



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

PONCA CITY UTILITY AUTHORITY
(A COMPONENT UNIT OF THE CITY OF PONCA CITY)

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

PONCA CITY UTILITY AUTHORITY
(A COMPONENT UNIT OF THE CITY OF PONCA CITY)

Year Ended June 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Ponca City Utility Authority
Ponca City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Ponca City Utility Authority (PCUA), a component unit of the City of Ponca City, Oklahoma (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise PCUA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 auditors' 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 opinion.

An Independently Owned Member, RSM US Alliance

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of PCUA as of June 30, 2019, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, on July 1, 2018 PCUA adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise PCUA's basic financial statements. The combining schedules, schedule of debt service coverage, schedule of reserve account balances, and the schedule of utility rates are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules, schedule of debt service coverage, and schedule of reserve account 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 schedules, schedule of debt service coverage, and schedule of reserve account balances are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2019 on our consideration of PCUA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PCUA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PCUA's internal control over financial reporting and compliance.

Berwick Trahan + Co., P.A.

December 4, 2019
Topeka, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

Our discussion and analysis of the Ponca City Utility Authority's (the Authority's) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2019.

FINANCIAL HIGHLIGHTS

Net Position: The Authority's net position increased by \$6.0 million, or 7.4 %.

Unrestricted Net Position: Unrestricted net position of the Authority increased by \$1.8 million, or 6.1 %.

Revenues: The Authority's operating revenues decreased by \$2.7 million, or -4.4% from the previous year.

Expenses: The Authority's operating expenses decreased by \$1.0 million, or -2.4% from the previous year.

USING THIS ANNUAL REPORT

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position include all assets and liabilities of the Authority using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenditures are taken into account, regardless of when the cash is received or paid. These statements provide information about whether the entity is better off or worse off as a result of the year's activities.

Net position is the difference between the Authority's assets and deferred outflows over liabilities and deferred inflows. Over time, increases or decreases in the Authority's net position provide one indicator of the financial health of the Authority.

FINANCIAL ANALYSIS

Net Position

The Authority's net position increased by \$6.0 million, or 7.4%. A comparative overview of the major components of the Statement of Net Position is shown below.

	2018 (in thousands)	2019 (in thousands)	Percentage Change
Total current assets	\$ 41,215	\$ 40,553	-1.6%
Total noncurrent assets	69,178	69,408	0.3%
Total assets	<u>110,393</u>	<u>109,961</u>	-0.4%
Deferred outflows of resources	<u>237</u>	<u>914</u>	285.7%
Total current liabilities	9,271	6,286	-32.2%
Total noncurrent liabilities	19,945	17,860	-10.5%
Total liabilities	<u>29,216</u>	<u>24,146</u>	-17.4%
Deferred inflows of resources	<u>968</u>	<u>296</u>	-69.4%
Net position			
Net investment in capital assets	46,001	52,857	14.9%
Restricted for debt service	4,210	1,493	-64.5%
Unrestricted	30,235	32,083	6.1%
Total net position	<u>\$ 80,446</u>	<u>\$ 86,433</u>	7.4%

FINANCIAL ANALYSIS (CONTINUED)

Changes in Net Position

A comparative overview of the major components of the Statement of Revenues, Expenses and Changes in Net Position is shown below.

	2018 (in thousands)	2019 (in thousands)	Percentage Change
Operating revenues	\$ 60,742	\$ 58,085	-4.4%
Operating expenses	44,202	43,159	-2.4%
Operating income	<u>\$ 16,540</u>	<u>\$ 14,926</u>	-9.8%
Non-operating revenues (expenses)	<u>397</u>	<u>1,089</u>	174.3%
Net income before transfers and capital contributions	16,937	16,015	-5.4%
Net transfers and capital contributions	<u>(8,166)</u>	<u>(9,979)</u>	22.2%
Change in net position	8,771	6,036	-31.2%
Net position beginning of year - restated	71,675	80,397	12.2%
Net position at end of year	<u><u>\$ 80,446</u></u>	<u><u>\$ 86,433</u></u>	7.4%

CAPITAL ASSETS

This year's major additions to PCUA capital plant included design for a sludge storage and loading area at the water plant, re-painting the Wentz Water Tower, and \$1.3 million in electric distribution improvements.

	2018	2019
Land	\$ 851	\$ 852
Construction-in-progress	255	3,280
Buildings	10,968	10,213
Improvements	48,177	46,927
Machinery and equipment	<u>5,270</u>	<u>5,179</u>
Total	<u><u>\$ 65,521</u></u>	<u><u>\$ 66,451</u></u>

DEBT ADMINISTRATION

At June 30, 2019, the Authority had \$13.3 million in bonds, notes and refundable grant obligations outstanding versus \$19.6 million last year. Excellent progress has been made over the past decade in paying off utility infrastructure debt of the Authority.

	<u>2018</u>	<u>2019</u>
Notes payables	\$ 6,080	\$ 3,408
Revenues bonds payable	13,440	9,830
Refundable grant obligations	<u>57</u>	<u>38</u>
Total	<u>\$ 19,577</u>	<u>\$ 13,276</u>

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES AND RATES

The Fiscal 2019-20 Budget was created with a primary emphasis on sustainability, as well as continued emphasis on performance measurement in PCUA departments. This type of attention to cost versus community benefit of PCUA 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.

Visible projects for Fiscal 2019-20 include a \$1.9 million project to improve the Lake Ponca Spillway, a new roll-off truck for Solid Waste, a \$1.7 million Phase II replacement of the Bois D'arc wastewater collection line, and \$1.6 million in electrical distribution system improvements.

As with the retail sector, there is minimal growth among the utilities. Authority staff was pleased to recommend and have Trustee approval of a zero percent rate increase for electric, water, wastewater and solid waste services for the year beginning July 1, 2019.

