

**THE CITY OF
PONCA CITY, OKLAHOMA**

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

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

THE CITY OF PONCA CITY, OKLAHOMA

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THE CITY OF PONCA CITY, OKLAHOMA
LIST OF PRINCIPAL OFFICIALS
June 30, 2017

City Commission

Homer Nicholson, Mayor

Lanita Chapman

Ryan Austin

Shasta Scott

Nancy Rathbun

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ponca City Development Authority. 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 January 2, 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.



January 2, 2018

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2017

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, 2017. 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 \$152,857,329 for the fiscal year ended June 30, 2017.
- Total net position are comprised of the following:
 - Total capital assets, net of depreciation, were \$113,423,527.
 - Net assets of \$18,640,089 are restricted by constraints imposed from outside the City, such as debt covenants, grantors, laws or regulations.
 - Unrestricted net assets of \$20,793,713 represent the portion available to maintain the City's continuing obligations to citizens, creditors and employees.
- The General Fund increased its committed fund balance for operating reserve by \$100,000 to \$2,200,000 during the fiscal year.
- Sales and use tax revenue in the General Fund derived from a 2% rate to provide basic services totaled \$8,102,760, a decrease of 2.1% from the prior year.
- The Ponca City Utility Authority decreased its capital debt and refundable grant obligations by \$6,087,058 during the year ended June 30, 2017.

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, 2017

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 erosion in the overall net position, due to new accounting standards on pension liability.

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

- Governmental activities – Most of the City's basic services are reported here, including the police, fire, general administration, streets and parks. Sales taxes, franchise fees, fines and state federal grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's electric, water, wastewater, solid waste, 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, 2017

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, 2017
A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City's assets exceeded liabilities by \$152,857,329 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 2017, this investment in capital assets, net of related debt amounted to \$113,423,527. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	NET POSITION (in 000's)					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current assets	\$ 29,342	\$ 28,765	39,312	34,240	68,654	63,005
Capital assets, net	59,374	58,562	78,777	82,141	138,151	140,703
Other non-current assets	-	-	3,403	4,286	3,403	4,286
Total assets	<u>88,716</u>	<u>87,327</u>	<u>121,492</u>	<u>120,667</u>	<u>210,208</u>	<u>207,994</u>
Deferred outflows of resources	4,514	2,993	900	1,356	5,414	4,349
Current liabilities	2,637	2,982	9,753	10,619	12,390	13,601
Non-current liabilities	21,922	20,527	27,154	33,341	49,076	53,868
Total liabilities	<u>24,559</u>	<u>23,509</u>	<u>36,907</u>	<u>43,960</u>	<u>61,466</u>	<u>67,469</u>
Deferred inflows of resources	868	1,468	432	-	1,300	1,468
Net position						
Invested in capital assets						
net of related debt	59,374	56,727	54,050	51,499	113,424	108,226
Restricted	12,498	12,730	6,141	5,337	18,639	18,067
Unrestricted	(4,068)	(4,114)	24,862	21,228	20,794	17,114
Total net position	<u>\$ 67,804</u>	<u>\$ 65,343</u>	<u>85,053</u>	<u>78,064</u>	<u>152,857</u>	<u>143,407</u>

THE CITY OF PONCA CITY, OKLAHOMA
Management Discussion and Analysis
June 30, 2017

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

Net Position (continued)

Another major portion of the City's net position, \$18,640,089, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$20,793,713, 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, although erosion did occur in the unrestricted portion due to accounting standard changes regarding pension liability.

Changes in Net Position

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

	CHANGES IN NET POSITION (in 000's)					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues	\$ 13,299	\$ 11,722	\$ 59,866	\$ 57,851	\$ 73,165	\$ 69,573
Taxes and other general revenues	17,514	17,422	458	313	17,972	17,735
Total revenues	<u>30,813</u>	<u>29,144</u>	<u>60,324</u>	<u>58,164</u>	<u>91,137</u>	<u>87,308</u>
Expenses						
General government	9,898	10,273	-	-	9,898	10,273
Public safety	14,993	14,281	-	-	14,993	14,281
Streets and highways	4,082	5,893	-	-	4,082	5,893
Culture, parks and recreation	4,115	4,432	-	-	4,115	4,432
Community development	231	177	-	-	231	177
Economic development	2,026	2,068	-	-	2,026	2,068
Interest on long-term debt	98	129	-	-	98	129
Utility Authority	-	-	43,113	43,938	43,113	43,938
Airport	-	-	1,826	1,714	1,826	1,714
Golf Course	-	-	913	878	913	878
Marland Estate	-	-	392	435	392	435
Total expenses	<u>35,443</u>	<u>37,253</u>	<u>46,244</u>	<u>46,965</u>	<u>81,687</u>	<u>84,218</u>
Excess (deficiency) before transfers	(4,630)	(8,109)	14,080	11,199	9,450	3,090
Transfers	7,091	6,954	(7,091)	(6,954)	-	-
Increase (decrease) in net position	<u>\$ 2,461</u>	<u>\$ (1,155)</u>	<u>\$ 6,989</u>	<u>\$ 4,245</u>	<u>\$ 9,450</u>	<u>\$ 3,090</u>

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2017

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

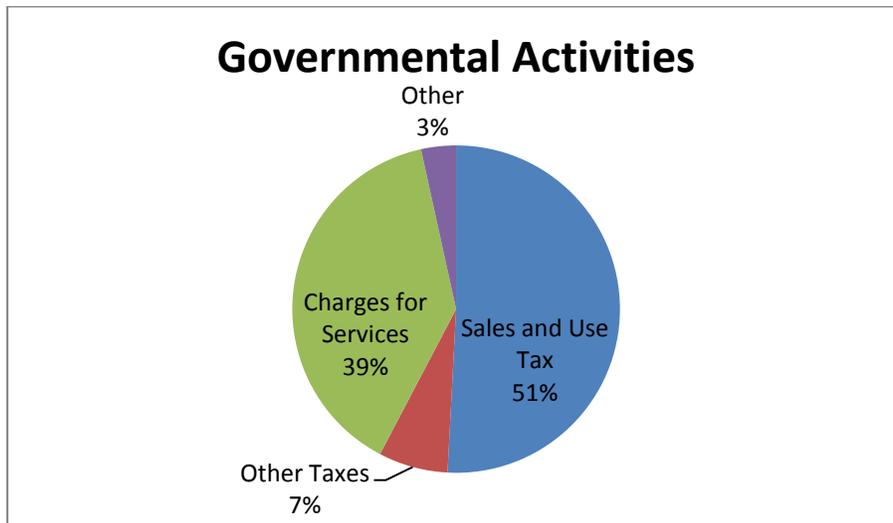
Changes in Net Position (continued)

The City's governmental activities' increase in net assets of \$2,460,832 represents a 3.77% increase in net assets. The business-type activities' increase in net assets of \$6,989,339 represents a 8.95% increase. The results indicate the City as a whole experienced an increase in its financial condition from the prior year.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly 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, 2017, the City's governmental activities were funded as follows:



THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2017

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

Governmental Activities (continued)

For the year ended June 30, 2017, total expenses for governmental activities amounted to \$35,442,858. Of these total expenses, taxes, other general revenues, and transfers funded \$24,604,641. Operating and Capital Grants and Contributions funded \$2,461,737. A total of \$10,837,312 was received from charges for services. There were no significant changes from the prior year.

Net Revenue (Expense) of Governmental Activities

	Total Expense of Services		Net Revenue (Expense) of Services	
	2017	2016	2017	2016
General government	\$ 9,898,165	\$ 10,273,054	(1,195,661)	(3,040,661)
Public safety	14,993,379	14,281,171	(10,533,283)	(10,016,100)
Streets and highways	4,081,884	5,893,066	(4,081,884)	(5,893,066)
Culture, parks and recreation	4,114,775	4,431,283	(4,040,835)	(4,260,971)
Community development	230,664	176,974	(168,155)	(122,718)
Payment to PCDA	2,025,690	2,068,272	(2,025,690)	(2,068,272)
Interest on long-term debt	98,300	129,440	(98,300)	(129,440)
Total	<u>\$ 35,442,857</u>	<u>\$ 37,253,260</u>	<u>(22,143,808)</u>	<u>(25,531,228)</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 \$6,989,339 for the year ended June 30, 2017.
- All individual activities reported net revenue for the year ended June 30, 2017, with the exception of the Airport, the Golf Course, and the Marland Estate operations which reported net expenses of \$531,173, \$380,056, and \$198,968 respectively. 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, 2017

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 \$37,583 or 0.17% and an increase in appropriations of \$114,883 or 0.48%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2017, the City had \$138,151,054 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 \$2,552,334 or 1.81% over the previous year.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 940,717	\$ 728,214	1,202,654	1,202,654	2,143,371	1,930,868
Buildings	28,297,676	29,024,940	12,820,084	13,648,143	41,117,760	42,673,083
Improvements (other than buildings)	25,975,756	24,838,462	59,082,398	61,869,461	85,058,154	86,707,923
Machinery & Equipment	3,909,340	3,808,461	5,133,369	5,342,589	9,042,709	9,151,050
Construction in progress	250,411	162,032	538,649	78,432	789,060	240,464
Totals	\$ 59,373,900	58,562,109	78,777,154	82,141,279	138,151,054	140,703,388

THE CITY OF PONCA CITY, OKLAHOMA
Management Discussion and Analysis
June 30, 2017

Long-term Debt

At year-end, the City had \$29,805,042 in long-term debt outstanding which represents a decrease of \$6,489,059 or 17.88% from the prior year. The City’s changes in long-term debt by type of debt are as follows:

Primary Government Long-term Debt

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Compensated absences	\$ 944,668	\$ 863,071	\$ 343,258	\$ 302,591	\$ 1,287,926	\$ 1,165,662
Judgment payable	716,880	982,999	-	-	716,880	982,999
Revenue bonds	-	-	16,935,000	21,395,000	16,935,000	21,395,000
Notes payable	-	-	7,792,529	9,388,087	7,792,529	9,388,087
Landfill closure/postclosure	-	-	2,990,457	3,248,603	2,990,457	3,248,603
Refundable grant obligation	-	-	82,250	113,750	82,250	113,750
Totals	<u>\$1,661,548</u>	<u>\$1,846,070</u>	<u>\$28,143,494</u>	<u>\$34,448,031</u>	<u>\$29,805,042</u>	<u>\$36,294,101</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.

