

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

Financial Statements and
Independent Auditor's Report
as of and for the Year Ended
June 30, 2014

THE CITY OF PONCA CITY, OKLAHOMA

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THE CITY OF PONCA CITY, OKLAHOMA

List of Principal Officials

June 30, 2014

City Commission

Homer Nicholson, Mayor

Lanita Chapman

R. Mark Macy

Mary Beth Moore

Steve Hermann

Finance Director/Clerk/Treasurer

Marc LaBossiere



STOTTS • ARCHAMBO
MUEGGENBORG & BARCLAY_{PC}
Certified Public Accountants

JD Stotts, CPA

Mark W. Archambo, CPA, CFP™

Deborah E. Mueggenborg, CPA

Tom K. Barclay, CPA, CFP™

John Whipple, CPA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the fiduciary-presented component unit, each major fund, and the aggregate remaining fund information of *The City of Ponca City, Oklahoma*, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise *The City's* basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Ponca City Development Authority, which represent 100% of the assets, net position and revenues of the fiduciary-presented component unit. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Ponca City Development Authority, is based solely on the report of the other auditor. 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the fiduciary-presented component unit, each major fund, and the aggregate remaining fund information of *The City of Ponca City, Oklahoma*, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison schedules on pages 5-18, and 97-101 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 and the other auditor have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise *The City of Ponca City, Oklahoma's* basic financial statements. The combining and individual nonmajor fund financial statements and other supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplemental schedules 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, based on our audit, the procedures performed as described above, and the report of the other auditor, the combining and individual nonmajor fund financial statements and other supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2014, on our consideration of *The City of Ponca City, Oklahoma's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering *The City of Ponca City, Oklahoma's* internal control over financial reporting and compliance.

Stotts, Archambo, Mueggenborg & Barclay, PC

Stotts, Archambo, Mueggenborg & Barclay, PC
Certified Public Accountants
Bartlesville, OK

December 2, 2014

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2014

Our discussion and analysis of *The City of Ponca City, Oklahoma's* financial performance provides an overview of *The City's* financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with *The City's* financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- *The City's* total assets exceeded liabilities (net position) by \$151,772,100 for the fiscal year ended June 30, 2014.
- Total net position is comprised of the following:
 - Net investment in capital assets, of \$107,887,957 include property and equipment, net of accumulated depreciation.
 - Net position of \$15,576,945 are restricted by constraints imposed from outside *The City*, such as debt covenants, grantors, laws or regulations.
 - Unrestricted net position of \$28,307,198 represent the portion available to maintain *The City's* continuing obligations to citizens, creditors and employees.
- The General Fund maintained its committed fund balance for operating reserve at \$1,900,000 during the fiscal year.
- Sales and use tax revenue in the General Fund derived from a 2% rate to provide basic services totaled \$8,423,532, an increase of 4.4% from the prior year.
- The Ponca City Utility Authority increased its capital debt and refundable grant obligations by \$2,226,611 during the year ended June 30, 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of *The City of Ponca City (The City)* and its component units using the integrated approach as prescribed by GASB Statement No. 34 & 61. Included in this report are government-wide statements for each of two categories of activities – governmental and business-type, along with a fiduciary-presented component unit. The government-wide financial statements present the complete financial picture of *The City* from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. These statements include all assets of *The City*, including infrastructure capital assets, as well as all liabilities, including all long-term debt.

See independent auditor's report as it relates to required supplementary information.

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2014

(continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Reporting *The City* as a Whole

The Statement of Net Position and the Statement of Activities

One of the most frequently asked questions about *The City's* finances is, "Has *The City's* overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Position and the Statement of Activities report information about *The City* as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report *The City's* net position and changes in it from the prior year. You can think of *The City's* net position – the difference between assets plus deferred outflows of resources and liabilities – as one way to measure *The City's* financial condition. Over time, increases or decreases in *The City's* net position are one indicator of whether its financial health is improving, deteriorating or remaining steady. However, you must consider other nonfinancial factors, such as changes in *The City's* tax base, the condition of *The City's* roads, and the quality of services to assess the overall health and performance of *The City*.

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

- Governmental activities – Most of *The City's* basic services are reported here, including the police, fire, general administration, streets and parks. Sales taxes, franchise fees, fines and state and federal grants finance most of these activities.
- Business-type activities – *The City* charges a fee to customers to help cover all or most of the cost of certain services it provides. *The City's* electric, water, wastewater, solid waste, airport and golf course activities are reported here.
- Fiduciary-presented component unit – These account for activities of *The City's* reporting entity that do not meet the criteria for blending, specifically the Ponca City Development Authority (PCDA). See separately issued financial statements.

See independent auditor's report as it relates to required supplementary information.

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2014

(continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Reporting *The City's* Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not *The City* as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

Governmental funds – Most of *The City's* basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of *The City's* general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance *The City's* programs. The differences of results in the Governmental Fund financial statements to those in the Government-wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary funds – When *The City* charges customers for the services it provides – whether to outside customers or to other units of *The City* – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position. In fact, *The City's* enterprise funds are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

See independent auditor's report as it relates to required supplementary information.

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2014

(continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Fiduciary funds – When *The City* is responsible for assets that – because of a trust arrangement or other fiduciary requirement – can be used only for trust beneficiaries or other parties, such as the Pension Trust Fund, these balances and activities are reported in fiduciary funds. *The City* is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of *The City's* fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from *The City's* government-wide financial statements because *The City* cannot use these assets to finance operations.

A FINANCIAL ANALYSIS OF *THE CITY* AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of *The City*, assets exceeded liabilities by \$151,772,100 at the close of the most recent fiscal year.

The largest portion of *The City's* net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. For Fiscal 2014, this net investment in capital assets amounted to \$107,887,957. *The City* uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

See independent auditor's report as it relates to required supplementary information.

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2014

(continued)

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

Net Position (continued)

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

	NET POSITION (in 000's)					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current assets	\$ 24,256	24,071	32,579	37,982	56,835	62,053
Capital assets, net	68,604	68,745	82,508	80,877	151,112	149,622
Other non-current assets			4,053	3,337	4,053	3,337
Total assets	92,860	92,816	119,140	122,196	212,000	215,012
Deferred outflows of resources	-	-	243	-	243	-
Current liabilities	4,295	5,847	12,843	15,511	17,138	21,358
Non-current liabilities	1,680	1,858	41,653	45,198	43,333	47,056
Total liabilities	5,975	7,705	54,496	60,709	60,471	68,414
Net position						
Net investment in capital assets	68,604	68,745	39,284	29,702	107,888	98,447
Restricted	10,189	9,451	5,388	9,638	15,577	19,089
Unrestricted	8,092	6,915	20,215	22,147	28,307	29,062
Total net position	\$ 86,885	85,111	64,887	61,487	151,772	146,598

Another major portion of *The City's* net position, \$15,576,945, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$28,307,198, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, *The City* is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

See independent auditor's report as it relates to required supplementary information.

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2014

(continued)

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

Changes in Net Position

For the year ended June 30, 2014, net position of the primary government changed as follows:

	CHANGES IN NET POSITION (in 000's)					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues	\$ 9,449	8,552	57,609	57,366	67,058	65,918
Taxes and other general revenues	20,665	18,524	184	59	20,849	18,583
Total revenues	<u>30,114</u>	<u>27,076</u>	<u>57,793</u>	<u>57,425</u>	<u>87,907</u>	<u>84,501</u>
Expenses						
General government	9,029	8,367	-	-	9,029	8,367
Public safety	12,619	12,186	-	-	12,619	12,186
Streets and highways	5,690	5,547	-	-	5,690	5,547
Culture, parks and recreation	4,217	3,825	-	-	4,217	3,825
Community development	319	268	-	-	319	268
Economic development	2,106	2,023	-	-	2,106	2,023
Interest on long-term debt	81	112	-	-	81	112
Utility Authority	-	-	44,721	44,261	44,721	44,261
Airport	-	-	1,933	1,832	1,933	1,832
Golf Course	-	-	813	792	813	792
Marland Estate	-	-	406	398	406	398
Total expenses	<u>34,061</u>	<u>32,328</u>	<u>47,873</u>	<u>47,283</u>	<u>81,934</u>	<u>79,611</u>
Excess (deficiency) before transfers	(3,947)	(5,252)	9,920	10,142	5,973	4,890
Transfers	<u>5,721</u>	<u>6,434</u>	<u>(5,721)</u>	<u>(6,434)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>\$ 1,774</u>	<u>1,182</u>	<u>4,199</u>	<u>3,708</u>	<u>5,973</u>	<u>4,890</u>

The City's governmental activities' increase in net position of \$1,774,048 represents a 2.08% increase in net position. The business-type activities' increase in net position of \$4,199,634 represents a 6.92% increase, and was due in large part to a relatively warm summer and the resulting increase in water and electric utility demand. The results indicate *The City*, as a whole, experienced an improvement in its financial condition from the prior year.

See independent auditor's report as it relates to required supplementary information.

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2014

(continued)

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

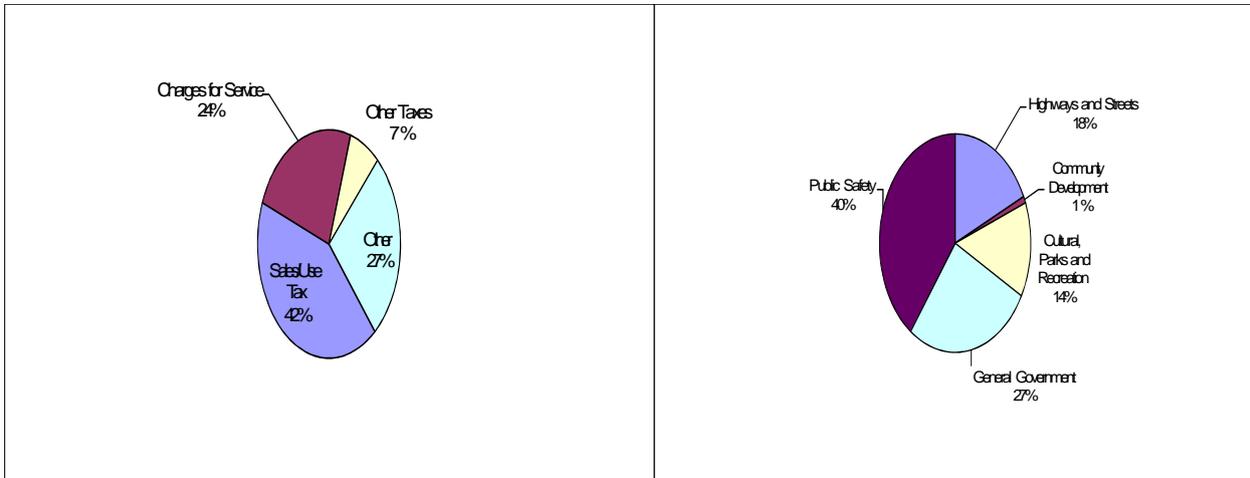
Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on *The City's* taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue if restricted for a specific purpose.

For the year ended June 30, 2014, *The City's* governmental activities were funded as follows:

Governmental Activities Sources

Governmental Activities Uses



See independent auditor's report as it relates to required supplementary information.

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2014

(continued)

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

Governmental Activities (continued)

For the year ended June 30, 2014, total expenses for governmental activities amounted to \$34,059,964. Of these total expenses, taxes, other general revenues, and transfers funded \$26,385,395. Operating and Capital Grants and Contributions funded \$981,702. A total of \$8,466,915 was received from charges for services. There were no significant changes from the prior year.

Net Revenue (Expense) of Governmental Activities

	Total Expense of Services		Net Revenue (Expense) of Services	
	2014	2013	2014	2013
General government	\$ 9,028,868	8,367,336	(2,600,124)	(3,323,886)
Public safety	12,619,035	12,185,919	(10,063,083)	(9,603,943)
Streets and highways	5,689,675	5,546,391	(5,689,675)	(5,546,391)
Culture, parks and recreation	4,217,115	3,825,139	(3,992,253)	(3,461,358)
Community development	318,608	267,909	(79,549)	294,929
Economic development	2,105,883	2,023,296	(2,105,883)	(2,023,296)
Interest on long-term debt	80,780	111,641	(80,780)	(111,641)
Total	\$ <u>34,059,964</u>	<u>32,327,631</u>	<u>(24,611,347)</u>	<u>(23,775,586)</u>

Business-type Activities

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

- Total business-type activities reported an increase of net position of \$4,199,634 for the year ended June 30, 2014.
- All individual activities reported net revenue for the year ended June 30, 2014, with the exception of Airport, the Golf Course, and the Marland Estate operations which reported net expenses of \$900,110, \$351,723, and \$259,655 respectively.

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2014

(continued)

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

Business-type Activities (continued)

Net Revenue (Expense) of Business-Type Activities

	Total Expense of Services		Net Revenue (Expense) of Services	
	2014	2013	2014	2013
Electric	\$ 29,173,698	28,193,007	6,996,066	7,443,854
Water	5,036,316	5,411,563	1,934,414	1,730,557
Wastewater	3,927,369	4,243,010	1,398,725	902,788
Solid waste	3,830,360	3,723,370	698,634	845,695
Stormwater	168,268	90,699	220,241	339,940
Indirect costs	2,584,964	2,599,041	-	-
Airport	1,933,056	1,831,503	(900,110)	(615,776)
Golf Course	812,706	792,331	(351,723)	(304,335)
Marland Estate	405,531	398,487	(259,655)	(259,773)
Total	\$ <u>47,872,268</u>	<u>47,283,011</u>	<u>9,736,592</u>	<u>10,082,950</u>

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As *The City* completed its 2014 fiscal year, the governmental funds reported a combined fund balance of \$86,885,047 or a 2.08% increase from the prior year. The proprietary funds reported combined net position of \$64,487,053 or a 5.53% increase from Fiscal 2013.

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2014

(continued)

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

Other fund highlights include:

- For the year ended June 30, 2014, the General Fund's total fund balance increased by \$424,683 or 7.58%.
- Utility Authority debt coverage was 4.79% at the close of Fiscal 2014 flat from that of the previous fiscal year.
- The non-represented employee pension trust fund closed the calendar year with an increase in the actuarial value of assets of 7.88% from \$18,579,477 at the beginning of calendar 2013 to \$20,043,744 at the start of calendar 2014.

General Fund Budgetary Highlights

Over the course of the year, the City Commission revised the General Fund budget at various times. The revised budget included an increase in the overall revenue projections of 0.46% or \$94,000 and an increase in appropriations of 2.38% or \$521,551.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2014, *The City* had \$151,111,906 invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines. (See table below.) This represents a net increase of \$1,489,239 or 1.0% over the previous year.

See independent auditor's report as it relates to required supplementary information.

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2014

(continued)

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Primary Government Capital Assets (Net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 728,214	728,214	1,202,654	1,068,125	1,930,868	1,796,339
Buildings	30,489,875	31,221,287	15,324,794	15,945,889	45,814,669	47,167,176
Improvements (other than buildings)	29,454,897	31,446,565	59,388,380	60,045,610	88,843,277	91,492,175
Machinery & Equipment	4,112,929	4,017,522	4,664,567	3,661,087	8,777,496	7,678,609
Construction in progress	3,818,108	1,331,625	1,927,488	156,743	5,745,596	1,488,368
Totals	\$ <u>68,604,023</u>	<u>68,745,213</u>	<u>82,507,883</u>	<u>80,877,454</u>	<u>151,111,906</u>	<u>149,622,667</u>

See Note 3.D. to the financial statements for more detail information on *The City's* capital assets and changes therein.

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2014

(continued)

Long-term Debt

At year-end, *The City* had \$60,252,925 in long-term debt outstanding which represents an increase of \$2,433,478 or 4.21% from the prior year. *The City's* changes in long-term debt by type of debt are as follows:

Primary Government Long-term Debt

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Compensated absences	\$ 806,228	780,393	295,741	281,101	1,101,969	1,061,494
Capital lease payable					-	-
Judgment payable	1,031,328	807,796			1,031,328	807,796
Revenue bonds			43,965,000	37,050,000	43,965,000	37,050,000
Notes payable			9,981,899	14,728,428	9,981,899	14,728,428
Landfill closure/postclosure			3,958,479	3,900,979	3,958,479	3,900,979
Refundable grant obligation		-	214,250	270,750	214,250	270,750
Totals	\$ <u>1,837,556</u>	<u>1,588,189</u>	<u>58,415,369</u>	<u>56,231,258</u>	<u>60,252,925</u>	<u>57,819,447</u>

See Note 3.F. to the financial statements for more detail information on *The City's* long-term debt and changes therein.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic factors always play a key role in developing *The City's* budget. The economic downturn experienced in much of the country and Oklahoma in 2003 and 2004 was also felt in *Ponca City*, and began a recovery in 2005 that continued into 2008. While sales tax collections decreased by 2.29% in Fiscal 2003 and another 0.44% in 2004, Fiscal 2005 closed with a slight increase of 0.30%, and was followed by increases of 5.60% in Fiscal 2006, 1.9% in Fiscal 2007, and 3.4% in Fiscal 2008. With the economy again contracting in late 2008 and through 2009, sales tax collections decreased in Fiscal 2009 by 2.2% and again in Fiscal 2010 by another 5.1%. A strong recovery began in Fiscal 2011, where sales tax collections increased by 5.2% over the prior year, and the recovery continued through Fiscal 2012 where sales tax collections increased by 7.9% from 2011. In Fiscal 2013 sales tax collections mellowed to an increase of 0.14%, and an increase was realized in Fiscal 2014 of 4.3% over the previous year.

