



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

CITY OF PONCA CITY, OKLAHOMA

Report to the Honorable Mayor and Members of the City Commission
December 4, 2019



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The Honorable Mayor and City Commission
City of Ponca City, Oklahoma
516 E Grand Avenue
Ponca City, Oklahoma 74601

Attention: Honorable Mayor and Members of the City Commission

We are pleased to present this report related to our audit of the financial statements and compliance of the City of Ponca City, Oklahoma (the City) for the year ended June 30, 2019. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City's financial and compliance reporting process.

This report is intended solely for the information and use of the City Commission and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to be of service to the City.

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CITY OF PONCA CITY, OKLAHOMA

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Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities with Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America; <i>Government Auditing Standards</i> issued by the Comptroller General of the United States; the provisions of the Single Audit Act; Uniform Guidance; and OMB's <i>Compliance Supplement</i> have been described to you in our arrangement letter dated April 1, 2019.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.
Accounting Policies and Practices	Preferability of Accounting Policies and Practices Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period. Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. The City adopted the provisions of Governmental Accounting Standards Board Statement No. 75: <i>Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions</i> . This resulted in new standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures for the other postemployment benefits (OPEB) the City provides and additional disclosures and required

Area	Comments
	<p>supplementary information about the OPEB liability.</p> <p>Significant or Unusual Transactions</p> <p>We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>Management’s Judgments and Accounting Estimates</p> <p>Accounting estimates are an integral part of the preparation of financial statements and are based upon management’s current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached “Summary of Accounting Estimates.”</p>
Audit Adjustments	<p>Audit adjustments proposed by us and recorded by City are summarized in the attached representation letter.</p>
Disagreements with Management	<p>We encountered no disagreements with management over the application of significant accounting principles, the basis for management’s judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.</p>
Consultations with Other Accountants	<p>We are not aware of any consultations management had with other accountants about accounting or auditing matters.</p>
Significant Issues Discussed with Management	<p>No significant issues arising from the audit were discussed with or the subject of correspondence with management.</p>
Significant Difficulties Encountered in Performing the Audit	<p>We did not encounter any significant difficulties in dealing with management during the audit.</p>

Area	Comments
Certain Written Communications Between Management and Our Firm	Copies of certain written communications between our firm and the management of the City, including the representation letter provided to us by management, are attached.

CITY OF PONCA CITY, OKLAHOMA

Summary of Significant Accounting Estimates

Year Ended June 30, 2019

The following describes the significant accounting estimates reflected in the City's June 30, 2019, financial statements:

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Total OPEB liability	The total OPEB liability is computed by an independent actuarial firm. The disclosure is based upon numerous assumptions and estimates, including the expected rate of investment return, the interest rate used to determine present value and medical care cost trend rates.	The rate of return is based on historical and general market data.	Review of management's analysis resulted in our conclusion that the estimate appears reasonable.
Net pension assets and liabilities	The net pension assets and liabilities are computed by independent actuarial firms hired by the City.	Management of the City obtained and reviewed the actuarial valuations and the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer and Nonemployer as of June 30, 2018 that were audited by other auditors. Management compared their employer contributions as shown on these schedules to the City's actual contributions and recalculated its allocated percentage and its share of the collective net pension asset and liability.	Review of management's analysis resulted in our conclusion that the estimates appear reasonable.
Landfill closure and post-closure liability	Based on engineering estimates.	Each year management reassesses the estimated liability by reviewing engineering estimates.	Review of information supporting the estimate resulted in our conclusion that the estimate appears reasonable.
Accrued self-insurance claims	The City records an estimated liability for the claims.	Every year the City adjusts the estimate through a calculation based on the City's actual loss experience, an evaluation of current claims, estimates for incurred but not reported claims, and other relevant data.	Review of management's analysis resulted in our conclusion that the estimate appears reasonable.
Fair value of investments.	The fair value of investments is computed by the custodians of the investments.	Management obtained and reviewed the year-end valuations prepared by the custodians.	Review of the investment information prepared by the custodians resulted in our conclusion that the estimates appear reasonable.



City of
PONCA CITY

Marc LaBossiere, Finance Director/ City Clerk

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This representation letter is provided in connection with your audit of the basic financial statements of the City of Ponca City, Oklahoma (the City) as of and for the year ended June 30, 2019 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of the date of the auditors' report, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated April 1, 2019, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We have identified for you all organizations that are a part of this reporting entity or with which we have a relationship, as these organizations are defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, that are component units and joint ventures in which we participated.
3. We have identified for you all of our funds, governmental functions and identifiable business-type activities.
4. We have properly classified all funds and activities.
5. We have properly determined and reported the major governmental and enterprise funds based on the required quantitative criteria. We have determined the Ponca City Airport fund is major for public interest reasons. We believe that the judgmentally determined major fund is particularly important to financial statement users.
6. We are responsible for compliance with laws and regulations applicable to the City including adopting, approving and amending budgets.

7. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts including legal and contractual provisions for reporting specific activities in separate funds.
8. We acknowledge our responsibility for 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.
9. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
10. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
11. Related-party transactions, including those with component units for which City is accountable and joint ventures in which City has an interest, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
12. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
13. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
14. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Net positions and fund balance classifications.
 - b. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
 - c. Security agreements in effect under the Uniform Commercial Code.
 - d. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
 - e. The fair value of investments.
 - f. Liabilities which are subordinated in any way to any other actual or possible liabilities.
 - g. Debt issue repurchase options or agreements or sinking fund debt repurchase ordinance requirements.