THE CITY OF PONCA CITY, OKLAHOMA
Management Discussion and Analysis
June 30, 2017

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 2017-18 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, 2017

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 24,092,501	\$ 18,481,094	\$ 42,573,595
Investments	2,822,546	7,006,218	9,828,764
Restricted assets:			
Cash and cash equivalents	-	2,470,312	2,470,312
Investments	-	629,338	629,338
Prepaid insurance	26,309	-	26,309
Receivables:			
Accounts receivable, net of allowance	783,645	7,107,344	7,890,989
Other receivables, net of allowance	-	205,878	205,878
Due from other governments	1,443,223	-	1,443,223
Inventory	174,093	3,206,141	3,380,234
Total current assets	<u>29,342,317</u>	<u>39,106,325</u>	<u>68,448,642</u>
Non-current assets:			
Restricted assets:			
Cash and cash equivalents	-	1,670,328	1,670,328
Investment in joint venture	-	1,958,459	1,958,459
Capital assets:			
Non-depreciable	1,191,128	1,741,303	2,932,431
Depreciable, net of depreciation	<u>58,182,772</u>	<u>77,035,853</u>	<u>135,218,625</u>
Total non-current assets	<u>59,373,900</u>	<u>82,405,943</u>	<u>141,779,843</u>
Total assets	<u>88,716,217</u>	<u>121,512,268</u>	<u>210,228,485</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	<u>\$ 4,514,353</u>	<u>\$ 899,701</u>	<u>\$ 5,414,054</u>

(Continued)

THE CITY OF PONCA CITY
STATEMENT OF NET POSITION (continued)
June 30, 2017

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 1,405,864	\$ 3,602,102	\$ 5,007,966
Accrued interest payable	-	231,191	231,191
Advanced revenues	414,581	23,194	437,775
Meter deposit liability	-	629,338	629,338
Current portion-due within one year:			
Judgments payable	436,559	-	436,559
Notes payable	-	1,712,694	1,712,694
Revenue bonds payable	-	3,495,000	3,495,000
Refundable grant obligations	-	25,250	25,250
Estimated liability for claims	291,458	-	291,458
Accrued compensated absences	88,514	34,154	122,668
Total current liabilities	<u>2,636,976</u>	<u>9,752,923</u>	<u>12,389,899</u>
Non-current liabilities-due in more than one year:			
Judgments payable	280,321	-	280,321
Notes payable	-	6,079,835	6,079,835
Revenue bonds payable	-	13,440,000	13,440,000
Refundable grant obligations	-	57,000	57,000
Estimated liability for claims	454,057	-	454,057
Accrued compensated absences	856,154	335,237	1,191,391
Net pension liability	20,331,332	4,251,235	24,582,567
Landfill closure/post-closure liability	-	2,990,457	2,990,457
Total non-current liabilities	<u>21,921,864</u>	<u>27,153,764</u>	<u>49,075,628</u>
Total liabilities	<u>24,558,840</u>	<u>36,906,687</u>	<u>61,465,527</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts related to pensions	<u>867,578</u>	<u>432,105</u>	<u>1,299,683</u>
NET POSITION			
Net investment in capital assets	59,373,900	54,049,627	113,423,527
Restricted by:			
Enabling legislation	10,345,479	-	10,345,479
Statutory requirements	414,113	629,338	1,043,451
External contracts	1,738,970	5,512,189	7,251,159
Unrestricted (deficit)	<u>(4,068,310)</u>	<u>24,882,023</u>	<u>20,813,713</u>
Total net position	<u>\$ 67,804,152</u>	<u>\$ 85,073,177</u>	<u>\$ 152,877,329</u>

See accompanying notes to the financial statements.

THE CITY OF PONCA CITY

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

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
Primary Government:							
Governmental activities:							
General government	\$ 9,898,165	\$ 8,097,482	\$ -	\$ 605,022	\$ (1,195,661)	\$ -	\$ (1,195,661)
Public safety	\$ 14,993,380	2,622,654	1,799,970	37,472	(10,533,284)	-	(10,533,284)
Streets and highways	\$ 4,081,884	-	-	-	(4,081,884)	-	(4,081,884)
Cultural, parks and recreation	\$ 4,114,775	54,667	7,032	12,241	(4,040,835)	-	(4,040,835)
Community development	\$ 230,664	62,509	-	-	(168,155)	-	(168,155)
Payment to PCDA	\$ 2,025,690	-	-	-	(2,025,690)	-	(2,025,690)
Interest on long-term debt	\$ 98,300	-	-	-	(98,300)	-	(98,300)
Total governmental activities	<u>35,442,858</u>	<u>10,837,312</u>	<u>1,807,002</u>	<u>654,735</u>	<u>(22,143,809)</u>	<u>-</u>	<u>(22,143,809)</u>
Business-type activities:							
Electric	29,550,828	38,083,302	-	-	-	8,532,474	8,532,474
Water	5,127,449	7,935,112	-	-	-	2,807,663	2,807,663
Wastewater	4,009,018	6,299,242	-	-	-	2,290,224	2,290,224
Solid waste	4,235,885	5,024,030	-	-	-	788,145	788,145
Stormwater	189,462	503,408	-	-	-	313,946	313,946
Airport	1,826,494	1,295,321	-	-	-	(531,173)	(531,173)
Golf course	913,139	533,083	-	-	-	(380,056)	(380,056)
Marland Estate	391,750	192,782	-	-	-	(198,968)	(198,968)
Total business-type activities	<u>46,244,025</u>	<u>59,866,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,622,255</u>	<u>13,622,255</u>
Total primary government	<u>\$ 81,686,883</u>	<u>\$ 70,703,592</u>	<u>\$ 1,807,002</u>	<u>\$ 654,735</u>	<u>\$ (22,143,809)</u>	<u>\$ 13,622,255</u>	<u>\$ (8,521,554)</u>

(Continued)

THE CITY OF PONCA CITY
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2017

Functions/Programs	Net (Expenses) Revenues and Change in Net Position		
	Governmental Activities	Business-type Activities	Total
General revenues:			
Taxes:			
Sales and use taxes - unrestricted	\$ 8,102,759	\$ -	\$ 8,102,759
Sales and use taxes - streets and highways	2,025,690	-	2,025,690
Sales and use taxes - economic development	2,025,690	-	2,025,690
Sales and use taxes - recreation center	2,025,690	-	2,025,690
Franchise and public service taxes	723,442	-	723,442
Hotel/motel taxes	533,487	-	533,487
Ad valorem taxes	636,831	-	636,831
Other taxes	15,668	-	15,668
Intergovernmental revenue not restricted to specific programs	271,135	-	271,135
Investment income	344,830	418,356	763,186
Miscellaneous	780,256	23,985	804,241
Special item - gain (loss) on sale of asset	28,207	35,699	63,906
Transfers - internal activity	7,090,956	(7,090,956)	-
Total general revenues and transfers	<u>24,604,641</u>	<u>(6,612,916)</u>	<u>17,991,725</u>
Change in net position	2,460,832	7,009,339	9,470,171
Net position - beginning of year	<u>65,343,320</u>	<u>78,063,838</u>	<u>143,407,158</u>
Net position - end of year	<u>\$ 67,804,152</u>	<u>\$ 85,073,177</u>	<u>\$ 152,877,329</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY**BALANCE SHEET****GOVERNMENTAL FUNDS**

June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 6,393,414	\$ 11,418,657	\$ 17,812,071
Investments	-	1,070,666	1,070,666
Receivables:			
Accounts receivable, net	723,519	57,226	780,745
Due from other governments	711,454	666,571	1,378,025
Total assets	<u>\$ 7,828,387</u>	<u>\$ 13,213,120</u>	<u>\$ 21,041,507</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 549,021	\$ 714,558	\$ 1,263,579
Advanced revenues	414,581	-	414,581
Total liabilities	<u>963,602</u>	<u>714,558</u>	<u>1,678,160</u>
Fund balances:			
Nonspendable	-	1,070,666	1,070,666
Restricted	-	8,001,064	8,001,064
Committed	2,425,378	-	2,425,378
Assigned	4,059,601	3,426,832	7,486,433
Unassigned	379,806	-	379,806
Total fund balances	<u>6,864,785</u>	<u>12,498,562</u>	<u>19,363,347</u>
Total liabilities and fund balances	<u>\$ 7,828,387</u>	<u>\$ 13,213,120</u>	<u>\$ 21,041,507</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, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 8,628,043	\$ 7,247,388	\$ 15,875,431
Intergovernmental	239,970	887,111	1,127,081
Charges for services	2,323,247	3,735	2,326,982
Fines and forfeitures	699,344	25,442	724,786
Licences and permits	117,176	-	117,176
Investment income	56,092	167,826	223,918
Miscellaneous	1,896,405	55,956	1,952,361
Total revenues	13,960,277	8,387,458	22,347,735
Expenditures:			
Current:			
General government	2,546,550	83,415	2,629,965
Public safety	15,000,473	31,533	15,032,006
Streets and highways	1,715,959	383,744	2,099,703
Culture, parks and recreation	3,009,588	371,501	3,381,089
Community development	-	2,256,354	2,256,354
Capital outlay	337,852	3,253,457	3,591,309
Debt service:			
Principal retirement	-	566,404	566,404
Interest and fiscal charges	-	98,300	98,300
Total expenditures	22,610,422	7,044,708	29,655,130
Excess (deficiency) of revenues over expenditures	(8,650,145)	1,342,750	(7,307,395)
Other financing sources (uses):			
Transfers in	9,968,470	440,000	10,408,470
Transfers out	(966,726)	(2,014,403)	(2,981,129)
Proceeds from sale of fixed asset	28,207	-	28,207
Total other financing sources (uses)	9,029,951	(1,574,403)	7,455,548
Net change in fund balances	379,806	(231,653)	148,153
Fund balances - beginning of year	6,484,979	12,730,215	19,215,194
Fund balances - end of year	\$ 6,864,785	\$ 12,498,562	\$ 19,363,347

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, 2017

Total fund balance, governmental funds	\$ 19,363,347
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.	59,352,968
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Pension related deferred outflows	4,479,397
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	(716,880)
Net pension liability	(20,166,159)
Accrued compensated absences liability	(942,947)
Pension related deferred inflows	(850,790)
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:	
Change in net position of internal service funds	<u>7,285,216</u>
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 67,804,152</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, 2017

Net change in fund balances - total governmental funds: \$ 148,153

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	3,450,405
Capital asset donated to the City	605,022
Capital assets transferred to business-type activities	(326,385)
Depreciation expense	(2,908,840)

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:

Judgment payable proceeds received	(300,285)
Judgment payable principal payments	566,404

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 OPEB obligation	61,251
Change in accrued compensated absences	(90,824)

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.

(84,765)

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.

1,340,696

Change in net position - statement of activities

\$ 2,460,832

See accompanying notes to the financial statements

THE CITY OF PONCA CITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Business-type Activities - Enterprise Funds				Governmental
	Ponca City Utility Authority	Ponca City Airport	Other Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 17,556,166	\$ 491,049	\$ 433,879	\$ 18,481,094	\$ 6,280,430
Investments	7,006,218	-	-	7,006,218	1,751,880
Restricted assets:					
Cash and cash equivalents	2,470,312	-	-	2,470,312	-
Investments	629,338	-	-	629,338	-
Receivables:					
Utility billing, net of allowance for uncollectible accounts	7,107,344	-	-	7,107,344	-
Accounts receivables - other	19,397	185,987	494	205,878	2,900
Due from other funds	-	-	-	-	65,198
Prepaid expenses	-	-	-	-	26,309
Inventory	3,075,271	72,167	58,703	3,206,141	174,093
Total current assets	<u>37,864,046</u>	<u>749,203</u>	<u>493,076</u>	<u>39,106,325</u>	<u>8,300,810</u>
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	1,670,328	-	-	1,670,328	-
Investment in joint venture	1,958,459	-	-	1,958,459	-
Capital assets:					
Nondepreciable	1,130,143	151,290	459,870	1,741,303	-
Depreciable, net of accumulated depreciation	64,703,345	10,943,644	1,388,864	77,035,853	20,932
Total noncurrent assets	<u>69,462,275</u>	<u>11,094,934</u>	<u>1,848,734</u>	<u>82,405,943</u>	<u>20,932</u>
Total assets	<u>107,326,321</u>	<u>11,844,137</u>	<u>2,341,810</u>	<u>121,512,268</u>	<u>8,321,742</u>
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred amounts related to pensions	\$ 802,157	26,134	\$ 71,410	\$ 899,701	\$ 34,956

(Continued)

THE CITY OF PONCA CITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS (continued)
June 30, 2017

