

**THE CITY OF  
PONCA CITY, OKLAHOMA**

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

**AS OF AND FOR THE  
YEAR ENDED JUNE 30, 2018**

**THE CITY OF PONCA CITY, OKLAHOMA**  
**Table of Contents**  
**As of and for the Year Ended June 30, 2018**

	<u>Page</u>
List of Principal Officials .....	i
Independent Auditor’s Report .....	1
Management Discussion and Analysis .....	3
<b>Basic Financial Statements</b> .....	<b>13</b>
Statement of Net Position .....	14
Statement of Activities .....	16
Balance Sheet – Governmental Funds .....	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	21
Statement of Net Position – Proprietary Funds .....	22
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds .....	24
Statement of Cash Flows – Proprietary Funds .....	25
Statement of Fiduciary Net Position – Pension Trust Fund .....	27
Statement of Changes in Fiduciary Net Position – Pension Trust Fund .....	28
Statement of Fiduciary Net Position – Component Unit – Ponca City Development Authority .....	29
Statement of Revenues, Expenses and Changes in Fiduciary Net Position – Component Unit – Ponca City Development Authority .....	30
Notes to Basic Financial Statements .....	31

**THE CITY OF PONCA CITY, OKLAHOMA**  
**Table of Contents**  
**As of and for the Year Ended June 30, 2018**

	<u>Page</u>
<b>Required Supplementary Information</b> .....	78
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) – General Fund .....	79
Notes to Budgetary Comparison Schedule .....	82
Schedule of Proportionate Share of Net Pension Liabilities - OFPRS.....	84
Schedule of City Contributions – OFPRS.....	85
Schedule of Proportionate Share of Net Pension Liabilities - OPPRS.....	86
Schedule of City Contributions – OPPRS.....	87
Single-employer Defined Benefit Pension Plan Schedule of Changes in Net Pension Liabilities and Related Ratios .....	88
Single-employer Defined Benefit Pension Plan Schedule of Employer Contributions .....	89
Schedule of Money-Weighted Investment Returns .....	90
<b>Other Supplementary Information</b> .....	91
Nonmajor Governmental Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds .....	92
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	94
Nonmajor Proprietary Funds:	
Combining Statement of Net Position – Nonmajor Proprietary Funds .....	96
Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Nonmajor Proprietary Funds .....	97
Combining Statement of Cash Flows – Nonmajor Proprietary Funds .....	98
Internal Service Funds:	
Combining Statement of Net Position – Internal Service Funds .....	100

**THE CITY OF PONCA CITY, OKLAHOMA**

**Table of Contents**

**As of and for the Year Ended June 30, 2018**

	<b><u>Page</u></b>
Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Internal Service Funds .....	101
Combining Statement of Cash Flows – Internal Service Funds .....	102
Debt Covenant Schedules:	
Schedule of Revenue Bonds and Notes Debt Services Coverage .....	103
Schedule of Reserve Account Balances .....	104
<b>Internal Control and Compliance over Financial Reporting</b>	
Independent Auditor’s Report on Internal Control and Compliance.....	106

**THE CITY OF PONCA CITY, OKLAHOMA**  
**June 30, 2018**

**City Commission**

Homer Nicholson, Mayor

Lanita Chapman

Ryan Austin

Shasta Scott

Paul Taylor

**Finance Director/Clerk/Treasurer**

Marc LaBossiere



## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Commission  
The 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, 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express 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 fiduciary 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, based on our audit and the report of the 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, each major fund, and the aggregate remaining fund information of the City of Ponca City, Oklahoma, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules, as 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.


### *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 combining and individual nonmajor fund financial statements, the debt covenant schedules, and the schedule of reserve balances are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



December 20, 2018

# **THE CITY OF PONCA CITY, OKLAHOMA**

## **Management Discussion and Analysis**

### **June 30, 2018**

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, 2018. Please read it in conjunction with the City's financial statements, which follow this section.

#### **FINANCIAL HIGHLIGHTS**

- The City's total assets exceeded liabilities (net position) by \$164,088,041 for the fiscal year ended June 30, 2018.
- Total net position is comprised of the following:
  - Net investment in capital assets was \$115,754,446.
  - Net assets of \$20,711,031 are restricted by constraints imposed from outside the City, such as debt covenants, grantors, laws or regulations.
  - Unrestricted net assets of \$27,622,564 represent the portion available to maintain the City's continuing obligations to citizens, creditors and employees.
- Sales and use tax revenue in the General Fund to provide basic services totaled \$8,530,580, an increase of \$427,821 from the prior year.

#### **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.



**THE CITY OF PONCA CITY, OKLAHOMA**  
**Management Discussion and Analysis**  
**June 30, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**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 increase in the overall net position, due in part to increased revenues and a reduction of the City's estimated unfunded 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, airport and golf course activities are reported here.
- Fiduciary-presented component units – These account for activities of the City's reporting entity that do not meet the criteria for blending, specifically for the Ponca City Development Authority (PCDA).

**THE CITY OF PONCA CITY, OKLAHOMA**  
**Management Discussion and Analysis**  
**June 30, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**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.

**THE CITY OF PONCA CITY, OKLAHOMA**  
**Management Discussion and Analysis**  
**June 30, 2018**

**A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net Position**

The City's net assets totaled \$164,088,000 at the close of the most recent fiscal year.

The largest portion of the City's net position reflects its investments 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 2018, this investment in capital assets, net of related debt amounted to \$115,754,000. 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)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Current assets	\$ 33,044	\$ 29,342	\$ 42,319	\$ 39,106	\$ 75,363	\$ 68,448
Capital assets, net	58,065	59,374	77,669	78,777	135,734	138,151
Other non-current assets	-	-	3,657	3,629	3,657	3,629
Total assets	91,109	88,716	123,645	121,512	214,754	210,228
Deferred outflows of resources	3,771	4,514	266	900	4,037	5,414
Current liabilities	2,436	2,637	9,387	9,753	11,823	12,390
Non-current liabilities	19,366	21,922	20,316	27,154	39,682	49,076
Total liabilities	21,802	24,559	29,703	36,907	51,505	61,466
Deferred inflows of resources	2,109	868	1,089	432	3,198	1,300
Net position						
Invested in capital assets						
net of related debt	58,065	59,374	57,689	54,050	115,754	113,424
Restricted	14,412	12,498	6,300	6,141	20,712	18,639
Unrestricted	(1,508)	(4,068)	29,130	24,882	27,622	20,814
Total net position	\$ 70,969	\$ 67,804	\$ 93,119	\$ 85,073	\$ 164,088	\$ 152,877

**THE CITY OF PONCA CITY, OKLAHOMA**  
**Management Discussion and Analysis**  
**June 30, 2018**

**A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)**

**Net Position** (continued)

Another major portion of the City's net position, \$20,711,000, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$27,623,000 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 assets for the government as a whole.

**Changes in Net Position**

For the year ended June 30, 2018, net position of the primary government changed as follows:

	<b>CHANGES IN NET POSITION (in 000's)</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Revenues						
Program revenues	\$ 5,072	\$ 6,818	\$ 62,522	\$ 59,866	\$ 67,594	\$ 66,684
Taxes and other general revenues	18,095	17,514	519	458	18,614	17,972
Total revenues	<u>23,167</u>	<u>24,332</u>	<u>63,041</u>	<u>60,324</u>	<u>86,208</u>	<u>84,656</u>
Expenses						
General government	3,018	3,417	-	-	3,018	3,417
Public safety	14,071	14,993	-	-	14,071	14,993
Streets and highways	3,959	4,082	-	-	3,959	4,082
Culture, parks and recreation	3,945	4,115	-	-	3,945	4,115
Community development	304	231	-	-	304	231
Economic development	2,133	2,026	-	-	2,133	2,026
Interest on long-term debt	72	98	-	-	72	98
Utility Authority	-	-	44,307	43,113	44,307	43,113
Airport	-	-	1,867	1,826	1,867	1,826
Golf Course	-	-	893	913	893	913
Marland Estate	-	-	428	392	428	392
Total expenses	<u>27,502</u>	<u>28,962</u>	<u>47,495</u>	<u>46,244</u>	<u>74,997</u>	<u>75,206</u>
Excess (deficiency) before transfers	(4,335)	(4,630)	15,546	14,080	11,211	9,450
Transfers	7,500	7,091	(7,500)	(7,091)	-	-
Increase (decrease) in net position	<u>\$ 3,165</u>	<u>\$ 2,461</u>	<u>\$ 8,046</u>	<u>\$ 6,989</u>	<u>\$ 11,211</u>	<u>\$ 9,450</u>

# THE CITY OF PONCA CITY, OKLAHOMA

## Management Discussion and Analysis

June 30, 2018

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

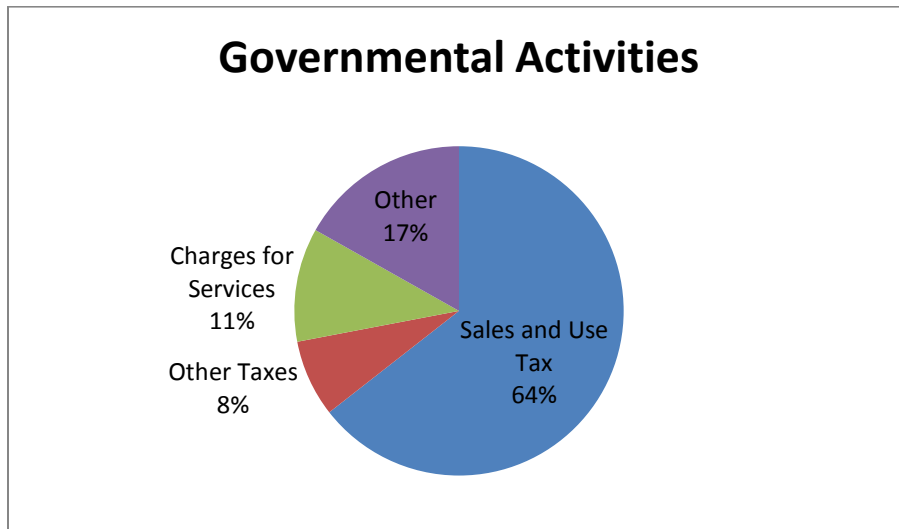
### Changes in Net Position (continued)

The City's governmental activities' net assets increased \$3,165,000. The business-type activities' net assets increased \$8,045,000. 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 differently 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, 2018, the City's governmental activities were funded as follows:



**THE CITY OF PONCA CITY, OKLAHOMA**  
**Management Discussion and Analysis**  
**June 30, 2018**

**A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)**

**Governmental Activities** (continued)

For the year ended June 30, 2018, total expenses for governmental activities amounted to \$27,502,000. Of these total expenses, taxes, other general revenues, and transfers funded \$25,595,000. Operating and Capital Grants and Contributions funded \$2,485,000. A total of \$2,587,000 was received from charges for services. There were no significant changes from the prior year.

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

	<b>Total Expense of Services</b>		<b>Net Revenue (Expense) of Services</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
General government	\$ 3,018	\$ 3,417	\$ (3,018)	\$ (1,196)
Public safety	14,071	14,993	(9,841)	(10,533)
Streets and highways	3,959	4,082	(3,959)	(4,082)
Culture, parks and recreation	3,945	4,115	(3,304)	(4,041)
Community development	304	231	(102)	(168)
Payment to PCDA	2,133	2,026	(2,133)	(2,026)
Interest on long-term debt	72	98	(72)	(98)
Total	<u>\$ 27,502</u>	<u>\$ 28,962</u>	<u>\$ (22,429)</u>	<u>\$ (22,144)</u>

**Business-type Activities**

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

- Total business-type activities reported an increase in net position of 8,045,000 for the year ended June 30, 2018.
- Ponca City Utility Authority reported net revenue for the year ended June 30, 2018, while the Airport, the Golf Course, and the Marland Estate operations reported net expenses. These results include the non-cash depreciation expense, and do not include budgeted cash transfer subsidies from the General Fund.

**THE CITY OF PONCA CITY, OKLAHOMA**  
**Management Discussion and Analysis**  
**June 30, 2018**

**A FINANCIAL ANALYSIS OF THE CITY’S FUNDS (continued)**

**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 \$38,000 and an increase in appropriations of \$651,300.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2018, the City had \$135,734,000 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 decrease of \$2,417,000 over the previous year.

	(In 000's)					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,000	\$ 941	\$ 1,462	\$ 1,203	\$ 2,462	\$ 2,144
Buildings	27,566	28,298	12,040	12,820	39,606	41,118
Improvements (other than buildings)	25,705	25,976	58,504	59,082	84,209	85,058
Machinery & Equipment	3,531	3,909	5,400	5,133	8,931	9,042
Construction in progress	263	250	263	539	526	789
Totals	<u>\$ 58,065</u>	<u>\$ 59,374</u>	<u>\$ 77,669</u>	<u>\$ 78,777</u>	<u>\$ 135,734</u>	<u>\$ 138,151</u>

**THE CITY OF PONCA CITY, OKLAHOMA**  
**Management Discussion and Analysis**  
**June 30, 2018**

**CAPITAL ASSET AND DEBT ADMINISTRATION (continue)**

**Long-term Debt**

At year-end, the City had \$23,654,000, in long-term debt outstanding which represented a decrease of \$6,177,000 from the prior year. The City’s changes in long-term debt by type of debt are as follows:

	<b>Primary Government Long-term Debt (in 000s)</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Compensated absences	\$ 863	\$ 945	\$ 363	\$ 369	\$ 1,226	\$ 1,314
Judgment payable	495	717	-	-	495	717
Revenue bonds	-	-	13,440	16,935	13,440	16,935
Notes payable	-	-	6,080	7,793	6,080	7,793
Capital lease obligation	-	-	406	-	406	-
Landfill closure/postclosure	-	-	2,356	2,990	2,356	2,990
Refundable grant obligation	-	-	57	82	57	82
Totals	<u>\$ 1,358</u>	<u>\$ 1,662</u>	<u>\$ 22,702</u>	<u>\$ 28,169</u>	<u>\$ 24,060</u>	<u>\$ 29,831</u>

See Note 3. 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 closed with a healthy rebound from 2017, where sales tax revenues climbed by 6.3% for the year.



**THE CITY OF PONCA CITY, OKLAHOMA**  
**Management Discussion and Analysis**  
**June 30, 2018**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (continued)**

The Fiscal 2017-18 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 391 full-time positions for Fiscal 2018, a decrease of one position that resulted from outsourcing operations of the recycling center. While continued efforts for efficiency are likely, no layoffs are planned for the coming year.

Capital spending for the coming year is budgeted at \$8,862,567, an increase of 10.11% from the prior year. Visible projects for fiscal 2018-19 include three marked sedans for the Police Department, a single axle dump truck for the Street Department, and re-surfacing tennis courts in War Memorial Park. The Ponca City Utility Authority will see construction of a new water well as well as \$1.3M in electric distribution system improvements. The landfill will purchase a new compactor, and water and wastewater have \$1,000,000 for new distribution and collection line replacements.