See independent auditor's report as it relates to required supplementary information.

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2014

(continued)

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

The Fiscal 2014-15 budget was created with a primary emphasis on sustainability, as well as continued emphasis on performance measurement in *City* departments. This type of attention to cost versus community benefit of *City* services, including how we compare with peer cities and are measured by our users, will help guide operations to a more efficient and effective use of public funds.

The employee base of *The City* included 392 full-time positions for Fiscal 2015, an increase of two positions from Fiscal 2014. While continued efforts for efficiency are likely, no layoffs are planned for the coming year

Capital spending for the coming year is budgeted at \$7,218,770, a decrease of 12.86% from the prior year. Visible projects for fiscal 2014-15 include four marked sedans for the Police Department, a new ambulance for the Fire Department, a new loader for the Street Department, a new tour bus, and construction of a new Turkey Creek Bridge near Lake Ponca. The Ponca City Utility Authority will see replacement of the filter backwash tower at the Water Plant, construction of \$1.3M in electric distribution system improvements, three new packer trucks and one new roll-off truck for the Solid Waste Department, replacement of the Briar Ridge wastewater lift station, and a \$400,000 stormwater project to replace a large section of drainage channel near 14th Street and Highland Avenue.

As with the retail sector, there have been minimal inflation increases to utility rates approved by the City Commission for electric, water, wastewater, stormwater and solid waste utility services for Fiscal 2014-15.

The voters approved a 5-year extension of a ½ cent dedicated sales and use tax for economic development effective February 1, 2014 that will assist the Ponca City Development Authority in its mission to add jobs and diversify *The City's* economic base. *Ponca City* continues to serve as a regional shopping area. Other signs of progress include major investment by the Ponca City Regional Medical Center in facilities and staff as well as recent retail expansion into the *Ponca City* market by international retailers such as Walgreens and ALDI, and addition of restaurants such as Ground Round and Freddie's Frozen Custard & Steakburgers. Continued growth can be seen today, with a new Atwoods, Schlotzsky's, Rib Crib, and Marco's Pizza under construction. Additions like these to our community are vital to the local economy and critical to the long-term health and welfare of *Ponca City*.

See independent auditor's report as it relates to required supplementary information.

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2014

(continued)

CONTACTING *THE CITY'S* FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of *The City's* finances and to show *The City's* accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office at 516 E. Grand Avenue, Ponca City, Oklahoma 74602 or phone at (580) 767-0303.

BASIC FINANCIAL STATEMENTS

THE CITY OF PONCA CITY, OKLAHOMA

Statement of Net Position

June 30, 2014

<u>ASSETS</u>	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Current assets:			
Cash and cash equivalents	\$ 7,442,312	10,223,862	17,666,174
Investments	14,059,373	8,867,802	22,927,175
Restricted assets:			
Cash and cash equivalents	-	2,481,044	2,481,044
Investments	-	597,293	597,293
Prepaid insurance	47,214	-	47,214
Receivables:			
Accounts receivable, net of allowance	934,677	7,092,535	8,027,212
Other receivables, net of allowance	-	410,266	410,266
Accrued interest receivable	-	29,957	29,957
Internal balances	61,296	(61,296)	-
Due from other governments	1,519,469	9,500	1,528,969
Inventory	191,971	2,928,183	3,120,154
Total current assets	<u>24,256,312</u>	<u>32,579,146</u>	<u>56,835,458</u>
Non-current assets:			
Restricted assets:			
Cash and cash equivalents	-	2,309,297	2,309,297
Investment in joint venture	-	1,743,238	1,743,238
Capital assets:			
Non-depreciable	4,546,322	3,130,142	7,676,464
Depreciable, net of depreciation	<u>64,057,701</u>	<u>79,377,741</u>	<u>143,435,442</u>
Total non-current assets	<u>68,604,023</u>	<u>86,560,418</u>	<u>155,164,441</u>
Total assets	<u>92,860,335</u>	<u>119,139,564</u>	<u>211,999,899</u>
Deferred outflows of resources:			
Defeased debt	-	242,978	242,978
Total deferred outflows of resources	<u>-</u>	<u>242,978</u>	<u>242,978</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Statement of Net Position

June 30, 2014

(continued)

<u>LIABILITIES</u>	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Current liabilities:			
Accounts payable and accrued liabilities	\$ 2,594,828	5,818,976	8,413,804
Retainage payable	33,972	194,041	228,013
Accrued interest payable	-	392,522	392,522
Advanced revenues	500,306	-	500,306
Due to component unit	190,584	-	190,584
Meter deposit liability	-	597,293	597,293
Net OPEB obligation	29,993	14,488	44,481
Current portion:			
Judgments payable	505,925	-	505,925
Notes payable	-	1,794,721	1,794,721
Refundable grant obligations	-	56,500	56,500
Revenue bonds payable	-	3,945,000	3,945,000
Estimated liability for claims	358,622	-	358,622
Accrued compensated absences	80,623	29,573	110,196
Total current liabilities	<u>4,294,853</u>	<u>12,843,114</u>	<u>17,137,967</u>
Non-current liabilities:			
Judgments payable	525,403	-	525,403
Revenue bonds payable	-	25,475,000	25,475,000
Notes payable	-	11,794,978	11,794,978
Refundable grant obligations	-	157,750	157,750
Estimated liability for claims	429,427	-	429,427
Accrued compensated absences	725,605	266,168	991,773
Landfill closure/post-closure liability	-	3,958,479	3,958,479
Total non-current liabilities	<u>1,680,435</u>	<u>41,652,375</u>	<u>43,332,810</u>
Total liabilities	<u>5,975,288</u>	<u>54,495,489</u>	<u>60,470,777</u>
 <u>NET POSITION</u>			
Net investment in capital assets	68,604,023	39,283,934	107,887,957
Restricted:			
Enabling legislation	8,039,243	-	8,039,243
Statutory requirements	748,043	597,293	1,345,336
External contracts	1,402,025	4,790,341	6,192,366
Unrestricted	<u>8,091,713</u>	<u>20,215,485</u>	<u>28,307,198</u>
Total net position	<u>\$ 86,885,047</u>	<u>64,887,053</u>	<u>151,772,100</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Statement of Activities

For the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expenses) Revenues and Change in Net Position		
			Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:								
Governmental activities:								
General government	\$ 9,028,868	-	6,428,744	-	-	(2,600,124)	-	(2,600,124)
Public safety	12,619,035	-	1,756,634	646,739	152,579	(10,063,083)	-	(10,063,083)
Streets and highways	5,689,675	-	-	-	-	(5,689,675)	-	(5,689,675)
Cultural, parks and recreation	4,217,115	-	201,642	14,879	8,341	(3,992,253)	-	(3,992,253)
Community development	318,608	-	79,895	-	159,164	(79,549)	-	(79,549)
Payment to PCDA	2,105,883	-	-	-	-	(2,105,883)	-	(2,105,883)
Interest on long-term debt	80,780	-	-	-	-	(80,780)	-	(80,780)
Total governmental activities	<u>34,059,964</u>	<u>-</u>	<u>8,466,915</u>	<u>661,618</u>	<u>320,084</u>	<u>(24,611,347)</u>	<u>-</u>	<u>(24,611,347)</u>
Business-type activities:								
Electric	29,173,698	1,789,751	37,959,515	-	-	-	6,996,066	6,996,066
Water	5,036,316	308,968	7,279,698	-	-	-	1,934,414	1,934,414
Wastewater	3,927,369	240,937	5,567,031	-	-	-	1,398,725	1,398,725
Solid waste	3,830,360	234,985	4,763,979	-	-	-	698,634	698,634
Stormwater	168,268	10,323	398,832	-	-	-	220,241	220,241
Indirect costs	2,584,964	(2,584,964)	-	-	-	-	-	-
Airport	1,933,056	-	907,490	-	125,456	-	(900,110)	(900,110)
Golf course	812,706	-	460,983	-	-	-	(351,723)	(351,723)
Marland Estate	405,531	-	141,980	3,896	-	-	(259,655)	(259,655)
Total business-type activities	<u>47,872,268</u>	<u>-</u>	<u>57,479,508</u>	<u>3,896</u>	<u>125,456</u>	<u>-</u>	<u>9,736,592</u>	<u>9,736,592</u>
Total primary government	<u>\$ 81,932,232</u>	<u>-</u>	<u>65,946,423</u>	<u>665,514</u>	<u>445,540</u>	<u>(24,611,347)</u>	<u>9,736,592</u>	<u>(14,874,755)</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Statement of Activities

For the Fiscal Year Ended June 30, 2014

(continued)

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expenses) Revenues and Change in Net Position		
			Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
General revenues:								
Taxes:								
						\$		
						8,423,533	-	8,423,533
						2,105,883	-	2,105,883
						2,105,883	-	2,105,883
						2,105,883	-	2,105,883
						886,924	-	886,924
						855,687	-	855,687
						552,440	-	552,440
						34,144	-	34,144
						265,920	-	265,920
						319,076	130,205	449,281
						2,992,431	4,687	2,997,118
						16,988	48,753	65,741
						5,720,603	(5,720,603)	-
						<u>26,385,395</u>	<u>(5,536,958)</u>	<u>20,848,437</u>
						1,774,048	4,199,634	5,973,682
						85,110,999	61,487,321	146,598,320
						-	(799,902)	(799,902)
						85,110,999	60,687,419	145,798,418
						<u>\$ 86,885,047</u>	<u>64,887,053</u>	<u>151,772,100</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Balance Sheet – Governmental Funds

June 30, 2014

<u>ASSETS</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 2,721,752	1,970,359	4,692,111
Investments	3,094,354	8,009,517	11,103,871
Prepaid expense	684	-	684
Receivables:			
Due from other governments	762,337	757,132	1,519,469
Due from other funds	28,261	-	28,261
Accounts receivable, net	825,428	71,567	896,995
 Total assets	 \$ 7,432,816	 10,808,575	 18,241,391
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 904,716	533,181	1,437,897
Retainage payable	-	33,972	33,972
Due to component unit	-	190,584	190,584
Due to other funds	-	6,797	6,797
Advanced revenues	497,786	2,520	500,306
 Total liabilities	 1,402,502	 767,054	 2,169,556
 Fund balances:			
Nonspendable	-	1,138,801	1,138,801
Restricted	-	5,562,696	5,562,696
Committed	2,047,790	-	2,047,790
Assigned	1,444,120	3,340,024	4,784,144
Unassigned	2,538,404	-	2,538,404
 Total fund balances	 6,030,314	 10,041,521	 16,071,835
 Total liabilities and fund balances	 \$ 7,432,816	 10,808,575	 18,241,391

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Balance Sheet – Governmental Funds

June 30, 2014

(continued)

	<u>Total Governmental Funds</u>
Reconciliation to the Statement of Net Position:	
Total fund balance, governmental funds	\$ <u>16,071,835</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$106,579,331.	<u>68,553,215</u>
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Judgment payable	(1,031,328)
Net pension liability	(1,040,657)
Net OPEB obligation	(29,993)
Accrued compensated absences	<u>(799,624)</u>
	<u>(2,901,602)</u>
Internal service funds are used by management to charge costs of certain activities that benefit multiple funds, such as self-insurance, vehicle maintenance, and other such costs, to individual funds. The assets and liabilities of certain of these internal service funds are reported in governmental activities in the Statement of Net Position:	
Internal service funds' net position	<u>5,161,599</u>
Net position of governmental activities	\$ <u><u>86,885,047</u></u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 9,445,762	7,724,864	17,170,626
Intergovernmental	302,624	545,415	848,039
Charges for services	1,737,045	2,100	1,739,145
Fines and forfeitures	610,035	24,181	634,216
Licences and permits	117,536	-	117,536
Investment income	39,573	189,548	229,121
Miscellaneous	10,380	2,624,911	2,635,291
	<u>12,262,955</u>	<u>11,111,019</u>	<u>23,373,974</u>
Total revenues			
Expenditures:			
Current:			
General government	2,453,133	689,820	3,142,953
Public safety	12,325,316	32,602	12,357,918
Streets and highways	1,574,377	330,050	1,904,427
Culture, parks and recreation	2,843,767	398,691	3,242,458
Community development	-	298,608	298,608
Capital outlay	632,351	5,411,687	6,044,038
Debt service:			
Principal retirement	-	466,287	466,287
Interest and fiscal charges	-	80,780	80,780
	<u>19,828,944</u>	<u>7,708,525</u>	<u>27,537,469</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(7,565,989)</u>	<u>3,402,494</u>	<u>(4,163,495)</u>
Other financing sources (uses):			
Transfers in	9,064,332	717,829	9,782,161
Transfers out	(1,093,334)	(4,115,318)	(5,208,652)
Proceeds from sale of fixed asset	19,674	-	19,674
Proceeds from sale of judgment	-	689,820	689,820
	<u>7,990,672</u>	<u>(2,707,669)</u>	<u>5,283,003</u>
Total other financing sources (uses)			
Net change in fund balances	424,683	694,825	1,119,508
Fund balances - beginning of year	<u>5,605,631</u>	<u>9,346,696</u>	<u>14,952,327</u>
Fund balances - end of year	<u>\$ 6,030,314</u>	<u>10,041,521</u>	<u>16,071,835</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2014

(continued)

Net change in fund balances - total governmental funds \$ 1,119,508

Amounts reported for governmental activities in the Statement
of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental
activities report depreciation expense to allocate those expenditures over the
life of the assets:

Capital asset purchases capitalized	5,533,776
Capital asset transfers	(469,746)
Gain on disposal of capital assets	(2,686)
Depreciation expense	<u>(5,206,166)</u>
	<u>(144,822)</u>

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

Repayment of debt principal is an expenditure in the governmental funds, but
the repayment reduces long-term liabilities in the Statement of Net Position:

Judgment payable proceeds received	(689,820)
Judgment payable principal payments	<u>466,287</u>
	<u>(223,533)</u>

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

Change in pension fund liability	(404,742)
Change in accrued compensated absences	<u>(25,835)</u>
	<u>(430,577)</u>

Internal service fund activity is reported as a proprietary fund in the fund
financial statements, but certain net revenues are reported in governmental
activities on the Statement of Activities

Total change in net assets for internal service funds	<u>1,453,472</u>
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Change in net position - statement of activities \$ 1,774,048

THE CITY OF PONCA CITY, OKLAHOMA

Statement of Net Position

Proprietary Funds

June 30, 2014

ASSETS	Business-type Activities - Enterprise Funds				Governmental
	Ponca City	Ponca City	Other	Total	Activities -
	Utility	Airport	Enterprise	Enterprise	Internal
	Authority	Funds	Funds	Funds	Service
					Funds
Current assets:					
Cash and cash equivalents	\$ 9,968,780	215,925	39,157	10,223,862	2,750,201
Investments	8,729,518	-	138,284	8,867,802	2,955,502
Restricted assets:					
Cash and cash equivalents	2,481,044	-	-	2,481,044	-
Investments	597,293	-	-	597,293	-
Receivables:					
Due from other governments	-	9,500	-	9,500	-
Utility billing, net of allowance for uncollectible accounts	7,092,535	-	-	7,092,535	-
Accounts receivables - other	390,008	19,258	1,000	410,266	37,682
Accrued interest receivable	29,957	-	-	29,957	-
Due from other funds	-	-	-	-	61,296
Prepaid expenses	-	-	-	-	46,530
Inventory	2,751,119	100,274	76,790	2,928,183	191,971
Total current assets	32,040,254	344,957	255,231	32,640,442	6,043,182
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	2,309,297	-	-	2,309,297	-
Investment in joint venture	1,743,238	-	-	1,743,238	-
Capital assets:					
Nondepreciable	2,514,769	151,607	463,766	3,130,142	-
Depreciable, net of accumulated depreciation	65,707,174	12,085,913	1,584,654	79,377,741	50,808
Total noncurrent assets	72,274,478	12,237,520	2,048,420	86,560,418	50,808
Total assets	104,314,732	12,582,477	2,303,651	119,200,860	6,093,990
Deferred outflows of resources:					
Defeased debt	242,978	-	-	242,978	-
Total deferred outflows of resources	242,978	-	-	242,978	-

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Statement of Net Position

Proprietary Funds

June 30, 2014

(continued)