	Business-type Activities - Enterprise Funds				Governmental
	Ponca City Utility Authority	Ponca City Airport	Other Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 3,306,558	\$ 212,671	\$ 82,873	\$ 3,602,102	\$ 142,285
Accrued interest payable	231,191	-	-	231,191	-
Meter deposit liability	629,338	-	-	629,338	-
Advanced revenues	-	23,194	-	23,194	-
Current portion-due within one year:					
Refundable grant obligations	25,250	-	-	25,250	-
Estimated claims liability	-	-	-	-	291,458
Revenue bonds payable	3,495,000	-	-	3,495,000	-
Notes payable	1,712,694	-	-	1,712,694	-
Accrued compensated absences	28,578	2,314	3,262	34,154	172
Total current liabilities	9,428,609	238,179	86,135	9,752,923	433,915
Noncurrent liabilities-due within more than one year:					
Refundable grant obligations	57,000	-	-	57,000	-
Estimated liability for claims	-	-	-	-	454,057
Accrued compensated absences	282,231	21,762	31,244	335,237	1,549
Net pension liability	3,790,325	123,486	337,424	4,251,235	165,173
Landfill closure/post-closure liability	2,990,457	-	-	2,990,457	-
Revenue bonds payable	13,440,000	-	-	13,440,000	-
Notes payable, net of unamortized premium	6,079,835	-	-	6,079,835	-
Total noncurrent liabilities	26,639,848	145,248	368,668	27,153,764	620,779
Total liabilities	36,068,457	383,427	454,803	36,906,687	1,054,694
Deferred inflows of resources:					
Deferred amounts related to pensions	385,258	12,551	34,296	432,105	16,788
NET POSITION					
Net investment in capital assets	41,105,959	11,094,934	1,848,734	54,049,627	20,932
Restricted for debt service	4,140,640	-	-	4,140,640	-
Restricted for utility deposits	629,338	-	-	629,338	-
Restricted for encumbrances	911,679	-	459,870	1,371,549	-
Unrestricted (deficit)	24,887,147	379,359	(384,483)	24,882,023	7,264,284
Total net position	\$ 71,674,763	\$ 11,474,293	\$ 1,924,121	\$ 85,073,177	\$ 7,285,216

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, 2017

	Business-type Activities - Enterprise Funds				Governmental
	Ponca City Utility Authority	Ponca City Airport	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating Revenues:					
Charges for services:					
Electric	\$ 37,980,921	\$ -	\$ -	\$ 37,980,921	\$ -
Water	7,935,112	-	-	7,935,112	-
Solid waste	5,024,030	-	-	5,024,030	-
Wastewater	6,299,242	-	-	6,299,242	-
Airport	-	1,295,321	-	1,295,321	-
Marland Estate	-	-	192,782	192,782	-
Golf course	-	-	533,083	533,083	-
Stormwater	503,408	-	-	503,408	-
Other charges for services	102,381	-	-	102,381	7,668,368
Miscellaneous	23,015	-	970	23,985	-
Total operating revenues	57,868,109	1,295,321	726,835	59,890,265	7,668,368
Operating Expenses:					
Electric	28,411,196	-	-	28,411,196	-
Water	4,701,516	-	-	4,701,516	-
Solid waste	4,078,378	-	-	4,078,378	-
Wastewater	3,673,329	-	-	3,673,329	-
Stormwater	186,610	-	-	186,610	-
Marland Estate	-	-	391,750	391,750	-
Golf course	-	-	913,139	913,139	-
Airport	-	1,826,494	-	1,826,494	-
Administrative	1,387,621	-	-	1,387,621	-
Motor pool	-	-	-	-	1,505,548
Insurance claims and administrative	-	-	-	-	4,975,526
Total operating expenses	42,438,650	1,826,494	1,304,889	45,570,033	6,481,074
Operating income (loss)	\$ 15,429,459	\$ (531,173)	\$ (578,054)	\$ 14,320,232	\$ 1,187,294
Non-Operating Revenues (Expenses):					
Investment income	\$ 207,356	\$ 1,596	\$ 1,939	\$ 210,891	\$ 120,912
Income from joint venture	207,465	-	-	207,465	-
Miscellaneous	-	-	-	-	42,490
Interest expense and fiscal charges	(673,992)	-	-	(673,992)	-
Gain (loss) on asset retirement	35,302	42	355	35,699	-
Net non-operating revenues (expenses)	(223,869)	1638	2,294	(219,937)	163,402
Income (loss) before contributions and transfers	15,205,590	(529,535)	(575,760)	14,100,295	1,350,696
Capital contributions	75,744	25,326	225,315	326,385	-
Transfers from other funds	2,302,736	163,514	484,879	2,951,129	-
Transfers to other funds	(10,368,470)	-	-	(10,368,470)	(10,000)
Net transfers and capital contributions	(7,989,990)	188,840	710,194	(7,090,956)	(10,000)
Change in net position	7,215,600	(340,695)	134,434	7,009,339	1,340,696
Net position - beginning of year	64,459,163	11,814,988	1,789,687	78,063,838	5,944,520
Net position - end of year	\$ 71,674,763	\$ 11,474,293	\$ 1,924,121	\$ 85,073,177	\$ 7,285,216

See accompanying notes to the financial statements.

THE CITY OF PONCA CITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS (continued)
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Ponca City Utility Authority	Ponca City Airport	Other Enterprise Funds	Total Enterprise Funds	
Non-Operating Revenues (Expenses):					
Investment income	\$ 207,356	\$ 1,596	\$ 1,939	\$ 210,891	\$ 120,912
Income (Loss) from joint venture	207,465	-	-	207,465	-
Miscellaneous	-	-	-	-	42,490
Interest expense and fiscal charges	(673,992)	-	-	(673,992)	-
Gain (loss) on asset retirement	35,302	42	355	35,699	-
Net non-operating revenues (expenses)	(223,869)	1638	2,294	(219,937)	163,402
Income (loss) before contributions and transfers	15,205,590	(529,535)	(575,760)	14,100,295	1,350,696
Capital Contributions	75,744	25,326	225,315	326,385	-
Transfers from other funds	2,302,736	163,514	484,879	2,951,129	-
Transfers to other funds	(10,368,470)	-	-	(10,368,470)	(10,000)
Net transfers and capital contributions	(7,989,990)	188,840	710,194	(7,090,956)	(10,000)
Change in net position	7,215,600	(340,695)	134,434	7,009,339	1,340,696
Net position - beginning of year, restated	64,459,163	11,814,988	1,789,687	78,063,838	5,944,520
Net position - end of year	\$ 71,674,763	\$ 11,474,293	\$ 1,924,121	\$ 85,073,177	\$ 7,285,216

See accompanying notes to the financial statements.

THE CITY OF PONCA CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds			Governmental	
	Ponca City Utility Authority	Ponca City Airport	Other Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 57,784,460	\$ 1,144,338	\$ 729,041	\$ 59,657,839	\$ 7,743,369
Payments to suppliers	(28,326,589)	(563,893)	(424,310)	(29,314,792)	(5,747,759)
Payments to employees	(8,538,815)	(368,669)	(698,554)	(9,606,038)	(1,423,266)
Net receipts (refunds) of customer meter deposits	(1,729)	-	-	(1,729)	-
Net cash provided by (used in) operating activities	<u>20,917,327</u>	<u>211,776</u>	<u>(393,823)</u>	<u>20,735,280</u>	<u>572,344</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers from other funds	2,302,736	163,514	484,879	2,951,129	-
Transfers to other funds	(10,368,470)	-	-	(10,368,470)	(10,000)
Net cash provided by (used in) noncapital financing activities	<u>(8,065,734)</u>	<u>163,514</u>	<u>484,879</u>	<u>(7,417,341)</u>	<u>(10,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from sale of capital assets	38,585	42	355	38,982	-
Purchases of capital assets	(2,951,363)	(309,524)	-	(3,260,887)	-
Principal paid or retired on capital debt	(6,038,480)	-	-	(6,038,480)	-
Interest paid on capital debt	(523,803)	-	-	(523,803)	-
Transfer of capital assets	4,303	-	-	4,303	-
Net cash provided by (used in) capital and related financing activities	<u>(9,470,758)</u>	<u>(309,482)</u>	<u>355</u>	<u>(9,779,885)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments	1,865,127	-	-	1,865,127	982,999
Purchase of investments	-	-	-	-	(751,880)
Interest and dividends	187,465	1,596	1,939	191,000	120,912
Net cash provided by (used in) investing activities	<u>2,052,592</u>	<u>1,596</u>	<u>1,939</u>	<u>2,056,127</u>	<u>352,031</u>
Net increase (decrease) in cash and cash equivalents	5,433,427	67,404	93,350	5,594,181	914,375
Balances - beginning of year	<u>16,263,379</u>	<u>423,645</u>	<u>340,529</u>	<u>17,027,553</u>	<u>5,366,055</u>
Balances - end of year	<u>\$ 21,696,806</u>	<u>\$ 491,049</u>	<u>\$ 433,879</u>	<u>\$ 22,621,734</u>	<u>\$ 6,280,430</u>

(Continued)

THE CITY OF PONCA CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds				Governmental
	Ponca City Utility Authority	Ponca City Airport	Other Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
Reconciliation to Statement of Net Position:					
Cash and cash equivalents	\$ 17,556,166	\$ 491,049	\$ 433,879	\$ 18,481,094	\$ 6,280,430
Current restricted cash and cash equivalents	2,470,312	-	-	2,470,312	-
Noncurrent restricted cash and cash equivalents	1,670,328	-	-	1,670,328	-
Total cash and cash equivalents, end of year	<u>\$ 21,696,806</u>	<u>\$ 491,049</u>	<u>\$ 433,879</u>	<u>\$ 22,621,734</u>	<u>\$ 6,280,430</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 15,429,459	\$ (531,173)	\$ (578,054)	\$ 14,320,232	\$ 1,187,294
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation expense	6,014,538	756,768	172,502	6,943,808	8,410
Miscellaneous revenue	-	-	-	-	42,490
Change in assets and liabilities:					
(Increase) decrease in receivables, net	(23,431)	(174,177)	2,206	(195,402)	955
(Increase) decrease in inventories	(194,431)	(34,281)	22,615	(206,097)	12,571
(Increase) decrease in deferred outflows	775,459	20,625	45,488	841,572	(34,956)
(Increase) decrease in prepaid expenses	-	-	-	-	2,265
(Increase) decrease in due from other funds	-	-	-	-	31,555
Increase (decrease) in accounts and other payables	(81,428)	189,548	(2,332)	105,788	13,509
Increase (decrease) in advanced revenues	(60,218)	23,194	-	(37,024)	-
Increase (decrease) in landfill closure post closure obligation	(258,146)	-	-	(258,146)	-
Increase (decrease) in customer meter deposits payable	(1,729)	-	-	(1,729)	-
Increase (decrease) in due to other funds	(89,539)	(7,214)	-	(96,753)	(31,178)
Increase (decrease) in retainage payable	-	-	-	-	-
Increase (decrease) in claims payable	-	-	-	-	(833,305)
Increase (decrease) in net pension liability	(622,053)	(49,548)	(95,160)	(766,761)	165,173
Increase (decrease) in OPEB obligation	(25,024)	(931)	(1,900)	(27,855)	-
Increase (decrease) in deferred inflows	-	12,551	34,296	46,847	16,788
Increase (decrease) in accrued compensated absences	53,870	6,414	6,516	66,800	(9,227)
Net cash provided by (used in) operating activities	<u>\$ 20,917,327</u>	<u>\$ 211,776</u>	<u>\$ (393,823)</u>	<u>\$ 20,735,280</u>	<u>\$ 572,344</u>
Non-cash activities:					
Capital assets acquired through transfers from other funds	\$ 75,744	\$ 25,326	\$ 225,315	\$ 326,385	\$ -
Change in investments in joint venture	18,351	-	-	18,351	-
Net non-cash activities	<u>\$ 94,095</u>	<u>\$ 25,326</u>	<u>\$ 225,315</u>	<u>\$ 344,736</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

