice businesses to relocate to the area. Such incentives include rent subsidies, relocation assistance, reimbursements for office furnishings, and reimbursements for office remodeling. The terms of the agreements state that since the agreements extend beyond the end of the fiscal year for the Authority, the payment of the incentives are conditional upon annual appropriation of the funds by the Authority.

Approximately 77.26% of the Authority's revenues were derived from sales tax collections during 2020. Any significant change in sales tax appropriations by the City could have a significant impact on operations.

18 - **Recently Issued Accounting Standards**

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

GASB Statement No. 87 "Leases" – This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement will become effective for the City in the fiscal year ended June 30, 2022.

GASB Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period" – The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement will become effective for the City in the fiscal year ended June 30, 2022.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

GASB Statement No. 90, “Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61” – This Statement improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement will become effective for the City in the fiscal year ended June 30, 2021.

GASB Statement No. 91, “Conduit Debt Obligations” – The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement will become effective for the City in the fiscal year ended June 30, 2023.

GASB Statement No. 92, Omnibus 2020” – The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including leases, intra-entity transfers related to pensions and OPEB plans, asset retirement obligations and reporting of reinsurance amounts. This Statement will become effective for the City in the fiscal year ended June 30, 2022.

GASB Statement No. 93, “Replacement of Interbank Offered Rates” – The objective of this Statement is to address accounting and financial reporting implications that result from global reference rate reform leading to the dissolution of the London Interbank Offered Rate (LIBOR) at the end of 2021. This statement will become effective for the City in the fiscal year ended June 30, 2022.

GASB Statement No. 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements” – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. This Statement will become effective for the City in the fiscal year ended June 30, 2023.

GASB Statement No 96, “Subscription-Based Information Technology Arrangements” – The Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. This Statement will become effective for the City in the fiscal year ended June 30, 2023.

GASB Statement No. 97, “Internal Revenue Code Section 457 Deferred Compensation Plans” – The primary objective of this Statement is to increase consistency and comparability in reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PONCA CITY, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes:				
Sales	\$ 7,500,000	\$ 7,500,000	\$ 7,672,784	\$ 172,784
Use	315,218	315,218	927,836	612,618
Franchise	509,000	509,000	418,002	(90,998)
E911	395,000	395,000	378,555	(16,445)
Weed	13,000	13,000	18,392	5,392
Total taxes	<u>8,732,218</u>	<u>8,732,218</u>	<u>9,415,569</u>	<u>683,351</u>
Intergovernmental:				
Cigarette tax	160,000	160,000	124,250	(35,750)
Alcoholic beverage tax	120,000	120,000	182,193	62,193
Grants	29,700	29,700	2,409,380	2,379,680
Total intergovernmental	<u>309,700</u>	<u>309,700</u>	<u>2,715,823</u>	<u>2,406,123</u>
Charges for services:				
Recreation programs	28,000	28,000	43,163	15,163
Wentz camp	36,000	36,000	19,313	(16,687)
Administrative services	2,676,193	2,676,193	2,676,193	-
Police services	150,000	150,000	120,100	(29,900)
Ambulance services	1,500,000	1,500,000	1,716,016	216,016
Animal control receipts	16,000	16,000	15,209	(791)
Library receipts	15,500	150,000	9,869	(140,131)
Rentals	183,200	183,200	219,588	36,388
Miscellaneous charges	21,000	7,459	117,523	110,064
Total charges for services	<u>4,625,893</u>	<u>4,746,852</u>	<u>4,936,974</u>	<u>190,122</u>
Fines and forfeitures	602,000	602,000	530,746	(71,254)
Licenses and permits	120,300	120,300	165,470	45,170
Investment income	200,000	200,000	201,241	1,241
Miscellaneous	6,100	6,100	7,822	1,722
Total revenues	<u>14,596,211</u>	<u>14,717,170</u>	<u>17,973,645</u>	<u>3,256,475</u>
Other financing sources:				
Sale of capital assets	15,000	15,000	37,860	22,860
Transfers from other funds	7,978,891	7,978,891	7,978,891	-
Total other financing sources	<u>7,993,891</u>	<u>7,993,891</u>	<u>8,016,751</u>	<u>22,860</u>
Total revenues and other financing sources	<u>\$ 22,590,102</u>	<u>\$ 22,711,061</u>	<u>\$ 25,990,396</u>	<u>\$ 3,279,335</u>

(Continued)