As with the retail sector, there have been minimal inflation increases to utility rates approved by the City Commission for electric, water, wastewater, stormwater, and solid waste utility services for Fiscal 2017-18.

The voter approved 5-year extension of a ½ cent dedicated sales and use tax for economic development effective February 1, 2014 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 Atwoods, and addition of restaurants such as Rib Crib and Sakura. Continued growth can be seen today, with a new Popeye's and LaQuinta Hotel under construction. 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.

**BASIC FINANCIAL STATEMENTS**

**THE CITY OF PONCA CITY**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 24,722,792	\$ 18,801,730	\$ 43,524,522
Investments	5,626,516	8,705,614	14,332,130
Restricted assets:			
Cash and cash equivalents	-	2,539,788	2,539,788
Investments	-	608,649	608,649
Prepaid insurance	25,971	54,817	80,788
Receivables:			
Accounts receivable, net of allowance	978,101	8,321,426	9,299,527
Other receivables, net of allowance	-	87,662	87,662
Due from other governments	1,484,420	-	1,484,420
Inventory	205,754	3,198,845	3,404,599
Total current assets	33,043,554	42,318,531	75,362,085
Non-current assets:			
Restricted assets:			
Cash and cash equivalents	-	1,670,328	1,670,328
Investment in joint venture	-	1,986,963	1,986,963
Capital assets:			
Non-depreciable	1,262,789	1,724,586	2,987,375
Depreciable, net of depreciation	56,802,660	75,944,152	132,746,812
Total non-current assets	58,065,449	81,326,029	139,391,478
Total assets	91,109,003	123,644,560	214,753,563
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amounts related to pensions	\$ 3,770,997	\$ 265,999	\$ 4,036,996

(Continued)

**THE CITY OF PONCA CITY**  
STATEMENT OF NET POSITION (continued)  
June 30, 2018

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 1,393,770	\$ 3,314,756	\$ 4,708,526
Accrued interest payable	-	181,877	181,877
Advanced revenues	362,126	-	362,126
Meter deposit liability	-	608,649	608,649
Current portion-due within one year:			
Judgments payable	251,763	-	251,763
Notes payable	-	1,531,950	1,531,950
Capital lease obligations	-	87,582	87,582
Revenue bonds payable	-	3,610,000	3,610,000
Refundable grant obligations	-	19,000	19,000
Estimated liability for claims	326,999	-	326,999
Accrued compensated absences	100,945	33,545	134,490
Total current liabilities	<u>2,435,603</u>	<u>9,387,359</u>	<u>11,822,962</u>
Non-current liabilities-due in more than one year:			
Judgments payable	243,170	-	243,170
Capital lease obligations	-	318,700	318,700
Notes payable	-	4,547,921	4,547,921
Revenue bonds payable	-	9,830,000	9,830,000
Refundable grant obligations	-	38,000	38,000
Estimated liability for claims	257,763	-	257,763
Accrued compensated absences	762,138	329,744	1,091,882
Net pension liability	18,103,020	2,895,754	20,998,774
Landfill closure/post-closure liability	-	2,355,664	2,355,664
Total non-current liabilities	<u>19,366,091</u>	<u>20,315,783</u>	<u>39,681,874</u>
Total liabilities	<u>21,801,694</u>	<u>29,703,142</u>	<u>51,504,836</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred amounts related to pensions	<u>2,108,772</u>	<u>1,088,910</u>	<u>3,197,682</u>
<b>NET POSITION</b>			
Net investment in capital assets	58,065,449	57,688,997	115,754,446
Restricted by:			
Enabling legislation	12,369,938	-	12,369,938
Statutory requirements	359,282	608,649	967,931
External contracts	1,682,474	5,691,408	7,373,882
Unrestricted (deficit)	<u>(1,507,609)</u>	<u>29,129,453</u>	<u>27,621,844</u>
Total net position	<u>\$ 70,969,534</u>	<u>\$ 93,118,507</u>	<u>\$ 164,088,041</u>

See accompanying notes to the financial statements.

**THE CITY OF PONCA CITY**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Change in Net Position		
		Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 3,018,336	\$ -	\$ -	\$ -	\$ (3,018,336)	\$ -	\$ (3,018,336)
Public safety	14,070,858	2,060,608	2,116,780	52,534	(9,840,936)	-	(9,840,936)
Streets and highways	3,959,468	-	-	-	(3,959,468)	-	(3,959,468)
Cultural, parks and recreation	3,945,181	325,331	23,865	292,310	(3,303,675)	-	(3,303,675)
Community development	303,394	200,962	-	-	(102,432)	-	(102,432)
Payment to PCDA	2,132,648	-	-	-	(2,132,648)	-	(2,132,648)
Interest on long-term debt	71,688	-	-	-	(71,688)	-	(71,688)
Total governmental activities	<u>27,501,572</u>	<u>2,586,901</u>	<u>2,140,645</u>	<u>344,844</u>	<u>(22,429,182)</u>	<u>-</u>	<u>(22,429,182)</u>
Business-type activities:							
Electric	30,679,977 6	40,033,957	-	-	-	9,353,980	9,353,980
Water	4,867,115 4	8,582,492	-	-	-	3,715,377	3,715,377
Solid waste	3,379,895 8	5,090,355	-	-	-	1,710,460	1,710,460
Wastewater	3,768,778 7	6,505,055	-	-	-	2,736,277	2,736,277
Stormwater	132,088 2	520,857	-	-	-	388,769	388,769
Administrative costs	1,478,492	-	-	-	-	(1,478,492)	(1,478,492)
Airport	1,867,484	1,031,342	-	-	-	(836,142)	(836,142)
Golf course	892,920	544,387	-	-	-	(348,533)	(348,533)
Marland Estate	428,404	179,326	-	33,855	-	(215,223)	(215,223)
Total business-type activities	<u>47,495,153</u>	<u>62,487,771</u>	<u>-</u>	<u>33,855</u>	<u>-</u>	<u>15,026,473</u>	<u>15,026,473</u>
Total primary government	<u>\$ 74,996,725</u>	<u>\$ 65,074,672</u>	<u>\$ 2,140,645</u>	<u>\$ 378,699</u>	<u>\$ (22,429,182)</u>	<u>\$ 15,026,473</u>	<u>\$ (7,402,709)</u>

(Continued)

**THE CITY OF PONCA CITY**  
**STATEMENT OF ACTIVITIES (continued)**  
For the Year Ended June 30, 2018

Functions/Programs	Net (Expenses) Revenues and Change in Net Position		
	Governmental Activities	Business-type Activities	Total
General revenues:			
Taxes:			
Sales and use taxes - unrestricted	\$ 8,530,580	\$ -	\$ 8,530,580
Sales and use taxes - streets and highways	2,132,648	-	2,132,648
Sales and use taxes - economic development	2,132,648	-	2,132,648
Sales and use taxes - recreation center	2,132,648	-	2,132,648
Franchise and public service taxes	508,079	-	508,079
Hotel/motel taxes	677,438	-	677,438
Ad valorem taxes	552,956	-	552,956
Other taxes	12,453	-	12,453
Investment income	449,670	508,665	958,335
Miscellaneous	965,573	10,063	975,636
Transfers - internal activity	7,499,871	(7,499,871)	-
Total general revenues and transfers	<u>25,594,564</u>	<u>(6,981,143)</u>	<u>18,613,421</u>
Change in net position	3,165,382	8,045,330	11,210,712
Net position - beginning of year	<u>67,804,152</u>	<u>85,073,177</u>	<u>152,877,329</u>
Net position - end of year	<u>\$ 70,969,534</u>	<u>\$ 93,118,507</u>	<u>\$ 164,088,041</u>

See accompanying notes to the financial statements.

**THE CITY OF PONCA CITY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2018**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,910,264	\$ 13,059,955	\$ 19,970,219
Investments	-	1,131,583	1,131,583
Receivables:			
Accounts receivable, net	708,041	67,947	775,988
Due from other governments	763,030	721,390	1,484,420
Due from other funds	-	-	-
	<u>8,381,335</u>	<u>14,980,875</u>	<u>23,362,210</u>
Total assets	<u>\$ 8,381,335</u>	<u>\$ 14,980,875</u>	<u>\$ 23,362,210</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 618,715	\$ 569,181	\$ 1,187,896
Advanced revenues	362,126	-	362,126
	<u>980,841</u>	<u>569,181</u>	<u>1,550,022</u>
Total liabilities	<u>980,841</u>	<u>569,181</u>	<u>1,550,022</u>
Fund balances:			
Nonspendable	-	1,131,583	1,131,583
Restricted	-	9,802,369	9,802,369
Committed	2,652,414	-	2,652,414
Assigned	4,212,371	3,477,742	7,690,113
Unassigned	535,709	-	535,709
	<u>7,400,494</u>	<u>14,411,694</u>	<u>21,812,188</u>
Total fund balances	<u>7,400,494</u>	<u>14,411,694</u>	<u>21,812,188</u>
Total liabilities and fund balances	<u>\$ 8,381,335</u>	<u>\$ 14,980,875</u>	<u>\$ 23,362,210</u>

See accompanying notes to the financial statements.

**THE CITY OF PONCA CITY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 9,051,112	\$ 7,628,338	\$ 16,679,450
Intergovernmental	285,217	635,050	920,267
Charges for services	2,465,126	2,964	2,468,090
Fines and forfeitures	671,155	23,519	694,674
Licences and permits	118,811	-	118,811
Investment income	109,718	219,965	329,683
Miscellaneous	1,939,762	102,065	2,041,827
	<u>14,640,901</u>	<u>8,611,901</u>	<u>23,252,802</u>
Total revenues			
Expenditures:			
Current:			
General government	2,979,633	200	2,979,833
Public safety	15,273,687	15,000	15,288,687
Streets and highways	1,686,328	317,680	2,004,008
Culture, parks and recreation	3,108,281	372,412	3,480,693
Community development	-	2,436,042	2,436,042
Capital outlay	149,718	1,685,404	1,835,122
Debt service:			
Principal retirement	-	436,559	436,559
Interest and fiscal charges	-	71,688	71,688
	<u>23,197,647</u>	<u>5,334,985</u>	<u>28,532,632</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(8,556,746)</u>	<u>3,276,916</u>	<u>(5,279,830)</u>
Other financing sources (uses):			
Transfers in	10,241,334	620,000	10,861,334
Transfers out	(1,165,000)	(1,983,784)	(3,148,784)
Proceeds from sale of fixed asset	16,121	-	16,121
	<u>9,092,455</u>	<u>(1,363,784)</u>	<u>7,728,671</u>
Total other financing sources (uses)			
Net change in fund balances	535,709	1,913,132	2,448,841
Fund balances - beginning of year	<u>6,864,785</u>	<u>12,498,562</u>	<u>19,363,347</u>
Fund balances - end of year	<u>\$ 7,400,494</u>	<u>\$ 14,411,694</u>	<u>\$ 21,812,188</u>

See accompanying notes to the financial statements.



**THE CITY OF PONCA CITY**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**

**TO THE STATEMENT OF NET POSITION**

For the Year Ended June 30, 2018

Total fund balance, governmental funds	\$	21,812,188
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		58,052,031
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Pension related deferred outflows		3,760,449
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.		
Judgment payable		(494,933)
Net pension liability		(17,988,193)
Accrued compensated absences liability		(850,480)
Pension related deferred inflows		(2,065,592)
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		8,744,064
Net Position of Governmental Activities in the Statement of Net Position	\$	<u>70,969,534</u>

## THE CITY OF PONCA CITY

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds: \$ 2,448,841

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	1,960,652
Loss on disposal of capital assets	(2,133)
Capital assets transferred to business-type activities	(212,679)
Depreciation expense	(3,046,777)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.

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 judgment payable	221,947
----------------------------	---------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in accrued compensated absences	92,467
--	--------

In the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension contributions as expenditures.

	244,216
--	---------

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.

	1,458,848
--	-----------

Change in net position - statement of activities

	<u>\$ 3,165,382</u>
--	---------------------

See accompanying notes to the financial statements

**THE CITY OF PONCA CITY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2018**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Ponca City Utility Authority	Ponca City Airport	Other Enterprise Funds	Total Enterprise Funds	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 17,903,820	\$ 435,088	\$ 462,822	\$ 18,801,730	\$ 4,752,573
Investments	8,705,614	-	-	8,705,614	4,494,933
Restricted assets:					
Cash and cash equivalents	2,539,788	-	-	2,539,788	-
Investments	608,649	-	-	608,649	-
Receivables:					
Utility billing, net of allowance for uncollectible accounts	8,321,426	-	-	8,321,426	-
Accounts receivables - other	29,617	55,700	2,345	87,662	202,113
Prepaid expenses	54,817	-	-	54,817	25,971
Inventory	3,051,247	77,880	69,718	3,198,845	205,754
Total current assets	41,214,978	568,668	534,885	42,318,531	9,681,344
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	1,670,328	-	-	1,670,328	-
Investment in joint venture	1,986,963	-	-	1,986,963	-
Capital assets:					
Nondepreciable	1,106,026	158,690	459,870	1,724,586	-
Depreciable, net of accumulated depreciation	64,414,935	10,277,598	1,251,619	75,944,152	13,418
Total noncurrent assets	69,178,252	10,436,288	1,711,489	81,326,029	13,418
Total assets	110,393,230	11,004,956	2,246,374	123,644,560	9,694,762
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Deferred amounts related to pensions	\$ 236,546	7,816	\$ 21,637	\$ 265,999	\$ 10,548

(Continued)

**THE CITY OF PONCA CITY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS (continued)**  
**June 30, 2018**

	Business-type Activities - Enterprise Funds				Governmental
	Ponca City	Ponca City	Other	Total	Activities -
	Utility Authority	Airport	Enterprise Funds	Enterprise Funds	Internal Service Funds
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 3,203,242	\$ 25,531	\$ 85,983	\$ 3,314,756	\$ 205,874
Accrued interest payable	181,877	-	-	181,877	-
Meter deposit liability	608,649	-	-	608,649	-
Current portion-due within one year:					
Refundable grant obligations	19,000	-	-	19,000	-
Estimated claims liability	-	-	-	-	326,999
Capital lease obligation	87,582	-	-	87,582	-
Revenue bonds payable	3,610,000	-	-	3,610,000	-
Notes payable	1,531,950	-	-	1,531,950	-
Accrued compensated absences	28,316	2,147	3,082	33,545	12,603
<b>Total current liabilities</b>	<b>9,270,616</b>	<b>27,678</b>	<b>89,065</b>	<b>9,387,359</b>	<b>545,476</b>
Noncurrent liabilities-due within more than one year:					
Refundable grant obligations	38,000	-	-	38,000	-
Estimated liability for claims	-	-	-	-	257,763
Accrued compensated absences	279,859	20,250	29,635	329,744	-
Net pension liability	2,575,121	85,091	235,542	2,895,754	114,827
Capital lease obligation	318,700	-	-	318,700	-
Landfill closure/post-closure liability	2,355,664	-	-	2,355,664	-
Revenue bonds payable	9,830,000	-	-	9,830,000	-
Notes payable, net of unamortized premium	4,547,921	-	-	4,547,921	-
<b>Total noncurrent liabilities</b>	<b>19,945,265</b>	<b>105,341</b>	<b>265,177</b>	<b>20,315,783</b>	<b>372,590</b>
<b>Total liabilities</b>	<b>29,215,881</b>	<b>133,019</b>	<b>354,242</b>	<b>29,703,142</b>	<b>918,066</b>
Deferred inflows of resources:					
Deferred amounts related to pensions	968,340	31,997	88,573	1,088,910	43,180
<b>NET POSITION</b>					
Net investment in capital assets	46,001,090	10,436,288	1,251,619	57,688,997	13,418
Restricted for debt service	4,210,836	-	-	4,210,836	-
Restricted for utility deposits	608,649	-	-	608,649	-
Restricted for encumbrances	1,020,702	-	459,870	1,480,572	-
Unrestricted (deficit)	28,604,278	411,468	113,707	29,129,453	8,730,646
<b>Total net position</b>	<b>\$ 80,445,555</b>	<b>\$ 10,847,756</b>	<b>\$ 1,825,196</b>	<b>\$ 93,118,507</b>	<b>\$ 8,744,064</b>

See accompanying notes to the financial statements.