THE CITY OF PONCA CITY
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUND
June 30, 2017

ASSETS

Investments at contract value:		
Insurance contracts	\$	<u>4,530,102</u>
Investments at fair value:		
Unallocated insurance contracts:		
Bond and mortgage		121,474
International stock		4,455,894
Large cap stock index		<u>15,563,423</u>
Total unallocated insurance contracts:		<u>20,140,791</u>
 Total Assets	\$	<u><u>24,670,893</u></u>

NET POSITION

Restricted for pension benefits	\$	<u><u>24,670,893</u></u>
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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, 2016

ADDITIONS:

Employer contributions	\$ 734,292
Investment income:	
Investment return	<u>3,029,449</u>
Total additions	<u>3,763,741</u>

DEDUCTIONS:

Benefits paid to participants or beneficiaries	1,374,394
Administrative expense	<u>27,016</u>

Total deductions	<u>1,401,410</u>
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Change in net position held in trust for pension benefits	2,362,331
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Net position - beginning of year	<u>22,308,562</u>
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Net position - end of year	<u>\$ 24,670,893</u>
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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, 2017

ASSETS

Current assets:

Cash and cash equivalents	\$ 8,980,751
Receivables:	
Due from other governments	351,221
Accounts receivable (net of allowance for uncollectible)	7,059
Prepaid expenses	45,139
Security deposits	12,295
	<hr/>
Total current assets	9,396,465

Noncurrent assets:

Capital assets:	
Nondepreciable	198,335
Depreciable, net of accumulated depreciation	7,627,974
	<hr/>
Total noncurrent assets	7,826,309

Total assets	<hr/>
	17,222,774

LIABILITIES

Current liabilities:

Accounts payable	42,279
Deferred lease income	7,345
Payroll taxes payable	7,774
Current portion:	
Accrued compensated absences	3,176
	<hr/>
Total current liabilities	60,574

Noncurrent liabilities:

Accrued compensated absences	28,579
Renovation reserve	200,000
Security deposits	8,251
	<hr/>
Total noncurrent liabilities	236,830

Total liabilities	<hr/>
	297,404

NET POSITION

Restricted for development	<hr/>
	\$ 16,925,370

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, 2016

Additions:

Payments from City of Ponca City	\$	2,025,690
Lease income		269,408
Miscellaneous income		5,359
Total additions		<u>2,300,457</u>

Deductions:

Accounting and legal		17,643
City center expense		261,240
Depreciation		159,728
Dues and subscriptions		9,018
Existing industry		81,502
Fringe benefits		149,796
Insurance		29,090
Land improvements		98,408
Marketing		127,020
Meetings and conferences		11,362
Miscellaneous		42,463
New industry incentives and credits		313,381
Office supplies, postage, and printing		11,188
Payroll taxes		34,306
Rent		13,500
Salaries		525,279
Telephone		7,265
Total deductions		<u>1,892,189</u>

Interest income		41,074
Contribution income		3,480,000
Gain (loss) on disposition of asset		362,488
Total nonoperating income (expense)		<u>3,883,562</u>

Change in net position 4,291,830

Net position - beginning of year 12,633,540

Net position - end of year \$ 16,925,370

See accompanying notes to the financial statements.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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)	<p>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.</p> <p>The PCUA Funds are reported as enterprise funds within the primary government presentation. The City issues a separate report on only the PCUA.</p>
Ponca City Municipal Authority	<p>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.</p>
Ponca City Public Works Authority	<p>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.</p>

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	<p>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. 5th St. #3, Ponca City, OK 74601.</p>

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Financial Reporting Entity (continued)

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, 2017 may be obtained from its administrative offices at 100 E Street, Suite 200, Ardmore, OK 73401.

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:

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation and Accounting (continued)

Fund Financial Statements: (continued)

- 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:

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

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation and Accounting (continued)

Fund Financial Statements: (continued)

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

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.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation and Accounting (continued)

Fund Financial Statements: (continued)

Enterprise Funds (continued)

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.

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.

The City reports two major proprietary 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

Internal Service Funds:

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.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation and Accounting (continued)

Fund Financial Statements: (continued)

Fiduciary Fund Types

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.
- 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.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (continued)

Measurement Focus (continued)

- 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.

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.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION (continued)

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.

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.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION (continued)

Capital Assets and Depreciation (continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of 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, 2017, 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, 2017, the City has deferred inflows of resources related to pension deferrals.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in the governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. 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.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION (continued)

Long-term Debt (continued)

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, 2017.

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.

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.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION (continued)

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.

- 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

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION (continued)

Equity Classification (continued)

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.

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.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES (continued)

Government-wide Financial Statements: (continued)

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.

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.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. REVENUES, EXPENDITURES, AND EXPENSES (continued)

Sales Tax (continued)

- 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. For the year ended June 30, 2017, The City's net assessed valuation of taxable property was \$125,936,551. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2017 was \$5.28. 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.

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*.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. REVENUES, EXPENDITURES, AND EXPENSES (continued)

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, 2017, 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 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.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. DEPOSIT AND INVESTMENT REQUIREMENTS (continued)

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, 2017, 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, 2017.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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, 2017.

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, 2017, the reporting entity held the following deposits and investments:

Type	Credit rating	Maturities in Years			
		Fair Value	On Demand	Less Than One	More than 10
Petty cash	N/A	\$ 8,500	\$ 8,500	\$ -	\$ -
Demand accounts	N/A	34,104,732	34,104,732	-	-
Time deposits	N/A	19,500,000	-	19,500,000	-
Money market mutual funds	Not rated	1,061,522	-	1,061,522	-
U.S. Government agencies	AA	1,745,703	-	-	1,745,703
		56,420,457	\$ 34,113,232	\$ 20,561,522	\$ 1,745,703
Guaranteed interest account	N/A	4,651,576			
Mutual funds - equities	N/A	20,019,317			
Total deposits and investments at fair value		81,091,350			
Other investments at cost	N/A	751,880			
		<u>\$ 81,843,230</u>			

Reconciliations to Statement of

Net Assets:

Cash and cash equivalents	\$ 42,573,595
Investments	9,828,764
Current restricted cash and cash equivalents	2,470,312
Current restricted investments	629,338
Noncurrent restricted cash and cash equivalents	1,670,328
Pension fund investments	24,670,893
Total	<u>\$ 81,843,230</u>

Fiduciary Component Unit:

Type	Credit rating	Maturities in Years			
		Fair Value	On Demand	Less Than One	More than 10
Money Market	AAA	\$ 8,980,751	\$ -	\$ 8,980,751	\$ -

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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, 2017, 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, 2017, the City had no concentration of credit risk as defined above.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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 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:

Governmental Activities:	<u>Ambulance</u>	<u>Taxes</u>	<u>Court</u>	<u>Other</u>	<u>Total</u>
Accounts receivable	\$ 1,028,013	\$ 145,287	\$ 52,411	\$ 68,829	\$ 1,294,540
Less: allowance for uncollectible accounts	(510,895)	-	-	-	(510,895)
Accounts receivable, net of allowance	<u>\$ 517,118</u>	<u>\$ 145,287</u>	<u>\$ 52,411</u>	<u>\$ 68,829</u>	<u>\$ 783,645</u>
Business-type Activities:	<u>Utility</u>	<u>Misc.</u>			
	<u>Accounts</u>	<u>Accounts</u>			
	<u>Receivable</u>	<u>Receivable</u>	<u>Total</u>		
Electric	\$ 5,097,795	\$ -	\$ 5,097,795		
Water	988,602	-	988,602		
Solid waste	584,178	-	584,178		
Wastewater	762,865	-	762,865		
Stormwater	58,390	-	58,390		
Unapplied credits	(386,025)	-	(386,025)		
Other	1,539	19,397	20,936		
Lew Wentz Golf Course	-	494	494		
Airport	-	185,987	185,987		
Totals	<u>\$ 7,107,344</u>	<u>\$ 205,878</u>	<u>\$ 7,313,222</u>		

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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, 2017, are as follows:

	<u>Cash and Cash Equivalents</u>		<u>Investments</u>	<u>Investment in</u>	<u>Total</u>
	<u>Current</u>	<u>Noncurrent</u>	<u>Current</u>	<u>Joint Venture</u>	
Revenue bond and note payable trustee accounts	\$ 2,675,649	\$ 1,464,991	\$ -	\$ -	\$ 4,140,640
Landfill financial assurance	-	-	-	1,958,459	1,958,459
Deposits held for refund	-	-	629,338	-	629,338
	<u>\$ 2,675,649</u>	<u>\$ 1,464,991</u>	<u>\$ 629,338</u>	<u>\$ 1,958,459</u>	<u>\$ 6,728,437</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. Through June 30, 2017, PCUA paid \$13,909 in such fees, which were reported in Professional Service 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 2017. 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 (\$18,351) 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, 2017, PCUA’s equity interest totaled \$1,958,459 which is reported as “Investment in ALFA” on the statement of net position. For the year ended June 30, 2017, the “Investment in Joint Venture” balance changed as follows:

Beginning investment in joint venture	\$ 1,976,810
Net income in escrow fund	<u>(18,351)</u>
Ending investment in joint venture	<u>\$ 1,958,459</u>

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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

E. CAPITAL ASSETS

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

	<u>Balance at</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Balance at</u> <u>June 30, 2017</u>
Governmental activities:					
Non-depreciable:					
Land	\$ 728,214	\$ 212,678	\$ -	\$ (175)	\$ 940,717
Construction-in-progress	162,032	230,467	-	(142,088)	250,411
Total non-depreciable assets at historical cost	<u>890,246</u>	<u>443,145</u>	<u>-</u>	<u>(142,263)</u>	<u>1,191,128</u>
Depreciable:					
Buildings	41,337,187	-	57,361	(550,000)	40,844,548
Improvements	125,428,753	2,505,429	-	(11,000)	127,923,182
Machinery and equipment	12,798,419	918,427	135,794	(428,658)	13,423,982
Total depreciable assets at historical cost	<u>179,564,359</u>	<u>3,423,856</u>	<u>193,155</u>	<u>(989,658)</u>	<u>182,191,712</u>
Less accumulated depreciation:					
Buildings	(12,312,247)	(731,567)	(53,058)	550,000	(12,546,872)
Improvements	(100,590,291)	(1,368,136)	-	11,000	(101,947,427)
Machinery and equipment	(8,989,958)	(817,547)	(135,794)	428,658	(9,514,641)
Total accumulated depreciation	<u>(121,892,496)</u>	<u>(2,917,250)</u>	<u>(188,852)</u>	<u>989,658</u>	<u>(124,008,940)</u>
Net depreciable assets	<u>57,671,863</u>	<u>506,606</u>	<u>4,303</u>	<u>-</u>	<u>58,182,772</u>
Governmental activities capital assets, net	<u>\$ 58,562,109</u>	<u>\$ 949,751</u>	<u>\$ 4,303</u>	<u>\$ (142,263)</u>	<u>\$ 59,373,900</u>
Business-type activities:					
Non-depreciable:					
Land	\$ 1,202,654	\$ -	\$ -	\$ -	\$ 1,202,654
Construction-in-progress	78,432	487,117	-	(26,900)	538,649
Total non-depreciable assets at historical cost	<u>1,281,086</u>	<u>487,117</u>	<u>-</u>	<u>(26,900)</u>	<u>1,741,303</u>
Depreciable:					
Buildings	42,612,937	-	(57,361)	-	42,555,576
Improvements	137,473,694	2,255,376	-	-	139,729,070
Machinery and equipment	15,092,275	871,673	(135,794)	(755,706)	15,072,448
Total depreciable assets at historical cost	<u>195,178,906</u>	<u>3,127,049</u>	<u>(193,155)</u>	<u>(755,706)</u>	<u>197,357,094</u>
Less accumulated depreciation:					
Buildings	(28,964,794)	(823,756)	53,058	-	(29,735,492)
Improvements	(75,598,650)	(5,048,022)	-	-	(80,646,672)
Machinery and equipment	(9,755,269)	(1,072,027)	135,794	752,423	(9,939,079)
Total accumulated depreciation	<u>(114,318,713)</u>	<u>(6,943,805)</u>	<u>188,852</u>	<u>752,423</u>	<u>(120,321,243)</u>
Net depreciable assets	<u>80,860,193</u>	<u>(3,816,756)</u>	<u>(4,303)</u>	<u>(3,283)</u>	<u>77,035,851</u>
Business-type capital assets, net	<u>\$ 82,141,279</u>	<u>\$ (3,329,639)</u>	<u>\$ (4,303)</u>	<u>\$ (30,183)</u>	<u>\$ 78,777,154</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, 2017