CITY OF PONCA CITY, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 (Continued)
 Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures and transfers:				
City commissioners	\$ 14,300	\$ 14,300	\$ 5,584	\$ 8,716
City manager	1,038,656	1,038,656	874,599	164,057
Central municipal activity	1,891,724	1,966,724	2,110,446	(143,722)
Finance	522,463	532,463	497,227	35,236
Municipal court	265,188	265,188	247,974	17,214
City attorney	288,576	288,576	232,280	56,296
Community development	655,809	642,268	629,001	13,267
Animal control	326,422	251,422	227,840	23,582
Emergency management	203,174	203,174	178,996	24,178
Police admin	6,048,551	6,048,551	5,470,998	577,553
Communications/911	640,162	640,162	624,883	15,279
Fire	5,627,804	5,627,804	5,826,066	(198,262)
Fire-Ambulance	1,184,442	1,184,442	1,135,648	48,794
Street admin	1,452,077	1,452,077	1,278,142	173,935
Engineering admin	596,863	596,863	548,700	48,163
Traffic engineering	476,235	476,235	469,946	6,289
Park maintenance	1,684,461	1,684,461	1,597,073	87,388
Recreation programs	345,186	345,186	304,110	41,076
Ambuc pool	76,956	76,956	66,174	10,782
Wentz camp	95,083	95,083	67,807	27,276
Marland's Grand Home	89,334	89,334	75,759	13,575
Library	1,068,593	1,076,593	1,004,391	72,202
Total expenditures and transfers	<u>24,592,059</u>	<u>24,596,518</u>	<u>23,473,644</u>	<u>1,122,874</u>
Revenue and other financing sources over (under) expenditures and transfers	<u>\$ (2,001,957)</u>	<u>\$ (1,885,457)</u>	<u>2,516,752</u>	<u>\$ 4,402,209</u>
Fund balances, beginning of year			<u>7,365,091</u>	
Fund balances, end of year			<u>\$ 9,881,843</u>	

CITY OF PONCA CITY, OKLAHOMA
NOTES TO BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2020

Budget Law

The City prepares its annual operating budget under the provisions of the Oklahoma Municipal Budget Act of 1979 (the Budget Act). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments. Public hearings are held no later than 15 days prior to the beginning of the budget year.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is legally enacted through the passage of a resolution by the City Commission.
- d. Subsequent to the City Commission enactment, the adopted budget is filed with the office of the State Auditor and Inspector.

The legal level of control at which expenditures may not legally exceed appropriations is the department category within a fund.

The City Manager may only transfer appropriations within expenditure categories within a department without City Commission approval. Transfers between expenditure categories of a department or fund and budget supplements made during the year are recommended by the City Manager and must be approved by the City Commission. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

In accordance with Title 60 of the Oklahoma State Statutes, the Ponca City Utilities Authority is required to prepare an annual budget and submit copies to the City as beneficiary. However, there are no further requirements such as form of budget, approval of the budget, or definition of a legal level of control.

Budgetary Accounting

The City prepares its budgets for all governmental fund types on the modified accrual basis of accounting.

Footnotes to Budgetary Comparison Schedules

The budgetary comparison schedules are reported on a modified accrual basis of accounting.

The legal level of appropriation control is the department level within a fund. Transfers of appropriations within a department require the approval of the City Manager. All supplemental appropriations require the approval of the City Commission. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.

CITY OF PONCA CITY, OKLAHOMA
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
 THE COLLECTIVE NET PENSION LIABILITY
 OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM
 Last Ten Fiscal Years¹

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	1.2344%	1.2280%	1.2410%	1.2426%	1.3474%	1.2648%
City's proportionate share of the net pension liability	\$ 13,043,711	\$ 13,822,537	\$ 15,613,535	\$ 15,180,723	\$ 14,301,304	\$ 13,007,400
City's covered payroll ²	\$ 3,765,054	\$ 3,650,547	\$ 3,792,730	\$ 3,475,715	\$ 3,552,540	\$ 3,584,500
City's proportionate share of the net pension liability as a percentage of its covered payroll	346%	379%	412%	437%	403%	363%
Plan fiduciary net position as a percentage of the total pension liability	72.85%	70.73%	66.61%	64.87%	68.27%	68.12%

¹ GASB 68 became effective in fiscal year 2015. GASB 68 requires presentation of ten years. Data was not available prior to fiscal year 2015; therefore, ten years of data is unavailable.

² The amounts presented for each fiscal year were determined as of June 30 of the previous fiscal year.

CITY OF PONCA CITY, OKLAHOMA
 SCHEDULE OF THE CITY'S CONTRIBUTIONS
 OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM
 Last Ten Fiscal Years¹

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 524,930	\$ 534,726	\$ 507,012	\$ 530,980	\$ 486,600	\$ 497,357
Contributions in relation to the statutorily required contribution	524,930	534,726	507,012	530,980	486,600	497,357
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 3,754,522	\$ 3,765,054	\$ 3,650,547	\$ 3,792,730	\$ 3,475,715	\$ 3,552,540
Contributions as a percentage of covered payroll	14.0%	14.2%	13.9%	14.0%	14.0%	14.0%

¹ GASB 68 became effective in fiscal year 2015. GASB 68 requires presentation of ten years. Data was not available prior to fiscal year 2015; therefore, ten years of data is unavailable.