CONTACTING THE PONCA CITY UTILITY AUTHORITY MANAGEMENT

This financial report is designed to provide our citizens, customers, taxpayers, bondholders and creditors with a general overview of the Authority's finances and to show accountability for the money it receives. Financial information for the Authority is also presented in the audited financial report of the primary government, the City of Ponca City, Oklahoma. If you have questions about this report or need additional financial information, contact the Finance Department for the City of Ponca City, 516 E. Grand Avenue, Ponca City, Oklahoma 74601, or phone at (580) 767-0303.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

STATEMENT OF NET POSITION

June 30, 2019

Assets:

Current assets:

Cash and cash equivalents	\$ 19,605,338
Investments	8,489,501
Prepaid expenses	56,174
Restricted assets:	
Cash and cash equivalents	643,972
Investments	603,377
Receivables:	
Utility billing receivables	7,279,636
Other receivables	31,659
Inventory	<u>3,842,998</u>
 Total current assets	 <u>40,552,655</u>

Noncurrent assets:

Restricted assets:	
Cash and cash equivalents	848,980
Investment in joint venture	2,107,806
Capital assets:	
Nondepreciable	4,132,295
Depreciable, net of accumulated depreciation	<u>62,319,051</u>
 Total noncurrent assets	 <u>69,408,132</u>

Total assets	<u>109,960,787</u>
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Deferred outflows of resources:

Deferred amounts related to pensions	<u>\$ 913,962</u>
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(Continued)

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

STATEMENT OF NET POSITION
(Continued)

June 30, 2019

Liabilities:

Current liabilities:

Accounts payable and accrued liabilities	\$ 3,904,029
Accrued interest payable	136,584
Meter deposit liability	603,377
Current portion:	
Refundable grant obligations	19,000
Accrued compensated absences	31,497
Revenue bonds payable	1,160,000
Capital lease obligations	99,670
Notes payable	<u>332,202</u>
Total current liabilities	<u>6,286,359</u>

Noncurrent liabilities:

Net pension liability	3,824,874
Total OPEB liability	76,007
Landfill closure/post-closure liability	1,691,746
Refundable grant obligations	19,000
Accrued compensated absences	283,484
Revenue bonds payable	8,670,000
Capital lease obligations	219,031
Notes payable	<u>3,075,660</u>
Total noncurrent liabilities	<u>17,859,802</u>

Total liabilities	<u>24,146,161</u>
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Deferred inflows of resources:

Deferred amounts related to pensions	<u>295,851</u>
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Net position:

Net investment in capital assets	52,856,783
Restricted for debt service	1,492,952
Unrestricted	<u>32,083,002</u>

Total net position	<u><u>\$ 86,432,737</u></u>
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See accompanying notes to financial statements.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2019

Operating revenues:	
Charges for services:	
Electric	\$ 37,677,803
Water	7,990,243
Solid waste	5,280,183
Wastewater	6,486,442
Stormwater	575,058
Broadband	1,621
Other	73,206
Total operating revenues	<u>58,084,556</u>
Operating expenses:	
Electric	29,117,583
Water	4,646,032
Solid waste	4,021,571
Wastewater	3,262,619
Stormwater charges	206,454
Broadband	120,947
Administrative	1,784,071
Total operating expenses	<u>43,159,277</u>
Operating income	<u>14,925,279</u>
Non-operating revenues (expenses):	
Investment income	873,873
Income (loss) from joint venture	120,843
Change in estimate of post-closure liability	612,528
Gain (loss) on asset disposals	(88,049)
Interest and fiscal charges	(429,776)
Total non-operating revenues (expenses)	<u>1,089,419</u>
Income before transfers and capital contributions	<u>16,014,698</u>
Capital contributions	(139,895)
Transfers from the City of Ponca City	2,242,000
Transfers to the City of Ponca City	(12,081,161)
Total transfers and capital contributions	<u>(9,979,056)</u>
Change in net position	<u>6,035,642</u>
Net assets, beginning of year as previously stated	80,445,555
Prior period adjustments	(48,460)
Net assets, beginning of year as restated	<u>80,397,095</u>
Net assets, end of year	<u><u>\$ 86,432,737</u></u>

See accompanying notes to financial statements.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

Cash flows from operating activities:	
Receipts form customers	\$ 59,119,032
Payments to suppliers	(28,712,398)
Payments to employees	(8,881,780)
	21,524,854
Cash flows from noncapital financing activities:	
Transfers from the City of Ponca City	2,242,000
Transfers to the City of Ponca City	(12,081,161)
	(9,839,161)
Cash flows from capital and related financing activities:	
Proceeds from sale of assets	88,049
Purchases of capital assets	(6,968,597)
Principal paid on capital debt	(6,233,449)
Repayment of refundable grant obligation	(19,000)
Principal paid on capital lease obligations	(87,581)
Interest paid on capital debt	(523,629)
Contribution to joint venture	(1,000)
	(13,745,207)
Cash flows from investing activities:	
Net sales of investments	221,385
Interest and dividends	822,483
	1,043,868
Net decrease in cash and cash equivalents	
	(1,015,646)
Cash and cash equivalents, beginning of year	
	22,113,936
Cash and cash equivalents, end of year	
	\$ 21,098,290
Cash and cash equivalents consisted of the following:	
Cash and cash equivalents	\$ 19,605,338
Current restricted cash and cash equivalents	643,972
Noncurrent restricted cash and cash equivalents	848,980
	21,098,290
Total cash and cash equivalents, end of year	
	\$ 21,098,290

(Continued)

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

STATEMENT OF CASH FLOWS
(Continued)

Year Ended June 30, 2019

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 14,925,279
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	5,674,759
Change in assets and liabilities:	
(Increase) decrease in receivables, net	1,039,748
(Increase) decrease in prepaid expenses	(1,357)
(Increase) decrease in inventories	(791,751)
(Increase) decrease in deferred outflows - pension	(677,416)
Increase (decrease) in accounts and other payables	700,787
Increase (decrease) in customer meter deposits payable	(5,272)
Increase (decrease) in accrued compensated absences	6,806
Increase (decrease) in net pension liability	1,249,753
Increase (decrease) in total OPEB liability	76,007
Increase (decrease) in deferred inflows - pension	(672,489)
Net cash provided by operating activities	\$ 21,524,854
Noncash investing, capital, and financing activities:	
Net capital assets contributed to (from) PCUA	\$ (139,895)
Premium amortization	48,560
Net income in joint venture	119,843
Change in landfill closure and post-closure liability	663,918

See accompanying notes to financial statements.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

1 - Organization and Summary of Significant Accounting Policies

Organization

The Ponca City Utility Authority (PCUA), a component unit of the City of Ponca City, Oklahoma (the City), prepares the accompanying financial statements on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles (U.S. 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.

Financial Reporting Entity

PCUA is a public trust created March 23, 1970, to finance, develop and operate the water, wastewater, solid waste, electric, storm water and broadband utility systems for the City. The current City Commission serves as PCUA governing body. Any issuances of debt would require a two-thirds approval of the City Commission. PCUA is a blended component unit reported as an enterprise fund within the City's financial reporting entity.

The City (along with PCUA) 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 (Note 5). 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 representative from each government. Financial statements for the Association for Landfill Financial Assurance for the year ended June 30, 2019 may be obtained from its administrative offices at 100 E Street SW, Suite 200, Ardmore, OK 73401.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

PCUA utilizes the accrual basis of accounting and economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred, regardless of the timing of related cash flows. The financial statements are presented for special purpose governments engaged solely in business-type activities similar to a single enterprise fund. Enterprise funds are financed in whole or in part by fees charged to external parties for goods or services.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Budgetary Accounting and Control

In accordance with Title 60 of the Oklahoma State Statutes, PCUA is required to prepare an annual budget and submit a copy 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.