**THE CITY OF PONCA CITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Ponca City Utility Authority	Ponca City Airport	Other Enterprise Funds	Total Enterprise Funds	
Operating Revenues:					
Charges for services:					
Electric	\$ 39,948,606	\$ -	\$ -	\$ 39,948,606	\$ -
Water	8,582,492	-	-	8,582,492	-
Solid waste	5,090,355	-	-	5,090,355	-
Wastewater	6,505,055	-	-	6,505,055	-
Airport	-	1,031,342	-	1,031,342	-
Marland Estate	-	-	179,326	179,326	-
Golf course	-	-	544,387	544,387	-
Stormwater	520,857	-	-	520,857	-
Other charges for services	85,351	-	-	85,351	6,996,006
Miscellaneous	9,445	-	618	10,063	-
Total operating revenues	<u>60,742,161</u>	<u>1,031,342</u>	<u>724,331</u>	<u>62,497,834</u>	<u>6,996,006</u>
Operating Expenses:					
Electric	30,526,928	-	-	30,526,928	-
Water	4,690,910	-	-	4,690,910	-
Solid waste	3,820,456	-	-	3,820,456	-
Wastewater	3,629,529	-	-	3,629,529	-
Stormwater	132,088	-	-	132,088	-
Marland Estate	-	-	428,404	428,404	-
Golf course	-	-	892,920	892,920	-
Airport	-	1,869,609	-	1,869,609	-
Administrative	1,402,234	-	-	1,402,234	-
City garage	-	-	-	-	1,436,152
Insurance claims and administrative	-	-	-	-	4,438,249
Total operating expenses	<u>44,202,145</u>	<u>1,869,609</u>	<u>1,321,324</u>	<u>47,393,078</u>	<u>5,874,401</u>
Operating income (loss)	<u>16,540,016</u>	<u>(838,267)</u>	<u>(596,993)</u>	<u>15,104,756</u>	<u>1,121,605</u>
Non-Operating Revenues (Expenses):					
Investment income	501,514	2,938	4,213	508,665	119,987
Income from joint venture	28,504	-	-	28,504	-
Change in estimate of post-closure costs	634,793	-	-	634,793	-
Miscellaneous	-	-	-	-	217,256
Interest expense and fiscal charges	(544,761)	-	-	(544,761)	-
Gain (loss) on asset retirement	(222,736)	2,125	-	(220,611)	-
Net non-operating revenues (expenses)	<u>397,314</u>	<u>5,063</u>	<u>4,213</u>	<u>406,590</u>	<u>337,243</u>
Income (loss) before contributions and transfers	<u>16,937,330</u>	<u>(833,204)</u>	<u>(592,780)</u>	<u>15,511,346</u>	<u>1,458,848</u>
Capital contributions	212,679	-	33,855	246,534	-
Transfers from other funds	2,262,117	206,667	460,000	2,928,784	-
Transfers to other funds	(10,641,334)	-	-	(10,641,334)	-
Net transfers and capital contributions	<u>(8,166,538)</u>	<u>206,667</u>	<u>493,855</u>	<u>(7,466,016)</u>	<u>-</u>
Change in net position	<u>8,770,792</u>	<u>(626,537)</u>	<u>(98,925)</u>	<u>8,045,330</u>	<u>1,458,848</u>
Net position - beginning of year	<u>71,674,763</u>	<u>11,474,293</u>	<u>1,924,121</u>	<u>85,073,177</u>	<u>7,285,216</u>
Net position - end of year	<u>\$ 80,445,555</u>	<u>\$ 10,847,756</u>	<u>\$ 1,825,196</u>	<u>\$ 93,118,507</u>	<u>\$ 8,744,064</u>

See accompanying notes to the financial statements.

**THE CITY OF PONCA CITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Ponca City Utility Authority	Ponca City Airport	Other Enterprise Funds	Total Enterprise Funds	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers	\$ 59,517,859	\$ 1,161,629	\$ 722,480	\$ 61,401,968	\$ 6,861,991
Payments to suppliers	(29,738,694)	(355,424)	(412,445)	(30,506,563)	(5,175,897)
Payments to employees	(8,642,857)	(975,774)	(733,316)	(10,351,947)	(808,141)
Net cash provided by (used in) operating activities	21,136,308	(169,569)	(423,281)	20,543,458	877,953
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Other miscellaneous cash collections	-	-	-	-	217,256
Transfers from other funds	2,262,117	206,667	460,000	2,928,784	-
Transfers to other funds	(10,641,334)	-	-	(10,641,334)	-
Net cash provided by (used in) noncapital financing activities	(8,379,217)	206,667	460,000	(7,712,550)	217,256
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from sale of capital assets	5,818	-	-	5,818	-
Contributions to joint venture	(20,583)	-	-	(20,583)	-
Purchases of capital assets	(5,285,139)	(95,997)	(11,989)	(5,393,125)	-
Principal paid or retired on capital debt	(5,159,564)	-	-	(5,159,564)	-
Payment of grant obligation	(25,250)	-	-	(25,250)	-
Payment of capital lease obligations	(56,464)	-	-	(56,464)	-
Interest paid on capital debt	(642,169)	-	-	(642,169)	-
Net cash provided by (used in) capital and related financing activities	(11,183,351)	(95,997)	(11,989)	(11,291,337)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Proceeds from sales and maturities of investments	(1,678,707)	-	-	(1,678,707)	-
Purchase of investments	-	-	-	-	(2,743,053)
Interest and dividends	522,097	2,938	4,213	529,248	119,987
Net cash provided by (used in) investing activities	(1,156,610)	2,938	4,213	(1,149,459)	(2,623,066)
Net increase (decrease) in cash and cash equivalents	417,130	(55,961)	28,943	390,112	(1,527,857)
Balances - beginning of year	21,696,806	491,049	433,879	22,621,734	6,280,430
Balances - end of year	\$ 22,113,936	\$ 435,088	\$ 462,822	\$ 23,011,846	\$ 4,752,573
					(Continued)
Non-cash activities					
Capital assets acquired with capital lease	\$ 462,746	\$ -	\$ -	462,746	\$ -

**THE CITY OF PONCA CITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (continued)**  
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Ponca City Utility Authority	Ponca City Airport	Other Enterprise Funds	Total Enterprise Funds	
<b>Reconciliation to Statement of Net Position:</b>					
Cash and cash equivalents	\$ 17,903,820	\$ 435,088	\$ 462,822	\$ 18,801,730	\$ 4,752,573
Current restricted cash and cash equivalents	2,539,788	-	-	2,539,788	-
Noncurrent restricted cash and cash equivalents	1,670,328	-	-	1,670,328	-
Total cash and cash equivalents, end of year	<u>\$ 22,113,936</u>	<u>\$ 435,088</u>	<u>\$ 462,822</u>	<u>\$ 23,011,846</u>	<u>\$ 4,752,573</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>					
Operating income (loss)	\$ 16,540,016	\$ (838,267)	\$ (596,993)	\$ 15,104,756	\$ 1,121,605
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation expense	6,044,537	756,768	183,088	6,984,393	7,514
Change in assets and liabilities:					
(Increase) decrease in receivables, net	(1,224,302)	130,287	(1,851)	(1,095,866)	(134,015)
(Increase) decrease in inventories	24,024	(5,713)	(11,014)	7,297	(31,661)
(Increase) decrease in prepaids	(54,817)	-	-	(54,817)	-
(Increase) decrease in deferred outflows	1,148,693	18,318	49,773	1,216,784	24,408
Increase (decrease) in claims payable	-	-	-	-	(160,753)
(Increase) decrease in prepaid expenses	-	-	-	-	338
(Increase) decrease in due from other funds	-	-	-	-	-
Increase (decrease) in accounts and other payables	(103,316)	(187,140)	3,110	(287,346)	63,589
Increase (decrease) in advanced revenues	-	(23,194)	-	(23,194)	-
Increase (decrease) in customer meter deposits payable	(20,689)	-	-	(20,689)	-
Increase (decrease) in net pension liability	(1,215,204)	(38,395)	(101,882)	(1,355,481)	(50,346)
Increase (decrease) in deferred inflows	-	19,446	54,277	73,723	26,392
Increase (decrease) in accrued compensated absences	(2,634)	(1,679)	(1,789)	(6,102)	10,882
Net cash provided by (used in) operating activities	<u>\$ 21,136,308</u>	<u>\$ (169,569)</u>	<u>\$ (423,281)</u>	<u>\$ 20,543,458</u>	<u>\$ 877,953</u>

See accompanying notes to the financial statements.

**THE CITY OF PONCA CITY**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**PENSION TRUST FUND**  
**June 30, 2018**

**ASSETS**

Investments at contract value:

Insurance contracts \$ 3,765,628

Investments at fair value:

Unallocated insurance contracts:

Bond and mortgage 4,756,702

International stock 4,004,582

Large cap stock index 13,949,672

Total unallocated insurance contracts: 22,710,956

Total Assets \$ 26,476,584

**NET POSITION**

Restricted for pension benefits \$ 26,476,584

See accompanying notes to the financial statements.



**THE CITY OF PONCA CITY**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**PENSION TRUST FUND**  
For the Year Ended June 30, 2018

**ADDITIONS:**

Employer contributions	\$ 1,058,581
Investment income:	
Investment return	<u>2,226,155</u>
 Total additions	 <u>3,284,736</u>

**DEDUCTIONS:**

Benefits paid to participants or beneficiaries	1,447,529
Administrative expense	<u>31,516</u>
 Total deductions	 <u>1,479,045</u>
 Change in net position held in trust for pension benefits	 1,805,691
 Net position - beginning of year	 <u>24,670,893</u>
 Net position - end of year	 <u>\$ 26,476,584</u>

See accompanying notes to the financial statements.

**THE CITY OF PONCA CITY**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**COMPONENT UNIT - PONCA CITY DEVELOPMENT AUTHORITY**  
**June 30, 2018**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 8,296,841
Receivables:	
Due from other governments	358,584
Accounts receivable (net of allowance for uncollectible)	12,886
Prepaid expenses	<u>15,409</u>
Total current assets	<u>8,683,720</u>

Noncurrent assets:

Capital assets:	
Nondepreciable	259,640
Depreciable, net of accumulated depreciation	<u>7,811,094</u>
Total noncurrent assets	<u>8,070,734</u>

Total assets	<u>16,754,454</u>
--------------	-------------------

**LIABILITIES**

Current liabilities:

Accounts payable	28,224
Deferred lease income	4,583
Payroll taxes payable	7,691
Current portion:	
Accrued compensated absences	<u>3,206</u>
Total current liabilities	43,704

Noncurrent liabilities:

Accrued compensated absences	28,852
Security deposits	<u>11,572</u>
Total noncurrent liabilities	<u>40,424</u>

Total liabilities	<u>84,128</u>
-------------------	---------------

**NET POSITION**

Restricted for development	<u><u>\$ 16,670,326</u></u>
----------------------------	-----------------------------

See accompanying notes to the financial statements.

**THE CITY OF PONCA CITY**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**COMPONENT UNIT - PONCA CITY DEVELOPMENT AUTHORITY**  
For the Year Ended June 30, 2018

**Additions:**

Payments from City of Ponca City	\$ 2,132,648
Lease income	352,289
Miscellaneous income	20,878
Total additions	<u>2,505,815</u>

**Deductions:**

Accounting and legal	11,301
City center expense	583,893
Depreciation	225,196
Dues and subscriptions	9,506
Existing industry	164,398
Fringe benefits	167,233
Insurance	19,881
Land improvements	56,915
Marketing	132,692
Meetings and conferences	7,195
Miscellaneous	37,214
New industry incentives and credits	999,464
Office supplies, postage, and printing	12,876
Payroll taxes	36,189
Rent	13,500
Salaries	546,130
Telephone	8,871
Total deductions	<u>3,032,454</u>

Interest income	71,595
Contribution income	200,000
Total nonoperating income (expense)	<u>271,595</u>

Change in net position (255,044)

Net position - beginning of year 16,925,370

Net position - end of year \$ 16,670,326

See accompanying notes to the financial statements.

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**INDEX**

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

- A. Financial Reporting Entity
- B. Basis of Presentation
- C. Measurement Focus and Basis of Accounting
- D. Assets, Liabilities and Net Position
- E. Internal and Interfund Balances and Activities
- F. Revenues, Expenditures and Expenses
- G. Use of Estimates

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

- A. Deficit Fund Balances or Net Position
- B. Deposit and Investment Requirements
- C. Debt Restrictions and Covenants

**NOTE 3 – DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS**

- A. Deposits and Investments
- B. Receivable
- C. Restricted Assets
- D. Investment in Joint Venture
- E. Capital Assets
- F. Long-term Debt
- G. Landfill Closure and Post-Closure Liability
- H. Interfund Balances and Net Activities
- I. Fund Balances and Net Position
- J. Pledged Future Revenues

**NOTE 4 – OTHER NOTES**

- A. Employee Pension and Other Benefit Plans
- B. Risk Management
- C. Commitments and Contingencies

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 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
Fiduciary – Presented Component Unit:	Ponca City Development Authority

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board 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 are 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 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.