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

E. CAPITAL ASSETS (continued)

FIDUCIARY COMPONENT UNIT:

	Balance at July 1, 2016	Additions	Disposals	Balance at June 30, 2017
Ponca City Development Authority				
Non-depreciable:				
Land	\$ 198,335	\$ -	\$ -	\$ 198,335
Total non-depreciable assets	198,335	-	-	198,335
Depreciable:				
Buildings	5,190,149	4,125,728	(1,004,000)	8,311,877
Office equipment & furniture	90,893	2,242	-	93,135
Total depreciable assets	5,281,042	4,127,970	(1,004,000)	8,405,012
Less accumulated depreciation	(930,129)	(159,728)	312,819	(777,038)
Capital assets, net	<u>\$ 4,549,248</u>	<u>\$ 3,968,242</u>	<u>\$ (691,181)</u>	<u>\$ 7,826,309</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 expense for depreciable assets for the year ended June 30, 2017 totaled \$159,728.

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	\$ 1,891,092
Public safety	224,928
General government	226,330
Cultural, parks and recreation	566,490
Internal service funds	8,410
Total	<u>\$ 2,917,250</u>

Business-type Activities:

Marland Estate	\$ 91,654
Wentz Golf	80,848
Airport	756,768
Water	1,409,368
Electric	1,914,123
Solid waste	661,646
Stormwater	34,327
Wastewater	1,724,820
Administration	270,254
Total	<u>\$ 6,943,808</u>

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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

E. CAPITAL ASSETS (continued)

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.

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, 2017, consisted of the following:

Accrued Compensated Absences:

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

Current portion	\$ 88,514
Non-current portion	856,154
Total accrued compensated absences	<u>\$ 944,668</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	\$ 436,559
Non-current portion	280,321
Total judgment payable	<u>\$ 716,880</u>

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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

F. LONG-TERM DEBT (continued)

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, 2017 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 reveue and all funds and accounts established by the note agreement, interest rate of 1.86%, final maturity February 1, 2019.	\$ 4,990,000
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.	11,945,000
Total Revenue Bonds Payable	\$ 16,935,000
Current portion	\$ 3,495,000
Non-current portion	13,440,000
Total Revenue Bonds Payable	\$ 16,935,000

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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

F. LONG-TERM DEBT (continued)

Business-type Activities Long-term Debt (continued)

Notes Payable:

1998 A Promissory Note to Oklahoma Water Resource Board, dated June 1, 1998, original issue amount of \$4,400,000, secured by a pledge and assignment of revenues derived from operations of water, sewer, electric and garbage systems, non-interest bearing, administrative fee of 0.5%, final maturity February 18, 2018.	\$ 223,759
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.	296,363
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	3,606,473
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.	263,832
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.	<u>3,305,000</u>
Total Notes Payable	\$ 7,695,427
Add: unamortized premium	<u>97,102</u>
	<u><u>\$ 7,792,529</u></u>
Current portion payable from restricted assets	\$ 1,712,694
Non-current portion	<u>6,079,835</u>
Total notes payable	<u><u>\$ 7,792,529</u></u>

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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

F. LONG-TERM DEBT (continued)

Business-type Activities Long-term Debt (continued)

Refundable Grant Obligations:

\$250,000 refundable grant obligation used for a 12-acre landfill expansion project, dated January 1, 1998, payable in semi-annual installments of \$6,250, final payment due June 2018, non-interest bearing. \$ 6,250

\$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. 76,000

Total refundable grant obligations \$ 82,250

Current portion \$ 25,250

Non-current portion 57,000

Total refundable grant obligations \$ 82,250

Accrued Compensated Absences:

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

Current portion \$ 34,154

Non-current portion 335,237

Total accrued compensated absences \$ 369,391

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 \$ 3,176

Non-current portion 28,579

Total accrued compensated absences \$ 31,755

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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

F. LONG-TERM DEBT (continued)

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

	Balance at July 1, 2016	Additions	Reductions	Balance at June 30, 2017	Amounts due within one year
Governmental Activities:					
Judgement payable	\$ 982,999	\$ 300,285	\$ (566,404)	\$ 716,880	\$ 436,559
Accrued compensated absences	863,071	81,597	-	944,668	88,514
Total general long-term debt	<u>\$ 1,846,070</u>	<u>\$ 381,882</u>	<u>\$ (566,404)</u>	<u>\$ 1,661,548</u>	<u>\$ 525,073</u>
Business-type Activities:					
Notes payable, net of premium	\$ 9,388,087	\$ -	\$ (1,595,558)	\$ 7,792,529	\$ 1,712,694
Revenue bonds payable	21,395,000	-	(4,460,000)	16,935,000	3,495,000
Refundable grant obligations	113,750	-	(31,500)	82,250	25,250
Accrued compensated absences	302,591	66,800	-	369,391	34,154
Total enterprise fund debt	<u>\$ 31,199,428</u>	<u>\$ 66,800</u>	<u>\$ (6,087,058)</u>	<u>\$ 25,179,170</u>	<u>\$ 5,267,098</u>
Fiduciary Component Unit:					
Accrued compensated absences	<u>\$ 33,013</u>	<u>\$ -</u>	<u>\$ (1,258)</u>	<u>\$ 31,755</u>	<u>\$ 3,176</u>

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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, 2017 are as follows:

Governmental-type Activities

<u>Year Ending June 30,</u>	<u>Judgment Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 436,559	\$ 71,688
2019	180,226	28,032
2020	100,095	10,009
Total	<u>\$ 716,880</u>	<u>\$ 109,729</u>

Business-type Activities

<u>Year Ending June 30,</u>	<u>Notes Payable</u>		<u>Revenue Bonds Payable</u>		<u>Refundable Grant Obligations</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2018	1,712,694	193,648	3,495,000	397,005	25,250
2019	1,531,950	150,087	3,610,000	322,751	19,000
2020	1,472,202	105,266	1,160,000	257,648	19,000
2021	281,781	78,474	1,250,000	225,720	19,000
2022	290,635	71,059	1,330,000	191,430	-
2023-2027	1,595,887	235,785	6,090,000	419,917	-
2028-2032	907,380	36,324	-	-	-
Total	<u>\$ 7,792,529</u>	<u>\$ 870,643</u>	<u>\$ 16,935,000</u>	<u>\$ 1,814,471</u>	<u>\$ 82,250</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, 2017, The City fully complied with the requirement.

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 \$2,990,457 reported as “Landfill Closures/Post -Closure Cost” at June 30, 2017, represents the cumulative amount to date based on the use of 53% of the estimated capacity of the landfill. PCUA will recognize the

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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

G. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY (continued)

remaining estimated cost of closure and post-closure care of \$2,607,553 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 2017. 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.

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.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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

H. INTERFUND BALANCES AND ACTIVITIES (continued)

Interfund transfers for the year ended June 30, 2017 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Capital Improvement Project Fund	Ponca City Airport	\$ 16,667
General Fund	Cann Estate Fund	40,000
General Fund	Lew Wentz Golf Course	285,694
General Fund	Marland Estate	199,185
General Fund	Ponca City Airport	146,847
General Fund	Ponca City Utility Authority	295,000
Internal Service Fund	Ponca City Utility Authority	10,000
Ponca City Utility Authority	Capital Improvement Project Fund	5,430,797
Ponca City Utility Authority	General Fund	4,937,673
Recreation Center Tax Fund	Ponca City Utility Authority	1,997,736
		<u>\$ 13,359,599</u>

Reconciliation to Fund Financial Statements/Statement of Activities:

	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Net Transfer</u>
Governmental Funds	\$ 10,408,470	\$ (2,981,129)	\$ 7,427,341
Enterprise Funds	2,951,129	(10,368,470)	(7,417,341)
Internal Service Fund	-	(10,000)	(10,000)
	<u>\$ 13,359,599</u>	<u>\$ (13,359,599)</u>	<u>\$ -</u>

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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:

	General Fund	Other Governmental Funds	Total
Fund balances:			
Nonspendable:			
Permanent fund principal	\$ -	\$ 1,070,666	\$ 1,070,666
Restricted for:			
Tourism	-	1,764,506	1,764,506
Rec capital	-	950,118	950,118
Library	-	254,614	254,614
Street improvements	-	4,499,319	4,499,319
Recreation center	-	532,507	532,507
Committed to:			
Operating reserve	2,200,000	-	2,200,000
E-911/Cap	225,378	-	225,378
Assigned to:			
Other purposes	4,059,601	-	4,059,601
Special projects	-	7,818	7,818
Street & alley	-	375,573	375,573
Grants	-	253,637	253,637
Capital improvements	-	2,599,029	2,599,029
Debt service	-	38,540	38,540
Matzene Book	-	604	604
Cann Estate	-	151,631	151,631
Unassigned:	379,806	-	379,806
Total fund balances	<u>\$ 6,864,785</u>	<u>\$ 12,498,562</u>	<u>\$ 19,363,347</u>

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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

I. FUND BALANCES AND NET POSITION (continued)

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

	Enabling Legislation	Statutory Requirements	External Contracts
Restricted Net Position - Governmental Activities:			
Special Projects	\$ -	\$ -	\$ 7,818
Street & Alley	-	375,573	-
Hotel/Motel Tax	2,714,624	-	-
Grants	-	-	253,637
Library Grant	-	-	254,614
Street Improvement Project	4,499,319	-	-
Recreation Center Tax	532,507	-	-
Capital Improvement Project	2,599,029	-	-
Debt Service	-	38,540	-
Matzene Book	-	-	50,604
Cann Estate	-	-	1,172,297
Total restricted net position	\$ 10,345,479	\$ 414,113	\$ 1,738,970
Restricted Net Position - Business-type Activities:			
Debt Service	\$ -	\$ -	\$ 5,512,189
Utility meter deposits	-	629,338	-
Total restricted net position	\$ -	\$ 629,338	\$ 5,512,189

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 2017, 2018, and 2019, respectively. The total principle and interest payable for the remainder of the life of these bonds is \$5,106,576. Pledged sales taxes received in the current year were \$1,846,018 for the bonds. Debt service payments for the notes of \$2,551,713 for the current fiscal year were 138% of the pledged sales tax revenues.