Assets, Liabilities and Net Position

Cash and cash equivalents – For the purposes of the statement of net position and statement of cash flows, cash and cash equivalents includes all demand deposits, savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments – Investments in marketable securities are carried at fair value.

Arbitrage Rebate - The proceeds from PCUA'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. PCUA had no arbitrage rebate liability at June 30, 2019.

Accounts Receivable - PCUA reports accounts receivable for utility and other miscellaneous revenues that have not been collected at June 30, 2019. Allowances for uncollectable accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories - Inventories of materials and supplies are stated at cost, as determined by the first-in, first-out method.

Capital assets - All capital assets, property, plant and equipment are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their acquisition value at the date of donation. The cost of routine maintenance and repairs is expensed. PCUA's capitalization threshold is \$ 5,000.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position (Continued)

Depreciation of all exhaustible capital assets is recorded as an expense in the operating statements, 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 estimated useful lives of depreciable assets are as follows:

Improvements other than buildings	10-50 years
Buildings	15-50 years
Machinery and equipment	5-20 years

Restricted Assets - Restricted assets include assets that are legally restricted as to their use. The primary restricted assets are related to revenue bond and promissory note trustee accounts restricted for debt service, landfill financial assurance, and deposits held for refund.

Compensated Absences - Under the terms of the City's personnel policies, PCUA employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation. The maximum accumulated 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 at the rate of eight (8) hours per month for full-time employees but is payable only for sick time actually taken. Therefore, PCUA does not record a liability for unused sick leave.

Other Postemployment Benefits (OPEB) - Other postemployment benefits are part of an exchange of salaries and benefits for employee services rendered. Of the total benefits offered by employers to attract and retain qualified employees, some benefits, including salaries and active employee health care, are taken while the employees are in active service, whereas other benefits, including postemployment health care and other OPEB, are taken after the employees' services have ended. Nevertheless, both types of benefits constitute compensation for employee services. In accordance with GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," PCUA recognizes annual OPEB costs during the periods when employees render their services. For additional information about OPEB, see Note 9.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position (Continued)

Deferred Outflows of Resources - Deferred outflows are the consumption of net position by PCUA that are applicable to a future reporting period. PCUA has one item that meets this criterion related to pensions at June 30, 2019.

Deferred Inflows of Resources - Deferred inflows are the acquisition of net position by PCUA that are applicable to a future reporting period. PCUA has one item that meets this criterion related to pensions at June 30, 2019.

Operating and Nonoperating Revenues - Operating revenues are those that result from providing services to customers. All revenues not meeting this definition are reported as nonoperating revenues.

Use of Estimates - Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities in order to prepare the financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates.

Net Position - In the financial statements, net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net position is displayed in three components:

1. *Net Investment in Capital Assets* - Consists of 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 improvements of those assets.
2. *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 and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
3. *Unrestricted Net Position* - All other net position that does not meet the definition of "restricted" or "Net investment in capital assets."

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Adoption of New Accounting Standards

During the year ended June 30, 2019, PCUA adopted GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” – The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions and replaces the requirements of GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions” and GASB Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses (see Note 8). Implementation of this Statement resulted in a restatement of beginning net position for the year ended June 30, 2019 in the amount of \$ 48,460.

During the year ended June 30, 2019, PCUA also adopted GASB Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements” – The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement did not have a material impact on the PCUA’s financial statements.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - Cash and Investments

As of June 30, 2019, PCUA had the following deposits and investments by type:

Type	Credit Rating	Fair Value	Maturities in Years			
			On Demand	Less Than One	1-5	6-10
Petty cash	N/A	\$ 2,000	\$ 2,000	\$ -	\$ -	\$ -
Demand deposits	N/A	21,096,290	21,096,290	-	-	-
Time deposits	N/A	8,500,000	-	7,500,000	1,000,000	-
U.S. Govt. Agencies	AA	592,878	-	-	-	592,878
		<u>\$ 30,191,168</u>	<u>\$ 21,098,290</u>	<u>\$ 7,500,000</u>	<u>\$ 1,000,000</u>	<u>\$ 592,878</u>

N/A - not subject to rating

Reconciliation to Statement of Net Position:

Cash and cash equivalents	\$ 19,605,338
Investments	8,489,501
Current restricted cash and cash equivalents	643,972
Current restricted investments	603,377
Noncurrent restricted cash and cash equivalents	<u>848,980</u>
Total	<u>\$ 30,191,168</u>

Custodial Credit Risk - Custodial credit risk related to deposits is the risk that in the event of a bank failure, PCUA's deposits may not be returned to it. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, PCUA will not be able to recover the value of its investments or collateral securities that are in the possession of the counterparty. PCUA 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, 2019, PCUA was not exposed to custodial credit risk.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - Cash and Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a financial instrument. PCUA has a formal investment policy that limits investment maturities to not more than two years as a means of managing its exposure to fair value losses arising from increasing interest rates. Reserve funds may be invested longer than two years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds. PCUA discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments.

Investment Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. PCUA's investment policy limits investments to those allowed by state law applicable to municipalities.

PCUA has no formal policy limiting investments based on credit rating, but discloses any such risk associated with its 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.

Concentrations of Credit Risk - PCUA diversifies its investments by security type and institution. With the exception of U.S. Treasury Securities and authorized pools, no more than 50% of the total investment portfolio will be invested in a single security type or with a single financial institution.