<u>LIABILITIES</u>	Business-type Activities - Enterprise Funds				Governmental
	Ponca City	Ponca City		Total	Activities -
	Utility	Airport	Other	Enterprise	Internal
	Authority	Funds	Funds	Funds	Service
					Funds
Current liabilities:					
Accounts payable and accrued liabilities	\$ 5,697,470	49,959	71,547	5,818,976	116,274
Accrued interest payable	392,522	-	-	392,522	-
Retainage payable	194,041	-	-	194,041	-
Meter deposit liability	597,293	-	-	597,293	-
Due to other funds	59,797	1,499	-	61,296	21,464
Net OPEB obligation	12,746	484	1,258	14,488	-
Current portion:					
Refundable grant obligations	56,500	-	-	56,500	-
Estimated claims liability	-	-	-	-	358,622
Revenue bonds payable	3,945,000	-	-	3,945,000	-
Notes payable	1,794,721	-	-	1,794,721	-
Accrued compensated absences	25,331	1,663	2,579	29,573	661
Total current liabilities	12,775,421	53,605	75,384	12,904,410	497,021
Noncurrent liabilities:					
Refundable grant obligations	157,750	-	-	157,750	-
Estimated liability for claims	-	-	-	-	429,427
Accrued compensated absences	227,990	14,965	23,213	266,168	5,943
Landfill closure/post-closure liability	3,958,479	-	-	3,958,479	-
Revenue bonds payable	25,475,000	-	-	25,475,000	-
Notes payable, net of unamortized premium	11,794,978	-	-	11,794,978	-
Total noncurrent liabilities	41,614,197	14,965	23,213	41,652,375	435,370
Total liabilities	54,389,618	68,570	98,597	54,556,785	932,391
<u>NET POSITION</u>					
Net investment in capital assets	24,997,994	12,237,520	2,048,420	39,283,934	50,808
Restricted for debt service	4,790,341	-	-	4,790,341	-
Restricted for utility deposits	597,293	-	-	597,293	-
Restricted for encumbrances	1,198,038	2,000	11,390	1,211,428	7,052
Unrestricted	18,584,426	274,387	145,244	19,004,057	5,103,739
Total net position	\$ 50,168,092	12,513,907	2,205,054	64,887,053	5,161,599

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds				Governmental
	Ponca City		Other	Total	Activities -
	Utility	Ponca City	Enterprise	Enterprise	Internal
	Authority	Airport	Funds	Funds	Service
					Funds
Operating Revenues:					
Pledged as security for revenue bonds:					
Charges for services:					
Electric	\$ 37,854,740	-	-	37,854,740	-
Water	7,279,698	-	-	7,279,698	-
Solid waste	4,763,979	-	-	4,763,979	-
Wastewater	5,567,031	-	-	5,567,031	-
Unpledged:					
Charges for services:					
Airport	-	907,490	-	907,490	-
Marland Estate	-	-	141,980	141,980	-
Golf course	-	-	460,983	460,983	-
Stormwater	398,832	-	-	398,832	-
Other	104,775	-	-	104,775	7,881,451
Donations	-	-	3,896	3,896	-
Miscellaneous	2,647	-	2,040	4,687	-
Total operating revenues	<u>55,971,702</u>	<u>907,490</u>	<u>608,899</u>	<u>57,488,091</u>	<u>7,881,451</u>
Operating Expenses:					
Electric	28,972,004	-	-	28,972,004	-
Water	4,641,799	-	-	4,641,799	-
Solid waste	3,830,360	-	-	3,830,360	-
Wastewater	3,630,847	-	-	3,630,847	-
Stormwater	168,268	-	-	168,268	-
Marland Estate	-	-	405,531	405,531	-
Golf course	-	-	812,706	812,706	-
Airport	-	1,933,056	-	1,933,056	-
Administrative	1,830,928	-	-	1,830,928	-
Motor pool	-	-	-	-	1,734,946
Insurance claims and administrative	-	-	-	-	4,722,616
Total operating expenses	<u>43,074,206</u>	<u>1,933,056</u>	<u>1,218,237</u>	<u>46,225,499</u>	<u>6,457,562</u>
Operating income (loss)	<u>12,897,496</u>	<u>(1,025,566)</u>	<u>(609,338)</u>	<u>11,262,592</u>	<u>1,423,889</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014
(continued)

	Business-type Activities - Enterprise Funds			Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Ponca City Utility Authority	Ponca City Airport	Other Enterprise Funds		
Non-Operating Revenues (Expenses):					
Pledged as security for revenue bonds:					
Investment income	\$ 122,790	-	-	122,790	-
Unpledged revenues:					
Investment income	5,901	607	907	7,415	89,956
Miscellaneous	-	-	-	-	43,377
Interest expense and fiscal charges	(1,646,769)	-	-	(1,646,769)	-
Gain (loss) on asset retirement	50,361	(1,608)	-	48,753	-
Net non-operating revenues (expenses)	<u>(1,467,717)</u>	<u>(1,001)</u>	<u>907</u>	<u>(1,467,811)</u>	<u>133,333</u>
Income (loss) before contributions and transfers	<u>11,429,779</u>	<u>(1,026,567)</u>	<u>(608,431)</u>	<u>9,794,781</u>	<u>1,557,222</u>
Capital contributions	-	125,456	-	125,456	-
Capital asset transfers	526,665	159,338	262,786	948,789	-
Transfers in	2,266,449	120,113	408,378	2,794,940	-
Transfers out	<u>(9,464,332)</u>	<u>-</u>	<u>-</u>	<u>(9,464,332)</u>	<u>(10,000)</u>
Net transfers and capital contributions	<u>(6,671,218)</u>	<u>404,907</u>	<u>671,164</u>	<u>(5,595,147)</u>	<u>(10,000)</u>
Change in net position	<u>4,758,561</u>	<u>(621,660)</u>	<u>62,733</u>	<u>4,199,634</u>	<u>1,547,222</u>
Net position - beginning of year, unadjusted	46,209,433	13,135,567	2,142,321	61,487,321	3,708,127
Prior period adjustment	<u>(799,902)</u>	<u>-</u>	<u>-</u>	<u>(799,902)</u>	<u>-</u>
Net position - beginning of year, adjusted	<u>45,409,531</u>	<u>13,135,567</u>	<u>2,142,321</u>	<u>60,687,419</u>	<u>3,708,127</u>
Net position - end of year	<u>\$ 50,168,092</u>	<u>12,513,907</u>	<u>2,205,054</u>	<u>64,887,053</u>	<u>5,255,349</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds			Governmental	
	Ponca City		Other	Activities -	
	Utility	Ponca City	Enterprise	Internal	
	Authority	Airport	Funds	Enterprise	
			Funds	Service	
			Funds	Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 55,492,208	916,619	607,899	57,016,726	7,933,555
Payments to suppliers	(27,087,479)	(847,995)	(331,761)	(28,267,235)	(6,447,513)
Payments to employees	(8,075,686)	(292,481)	(716,392)	(9,084,559)	(948,695)
Receipts of customer meter deposits	41,785	-	-	41,785	-
Refunds of customer meter deposits	(41,428)	-	-	(41,428)	-
Net cash provided by (used in) operating activities	<u>20,329,400</u>	<u>(223,857)</u>	<u>(440,254)</u>	<u>19,665,289</u>	<u>537,347</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers from other funds	2,266,449	120,113	408,378	2,794,940	-
Transfers to other funds	(9,464,332)	-	-	(9,464,332)	(113,250)
Net cash provided by (used in) noncapital financing activities	<u>(7,197,883)</u>	<u>120,113</u>	<u>408,378</u>	<u>(6,669,392)</u>	<u>(113,250)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from sale of capital assets	50,361	2,035	-	52,396	-
Purchases of capital assets	(6,661,145)	(317)	(3,896)	(6,665,358)	(1,371)
Principal paid or retired on capital debt	(10,803,558)	-	-	(10,803,558)	-
Proceeds from capital debt	12,915,528	-	-	12,915,528	-
Interest paid on capital debt	(1,405,866)	-	-	(1,405,866)	-
Receipt of capital contribution	-	125,456	-	125,456	-
Net cash provided by (used in) capital and related financing activities	<u>(5,904,680)</u>	<u>127,174</u>	<u>(3,896)</u>	<u>(5,781,402)</u>	<u>(1,371)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments	(14,661,470)	-	(33,675)	(14,695,145)	(670,435)
Proceeds from sales and maturities of investments	-	-	-	-	19,560
Interest and dividends	128,691	607	907	130,205	89,956
Net cash provided by (used in) investing activities	<u>(14,532,779)</u>	<u>607</u>	<u>(32,768)</u>	<u>(14,564,940)</u>	<u>(560,919)</u>
Net increase (decrease) in cash and cash equivalents	(7,305,942)	24,037	(68,540)	(7,350,445)	(138,193)
Balances - beginning of year	<u>22,065,063</u>	<u>191,888</u>	<u>107,697</u>	<u>22,364,648</u>	<u>2,888,394</u>
Balances - end of year	<u>\$ 14,759,121</u>	<u>215,925</u>	<u>39,157</u>	<u>15,014,203</u>	<u>2,750,201</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Statement of Cash Flows Proprietary Funds For the Fiscal Year Ended June 30, 2014 (continued)

	<u>Business-type Activities - Enterprise Funds</u>				Governmental
	Ponca City		Other	Total	Activities -
	Utility	Ponca City	Enterprise	Enterprise	Internal
	Authority	Airport	Funds	Funds	Service
					Funds
Reconciliation to Statement of Net Position:					
Cash and cash equivalents	\$ 9,968,780	215,925	39,157	10,223,862	2,750,201
Current restricted cash and cash equivalents	2,481,044	-	-	2,481,044	-
Noncurrent restricted cash and cash equivalents	2,309,297	-	-	2,309,297	-
Total cash and cash equivalents, end of year	<u>\$ 14,759,121</u>	<u>215,925</u>	<u>39,157</u>	<u>15,014,203</u>	<u>2,750,201</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 12,897,496	(1,025,566)	(609,338)	11,262,592	1,423,889
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation expense	5,531,376	784,886	159,901	6,476,163	11,480
Amortization expense	366,744	-	-	366,744	-
Miscellaneous revenue	-	-	-	-	43,377
Change in assets and liabilities:					
(Increase) decrease in receivables, net	(479,137)	9,129	(1,000)	(471,008)	(11,642)
(Increase) decrease in inventories	25,418	(16,470)	4,601	13,549	48,798
(Increase) decrease in unamortized debt issuance costs	414,082	-	-	414,082	-
(Increase) decrease in prepaid expenses	-	-	-	-	57,966
(Increase) decrease in due from other funds	-	-	-	-	20,369
Increase (decrease) in accounts and other payables	1,475,479	24,707	1,937	1,502,123	(110,763)
Increase (decrease) in customer meter deposits payable	(12)	-	-	(12)	-
Increase (decrease) in due to other funds	(15,722)	(4,647)	-	(20,369)	21,464
Increase (decrease) in claims payable	-	-	-	-	(963,348)
Increase (decrease) in landfill closure/postclosure liability	57,500	-	-	57,500	-
Increase (decrease) in accrued compensated absences	56,176	4,104	3,645	63,925	(4,243)
Net cash provided by (used in) operating activities	<u>\$ 20,329,400</u>	<u>(223,857)</u>	<u>(440,254)</u>	<u>19,665,289</u>	<u>537,347</u>
Non-cash Activities:					
Capital assets acquired through transfers from other funds	\$ 526,665	159,338	262,786	948,789	9,500
Change in investments in joint venture	127,491	-	-	127,491	-
Net non-cash activities	<u>\$ 654,156</u>	<u>159,338</u>	<u>262,786</u>	<u>1,076,280</u>	<u>9,500</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Statement of Fiduciary Net Position

Pension Trust Fund

June 30, 2014

ASSETS

Investments at contract value:	
Insurance contracts	\$ <u>4,382,181</u>
Investments at fair value:	
Unallocated insurance contracts:	
Bond and mortgage	2,278,617
International stock	3,976,190
Large cap stock index	<u>11,623,048</u>
Total unallocated insurance contracts:	<u>17,877,855</u>
 Total Assets	 \$ <u><u>22,260,036</u></u>

NET POSITION

Restricted for pension benefits	\$ <u><u>22,260,036</u></u>
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THE CITY OF PONCA CITY, OKLAHOMA

Statement of Changes in Fiduciary Net Position

Pension Trust Fund

For the Fiscal Year Ended June 30, 2014

ADDITIONS:

Employer contributions \$ 593,785

Investment income:

Contract investment income 163,197

Net appreciation in fair value of investments 3,084,807

Total additions 3,841,788

DEDUCTIONS:

Benefits paid to participants or beneficiaries 1,083,802

Administrative expense 24,506

Total deductions 1,108,308

Change in net position held in trust for pension benefits 2,733,480

Net position - beginning of year 19,526,556

Net position - end of year \$ 22,260,036

THE CITY OF PONCA CITY, OKLAHOMA

Statement of Fiduciary Net Position

Component Unit

Ponca City Development Authority

June 30, 2014

ASSETS

Current assets:

Cash and cash equivalents \$ 6,661,389

Receivables:

Due from other governments 375,068

Accounts receivable 100

Prepaid expenses 16,726

Total current assets 7,053,283

Noncurrent assets:

Capital assets:

Nondepreciable 198,335

Depreciable, net of accumulated
depreciation 3,736,025

Total noncurrent assets 3,934,360

Total Assets 10,987,643

LIABILITIES

Current liabilities:

Accounts payable \$ 18,992

Payroll taxes payable 866

Current portion:

Accrued compensated absences 3,200

Total current liabilities 23,058

Noncurrent liabilities:

Accrued compensated absences 28,802

Total noncurrent liabilities 28,802

Total Liabilities 51,860

NET POSITION

Net investment in capital assets 3,934,360

Unrestricted 7,001,423

Total Net Position \$ 10,935,783

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA
Statement of Revenues, Expenses and Changes in Fiduciary Net Position
Component Unit
Ponca City Development Authority
For the Fiscal Year Ended June 30, 2014

Operating Revenues:	
Payments from <i>City of Ponca City</i>	\$ 2,105,883
Lease income	220,228
Miscellaneous income	1,430
Total operating revenues	<u>2,327,541</u>
Operating Expenses:	
Accounting & legal	8,995
Bad debts	50,287
Depreciation	120,019
Dues and subscriptions	6,700
Existing industry	36,971
Fringe benefits	146,516
Insurance	16,726
Land improvements	1,800
Marketing	71,878
Meetings and conferences	4,883
Miscellaneous	22,367
New industry incentives and credits	245,242
Office supplies, postage, and printing	8,590
Payroll taxes	29,337
Rent	13,100
Salaries	459,727
Telephone	6,696
Total operating expenses	<u>1,249,834</u>
Operating income	<u>1,077,707</u>
Non-Operating Revenues :	
Interest income	36,585
Gain on disposition of asset	141,133
Net non-operating revenues	<u>177,718</u>
Change in net position	1,255,425
Total net position - beginning of year	<u>9,680,358</u>
Total net position - end of year	<u>\$ 10,935,783</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Statement of Cash Flows - Fiduciary

Component Unit

Ponca City Development Authority

For the Fiscal Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 2,225,627
Payments to suppliers	<u>(1,437,027)</u>
Net cash provided by operating activities	<u>788,600</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition and construction of capital assets	(142,756)
Proceeds from sale of asset	<u>184,208</u>
Net cash provided by capital and related financing activities	<u>41,452</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	<u>36,585</u>
Net cash provided by investing activities	<u>36,585</u>

Net increase in cash and cash equivalents	866,637
Balances - beginning of year	<u>5,794,752</u>
Balances - end of year	<u>\$ 6,661,389</u>

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:

Operating income	\$ 1,077,707
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation expense	120,019
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(101,914)
(Increase) decrease in prepaid expenses	(11,741)
Increase (decrease) in accounts payable	(299,666)
Increase (decrease) in payroll taxes payable	(5,728)
Increase (decrease) in accrued compensated absences	<u>9,923</u>

Net cash provided by operating activities	<u>\$ 788,600</u>
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See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

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THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ponca City, Oklahoma's (The City) accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principals (GAAP) and Generally Accepted Governmental Accounting Principals 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.

1.A. Financial Reporting Entity

The City's financial reporting entity comprises the following:

Primary Government:	The City of Ponca City
Blended Component Units:	Ponca City Utility Authority Ponca City Municipal Authority Ponca City Public Works Authority
Fiduciary -Presented Component Unit:	Ponca City Development Authority

In determining the financial reporting entity, *The City* complies with the provisions of Governmental Accounting Standards Board Statements No. 14, 39 and 61, The Financial Reporting Entity, and includes all component units of which *The City* is fiscally accountable.

Each of these component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance *The City* services through issuance of revenue bonds or other non-general obligation debt and to enable the City Commission to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, *The City* has leased certain existing assets to the Trustees on a long-term basis. *The City*, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BLENDED COMPONENT UNITS

Blended component units are separate legal entities that meet the GASB Statements No. 14, 39 and 61 component unit criteria and whose governing body is the same or substantially the same as the City Commission, or the component unit provides services entirely to *The City*. These component units' funds are blended into *The City's* by appropriate fund type to comprise part of the primary government presentation.