CITY OF PONCA CITY, OKLAHOMA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE COLLECTIVE NET PENSION LIABILITY (ASSET)
OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM
Last Ten Fiscal Years¹

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.8294%	0.9433%	0.9858%	1.0033%	1.0509%	0.9876%
City's proportionate share of the net pension liability (asset)	\$ (52,949)	\$ (449,341)	\$ 75,831	\$ 1,536,471	\$ 42,849	\$ (332,521)
City's covered payroll ²	\$ 2,713,471	\$ 2,878,199	\$ 2,940,763	\$ 2,958,770	\$ 2,838,908	\$ 2,798,283
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-1.95%	-15.61%	2.58%	51.93%	1.51%	-11.88%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.24%	101.89%	99.68%	93.50%	99.82%	101.53%

¹ GASB 68 became effective in fiscal year 2015. GASB 68 requires presentation of ten years. Data was not available prior to fiscal year 2015; therefore, ten years of data is unavailable.

² The amounts presented for each fiscal year were determined as of June 30 of the previous fiscal year.

CITY OF PONCA CITY, OKLAHOMA
 SCHEDULE OF THE CITY'S CONTRIBUTIONS
 OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM
 Last Ten Fiscal Years¹

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 369,494	\$ 351,731	\$ 373,962	\$ 381,790	\$ 384,640	\$ 369,058
Contributions in relation to the statutorily required contribution	369,494	351,731	373,962	381,790	384,640	369,058
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 2,838,598	\$ 2,713,471	\$ 2,878,199	\$ 2,940,763	\$ 2,958,770	\$ 2,838,908
Contributions as a percentage of covered payroll	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%

¹ GASB 68 became effective in fiscal year 2015. GASB 68 requires presentation of ten years. Data was not available prior to fiscal year 2015; therefore, ten years of data is unavailable.

CITY OF PONCA CITY, OKLAHOMA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
PONCA CITY EMPLOYEES RETIREMENT SYSTEM
For the Plan Years Ended December 31

Last Ten Plan Years¹

	2019	2018	2017	2016	2015	2014
Total pension liability:						
Service cost	\$ 373,812	\$ 374,374	\$ 379,515	\$ 419,990	\$ 368,696	\$ 361,995
Interest	2,357,184	2,310,085	2,231,107	2,220,237	2,098,830	1,936,407
Benefit payments	(1,583,137)	(1,526,518)	(1,446,819)	(1,317,363)	(1,275,713)	(1,145,393)
Difference between expected and actual experience	(191,587)	(469,166)	(25,392)	(267,164)	452,433	252,776
Change in assumptions	966,272	-	-	(799,669)	-	902,741
Net change in total pension liability	1,922,544	688,775	1,138,411	256,031	1,644,246	2,308,526
Total pension liability, beginning of period	32,986,314	32,297,539	31,159,128	30,903,097	29,258,851	26,950,325
Total pension liability, end of period	34,908,858	32,986,314	32,297,539	31,159,128	30,903,097	29,258,851
Fiduciary net pension:						
Employer contributions	1,138,159	1,076,341	1,044,074	737,699	670,691	664,955
Net investment income (loss)	5,386,420	(1,415,856)	4,128,637	1,644,552	143,006	1,667,346
Benefit payments	(1,583,137)	(1,526,518)	(1,446,819)	(1,317,363)	(1,275,713)	(1,145,393)
Administration expenses	-	(7,275)	(31,516)	(22,516)	(29,266)	(23,006)
Net change in fiduciary net position	4,941,442	(1,873,308)	3,694,376	1,042,372	(491,282)	1,163,902
Fiduciary net position, beginning of period	25,114,823	26,988,131	23,293,755	22,251,383	22,742,665	21,578,763
Fiduciary net position, end of period	30,056,265	25,114,823	26,988,131	23,293,755	22,251,383	22,742,665
Net pension liability	\$ 4,852,593	\$ 7,871,491	\$ 5,309,408	\$ 7,865,373	\$ 8,651,714	\$ 6,516,186
Plan fiduciary net position as a percentage of the total pension liability	86%	76%	84%	75%	72%	78%
Covered payroll	\$ 9,620,304	\$ 9,014,601	\$ 8,987,729	\$ 9,094,453	\$ 8,902,399	\$ 8,134,360
Net pension liability as a percentage of covered payroll	50%	87%	59%	86%	97%	80%

¹ GASB 67 became effective in plan year 2014. GASB 67 requires presentation of ten years. Data was not available prior to plan year 2014; therefore, ten years of data is unavailable.