Fair Value Measurement - PCUA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets that the government can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means. Level 3 inputs are significant, unobservable inputs. As of June 30, 2019, PCUA's U.S. Government Agency investments were valued using Level 2 measurements.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - Restricted Assets

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

The restricted assets as of June 30, 2019 were as follows:

	Cash and Cash Equivalents	Investments	Investment in Joint Venture	Total
Revenue bond and note trustee accounts	\$ 1,492,952	\$ -	\$ -	\$ 1,492,952
Landfill financial assurance	-	-	2,107,806	2,107,806
Deposits held for refund	-	603,377	-	603,377
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 1,492,952</u>	<u>\$ 603,377</u>	<u>\$ 2,107,806</u>	<u>\$ 4,204,135</u>

PONCA CITY UTILITY AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance at July 1, 2018	Additions	Transfers	Disposals	Balance at June 30, 2019
Non-depreciable capital assets:					
Land	\$ 851,172	\$ 1,310	\$ -	\$ -	\$ 852,482
Construction-in-progress	254,854	2,072,898	1,024,333	(72,272)	3,279,813
Total non-depreciable capital assets	1,106,026	2,074,208	1,024,333	(72,272)	4,132,295
Depreciable capital assets:					
Buildings	39,215,827	995,945	(995,945)	-	39,215,827
Improvements	122,241,759	2,464,164	181,718	-	124,887,641
Machinery and equipment	13,784,032	1,116,230	(108,857)	(550,136)	14,241,269
Total depreciable capital assets	175,241,618	4,576,339	(923,084)	(550,136)	178,344,737
Less accumulated depreciation:					
Buildings	(28,248,076)	(754,376)	-	-	(29,002,452)
Improvements	(74,064,500)	(3,896,212)	-	-	(77,960,712)
Machinery and equipment	(8,514,107)	(1,024,171)	108,857	366,899	(9,062,522)
Total accumulated depreciation	(110,826,683)	(5,674,759)	108,857	366,899	(116,025,686)
Net depreciable capital assets	64,414,935	(1,098,420)	(814,227)	(183,237)	62,319,051
Capital assets, net	\$ 65,520,961	\$ 975,788	\$ 210,106	\$ (255,509)	\$ 66,451,346

PONCA CITY UTILITY AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - Capital Assets (Continued)

Depreciation expense was charged to the following activities:

Water	\$ 1,418,732
Electric	1,959,726
Broadband	11,330
Solid waste	669,714
Wastewater	1,220,014
Stormwater	58,899
Administration	336,344
	336,344
Total	\$ 5,674,759

5 - 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, 2019, PCUA paid \$ 15,094 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. PCUA contributed \$ 1,000 in funding in fiscal 2019. PCUA’s proportionate share of the net investment earnings in the escrow account, which includes unrealized gains and losses on investments, amounts to \$ 120,843 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, 2019, PCUA’s equity interest totaled \$ 2,107,806 which is reported as “Investment in Joint Venture” on the statement of net position.

PONCA CITY UTILITY AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - Investment in Joint Venture (Continued)

For the year ended June 30, 2019, the “Investment in Joint Venture” balance changed as follows:

Beginning investment in joint venture	\$ 1,986,963
Contribution	1,000
Net income in joint venture	119,843
	119,843
Ending investment in joint venture	\$ 2,107,806

6 - Long-Term Debt

As of June 30, 2019, the long-term debt payable from PCUA resources consisted of the following:

Revenue bonds payable:

2012A Utility System Revenue Note to Banc of America Public Capital Corp, dated March 1, 2012, original issue amount of \$ 16,090,000, secured by gross revenues, interest rate of 2.7%, final maturity August 1, 2025	\$ 9,830,000
	9,830,000
Total revenue bonds payable	\$ 9,830,000
Current portion	\$ 1,160,000
Non-current portion	8,670,000
	8,670,000
Total revenue bonds payable	\$ 9,830,000

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - Long-Term Debt (Continued)

Notes Payable:

1999A Promissory Note to Oklahoma Water Resources Board, dated December 23, 1999 original issue amount of \$ 2,370,907, 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 August 15, 2019.	\$ 59,273
2007 Clean Water SRF Promissory Note to Oklahoma Water Resources Board, dated October 9, 2007, original issue amount of \$ 5,565,000, secured by a pledge and assignment of revenues derived from operations of 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.	3,119,785
2009A Clean Water SRF Promissory Note to Oklahoma Water Resources Board, dated October 1, 2009, original issue amount of \$ 575,000, secured by a pledge and assignment of revenues derived from operations of 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.	<u>228,804</u>
Total notes payable	<u><u>\$ 3,407,862</u></u>
Current portion	\$ 332,202
Non-current portion	<u>3,075,660</u>
Total notes payable	<u><u>\$ 3,407,862</u></u>

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - Long-Term Debt (Continued)

Refundable Grant Obligations:

\$ 380,000 refundable grant obligation for water line improvements, dated July 1, 2001, payable in semi-annual installments of \$ 9,500, final payment due July 1, 2021, non-interest bearing	\$ 38,000
Current portion	\$ 19,000
Non-current portion	19,000
Total refundable grant obligations	\$ 38,000

Capital Lease Obligations:

Capital lease obligation payable in monthly installments through August 2022, including interest calculated at 4.02%	\$ 318,700
Current portion	\$ 99,670
Non-current portion	219,031
Total refundable capital lease obligations	\$ 318,701

Capital Assets Financed by Lease Obligations:

Total cost of capital assets financed by outstanding lease obligations	\$ 462,746
Less: accumulated depreciation	(133,040)
Net capital assets financed by lease obligations	\$ 329,706

Accrued Compensated Absences:

Accrued compensated absences are comprised of:	
Current portion	\$ 31,497
Non-current portion	283,484
Total accrued compensated absences	\$ 314,981

PONCA CITY UTILITY AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - Long-Term Debt (Continued)

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

	Balance, July 1, 2018	Additions	Deletions	Balance, June 30, 2019	Amount due in one year
Direct borrowings and placements:					
Notes payable	\$ 6,031,311	\$ -	\$ 2,623,449	\$ 3,407,862	\$ 332,202
Premium on notes payable	48,560	-	48,560	-	-
Revenue bonds payable	13,440,000	-	3,610,000	9,830,000	1,160,000
Refundable grant obligations	57,000	-	19,000	38,000	19,000
Capital lease obligations	406,282	-	87,581	318,701	99,670
Accrued compensated absences	308,175	48,277	41,471	314,981	31,497
	<u>\$ 20,291,328</u>	<u>\$ 48,277</u>	<u>\$ 6,430,061</u>	<u>\$ 13,909,544</u>	<u>\$ 1,642,369</u>

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - Long-Term Debt (Continued)

Debt service requirements to maturity are as follows:

Year Ending June 30,	Notes Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2020	\$ 332,202	\$ 85,886	\$ 1,160,000	\$ 257,648
2021	281,781	78,474	1,250,000	225,720
2022	290,636	71,059	1,330,000	191,430
2023	299,770	63,410	1,420,000	154,912
2024	309,016	55,666	1,510,000	115,965
2025-2029	1,697,903	150,348	3,160,000	95,445
2030-2034	196,554	2,685	-	-
Total	<u>\$ 3,407,862</u>	<u>\$ 507,528</u>	<u>\$ 9,830,000</u>	<u>\$ 1,041,120</u>

Year Ending June 30,	Capital Lease Obligations		Refundable Grant Obligations
	Principal	Interest	Principal
2020	\$ 99,670	\$ 10,811	\$ 19,000
2021	94,908	7,075	19,000
2022	98,797	3,185	-
2023	25,326	170	-
2024	-	-	-
Total	<u>\$ 318,701</u>	<u>\$ 21,241</u>	<u>\$ 38,000</u>

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - 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 the landfill capacity used as of each year-end. The \$ 1,691,746 reported as “Landfill Closures/Post-Closure Cost” at June 30, 2019, represents the cumulative amount to date based on the use of 55.82% of the estimated capacity of the landfill. PCUA will recognize the remaining estimated cost of closure and post-closure care of \$ 1,338,970 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 2019.