Component units blended into the primary government's fund types are presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>
Ponca City Utility Authority (PCUA)	<p>Created March 23, 1970, to finance, develop and operate the electric, water, wastewater, stormwater and solid waste facilities. The current City Commission serves as the governing body (Trustees) of the PCUA. <i>The City</i> is able to impose its will on the PCUA because, by state law, all PCUA issuances of debt require a two-thirds approval of the City Commission.</p> <p>The PCUA funds are reported as enterprise funds within the primary government presentation. <i>The City</i> issues a separate report on only the PCUA.</p>
Ponca City Municipal Authority (PCMA)	<p>Established January 24, 1966, to collect and account for sewer connection fees on certain dedicated sewer lines. The current City Commission serves as the governing body (Trustees) of the PCMA. The Authority is presently inactive.</p>
Ponca City Public Works Authority (PCPWA)	<p>Established October 12, 1959, to collect and account for sewer connection fees on certain dedicated sewer lines. The current City Commission serves as the governing body (Trustees) of the PCPWA. The Authority is presently inactive.</p>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FIDUCIARY PRESENTED COMPONENT UNITS

Fiduciary-presented component units are separate legal entities that meet the GASB Statements No. 14, 39 and 61 component unit criteria but do not meet the criteria for blending. *The City* has one component unit that is fiduciary-presented in *The City's* report as presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>
Ponca City Development Authority (PCDA)	Created August 4, 1969, to promote and encourage the development of the utility, agricultural, commercial, health care and industrial resources in <i>The City of Ponca City, Oklahoma</i> . The Authority provides financing to businesses for the purpose of acquiring facilities and develops services in or near <i>The City</i> . The PCDA Board of Trustees is separate from the Mayor and City Commission. The PCDA is financially dependent on <i>The City</i> . <i>The City</i> maintains a beneficial interest in the PCDA. Their separately issued financial statements may be obtained at 102 S. 5 th St. #3, Ponca City, OK 74601.

JOINT VENTURE

The City of Ponca City, Oklahoma is currently a participant (with equity interest) in the general operating portion of the Association for Landfill Financial Assurance (ALFA). ALFA is a not-for-profit corporation created to provide a mechanism to meet the financial assurance requirements for landfill closure costs and post-closure care pursuant to Subtitle D of the Resource Conservation and Recovery Act of 1976 and statutes and regulations of the State of Oklahoma and the Oklahoma Department of Environmental Quality. On dissolution of ALFA, the fund balance will be distributed to the beneficiaries based upon their pro-rata interest. Separate audited financial statements of ALFA for the year ended June 30, 2014 are available from the Association for Landfill Financial Assurance, Tulsa, Oklahoma.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The statement of net position and statement of activities display information about *The City* as a whole including component units. They include all financial activities of the reporting entity except for fiduciary activities. Eliminations have been made to minimize the double reporting of transactions involving internal activities. Individual funds are not displayed in these statements. Instead, the statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Separate financial statements are presented for the three major fund categories: governmental, proprietary and fiduciary. An emphasis of the fund financial statements is placed on major governmental and enterprise funds. A fund is considered major if it is the primary operating fund of *The City* or meets the following criteria:

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements: (continued)

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent (10%) of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent (5%) of the corresponding total for all governmental and enterprise funds combined.
- c. A fund not meeting the criteria of (a) and (b), except that management has elected to report the fund as a major fund due to its significance to users of the financial statements.

All remaining governmental and enterprise funds not meeting the above criteria are aggregated and reported as nonmajor funds. The funds of the financial reporting entity are described below:

Governmental Funds

The City reports the General Fund as its major governmental fund.

General Fund

The General Fund is the primary operating fund of *The City*. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. The General Fund is reported as a major governmental fund.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements: (continued)

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are legally or administratively restricted or committed to expenditures for specified purposes other than debt service or capital projects. The reporting entity includes the following special revenue funds:

Nonmajor Funds:

- Special Projects Fund
- Street and Alley Fund
- Hotel/Motel Tax Fund
- Community Development Fund
- Library Grant Fund
- Library State Aid Fund
- Miscellaneous Trust Fund
- Economic Development Fund

Capital Project Funds

The nonmajor Recreation Center Tax Fund, Street Improvement Project Fund and Capital Improvement Project Fund are used to account for and report financial resources that are restricted, committed, or assigned to expenditure capital outlays including the acquisition or construction of capital facilities or other capital assets.

Permanent Funds

Permanent Funds are used to account for and report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes of benefiting the reporting entity. The reporting entity includes the following permanent funds:

Nonmajor Funds:

- Matzene Book Fund
- Cann Estate Fund

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements: (continued)

Debt Service Fund

The Debt Service Fund is used to account for and report ad valorem taxes levied by *The City* that are restricted, committed, or assigned for use in retiring general obligation bonds, court-assessed judgments, and their related interest expense and fiscal agent fees.

Proprietary Funds

Proprietary funds include both enterprise funds and internal service funds. Enterprise funds are used to account for business-like activities provided to the general public. Internal service funds are used to account for business-like activities provided and charged to other funds or entities within the reporting entity. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Nonoperating revenues of the proprietary funds include such items as investment earnings, interest expense and subsidies. The reporting entity includes the following enterprise funds and internal service funds:

Enterprise Funds

The City reports two major enterprise funds:

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

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

Nonmajor enterprise funds include:

Marland Estate Fund
Lew Wentz Golf Course

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Internal Service Funds:

Internal service funds include:

Motor Pool Fund
Insurance Imprest Fund

Fiduciary Funds

The City's fiduciary funds are used to report net position and changes therein of assets held by *The City* in a trustee or fiduciary capacity. These net positions are not available for operations of *The City*. *The City* reports the Pension Trust Fund as a fiduciary fund.

Pension Trust Fund – used to account for the net position and changes therein of the Ponca City Employee Retirement System.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe *how* transactions are recorded within the financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

Measurement Focus

Government-wide, Proprietary and Fiduciary Fund Financial Statements

In the government-wide Statement of Net Position and the Statement of Activities, and the proprietary and fiduciary fund statements the “*economic resources*” measurement focus is applied. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus (continued)

Governmental Fund Financial Statements

In the governmental fund financial statements, a “*current financial resources*” measurement focus is applied. Under this focus, only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

Government-wide, Proprietary and Fiduciary Fund Financial Statements

In the government-wide Statement of Net Position and Statement of Activities, and the proprietary fund financial statements, the accrual basis of accounting is applied. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental Fund Financial Statements

In the governmental fund financial statements, the modified accrual basis of accounting is applied. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. *The City* has defined “available” as collected within 30 days after year end. Sales and use taxes, franchise taxes, hotel/motel taxes, court fines and interest are considered susceptible to accrual. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general long-term debt principal and interest, claims and judgments, and accrued compensated absences, which are recorded as expenditures to the extent they have matured. Proceeds of general long-term debt and capital leases are reported as other financial sources.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.D. ASSETS, LIABILITIES AND NET POSITION

Cash and Cash Equivalents

Cash and cash equivalents include all demand accounts, savings accounts, money market investment in trust accounts, certificates of deposit and short-term investments with an original maturity of three months or less. Investments in open-ended mutual fund shares are also considered cash equivalents and are reported at the funds' current share prices.

Investments

Investments are reported at fair value using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value as estimated by a broker/dealer. Investments of the pension trust fund are also carried at fair value. Securities of the pension trust fund traded on a national or international exchange are valued at the last reported sales price at current exchange rates. All non-negotiable long-term certificates of deposit are carried at cost.

Receivables

Material receivables in governmental fund types and governmental activities include revenue accruals such as sales tax, franchise tax, grants and other similar intergovernmental revenues since they are usually both measurable and available. These are reported as *Due from Other Governments*. Non-exchange transactions collectible but not available are deferred in the fund financial statements.

Material receivables in proprietary type funds and business-type activities consist of revenues earned at year-end and not yet received. Billed and unbilled utility accounts receivable comprise the majority of these receivables.

Inventories

Inventories are valued at cost on a first in-first out basis.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Restricted Assets

Restricted assets include current assets of enterprise funds and business-type activities 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 and deposits held for refund.

Capital Assets and Depreciation

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

In the government-wide financial statements, property, plant and equipment are accounted for as capital assets. *The City's* capitalization threshold is \$5,000. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Street infrastructure assets acquired prior to July 1, 2003 and bridges acquired prior to July 1, 2004, are reported at estimated historical cost using deflated replacement costs. The cost of normal maintenance and repairs to these assets that do not add materially to the value of the asset or materially extend the assets' useful lives are not capitalized. Interest costs, net of interest earned on any invested capital debt proceeds, are capitalized when incurred by proprietary funds.

Depreciation of all exhaustible capital assets is recorded as an operating expense in proprietary fund financial statements and an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets and Depreciation (continued)

Buildings	50 years
Other improvements	25 years
Infrastructure	15-50 years
Equipment and vehicles	3-25 years

In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures.

Deferred Outflows of Resources

Deferred outflows are the consumption of net position by *The City* that are applicable to a future reporting period. At June 30, 2014, *The City* has one item that meets this criterion, an advance refunding on Sales Tax Revenue Note, Series 2009.

Deferred Inflows of Resources

Deferred inflows are the acquisition of net position by *The City* that are applicable to a future reporting period. At June 30, 2014, *The City* has no deferred outflows of resources.

Long-term Debt

Accounting treatment of long-term debt varies depending upon the source of repayment and the measurement focus applied and whether the debt is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental activities, business-type activities, proprietary fund and component unit resources are reported as liabilities as incurred. The governmental activities long-term debt consists primarily of accrued compensated absences and judgments payable. The business-type activities long-term debt is reported net of unamortized premiums, discounts and amounts deferred from refundings, if any.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Long-term Debt (continued)

Long-term debt of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

Compensated Absences

Under the terms of *The City's* personnel policies, *The City* employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation. The maximum accumulation for vacation is 30 days. However, upon retirement, the maximum days of accumulated vacation for which the employee can be reimbursed cannot exceed 20 days.

Sick leave accrues to full-time employees but is payable only for sick time actually taken. Therefore, *The City* does not record a liability for unused sick leave.

Arbitrage Rebate

The proceeds from the *Ponca City Utility Authority's* tax exempt bond issues are subject to arbitrage rebate laws under the Internal Revenue Code. This arbitrage rebate limits the earnings on investment of tax exempt proceeds in non-purpose investments. The *Ponca City Utility Authority* had no arbitrage rebate liability at June 30, 2014.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Income Taxes

As a public trust, the income of the *Ponca City Utility Authority*, which is derived from the exercise of any essential government function, is not subject to federal or state income taxes.

Equity Classification

Government-wide and Proprietary Fund Financial Statements:

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position – consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – all other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

It is *The City's* policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Governmental Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is divided into five classifications based primarily on the extent to which *The City* is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Equity Classification (continued)

Governmental Fund Financial Statements: (continued)

- a. Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. Management has classified permanent funds as nonspendable.
- b. Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes *The City* to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that *The City* can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purpose specified by the legislation.

- c. Committed - The committed fund balance classification includes amounts that can be used only for specific purposes imposed by (ordinance or resolution) of the City Commission. Those committed amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the City Commission, separate from the authorization to raise the underlying revenue; therefore, those constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Equity Classification (continued)

Governmental Fund Financial Statements: (continued)

- d. Assigned – Amounts in the assigned fund balance classification are intended to be used by *The City* for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Commission or a City official delegated that authority by City Charter, ordinance or resolution.
- e. Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within the unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

1.E. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Government -wide Financial Statements:

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.E. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES (continued)

Government-wide Financial Statements: (continued)

1. Internal balances – amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities – amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effect of interfund services between funds is not eliminated in the statement of activities.
3. Primary government and component unit activity and balances – resource flows between the primary government (*The City* and PCUA) and the fiduciary presented component unit (Ponca City Development Authority) are reported as if they were external transactions.

Fund Financial Statements:

Interfund activity, if any, within and among the governmental, proprietary fund and fiduciary categories is reported as follows in the fund financial statements:

1. Interfund loans – amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services – sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements – repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers – flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.F. REVENUES, EXPENDITURES AND EXPENSES

Sales Tax

The City levies a three and one-half cent sales tax on taxable sales within *The City*. The sales tax is collected by the Oklahoma Tax Commission and remitted to *The City* in the month following receipt by the Tax Commission. The sales tax is recorded as follows:

- 2 cents recorded as revenue within the General Fund.
- ½ cent recorded as revenue within the Street Improvement Project Fund to account for maintenance and construction of street improvements per voter approval.
- ½ cent recorded as revenue within the Economic Development Fund to account for sales taxes restricted for economic development and subsequently transferred to the Ponca City Development Authority (a fiduciary fund presented component unit) per voter approval.
- ½ cent recorded as revenue within the Recreation Center Tax Fund to account for sales taxes restricted for specific capital projects per voter approval beginning October 1, 2007.

Sales tax resulting from sales occurring prior to year end and received by *The City* after year end have been accrued and are included under the caption *Due from Other Governments* because they represent taxes on sales occurring during the reporting period.

Pension Contributions

Employer and plan member contributions are made in accordance with the Employees Retirement System ordinance and are recognized in the period the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Property Tax

Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments. At the present time, *The City* levies a property tax to fund the annual debt service requirements of court-assessed judgments.

The property tax levy, as determined by *The City's* debt service needs, is submitted to the County Excise Board for approval. County assessors, elected officials, determine the taxable value of real estate and personal property in the County. A State Board of Equalization hears complaints on real estate values with the power to equalize assessments. Under present State law, the ratio of assessed value to true value cannot be less than 11 percent or more than 13 ½ percent.

Property taxes levied by *The City* are billed and collected by the County Treasurer's Office and remitted to *The City* in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October. For the year ended June 30, 2014, *The City's* net assessed valuation of taxable property was \$114,639,681. The taxes levied by *The City* per \$1,000 of net assessed valuation for the year ended June 30, 2014 was \$5.29.

Expenditures and Expenses

In the government-wide statement of activities, expenses, including depreciation of capital assets, are reported by function or activity and the policy for allocating indirect expenses to functions in the statement of activities is a percentage of total expenses. In the governmental fund financial statements, expenditures are reported by class as current (further reported by function), capital outlay and debt service. In proprietary fund financial statements, expenses are reported by object or activity. Fiduciary funds report additions and deductions to net position.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.G. USE OF ESTIMATES

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, *The City* and its component units are subject to various federal, state and local laws and contractual regulations.

2.A. DEFICIT FUND BALANCES OR NET POSITION

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund of *The City* (excluding public trusts). At June 30, 2014, *The City* reported no individual fund deficits.

2.B. DEPOSITS AND INVESTMENTS REQUIREMENTS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, surety bonds or certain letters of credit. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to *The City* must have a written collateral agreement approved by the board of directors or loan committee.

Investments of a City (excluding Public Trusts) are limited by State Law to the following:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2.B. DEPOSITS AND INVESTMENTS REQUIREMENTS (continued)

- b. Certificates of deposit or savings accounts either insured or secured with acceptable collateral with in-state financial institutions and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. Negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments and bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator, debentures issued by the Federal Housing Administrator and obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC that include investments mentioned in the previous paragraphs a, b, c and d.

Public trusts and pension trust funds are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures.

2.C. DEBT RESTRICTIONS AND COVENANTS

General Long-term Debt

As required by the Oklahoma State Constitution, *The City* (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue without first obtaining voter approval. As of June 30, 2014, *The City* had no general obligation debt.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(continued)

2.C. DEBT RESTRICTIONS AND COVENANTS (continued)

Notes Payable

The loan agreements with the Oklahoma Water Resources Board relating to construction notes payable of the PCUA contain a number of financial restrictions or covenants. These include covenants requiring a flow of funds through special accounts, reserve account balances and a notes payable debt service coverage requirement. The PCUA complied with the requirements of the loan agreements in all material respects for the fiscal year ended June 30, 2014.

Revenue Bond Debt

The bond indentures relating to the revenue bond issues of the PCUA contain a number of financial restrictions or covenants. These include covenants requiring a flow of funds through special accounts, required reserve account balances and revenue bond debt service coverage requirement. The PCUA complied with the requirements of the bond indentures in all material respects for the fiscal year ended June 30, 2014.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 3 – DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS

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

3.A. DEPOSITS AND INVESTMENTS

Schedule of Deposits and Investments by Type

Type	Fair Value	Maturities in Years				
		On Demand	Less Than One	1-5	6-10	More than 10
Deposits:						
Petty cash	\$ 6,000	6,000	-	-	-	-
Demand accounts	21,914,734	21,914,734	-	-	-	-
Time deposits	11,549,625	-	11,549,625	-	-	-
Trust money market account	16,213,319	16,213,319	-	-	-	-
Other	1,031,328	-	505,925	525,403	-	-
Total deposits	<u>50,715,006</u>	<u>38,134,053</u>	<u>12,055,550</u>	<u>525,403</u>	<u>-</u>	<u>-</u>
Investments:						
Equities/Fixed Income/Etc.	997,667	997,667	-	-	-	-
Agencies of the U.S. Govt.						
FHLMC/FMNA/FHLBI	5,691,288	-	-	-	-	5,691,288
Total investments	<u>6,688,955</u>	<u>997,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,691,288</u>
Pension fund investments:						
Insurance contract	4,382,181					
Unallocated insurance contracts	17,877,855					
Total deposits and investments	<u>\$ 79,663,997</u>					
Reconcilations to Statement of						
Net Assets:						
Cash and cash equivalents	\$ 17,666,174					
Investments	22,927,175					
Current restricted cash and cash equivalents	2,481,044					
Current restricted investments	597,293					
Noncurrent restricted cash and cash equivalents	2,309,297					
Pension fund investments	22,260,036					
Plus defeased debt escrow	11,422,978					
Total	<u>\$ 79,663,997</u>					

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

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

3.A. DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits in financial institutions, reported as components of cash, cash equivalents and investments were fully insured by depository insurance or secured with collateral held by *The City's* agent in its name. Investments in U.S. obligations, U.S. agency obligations, corporate bonds and other investments were either 1) insured or registered and held by *The City* or by *The City's* agent in *The City's* name or 2) uninsured and unregistered and held by counterparty's trust department or agent in *The City's* name.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. *The City's* investment policy limits investments to those with a maturity no more than two years from the date of purchase, except for reserve funds, as a means of managing exposure to fair value losses arising from increasing interest rates. *The City* discloses its exposure to interest rate risk by disclosing the maturity date ranges of its various investments.