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**A. Financial Reporting Entity** (continued)

**BLENDED COMPONENT UNITS** (continued)

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u> (continued)
(continued)	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	Established January 24, 1966, to collect and account for sewer connection fees 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	Established October 12, 1959, to collect and account for sewer connection fees Works Authority on certain dedicated sewer lines. The current City Commission serves as the (PCPWA) governing body (Trustees) of the PCPWA. The Authority is presently inactive.

**FIDUCIARY PRESENTED COMPONENT UNITS**

Fiduciary-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 fiduciary –presented in the City’s report as presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>
Ponca City Development Authority	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 develops 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 102 S. 5 <sup>th</sup> St. #3, Ponca City, OK 74601.

**JOINT VENTURE**

The City of Ponca City, Oklahoma 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 3.D.). 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 the Association for Landfill Financial Assurance for the year ended June 30, 2018 may be obtained from its administrative offices at 100 E Street, Suite 200, Ardmore, OK 73401.

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**B. Basis of Presentation and Accounting**

*Government-Wide Financial Statements:*

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between the expenses and program revenues directly associated with the different governmental functions and business-type activities to arrive at the net revenue or expense of the function or activity prior to the use of taxes and other general revenues. Program revenues include (1) fees, fines and service charges generated by the program or activity, (2) operating grants and contributions that are restricted to meeting the operational requirements of the program or activity, and (3) capital grants and contributions that are restricted to meeting the capital requirement of the program or activity. The policy for allocating indirect expenses to functions is on a percentage basis of the activity.

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 (10%) 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 (5%) 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 under the column titled Other Governmental Funds. The funds of the financial reporting entity are described below:

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**B. Basis of Presentation and Accounting** (continued)

*Fund 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 not 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 Project Funds**

The nonmajor Recreation Center Tax 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 THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**B. Basis of Presentation and Accounting** (continued)

*Fund 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 60 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 two major enterprise funds:

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

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

Nonmajor enterprise funds include

Marland Estate Fund  
Lew Wentz Golf Course

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**B. Basis of Presentation and Accounting** (continued)

**Proprietary Fund Types** (continued)

**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.

Internal service funds include:

Motor Pool Fund  
Insurance Imprest Fund

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

**Trust Funds**

Trust Funds are used to account for assets held by the City in a trustee capacity. Expendable Trust Funds are accounted for in essentially the same manner as proprietary funds. No non-expendable trust funds or pension funds are used and/or maintained. 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 Ponca 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.

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING** (continued)

**Measurement Focus** (continued)

- b. The proprietary fund utilizes an “*economic resources*” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.
- c. The trust fund utilizes an “*economic resources*” measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Trust fund equity is classified as net position.
- d. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**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 financial 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-ended mutual fund shares are also considered cash equivalents and are reported at the funds’ current share prices.

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. ASSETS, LIABILITIES AND NET POSITION** (continued)

**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 non-negotiable 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 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 modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 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 and General Fund 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.

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. ASSETS, LIABILITIES AND NET POSITION** (continued)

**Capital Assets and Depreciation**

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

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 estimated fair 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.

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 asset is as follows:

Buildings	50 years
Other improvements	25 years
Infrastructure	15-50 years
Equipment and vehicles	3-25 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, 2018, 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, 2018, the City has deferred inflows of resources related to pension deferrals.

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. ASSETS, LIABILITIES AND NET POSITION** (continued)

**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. The long-term debt consists of accrued compensated absences and judgments payable.

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 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.

The estimated current portion of the liability for vested vacation attributable to The City's governmental funds is recorded as an expenditure and liability in the respective funds. The amounts attributable to proprietary funds and similar component units are charged to expense and credited to a corresponding liability in the applicable fund or component unit. The estimated liabilities include required salary-related payments.

**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, 2018.

**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 THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. ASSETS, LIABILITIES AND NET POSITION** (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 is 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.

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. ASSETS, LIABILITIES AND NET POSITION** (continued)

**Equity Classification** (continued)

- 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, 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 balance also incorporates 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 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.



**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**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 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 fiduciary 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/expenses in the respective funds.
4. Interfund transfers - flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**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 fiduciary fund 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.

Sales tax collected by the State in June and July (which represent sales for May and June) and received by the City in July and August 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, 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 13 ½ 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.

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**F. REVENUES, EXPENDITURES, AND EXPENSES** (continued)

**Operating Revenues and Expenses**

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

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 and August have been accrued and are included under the caption *Due from Other Governments*.

**Cigarette, Tobacco, and Tobacco Products Tax**

**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 expenses relating to use of economic resources. Fiduciary funds report additions and deductions to net position.

**G. USE OF ESTIMATES**

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

**NOTE 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.

**A. DEFICIT FUND BALANCES OR NET POSITION**

Title 11, 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, 2018, the City reported no individual fund deficits.

**B. 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

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY** (continued)

**B. DEPOSIT AND INVESTMENT REQUIREMENTS** (continued)

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 judgements. or bond or revenue anticipation notes of public trusts whose beneficiary
- e) Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator and in obligations of the National Mortgage Association.
- f) Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a, b, c and d.

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.

**C. 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, 2018, the City had no general obligation debt.

**Notes Payable**

The loan agreements with the Oklahoma Water Resources Board relating to construction notes payable of the 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, 2018.

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY** (continued)

**C. DEBT RESTRICTIONS AND COVENANTS** (continued)

**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, 2018.

**NOTE 3 – DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues and expenditures/expenses.

**A. DEPOSITS AND INVESTMENTS**

At June 30, 2018, the reporting entity held the following deposits and investments:

Type	Credit rating	Maturities in Years				
		Fair Value	On Demand	Less Than One	6-10	More than 10
Petty cash	N/A	\$ 46,924	\$ 46,924	\$ -	\$ -	\$ -
Demand accounts	N/A	25,623,848	25,623,848	-	-	-
Time deposits	N/A	30,114,263	-	30,114,263	-	-
Money market mutual funds	Not rated	4,210,116	-	4,210,116	-	-
Mutual funds - fixed income	Not rated	83,947	-	-	83,947	-
U.S. Government agencies	AA	1,150,118	-	-	-	1,150,118
		61,229,216	\$ 25,670,772	\$ 34,324,379	\$ 83,947	\$ 1,150,118
Guaranteed interest account	N/A	8,522,334				
Hedge funds	N/A	147,171				
Mutual funds - alternative	N/A	53,446				
Mutual funds - equities	N/A	18,704,901				
Total deposits and investments at fair value		88,657,068				
Other investments at cost	N/A	494,933				
		\$ 89,152,001				
Reconciliations to Statement of Net Assets:						
Cash and cash equivalents		\$ 43,524,522				
Investments		14,332,130				
Current restricted cash and cash equivalents		2,539,788				
Current restricted investments		608,649				
Noncurrent restricted cash and cash equivalents		1,670,328				
Pension fund investments		26,476,584				
Total		\$ 89,152,001				

**Fiduciary Component Unit:**

Type	Credit rating	Maturities in Years				
		Fair Value	On Demand	Less Than One	6-10	More than 10
Money Market	AAA	\$ 8,296,841	\$ -	\$ 8,296,841	\$ -	\$ -

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 3 – DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS** (continued)

**A. DEPOSITS AND INVESTMENTS** (continued)

Other investments included above represent judgments rendered against the City which have been purchased by the City directly from the claimants. Because there is no fair value determination, the City has reported these amounts at cost less principal collected to date. Judgments are collected within three years pursuant to state statutes.

*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, 2018, the City was not exposed to custodial credit risk.

*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, 2018, the City had no concentration of credit risk as defined above.

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 3 – DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS** (continued)

**A. DEPOSITS AND INVESTMENTS** (continued)

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 money market mutual funds are valued using level 1 inputs and the City’s U.S. government agency securities are valued using level 2 inputs.

**B. RECEIVABLES**

**Accounts Receivable**

Accounts receivable of the governmental activities is net of allowance for uncollectible accounts on the statement of net position. 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.

The governmental activities receivables include fines, other taxes and miscellaneous receivables as follows:

<b>Governmental Activities:</b>	<b><u>Total</u></b>			
Accounts receivable	\$	1,393,343		
Less: allowance for uncollectible accounts		(415,242)		
Accounts receivable, net of allowance	\$	<u>978,101</u>		
<b>Business-type Activities:</b>	<b><u>Utility</u></b>	<b><u>Misc.</u></b>	<b><u>Allowance</u></b>	<b><u>Total</u></b>
	<b><u>Accounts</u></b>	<b><u>Accounts</u></b>		
	<b><u>Receivable</u></b>	<b><u>Receivable</u></b>		<b><u>Total</u></b>
PCUA	\$ 8,690,372	\$ 29,617	\$ (368,946)	\$ 8,351,043
Lew Wentz Golf Course	-	2,345		2,345
Airport	-	55,700	-	55,700
Totals	<u>\$ 8,690,372</u>	<u>\$ 87,662</u>	<u>\$ (368,946)</u>	<u>\$ 8,409,088</u>

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 3 – DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS** (continued)

**C. 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, 2018, are as follows:

	Cash and Cash Equivalents		Investments	Investment in	Total
	Current	Noncurrent	Current	Joint Venture	
Revenue bond and note payable trustee accounts	\$ 2,539,788	\$ 1,670,328	\$ -	\$ -	\$ 4,210,116
Landfill financial assurance	-	-	-	1,986,963	1,986,963
Deposits held for refund	-	-	608,649	-	608,649
	<u>\$ 2,539,788</u>	<u>\$ 1,670,328</u>	<u>\$ 608,649</u>	<u>\$ 1,986,963</u>	<u>\$ 6,805,728</u>

**D. 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. No amounts were funded in fiscal 2018. 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 \$28,504 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, 2018, PCUA’s equity interest totaled \$1,986,963 which is reported as an investment in joint venture on the statement of net position. For the year ended June 30, 2018, the investment in joint venture balance changed as follows:

Beginning investment in joint venture	\$ 1,958,459
Net income in joint venture	<u>28,504</u>
Ending investment in joint venture	<u>\$ 1,986,963</u>



**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 3 – DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS** (continued)

**E. CAPITAL ASSETS**

For the year ended June 30, 2018, capital assets balances changed as follows:

	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Balance at June 30, 2018</u>
Governmental activities:					
Non-depreciable:					
Land	\$ 940,717	\$ 272,000	\$ (212,679)	\$ -	\$ 1,000,038
Construction-in-progress	250,411	216,290	(203,950)	-	262,751
Total non-depreciable assets at historical cost	<u>1,191,128</u>	<u>488,290</u>	<u>(416,629)</u>	<u>-</u>	<u>1,262,789</u>
Depreciable:					
Buildings	40,844,548	-	-	-	40,844,548
Improvements	127,923,182	1,004,684	203,950	-	129,131,816
Machinery and equipment	13,423,982	467,678	-	(410,698)	13,480,962
Total depreciable assets at historical cost	<u>182,191,712</u>	<u>1,472,362</u>	<u>203,950</u>	<u>(410,698)</u>	<u>183,457,326</u>
Less accumulated depreciation:					
Buildings	(12,546,872)	(732,492)	-	-	(13,279,364)
Improvements	(101,947,427)	(1,478,432)	-	-	(103,425,859)
Machinery and equipment	(9,514,641)	(843,367)	-	408,565	(9,949,443)
Total accumulated depreciation	<u>(124,008,940)</u>	<u>(3,054,291)</u>	<u>-</u>	<u>408,565</u>	<u>(126,654,666)</u>
Net depreciable assets	<u>58,182,772</u>	<u>(1,581,929)</u>	<u>203,950</u>	<u>(2,133)</u>	<u>56,802,660</u>
Governmental activities capital assets, net	<u>\$ 59,373,900</u>	<u>\$ (1,093,639)</u>	<u>\$ (212,679)</u>	<u>\$ (2,133)</u>	<u>\$ 58,065,449</u>
Business-type activities:					
Non-depreciable:					
Land	\$ 1,202,654	47,000	212,679	-	\$ 1,462,333
Construction-in-progress	538,649	192,946	(469,342)	-	262,253
Total non-depreciable assets at historical cost	<u>1,741,303</u>	<u>239,946</u>	<u>(256,663)</u>	<u>-</u>	<u>1,724,586</u>
Depreciable:					
Buildings	42,555,576	37,641	-	-	42,593,217
Improvements	139,729,070	4,072,024	469,342	(90,928)	144,179,508
Machinery and equipment	15,072,448	1,536,423	(41,541)	(851,917)	15,715,413
Total depreciable assets at historical cost	<u>197,357,094</u>	<u>5,646,088</u>	<u>427,801</u>	<u>(942,845)</u>	<u>202,488,138</u>
Less accumulated depreciation:					
Buildings	(29,735,492)	(817,464)	-	-	(30,552,956)
Improvements	(80,646,672)	(5,120,481)	-	90,928	(85,676,225)
Machinery and equipment	(9,939,079)	(1,046,448)	41,541	629,181	(10,314,805)
Total accumulated depreciation	<u>(120,321,243)</u>	<u>(6,984,393)</u>	<u>41,541</u>	<u>720,109</u>	<u>(126,543,986)</u>
Net depreciable assets	<u>77,035,851</u>	<u>(1,338,305)</u>	<u>469,342</u>	<u>(222,736)</u>	<u>75,944,152</u>
Business-type capital assets, net	<u>\$ 78,777,154</u>	<u>\$ (1,098,359)</u>	<u>\$ 212,679</u>	<u>\$ (222,736)</u>	<u>\$ 77,668,738</u>

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

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 3 – DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS** (continued)

**E. CAPITAL ASSETS** (continued)

**FIDUCIARY COMPONENT UNIT:**

	<b>Balance at July 1, 2017</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance at June 30, 2018</b>
Ponca City Development Authority				
Non-depreciable:				
Land	\$ 198,335	\$ 61,305	\$ -	\$ 259,640
Total non-depreciable assets	<u>198,335</u>	<u>61,305</u>	<u>-</u>	<u>259,640</u>
Depreciable:				
Buildings	8,311,877	400,245	-	8,712,122
Office equipment & furniture	93,135	8,071	-	101,206
Total depreciable assets	8,405,012	408,316	-	8,813,328
Less accumulated depreciation	<u>(777,038)</u>	<u>(225,196)</u>	<u>-</u>	<u>(1,002,234)</u>
Capital assets, net	<u>\$ 7,826,309</u>	<u>\$ 244,425</u>	<u>\$ -</u>	<u>\$ 8,070,734</u>

The land was transferred from The City of Ponca City, Oklahoma on June 18, 2003 and has been recorded at the estimated fair market value of the land on that date.