CITY OF PONCA CITY, OKLAHOMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PONCA CITY EMPLOYEES RETIREMENT SYSTEM
For the Plan Years Ended December 31
Last Ten Plan Years¹

	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 1,118,227	\$ 1,144,282	\$ 1,165,316	\$ 1,306,497	\$ 1,171,600	\$ 1,337,619
Contributions in relation to the actuarially determined contributions	1,138,159	1,076,341	1,044,074	737,699	670,691	664,955
Contribution deficiency (excess)	<u>\$ (19,932)</u>	<u>\$ 67,941</u>	<u>\$ 121,242</u>	<u>\$ 568,798</u>	<u>\$ 500,909</u>	<u>\$ 672,664</u>
Covered payroll	\$ 9,620,304	\$ 9,014,601	\$ 8,987,729	\$ 9,094,453	\$ 8,902,399	\$ 8,134,360
Contributions as a percentage of covered payroll	11.8%	11.9%	11.6%	8.1%	7.5%	8.2%

¹ GASB 67 became effective in plan year 2014. GASB 67 requires presentation of ten years. Data was not available prior to plan year 2014; therefore, ten years of data is unavailable.

Methods and assumptions for actuarially determined contribution:

- Actuarial cost method - entry age normal cost method, level percent of pay
- Asset valuation method - market value of assets, as of the measurement date
- Salary increases - 1.88% to 4.18% (varies by age)
- Investment rate of return - 7.00%
- Mortality table - RP-2006

CITY OF PONCA CITY, OKLAHOMA
 SCHEDULE OF MONEY-WEIGHTED INVESTMENT RETURNS
 PONCA CITY EMPLOYEES RETIREMENT SYSTEM
 For the Plan Years Ended December 31
 Last Ten Plan Years¹

	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return on plan investments, net of investment expense	21.82%	-5.33%	18.07%	7.51%	0.64%	7.83%

¹ GASB 67 became effective in plan year 2014. GASB 67 requires presentation of ten years. Data was not available prior to plan year 2014; therefore, ten years of data is unavailable.

CITY OF PONCA CITY, OKLAHOMA
SCHEDULE OF CHANGES IN THE CITY'S TOTAL
OPEB LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years¹

	2020	2019
Total OPEB liability:		
Service cost	\$ 12,015	\$ 7,434
Interest cost	6,207	6,789
Differences between expected and actual experience	(14,987)	(11,159)
Changes in assumptions and inputs	19,899	3,389
Benefit payments	(448)	(448)
Net change in total OPEB liability	22,686	6,005
Total OPEB liability, beginning	180,968	174,963
Total OPEB liability, ending	\$ 203,654	\$ 180,968
Covered payroll	\$ 2,585,125	\$ 2,387,703
The City's total OPEB liability as a percentage of covered payroll	7.88%	7.58%

¹ The City implemented GASB 75 in fiscal year 2019. GASB 75 requires the presentation of ten years. Data was not available prior to fiscal year 2019; therefore, ten years of data is unavailable.

SUPPLEMENTARY INFORMATION

CITY OF PONCA CITY, OKLAHOMA
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2020

	Special Revenue Funds						
	Special Projects	Street and Alley	Hotel/Motel Tax	Community Development	Library Grant	Library State Aid	Miscellaneous Trust
<u>ASSETS</u>							
Cash and cash equivalents	\$ 32,440	\$ 323,832	\$ 2,388,906	\$ 145,954	\$ 196,065	\$ 3,906	\$ 12,706
Investments	-	-	-	-	-	-	-
Accounts receivable	-	-	42,959	-	1,000	-	-
Due from other governments	-	16,171	-	17,126	-	-	-
Total assets	<u>\$ 32,440</u>	<u>\$ 340,003</u>	<u>\$ 2,431,865</u>	<u>\$ 163,080</u>	<u>\$ 197,065</u>	<u>\$ 3,906</u>	<u>\$ 12,706</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable and accrued liabilities	\$ -	\$ 3,403	\$ 10,570	\$ 474	\$ 740	\$ 3,906	\$ 12,706
Total liabilities	<u>-</u>	<u>3,403</u>	<u>10,570</u>	<u>474</u>	<u>740</u>	<u>3,906</u>	<u>12,706</u>
Fund balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	336,600	2,421,295	162,606	196,325	-	-
Assigned	32,440	-	-	-	-	-	-
Total fund balances	<u>32,440</u>	<u>336,600</u>	<u>2,421,295</u>	<u>162,606</u>	<u>196,325</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 32,440</u>	<u>\$ 340,003</u>	<u>\$ 2,431,865</u>	<u>\$ 163,080</u>	<u>\$ 197,065</u>	<u>\$ 3,906</u>	<u>\$ 12,706</u>

(Continued)

CITY OF PONCA CITY, OKLAHOMA
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 (Continued)
 June 30, 2020