Utility Gross Revenue Pledge – The City has pledged future gross utility system revenues to repay \$22,840,000 of 2008 and 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 2017 and 2025. The total principle and interest payable for the remainder of the life of these bonds is \$13,642,895. The bonds are payable from gross utility system revenues and the debt service payments on the bonds this year were \$1,296,888 which was 2.27% of pledged system revenues of \$57,239,305.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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 2018, 2019, 2029 and 2030. The total principle and interest payable for the remainder of the life of these notes is \$8,663,172. The notes are payable from the above mentioned utility revenues. The debt service payments on the notes this year were \$1,862,079 which was 12% of pledged net utility revenues of \$16,188,276.

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

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 – OTHER NOTES

A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS (continued)

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.

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 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.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 – OTHER NOTES (continued)

A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS (continued)

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

Contributions: The contribution requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 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 \$530,980. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$1,463,994 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 \$1,147,273. These on-behalf payments did not meet the criteria of a special funding situation.

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

At June 30, 2017, the City reported a liability of \$15,180,723 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City’s proportion of the net pension liability was based on the City’s contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2016. Based upon this information, the City’s proportion was 1.25%.

For the year ended June 30, 2017, the City recognized pension expense of \$1,567,620. At June 30, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 406,953	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	928,827	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(332,563)
City contributions subsequent to the measurement date	530,980	
Total	<u>\$ 1,866,760</u>	<u>(332,563)</u>

The \$530,980 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported a deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 – OTHER NOTES (continued)

A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS (continued)

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

Year ended June 30:	
2018	\$ 118,528
2019	604,977
2020	451,460
2021	40,053
2022	10,218
Thereafter	<u>(222,019)</u>
Total	<u><u>\$ 1,003,217</u></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.

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%

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 – OTHER NOTES (continued)

A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS (continued)

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

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:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability	\$ 19,332,367	15,180,723	11,866,693

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.

Oklahoma State Police Pension and Retirement System (OPPRS)

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

Summary of significant accounting policies – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources relates to pension, and pension expense, information about the fiduciary net position of the OPPRS and additions to/deductions from OPPRS’s fiduciary net position have been 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.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 – OTHER NOTES (continued)

A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS (continued)

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

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

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

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

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

Contributions: The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$381,790. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$335,976 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 \$360,335. These on-behalf payments did not meet the criteria of a special funding situation.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 – OTHER NOTES (continued)

A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS (continued)

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

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

At June 30, 2017, the City reported a liability of \$1,536,471 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2016. 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, 2016. Based on this information, the City's proportional share was 1.0033 percent.

For the year ended June 30, 2017, the City recognized pension expense of \$550,245. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (167,663)
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,476,287	-
Changes in proportion and differences between City contributions and proportionate share of contributions	24,646	-
City contributions subsequent to the measurement date	381,790	-
Total	<u>\$ 1,882,723</u>	<u>\$ (167,663)</u>

The \$381,790 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 213,918
2019	516,087
2020	364,004
2021	716
2022	238,544
Total	<u>\$ 1,333,270</u>

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 – OTHER NOTES (continued)

A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS (continued)

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

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. 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%

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 – OTHER NOTES (continued)

A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS (continued)

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

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</u> <u>(6.5%)</u>	<u>Current Discount</u> <u>Rate (7.5%)</u>	<u>1% Increase</u> <u>(8.5%)</u>
Employers' net pension liability (asset)	\$ 4,031,198	1,536,471	(569,946)

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 OPPER; which can be located at www.ok.gov/OPPRS.

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.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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 System has a December 31 year-end. The City has elected to use December 31, 2016, as its measurement date; therefore, net pension liability and related deferred inflows are reported as of December 31, 2016. Pension payments made by the City from the measurement date to June 30, 2017, 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, 2017, 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
Benefits paid	1 2/3% of average compensation; early retirement reduced by 5% each year up to 10 years

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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)

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, 2017, the City reported a liability of \$7,865,373 for its net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2017. 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, 2016, and June 30, 2017, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balance, January 1, 2016	<u>\$ 30,903,097</u>	<u>22,251,383</u>	<u>8,651,714</u>
Changes for the year:			
Service cost	419,990	-	419,990
Interest	2,220,237	-	2,220,237
Benefit payments	(1,317,363)	(1,317,363)	-
Differences between expected and actual experience	(267,164)	-	(267,164)
Changes in assumptions	(799,669)	-	(799,669)
Employer contributions	-	737,699	(737,699)
Other contributions	-	-	-
Net investment income	-	1,644,552	(1,644,552)
Administration expenses	-	(22,516)	22,516
Net Changes:			
Net changes	<u>256,031</u>	<u>1,042,372</u>	<u>(786,341)</u>
Balance, December 31, 2016	<u>\$ 31,159,128</u>	<u>23,293,755</u>	<u>7,865,373</u>

For the year ended June 30, 2017, the City recognized pension expense of \$1,478,354. At June 30, 2017, the City reported deferred outflows or resources and deferred inflows of resources related to the System from the following sources:

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 282,760	\$ (200,206)
Effects of changes in assumptions	210,101	(599,251)
Net differences between expected and net investment income	791,592	-
Employer contributions made after measurement date	380,118	-
Total deferred outflows and inflows of resources	<u>\$ 1,664,571</u>	<u>\$ (799,457)</u>

The \$380,118 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, 2018.

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

Fiscal Year Ending 6/30	Amount to be Recognized
2018	\$ 375,300
2019	101,801
2020	19,547
2021	<u>(11,652)</u>
	<u>\$ 484,996</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, 2017

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:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability	\$ 11,827,147	\$ 7,865,373	\$ 4,566,896

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, 2017, 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, 2017

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, 2017

NOTE 4 – OTHER NOTES (continued)

B. RISK MANAGEMENT (continued)

Claims Liability Analysis

At June 30, 2017, 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:

	Workers' Compensation	Health Care	Total
Claim liability, June 30, 2014	\$ 286,346	\$ 501,703	\$ 788,049
Claims and changes in estimates	727,054	2,714,570	3,441,624
Claims payments	<u>(546,820)</u>	<u>(2,896,493)</u>	<u>(3,443,313)</u>
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	<u>(403,444)</u>	<u>(3,642,301)</u>	<u>(4,045,745)</u>
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	<u>(284,278)</u>	<u>(3,492,129)</u>	<u>(3,776,407)</u>
Claim liability, June 30, 2017	<u>\$ 293,957</u>	<u>\$ 451,558</u>	<u>\$ 745,515</u>

Reconciliation to Statement of Net Position:

Current portion	\$ 291,458
Noncurrent portion	<u>454,057</u>
Total	<u>\$ 745,515</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, 2017

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.

CITY OF PONCA CITY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 – OTHER NOTES (continued)

C. COMMITMENTS AND CONTINGENCIES (continued)

Litigation: (continued)

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

Grant Program Involvement:

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency to ensure compliance with specific provisions of the grant or loan. Any liability or reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

REQUIRED SUPPLEMENTARY INFORMATION

THE CITY OF PONCA CITY

BUDGETARY COMPARISON SCHEDULE (Non-GAAP Budgetary Basis)

GENERAL FUND

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes:				
Sales tax	\$ 7,346,943	\$ 7,346,943	7,384,071	\$ 37,128
Use tax	620,000	620,000	718,689	98,689
Franchise tax	508,000	508,000	509,616	1,616
E911 tax	340,000	340,000	348,132	8,132
Weed tax	20,000	20,000	15,668	(4,332)
Total taxes	8,834,943	8,834,943	8,976,176	141,233
Intergovernmental:				
Cigarette tax	159,000	159,000	156,922	(2,078)
Alcoholic beverage tax	107,000	107,000	114,213	7,213
Grants	29,700	36,468	37,472.00	1,004
Total intergovernmental	295,700	302,468	308,607	6,139
Charges for Services:				
Recreation programs	21,000	21,000	17,115	(3,885)
Wentz Camp	35,000	35,000	40,478	5,478
Administrative services	2,449,783	2,449,783	2,449,783	-
Police services	120,000	120,000	149,011	29,011
Ambulance services	1,300,000	1,320,000	1,546,001	226,001
Animal control receipts	18,500	18,500	15,174	(3,326)
Library receipts	14,200	14,200	15,880	1,680
Rentals	160,000	160,000	171,899	11,899
Miscellaneous charges	53,200	64,015	109,330	45,315
Total charges for services	4,171,683	4,202,498	4,514,671	312,173
Fines and forfeitures	571,000	571,000	693,435	122,435
Licenses and permits	120,000	120,000	123,085	3,085
Investment Income	40,000	40,000	56,092	16,092
Miscellaneous	5,900	5,900	6,655	755
Other Financing Sources:				
Proceeds from sale of fixed assets	15,000	15,000	28,207	13,207
Transfers from other funds	7,518,687	7,518,687	7,518,687	-
Total revenues and other financing sources	\$ 21,572,913	\$ 21,610,496	22,225,615	\$ 615,119

(Continued)

THE CITY OF PONCA CITY

BUDGETARY COMPARISON SCHEDULE (Non-GAAP Budgetary Basis)

GENERAL FUND (continued)

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
City Commissioners	\$ 14,300	14,300	5,630	8,670
City Manager	1,030,635	1,030,635	809,004	221,631
Central municipal activity	1,503,166	1,503,166	1,414,394	88,772
Finance	528,021	598,321	490,375	107,946
Municipal court	265,684	265,684	233,463	32,221
City attorney	280,619	280,619	218,936	61,683
Community development	656,284	687,099	643,567	43,532
Animal control	252,694	252,694	221,575	31,119
Emergency management	174,330	174,330	158,896	15,434
Police Admin	5,878,846	5,879,614	5,843,316	36,298
Communications/911	653,803	653,803	580,757	73,046
Fire	5,367,848	5,542,848	5,179,620	363,228
Fire-Ambulance	1,309,541	1,134,541	1,086,434	48,107
Street Admin	1,393,506	1,393,506	1,180,240	213,266
Engineering Admin	686,507	686,507	535,719	150,788
Traffic engineering	467,367	467,367	428,348	39,019
Park maintenance	1,609,123	1,609,123	1,464,830	144,293
Recreation programs	360,899	373,899	303,703	70,196
Ambuc Pool	101,720	101,720	86,774	14,946
Wentz Camp	110,057	110,057	75,949	34,108
Marland's Grand Home	206,240	206,240	173,200	33,040
Library	1,010,464	1,010,464	958,466	51,998
Total expenditures	<u>23,861,654</u>	<u>23,976,537</u>	<u>22,093,196</u>	<u>1,883,341</u>
Revenue and other sources over (under) expenditures	<u>\$ (2,288,741)</u>	<u>\$ (2,366,041)</u>	\$ 132,419	<u>\$ (1,268,222)</u>
Fund balances, beginning of year			<u>4,722,724</u>	
Fund balances, end of year			<u>\$ 4,855,143</u>	

THE CITY OF PONCA CITY
NOTES TO BUDGETARY COMPARISON SCHEDULE
For the Fiscal Year Ended June 30, 2017

BUDGETARY ACCOUNTING AND CONTROL

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

	General Fund
Net Change to Revenue Over (Under) Expenditures:	\$ 132,419
Add: State Fire and Police pension on-behalf payments	1,799,969
Add State Fire and Police pension expense	<u>(1,552,582)</u>
Change in fund balance	<u><u>\$ 379,806</u></u>

THE CITY OF PONCA CITY, OKLAHOMA
NOTES TO BUDGETARY COMPARISON SCHEDULE
For the Fiscal Year Ended June 30, 2017
(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, 2017
(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>
City's proportion of the net pension liability	1.2648%	1.3474%	1.2426%
City's proportionate share of the net pension liability	\$ 13,007,400	\$ 14,301,304	\$ 15,180,723
City's covered-employee payroll	\$ 3,584,500	\$ 3,552,540	\$ 3,792,730
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	363%	403%	400%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%