**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:**

Street	\$ 1,980,768
Public safety	235,594
General government	237,063
Cultural, parks and recreation	593,352
Internal service funds	7,514
Total	<u>\$ 3,054,291</u>

**Business-type Activities:**

PCUA	\$ 6,044,537
Airport	756,768
Marland Estate	97,974
Golf	<u>85,114</u>
Total	<u>\$ 6,984,393</u>

**YMCA Contract for the Construction of Aquatic Facility**

The City has entered into an operating agreement with the YMCA for the joint ownership and construction of a Recreation Center (Facility). The YMCA's portion of the construction and development costs have been dedicated solely to the construction of a swimming pool and aquatic facility that the parties developed as part of the Recreation Center. The City has developed and built the Recreation Center, and the YMCA will manage and operate the facility. The initial term of the operating agreement is ten years and will renew automatically for five successive periods of five-years each. The agreement may be terminated by either party upon not less than 180 days of notice before the end of the initial term or any term. The facility opened in December 2010.

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 3 – DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS** (continued)

**F. LONG-TERM DEBT**

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

**Governmental Activities Long-term Debt**

Governmental activities long-term debt payables from net revenues for the year ended June 30, 2018, consisted of the following:

Accrued Compensated Absences:

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

Current portion	\$ 100,945
Non-current portion	762,138
Total accrued compensated absences	<u>\$ 863,083</u>

Judgment Payable:

Court-assessed judgment to be paid with ad valorem taxes over a three-year period. Judgments is held by the City as an investment as a result of its paying the original judgment holder in full.

Current portion	\$ 251,763
Non-current portion	243,170
Total judgment payable	<u>\$ 494,933</u>

**Business-type Activities Long-term Debt**

Business-type activities long-term debt payable from net revenues generated by and taxes pledged to The City’s business-type activities for the year ended June 30, 2018 consisted of the following:

**Revenue Bonds Payable:**

**Sales Tax Revenue Note, Series 2013 to Specialized Lending, LLC, dated**

November 20, 2013, original issue amount of \$12,510,000, secured by a pledge of sales tax revenue and all funds and accounts established by the note agreement, interest rate of 1.86%, final maturity February 1, 2019.

\$ 2,520,000

**2012 A Utility System Revenue Note to Banc of America Public Capital Corp,**

dated March 1, 2012, original issue amount \$16,090,000, secured by gross revenues of the system interest rate of 2.7%, final maturity date August, 2025.

10,920,000

Total Revenue Bonds Payable	<u>\$ 13,440,000</u>
Current portion	\$ 3,610,000
Non-current portion	9,830,000
Total Revenue Bonds Payable	<u>\$ 13,440,000</u>

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 3 – DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS** (continued)

**F. LONG-TERM DEBT** (continued)

**Business-type Activities Long-term Debt** (continued)

**Notes Payable:**

**1999 A Promissory Note to Oklahoma Water Resource Board, dated December 23, 1999,**  
original issue amount of \$2,370,907, secured by a pledge and assignment of revenues derived  
from water, sewer, electric and garbage systems, non-interest bearing, administrative fee of  
0.5%, final maturity August 15, 2019. 177,820

**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 3,366,485

**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. 246,558

**Series 2012 B Promissory Note to Oklahoma Water Resources Board, dated March 28, 2012,**  
original issue amount \$7,825,000, secured by a pledge and assignment of revenues and receipts,  
interest rates ranging from 0.65% to 3.4%, final maturity September 15, 2019. 2,240,000

Total Notes Payable	\$ 6,030,863
Add: unamortized premium	49,008
	<u>\$ 6,079,871</u>

Current portion payable from restricted assets	\$ 1,531,950
Non-current portion	4,547,921
Total notes payable	<u>\$ 6,079,871</u>

**Refundable Grant Obligations:**

\$380,000 refundable grant obligation for water line improvements, dated  
July 1, 2001, payable in semi-annual installments of \$9,500, final payment due  
January 1, 2016, non-interest bearing. 57,000

Total refundable grant obligations	<u>\$ 57,000</u>
Current portion	\$ 19,000
Non-current portion	38,000
Total refundable grant obligations	<u>\$ 57,000</u>

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 3 – DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS** (continued)

**F. LONG-TERM DEBT** (continued)

**Business-type Activities Long-term Debt** (continued)

**Capital Lease Obligations:**

Lease of equipment through October 2022, payable in monthly installments of \$8,500 with interest calculated at 4.0% .

	<u>\$ 406,282</u>
Current portion	\$ 87,582
Non-current portion	318,700
Total capital lease obligations	<u>\$ 406,282</u>

**Accrued Compensated Absences:**

Accrued compensated absences reported in the business-type activities are comprised of accrued vacation leave:

Current portion	\$ 33,545
Non-current portion	329,744
Total accrued compensated absences	<u>\$ 363,289</u>

**Fiduciary Component Unit Long-term Debt**

Accrued compensated absences:

Accrued compensated absences reported as a fund liability within the component unit statement of net assets at June 30, 2016, are as follows:

Current portion	\$ 3,206
Non-current portion	28,852
Total accrued compensated absences	<u>\$ 32,058</u>

**Changes in Long-term Debt – Primary Government and Fiduciary Component Unit**

	<b>Balance at July 1, 2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at June 30, 2018</b>	<b>Amounts due within one year</b>
<b>Governmental Activities:</b>					
Judgement payable	\$ 716,880	\$ 214,612	\$ (436,559)	\$ 494,933	\$ 251,763
Accrued compensated absences	944,668	-	(81,585)	863,083	100,945
Total general long-term debt	<u>\$ 1,661,548</u>	<u>\$ 214,612</u>	<u>\$ (518,144)</u>	<u>\$ 1,358,016</u>	<u>\$ 352,708</u>
<b>Business-type Activities:</b>					
Notes payable, net of premium	\$ 7,792,529	\$ -	\$ (1,712,658)	\$ 6,079,871	\$ 1,531,950
Revenue bonds payable	16,935,000	-	(3,495,000)	13,440,000	3,610,000
Refundable grant obligations	82,250	-	(25,250)	57,000	19,000
Capital lease obligations	-	462,746	(56,464)	406,282	87,582
Accrued compensated absences	369,391	-	(6,102)	363,289	33,545
Total enterprise fund debt	<u>\$ 25,179,170</u>	<u>\$ 462,746</u>	<u>\$ (5,295,474)</u>	<u>\$ 20,346,442</u>	<u>\$ 5,282,077</u>
<b>Fiduciary Component Unit:</b>					
Accrued compensated absences	<u>\$ 33,013</u>	<u>\$ -</u>	<u>\$ (955)</u>	<u>\$ 32,058</u>	<u>\$ 3,206</u>

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 3 – DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS** (continued)

**F. LONG-TERM DEBT** (continued)

**Debt Service Requirements to Maturity – Primary Government**

The annual debt service requirements to maturity for long-term debt as of June 30, 2018 are as follows:

**Governmental-type Activities**

<u>Year Ending June 30,</u>	<u>Judgment Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 251,763	\$ 49,493
2019	171,632	24,317
2020	71,538	7,154
Total	<u>\$ 494,933</u>	<u>\$ 80,964</u>

**Business-type Activities**

<u>Year Ending June 30,</u>	<u>Notes Payable</u>		<u>Revenue Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,531,950	\$ 193,648	\$ 3,610,000	\$ 322,751
2020	1,472,202	150,087	1,160,000	257,648
2021	281,781	105,266	1,250,000	225,720
2022	290,635	78,474	1,330,000	191,430
2023	299,769	71,059	6,090,000	419,917
2024-2028	1,645,988	235,785	-	-
2029-2033	557,546	36,324	-	-
Total	<u>\$ 6,079,871</u>	<u>\$ 870,643</u>	<u>\$ 13,440,000</u>	<u>\$ 1,417,466</u>

<u>Year Ending June 30,</u>	<u>Capital Lease Obligations</u>		<u>Refundable Grant Obligations</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2019	\$ 87,582	\$ 14,400	\$ 19,000
2020	91,171	10,811	19,000
2021	94,907	7,048	19,000
2022	98,797	3,185	-
2023	33,825	170	-
Total	<u>\$ 406,282</u>	<u>\$ 35,614</u>	<u>\$ 57,000</u>

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, 2018, The City fully complied with the requirement.

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 3 – DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS** (continued)

**G. 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 \$2,355,664 reported as “Landfill Closures/Post -Closure Cost” at June 30, 2018, represents the cumulative amount to date based on the use of 50% of the estimated capacity of the landfill. PCUA will recognize the remaining estimated cost of closure and post-closure care of \$2,353,772 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 2018. However, PCUA expects its landfill to remain in operation for another 44 years with closure scheduled for the year 2061. 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 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 AFLA 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.

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 3 – DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS** (continued)

**H. 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.

Interfund transfers for the year ended June 30, 2018 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General fund	Other enterprise funds	\$ 460,000
General fund	Other governmental funds	220,000
General fund	Airport	190,000
General fund	PCUA	295,000
Other governmental funds	PCUA	1,967,117
PCUA	General fund	10,241,334
PCUA	Other govern	400,000
Other governmental funds	Airport	16,667
		<u>\$ 13,790,118</u>

**Reconciliation to Fund Financial Statements/Statement of Activities:**

	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Transfer of capital assets</u>	<u>Net Transfers</u>
Governmental funds	\$ 10,861,334	\$ (3,148,784)	(212,679)	\$ 7,499,871
Enterprise funds	2,928,784	(10,641,334)	212,679	\$ (7,499,871)
	<u>\$ 13,790,118</u>	<u>\$ (13,790,118)</u>	<u>\$ -</u>	<u>\$ -</u>



**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 3 – DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS** (continued)

**I. 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 government 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:

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Fund balances:</b>			
<b>Nonspendable:</b>			
Permanent fund principal	\$ -	\$ 1,117,526	\$ 1,117,526
<b>Restricted for:</b>			
Tourism	-	1,920,507	1,920,507
Rec capital	-	1,034,119	1,034,119
Library	-	226,880	226,880
Street improvements	-	5,915,427	5,915,427
Recreation center	-	705,436	705,436
<b>Committed to:</b>			
Operating reserve	2,400,000	-	2,400,000
E-911/Cap	252,414	-	252,414
<b>Assigned to:</b>			
Other purposes	4,212,371	-	4,212,371
Special projects	-	16,337	16,337
Street & alley	-	273,755	273,755
Grants	-	170,099	170,099
Capital improvements	-	2,794,449	2,794,449
Debt service	-	85,527	85,527
Cann Estate	-	151,632	151,632
<b>Unassigned:</b>	535,709	-	535,709
Total fund balances	<u>\$ 7,400,494</u>	<u>\$ 14,411,694</u>	<u>\$ 21,812,188</u>

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 3 – DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS** (continued)

**I. FUND BALANCES AND NET POSITION** (continued)

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

	<b>Enabling Legislation</b>	<b>Statutory Requirements</b>	<b>External Contracts</b>
Restricted Net Position - Governmental Activities:			
Special Projects	\$ -	\$ -	\$ 16,337
Street & Alley	-	273,755	-
Hotel/Motel Tax	2,954,626	-	-
Grants	-	-	170,099
Library Grant	-	-	226,880
Street Improvement Project	5,915,427	-	-
Recreation Center Tax	705,436	-	-
Capital Improvement Project	2,794,449	-	-
Debt Service	-	85,527	-
Matzene Book	-	-	50,648
Cann Estate	-	-	1,218,510
Total restricted net position	<u>\$ 12,369,938</u>	<u>\$ 359,282</u>	<u>\$ 1,682,474</u>
Restricted Net Position - Business-type Activities:			
Debt Service	\$ -	\$ -	\$ 4,210,116
Encumbrances	-	-	1,480,572
Utility meter deposits	-	608,649	-
Total restricted net position	<u>\$ -</u>	<u>\$ 608,649</u>	<u>\$ 5,690,688</u>

**J. PLEDGED FUTURE REVENUES**

Sales Tax Pledge – The City has pledged half a cent (14%) of sales tax revenues to repay \$12,510,000 of Series 2013 Sales Tax Revenue Notes. Proceeds from the bonds were used to refund the original sales tax notes that were used for construction and development of a recreation center serving the citizens of Ponca City. The bonds are payable from pledged sales tax revenues and are payable through 2019. The total principle and interest payable for the remainder of the life of these bonds is \$2,555,201. Pledged sales taxes received in the current year were \$1,923,157 for the bonds. Debt service payments during the year totaled \$2,555,371 for the current fiscal year and were 133% of the pledged sales tax revenues.

Utility Gross Revenue Pledge – The City has pledged future gross utility system revenues to repay \$16,090,000 of 2012A 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. The total principle and interest payable for the remainder of the life of these bonds is \$12,302,265. The bonds are payable from gross utility system revenues and the debt service payments on the bonds this year were \$1,340,360 which was 2.2% of pledged system revenues of \$60,126,508.

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 3 – DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS** (continued)

**J. PLEDGED FUTURE REVENUES** (continued)

**Utility Net Revenues Pledge** (continued)

*Utility Net Revenues Pledge* – The City has also pledged future net electric, water, wastewater, and garbage revenues to repay \$20,735,907 of 1998A, 1999A, 2007, 2009A, and 2012B Series OWRB Notes Payable. Proceeds from the notes provided financing for utility system capital assets and improvements. The notes are payable through 2030. The total principle and interest payable for the remainder of the life of these notes is \$6,950,514. The notes are payable from the above mentioned utility revenues. The debt service payments on the notes this year were \$1,906,342 which was 8% of pledged net utility revenues of \$23,688,074.

**NOTE 4 – OTHER NOTES**

**A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS**

The City participates in three pension or retirement plans:

- Oklahoma Firefighter’s Pension and Retirement System (OFPRS) - a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) - a statewide cost-sharing plan
- Single Employer Defined Benefit Plan

**Oklahoma State Firefighters Pension and Retirement System (OFPRS)**

*Plan description:* The City, as the employer, participates in the Firefighters Pension and Retirement System - a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighter’s 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](http://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. Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee’s final average compensation times the employee’s years of service 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 2.5 percent of the employee’s final average compensation times the employee’s years of service for employees who have reached the age of

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 4 – OTHER NOTES** (continued)

**A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS** (continued)

**Oklahoma State Firefighters Pension and Retirement System (OFPRS)** (continued)

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 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 \$507,012. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$1,504,025 during the year and is reported as both a revenue and expenditure in the general fund statement of revenues, expenditures, and changes in net fund balance. In the government-wide statement of activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$1,095,126. 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, 2018, the City reported a liability of \$15,613,535 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2017. Based upon this information, the City's proportion was 1.241%.