	Special Revenue Funds	Capital Projects Funds			Debt Service	Permanent Funds		Total
	Economic Development	Recreation Center	Street Improvement Project	Capital Improvement Project		Matzene Book	Cann Estate	
<u>ASSETS</u>								
Cash and cash equivalents	\$ -	\$ 844,492	\$ 4,341,216	\$ 3,393,508	\$ 37,293	\$ 916	\$ 93,870	\$ 11,815,104
Investments	-	-	-	-	-	50,000	1,103,952	1,153,952
Accounts receivable	-	-	-	-	-	-	730	44,689
Due from other governments	200,962	200,950	200,962	-	6,293	-	-	642,464
Total assets	\$ 200,962	\$ 1,045,442	\$ 4,542,178	\$ 3,393,508	\$ 43,586	\$ 50,916	\$ 1,198,552	\$ 13,656,209
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable and accrued liabilities	\$ 200,962	\$ -	\$ 43,791	\$ 213,288	\$ -	\$ -	\$ 6,351	\$ 496,191
Total liabilities	200,962	-	43,791	213,288	-	-	6,351	496,191
Fund balances:								
Nonspendable	-	-	-	-	-	50,000	1,103,952	1,153,952
Restricted	-	1,045,442	4,498,387	-	43,586	-	-	8,704,241
Assigned	-	-	-	3,180,220	-	916	88,249	3,301,825
Total fund balances	-	1,045,442	4,498,387	3,180,220	43,586	50,916	1,192,201	13,160,018
Total liabilities and fund balances	\$ 200,962	\$ 1,045,442	\$ 4,542,178	\$ 3,393,508	\$ 43,586	\$ 50,916	\$ 1,198,552	\$ 13,656,209

CITY OF PONCA CITY, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2020

	Special Revenue Funds						
	Special Projects	Street and Alley	Hotel/Motel Tax	Community Development	Library Grant	Library State Aid	Miscellaneous Trust
Revenues:							
Taxes	\$ -	\$ -	\$ 486,992	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	209,464	-	152,438	12,675	10,865	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeitures	27,697	-	-	-	-	-	-
Investment income	-	-	-	620	-	-	-
Miscellaneous	-	-	724	2,158	-	-	-
Total revenues	<u>27,697</u>	<u>209,464</u>	<u>487,716</u>	<u>155,216</u>	<u>12,675</u>	<u>10,865</u>	<u>-</u>
Expenditures:							
Current:							
Public safety	22,000	-	-	-	-	-	-
Streets and highways	-	112,504	-	-	-	-	-
Culture, parks and recreation	-	-	376,850	-	18,545	10,865	-
Community development	-	-	-	130,486	-	-	-
Capital outlay	-	-	25,169	14,150	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>22,000</u>	<u>112,504</u>	<u>402,019</u>	<u>144,636</u>	<u>18,545</u>	<u>10,865</u>	<u>-</u>
Revenues over (under) expenditures	<u>5,697</u>	<u>96,960</u>	<u>85,697</u>	<u>10,580</u>	<u>(5,870)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>5,697</u>	<u>96,960</u>	<u>85,697</u>	<u>10,580</u>	<u>(5,870)</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	26,743	239,640	2,335,598	152,026	202,195	-	-
Fund balance, end of year	<u>\$ 32,440</u>	<u>\$ 336,600</u>	<u>\$ 2,421,295</u>	<u>\$ 162,606</u>	<u>\$ 196,325</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

CITY OF PONCA CITY, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 NONMAJOR GOVERNMENTAL FUNDS
 (Continued)
 Year Ended June 30, 2020

	Special Revenue Funds	Capital Projects Funds			Debt Service	Permanent Funds		Total
	Economic Development	Recreation Center	Street Improvement Project	Capital Improvement Project		Matzene Book	Cann Estate	
Revenues:								
Taxes	\$ 2,150,155	\$ 2,150,155	\$ 2,150,155	\$ -	\$ 251,806	\$ -	\$ -	\$ 7,189,263
Intergovernmental	-	-	-	-	-	-	-	385,442
Charges for services	-	-	-	-	-	-	1,580	1,580
Fines and forfeitures	-	-	-	-	-	-	-	27,697
Investment income	-	20,255	135,334	90,577	2,930	421	34,608	284,745
Miscellaneous	-	-	-	357,174	-	-	-	360,056
Total revenues	<u>2,150,155</u>	<u>2,170,410</u>	<u>2,285,489</u>	<u>447,751</u>	<u>254,736</u>	<u>421</u>	<u>36,188</u>	<u>8,248,783</u>
Expenditures:								
Current:								
Public safety	-	-	-	-	-	-	-	22,000
Streets and highways	-	-	409,830	-	-	-	-	522,334
Culture, parks and recreation	-	22,864	-	-	-	-	61,164	490,288
Community development	2,150,155	-	-	-	-	-	-	2,280,641
Capital outlay	-	-	2,409,828	1,034,107	-	-	-	3,483,254
Debt service:								
Principal	-	-	-	-	239,684	-	-	239,684
Interest and fiscal charges	-	-	-	-	44,732	-	-	44,732
Total expenditures	<u>2,150,155</u>	<u>22,864</u>	<u>2,819,658</u>	<u>1,034,107</u>	<u>284,416</u>	<u>-</u>	<u>61,164</u>	<u>7,082,933</u>
Revenues over (under) expenditures	<u>-</u>	<u>2,147,546</u>	<u>(534,169)</u>	<u>(586,356)</u>	<u>(29,680)</u>	<u>421</u>	<u>(24,976)</u>	<u>1,165,850</u>
Other financing sources (uses):								
Transfers in	-	-	-	1,100,000	-	-	15,000	1,115,000
Transfers out	-	(1,953,805)	-	(16,667)	-	-	-	(1,970,472)
Total other financing sources (uses)	<u>-</u>	<u>(1,953,805)</u>	<u>-</u>	<u>1,083,333</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>(855,472)</u>
Net change in fund balances	<u>-</u>	<u>193,741</u>	<u>(534,169)</u>	<u>496,977</u>	<u>(29,680)</u>	<u>421</u>	<u>(9,976)</u>	<u>310,378</u>
Fund balance, beginning of year	<u>-</u>	<u>851,701</u>	<u>5,032,556</u>	<u>2,683,243</u>	<u>73,266</u>	<u>50,495</u>	<u>1,202,177</u>	<u>12,849,640</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 1,045,442</u>	<u>\$ 4,498,387</u>	<u>\$ 3,180,220</u>	<u>\$ 43,586</u>	<u>\$ 50,916</u>	<u>\$ 1,192,201</u>	<u>\$ 13,160,018</u>