Investment Credit Risk – *The City's* investment policy limits investments to those allowed by state law applicable to municipalities. These investment limitations are described in Note 2.B. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *The City* has no formal policy limiting investments based on credit rating, but discloses any such risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations – rating agencies – as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

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

3.A. DEPOSITS AND INVESTMENTS (continued)

Concentration of Investment Credit Risk – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of the total investments of *The City* (any over five percent (5%) are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. *The City's* investment policy requires diversification of investments and indicates that, with the exception of U.S. Treasury securities and authorized pools, no more than 50% of *The City's* total investment portfolio will be invested in a single security type or with a single financial institution.

At June 30, 2014, *The City* had no concentration of credit risk as defined above.

At June 30, 2014, *The City's* pension fund investments in the Principal Financial Group – unallocated insurance contracts represented 61.76% of *The City's* total investments.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

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

3.B. RECEIVABLES

Accounts Receivable

Accounts receivable of the governmental activities is net of allowance for uncollectible accounts on the statement of net position. Accounts receivable of the business-type activities consist of customers' utilities services provided, both billed and unbilled, due at year end. It is *The City's* policy to write off uncollectible accounts throughout the year in the business-type activities and not to record an allowance for uncollectible accounts on the statement of net position.

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

Governmental Activities:	<u>Ambulance</u>	<u>Taxes</u>	<u>Court</u>	<u>Other</u>	<u>Total</u>
Accounts receivable	\$ 1,124,688	149,626	1,190,343	169,581	2,634,238
Less: allowance for uncollectible accounts	<u>(547,047)</u>	<u>-</u>	<u>(1,152,514)</u>	<u>-</u>	<u>(1,699,561)</u>
Accounts receivable, net of allowance	<u>\$ 577,641</u>	<u>149,626</u>	<u>37,829</u>	<u>169,581</u>	<u>934,677</u>

Business-type Activities:	<u>Utility Accounts Receivable</u>	<u>Misc. Accounts Receivable</u>	<u>Total</u>
Electric	\$ 5,238,750	17,600	5,256,350
Water	940,581	-	940,581
Solid waste	521,948	-	521,948
Wastewater	677,376	-	677,376
Stormwater	45,722	-	45,722
Unapplied credits	(331,842)	-	(331,842)
Other	-	402,365	402,365
Lew Wentz Golf Course	-	1,000	1,000
Airport	-	19,258	19,258
Total	<u>7,092,535</u>	<u>440,223</u>	<u>7,532,758</u>
Less: allowance for uncollectible accounts	<u>-</u>	<u>-</u>	<u>-</u>
Accounts receivable, net of allowance	<u>\$ 7,092,535</u>	<u>440,223</u>	<u>7,532,758</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

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

3.C. 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 the PCUA related to their required revenue bonds and notes payable, amounts set aside for landfill financial assurance, and deposits held for refund.

The restricted assets as of June 30, 2014, were as follows:

	<u>Cash and Cash Equivalents</u>		<u>Investments</u>	<u>Investment in</u>	
	<u>Current</u>	<u>Noncurrent</u>	<u>Current</u>	<u>Joint Venture</u>	<u>Total</u>
Revenue bond and note payable trustee accounts	\$ 2,481,044	2,309,297	-	-	4,790,341
Landfill financial assurance	-	-	-	1,743,238	1,743,238
Deposits held for refund	-	-	597,293	-	597,293
Totals	<u>\$ 2,481,044</u>	<u>2,309,297</u>	<u>597,293</u>	<u>1,743,238</u>	<u>7,130,872</u>

3.D. INVESTMENT IN JOINT VENTURE

As discussed in Note 1.A., *The City* participates (with equity interest) in the general operations portion of the Association of Landfill Financial Assurance (ALFA). Various owners of publicly operated municipal solid waste landfills each maintain an equity interest in ALFA. *The City* makes annual capital contributions to the joint venture. For the year ended June 30, 2014, the “Investment in Joint Venture” balance changed as follows:

Beginning investment in joint venture	\$ 1,657,685
Current year contributions	29,850
Net loss in escrow fund	<u>55,703</u>
Ending investment in joint venture	<u>\$ 1,743,238</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

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

3.E. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Balance at June 30, 2014</u>
Governmental activities:					
Non-depreciable:					
Land	\$ 728,214	12,100	(12,100)	-	728,214
Construction-in-progress	1,331,625	2,771,213	(284,730)	-	3,818,108
Total non-depreciable assets at historical cost	<u>2,059,839</u>	<u>2,783,313</u>	<u>(296,830)</u>	<u>-</u>	<u>4,546,322</u>
Depreciable:					
Buildings	41,377,187	-	-	-	41,377,187
Improvements	120,779,781	2,155,763	(463,694)	-	122,471,850
Machinery and equipment	11,266,372	985,606	(94,727)	(420,180)	11,737,071
Total depreciable assets at historical cost	<u>173,423,340</u>	<u>3,141,369</u>	<u>(558,421)</u>	<u>(420,180)</u>	<u>175,586,108</u>
Less accumulated depreciation:					
Buildings	(10,155,900)	(731,412)	-	-	(10,887,312)
Improvements	(89,333,216)	(3,683,737)	-	-	(93,016,953)
Machinery and equipment	(7,248,850)	(802,497)	9,713	417,492	(7,624,142)
Total accumulated depreciation	<u>(106,737,966)</u>	<u>(5,217,646)</u>	<u>9,713</u>	<u>417,492</u>	<u>(111,528,407)</u>
Net depreciable assets	<u>66,685,374</u>	<u>(2,076,277)</u>	<u>(548,708)</u>	<u>(2,688)</u>	<u>64,057,701</u>
Governmental activities capital assets, net	<u>\$ 68,745,213</u>	<u>707,036</u>	<u>(845,538)</u>	<u>(2,688)</u>	<u>68,604,023</u>
Business-type activities:					
Non-depreciable:					
Land	\$ 1,068,125	122,429	12,100	-	1,202,654
Construction-in-progress	156,743	1,887,859	(117,114)	-	1,927,488
Total non-depreciable assets at historical cost	<u>1,224,868</u>	<u>2,010,288</u>	<u>(105,014)</u>	<u>-</u>	<u>3,130,142</u>
Depreciable:					
Buildings	42,364,991	256,146	-	(8,200)	42,612,937
Improvements	121,169,785	3,503,327	514,338	-	125,187,450
Machinery and equipment	12,514,019	1,569,168	445,927	(998,057)	13,531,057
Total depreciable assets at historical cost	<u>176,048,795</u>	<u>5,328,641</u>	<u>960,265</u>	<u>(1,006,257)</u>	<u>181,331,444</u>
Less accumulated depreciation:					
Buildings	(26,419,102)	(877,241)	-	8,200	(27,288,143)
Improvements	(61,124,175)	(4,674,895)	-	-	(65,799,070)
Machinery and equipment	(8,852,932)	(939,401)	(9,713)	935,556	(8,866,490)
Total accumulated depreciation	<u>(96,396,209)</u>	<u>(6,491,537)</u>	<u>(9,713)</u>	<u>943,756</u>	<u>(101,953,703)</u>
Net depreciable assets	<u>79,652,586</u>	<u>(1,162,896)</u>	<u>950,552</u>	<u>(62,501)</u>	<u>79,377,741</u>
Business-type capital assets, net	<u>\$ 80,877,454</u>	<u>847,392</u>	<u>845,538</u>	<u>(62,501)</u>	<u>82,507,883</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

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

3.E. CAPITAL ASSETS (continued)

FIDUCIARY COMPONENT UNIT:	Balance at			Balance at
	July 1, 2013	Additions	Disposals	June 30, 2014
Ponca City Development Authority				
Non-depreciable:				
Land	\$ 241,410	-	(43,075)	198,335
Construction-in-progress	56,400	-	(56,400)	-
Total non-depreciable assets at historical cost	<u>297,810</u>	<u>-</u>	<u>(99,475)</u>	<u>198,335</u>
Depreciable:				
Buildings	4,174,127	191,565	-	4,365,692
Office equipment and furniture	52,148	7,591	-	59,739
Total depreciable assets	<u>4,226,275</u>	<u>199,156</u>	<u>-</u>	<u>4,425,431</u>
Less accumulated depreciation	<u>(569,387)</u>	<u>(120,019)</u>	<u>-</u>	<u>(689,406)</u>
Net depreciable assets	<u>3,656,888</u>	<u>79,137</u>	<u>-</u>	<u>3,736,025</u>
Capital assets, net	<u>\$ 3,954,698</u>	<u>79,137</u>	<u>(99,475)</u>	<u>3,934,360</u>

The land was transferred from *The City of Ponca City, Oklahoma* on June 18, 2003 and has been recorded at the estimated fair market value of the land on that date. Depreciation expense for the year ended June 30, 2014 totaled \$120,019.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

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

3.E. CAPITAL ASSETS (continued)

DEPRECIATION:

Depreciation expense was charged to the following activities:

Governmental Activities:

Street	\$	3,391,700
Public safety		443,438
General government		393,741
Cultural, parks and recreation		977,287
Internal service funds		11,480
Total	\$	<u>5,217,646</u>

Business-type Activities:

Marland Estate	\$	97,276
Wentz Golf		62,625
Airport		784,886
Water		1,350,877
Electric		1,740,871
Solid waste		640,566
Stormwater		10,234
Wastewater		1,613,935
Administration		190,267
Total	\$	<u>6,491,537</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

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

3.E. CAPITAL ASSETS (continued)

YMCA Contract for the Construction of Aquatic Facility

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

3.F. LONG-TERM DEBT

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

Governmental Activities Long-term Debt

As of June 30, 2014, the governmental activities long-term debt consisted of the following:

Accrued Compensated Absences:

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

Current portion	\$	80,623
Non-current portion		725,605
Total accrued compensated absences	\$	<u>806,228</u>

Judgment Payable:

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

Current portion	\$	505,925
Non-current portion		525,403
Total judgment payable	\$	<u>1,031,328</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

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

3.F. LONG-TERM DEBT (continued)

Business-type Activities Long-term Debt

As of June 30, 2014, the long-term debt payable from enterprise fund resources consisted of the following:

Revenue Bonds Payable:

Sales Tax Revenue Note, Series 2013 to Specialized Lending, LLC , dated November 20, 2013, original issue amount of \$12,510,000, secured by a pledge of sales tax revenue and all funds and accounts established by the note agreement, interest rate of 1.86%, final maturity February 1, 2019.	\$ 12,130,000
2012 A Utility System Revenue Note to Banc of America Public Capital Corp , dated March 1, 2012, original issue amount \$16,090,000, secured by gross revenues of the system interest rate of 2.7%, final maturity date August, 2025.	14,610,000
Sales Tax Revenue Note, Series 2009 to Banc of America Public Capital Corp , dated April 22, 2009, original issue amount of \$18,000,000, secured by a pledge of sales tax revenue and all funds and accounts established by the note agreement, interest rate of 4.22%, refunded final payment due December 1, 2014.	11,180,000
Utility System Revenue Note, Series 2008 to Bank of America, N.A. , dated June 30, 2008 original issue amount of \$6,750,000, secured by a pledge of gross revenues of the system and the funds and accounts established by the note agreement, interest rate of 3.9% final maturity December 1, 2016.	<u>2,680,000</u>
Total Revenue Bonds Payable	<u>\$ 40,600,000</u>
Current portion	\$ 15,125,000
Non-current portion	<u>25,475,000</u>
Total Revenue Bonds Payable	<u>\$ 40,600,000</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

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

3.F. LONG-TERM DEBT (continued)

Business-type Activities Long-term Debt

Notes Payable:

1997 A Promissory Note to Oklahoma Water Resource Board , dated March 1, 1997, original issue amount of \$1,784,449, secured by a pledge of Ponca City Utility Authority revenues, non-interest bearing, administrative fee of .5%, final maturity February 15, 2016.	\$ 187,837
1998 A Promissory Note to Oklahoma Water Resource Board , dated June 1, 1998, original issue amount of \$4,400,000, secured by a pledge and assignment of revenues derived from operations of water, sewer, electric and garbage systems, non-interest bearing, administrative fee of 0.5%, final maturity February 18, 2018.	895,038
1999 A Promissory Note to Oklahoma Water Resource Board , dated December 23, 1999, original issue amount of \$2,370,907, secured by a pledge and assignment of revenues derived from water, sewer, electric and garbage systems, non-interest bearing, administrative fee of 0.5%, final maturity August 15, 2019.	652,000
Series 2007 Clean Water SRF Promissory Note to Oklahoma Water Resources Board , dated October 9, 2007, original issue amount \$5,565,000, secured by a pledge and assignment of revenues derived from water, sanitary sewer, garbage, and electric systems, interest rate of 2.61% per annum plus an administrative fee of 0.5% per annum, final maturity September 15, 2029, final maturity September 15, 2029.	3,377,009
Series 2009A Clean Water SRF Promissory Note to Oklahoma Water Resources Board , dated October 1, 2009, original issue amount \$575,000, secured by a pledge and assignment of revenues derived from water, sanitary sewer, garbage, and electric systems, interest rate of 2.09% per annum plus an administrative fee of 0.5% per annum, final maturity March 15, 2030. Draws as of June 30, 2013.	313,011
Series 2009B Drinking Water SRF Promissory Note to Oklahoma Water Resources Board , dated December 1, 2009, original issue amount \$2,990,000, secured by a pledge and assignment of revenues derived from water, sanitary sewer, garbage, and electric systems, interest rate of 2.56% per annum plus an administrative fee of 0.5% per annum, final maturity September 15, 2030. Draws as of June 30, 2013.	1,572,004
Series 2012 B Promissory Note to Oklahoma Water Resources Board , dated March 28, 2012, original issue amount \$7,825,000, secured by a pledge and assignment of revenues and receipts, interest rates ranging from 0.65% to 3.4%, final maturity September 15, 2019.	<u>6,350,000</u>
Total Notes Payable	\$ 13,346,899
Add: unamortized premium	242,800
	<u>\$ 13,589,699</u>
Current portion payable from restricted assets	\$ 1,794,721
Non-current portion	<u>11,794,978</u>
Total notes payable	<u>\$ 13,589,699</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

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

3.F. LONG-TERM DEBT (continued)

Business-type Activities Long-Term Debt (continued)

Refundable Grant Obligations:

\$250,000 refundable grant obligation used for a 12-acre landfill expansion project, dated January 1, 1998, payable in semi-annual installments of \$6,250, final payment due June 2018, non-interest bearing.	\$ 43,750
\$500,000 refundable grant obligation used for constructing water, wastewater and electric utility system infrastructure improvements in the industrial park, dated January 1, 1996, payable in semi-annual installments of \$12,500, final payment due January 1, 2016, non-interest bearing.	37,500
\$380,000 refundable grant obligation for water line improvements, dated July 1, 2001, payable in semi-annual installments of \$9,500, final payment due January 1, 2016, non-interest bearing.	<u>133,000</u>
Total refundable grant obligations	<u>\$ 214,250</u>
Current portion	\$ 56,500
Non-current portion	<u>157,750</u>
Total refundable grant obligations	<u>\$ 214,250</u>

Accrued Compensated Absences:

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

Current portion	\$ 29,573
Non-current portion	<u>266,168</u>
Total accrued compensated absences	<u>\$ 295,741</u>

Fiduciary Component Unit Long-term Debt

Accrued compensated absences:

Accrued compensated absences reported as a fund liability within the component unit statement of net assets at June 30, 2014, are as follows:

Current portion	\$ 3,200
Non-current portion	<u>28,802</u>
Total accrued compensated absences	<u>\$ 32,002</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

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

3.F. LONG-TERM DEBT (continued)

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

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Amount</u> <u>due in</u> <u>one year</u>
Governmental Activities:					
Judgment payable	\$ 807,796	689,820	(466,287)	1,031,329	505,925
Accrued compensated absences	780,393	25,834	-	806,227	80,623
Total general long-term debt	<u>\$ 1,588,189</u>	<u>715,654</u>	<u>(466,287)</u>	<u>1,837,556</u>	<u>586,548</u>
Business-type Activities:					
Note payable	\$ 14,728,428	405,528	(5,152,057)	9,981,899	1,794,721
Revenue bonds payable	37,050,000	12,510,000	(5,595,000)	43,965,000	15,125,000
Refundable grant obligations	270,750	-	(56,500)	214,250	56,500
Accrued compensated absences	281,101	14,640	-	295,741	29,573
Total enterprise fund debt	<u>\$ 52,330,279</u>	<u>12,930,168</u>	<u>(10,803,557)</u>	<u>54,456,890</u>	<u>17,005,794</u>
Fiduciary Component Unit:					
Accrued compensated absences	<u>\$ 22,079</u>	<u>9,923</u>	<u>-</u>	<u>32,002</u>	<u>3,200</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

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

3.F. LONG-TERM DEBT (continued)

Debt Service Requirements to Maturity – Primary Government

The annual debt service requirements to maturity for long-term debt as of June 30, 2014 are as follows:

Year Ending June 30,	Governmental Activities				
	Judgment Payable				
	Principal	Interest			
2015	\$ 505,925	103,133			
2016	295,463	82,087			
2017	229,940	68,982			
Total	\$ 1,031,328	254,202			

Year Ending June 30,	Business-type Activities				
	Notes Payable		Revenue Bonds Payable		Refundable Grant Obligations
	Principal	Interest	Principal	Interest	Principal
2015	\$ 1,794,721	308,571	15,125,000	936,578	56,500
2016	1,822,319	275,106	4,080,000	603,430	44,000
2017	1,756,370	240,712	4,460,000	489,660	31,500
2018	1,784,279	200,440	3,495,000	397,005	25,250
2019	1,598,528	153,875	3,610,000	322,751	57,000
2020-2024	3,147,343	352,440	6,670,000	945,675	-
2025-2029	1,241,561	96,214	3,160,000	95,445	-
2030-2031	201,778	5,038	-	-	-
Total	\$ 13,346,899	1,632,396	40,600,000	3,790,544	214,250

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

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

3.G. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

A \$3,958,479 accrued liability has been recognized to represent the total estimated amount owed by the Ponca City Utility Authority for closure and post-closure requirements dictated by the U.S. Environmental Protection Agency and the Oklahoma Department of Environmental Quality regulations. It is estimated that an additional \$4,641,631 will be recognized as closure and post-closure expense between the current balance sheet date and the date the landfill is expected to be filled to capacity. These amounts are based on what it would cost to perform all closure and post-closure care in 2014. However, the actual cost of closure and post-closure may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The PCUA is required by state and federal laws to provide for financial assurance to cover a portion of the estimated closure and post-closure liability. To meet its financial assurance responsibility, the PCUA participates in a joint venture with other owners of municipal landfills as explained in Notes 1.A. and 3.D.