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

Notes to Schedule: Only three 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>
Statutorially required contribution	\$ 497,357	\$ 486,600	\$ 530,980
Contributions in relation to the statutorially required contribution	<u>497,357</u>	<u>486,600</u>	<u>530,980</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 3,552,540	\$ 3,475,715	\$ 3,792,730
Contributions as a percentage of covered- employee payroll	14.0%	14.0%	14.0%

Notes to Schedule: Only three 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>
City's proportion of the net pension liability	0.9876%	1.0509%	1.0033%
City's proportionate share of the net pension liability (asset)	\$ (332,521)	\$ 42,849	\$ 1,536,471
City's covered-employee payroll	\$ 2,798,283	\$ 2,838,908	\$ 2,940,763
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	-11.88%	1.51%	52.25%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.82%	93.50%

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

Notes to Schedule: Only three 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>
Statutorially required contribution	\$ 369,058	\$ 384,640	\$ 381,790
Contributions in relation to the statutorially required contribution	<u>369,058</u>	<u>384,640</u>	<u>381,790</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,838,908	\$ 2,958,770	\$ 2,940,763
Contributions as a percentage of covered- employee payroll	13.0%	13.0%	13.0%

Notes to Schedule: Only three 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:

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

Notes to Schedule: Only three 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>
Actuarially determined contribution	\$ 1,337,619	\$ 1,171,600	\$ 1,306,497
Contributions in relation to the actuarially determined contribution	<u>664,955</u>	<u>670,691</u>	<u>737,699</u>
Contribution deficiency (excess)	<u>\$ 672,664</u>	<u>\$ 500,909</u>	<u>\$ 568,798</u>
Covered employee payroll	\$ 8,134,360	\$ 8,902,399	\$ 10,136,448
Contributions as a percentage of covered-employee payroll	8.2%	7.5%	7.3%

Notes to Schedule

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

Latest valuation date: December 31, 2016

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>
Annual money-weighted rate of return on plan investments, net of investment expense	7.83%	0.64%	7.51%

OTHER SUPPLEMENTARY INFORMATION

THE CITY OF PONCA CITY

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2017

	Special Revenue Funds						Misc. Trust Fund
	Special Projects Funds	Street & Alley Fund	Hotel/Motel Tax Fund	Community Development Fund	Library Grant Fund	Library State Aid Fund	
ASSETS							
Cash and cash equivalents	\$ 7,818	\$ 382,451	\$ 2,768,895	\$ 154,838	\$ 254,984	\$ 115	\$ 14,540
Investments	-	-	-	-	-	-	-
Accounts receivable	-	-	57,226	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Due from other governments	-	19,416	-	110,383	-	-	-
Total assets	<u>\$ 7,818</u>	<u>\$ 401,867</u>	<u>\$ 2,826,121</u>	<u>\$ 265,221</u>	<u>\$ 254,984</u>	<u>\$ 115</u>	<u>\$ 14,540</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	-	26,294	111,497	11,584	370	115	14,540
Retainage Payable	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Due to component unit	-	-	-	-	-	-	-
Advanced revenue	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>26,294</u>	<u>111,497</u>	<u>11,584</u>	<u>370</u>	<u>115</u>	<u>14,540</u>
Fund Balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	2,714,624	-	254,614	-	-
Assigned	7,818	375,573	-	253,637	-	-	-
Total fund balances	<u>7,818</u>	<u>375,573</u>	<u>2,714,624</u>	<u>253,637</u>	<u>254,614</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 7,818</u>	<u>\$ 401,867</u>	<u>\$ 2,826,121</u>	<u>\$ 265,221</u>	<u>\$ 254,984</u>	<u>\$ 115</u>	<u>\$ 14,540</u>

(Continued)

THE CITY OF PONCA CITY

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (continued)

June 30, 2017

	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	
ASSETS								
Cash and cash equivalents	\$ -	\$ 354,644	\$ 4,543,012	\$ 2,745,286	\$ 35,357	\$ 604	\$ 156,113	\$ 11,418,657
Investments	-	-	-	-	-	50,000	1,020,666	1,070,666
Accounts receivable	-	-	-	-	-	-	-	57,226
Due from other funds	-	-	-	-	-	-	-	-
Due from other governments	177,863	177,863	177,863	-	3,183	-	-	666,571
Total assets	<u>\$ 177,863</u>	<u>\$ 532,507</u>	<u>\$ 4,720,875</u>	<u>\$ 2,745,286</u>	<u>\$ 38,540</u>	<u>\$ 50,604</u>	<u>\$ 1,176,779</u>	<u>\$ 13,213,120</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	177,863	-	221,556	146,257	-	-	4,482	\$ 714,558
Retainage payable	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Due to component unit	-	-	-	-	-	-	-	-
Advanced revenue	-	-	-	-	-	-	-	-
Total liabilities	<u>177,863</u>	<u>-</u>	<u>221,556</u>	<u>146,257</u>	<u>-</u>	<u>-</u>	<u>4,482</u>	<u>714,558</u>
Fund Balances:								
Nonspendable	-	-	-	-	-	50,000	1,020,666	1,070,666
Restricted	-	532,507	4,499,319	-	-	-	-	8,001,064
Assigned	-	-	-	2,599,029	38,540	604	151,631	3,426,832
Total fund balance	<u>-</u>	<u>532,507</u>	<u>4,499,319</u>	<u>2,599,029</u>	<u>38,540</u>	<u>50,604</u>	<u>1,172,297</u>	<u>12,498,562</u>
Total Liabilities and Fund Balances	<u>\$ 177,863</u>	<u>\$ 532,507</u>	<u>\$ 4,720,875</u>	<u>\$ 2,745,286</u>	<u>\$ 38,540</u>	<u>\$ 50,604</u>	<u>\$ 1,176,779</u>	<u>\$ 13,213,120</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, 2017

	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	
Revenues:							
Taxes	\$ -	\$ -	\$ 533,487	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	213,826	-	654,012	7,032	12,241	-
Charges for services	-	-	-	-	-	-	-
Investment income (loss)	-	-	-	816	-	-	-
Fines and forfeitures	25,442	-	-	-	-	-	-
Miscellaneous	-	-	14	4,217	-	-	-
Total revenues	25,442	213,826	533,501	659,045	7,032	12,241	-
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Public safety	31,533	-	-	-	-	-	-
Streets and highways	-	160,149	-	-	-	-	-
Culture, parks and recreation	-	-	266,707	-	40,422	12,241	-
Community development	-	-	-	230,664	-	-	-
Capital outlay	-	443,854	171,877	322,043	-	-	-
Debt Service:							
Principle	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	31,533	604,003	438,584	552,707	40,422	12,241	-
Revenues over (under) expenditures	(6,091)	(390,177)	94,917	106,338	(33,390)	-	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Capital transfers	-	-	-	-	-	-	-
Proceeds from sale of judgment	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Net change in fund balances	(6,091)	(390,177)	94,917	106,338	(33,390)	-	-
Fund balance, beginning of year	13,909	765,750	2,619,707	147,299	288,004	-	-
Fund balance, end of year	\$ 7,818	\$ 375,573	\$ 2,714,624	\$ 253,637	\$ 254,614	\$ -	\$ -

(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, 2017

	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	
Revenues:								
Taxes	\$ 2,025,690	\$ 2,025,690	\$ 2,025,690	\$ -	\$ 636,831	\$ -	\$ -	\$ 7,247,388
Intergovernmental	-	-	-	-	-	-	-	887,111
Charges for services	-	-	-	-	-	-	3,735	3,735
Investment income (loss)	-	3,848	39,577	23,442	1,666	156	98,321	167,826
Fines and forfeitures	-	-	-	-	-	-	-	25,442
Miscellaneous	-	-	1,000	50,725	-	-	-	55,956
Total revenues	2,025,690	2,029,538	2,066,267	74,167	638,497	156	102,056	8,387,458
Expenditures:								
Current:								
General government	-	-	-	83,415	-	-	-	83,415
Public safety	-	-	-	-	-	-	-	31,533
Streets and highways	-	-	223,595	-	-	-	-	383,744
Culture, parks and recreation	-	-	-	-	-	-	52,131	371,501
Community development	2,025,690	-	-	-	-	-	-	2,256,354
Capital outlay	-	-	1,819,052	496,631	-	-	-	3,253,457
Debt Service:								
Principle	-	-	-	-	566,404	-	-	566,404
Interest and fiscal charges	-	-	-	-	98,300	-	-	98,300
Total expenditures	2,025,690	-	2,042,647	580,046	664,704	-	52,131	7,044,708
Revenues over (under) expenditures	-	2,029,538	23,620	(505,879)	(26,207)	156	49,925	1,342,750
Other financing sources (uses)								
Transfers in	-	-	-	400,000	-	-	40,000	440,000
Transfers out	-	(1,997,736)	-	(16,667)	-	-	-	(2,014,403)
Capital transfers	-	-	-	-	-	-	-	-
Proceeds from sale of judgment	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(1,997,736)	-	383,333	-	-	40,000	(1,574,403)
Net change in fund balances	-	31,802	23,620	(122,546)	(26,207)	156	89,925	(231,653)
Fund balance, beginning of year	-	500,705	4,475,699	2,721,575	64,747	50,448	1,082,372	12,730,215
Fund balance, end of year	\$ -	\$ 532,507	\$ 4,499,319	\$ 2,599,029	\$ 38,540	\$ 50,604	\$ 1,172,297	\$ 12,498,562

THE CITY OF PONCA CITY
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2017

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Marland Estate</u>	<u>Lew Wentz Golf Course</u>	<u>Total Other Enterprise Funds</u>
ASSETS			
Current Assets:			
Cash, including time deposits	266,956	166,923	\$ 433,879
Accounts receivable	-	494	494
Inventory	29,047	29,656	58,703
Total current assets	<u>296,003</u>	<u>197,073</u>	<u>493,076</u>
Noncurrent Assets:			
Capital assets:			
Nondepreciable	388,293	71,577	459,870
Depreciable, net of accumulated depreciation	824,297	564,567	1,388,864
Total noncurrent assets	<u>1,212,590</u>	<u>636,144</u>	<u>1,848,734</u>
Total Assets	<u>1,508,593</u>	<u>833,217</u>	<u>2,341,810</u>
Deferred outflows of resources:			
Deferred amounts related to pensions	<u>26,300</u>	<u>45,110</u>	<u>71,410</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	26,575	56,298	82,873
Accrued compensated absences	1,196	2,066	3,262
Total current liabilities	<u>27,771</u>	<u>58,364</u>	<u>86,135</u>
Noncurrent Liabilities:			
Accrued compensated absences	11,404	19,840	31,244
Net pension liability	124,272	213,152	337,424
Total noncurrent liabilities	<u>135,676</u>	<u>232,992</u>	<u>368,668</u>
Total Liabilities	<u>163,447</u>	<u>291,356</u>	<u>454,803</u>
Deferred inflows of resources:			
Deferred amounts related to pensions	<u>12,631</u>	<u>21,665</u>	<u>34,296</u>
NET POSITION			
Net investment in capital assets	1,212,590	636,144	1,848,734
Restricted for encumbrances	388,293	71,577	459,870
Unrestricted (deficit)	<u>(242,068)</u>	<u>(142,415)</u>	<u>(384,483)</u>
Total Net Position	<u>\$ 1,358,815</u>	<u>\$ 565,306</u>	<u>\$ 1,924,121</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, 2017