CITY OF PONCA CITY, OKLAHOMA
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR PROPRIETARY FUNDS
 June 30, 2020

	Business-Type Activities - Enterprise Funds		
	Marland Estate	Lew Wentz Golf Course	Total Other Enterprise Funds
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 212,829	\$ 102,575	\$ 315,404
Inventory	41,288	23,135	64,423
Total current assets	<u>254,117</u>	<u>125,710</u>	<u>379,827</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable	388,293	71,577	459,870
Depreciable, net of accumulated depreciation	573,464	427,526	1,000,990
Total noncurrent assets	<u>961,757</u>	<u>499,103</u>	<u>1,460,860</u>
Total assets	<u>1,215,874</u>	<u>624,813</u>	<u>1,840,687</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	<u>20,507</u>	<u>33,349</u>	<u>53,856</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued liabilities	32,109	67,219	99,328
Accrued compensated absences	1,406	2,036	3,442
Total current liabilities	<u>33,515</u>	<u>69,255</u>	<u>102,770</u>
Noncurrent liabilities:			
Accrued compensated absences	12,654	18,323	30,977
Net pension liability	78,946	143,504	222,450
Total OPEB liability	4,073	4,073	8,146
Total noncurrent liabilities	<u>95,673</u>	<u>165,900</u>	<u>261,573</u>
Total liabilities	<u>129,188</u>	<u>235,155</u>	<u>364,343</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	<u>37,943</u>	<u>57,224</u>	<u>95,167</u>
<u>NET POSITION</u>			
Net investment in capital assets	961,757	499,103	1,460,860
Unrestricted	107,493	(133,320)	(25,827)
Total net position	<u>\$ 1,069,250</u>	<u>\$ 365,783</u>	<u>\$ 1,435,033</u>

CITY OF PONCA CITY, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 NET POSITION - NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2020

	Business-Type Activities - Enterprise Funds		
	Marland Estate	Lew Wentz Golf Course	Total Other Enterprise Funds
Operating revenues:			
Charges for services	\$ 110,286	\$ -	\$ 110,286
Golf course fees	-	512,797	512,797
Total operating revenues	110,286	512,797	623,083
Operating expenses:			
Personal services	317,792	454,635	772,427
Materials and supplies	23,655	42,448	66,103
Maintenance, operations and contractual services	70,433	284,300	354,733
Depreciation	94,731	62,763	157,494
Total operating expenses	506,611	844,146	1,350,757
Operating loss	(396,325)	(331,349)	(727,674)
Non-operating revenues (expenses):			
Investment income	6,800	-	6,800
Loss before contributions and transfers	(389,525)	(331,349)	(720,874)
Capital contributions	5,200	12,037	17,237
Transfers from other funds	220,000	330,000	550,000
Net transfers and capital contributions	225,200	342,037	567,237
Change in net position	(164,325)	10,688	(153,637)
Net position, beginning of year	1,233,575	355,095	1,588,670
Net position, end of year	\$ 1,069,250	\$ 365,783	\$ 1,435,033

CITY OF PONCA CITY, OKLAHOMA
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2020