The percentage of landfill capacity used to date is 48.85%. The estimated remaining landfill life is 43.5 years.

3.H. INTERFUND BALANCES AND ACTIVITIES

Interfund receivables and payables at June 30, 2014 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Nature of Interfund Balance</u>		
Motor Pool	PCUA Fund	\$ 59,797	June charges for service		
Motor Pool	Airport	1,499	June charges for service		
Total		<u>\$ 61,296</u>			
			<u>Due from</u>	<u>Due to</u>	<u>Internal</u>
			<u>Other Funds</u>	<u>Other Funds</u>	<u>Balance</u>
Reconciliation to Fund Financial Statements:					
Governmental Funds		\$ 28,261	(6,797)	21,464	
Internal Service Funds		61,296	(21,464)	39,832	
Enterprise Funds		-	(61,296)	(61,296)	
Total		<u>\$ 61,296</u>	<u>(89,557)</u>	<u>-</u>	

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

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

3.H. INTERFUND BALANCES AND ACTIVITIES (continued)

Interfund transfers for the year ended June 30, 2014 were as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>	<u>Nature of Interfund Balance</u>
Capital Improvement Project	PCUA	\$ 400,000	Funding for project
PCUA	Recreation Center Tax	1,981,449	Debt service
Golf Course	General Fund	260,000	To subsidize operations of the enterprise fund
Marland Trust Fund	General Fund	148,378	To subsidize operations of the enterprise fund
Cann Estate Fund	General Fund	56,510	To subsidize operations of the permanent fund
Airport	General Fund	103,446	To subsidize operations of the enterprise fund
Airport	Capital Improvement Project	16,667	To subsidize operations of the enterprise fund
PCUA	Motor Pool	10,000	Funding for information services
General Fund	PCUA	9,064,332	To subsidize operations of the general fund
PCDA	Economic Development	2,105,883	To transfer sales tax collections
PCUA	General Fund	195,000	Funding for information services
Capital Improvement Project	General Fund	250,000	To subsidize operations of the C.I.P. fund
Community Development	Hotel/Motel Tax Fund	11,319	To transfer grant funds
PCUA	General Fund	80,000	Debt service
		<u>\$ 14,682,984</u>	

	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>	<u>Net Transfers</u>
Reconciliation to fund financial statements:			
Governmental Funds	\$ 5,208,652	9,782,161	4,573,509
Internal Service Funds	10,000	-	(10,000)
Enterprise Funds	9,464,332	2,794,940	(6,669,392)
Component Unit	-	2,105,883	2,105,883
Totals	<u>\$ 14,682,984</u>	<u>14,682,984</u>	<u>-</u>

Reconciliation to Statement of Activities:		
Net transfers Enterprise Funds		\$ 6,669,392
Transfer of capital assets to business-type activities		(948,789)
Transfer - internal activity		<u>\$ 5,720,603</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

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

3.I. FUND BALANCES AND NET POSITION

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which *The City* is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental fund and all other governmental funds are presented as follows:

	General Fund	Other Governmental Funds	Total
Fund balances:			
Nonspendable:			
Permanent fund principal	\$ -	1,138,801	1,138,801
Restricted for:			
Tourism	-	1,470,393	1,470,393
Rec capital	-	726,497	726,497
Library	-	12,703	12,703
Street improvements	-	2,943,282	2,943,282
Recreation center	-	409,821	409,821
Committed to:			
Operating reserve	1,900,000	-	1,900,000
E911/Cap	147,790	-	147,790
Assigned to:			
Other purposes	1,444,120	-	1,444,120
Special projects	-	36,422	36,422
Street & alley	-	693,648	693,648
Community development	-	159,964	159,964
Capital improvements	-	2,341,460	2,341,460
Debt service	-	54,395	54,395
Matzene Book	-	1,311	1,311
Cann Estate	-	52,824	52,824
Unassigned:	2,538,404	-	2,538,404
Total fund balances	\$ 6,030,314	10,041,521	16,071,835

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

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

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

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

	<u>Enabling Legislation</u>	<u>Statutory Requirements</u>	<u>External Contracts</u>
Restricted Net Position - Governmental Activities:			
E-911	\$ 147,790	-	-
Special Projects	-	-	36,422
Street & Alley	-	693,648	-
Hotel/Motel Tax	2,196,890	-	-
Community Development	-	-	159,964
Library Grant	-	-	12,703
Street Improvement Project	2,943,282	-	-
Recreation Center Tax	409,821	-	-
Capital Improvement Project	2,341,460	-	-
Debt Service	-	54,395	-
Matzene Book	-	-	50,076
Cann Estate	-	-	1,142,860
Total restricted net position	<u>\$ 8,039,243</u>	<u>748,043</u>	<u>1,402,025</u>
Restricted Net Position - Business-type Activities:			
Debt Service	\$ -	-	4,790,341
Utility meter deposits	-	597,293	-
Total restricted net position	<u>\$ -</u>	<u>597,293</u>	<u>4,790,341</u>

3.J. PRIOR PERIOD ADJUSTMENT

GASB Statement No. 65 that became effective for financial statements for periods beginning after December 15, 2012, required an accounting change to conform to the provisions of this statement. Debt issuance costs should be presented as an expense instead of an asset. A prior period adjustment of refinancing costs of \$799,902 associated with a loan has been reported as a restatement of beginning net position.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 4 – OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

The City participates in three employee pension systems as follows:

<u>Name of Plan/System</u>	<u>Type of Plan</u>
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer-Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer-Defined Benefit Plan
<i>City of Ponca City</i> Employees' Retirement System	Single Employer-Defined Benefit Plan

Oklahoma Police and Firefighter's Pension and Retirement Systems

The City of Ponca City, Oklahoma as the employer, participates in two statewide cost-sharing multiple-employer defined benefit plans on behalf of the police officers and firefighters. The systems are funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods and benefit provisions.

	Oklahoma Police Pension and Retirement System	Oklahoma Firefighter Pension and Retirement System
Obtaining separately issued annual financial reports	Police Pension and Retirement 1001 N.W. 63 rd St., Suite 605 Oklahoma City, OK 73116-7335	Firefighters Pension & Retirement 4545 N. Lincoln Blvd., Suite 265 Oklahoma City, OK 73105-3414
Eligibility to participate	All full-time officers, employed by a participating municipality, not less than 21 years of age or more than 45 years of age when hired.	All full-time or voluntary firefighters of a participating municipality hired before age 45.
Authority establishing contribution obligations and benefits	State Statute	State Statute
Employee's contribution rate (percent of covered payroll)	8%	8%
<i>The City's</i> contribution rate (percent of covered payroll)	13%	13%

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 4 – OTHER NOTES (continued)

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

Oklahoma Police and Firefighter’s Pension and Retirement Systems (continued)

	<u>Oklahoma Police Pension and Retirement System</u>	<u>Oklahoma Firefighter Pension and Retirement System</u>
State obligation	State appropriation to fund the unfunded actuarial accrued liability	State appropriation to fund the unfunded actuarial accrued liability
Period required to vest	10 years	10 years
Eligibility and benefits for distribution (full-time)	20 years credited service, 2-1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.	20 years credited service 2-1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Eligibility and benefits for distribution (volunteer)		20 years credited service equal to \$5.33 per month per year of service, with a maximum of 30 years considered.
Deferred retirement option	Yes, 20 years credited service with additional option to participate in Louisiana Plan.	Yes, 20 years credited service with continued service for a maximum of 30 or more years.
Provisions for:		
Cost of living adjustments (normal retirement)	Yes	Yes, if vested by 5/83
Death (duty, non-duty, post retirement)	Yes	Yes
Disability (duty, non-duty)	Yes	Yes
Cost of living allowances	Yes	Yes

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 4 – OTHER NOTES (continued)

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

Oklahoma Police and Firefighter’s Pension and Retirement Systems (continued)

Trend Information

Contributions required by State statute:

<u>Fiscal Year</u>	<u>Oklahoma Police Pension and Retirement System</u>		<u>Oklahoma Firefighters Pension and Retirement System</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2012	\$ 320,662	100%	443,499	100%
2013	349,661	100%	436,385	100%
2014	371,129	100%	476,060	100%

Trend information shows the progress of the Systems in accumulating sufficient assets to pay benefits as dues have been paid and these trends are presented in their respective separate annual financial reports.

The Oklahoma Insurance Department made a contribution to the OPPRS of \$314,673 on behalf of *The City’s* employed police officers who participate in the Oklahoma Police Pension & Retirement System. This was recorded as miscellaneous revenue and public safety expense on the government-wide financial statements.

Related Party Investments

As of June 30, 2014, the Systems held no related-party investments of *The City* or its related entities.

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

Plan Description, Contribution Information and Funding Policies

The City contributes to *The City of Ponca City, Oklahoma* Employees Retirement System (the “System”), which is a single-employer defined benefit pension plan controlled by the provisions of Group Contract adopted pursuant to City Ordinance. The plan is governed

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 4 – OTHER NOTES (continued)

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

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

by *The City of Ponca City, Oklahoma* which may amend plan provisions, and which is responsible for the management of the plan assets. *The City of Ponca City, Oklahoma* has delegated the authority to manage certain plan assets to Principal Life Insurance Company. All non-union full-time City employees are eligible to participate in the System after one year of service and attained age 21.

The System 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 reports, however a Statement of Fiduciary Net Position is in the Basic Financial Statements section.

The following is a summary of funding policies, contribution methods and benefit provisions:

Year established and governing authority	1961; City Council
Determination of contribution requirements	City Ordinance; actuarially determined
Employer	6.75%
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 distribution	Age 65 with five years of credited service, or age 55 with ten years credited service
Provisions for:	
Disability benefits	Yes
Death benefits	Yes
<u>Plan Membership as of December 31, 2013</u>	
Active members	213
Inactive members	152
Retirees and beneficiaries	141
Total	<u>506</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 4 – OTHER NOTES (continued)

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

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

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting –The plan’s policy is to prepare its financial statements on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Valuation of Investments – The pension plan’s unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to pay benefits or administrative expense charged by the Principal Life Insurance Company. The pension plan’s unallocated separate accounts are valued at fair value. At of June 30, 2014, the following investments (other than U.S. Government and U.S. Government guaranteed obligations), in any one organization, that represent five percent or more of the net position available for benefits (\$19,526,556 x .05 = \$976,328) were invested in Principal Financial Group – unallocated insurance contracts totaling \$22,260,036.

Deposits And Investments

The Governmental Accounting Standards Board in Statement No. 3 (GASB 3), as amended by GASB No. 40, requires state and local governments to disclose certain risks associated with the plan’s deposits and investments. GASB 53 requires investment derivative instruments be reported at fair value and disclosed according to GASB 40 requirements.

Deposits

At December 31, 2013, the plan held no deposits.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 4 – OTHER NOTES (continued)

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

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

Investments

Interest Rate Risk: At December 31, 2013, *The City* had the following investments. Amounts are shown in dollars. Modified duration is shown in years.

<u>Fixed Income Investment Options</u>	<u>Fair Value</u>	<u>Effective Duration</u>
General Account at contract value	\$ 4,258,053	4.9
Principal Bond and Mortgage Separate Account	<u>2,639,771</u>	5.1
Total Fair Value of Fixed Income Investment Options	6,897,824	
Other Investments	<u>14,497,775</u>	
Total Investments as of December 31, 2013	<u>\$ 21,395,599</u>	

For more performance information, including most recent month-end performance, visit the Principal Sponsor Service Center at www.Principal.com, or contact your representative of The Principal, or call the Client Contact Center at 1-800-547-7754.

Credit Risk: Separate accounts held at The Principal Financial Group are commingled pools, rather than individual securities. As a result, these accounts are not rated.

Derivatives: Separate accounts held at The Principal Financial Group may use derivatives as part of their investment strategy. These accounts are comingled pools, rather than individual securities.

Accounts held at The Principal Financial Group are not subject to concentration of credit risk, custodial credit risk or foreign currency risk.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 4 – OTHER NOTES (continued)

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

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

Contributions

Active members are not required to contribute a percentage of compensation to the plan. Any remaining obligation with respect to the pension plan shall be paid by the employer. Investment expenses, including investment manager and custodial services, are funded by through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions.

Annual required contributions were made to the plan. *The City's* annual pension cost and net pension obligation as of and for the year ending December 31, 2013 were as follows:

Beginning of year 2013 net pension obligation	\$ 1,228,229
Annual required contribution for 2013 plan year	1,376,192
Interest on net pension obligation (asset)	89,047
Adjustment to annual required contribution	127,989
Annual pension cost for 2013 plan year	1,337,250
Actual contributions made	(536,271)
Increase (decrease) in net pension obligation (asset)	800,979
End of year 2013 net pension obligation	\$ 2,029,208

I. Schedule of Funding

Historical trend information about the plan is presented by Principal Financial Group herewith as required supplementary information. It is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

The actuarial information is required by Act 205 biennially, except for distressed pension plans, which require annual reporting.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 4 – OTHER NOTES (continued)

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

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

I. Schedule of Funding (continued)

The historical information required to be disclosed, beginning as of January 1, 2008 is as follows:

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Annual Covered Payroll	(6) UAAL as a % of Payroll [(2) - (1)] / (5)
1/1/2008	\$ 18,013,794	18,780,400	766,606	96%	7,287,884	11%
1/1/2009	17,967,564	20,396,217	2,428,653	88%	7,382,689	33%
1/1/2010	17,814,568	21,539,391	3,724,823	83%	7,689,385	48%
1/1/2011	17,639,710	23,380,303	5,740,593	75%	8,328,791	69%
1/1/2012	17,423,083	24,957,291	7,534,208	70%	8,086,461	93%
1/1/2013	18,579,477	25,619,859	7,040,382	73%	7,895,721	89%
1/1/2014	20,043,744	26,748,379	6,704,635	75%	7,877,083	85%

Prior to the adoption of GASB 50, GASB 25 and 27 defined the Actuarial Accrued Liability under the Aggregate method to be equal to the Actuarial Value of Assets. Subsequent to the adoption of GASB 50 for periods beginning after June 15, 2007, funded status information is prepared using the entry age actuarial cost method. The information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the accrued liability as a factor. (See III for Significant Factors Affecting Schedules.)

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 4 – OTHER NOTES (continued)

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

I. Schedule of Funding (continued)

Analysis of the dollar amount of the actuarial value of assets, accrued liability and unfunded (assets in excess of) accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the accrued liability (column 4) provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage, over time, indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

Trends in unfunded (assets in excess of) accrued liability and annual covered payroll are both affected by inflation. Expressing unfunded (assets in excess of) accrued liability as a percentage of annual covered payroll (column 6) approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, where there is an unfunded accrued liability, the smaller this percentage, the stronger the plan. However, when assets are in excess of the accrued liability, the higher the bracketed percentage, the stronger the plan.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations, if applicable.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 4 – OTHER NOTES (continued)

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

II. Schedule of Employer Contributions

The following table provides an analysis of funding progress for the last six years:

<u>Plan Year End</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
12/31/2008	\$ 486,810	395,108	81%
12/31/2009	722,127	444,347	62%
12/31/2010	900,224	465,314	52%
12/31/2011	1,199,884	513,258	43%
12/31/2012	1,462,672	501,148	34%
12/31/2013	1,376,192	536,271	39%

III. Notes to Required Supplementary Information Pension Plan Funding Schedules

The actuarial accrued liability was determined as part of an actuarial valuation at January 1, 2013, the most recently filed actuarial valuation report. The aggregate cost method does not identify or separately amortize unfunded actuarial accrued liabilities.