However, PCUA expects its landfill to remain in operation for another 34.5 years with closure scheduled for the year 2054. Therefore, actual cost may be higher due to inflation, changes in technology, or changes in laws and regulations.

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

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 (See Note 5 Investment in Joint Venture).

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

PONCA CITY UTILITY AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - Landfill Closure and Post-Closure Liability (Continued)

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.

8 - Employee Pension Plan

Description of Pension Plan

PCUA participates in the City of Ponca City Retirement Plan (the Plan), which is a single employer defined benefit pension plan administered by the City. All non-union full-time PCUA employees are eligible to participate in the Plan. The Plan has an actuarial valuation performed annually to determine if the City's fixed contribution rate is adequate to fund the actuarially determined contribution requirement. The System does not issue separate annual financial statements.

The City and PCUA have elected to use December 31, 2018, as its measurement date; therefore, net pension liability and related deferred inflows and outflows are reported as of that date. Pension payments made by PCUA from the measurement date through June 30, 2019, are reported as deferred outflows. PCUA accounts for its share of the net pension liability, deferred outflows/inflows of resources and pension expense as a cost-sharing defined benefit pension plan for PCUA's stand-alone financial reporting.

Summary of Significant Accounting Policies

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

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

NOTES TO FINANCIAL STATEMENTS
(Continued)

8 - Employee Pension Plan (Continued)

Eligibility Factors and Benefit Provisions

Year established and government authority	1961; City Commission
Determination of contribution requirements	City ordinance: actuarially-determined
Employer	Actuarially determined
Plan members	0.00%
Funding of administrative costs	Investment earnings
Period required to vest	5 years – 50%; additional 10% vesting each year thereafter
Post-retirement benefit increases	None
Eligibility for benefits	Ages 65 with five years of credited service, or age 55 with ten years credited service
Provisions for:	
Disability benefits	Yes
Death benefits	Yes

PCUA is required to contribute an amount to the Plan, which has been actuarially determined. System participants of PCUA contributed \$ 0 during the year ended June 30, 2019, and PCUA contributed \$ 396,186 for the year ended June 30, 2019.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

NOTES TO FINANCIAL STATEMENTS
(Continued)

8 - Employee Pension Plan (Continued)

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

As of June 30, 2019, PCUA reports a liability of \$ 3,824,874 for its proportionate share of the Plan's liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019. PCUA's proportion of the net pension liability was based on the proportion of its contributions to the total contributions for the City as a whole. Based on this information, its proportion was approximately 49%. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability subsequent to the actuarial valuation date that would have a significant impact on the net pension liability.

For the year ended June 30, 2019, PCUA recognized total pension expense of \$ 442,387. At June 30, 2019, PCUA reported deferred outflows and inflows of revenues related to this plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 200,847
Effects of changes in assumptions	-	95,004
Net difference between expected and net investment income	712,348	-
PCUA contributions subsequent to the measurement date	201,614	-
Total	\$ 913,962	\$ 295,851

PONCA CITY UTILITY AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

8 - Employee Pension Plan (Continued)

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

Deferred outflows of resources totaling \$ 201,614 related to pensions resulting from PCUA contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2020	\$	28,682
2021		14,289
2022		43,028
2023		330,498
	\$	416,497

Actuarial Assumptions

Key assumptions used in the actuarial valuation were:

Discount rate	7.25%
Long-term expected rate of return	7.25%
Measurement date	December 31, 2018
Inflation	2.25%
Projected salary increases	Age related
Mortality	RP-2006
Retirement rates	Experience
Actuarial cost method	Entry age normal

PONCA CITY UTILITY AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

8 - Employee Pension Plan (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments as determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the actuarially determined contribution amounts. Based on the assumption, 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 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 present the net pension liability using the discount rate of 7.25%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the applied rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	\$ 5,828,184	\$ 3,824,874	\$ 2,180,985

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the City of Ponca City's separately issued financial statements.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

NOTES TO FINANCIAL STATEMENTS
(Continued)

9 - Post-Employment Benefits Other Than Pensions (OPEB)

Plan Description, Benefits Provided and Contributions

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

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

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

Employees Covered by Benefit Terms

At June 30, 2019, the following City employees were covered by the benefit terms.

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

Total OPEB Liability

PCUA's total OPEB liability of \$ 76,007 was measured and determined by an actuarial valuation performed as of June 30, 2019.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

NOTES TO FINANCIAL STATEMENTS
(Continued)

9 - Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Discount rate	3.43%
Interest discount rate	3.43% per year, compounded annually
Mortality	RPA-2000 Mortality Table projected to 2020 for males and females
Retirement date	Age 65
Pre-retirement termination	Table T-3 of the Actuary's Pension Handbook (excluding mortality)
Trend	5% per year
Actuarial cost method	Entry Age Normal

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2018	\$ 73,484
Changes for the year:	
Service cost	3,122
Interest cost	2,851
Differences between expected and actual experience	(4,687)
Changes in assumptions and inputs	1,423
Benefit payments	(186)
Net changes	<u>2,523</u>
Balance at June 30, 2019	<u><u>\$ 76,007</u></u>

PONCA CITY UTILITY AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

9 - Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

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

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

	1% Decrease (2.43%)	Discount Rate (3.43%)	1% Increase (4.43%)
Total OPEB liability	\$ 82,042	\$ 76,007	\$ 70,558

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

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

	1% Decrease (4%)	Healthcare Cost Trend Rates (5%)	1% Increase (6%)
Total OPEB liability	\$ 69,349	\$ 76,007	\$ 83,822

OPEB Expense

For the year ended June 30, 2019, PCUA recognized OPEB expense of \$ 2,523.