	Business-Type Activities - Enterprise Funds		
	Marland Estate	Lew Wentz Golf Course	Total Other Enterprise Funds
Cash flows from operating activities:			
Receipts from customers	\$ 110,286	\$ 516,227	\$ 626,513
Payments to suppliers	(84,111)	(316,901)	(401,012)
Payments to employees	(324,250)	(475,541)	(799,791)
Net cash flows from operating activities	<u>(298,075)</u>	<u>(276,215)</u>	<u>(574,290)</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	220,000	330,000	550,000
Net cash flows from noncapital financing	<u>220,000</u>	<u>330,000</u>	<u>550,000</u>
Cash flows from investing activities:			
Interest and dividends	6,800	-	6,800
Net cash flows from investing activities	<u>6,800</u>	<u>-</u>	<u>6,800</u>
Net increase (decrease) in cash and cash equivalents	(71,275)	53,785	(17,490)
Balances, beginning of year	284,104	48,790	332,894
Balances, end of year	<u>\$ 212,829</u>	<u>\$ 102,575</u>	<u>\$ 315,404</u>
Reconciliation of operating loss to net cash flows from operating activities:			
Operating loss	\$ (396,325)	\$ (331,349)	\$ (727,674)
Adjustments to reconcile operating loss to net cash flows from operating activities:			
Depreciation expense	94,731	62,763	157,494
Change in assets and liabilities:			
(Increase) decrease in receivables, net	-	3,430	3,430
(Increase) decrease in inventories	1,825	11,407	13,232
(Increase) decrease in deferred outflows	14,624	18,381	33,005
Increase (decrease) in accounts and other payables	8,152	(1,560)	6,592
Increase (decrease) in accrued compensated absences	5,970	(5,168)	802
Increase (decrease) in net pension liability	(59,117)	(74,306)	(133,423)
Increase (decrease) in total OPEB liability	454	454	908
Increase (decrease) in deferred inflows	31,611	39,733	71,344
Net cash flows from operating activities	<u>\$ (298,075)</u>	<u>\$ (276,215)</u>	<u>\$ (574,290)</u>
Non-cash capital financing activities:			
Capital asset contributions	<u>\$ 5,200</u>	<u>\$ 12,037</u>	

CITY OF PONCA CITY, OKLAHOMA
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 June 30, 2020

	City Garage	Insurance Imprest Fund	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 52,639	\$ 7,240,882	\$ 7,293,521
Investments	-	3,500,000	3,500,000
Accounts receivables - other	105,130	505,256	610,386
Prepaid expenses	-	29,591	29,591
Inventory	167,852	-	167,852
Total current assets	<u>325,621</u>	<u>11,275,729</u>	<u>11,601,350</u>
Noncurrent assets:			
Capital assets:			
Depreciable, net of accumulated depreciation	26,706	-	26,706
Total noncurrent assets	<u>26,706</u>	<u>-</u>	<u>26,706</u>
Total assets	<u>352,327</u>	<u>11,275,729</u>	<u>11,628,056</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	17,825	7,909	25,734
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued liabilities	101,144	106,215	207,359
Estimated claims liability	-	216,342	216,342
Accrued compensated absences	1,850	180	2,030
Total current liabilities	<u>102,994</u>	<u>322,737</u>	<u>425,731</u>
Noncurrent liabilities:			
Estimated claims liability	-	498,308	498,308
Accrued compensated absences	16,654	1,621	18,275
Net pension liability	72,512	30,039	102,551
Total noncurrent liabilities	<u>89,166</u>	<u>529,968</u>	<u>619,134</u>
Total liabilities	<u>192,160</u>	<u>852,705</u>	<u>1,044,865</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	39,557	9,980	49,537
<u>NET POSITION</u>			
Net investment in capital assets	26,706	-	26,706
Unrestricted	111,729	10,420,953	10,532,682
Total net position	<u>\$ 138,435</u>	<u>\$ 10,420,953</u>	<u>\$ 10,559,388</u>

CITY OF PONCA CITY, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 NET POSITION - INTERNAL SERVICE FUNDS
 Year Ended June 30, 2020

	City Garage	Insurance Imprest Fund	Total
Operating revenues:			
Charges for services	\$ 1,644,983	\$ 5,379,429	\$ 7,024,412
Total operating revenues	1,644,983	5,379,429	7,024,412
Operating expenses:			
Personal services	291,807	384,375	676,182
Materials and supplies	1,314,459	-	1,314,459
Other services and charges	54,046	4,174,186	4,228,232
Depreciation expense	9,575	-	9,575
Total operating expenses	1,669,887	4,558,561	6,228,448
Operating income (loss)	(24,904)	820,868	795,964
Non-operating revenues:			
Investment income	-	225,593	225,593
Miscellaneous income	2,610	512,730	515,340
Total non-operating revenues	2,610	738,323	740,933
Income before transfers	(22,294)	1,559,191	1,536,897
Other financing uses:			
Transfers to other funds	(10,000)	-	(10,000)
Change in net position	(32,294)	1,559,191	1,526,897
Net position, beginning of year	170,729	8,861,762	9,032,491
Net position, end of year	\$ 138,435	\$ 10,420,953	\$ 10,559,388