- (1) Actuarial assumptions used in the above schedules are as follows:

Valuation date	December 31, 2013
Actuarial cost method	Aggregate
Inflation	2.5%
Actuarial asset valuation method	Market value adjusted by spreading the expected value minus the actual value over four years.
Investment rate of return	7.25%
Projected salary increases	Table S-5 from Actuary's Pension Handbook plus 1.00%

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 4 – OTHER NOTES (continued)

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

(2) Significant Factors Affecting Schedules

The following changes affect the comparability of costs since January 1, 2012 plan year:

<u>Actuarial Valuation Date</u>	<u>Reasons</u>	<u>Change in Actuarial Accrued Liability</u>
1/1/2013	Assumption changes	\$ 44,091

Other Post-employment Benefit

Plan Description: In addition to providing pension benefits, *The City* provides post-retirement benefit options for certain health care benefits for retired employees, terminated employees and their dependents that are not eligible for Medicare. 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 of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for *The City*.

Funding Policy: *The City* incurs no costs for such benefits since all premiums are paid by the retirees.

Annual OPEB Cost and Net OPEB Obligation: *The City's* annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years on a level dollar method. The following table shows the components of *The City's* annual OPEB cost for the year and *The City's* net OPEB obligation.

Annual Amortization (30 years level payments)	\$ 26,212
Normal Cost	<u>18,269</u>
Annual Required Contribution (ARC)	<u>\$ 44,481</u>
OPEB liability (accrued actuarial liability) at July 1, 2013	<u>\$ 446,201</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 4 – OTHER NOTES (continued)

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

Other Post-employment Benefit (continued)

The City's significant OPEB calculations for 2014 are as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll [(b - a) / c]
7/1/2012	\$ -	446,201	446,201	0.00%	10,295,051	4.3%

Actuarial Assumptions:

Discount rate	4.5%
Health care cost trend rate	9% in 2012 graded to 5% in 2020
Participant contribution trend rate	2.5%
Mortality	IRS 2008 Small Plan combined static mortality
Turnover and Retirement rates	Vary by age and 20 years of service

Actuarial Method:

The actuarial funding method chosen will determine the allocation of costs. For example, one method may allocate all costs between now and the time a member is fully eligible to retire whereas another method may allocate all costs between now and the time a member is expected to retire (several years after retirement eligibility). One method might allocate costs as a level dollar amount while another might allocate costs as a level percentage of payroll. Using a different method will provide slightly different results. In short, different methods will relatively frontload the costs or backload the costs.

GASB allows the selection of one of six different actuarial methods. The method selected for this report was the projected unit credit (PCU) actuarial cost method. This is the method required by FASB 106 in the private. PCU is known to backload costs compared with the Entry Age Normal cost method. This is reasonable to do for OPEB liabilities, which are “soft liabilities” because it allows for the realization of the assumptions before most payments are made.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 4 – OTHER NOTES (continued)

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

Other Post-employment Benefit (continued)

GASB also allows for the selection of the amortization period (not to exceed thirty years). A longer amortization period means that the unfunded liability is being smoothed, and funded, over a longer period of time. This can be compared to a mortgage being paid off over a longer period of time (lower payments, but more interest). Thirty years was selected as the amortization period for this report.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 4 – OTHER NOTES (continued)

4.B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters.

The City manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
a. General Liability: - Torts - Errors and omissions - Police liability - Vehicle	Purchased insurance with Oklahoma Municipal Assurance Group	None
b. Physical Property: - Theft - Damage to assets - Natural disasters	Purchased insurance with \$50,000 deductible	None
c. Workers Compensation: - Employee injuries	Self-insured with third-party administration of the claims process. Insurance Fund used to account for activities with participating funds charged through an estimated annual claim cost for each fund. Administered by United Safety Claims.	Entire risk of loss retained.
d. Health and Life: - Medical - Dental	Self-insured with City paying a portion of health care premiums, and all of life and disability premiums. Administered by UMR.	Claims up to \$270,000 per individual self-funded with stop-loss insurance up to \$1,000,000 per person.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 4 – OTHER NOTES (continued)

4.B. RISK MANAGEMENT (continued)

Claims Liability Analysis

The claims liabilities related to the above noted risks of loss that are retained are determined in accordance with the requirements of FASB ASC 450-10, Loss Contingencies (formerly Statement of Financial Accounting Standards (SFAS) No. 5), which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. *The City* has elected to report its estimated claim liability at the discounted net present value of future payments. For the internal service self-insurance funds, changes in the claims liability for *The City* from June 30, 2012 to June 30, 2014, are as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Care</u>	<u>Total</u>
Claim liability, June 30, 2012	\$ 668,522	637,764	1,306,286
Claims and changes in estimates	1,198,557	2,437,068	3,635,625
Claims payments	<u>(548,021)</u>	<u>(2,642,493)</u>	<u>(3,190,514)</u>
Claim liability, June 30, 2013	1,319,058	432,339	1,751,397
Claims and changes in estimates	(374,722)	3,036,485	2,661,763
Claims payments	<u>(657,990)</u>	<u>(2,967,121)</u>	<u>(3,625,111)</u>
Claim liability, June 30, 2014	<u>\$ 286,346</u>	<u>501,703</u>	<u>788,049</u>

Reconciliation to Statement of Net Position:

Current portion	\$ 358,622
Noncurrent portion	<u>429,427</u>
Total	<u>\$ 788,049</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2014

(continued)

NOTE 4 – OTHER NOTES (continued)

4.C. COMMITMENTS AND CONTINGENCIES

The City maintains a stop-loss policy for plans to limit risk associated with the plans. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Contingencies

Construction Commitments:

At June 30, 2014, *The City* had awarded construction contracts totaling \$3,435,728 for various City projects and of this amount, \$768,663 was outstanding and payable from various funds.

Grant Program Involvement:

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

4.D. SUBSEQUENT EVENTS

Management has evaluated and disclosed subsequent events up to and including December 2, 2014, which is the date the financial statements were available for issuance.

REQUIRED SUPPLEMENTARY INFORMATION

THE CITY OF PONCA CITY, OKLAHOMA
 Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Sales tax	\$ 7,510,796	7,510,796	7,764,127	253,331
Use tax	425,000	425,000	659,406	234,406
Franchise tax	650,000	650,000	649,694	(306)
E911 tax	355,000	355,000	338,390	(16,610)
Weed tax	15,000	15,000	34,144	19,144
Total taxes	<u>8,955,796</u>	<u>8,955,796</u>	<u>9,445,761</u>	<u>489,965</u>
Intergovernmental:				
Cigarette tax	185,000	185,000	158,754	(26,246)
Alcoholic beverage tax	96,000	96,000	107,166	11,166
Grants	39,700	33,700	36,704	3,004
Total intergovernmental	<u>320,700</u>	<u>314,700</u>	<u>302,624</u>	<u>(12,076)</u>
Charges for Services:				
Recreation programs	21,700	21,700	19,036	(2,664)
Wentz Camp	34,000	34,000	36,210	2,210
Administrative services	2,116,212	2,116,212	2,116,212	-
Police services	75,000	75,000	68,797	(6,203)
Ambulance services	1,175,000	1,275,000	1,308,085	33,085
Fire runs	500	500	-	(500)
Animal control receipts	13,000	13,000	17,180	4,180
Library receipts	15,000	15,000	12,358	(2,642)
Rentals	172,500	172,500	185,061	12,561
Miscellaneous charges	48,200	48,200	23,580	(24,620)
Total charges for services	<u>3,671,112</u>	<u>3,771,112</u>	<u>3,786,519</u>	<u>15,407</u>
Fines and forfeitures	<u>502,500</u>	<u>502,500</u>	<u>610,036</u>	<u>107,536</u>
Licenses and permits	<u>119,000</u>	<u>119,000</u>	<u>117,536</u>	<u>(1,464)</u>
Investment Income	<u>30,000</u>	<u>30,000</u>	<u>39,573</u>	<u>9,573</u>
Miscellaneous	<u>5,300</u>	<u>5,300</u>	<u>77,118</u>	<u>71,818</u>
Other Financing Sources:				
Proceeds from sale of fixed assets	15,000	15,000	19,675	4,675
Transfers from other funds	6,948,120	6,948,120	6,948,120	-
Total revenues and other financing sources	<u>20,567,528</u>	<u>20,661,528</u>	<u>21,346,962</u>	<u>685,434</u>

Unaudited – see independent auditor’s report

THE CITY OF PONCA CITY, OKLAHOMA
 Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2014
 (continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
City Commissioners	\$ 14,300	14,300	6,115	8,185
City Manager	914,805	914,805	731,200	183,605
Central municipal activity	1,361,289	1,611,289	1,505,694	105,595
Finance	457,849	517,457	442,041	75,416
Municipal court	223,690	223,690	210,855	12,835
City attorney	262,190	262,190	247,537	14,653
Community development	625,632	625,632	588,753	36,879
Animal control	218,296	218,296	204,666	13,630
Emergency management	158,030	158,030	148,622	9,408
Police Admin	5,162,109	5,223,109	5,130,500	92,609
Communications/911	610,123	610,123	537,607	72,516
Fire	4,917,274	5,042,274	4,987,396	54,878
Fire-Ambulance	1,044,229	1,127,172	1,106,428	20,744
Street Admin	1,420,868	1,420,868	997,509	423,359
Engineering Admin	680,760	680,760	594,815	85,945
Traffic engineering	448,897	448,897	419,850	29,047
Park maintenance	1,695,501	1,695,501	1,470,855	224,646
Recreation programs	375,403	379,403	304,919	74,484
Ambuc Pool	71,440	71,440	61,619	9,821
Wentz Camp	103,482	103,482	85,030	18,452
Marland's Grand Home	82,035	82,035	56,812	25,223
Hutchins Memorial	99,997	99,997	92,227	7,770
Library	992,944	931,944	912,479	19,465
Total expenditures	<u>21,941,143</u>	<u>22,462,694</u>	<u>20,843,529</u>	<u>1,619,165</u>
Revenue and other sources over (under) expenditures	<u>\$ (1,373,615)</u>	<u>(1,801,166)</u>	503,433	<u>(933,731)</u>
Fund balances, beginning of year			<u>3,607,933</u>	
Fund balances, end of year			<u>\$ 4,111,366</u>	

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Budgetary Comparison Schedules
For the Fiscal Year Ended June 30, 2014

BUDGETARY ACCOUNTING AND CONTROL

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

	General Fund
Net Change to Revenue Over (Under) Expenditures:	\$ 503,433
Add: current year encumbrances	87,445
Change in payables	(69,630)
Change in advance revenue	(101,985)
Change in receivables	96,297
Prior year encumbrances	(90,876)
Change in fund balance	<u>\$ 424,684</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Budgetary Comparison Schedules

For the Fiscal Year Ended June 30, 2014

(continued)

BUDGETARY ACCOUNTING AND CONTROL (continued)

Budget Law

The City prepares its annual operating budget under the provisions of the Oklahoma Municipal Budget Act of 1979 (the “Budget Act”). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments. Public hearings are held no later than 15 days prior to the beginning of the budget year.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is legally enacted through the passage of a resolution by the City Commission.
- d. Subsequent to City Commission enactment, the adopted budget is filed with the office of the State Auditor and Inspector.

The legal level of control at which expenditures may not legally exceed appropriations is the department category within a fund.

The City Manager may only transfer appropriations within expenditure categories within a department without City Commission approval. Transfers between expenditure categories of a department or fund and budget supplements made during the year are recommended by the City Manager and must be approved by the City Commission. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Budgetary Comparison Schedules

For the Fiscal Year Ended June 30, 2014

(continued)

BUDGETARY ACCOUNTING AND CONTROL (continued)

Budget Law (continued)

In accordance with Title 60 of the Oklahoma State Statutes, the Ponca City Utilities Authority and the Ponca City Tourism Authority are required to prepare annual budgets and submit copies to *The City* as beneficiary. However, there are no further requirements such as form of budget, approval of the budget or definition of a legal level of control.

Budgetary Accounting

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

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

Footnotes to Budgetary Comparison Schedules

The budgetary comparison schedules are reported on a non-GAAP budgetary basis that report revenues on a cash basis and expenditures on a modified cash basis including encumbrances. For budgetary purposes expenditures are recorded in the period the goods or services are ordered, except for payroll expenditures that are recorded when paid.

The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the approval of the City Manager. All supplemental appropriations require the approval of the City Commission. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.

OTHER SUPPLEMENTARY INFORMATION

THE CITY OF PONCA CITY, OKLAHOMA
Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2014

	Special Revenue Funds							
	Special Projects Fund	Street & Alley Fund	Hotel/ Motel Tax Fund	Community Development Fund	Library Grant Fund	Library State Aid Fund	Misc. Trust Fund	Economic Development Fund
<u>ASSETS</u>								
Cash and cash equivalents	\$ 8,003	147,528	484,326	74,210	3,238	21	2,171	-
Investments	29,233	538,898	1,769,165	-	11,826	76	7,930	-
Accounts receivable	-	-	71,567	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Due from other governments	-	18,868	-	163,604	-	-	-	190,584
Total assets	<u>\$ 37,236</u>	<u>705,294</u>	<u>2,325,058</u>	<u>237,814</u>	<u>15,064</u>	<u>97</u>	<u>10,101</u>	<u>190,584</u>
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable and accrued liabilities	\$ 814	11,646	128,168	71,053	2,361	97	10,101	-
Due to other funds	-	-	-	6,797	-	-	-	-
Due to component unit	-	-	-	-	-	-	-	190,584
Total liabilities	<u>814</u>	<u>11,646</u>	<u>128,168</u>	<u>77,850</u>	<u>2,361</u>	<u>97</u>	<u>10,101</u>	<u>190,584</u>
Fund Balances:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	2,196,890	-	12,703	-	-	-
Assigned	36,422	693,648	-	159,964	-	-	-	-
Total fund balances	<u>36,422</u>	<u>693,648</u>	<u>2,196,890</u>	<u>159,964</u>	<u>12,703</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 37,236</u>	<u>705,294</u>	<u>2,325,058</u>	<u>237,814</u>	<u>15,064</u>	<u>97</u>	<u>10,101</u>	<u>190,584</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA
Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2014
(continued)

	<u>Special Revenue Funds</u>				<u>Permanent Funds</u>		<u>Total</u>
	<u>Recreation Center Tax Fund</u>	<u>Street Improvement Project Fund</u>	<u>Capital Improvement Project Fund</u>	<u>Debt Service Fund</u>	<u>Matzene Book Fund</u>	<u>Cann Estate Fund</u>	
<u>ASSETS</u>							
Cash and cash equivalents	\$ 47,119	650,147	518,461	11,066	97	23,972	1,970,359
Investments	172,118	2,374,883	1,893,855	40,421	49,979	1,121,133	8,009,517
Accounts receivable	-	-	-	-	-	-	71,567
Due from other funds	-	-	-	-	-	-	-
Due from other governments	190,584	190,584	-	2,908	-	-	757,132
Total assets	<u>\$ 409,821</u>	<u>3,215,614</u>	<u>2,412,316</u>	<u>54,395</u>	<u>50,076</u>	<u>1,145,105</u>	<u>10,808,575</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable and accrued liabilities	\$ -	238,360	68,336	-	-	2,245	533,181
Retainage payable	-	33,972	-	-	-	-	33,972
Due to other funds	-	-	-	-	-	-	6,797
Due to component unit	-	-	-	-	-	-	190,584
Advanced revenue	-	-	2,520	-	-	-	2,520
Total liabilities	<u>-</u>	<u>272,332</u>	<u>70,856</u>	<u>-</u>	<u>-</u>	<u>2,245</u>	<u>767,054</u>
Fund Balances:							
Nonspendable	-	-	-	-	48,765	1,090,036	1,138,801
Restricted	409,821	2,943,282	-	-	-	-	5,562,696
Assigned	-	-	2,341,460	54,395	1,311	52,824	3,340,024
Total fund balance	<u>409,821</u>	<u>2,943,282</u>	<u>2,341,460</u>	<u>54,395</u>	<u>50,076</u>	<u>1,142,860</u>	<u>10,041,521</u>
Total Liabilities and Fund Balances	<u>\$ 409,821</u>	<u>3,215,614</u>	<u>2,412,316</u>	<u>54,395</u>	<u>50,076</u>	<u>1,145,105</u>	<u>10,808,575</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2014