10 - Risk Management

PCUA 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.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

NOTES TO FINANCIAL STATEMENTS
(Continued)

10 - Risk Management (Continued)

PCUA manages these various risks of loss as follows:

Type of Loss	Method Managed	Risk of Loss Retained
a. General Liability: Torts Errors and omissions Police liability Vehicles	Purchased insurance with Oklahoma Municipal Assurance Group	None
b. Physical Property: Theft Damage to assets Natural disasters	Purchased insurance with \$ 25,000 deductible	None
c. Workers' Compensation: Employee injuries	Participant in City self-insured plan. 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 by City.
d. Health and Life: Medical Dental	Participant in City self-insured plan. Self-insured with City paying a portion of health care premiums, and all of life and disability premiums. Administered by UMR.	Claims up to \$ 300,000 per individual self-funded with stop-loss insurance up to \$ 1,000,000 per person.

PONCA CITY UTILITY AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

11 - Commitments and Contingencies

Grant Program Involvement:

In the normal course of operations, PCUA participates in various federal or state grant and loan programs from year to year. The grant and 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.

12 - Recently Issued Accounting Standards

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

GASB Statement No. 84 "Fiduciary Activities" – The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement will become effective for PCUA in the fiscal year ended June 30, 2020.

GASB Statement No. 87 "Leases" – This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement will become effective for PCUA in the fiscal year ended June 30, 2021.

GASB Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period" – The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement will become effective for PCUA in the fiscal year ended June 30, 2021.

PONCA CITY UTILITY AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

12 - Recently Issued Accounting Standards (Continued)

GASB Statement No. 90, “Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61” – This Statement improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement will become effective for PCUA in the fiscal year ended June 30, 2020.

GASB Statement No. 91 “Conduit Debt Obligations” – The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement will become effective for PCUA in the fiscal year ended June 30, 2022.

13 - Subsequent Event

In July 2019, PCUA issued Sales Tax Revenue Note, Series 2019 in the amount of \$ 22,000,000 for a new Public Safety Center. The final maturity of the note will be February 1, 2029.

REQUIRED SUPPLEMENTARY INFORMATION

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

Schedule of PCUA's Proportionate Share of the Collective Net Pension Liability
City of Ponca City Employees' Retirement System
Last Five Fiscal Years¹

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PCUA's proportion of the collective net pension liability	48.59%	48.50%	48.19%	51.00%	28.08%
PCUA's proportionate share of the collective net pension liability	\$ 3,824,874	\$ 2,575,121	\$ 3,790,325	\$ 4,412,378	\$ 1,829,869
PCUA's covered payroll	\$ 4,756,527	\$ 4,732,492	\$ 4,884,525	\$ 4,475,788	\$ 4,249,751
PCUA's proportionate share of the collective net pension liability as a percentage of its covered payroll	80%	54%	78%	99%	43%
Plan fiduciary net position as a percentage of the total pension liability	76.14%	83.56%	74.76%	72.00%	77.73%

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

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

Schedule of PCUA's Contributions
City of Ponca City Employees' Retirement System
Last Five Fiscal Years¹

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 380,522	\$ 366,768	\$ 366,339	\$ 324,495	\$ 297,483
Contributions in relation to the contractually required contribution	<u>(396,186)</u>	<u>(366,699)</u>	<u>(366,340)</u>	<u>(324,169)</u>	<u>(303,728)</u>
Contribution deficiency (excess)	<u>\$ (15,664)</u>	<u>\$ 69</u>	<u>\$ (1)</u>	<u>\$ 326</u>	<u>\$ (6,245)</u>
PCUA's covered payroll	\$ 4,756,527	\$ 4,732,492	\$ 4,884,525	\$ 4,475,788	\$ 4,249,751
Contributions as a percentage of covered payroll	8.33%	7.75%	7.50%	7.24%	7.15%

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

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

Schedule of Changes in PCUA's Total OPEB Liability and Related Ratios

Last Fiscal Year¹

	2019
Total OPEB liability:	
Service cost	\$ 3,122
Interest cost	2,851
Differences between expected and actual experience	(4,687)
Changes in assumptions and inputs	1,423
Benefit payments	(186)
Net change in total OPEB liability	2,523
Total OPEB liability, beginning	73,484
Total OPEB liability, ending	\$ 76,007
Covered payroll	\$ 1,288,214
PCUA's total OPEB liability as a percentage of covered payroll	5.90%

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

SUPPLEMENTARY INFORMATION

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

COMBINING SCHEDULE OF NET POSITION

June 30, 2019

	Electric	Water	Solid Waste	Broadband	Wastewater	Stormwater	Bond Accounts	Operating Accounts	Total
Assets:									
Current assets:									
Cash and cash equivalents	\$ 500	\$ 200	\$ 300	\$ -	\$ -	\$ -	\$ -	\$ 19,604,338	\$ 19,605,338
Investments	-	-	-	-	-	-	-	8,489,501	8,489,501
Prepaid expenses	47,675	-	-	-	-	-	-	8,499	56,174
Restricted assets:									
Cash and cash equivalents	318,880	318,880	-	-	6,212	-	-	-	643,972
Investments	-	-	-	-	-	-	-	603,377	603,377
Receivables:									
Utility billing	4,834,149	1,263,533	639,000	291	817,299	67,508	-	(342,144)	7,279,636
Other receivables	18,587	-	-	60	-	-	-	13,012	31,659
Intraaccount balances	13,091,865	3,694,732	4,946,446	409,789	6,043,991	1,503,498	(2,374,782)	(27,315,539)	-
Inventory	2,641,075	526,894	-	546,239	128,790	-	-	-	3,842,998
Total current assets	20,952,731	5,804,239	5,585,746	956,379	6,996,292	1,571,006	(2,374,782)	1,061,044	40,552,655
Noncurrent assets:									
Restricted assets:									
Cash and cash equivalents	424,490	424,490	-	-	-	-	-	-	848,980
Investment in joint venture	-	-	2,107,806	-	-	-	-	-	2,107,806
Capital assets:									
Nondepreciable	91,469	790,545	346,000	2,493,590	68,583	342,108	-	-	4,132,295
Depreciable, net of accumulated depreciation	24,826,552	20,774,408	2,936,405	689,613	10,699,909	1,479,710	-	912,454	62,319,051
Total noncurrent assets	25,342,511	21,989,443	5,390,211	3,183,203	10,768,492	1,821,818	-	912,454	69,408,132
Total assets	46,295,242	27,793,682	10,975,957	4,139,582	17,764,784	3,392,824	(2,374,782)	1,973,498	109,960,787
Deferred outflows of resources:									
Deferred amounts related to pensions	\$ 291,850	\$ 165,522	\$ 260,105	\$ 4,425	\$ 135,069	\$ 8,741	\$ -	\$ 48,250	\$ 913,962

(Continued)

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

COMBINING SCHEDULE OF NET POSITION
(Continued)