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 4 – OTHER NOTES** (continued)

**A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS** (continued)

**Oklahoma State Firefighters Pension and Retirement System (OFPRS)** (continued)

For the year ended June 30, 2018, the City recognized pension expense of \$1,725,659. At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 2,085,700	-
Net difference between projected and actual earnings on pension plan investments	-	435,096
Changes in proportion and differences between City contributions and proportionate share of contributions	-	307,598
City contributions subsequent to the measurement date	507,012	
Total	<u>\$ 2,592,712</u>	<u>742,694</u>

The \$507,012 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, 2019. Other amounts reported a deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 83,745
2020	566,852
2021	414,390
2022	(98,801)
2023	299,141
Thereafter	<u>77,679</u>
Total	<u>\$ 1,343,006</u>

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

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

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

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 4 – OTHER NOTES** (continued)

**A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS** (continued)

**Oklahoma State Firefighters Pension and Retirement System (OFPRS)** (continued)

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

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

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income	5.18%
Domestic equity	8.70%
International equity	10.87%
Real estate	7.23%
Other assets	6.24%

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

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate:* The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan’s net pension liability would be if it were calculated using a discount rate that is 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>
Employers' net pension liability	\$ 2,482,668	15,613,535	11,487,050

*Pension plan fiduciary net position:* Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report of the FPRS; which can be located at [www.ok.gov/fprs](http://www.ok.gov/fprs).

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 4 – OTHER NOTES** (continued)

**A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS** (continued)

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

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 4 – OTHER NOTES** (continued)

**A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS** (continued)

**Oklahoma State Police Pension and Retirement System (OPPRS)** (continued)

*Contributions:* The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees’ annual pay. Contributions to the pension plan from the City were \$373,962. The State of Oklahoma also made on-behalf contributions to OPPER in the amount of \$368,147 during the fiscal year and is reported as both expense and revenue in the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state’s on-behalf contributions on an accrual basis of \$337,962. 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, 2018, the City reported a liability of \$75,831 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2017. 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 pension plan for all participating employers as of June 30, 2017. Based on this information, the City’s proportional share was .9858 percent.

For the year ended June 30, 2018, the City recognized pension expense of \$463,123. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 3,809	\$ 458,455
Net difference between projected and actual earnings on pension plan investments	564,811	-
Changes in proportion and differences between City contributions and proportionate share of contributions	13,990	-
City contributions subsequent to the measurement date	373,962	-
Total	<b><u>\$ 956,572</u></b>	<b><u>\$ 458,455</u></b>

The \$373,962 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018.



**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 4 – OTHER NOTES** (continued)

**A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS** (continued)

**Oklahoma State Police Pension and Retirement System (OPPRS)** (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:	
2019	\$ (11,454)
2020	285,447
2021	133,498
2022	(231,878)
2023	<u>(51,458)</u>
Total	\$ <u>124,155</u>

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

Inflation:	3%
Salary increases:	4.5% to 17% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.
	Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using Scale AA.
	Disabled pensioners: R P-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

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

The long-term expected rate of return on pension plan investments was determined using a building block method 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 THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 4 – OTHER NOTES** (continued)

**A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS** (continued)

**Oklahoma State Police Pension and Retirement System (OPPRS)** (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, 2016, are summarized in the following table:

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

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

*Discount Rate:* The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will 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 employers calculated using the discount rate of 7.5%, as well as what the Plan’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>
Employers' net pension liability (asset)	\$ 2,562,774	75,831	(2,024,774)

*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](http://www.ok.gov/OPPRS).

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 4 – OTHER NOTES** (continued)

**A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS** (continued)

**Ponca City Employees Retirement System - Single Employer, Defined Benefit Pension Plan**

*Plan Description, Contribution Information and Funding Policies*

The City contributes to the City of Ponca City, Oklahoma Employees Retirement System (the “System”), which is a single-employer defined benefit pension plan controlled by the provisions of 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 the age of 21 are eligible to participate in the System 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 System does not issue separate annual financial statements.

The System has a December 31 year-end. The City has elected to use December 31, 2017, as its measurement date; therefore, net pension liability and related deferred inflows are reported as of December 31, 2017. Pension payments made by the City from the measurement date to June 30, 2018, 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 System revenues in the period in which they are due to the System. Benefits and refunds are recognized when due and payable pursuant to plan provisions. Investments are reported at fair value.

As of June 30, 2018, the System held no related party investments or individual investments (excluding U.S. government guaranteed securities) whose market value exceeds five percent or more of the net position available for benefits.

*Eligibility Factors and Benefit Provisions*

Governing authority	City Commission
Determination of contribution requirements	City ordinance, actuarially determined
Employer	7.5%
Plan member	0%
Period required to vest	10 years
Eligibility for distribution	Age 65 with 5 years of credited service or age 55 with 10 years credited service
Provisions for:	
Disability benefits	Yes
Death benefits	Yes

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 4 – OTHER NOTES** (continued)

**A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS** (continued)

**Ponca City Employees Retirement System - Single Employer, Defined Benefit Pension Plan**  
(continued)

*Eligibility Factors and Benefit Provisions* (continued)

Benefits paid	1 2/3% of average compensation; early retirement reduced by 5% each year up to 10 years
---------------	---

***Plan Membership***

Active plan members	219
Inactive plan members entitled to but not yet receiving benefits	124
Disabled plan members entitled to benefits	9
Retired plan members or beneficiaries currently receiving benefits	<u>173</u>
Total	<u><u>525</u></u>

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

At June 30, 2018, the City reported a liability of \$5,309,408 for its net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2018. 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, 2017, and June 30, 2018, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

	<b>Total Pension Liability</b>	<b>Fiduciary Net Position</b>	<b>Net Pension Liability</b>
<b>Balance, January 1, 2017</b>	<u>31,159,128</u>	<u>23,293,755</u>	<u>7,865,373</u>
<b>Changes for the year:</b>			
Service cost	379,515	-	379,515
Interest	2,231,107	-	2,231,107
Benefit payments	(1,446,819)	(1,446,819)	-
Differences between expected and actual experience	(25,392)	-	(25,392)
Changes in assumptions	-	-	-
Employer contributions	-	1,044,074	(1,044,074)
Other contributions	-	-	-
Net investment income	-	4,128,637	(4,128,637)
Administration expenses	-	(31,516)	31,516
<b>Net Changes:</b>			
Net changes	<u>1,138,411</u>	<u>3,694,376</u>	<u>(2,555,965)</u>
<b>Balance, December 31, 2017</b>	<u><u>32,297,539</u></u>	<u><u>26,988,131</u></u>	<u><u>5,309,408</u></u>

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 4 – OTHER NOTES** (continued)

**A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS** (continued)

**Ponca City Employees Retirement System - Single Employer, Defined Benefit Pension Plan**  
(continued)

For the year ended June 30, 2018, the City recognized pension expense of \$859,957. At June 30, 2018, the City reported deferred outflows or resources and deferred inflows of resources related to the System from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 109,680	\$ 151,870
Effects of changes in assumptions	-	398,833
Net differences between expected and net investment income	-	1,445,830
Employer contributions made after measurement date	378,032	-
Total deferred outflows and inflows of resources	<u>\$ 487,712</u>	<u>\$ 1,996,533</u>

The \$378,032 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, 2019.

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

<b>Fiscal Year Ending 6/30</b>	<b>Amount to be Recognized</b>
2019	\$ (399,453)
2020	(481,706)
2021	(511,213)
2022	(494,481)
	<u>\$ (1,886,853)</u>

*Actuarial Assumptions*

Key assumptions used in the plan actuarial valuation were:

Discount rate	7.25%
Long-term expected rate of return	7.25%
Measurement date	December 31, 2016
Inflation	2.00%
Projected salary increase	Table S-5 plus 0%
Mortality	RP2006
Actuarial cost method	Entry age normal

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 4 – OTHER NOTES** (continued)

**A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS** (continued)

**Ponca City Employees Retirement System - Single Employer, Defined Benefit Pension Plan**  
(continued)

The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Therefore, the sufficiency of pension plan assets was made without a separate projection of cash flows.

*Discount rate:* The discount rate used to measure the total pension liability was 7.25%. 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.

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

	<b>1% Decrease</b>	<b>Current Discount</b>	<b>1% Increase</b>
	<b>(6.5%)</b>	<b>Rate (7.5%)</b>	<b>(8.5%)</b>
	<hr/>	<hr/>	<hr/>
Employers' net pension liability	\$ 9,337,010	\$ 5,309,408	\$ 1,951,676

**Other Post-Employment Benefit**

The City provides post-retirement benefit options for health care for retired employees and their dependents that elect to make required contributions. At June 30, 2018, two retired employees were receiving benefits under this plan. Management expects few, if any, employees to qualify for and take advantage of this benefit. No liability has been accrued for this benefit as management does not believe the amount would be material to the financial statements.

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 4 – OTHER NOTES** (continued)

**B. 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 manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Risk of Method Managed</u>	<u>Loss Retained</u>
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 \$50,000 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 medical 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 \$270,000 per individual self-funded with stop-loss insurance up to \$1,000,000 per person.

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 4 – OTHER NOTES** (continued)

**B. RISK MANAGEMENT** (continued)

**Claims Liability Analysis**

At June 30, 2018, the City’s workers’ compensation claims liability was \$745,515 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:

	<b>Workers'</b>	<b>Health</b>	
	<b>Compensation</b>	<b>Care</b>	<b>Total</b>
Claim liability, June 30, 2015	\$ 466,580	\$ 319,780	\$ 786,360
Claims and changes in estimates	886,817	3,951,388	4,838,205
Claims payments	(403,444)	(3,642,301)	(4,045,745)
Claim liability, June 30, 2016	949,953	628,867	1,578,820
Claims and changes in estimates	(371,718)	3,314,820	2,943,102
Claims payments	(284,278)	(3,492,129)	(3,776,407)
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	<u>\$ 234,825</u>	<u>\$ 349,937</u>	<u>\$ 584,762</u>

Reconciliation to Statement of Net Position:

Current portion	\$ 326,999
Noncurrent portion	257,763
Total	<u>\$ 584,762</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.



**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 4 – OTHER NOTES** (continued)

**B. RISK MANAGEMENT** (continued)

**Liability Protection Plan**

The basic insurance agreement cover 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.

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.

**C. COMMITMENTS AND CONTINGENCIES**

**Contingencies**

*Litigation:*

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City Sinking Fund for the payment of any court assessed judgment rendered against the City.

While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

**CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 4 – OTHER NOTES** (continued)

**C. COMMITMENTS AND CONTINGENCIES** (continued)

**Contingencies** (continued)

*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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**THE CITY OF PONCA CITY**  
**BUDGETARY COMPARISON SCHEDULE (Non-GAAP Budgetary Basis)**  
**GENERAL FUND**  
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis )	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Taxes:</b>				
Sales tax	\$ 7,169,331	\$ 7,169,331	\$ 7,849,620	\$ 680,289
Use tax	650,000	650,000	680,972	30,972
Franchise tax	492,000	492,000	508,079	16,079
E911 tax	360,000	360,000	394,797	34,797
Weed tax	20,000	20,000	12,453	(7,547)
Total taxes	8,691,331	8,691,331	9,445,921	754,590
<b>Intergovernmental:</b>				
Cigarette tax	155,000	155,000	162,655	7,655
Alcoholic beverage tax	108,000	108,000	116,043	8,043
Grants	29,700	37,200	40,883	3,683
Total intergovernmental	292,700	300,200	319,581	19,381
<b>Charges for Services:</b>				
Recreation programs	11,000	11,000	22,674	11,674
Wentz Camp	36,000	36,000	36,372	372
Administrative services	2,572,273	2,572,273	2,572,273	-
Police services	120,000	120,000	153,505	33,505
Ambulance services	1,400,000	1,430,000	1,621,742	191,742
Animal control receipts	16,000	16,000	18,743	2,743
Library receipts	15,000	15,000	16,556	1,556
Rentals	179,000	179,000	182,537	3,537
Miscellaneous charges	55,200	55,700	43,097	(12,603)
Total charges for services	4,404,473	4,434,973	4,667,499	232,526
<b>Fines and forfeitures</b>	571,000	571,000	665,300	94,300
<b>Licenses and permits</b>	113,000	113,000	124,666	11,666
<b>Investment Income</b>	50,000	50,000	109,718	59,718
<b>Miscellaneous</b>	6,700	6,700	8,319	1,619
<b>Other Financing Sources:</b>				
Proceeds from sale of fixed assets	15,000	15,000	16,121	1,121
Transfers from other funds	7,669,061	7,669,061	7,669,061	-
<b>Total revenues and other financing sources</b>	\$ 21,813,265	\$ 21,851,265	\$ 23,026,186	\$ 1,174,921

(Continued)

**THE CITY OF PONCA CITY**

**BUDGETARY COMPARISON SCHEDULE (Non-GAAP Budgetary Basis)**

**GENERAL FUND (continued)**

For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures:</b>				
City Commissioners	14,300	14,300	7,929	6,371
City Manager	996,436	996,436	850,155	146,281
Central municipal activity	1,430,491	1,930,491	1,930,638	(147)
Finance	508,185	566,485	496,190	70,295
Municipal court	255,809	255,809	238,287	17,522
City attorney	287,865	287,865	264,524	23,341
Community development	644,099	644,099	595,228	48,871
Animal control	5,786,041	5,841,041	5,523,013	318,028
Emergency management	249,310	249,310	229,921	19,389
Police Admin	171,464	171,464	167,799	3,665
Communications/911	645,164	645,164	583,929	61,235
Fire	5,386,811	5,491,811	5,292,960	198,851
Fire-Ambulance	1,130,104	1,055,104	990,399	64,705
Street Admin	1,410,169	1,410,169	1,120,119	290,050
Engineering Admin	682,129	682,129	581,134	100,995
Traffic engineering	468,067	468,067	446,858	21,209
Park maintenance	1,644,698	1,644,698	1,579,919	64,779
Recreation programs	72,882	72,882	57,937	14,945
Ambuc Pool	358,242	365,742	334,661	31,081
Wentz Camp	111,172	111,172	92,214	18,958
Marland's Grand Home	194,342	194,842	123,950	70,892
Library	1,008,459	1,008,459	982,712	25,747
Total expenditures	<u>23,456,239</u>	<u>24,107,539</u>	<u>22,490,477</u>	<u>1,617,062</u>
<b>Revenue and other sources over (under) expenditures</b>	<u>\$ (1,642,974)</u>	<u>\$ (2,256,274)</u>	<u>535,709</u>	<u>\$ (442,141)</u>
<b>Fund balances, beginning of year</b>			<u>4,855,143</u>	
<b>Fund balances, end of year</b>			<u>\$ 5,390,852</u>	

**THE CITY OF PONCA CITY**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
 For the Fiscal Year Ended June 30, 2018

**BUDGETARY ACCOUNTING AND CONTROL**

The budgetary basis differs from the modified accrual basis as shown in the schedule below:

	<u><b>General Fund</b></u>
Revenue	\$ 23,026,186
Add: State Fire and Police pension on-behalf payments	1,872,170
	<hr/> 24,898,356
Expenditures	22,490,477
Add: State Fire and Police Pension Expense	1,872,170
	<hr/> \$ 24,362,647

**THE CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
For the Fiscal Year Ended June 30, 2018  
(continued)

**BUDGETARY ACCOUNTING AND CONTROL** (continued)

**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. Sequent to the City Commission enactment, the adopted budget is filed with the office of the State Auditor and Inspector.
- e. Subsequent to 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 Statues, 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.