- h. Debt issue provisions.
 - i. All leases and material amounts of rental obligations under long-term leases.
 - j. All significant estimates and material concentrations known to management which are required to be disclosed.
 - k. Authorized but unissued bonds and/or notes.
 - l. Risk financing activities.
 - m. Deposits and investment securities categories of risk.
 - n. The effect on the financial statements of GASB pronouncements which have been issued, but which we have not yet adopted.
15. We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities. In that regard:
- a. The City has no significant amounts of idle property and equipment.
 - b. The City has no plans or intentions to discontinue the operations of any activities or programs or to discontinue any significant operations.
 - c. Provision has been made to reduce applicable assets that have permanently declined in value to their realizable values.
16. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
- a. To reduce receivables to their estimated net collectable amounts.
 - b. To reduce obsolete, damaged, or excess inventories to their estimated net realizable values.
 - c. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2019 and/or for expected retroactive insurance premium adjustments applicable to periods through June 30, 2019.
 - d. For pension obligations and post-retirement benefits other than pensions attributable to employee services rendered through June 30, 2019.
 - e. For closure and post-closure care costs associated with operation of the solid waste landfill.
17. There are no:
- a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
 - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.

- c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed.
 - d. Guarantees, whether written or oral, under which the City is contingently liable.
 - e. Lines of credit or similar arrangements.
 - f. Agreements to repurchase assets previously sold.
 - g. Contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
 - h. Derivative financial instruments.
 - i. Special or extraordinary items.
 - j. Arbitrage rebate liabilities.
 - k. Impairments of capital assets.
18. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.
19. The City has satisfactory title to all owned assets.
20. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
21. Net positions (net investment in capital assets; restricted; and unrestricted) and fund balances are properly classified and, when applicable, approved.
22. Expenses or expenditures have been appropriately classified in or allocated to functions and programs in the statement of activities and allocations have been made on a reasonable basis.
23. Revenues have been appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments or contributions to permanent fund principal.
24. Capital assets, including infrastructure assets, are properly capitalized, reported and depreciated.
25. We agree with the findings of specialists in evaluating the total OPEB liability, the net pension asset, and the net pension liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

26. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

27. We have provided you with:
- a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of governing board and committees of board members, or summaries of actions of recent meetings for which minutes have not yet been prepared.
28. All transactions have been recorded in the accounting records and are reflected in the financial statements.
29. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
30. We have no knowledge of any allegations of fraud or suspected fraud, affecting the entity's financial statements involving:
- a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
31. We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements received in communications from employees, former employees, analysts, regulators or others.
32. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
33. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
34. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.

35. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the City's ability to record, process, summarize and report financial data.
36. We have informed you of all communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
37. With respect to supplementary information presented in relation to the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
38. With respect to the required supplementary information listed in the table of contents of the financial statements and presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:
 - a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
39. During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.
40. We are responsible for and have reviewed and approved the proposed adjustments to the trial balances identified during the audit, which are included in the adjusting journal entries attachment, and will post all adjustments accordingly. We have reviewed, approved, and are responsible for overseeing the preparation and completion of the basic financial statements and related notes.

Compliance Considerations

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

1. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
2. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.
3. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
4. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
5. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.
6. Is responsible for 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.
7. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
8. Has a process to track the status of audit findings and recommendations.
9. Has identified for the auditor previous audits, attestation engagements and other studies related to the audit objectives and whether related recommendations have been implemented.
10. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

In connection with your audit of federal awards conducted in accordance with Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we confirm:

1. Management is responsible for complying, and has complied, with the requirements of Uniform Guidance.
2. Management is responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal programs.
3. Management is responsible for establishing and maintaining, and has established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on its federal programs in existence prior to December 26, 2014, as well as for funding increments and new awards obtained after that date.
4. Management has prepared the schedule of expenditures of federal awards in accordance with the Uniform Guidance and has included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost reimbursements contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance.
5. Management has identified and disclosed all of its government programs and related activities subject to the Uniform Guidance compliance audit.
6. Management has identified and disclosed to the auditor the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program. Management has further identified each award resulting from programs in existence prior to December 26, 2014 and funding increments or new awards obtained after that date.
7. Management has made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
8. Management has identified and disclosed to the auditor all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards or stated that there was not such noncompliance.

9. Management believes that the auditee has complied with the direct and material compliance requirements (except for noncompliance it has disclosed to the auditor).
10. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
11. Management has disclosed to the auditor any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
12. Management has disclosed to the auditor the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
13. Management has disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
14. Management has disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or stated that there were no such known instances.
15. Management has disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.
16. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
17. The copies of federal program financial reports provided to the auditor are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.

18. If applicable, management has monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
19. If applicable, management has issued management decisions for audit findings that relate to federal awards it makes to subrecipients and that such management decisions are issued within six months of acceptance of the audit report by the FAC. Additionally, management has followed up to ensure that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews and other means that pertain to the federal award provided to the subrecipient from the pass-through entity.
20. If applicable, management has considered the results of subrecipient monitoring and audits, and has made any necessary adjustments to the auditee's own books and records.
21. Management has charged costs to federal awards in accordance with applicable cost principles.
22. The reporting package does not contain protected personally identifiable information.
23. Management has accurately completed the appropriate sections of the data collection form.

Very truly yours,

CITY OF PONCA CITY, OKLAHOMA



Marc LaBossiere, Finance Director

Date Signed 12-4-17