June 30, 2019

	Electric	Water	Solid Waste	Broadband	Wastewater	Stormwater	Bond Accounts	Operating Accounts	Total
Liabilities:									
Current liabilities:									
Accounts payable and accrued liabilities	\$ 2,914,376	\$ 279,543	\$ 199,760	\$ 185,428	\$ 252,213	\$ 6,278	\$ -	\$ 66,431	\$ 3,904,029
Accrued interest payable	55,294	55,294	-	-	25,996	-	-	-	136,584
Meter deposit liability	-	-	-	-	-	-	-	603,377	603,377
Current portion:									
Refundable grant obligations	-	19,000	-	-	-	-	-	-	19,000
Accrued compensated absences	10,005	5,225	6,271	150	5,749	301	-	3,796	31,497
Revenue bonds payable	580,000	580,000	-	-	-	-	-	-	1,160,000
Capital lease obligations	-	-	-	-	-	-	-	99,670	99,670
Notes payable	-	-	-	-	332,202	-	-	-	332,202
Total current liabilities	<u>3,559,675</u>	<u>939,062</u>	<u>206,031</u>	<u>185,578</u>	<u>616,160</u>	<u>6,579</u>	<u>-</u>	<u>773,274</u>	<u>6,286,359</u>
Noncurrent liabilities:									
Net pension liability	1,233,714	704,364	1,080,454	8,164	565,851	36,836	-	195,491	3,824,874
Total OPEB liability	14,441	13,682	28,123	1,520	11,401	760	-	6,080	76,007
Landfill closure/post-closure liability	-	-	1,691,746	-	-	-	-	-	1,691,746
Refundable grant obligations	-	19,000	-	-	-	-	-	-	19,000
Accrued compensated absences	90,042	47,030	56,439	1,354	51,738	2,710	-	34,171	283,484
Revenue bonds payable	4,335,000	4,335,000	-	-	-	-	-	-	8,670,000
Capital lease obligations	-	-	-	-	-	-	-	219,031	219,031
Notes payable	-	-	-	-	3,075,660	-	-	-	3,075,660
Total noncurrent liabilities	<u>5,673,197</u>	<u>5,119,076</u>	<u>2,856,762</u>	<u>11,038</u>	<u>3,704,650</u>	<u>40,306</u>	<u>-</u>	<u>454,773</u>	<u>17,859,802</u>
Total liabilities	<u>9,232,872</u>	<u>6,058,138</u>	<u>3,062,793</u>	<u>196,616</u>	<u>4,320,810</u>	<u>46,885</u>	<u>-</u>	<u>1,228,047</u>	<u>24,146,161</u>
Deferred inflows of resources:									
Deferred amounts related to pensions	\$ 101,416	\$ 60,143	\$ 79,657	\$ (4,393)	\$ 44,055	\$ 2,974	\$ -	\$ 11,999	\$ 295,851

(Continued)

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

COMBINING SCHEDULE OF NET POSITION
(Continued)

June 30, 2019

	Electric	Water	Solid Waste	Broadband	Wastewater	Stormwater	Bond Accounts	Operating Accounts	Total
Net position:									
Net investment in capital assets	\$ 20,003,021	\$ 16,611,953	\$ 3,282,405	\$ 3,183,203	\$ 7,360,630	\$ 1,821,818	\$ -	\$ 593,753	\$ 52,856,783
Restricted for debt service	743,370	743,370	-	-	6,212	-	-	-	1,492,952
Unrestricted	16,506,413	4,485,600	4,811,207	768,581	6,168,146	1,529,888	(2,374,782)	187,949	32,083,002
Total net position	<u>\$ 37,252,804</u>	<u>\$ 21,840,923</u>	<u>\$ 8,093,612</u>	<u>\$ 3,951,784</u>	<u>\$ 13,534,988</u>	<u>\$ 3,351,706</u>	<u>\$ (2,374,782)</u>	<u>\$ 781,702</u>	<u>\$ 86,432,737</u>

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2019

	Electric	Water	Solid Waste	Broadband	Wastewater	Stormwater	Bond Accounts	Operating Accounts	Total
Operating revenue:									
Utility charges for service	\$ 37,677,803	\$ 7,990,243	\$ 5,280,183	\$ 1,621	\$ 6,486,442	\$ -	\$ -	\$ -	\$ 57,436,292
Utility charges for service - other	-	-	-	-	-	575,058	-	73,206	648,264
Total operating revenues	37,677,803	7,990,243	5,280,183	1,621	6,486,442	575,058	-	73,206	58,084,556
Operating expenses:									
Personal services	2,769,514	1,480,571	2,484,058	46,587	1,193,212	32,323	-	858,172	8,864,437
Materials and supplies	132,714	411,408	38,181	38,554	76,086	113,043	-	234,849	1,044,835
Maintenance, operations and contractual services	1,823,113	1,335,321	829,618	24,476	773,307	2,189	-	354,706	5,142,730
Electricity purchased	22,432,518	-	-	-	-	-	-	-	22,432,518
Depreciation	1,959,724	1,418,732	669,714	11,330	1,220,014	58,899	-	336,344	5,674,757
Total operating expenses	29,117,583	4,646,032	4,021,571	120,947	3,262,619	206,454	-	1,784,071	43,159,277
Operating income (loss)	8,560,220	3,344,211	1,258,612	(119,326)	3,223,823	368,604	-	(1,710,865)	14,925,279
Non-operating revenues (expenses):									
Investment income	391,296	125,756	159,946	14,896	137,485	34,209	10,285	-	873,873
Income (loss) from joint venture	-	-	120,843	-	-	-	-	-	120,843
Change in estimate of post-closure liability	-	-	612,528	-	-	-	-	-	612,528
Gain (loss) on disposal of assets	-	-	(95,936)	-	7,887	-	-	-	(88,049)
Interest and fiscal charges	(137,852)	(146,620)	-	-	(112,732)	-	(18,171)	(14,401)	(429,776)
Total net non-operating revenues (expenses)	253,444	(20,864)	797,381	14,896	32,640	34,209	(7,886)	(14,401)	1,089,419
Income (loss) before transfers and capital contributions	\$ 8,813,664	\$ 3,323,347	\$ 2,055,993	\$ (104,430)	\$ 3,256,463	\$ 402,813	\$ (7,886)	\$ (1,725,266)	\$ 16,014,698

(Continued)

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
(Continued)