	Business-type Activities - Enterprise Funds		
	Marland Estate	Lew Wentz Golf Course	Total Other Enterprise Funds
Operating Revenues:			
Charges for services	192,782	-	\$ 192,782
Golf course fees	-	533,083	533,083
Miscellaneous	970	-	970
Total operating revenues	<u>193,752</u>	<u>533,083</u>	<u>726,835</u>
Operating Expenses:			
Personal services	204,200	483,594	687,794
Materials and supplies	17,892	40,794	58,686
Maintenance, operations and contractual services	78,004	307,903	385,907
Depreciation	91,654	80,848	172,502
Total operating expenses	<u>391,750</u>	<u>913,139</u>	<u>1,304,889</u>
Operating loss	<u>(197,998)</u>	<u>(380,056)</u>	<u>(578,054)</u>
Non-Operating Revenues (Expenses)			
Investment income	1,939	-	1,939
Gain (loss) on disposition of asset	-	355	355
Net non-operating revenues (expenses)	<u>1,939</u>	<u>355</u>	<u>2,294</u>
Loss before contributions and transfers	<u>(196,059)</u>	<u>(379,701)</u>	<u>(575,760)</u>
Capital contributions	171,864	53,451	225,315
Transfers from other funds	199,185	285,694	484,879
Net transfers and capital contributions	<u>371,049</u>	<u>339,145</u>	<u>710,194</u>
Change in net position	174,990	(40,556)	134,434
Net position - beginning of year	<u>1,183,825</u>	<u>605,862</u>	<u>1,789,687</u>
Net position, end of year	<u>\$ 1,358,815</u>	<u>\$ 565,306</u>	<u>\$ 1,924,121</u>

THE CITY OF PONCA CITY
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2017

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Marland Estate</u>	<u>Lew Wentz Golf Course</u>	<u>Total Other Enterprise Funds</u>
Cash Flows from Operating Activities:			
Receipts from customers	\$ 193,752	\$ 535,289	\$ 729,041
Payments to suppliers	(95,454)	(328,856)	(424,310)
Payments to employees	(217,503)	(481,051)	(698,554)
Net cash used in operating activities	<u>(119,205)</u>	<u>(274,618)</u>	<u>(393,823)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers from other funds	199,185	285,694	484,879
Transfers to other funds	-	-	-
Net cash provided by noncapital financing	<u>199,185</u>	<u>285,694</u>	<u>484,879</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from sale of capital assets	-	355	355
Purchases of capital assets	-	-	-
Net cash provided by capital and related financing activities	<u>-</u>	<u>355</u>	<u>355</u>
Cash Flows from Investing Activities:			
Proceeds from sales and maturities of investments	-	-	-
Interest and dividends	1,939	-	1,939
Net cash used in investing activities	<u>1,939</u>	<u>-</u>	<u>1,939</u>
Net decrease in cash and cash equivalents	81,919	11,431	93,350
Balances, beginning of year	<u>185,037</u>	<u>155,492</u>	<u>340,529</u>
Balances, end of year	<u>\$ 266,956</u>	<u>\$ 166,923</u>	<u>\$ 433,879</u>

(Continued)

THE CITY OF PONCA CITY
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS (continued)
For the Fiscal Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds		
	Marland Estate	Lew Wentz Golf Course	Total Other Enterprise Funds
Reconciliation of Operating Income to Net Cash Used in Operating Activities:			
Operating loss	\$ (197,998)	\$ (380,056)	\$ (578,054)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation expense	91,654	80,848	172,502
Change in assets and liabilities:			
(Increase) decrease in accounts receivables, net	-	2,206	2,206
(Increase) decrease in inventories	(4,229)	26,844	22,615
(Increase) decrease in deferred outflows	20,459	25,029	45,488
Increase (decrease) in accounts and other payables	4,671	(7,003)	(2,332)
Increase (decrease) in accrued compensated absences	3,015	3,501	6,516
Increase (decrease) in net pension liability	(48,761)	(46,399)	(95,160)
Increase (decrease) in OPEB obligation	(647)	(1,253)	(1,900)
Increase (decrease) in deferred inflows	12,631	21,665	34,296
Net cash used in operating activities	<u>\$ (119,205)</u>	<u>\$ (274,618)</u>	<u>\$ (393,823)</u>
Non-Cash Activities:			
Capital assets acquired through transfers from other funds	\$ 171,864	\$ 53,451	\$ 225,315
Net non-cash activities	<u>\$ 171,864</u>	<u>\$ 53,451</u>	<u>\$ 225,315</u>

THE CITY OF PONCA CITY
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2017

	<u>Motor Pool</u>	<u>Insurance Imprest Fund</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash, including time deposits	52,255	6,228,175	\$ 6,280,430
Investments	-	1,751,880	1,751,880
Receivables:			
Due from other funds	65,198	-	65,198
Other	-	2,900	2,900
Prepaid expenses	-	26,309	26,309
Inventory	174,093	-	174,093
Total current assets	<u>291,546</u>	<u>8,009,264</u>	<u>8,300,810</u>
Noncurrent Assets:			
Capital assets:			
Depreciable, net of accumulated depreciation	20,932	-	20,932
Total noncurrent assets	<u>20,932</u>	<u>-</u>	<u>20,932</u>
Total Assets	<u>312,478</u>	<u>8,009,264</u>	<u>8,321,742</u>
Deferred outflows of resources:			
Deferred amounts related to pensions	26,300	8,656	34,956
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	64,381	77,904	142,285
Estimated liability for claims	-	291,458	291,458
Accrued compensated absences	-	172	172
Total current liabilities	<u>64,381</u>	<u>369,534</u>	<u>433,915</u>
Noncurrent Liabilities:			
Estimated liability for claims	-	454,057	454,057
Net pension liability	124,273	40,900	165,173
Accrued compensated absences	-	1,549	1,549
Total noncurrent liabilities	<u>124,273</u>	<u>496,506</u>	<u>620,779</u>
Total Liabilities	<u>188,654</u>	<u>866,040</u>	<u>1,054,694</u>
Deferred inflows of resources:			
Deferred amounts related to pensions	12,631	4,157	16,788
NET POSITION			
Net investment in capital assets	20,932	-	20,932
Unrestricted	116,561	7,147,723	7,264,284
Total Net Position	<u>\$ 137,493</u>	<u>\$ 7,147,723</u>	<u>\$ 7,285,216</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, 2017

	Motor Pool	Insurance Imprest Fund	Totals
Operating Revenues:			
Charges for services	1,418,538	6,249,830	\$ 7,668,368
Total operating revenues	<u>1,418,538</u>	<u>6,249,830</u>	<u>7,668,368</u>
Operating Expenses:			
Personal services	328,482	399,257	727,739
Materials and supplies	1,107,318	-	1,107,318
Other services and charges	61,338	4,576,269	4,637,607
Depreciation expense	8,410	-	8,410
Total operating expenses	<u>1,505,548</u>	<u>4,975,526</u>	<u>6,481,074</u>
Operating income (loss)	<u>(87,010)</u>	<u>1,274,304</u>	<u>1,187,294</u>
Non-Operating Revenues:			
Investment income	-	120,912	120,912
Miscellaneous income	239	42,251	42,490
Total non-operating revenues	<u>239</u>	<u>163,163</u>	<u>163,402</u>
Income (loss) before contributions and transfers	<u>(86,771)</u>	<u>1,437,467</u>	<u>1,350,696</u>
Transfers to other funds	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>
Net proceeds from sale and transfers	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>
Change in net position	(96,771)	1,437,467	1,340,696
Net position, beginning of year	<u>234,264</u>	<u>5,710,256</u>	<u>5,944,520</u>
Net position, end of year	<u>\$ 137,493</u>	<u>\$ 7,147,723</u>	<u>\$ 7,285,216</u>

THE CITY OF PONCA CITY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2017

	<u>Motor Pool</u>	<u>Insurance Imprest Fund</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Receipts from customers	\$ 1,450,333	\$ 6,293,036	\$ 7,743,369
Payments to suppliers and others	(1,161,962)	(4,585,797)	(5,747,759)
Payments to employees	(226,316)	(1,196,950)	(1,423,266)
Net cash provided by (used in) operating activities	<u>62,055</u>	<u>510,289</u>	<u>572,344</u>
Cash Flows from Noncapital Financing Activities:			
Transfers to from other funds	(10,000)	-	(10,000)
Net cash used in noncapital financing activities	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>
Cash Flows from Investing Activities:			
Purchase of investments	-	(751,880)	(751,880)
Proceeds from sale and maturities of investments	-	982,999	982,999
Interest and dividends	-	120,912	120,912
Net cash provided by (used in) investing activities	<u>-</u>	<u>352,031</u>	<u>352,031</u>
Net decrease in cash and cash equivalents	52,055	862,320	914,375
Balances, beginning of year	<u>200</u>	<u>5,365,855</u>	<u>5,366,055</u>
Balances, end of year	<u>\$ 52,255</u>	<u>\$ 6,228,175</u>	<u>\$ 6,280,430</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ (87,010)	\$ 1,274,304	\$ 1,187,294
Adjustments to reconcile operating income to net cash provided by operating activities:			
Miscellaneous nonoperating revenue	239	42,251	42,490
Depreciation expense	8,410	-	8,410
Change in assets and liabilities:			
(Increase) decrease in receivables, net	-	955	955
(Increase) decrease in prepaid expenses	-	2,265	2,265
(Increase) decrease in inventory	12,571	-	12,571
(Increase) decrease in due from other funds	31,555	-	31,555
(Increase) decrease in deferred outflows	(26,300)	(8,656)	(34,956)
Increase (decrease) in claims payable	-	(833,305)	(833,305)
Increase (decrease) in accrued compensated absences	(8,438)	(789)	(9,227)
Increase (decrease) in due to other funds	(31,178)	-	(31,178)
Increase (decrease) in accounts and other payables	25,302	(11,793)	13,509
Increase (decrease) in net pension liability	124,273	40,900	165,173
Increase (decrease) in deferred inflows	12,631	4,157	16,788
Net cash provided by (used in) operating activities	<u>\$ 62,055</u>	<u>\$ 510,289</u>	<u>\$ 572,344</u>

THE CITY OF PONCA CITY
SCHEDULE OF REVENUE BONDS AND NOTES DEBT SERVICE COVERAGE
For the Fiscal Year Ended June 30, 2017

	Electric	Water	Solid Waste	Wastewater	Total
Gross Revenues of the System:					
Utility charges for service	\$ 37,980,921	\$ 7,935,112	\$ 5,024,030	\$ 6,299,242	\$ 57,239,305
Investment income	96,714	26,156	62,431	19,701	205,002
Total operating revenues	<u>38,077,635</u>	<u>7,961,268</u>	<u>5,086,461</u>	<u>6,318,943</u>	<u>57,444,307</u>
Operation and Maintenance Expenses:					
Personal services	2,794,429	1,535,644	2,613,902	1,137,333	8,081,308
Materials and supplies	107,870	398,132	31,401	73,551	610,954
Maintenance, operations and contractual services	1,724,263	1,358,372	771,429	737,625	4,591,689
Electricity purchased	21,870,511	-	-	-	21,870,511
Total operating expenses	<u>26,497,073</u>	<u>3,292,148</u>	<u>3,416,732</u>	<u>1,948,509</u>	<u>35,154,462</u>
Net revenues available for debt service	<u>\$ 11,580,562</u>	<u>\$ 4,669,120</u>	<u>\$ 1,669,729</u>	<u>\$ 4,370,434</u>	<u>\$ 22,289,845</u>
Maximum annual debt service					3,246,970 *
Coverage					6.86
Required coverage					1.25

* Maximum annual debt services is based on 2017 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, 2016

<u>Description</u>	<u>Required Reserves</u>	<u>Reserve Balance June 30, 2016</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)