**THE CITY OF PONCA CITY, OKLAHOMA**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
For the Fiscal Year Ended June 30, 2018  
(continued)

**BUDGETARY ACCOUNTING AND CONTROL (continued)**

**Budgetary Accounting**

The City prepares its budgets for all governmental fund types on the modified accrual basis of accounting except for payroll liability accrual and certain receivable accruals.

The City utilizes encumbrances accounting under which purchase orders, contracts, and other commitments for the expenditure funds are recorded in order to reserve a portion of the applicable appropriation.

**Footnotes to Budgetary Comparison Schedules**

The budgetary comparison schedules are reported on a non-GAAP budgetary basis that reports revenues on a cash basis and expenditures on a modified cash basis including encumbrances. For budgetary purposes expenditures that are recorded when paid.

The legal level of appropriation control is the department level within a fund. Transfers of appropriation 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.



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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City's proportion of the net pension liability	1.2648%	1.3474%	1.2426%	1.2410%
City's proportionate share of the net pension liability	\$ 13,007,400	\$ 14,301,304	\$ 15,180,723	\$ 15,613,535
City's covered-employee payroll	\$ 3,584,500	\$ 3,552,540	\$ 3,475,715	\$ 3,792,730
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	363%	403%	437%	412%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%	66.61%

\*The amounts present for each fiscal year were determined as of June 30.

**Notes to Schedule:** Only four years are presented because 10-year data is not available.

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Statutorially required contribution	\$ 497,357	\$ 486,600	\$ 530,980	\$ 507,012
Contributions in relation to the statutorially required contribution	<u>497,357</u>	<u>486,600</u>	<u>530,980</u>	<u>507,012</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 3,552,540	\$ 3,475,715	\$ 3,792,730	\$ 3,650,547
Contributions as a percentage of covered- employee payroll	14.0%	14.0%	14.0%	13.9%

**Notes to Schedule:** Only four years are presented because 10-year data is not available.

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City's proportion of the net pension liability	0.9876%	1.0509%	1.0033%	0.9858%
City's proportionate share of the net pension liability (asset)	\$ (332,521)	\$ 42,849	\$ 1,536,471	\$ 75,831
City's covered-employee payroll	\$ 2,798,283	\$ 2,838,908	\$ 2,958,770	\$ 2,940,763
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	-11.88%	1.51%	51.93%	2.58%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.82%	93.50%	99.68%

\*The amounts present for each fiscal year were determined as of June 30.

**Notes to Schedule:** Only four years are presented because 10-year data is not available.

**THE CITY OF PONCA CITY**  
**SCHEDULE OF CITY CONTRIBUTIONS**  
**OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM**  
\*Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Statutorially required contribution	\$ 369,058	\$ 384,640	\$ 381,790	\$ 373,962
Contributions in relation to the statutorially required contribution	<u>369,058</u>	<u>384,640</u>	<u>381,790</u>	<u>373,962</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,838,908	\$ 2,958,770	\$ 2,940,763	\$ 2,878,199
Contributions as a percentage of covered- employee payroll	13.0%	13.0%	13.0%	13.0%

**Notes to Schedule:** Only four years are presented because 10-year data is not available.

**THE CITY OF PONCA CITY**  
**SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
For the Plan Years Ended December 31:

<b>Reporting period ending</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Total Pension Liability</b>				
Service cost	\$ 361,995	\$ 368,696	\$ 419,990	\$ 379,515
Interest	1,936,407	2,098,830	2,220,237	2,231,107
Benefit payments	(1,145,393)	(1,275,713)	(1,317,363)	(1,446,819)
Difference between expected and actual experience	252,776	452,433	(267,164)	(25,392)
Change in assumptions	902,741	-	(799,669)	-
Change in benefit terms	-	-	-	-
Net change in total pensional liability	2,308,526	1,644,246	256,031	1,138,411
Total pension liability, beginning of period	26,950,325	29,258,851	30,903,097	31,159,128
Total pension liability, end of period	29,258,851	30,903,097	31,159,128	32,297,539
<b>Fiduciary Net Position</b>				
Employer contributions	664,955	670,691	737,699	1,044,074
Other contributions	-	-	-	-
Net investment income	1,667,346	143,006	1,644,552	4,128,637
Benefit payments	(1,145,393)	(1,275,713)	(1,317,363)	(1,446,819)
Administration expenses	(23,006.00)	(29,266.00)	(22,516)	(31,516)
Net change in fiduciary net position	1,163,902	(491,282)	1,042,372	3,694,376
Fiduciary net position, beginning of period	21,578,763	22,742,665	22,251,383	23,293,755
Fiduciary net position, end of period	22,742,665	22,251,383	23,293,755	26,988,131
Net Pension Liability	<u>\$ 6,516,186</u>	<u>\$ 8,651,714</u>	<u>\$ 7,865,373</u>	<u>\$ 5,309,408</u>
Plan fiduciary net position as a percentage of the total pension liability	78%	72%	75%	84%
Covered employee payroll	\$8,134,360	\$8,902,399	\$10,136,448	\$9,756,538
Net pension liability as a percentage of covered-employee payroll	80%	97%	78%	54%

**Notes to Schedule:** Only four years are presented because 10-year data is not available.

**THE CITY OF PONCA CITY**  
**SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
For the Plan Years Ended December 31:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 1,337,619	\$ 1,171,600	\$ 1,306,497	\$ 1,165,316
Contributions in relation to the actuarially determined contribution	<u>664,955</u>	<u>670,691</u>	<u>737,699</u>	<u>1,044,074</u>
Contribution deficiency (excess)	<u>\$ 672,664</u>	<u>\$ 500,909</u>	<u>\$ 568,798</u>	<u>\$ 121,242</u>
Covered employee payroll	\$ 8,134,360	\$ 8,902,399	\$ 10,136,448	\$ 9,756,538
Contributions as a percentage of covered-employee payroll	8.2%	7.5%	7.3%	10.7%

Notes to Schedule

Only four years are presented because 10-year data is not available

Latest valuation date: December 31, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method - entry age normal

Asset valuation method - market value of assets, as of the measurement date

Salary increases - 2.8% to 5.18% (varies by age)

Investment rate of return - 7.5%

**THE CITY OF PONCA CITY**  
**SCHEDULE OF MONEY-WEIGHTED INVESTMENT RETURNS**  
For the Plan Years Ended December 31:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Annual money-weighted rate of return on plan investments, net of investment expense	7.83%	0.64%	7.51%	18.07%

**OTHER SUPPLEMENTAL INFORMATION**



**THE CITY OF PONCA CITY**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
 June 30, 2018

Special Revenue Funds

	Special Projects Funds	Street & Alley Fund	Hotel/Motel Tax Fund	Community Development Fund	Library Grant Fund	Library State Aid Fund	Misc. Trust Fund
<b>ASSETS</b>							
Cash and cash equivalents	\$ 16,337	\$ 360,979	\$ 2,908,494	\$ 78,886	\$ 230,528	\$ 213	\$ 16,710
Investments	-	-	-	-	-	-	-
Accounts receivable	-	-	66,634	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Due from other governments	-	18,290	-	128,471	-	-	-
Total assets	<u>\$ 16,337</u>	<u>\$ 379,269</u>	<u>\$ 2,975,128</u>	<u>\$ 207,357</u>	<u>\$ 230,528</u>	<u>\$ 213</u>	<u>\$ 16,710</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable and accrued liabilities	\$ -	\$ 105,514	\$ 20,502	\$ 37,258	\$ 3,648	\$ 213	\$ 16,710
Total liabilities	<u>-</u>	<u>105,514</u>	<u>20,502</u>	<u>37,258</u>	<u>3,648</u>	<u>213</u>	<u>16,710</u>
Fund Balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	2,954,626	-	226,880	-	-
Assigned	16,337	273,755	-	170,099	-	-	-
Total fund balances	<u>16,337</u>	<u>273,755</u>	<u>2,954,626</u>	<u>170,099</u>	<u>226,880</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 16,337</u>	<u>\$ 379,269</u>	<u>\$ 2,975,128</u>	<u>\$ 207,357</u>	<u>\$ 230,528</u>	<u>\$ 213</u>	<u>\$ 16,710</u>

(Continued)

**THE CITY OF PONCA CITY**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (continued)**  
**June 30, 2018**

	Special Revenue Funds	Capital Projects Funds			Debt Service Fund	Permanent Funds		Total
	Economic Development Fund	Recreation Center Fund	Street Improvement Project Fund	Capital Improvement Project Fund		Matzene Book Fund	Cann Estate Fund	
<b>ASSETS</b>								
Cash and cash equivalents	\$ -	\$ 514,679	\$ 5,890,962	\$ 2,816,259	\$ 83,169	\$ 648	\$ 142,091	\$ 13,059,955
Investments	-	-	-	-	-	50,000	1,081,583	1,131,583
Accounts receivable	-	-	-	-	-	-	1,313	67,947
Due from other funds	-	-	-	-	-	-	-	-
Due from other governments	190,757	190,757	190,757	-	2,358	-	-	721,390
Total assets	<u>\$ 190,757</u>	<u>\$ 705,436</u>	<u>\$ 6,081,719</u>	<u>\$ 2,816,259</u>	<u>\$ 85,527</u>	<u>\$ 50,648</u>	<u>\$ 1,224,987</u>	<u>\$ 14,980,875</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable and accrued liabilities	\$ 190,757	\$ -	\$ 166,292	\$ 21,810	\$ -	\$ -	\$ 6,477	\$ 569,181
Total liabilities	<u>190,757</u>	<u>-</u>	<u>166,292</u>	<u>21,810</u>	<u>-</u>	<u>-</u>	<u>6,477</u>	<u>569,181</u>
Fund Balances:								
Nonspendable	-	-	-	-	-	50,000	1,081,583	1,131,583
Restricted	-	705,436	5,915,427	-	-	-	-	9,802,369
Assigned	-	-	-	2,794,449	85,527	648	136,927	3,477,742
Total fund balance	<u>-</u>	<u>705,436</u>	<u>5,915,427</u>	<u>2,794,449</u>	<u>85,527</u>	<u>50,648</u>	<u>1,218,510</u>	<u>14,411,694</u>
Total Liabilities and Fund Balances	<u>\$ 190,757</u>	<u>\$ 705,436</u>	<u>\$ 6,081,719</u>	<u>\$ 2,816,259</u>	<u>\$ 85,527</u>	<u>\$ 50,648</u>	<u>\$ 1,224,987</u>	<u>\$ 14,980,875</u>

**THE CITY OF PONCA CITY**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2018

	Special Revenue Funds						Misc. Trust Fund
	Special Projects Fund	Street & Alley Fund	Hotel/Motel Tax Fund	Community Development Fund	Library Grant Fund	Library State Aid Fund	
<b>Revenues:</b>							
Taxes	\$ -	\$ -	\$ 677,438	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	216,001	-	401,565	4,794	12,690	-
Charges for services	-	-	-	-	-	-	-
Investment income (loss)	-	-	-	983	-	-	-
Fines and forfeitures	23,519	-	-	-	-	-	-
Miscellaneous	-	-	1,437	3,750	-	-	-
Total revenues	<u>23,519</u>	<u>216,001</u>	<u>678,875</u>	<u>406,298</u>	<u>4,794</u>	<u>12,690</u>	<u>-</u>
<b>Expenditures:</b>							
Current:							
General government	-	-	-	-	-	-	-
Public safety	15,000	-	-	-	-	-	-
Streets and highways	-	192,202	-	-	-	-	-
Culture, parks and recreation	-	-	264,527	-	32,528	12,690	-
Community development	-	-	-	303,394	-	-	-
Capital outlay	-	125,617	174,346	186,442	-	-	-
Debt Service:							
Principle	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>15,000</u>	<u>317,819</u>	<u>438,873</u>	<u>489,836</u>	<u>32,528</u>	<u>12,690</u>	<u>-</u>
<b>Revenues over (under) expenditures</b>	<u>8,519</u>	<u>(101,818)</u>	<u>240,002</u>	<u>(83,538)</u>	<u>(27,734)</u>	<u>-</u>	<u>-</u>
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Capital transfers	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	8,519	(101,818)	240,002	(83,538)	(27,734)	-	-
Fund balance, beginning of year	7,818	375,573	2,714,624	253,637	254,614	-	-
Fund balance, end of year	<u>\$ 16,337</u>	<u>\$ 273,755</u>	<u>\$ 2,954,626</u>	<u>\$ 170,099</u>	<u>\$ 226,880</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

**THE CITY OF PONCA CITY**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS (continued)

For the Fiscal Year Ended June 30, 2018

	Special Revenue Funds	Capital Projects Funds			Debt Service Fund	Permanent Funds		Total
	Economic Development Fund	Recreation Center Tax Fund	Street Improvement Project Fund	Capital Improvement Project Fund		Matzene Book Fund	Cann Estate Fund	
<b>Revenues:</b>								
Taxes	\$ 2,132,648	\$ 2,132,648	\$ 2,132,648	\$ -	\$ 552,956	\$ -	\$ -	\$ 7,628,338
Intergovernmental	-	-	-	-	-	-	-	635,050
Charges for services	-	-	-	-	-	-	2,964	2,964
Investment income (loss)	-	7,398	80,349	42,797	2,278	244	85,916	219,965
Fines and forfeitures	-	-	-	-	-	-	-	23,519
Miscellaneous	-	-	46,888	49,990	-	-	-	102,065
<b>Total revenues</b>	<b>2,132,648</b>	<b>2,140,046</b>	<b>2,259,885</b>	<b>92,787</b>	<b>555,234</b>	<b>244</b>	<b>88,880</b>	<b>8,611,901</b>
<b>Expenditures:</b>								
Current:								
General government	-	-	-	-	-	200	-	200
Public safety	-	-	-	-	-	-	-	15,000
Streets and highways	-	-	125,478	-	-	-	-	317,680
Culture, parks and recreation	-	-	-	-	-	-	62,667	372,412
Community development	2,132,648	-	-	-	-	-	-	2,436,042
Capital outlay	-	-	718,299	480,700	-	-	-	1,685,404
Debt Service:								
Principle	-	-	-	-	436,559	-	-	436,559
Interest and fiscal charges	-	-	-	-	71,688	-	-	71,688
<b>Total expenditures</b>	<b>2,132,648</b>	<b>-</b>	<b>843,777</b>	<b>480,700</b>	<b>508,247</b>	<b>200</b>	<b>62,667</b>	<b>5,334,985</b>
<b>Revenues over (under) expenditures</b>	<b>-</b>	<b>2,140,046</b>	<b>1,416,108</b>	<b>(387,913)</b>	<b>46,987</b>	<b>44</b>	<b>26,213</b>	<b>3,276,916</b>
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	600,000	-	-	20,000	620,000
Transfers out	-	(1,967,117)	-	(16,667)	-	-	-	(1,983,784)
Capital transfers	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(1,967,117)	-	583,333	-	-	20,000	(1,363,784)
Net change in fund balances	-	172,929	1,416,108	195,420	46,987	44	46,213	1,913,132
Fund balance, beginning of year	-	532,507	4,499,319	2,599,029	38,540	50,604	1,172,297	12,498,562
Fund balance, end of year	\$ -	\$ 705,436	\$ 5,915,427	\$ 2,794,449	\$ 85,527	\$ 50,648	\$ 1,218,510	\$ 14,411,694