CITY OF PONCA CITY, OKLAHOMA
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2020

	City Garage	Insurance Imprest Fund	Total
Cash flows from operating activities:			
Receipts from customers	\$ 1,607,805	\$ 5,515,733	\$ 7,123,538
Payments to suppliers	(1,343,662)	(4,135,356)	(5,479,018)
Payments to employees	(304,044)	(885,405)	(1,189,449)
Net cash flows from operating activities	<u>(39,901)</u>	<u>494,972</u>	<u>455,071</u>
Cash flows from noncapital financing activities:			
Miscellaneous cash collections	2,610	512,730	515,340
Transfers to/from other funds	(10,000)	-	(10,000)
Net cash flows from noncapital financial activities	<u>(7,390)</u>	<u>512,730</u>	<u>505,340</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(20,990)	-	(20,990)
Net cash flows from capital and related financing activities	<u>(20,990)</u>	<u>-</u>	<u>(20,990)</u>
Cash flows from investing activities:			
Sale of investments	-	1,000,000	1,000,000
Interest and dividends	-	225,593	225,593
Net cash flows from investing activities	<u>-</u>	<u>1,225,593</u>	<u>1,225,593</u>
Net increase (decrease) in cash and cash equivalents	(68,281)	2,233,295	2,165,014
Balances, beginning of year	120,920	5,007,587	5,128,507
Balances, end of year	<u>\$ 52,639</u>	<u>\$ 7,240,882</u>	<u>\$ 7,293,521</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:			
Operating income (loss)	\$ (24,904)	\$ 820,868	\$ 795,964
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation expense	9,575	-	9,575
Change in assets and liabilities:			
(Increase) decrease in receivables, net	(37,178)	136,304	99,126
(Increase) decrease in prepaid expenses	-	18,954	18,954
(Increase) decrease in inventory	39,827	-	39,827
(Increase) decrease in deferred outflows	14,533	3,801	18,334
Increase (decrease) in accounts and other payables	(14,984)	19,876	4,892
Increase (decrease) in claims payable	-	(497,562)	(497,562)
Increase (decrease) in accrued compensated absences	565	(121)	444
Increase (decrease) in net pension liability	(58,752)	(15,364)	(74,116)
Increase (decrease) in deferred inflows	31,417	8,216	39,633
Net cash flows from operating activities	<u>\$ (39,901)</u>	<u>\$ 494,972</u>	<u>\$ 455,071</u>

CITY OF PONCA CITY, OKLAHOMA
SCHEDULE OF REVENUE BONDS AND NOTES DEBT SERVICE COVERAGE
Year Ended June 30, 2020

	Electric	Water	Solid Waste	Broadband	Wastewater	Total
Gross revenues of the system:						
Utility charges for service	\$ 35,224,686	\$ 8,507,373	\$ 5,454,260	\$ 416,981	\$ 6,307,084	\$ 55,910,384
Investment income	296,912	102,828	164,442	10,854	132,518	707,554
Total operating revenues	35,521,598	8,610,201	5,618,702	427,835	6,439,602	56,617,938
Operation and maintenance expenses:						
Personal services	2,758,787	1,496,339	2,412,571	153,956	1,172,534	7,994,187
Materials and supplies	87,601	421,414	28,946	9,214	82,536	629,711
Maintenance, operations and contractual services	1,797,057	1,281,623	824,939	256,306	742,769	4,902,694
Electricity purchased	19,927,440	-	-	-	-	19,927,440
Total operating expenses	24,570,885	3,199,376	3,266,456	419,476	1,997,839	33,454,032
Net revenues available for debt service	\$ 10,950,713	\$ 5,410,825	\$ 2,352,246	\$ 8,359	\$ 4,441,763	\$ 23,163,906
Maximum annual debt service*						2,776,479
Coverage						8.34
Required coverage						1.25

* Maximum annual debt services is based on 2021 debt service requirements for Oklahoma Water Resources Board Notes Payable Series 2007 and 2009A Clean Water SRF Promissory Note, and Series 2012A and Series 2019 Utility Systems Revenue Notes

CITY OF PONCA CITY, OKLAHOMA
 SCHEDULE OF RESERVE ACCOUNT BALANCE
 June 30, 2020

Description	Required Reserves	Reserve Balance June 30, 2020	Excess Balance (Under) Required Reserves
Notes payable:			
2012A Banc of America Public	\$ 848,980	\$ 848,980	\$ -



Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and City Commission
City of Ponca City, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ponca City, Oklahoma (the City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 3, 2020. Our report includes a reference to other auditors who audited the financial statements of the Ponca City Development Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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) as a basis for designing 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 City'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.

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Compliance and Other Matters

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

BT + Co., P.A.

December 3, 2020
Topeka, Kansas