



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ponca City, Oklahoma (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 2, 2018. Our report includes a reference to other auditors who audited the Ponca City Development Authority, as described in our report on the City's financial statements.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Arledge & Associates, P.C.

January 2, 2018



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of 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. We issued our report thereon dated January 2, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



January 2, 2018

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF PONCA CITY, OKLAHOMA

Year Ended June 30, 2017

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Sub-recipients</i>	<i>Federal Expenditures</i>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<u>Pass-through Oklahoma Department of Commerce</u>				
Community Development Block Grant	14.228	16084 CDBG 14	\$ -	\$ 99
Community Development Block Grant	14.228	16439 CDBG 15	-	57,083
Community Development Block Grant	14.228	16757 CDBG 16	-	51,413
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			-	108,595
U.S. DEPARTMENT OF THE INTERIOR				
<u>Pass-through Oklahoma Historical Society</u>				
Historic Preservation Fund Grants-In-Aid	15.904	16-605	-	18,003
TOTAL U.S. DEPARTMENT OF THE INTERIOR			-	18,003
U.S. DEPARTMENT OF JUSTICE				
<u>Pass-through Bureau of Justice Assistance</u>				
Bulletproof Vest Partnership Program	16.607	N/A	-	1,810
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-H2566-OK-DJ	3,300	9,864
TOTAL U.S. DEPARTMENT OF JUSTICE			3,300	11,674
U.S. DEPARTMENT OF TRANSPORTATION				
<u>Pass-through Federal Aviation Administration</u>				
Airport Improvement Program	20.106	AIP 3-40-0078-017-2016	-	261,514
<u>Pass-through Oklahoma Aeronautics Commission</u>				
Airport Improvement Program	20.106	N/A	-	10,500
<u>Pass-through National Highway Traffic Safety Administration</u>				
State and Community Highway Safety	20.600	PT-16-03-18-09	-	5,190
State and Community Highway Safety	20.600	PT-17-03-16-10	-	17,152
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			-	294,356
U.S. DEPARTMENT OF HOMELAND SECURITY				
Assistance to Firefighters Grant	97.044	EMW-2015-FP-01623	-	109,364
<u>Pass-through Oklahoma Department of Emergency Management</u>				
Hazard Mitigation Grant	97.039	FEMA 4109-DR-OK (HMGP)	-	12,479
Hazard Mitigation Grant	97.039	FEMA 4164 DR-OK (HMGP)	-	212,679
Emergency Management Performance Grant	97.042	85-606	-	29,708
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			-	364,230
INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
<u>Pass-through Oklahoma Department of Libraries</u>				
Museums for America	45.301	N/A	-	13,923
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES			-	13,923
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,300	\$ 810,781

See notes to schedule of expenditures of federal awards.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF PONCA CITY, OKLAHOMA

Year Ended June 30, 2017

NOTE A--BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the city of Ponca City, Oklahoma (the "City") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C--SUBRECIPIENTS

During the year ended June 30, 2017, the City provided federal awards to sub-recipients as follows:

Program	CFDA Number	Sub-recipient	Amount Provided
Edward Byrne Memorial Justice Grant	16.738	Kay County Sheriff Department	\$ 3,300
		Total awards provided to sub-recipients	<u>\$ 3,300</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

CITY OF PONCA CITY, OKLAHOMA

Year Ended June 30, 2017

Section II--Findings Required to be Reported in Accordance with *Government Auditing Standards*:

None to report for the June 30, 2017 period.

Section III--Finding Required to be Reported in Accordance with the Uniform Guidance:

None to report for the June 30, 2017 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

CITY OF PONCA CITY, OKLAHOMA

Year Ended June 30, 2017

No matters were reportable.