**THE CITY OF PONCA CITY**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**June 30, 2018**

	Business-type Activities - Enterprise Funds		
	Marland Estate	Lew Wentz Golf Course	Total Other Enterprise Funds
<b>ASSETS</b>			
Current Assets:			
Cash, including time deposits	\$ 303,760	\$ 159,062	\$ 462,822
Investments	-	-	-
Accounts receivable	-	2,345	2,345
Inventory	33,871	35,847	69,718
Total current assets	<u>337,631</u>	<u>197,254</u>	<u>534,885</u>
Noncurrent Assets:			
Capital assets:			
Nondepreciable	388,293	71,577	459,870
Depreciable, net of accumulated depreciation	760,177	491,442	1,251,619
Total noncurrent assets	<u>1,148,470</u>	<u>563,019</u>	<u>1,711,489</u>
Total Assets	<u>1,486,101</u>	<u>760,273</u>	<u>2,246,374</u>
Deferred outflows of resources:			
Deferred amounts related to pensions	<u>8,102</u>	<u>13,535</u>	<u>21,637</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	31,692	54,291	85,983
Accrued compensated absences	1,208	1,874	3,082
Total current liabilities	<u>32,900</u>	<u>56,165</u>	<u>89,065</u>
Noncurrent Liabilities:			
Accrued compensated absences	11,519	18,116	29,635
Net pension liability	88,196	147,346	235,542
Total noncurrent liabilities	<u>99,715</u>	<u>165,462</u>	<u>265,177</u>
Total Liabilities	<u>132,615</u>	<u>221,627</u>	<u>354,242</u>
Deferred inflows of resources:			
Deferred amounts related to pensions	<u>33,165</u>	<u>55,408</u>	<u>88,573</u>
<b>NET POSITION</b>			
Net investment in capital assets	760,177	491,442	1,251,619
Restricted for encumbrances	388,293	71,577	459,870
Unrestricted (deficit)	<u>179,953</u>	<u>(66,246)</u>	<u>113,707</u>
Total Net Position	<u>\$ 1,328,423</u>	<u>\$ 496,773</u>	<u>\$ 1,825,196</u>

**THE CITY OF PONCA CITY**

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

NONMAJOR PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds		
	Marland Estate	Lew Wentz Golf Course	Total Other Enterprise Funds
<b>Operating Revenues:</b>			
Charges for services	\$ 179,326	\$ -	\$ 179,326
Golf course fees	-	544,387	544,387
Miscellaneous	618	-	618
Total operating revenues	<u>179,944</u>	<u>544,387</u>	<u>724,331</u>
<b>Operating Expenses:</b>			
Personal services	233,966	488,715	722,681
Materials and supplies	22,799	31,871	54,670
Maintenance, operations and contractual services	73,665	287,220	360,885
Depreciation	97,974	85,114	183,088
Total operating expenses	<u>428,404</u>	<u>892,920</u>	<u>1,321,324</u>
Operating loss	<u>(248,460)</u>	<u>(348,533)</u>	<u>(596,993)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Investment income	4,213	-	4,213
Gain (loss) on disposition of asset	-	-	-
Net non-operating revenues (expenses)	<u>4,213</u>	<u>-</u>	<u>4,213</u>
Loss before contributions and transfers	<u>(244,247)</u>	<u>(348,533)</u>	<u>(592,780)</u>
Capital contributions	33,855	-	33,855
Transfers from other funds	<u>180,000</u>	<u>280,000</u>	<u>460,000</u>
Net transfers and capital contributions	<u>213,855</u>	<u>280,000</u>	<u>493,855</u>
Change in net position	(30,392)	(68,533)	(98,925)
Net position - beginning of year	<u>1,358,815</u>	<u>565,306</u>	<u>1,924,121</u>
Net position, end of year	<u>\$ 1,328,423</u>	<u>\$ 496,773</u>	<u>\$ 1,825,196</u>

**THE CITY OF PONCA CITY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
For the Fiscal Year Ended June 30, 2018

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Marland Estate</u>	<u>Lew Wentz Golf Course</u>	<u>Total Other Enterprise Funds</u>
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers	\$ 179,944	\$ 542,536	\$ 722,480
Payments to suppliers	(91,347)	(321,098)	(412,445)
Payments to employees	(236,006)	(497,310)	(733,316)
Net cash used in operating activities	<u>(147,409)</u>	<u>(275,872)</u>	<u>(423,281)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers from other funds	180,000	280,000	460,000
Net cash provided by noncapital financing	<u>180,000</u>	<u>280,000</u>	<u>460,000</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Purchases of capital assets	-	(11,989)	(11,989)
Net cash provided by capital and related financing activities	<u>-</u>	<u>(11,989)</u>	<u>(11,989)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest and dividends	4,213	-	4,213
Net cash used in investing activities	<u>4,213</u>	<u>-</u>	<u>4,213</u>
Net decrease in cash and cash equivalents	36,804	(7,861)	28,943
Balances, beginning of year	266,956	166,923	433,879
Balances, end of year	<u>\$ 303,760</u>	<u>\$ 159,062</u>	<u>\$ 462,822</u>

*(Continued)*

**THE CITY OF PONCA CITY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS (continued)**  
For the Fiscal Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds		
	Marland Estate	Lew Wentz Golf Course	Total Other Enterprise Funds
<b>Reconciliation of Operating Income to Net Cash Used in Operating Activities:</b>			
Operating loss	\$ (248,460)	\$ (348,533)	\$ (596,993)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation expense	97,974	85,114	183,088
Change in assets and liabilities:			
(Increase) decrease in accounts receivables, net	-	(1,851)	(1,851)
(Increase) decrease in inventories	(4,823)	(6,191)	(11,014)
(Increase) decrease in deferred outflows	18,198	31,575	49,773
Increase (decrease) in accounts and other payables	5,117	(2,007)	3,110
Increase (decrease) in accrued compensated absences	127	(1,916)	(1,789)
Increase (decrease) in net pension liability	(36,076)	(65,806)	(101,882)
Increase (decrease) in deferred inflows	20,534	33,743	54,277
Net cash used in operating activities	<u>\$ (147,409)</u>	<u>\$ (275,872)</u>	<u>\$ (423,281)</u>



**THE CITY OF PONCA CITY**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2018**

	<u>City Garage</u>	<u>Insurance Imprest Fund</u>	<u>Totals</u>
<b>ASSETS</b>			
Current Assets:			
Cash, including time deposits	\$ 182,233	\$ 4,570,340	\$ 4,752,573
Investments	-	4,494,933	4,494,933
Receivables:			
Other	79,586	122,527	202,113
Prepaid expenses	-	25,971	25,971
Inventory	205,754	-	205,754
Total current assets	<u>467,573</u>	<u>9,213,771</u>	<u>9,681,344</u>
Noncurrent Assets:			
Capital assets:			
Depreciable, net of accumulated depreciation	13,418	-	13,418
Total noncurrent assets	<u>13,418</u>	<u>-</u>	<u>13,418</u>
Total Assets	<u>480,991</u>	<u>9,213,771</u>	<u>9,694,762</u>
Deferred outflows of resources:			
Deferred amounts related to pensions	7,916	2,632	10,548
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	121,626	84,248	205,874
Estimated liability for claims	-	326,999	326,999
Accrued compensated absences	9,937	2,666	12,603
Total current liabilities	<u>131,563</u>	<u>413,913</u>	<u>545,476</u>
Noncurrent Liabilities:			
Estimated liability for claims	-	257,763	257,763
Net pension liability	86,171	28,656	114,827
Accrued compensated absences	-	-	-
Total noncurrent liabilities	<u>86,171</u>	<u>286,419</u>	<u>372,590</u>
Total Liabilities	<u>217,734</u>	<u>700,332</u>	<u>918,066</u>
Deferred inflows of resources:			
Deferred amounts related to pensions	32,404	10,776	43,180
<b>NET POSITION</b>			
Net investment in capital assets	13,418	-	13,418
Unrestricted	225,351	8,505,295	8,730,646
Total Net Position	<u>\$ 238,769</u>	<u>\$ 8,505,295</u>	<u>\$ 8,744,064</u>

**THE CITY OF PONCA CITY****COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION****INTERNAL SERVICE FUNDS**

For the Fiscal Year Ended June 30, 2018

	<u>City Garage</u>	<u>Insurance Imprest Fund</u>	<u>Totals</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 1,536,073	\$ 5,459,933	\$ 6,996,006
Total operating revenues	<u>1,536,073</u>	<u>5,459,933</u>	<u>6,996,006</u>
<b>Operating Expenses:</b>			
Personal services	221,383	405,680	627,063
Materials and supplies	1,152,614	-	1,152,614
Other services and charges	54,641	4,032,569	4,087,210
Depreciation expense	7,514	-	7,514
Total operating expenses	<u>1,436,152</u>	<u>4,438,249</u>	<u>5,874,401</u>
Operating income (loss)	<u>99,921</u>	<u>1,021,684</u>	<u>1,121,605</u>
<b>Non-Operating Revenues:</b>			
Investment income	-	119,987	119,987
Miscellaneous income	1,355	215,901	217,256
Total non-operating revenues	<u>1,355</u>	<u>335,888</u>	<u>337,243</u>
Change in net position	101,276	1,357,572	1,458,848
Net position, beginning of year	<u>137,493</u>	<u>7,147,723</u>	<u>7,285,216</u>
Net position, end of year	<u>\$ 238,769</u>	<u>8,505,295</u>	<u>\$ 8,744,064</u>

**THE CITY OF PONCA CITY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
For the Fiscal Year Ended June 30, 2018

	<u>City Garage</u>	<u>Insurance Imprest Fund</u>	<u>Totals</u>
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers	\$ 1,521,685	\$ 5,340,306	\$ 6,861,991
Payments to suppliers and others	(1,150,010)	(4,025,887)	(5,175,897)
Payments to employees	(243,052)	(565,089)	(808,141)
Net cash provided by (used in) operating activities	<u>128,623</u>	<u>749,330</u>	<u>877,953</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Misc. cash collections	1,355	215,901	217,256
Transfers to from other funds	-	-	-
Net cash used in noncapital financing activities	<u>1,355</u>	<u>215,901</u>	<u>217,256</u>
<b>Cash Flows from Investing Activities:</b>			
Net purchase of investments	-	(2,743,053)	(2,743,053)
Proceeds from sale and maturities of investments	-	-	-
Interest and dividends	-	119,987	119,987
Net cash provided by (used in) investing activities	<u>-</u>	<u>(2,623,066)</u>	<u>(2,623,066)</u>
Net decrease in cash and cash equivalents	129,978	(1,657,835)	(1,527,857)
Balances, beginning of year	<u>52,255</u>	<u>6,228,175</u>	<u>6,280,430</u>
Balances, end of year	<u>\$ 182,233</u>	<u>\$ 4,570,340</u>	<u>\$ 4,752,573</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating income (loss)	\$ 99,921	\$ 1,021,684	\$ 1,121,605
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	7,514	-	7,514
Change in assets and liabilities:			
(Increase) decrease in receivables, net	(14,388)	(119,627)	(134,015)
(Increase) decrease in prepaid expenses	-	338	338
(Increase) decrease in inventory	(31,661)	-	(31,661)
(Increase) decrease in deferred outflows	18,384	6,024	24,408
Increase (decrease) in claims payable	-	(160,753)	(160,753)
Increase (decrease) in accrued compensated absences	9,937	945	10,882
Increase (decrease) in accounts and other payables	57,245	6,344	63,589
Increase (decrease) in net pension liability	(38,102)	(12,244)	(50,346)
Increase (decrease) in deferred inflows	19,773	6,619	26,392
Net cash provided by (used in) operating activities	<u>\$ 128,623</u>	<u>\$ 749,330</u>	<u>\$ 877,953</u>

**THE CITY OF PONCA CITY**  
**SCHEDULE OF REVENUE BONDS AND NOTES DEBT SERVICE COVERAGE**  
For the Fiscal Year Ended June 30, 2018

	Electric	Water	Solid Waste	Wastewater	Total
Gross Revenues of the System:					
Utility charges for service	\$ 39,948,606	\$ 8,582,492	\$ 5,090,355	\$ 6,505,055	\$ 60,126,508
Investment income	223,963	65,826	121,433	64,815	476,037
Total operating revenues	40,172,569	8,648,318	5,211,788	6,569,870	60,602,545
Operation and Maintenance Expenses:					
Personal services	2,749,599	1,464,074	2,321,059	1,158,271	7,693,003
Materials and supplies	81,964	431,632	29,914	87,841	631,351
Maintenance, operations and contractual services	1,814,374	1,367,515	804,426	651,524	4,637,839
Electricity purchased	23,952,278	-	-	-	23,952,278
Total operating expenses	28,598,215	3,263,221	3,155,399	1,897,636	36,914,471
Net revenues available for debt service	\$ 11,574,354	\$ 5,385,097	\$ 2,056,389	\$ 4,672,234	\$ 23,688,074

Maximum annual debt service 3,011,000 \*

Coverage 7.87

Required coverage 1.25

\* Maximum annual debt services is based on 2019 debt service requirements for Oklahoma Water Resources Board Notes Payable Series 1998A, 1999A, Series 2007 and 2009A Clean Water SRF Promissory Note, and Series 2012B Promissory Note as well as 2012A Utility System Revenue Note

**THE CITY OF PONCA CITY**  
**SCHEDULE OF RESERVE ACCOUNT BALANCES**  
 June 30, 2018

<u>Description</u>	<u>Required Reserves</u>	<u>Reserve Balance June 30, 2018</u>	<u>Excess Balance (Under) Required Reserves</u>
Notes Payable:			
2012 A Banc of America Public	\$ 848,980	848,980	-
2012 B OWRB	821,377	821,348	(29)

## INTERNAL CONTROL AND COMPLIANCE



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

To the Honorable Mayor and City Commission  
The 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, 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, 2018, 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 20, 2018. Our report includes a reference to other auditors who audited the Ponca City Development Authority, as described in our report on the City's financial statements.

**Internal Control over Financial Reporting**

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

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

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

**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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Arledge & Associates, P.C.*

December 20, 2018