For the Year Ended June 30, 2019

	Electric	Water	Solid Waste	Broadband	Wastewater	Stormwater	Bond Accounts	Operating Accounts	Total
Transfers from other accounts	\$ -	\$ -	\$ 700,000	\$ 1,800,000	\$ -	\$ -	\$ -	\$ 1,180,000	\$ 3,680,000
Transfers to other accounts	(2,120,000)	(280,000)	(980,000)	-	(280,000)	(20,000)	-	-	(3,680,000)
Transfers from the City of Ponca City	-	-	-	-	-	-	2,032,000	210,000	2,242,000
Transfers to the City of Ponca City	(8,705,839)	(1,930,468)	(696,288)	-	(716,915)	(31,651)	-	-	(12,081,161)
Capital contributions	(880,938)	-	-	2,256,214	-	-	(995,946)	(519,225)	(139,895)
Total net transfers and capital contributions	(11,706,777)	(2,210,468)	(976,288)	4,056,214	(996,915)	(51,651)	1,036,054	870,775	(9,979,056)
Change in net position	(2,893,113)	1,112,879	1,079,705	3,951,784	2,259,548	351,162	1,028,168	(854,491)	6,035,642
Net position, beginning of year as previously stated	40,153,497	20,736,829	7,034,458	-	11,283,080	3,001,174	(3,402,950)	1,639,467	80,445,555
Prior period adjustment	(7,580)	(8,785)	(20,551)	-	(7,640)	(630)	-	(3,274)	(48,460)
Net position, beginning of year as restated	40,145,917	20,728,044	7,013,907	-	11,275,440	3,000,544	(3,402,950)	1,636,193	80,397,095
Net position, end of year	\$ 37,252,804	\$ 21,840,923	\$ 8,093,612	\$ 3,951,784	\$ 13,534,988	\$ 3,351,706	\$ (2,374,782)	\$ 781,702	\$ 86,432,737

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

SCHEDULE OF NOTE DEBT SERVICE COVERAGE

Year Ended June 30, 2019

	Electric	Water	Solid Waste	Broadband	Wastewater	Total
Gross revenues of the system:						
Utility charges for service	\$ 37,677,803	\$ 7,990,243	\$ 5,280,183	\$ 1,621	\$ 6,486,442	\$ 57,436,292
Investment income	391,296	125,756	159,946	14,896	137,485	829,379
Total operating revenues	38,069,099	8,115,999	5,440,129	16,517	6,623,927	58,265,671
Operation and maintenance expenses:						
Personal services	2,769,514	1,480,571	2,484,058	46,587	1,193,212	7,973,942
Materials and supplies	132,714	411,408	38,181	38,554	76,086	696,943
Maintenance, operations and contractual services	1,823,113	1,335,321	829,618	24,476	773,307	4,785,835
Electricity purchased	22,432,518	-	-	-	-	22,432,518
Total operating expenses	27,157,859	3,227,300	3,351,857	109,617	2,042,605	35,889,238
Net revenues available for debt service	\$ 10,911,240	\$ 4,888,699	\$ 2,088,272	\$ (93,100)	\$ 4,581,322	\$ 22,376,433
Maximum annual debt service*						1,776,011
Coverage						12.60
Required coverage						1.25

* Maximum annual debt services is based on 2020 debt service requirements for Oklahoma Water Resources Board Notes Payable Series 2007 and 2009A Clean Water SRF Promissory Note, and Series 2012A Utility Systems Revenue Note

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

SCHEDULE OF RESERVE ACCOUNT BALANCES

June 30, 2019

<u>Description</u>	<u>Required Reserve</u>	<u>Reserve Balance June 30, 2019</u>	<u>Excess Balance (Under) Required</u>
Notes payable:			
2012A Banc of America Public	\$ 848,980	\$ 848,980	\$ -

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)

SCHEDULE OF UTILITY RATES

For the Year Ended June 30, 2019

ELECTRIC RATES		WATER RATES		
		OCTOBER - APRIL		
		Type of Service	City	Rural
Residential:				
User fee	\$ 10.730			
Summer season (May thru Sept) per KWh	0.106	Residential	\$ 1.74	\$ 1.83
Winter season (Oct thru April):		Commercial	1.74	1.83
First 600 KWh	0.106			
Over 600 KWh	0.075			
Rural residential:		MAY - SEPTEMBER		
User fee	16.060	Type of Service	City	Rural
Summer season (May thru Sept) per KWh	0.110	Residential:		
Winter season (Oct thru April):		0-10 units	\$ 1.83	\$ 1.91
First 600 KWh	0.110	11-20 units	1.91	2.00
Over 600 KWh	0.077	21-50 units	2.00	2.13
Residential with approved 40-gallon electric water heater:		51-100 units	2.13	2.21
User fee	10.730	>100 units	2.21	2.39
Summer season (May thru Sept) per KWh:		Commercial	1.74	1.83
First 400 KWh	0.075			
Over 400 KWh	0.106	CUSTOMER BASE USER FEE/MONTH		
Winter season (Oct thru April):		City residential customer	\$ 10.23	per month
First 400 KWh	0.075	Rural residential customer	15.39	per month
Next 600 KWh	0.106	City commercial customer	30.32	per month
Over 1,000 KWh	0.075	Rural commercial customer	45.49	per month
Rural residential with approved 40-gallon electric water heater:		GARBAGE/REFUSE		
User fee	16.060	Residential	\$ 20.33	per month
Summer season (May thru Sept) per KWh:		Senior citizen	19.52	per month
First 400 KWh	0.077	Commercial standard	34.37	per month
Over 400 KWh	0.110	SEWER/WASTEWATER		
Winter season (Oct thru April):			User Fee	Unit Fee
First 400 KWh	0.077	Residential	\$ 15.29	\$ 2.70
Next 600 KWh	0.110	Senior citizen	14.52	2.70
Over 1,000 KWh	0.077	Commercial	22.93	4.05
Commercial:		Non-residential	22.93	4.05
City user fee	15.120	Sewer rates are calculated on the average water usage during		
City KWh	0.105	the months of December, January and February. This		
Rural user fee	22.680	average is set in July and remains unchanged until the		
Rural KWh	0.108	following July.		
Industrial:		STORM WATER FEE/MONTH		
Medium:		Each individually billed single family		
User fee	25.210	resident	\$ 3.50	per month
KWh	0.063	All other developed real estate tracts		
Summer user fee	15.120	not covered by above	6.50	per month
Winter user fee	8.830			
Large:				
User fee	252.160			
KWh	0.063			
Summer user fee	11.980			
Winter user fee	3.780			



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

To the Board of Trustees
Ponca City Utility Authority
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 Ponca City Utility Authority (PCUA), a component unit of the City of Ponca City, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise PCUA's basic financial statements, and have issued our report thereon dated December 4, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PCUA'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PCUA's internal control. Accordingly, we do not express an opinion on the effectiveness of PCUA'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.

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

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 PCUA'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 PCUA'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berwick Trahan + Co., P.A.

December 4, 2019
Topeka, Kansas