	Special Revenue Funds							
	Special Projects Fund	Street & Alley Fund	Hotel/ Motel Tax Fund	Community Development Fund	Library Grant Fund	Library State Aid Fund	Misc. Trust Fund	Economic Development Fund
Revenues:								
Taxes	\$ -	-	854,775	-	-	-	-	2,105,883
Intergovernmental	-	237,230	-	284,965	8,341	14,879	-	-
Charges for services	-	-	-	-	-	-	-	-
Investment income	-	-	-	652	-	-	-	-
Fines and forfeitures	24,181	-	-	-	-	-	-	-
Miscellaneous	81	-	913	55,707	-	-	-	-
Total revenues	<u>24,262</u>	<u>237,230</u>	<u>855,688</u>	<u>341,324</u>	<u>8,341</u>	<u>14,879</u>	<u>-</u>	<u>2,105,883</u>
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	32,602	-	-	-	-	-	-	-
Street and highway	-	138,654	-	-	-	-	-	-
Culture, parks and recreation	-	-	254,694	-	75,428	14,879	-	-
Community development	-	-	-	298,608	-	-	-	-
Capital outlay	-	-	324,980	49,816	-	-	-	-
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>32,602</u>	<u>138,654</u>	<u>579,674</u>	<u>348,424</u>	<u>75,428</u>	<u>14,879</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(8,340)</u>	<u>98,576</u>	<u>276,014</u>	<u>(7,100)</u>	<u>(67,087)</u>	<u>-</u>	<u>-</u>	<u>2,105,883</u>
Other financing sources (uses):								
Transfers in	-	-	-	11,319	-	-	-	-
Transfers out	-	-	(11,319)	-	-	-	-	(2,105,883)
Proceeds from sale of judgment	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(11,319)</u>	<u>11,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,105,883)</u>
Net change in fund balances	(8,340)	98,576	264,695	4,219	(67,087)	-	-	-
Fund balance, beginning of year	44,762	595,072	1,932,195	155,745	79,790	-	-	-
Fund balance, end of year	<u>\$ 36,422</u>	<u>693,648</u>	<u>2,196,890</u>	<u>159,964</u>	<u>12,703</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2014
(continued)

	Special Revenue Funds			Debt Service Fund	Permanent Funds		Total
	Recreation Center Tax Fund	Street Improvement Project Fund	Capital Improvement Project Fund		Matzene Book Fund	Cann Estate Fund	
Revenues:							
Taxes	\$ 2,105,883	2,105,883	-	552,440	-	-	7,724,864
Intergovernmental	-	-	-	-	-	-	545,415
Charges for services	-	-	-	-	-	2,100	2,100
Investment income	4,981	19,279	20,924	804	122	142,786	189,548
Fines and forfeitures	-	-	-	-	-	-	24,181
Miscellaneous	-	-	2,568,160	-	-	50	2,624,911
Total revenues	<u>2,110,864</u>	<u>2,125,162</u>	<u>2,589,084</u>	<u>553,244</u>	<u>122</u>	<u>144,936</u>	<u>11,111,019</u>
Expenditures:							
Current:							
General government	-	-	-	689,820	-	-	689,820
Public safety	-	-	-	-	-	-	32,602
Street and highway	-	191,396	-	-	-	-	330,050
Culture, parks and recreation	-	-	-	-	1,501	52,189	398,691
Community development	-	-	-	-	-	-	298,608
Capital outlay	7,500	1,532,746	3,496,645	-	-	-	5,411,687
Debt Service:							
Principle	-	-	-	466,287	-	-	466,287
Interest and fiscal charges	-	-	-	80,780	-	-	80,780
Total expenditures	<u>7,500</u>	<u>1,724,142</u>	<u>3,496,645</u>	<u>1,236,887</u>	<u>1,501</u>	<u>52,189</u>	<u>7,708,525</u>
Revenues over (under) expenditures	<u>2,103,364</u>	<u>401,020</u>	<u>(907,561)</u>	<u>(683,643)</u>	<u>(1,379)</u>	<u>92,747</u>	<u>3,402,494</u>
Other financing sources (uses):							
Transfers in	-	-	650,000	-	-	56,510	717,829
Transfers out	(1,981,449)	-	(16,667)	-	-	-	(4,115,318)
Proceeds from sale of judgment	-	-	-	689,820	-	-	689,820
Total other financing sources (uses)	<u>(1,981,449)</u>	<u>-</u>	<u>633,333</u>	<u>689,820</u>	<u>-</u>	<u>56,510</u>	<u>(2,707,669)</u>
Net change in fund balances	121,915	401,020	(274,228)	6,177	(1,379)	149,257	694,825
Fund balance, beginning of year	<u>287,906</u>	<u>2,542,262</u>	<u>2,615,688</u>	<u>48,218</u>	<u>51,455</u>	<u>993,603</u>	<u>9,346,696</u>
Fund balance, end of year	<u>\$ 409,821</u>	<u>2,943,282</u>	<u>2,341,460</u>	<u>54,395</u>	<u>50,076</u>	<u>1,142,860</u>	<u>10,041,521</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Combining Statement of Net Position

Nonmajor Proprietary Funds

June 30, 2014

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Marland</u>	<u>Lew Wentz</u>	<u>Total</u>
	<u>Estate</u>	<u>Golf</u>	<u>Other</u>
		<u>Course</u>	<u>Enterprise</u>
			<u>Funds</u>
<u>ASSETS</u>			
Current Assets:			
Cash, including time deposits	\$ 29,080	10,077	39,157
Investments	104,763	33,521	138,284
Accounts receivable	-	1,000	1,000
Due from other funds	-	-	-
Inventory	23,717	53,073	76,790
Total current assets	<u>157,560</u>	<u>97,671</u>	<u>255,231</u>
Noncurrent Assets:			
Capital assets:			
Nondepreciable	392,189	71,577	463,766
Depreciable, net of accumulated depreciation	913,714	670,940	1,584,654
Total noncurrent assets	<u>1,305,903</u>	<u>742,517</u>	<u>2,048,420</u>
Total Assets	<u>1,463,463</u>	<u>840,188</u>	<u>2,303,651</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable and accrued liabilities	18,963	52,584	71,547
Net OPEB obligation	430	828	1,258
Accrued compensated absences	911	1,668	2,579
Total current liabilities	<u>20,304</u>	<u>55,080</u>	<u>75,384</u>
Noncurrent Liabilities:			
Accrued compensated absences	8,202	15,011	23,213
Total noncurrent liabilities	<u>8,202</u>	<u>15,011</u>	<u>23,213</u>
Total Liabilities	<u>28,506</u>	<u>70,091</u>	<u>98,597</u>
<u>NET POSITION</u>			
Net investment in capital assets	1,305,903	742,517	2,048,420
Restricted for encumbrances	-	11,390	11,390
Unrestricted	129,054	16,190	145,244
Total Net Position	<u>\$ 1,434,957</u>	<u>770,097</u>	<u>2,205,054</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Combining Statement of Revenues, Expenditures and Changes in Fund Net Position
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Marland</u>	<u>Lew Wentz</u>	<u>Total</u>
	<u>Estate</u>	<u>Golf</u>	<u>Other</u>
		<u>Course</u>	<u>Enterprise</u>
			<u>Funds</u>
Operating Revenues:			
Charges for services	\$ 141,980	-	141,980
Golf course fees	-	460,983	460,983
Donations	3,896	-	3,896
Miscellaneous	10	2,030	2,040
Total operating revenues	<u>145,886</u>	<u>463,013</u>	<u>608,899</u>
Operating Expenses:			
Personal services	241,215	478,822	720,037
Materials and supplies	20,756	48,600	69,356
Maintenance, operations and contractual services	46,284	222,659	268,943
Depreciation and amortization	97,276	62,625	159,901
Total operating expenses	<u>405,531</u>	<u>812,706</u>	<u>1,218,237</u>
Operating loss	<u>(259,645)</u>	<u>(349,693)</u>	<u>(609,338)</u>
Non-Operating Revenues (Expenses)			
Investment income	907	-	907
Net non-operating revenues (expenses)	<u>907</u>	<u>-</u>	<u>907</u>
Loss before contributions and transfers	<u>(258,738)</u>	<u>(349,693)</u>	<u>(608,431)</u>
Capital asset transfers	12,100	250,686	262,786
Capital contributions			
Transfers in from other funds	148,378	260,000	408,378
Net transfers and capital contributions	<u>160,478</u>	<u>510,686</u>	<u>671,164</u>
Change in net position	(98,260)	160,993	62,733
Net position, beginning of year	<u>1,533,217</u>	<u>609,104</u>	<u>2,142,321</u>
Net position, end of year	<u>\$ 1,434,957</u>	<u>770,097</u>	<u>2,205,054</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Combining Statement of Cash Flows Nonmajor Proprietary Funds For the Fiscal Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds		
	Marland Estate	Lew Wentz Golf Course	Total Other Enterprise Funds
Cash Flows from Operating Activities:			
Receipts from customers	\$ 145,886	462,013	607,899
Payments to suppliers	(62,930)	(268,831)	(331,761)
Payments to employees	(240,417)	(475,975)	(716,392)
Net cash used in operating activities	(157,461)	(282,793)	(440,254)
Cash Flows from Noncapital Financing Activities:			
Transfers from other funds	148,378	260,000	408,378
Net cash provided by noncapital financing	148,378	260,000	408,378
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(3,896)	-	(3,896)
Net cash used in capital and related financing activities	(3,896)	-	(3,896)
Cash Flows from Investing Activities:			
Purchase of investments	(33,631)	(44)	(33,675)
Interest and dividends	907	-	907
Net cash used in investing activities	(32,724)	(44)	(32,768)
Net decrease in cash and cash equivalents	(45,703)	(22,837)	(68,540)
Balances, beginning of year	74,783	32,914	107,697
Balances, end of year	\$ 29,080	10,077	39,157

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2014
(continued)

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Marland Estate</u>	<u>Lew Wentz Golf Course</u>	<u>Total Other Enterprise Funds</u>
Reconciliation of Operating Income to Net Cash Used in Operating Activities:			
Operating loss	\$ (259,645)	(349,693)	(609,338)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation and amortization expense	97,276	62,625	159,901
Change in assets and liabilities:			
(Increase) decrease in accounts receivables, net	-	(1,000)	(1,000)
(Increase) decrease in inventories	189	4,412	4,601
Increase (decrease) in accounts and other payables	3,921	(1,984)	1,937
Increase (decrease) in accrued compensated absences	798	2,847	3,645
Net cash used in operating activities	<u>\$ (157,461)</u>	<u>(282,793)</u>	<u>(440,254)</u>
Non-Cash Activities:			
Capital assets acquired through transfers from other funds	\$ <u>12,100</u>	<u>250,686</u>	<u>262,786</u>
Net non-cash activities	<u>\$ 12,100</u>	<u>250,686</u>	<u>262,786</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Combining Statement of Net Position

Internal Service Funds

June 30, 2014

<u>ASSETS</u>	<u>Motor Pool</u>	<u>Insurance Imprest Fund</u>	<u>Totals</u>
Current Assets:			
Cash, including time deposits	\$ 200	2,750,001	2,750,201
Investments	-	2,955,502	2,955,502
Receivables:			
Due from other funds	60,159	1,137	61,296
Other	-	37,682	37,682
Prepaid expenses	-	46,530	46,530
Inventory	191,971	-	191,971
Total current assets	<u>252,330</u>	<u>5,790,852</u>	<u>6,043,182</u>
Noncurrent Assets:			
Capital assets:			
Depreciable, net of accumulated depreciation	50,808	-	50,808
Total noncurrent assets	<u>50,808</u>	<u>-</u>	<u>50,808</u>
Total Assets	<u>303,138</u>	<u>5,790,852</u>	<u>6,093,990</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable and accrued liabilities	30,025	86,249	116,274
Due to other funds	21,464	-	21,464
Estimated liability for claims	-	358,622	358,622
Accrued compensated absences	496	165	661
Total current liabilities	<u>51,985</u>	<u>445,036</u>	<u>497,021</u>
Noncurrent Liabilities:			
Estimated liability for claims	-	429,427	429,427
Accrued compensated absences	4,457	1,486	5,943
Total noncurrent liabilities	<u>4,457</u>	<u>430,913</u>	<u>435,370</u>
Total Liabilities	<u>56,442</u>	<u>875,949</u>	<u>932,391</u>
<u>NET POSITION</u>			
Net investment in capital assets	50,808	-	50,808
Restricted for encumbrances	7,052	-	7,052
Unrestricted	188,836	4,914,903	5,103,739
Total Net Position	<u>\$ 246,696</u>	<u>4,914,903</u>	<u>5,161,599</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2014

	<u>Motor Pool</u>	<u>Insurance Imprest Fund</u>	<u>Totals</u>
Operating Revenues:			
Charges for services	\$ 1,633,789	6,247,662	7,881,451
Total operating revenues	<u>1,633,789</u>	<u>6,247,662</u>	<u>7,881,451</u>
Operating Expenses:			
Personal services	223,350	721,102	944,452
Materials and supplies	814,400	-	814,400
Other services and charges	685,716	4,001,514	4,687,230
Depreciation expense	11,480	-	11,480
Total operating expenses	<u>1,734,946</u>	<u>4,722,616</u>	<u>6,457,562</u>
Operating income (loss)	<u>(101,157)</u>	<u>1,525,046</u>	<u>1,423,889</u>
Non-Operating Revenues:			
Investment income	-	89,956	89,956
Miscellaneous income	2,136	41,241	43,377
Total non-operating revenues	<u>2,136</u>	<u>131,197</u>	<u>133,333</u>
Income (loss) before contributions and transfers	<u>(99,021)</u>	<u>1,656,243</u>	<u>1,557,222</u>
Transfers to other funds	(10,000)	-	(10,000)
Capital asset transfers	9,500	(103,250)	(93,750)
Net proceeds from sale and transfers	<u>(500)</u>	<u>(103,250)</u>	<u>(103,750)</u>
Change in net position	(99,521)	1,552,993	1,453,472
Net position, beginning of year	<u>346,217</u>	<u>3,361,910</u>	<u>3,708,127</u>
Net position, end of year	\$ <u><u>246,696</u></u>	<u><u>4,914,903</u></u>	<u><u>5,161,599</u></u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2014

	Motor Pool	Insurance Imprest Fund	Totals
Cash Flows from Operating Activities:			
Receipts from customers	\$ 1,657,431	6,276,124	7,933,555
Payments to suppliers and others	(1,458,498)	(4,989,015)	(6,447,513)
Payments to employees	(227,576)	(721,119)	(948,695)
Net cash provided by (used in) operating activities	(28,643)	565,990	537,347
Cash Flows from Noncapital Financing Activities:			
Transfers to from other funds	(10,000)	(103,250)	(113,250)
Net cash used in noncapital financing activities	(10,000)	(103,250)	(113,250)
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(1,371)		(1,371)
Net cash used in capital and related financing activities	(1,371)	-	(1,371)
Cash Flows from Investing Activities:			
Purchase of investments	-	(670,435)	(670,435)
Proceeds from sale and maturities of investments	19,560	-	19,560
Interest and dividends	-	89,956	89,956
Net cash provided by (used in) investing activities	19,560	(580,479)	(560,919)
Net decrease in cash and cash equivalents	(20,454)	(117,739)	(138,193)
Balances, beginning of year	20,654	2,867,740	2,888,394
Balances, end of year	\$ 200	2,750,001	2,750,201
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ (101,157)	1,525,046	1,423,889
Adjustments to reconcile operating income to net cash provided by operating activities:			
Miscellaneous nonoperating revenue	2,136	41,241	43,377
Depreciation expense	11,480	-	11,480
Change in assets and liabilities:			
(Increase) decrease in receivables, net	-	(11,642)	(11,642)
(Increase) decrease in prepaid expenses	-	57,966	57,966
(Increase) decrease in inventory	48,798	-	48,798
(Increase) decrease in due from other funds	21,506	(1,137)	20,369
Increase (decrease) in claims payable	-	(963,348)	(963,348)
Increase (decrease) in accrued compensated absences	(4,226)	(17)	(4,243)
Increase (decrease) in due to other funds	21,464	-	21,464
Increase (decrease) in accounts and other payables	(28,644)	(82,119)	(110,763)
Net cash provided by (used in) operating activities	\$ (28,643)	565,990	537,347
Non-Cash Activities:			
Capital assets acquired through transfers from other funds	\$ 9,500	-	9,500
Net non-cash activities	\$ 9,500	-	9,500

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA
Schedule of Revenue Bonds and Notes Debt Service Coverage
For the Fiscal Year Ended June 30, 2014

	<u>Electric</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Wastewater</u>	<u>Total</u>
Gross Revenues of the System:					
Utility charges for service	\$ 37,854,740	7,279,698	4,763,979	5,567,031	55,465,448
Investment income	62,817	24,273	17,876	10,707	115,673
 Total operating revenues	 <u>37,917,557</u>	 <u>7,303,971</u>	 <u>4,781,855</u>	 <u>5,577,738</u>	 <u>55,581,121</u>
Operation and Maintenance Expenses:					
Personal services	2,239,775	1,371,675	2,289,531	1,069,927	6,970,908
Materials and supplies	81,150	407,921	33,134	65,963	588,168
Maintenance, operations and contractual services	1,835,918	1,168,782	867,129	893,181	4,765,010
Electricity purchased	<u>23,053,305</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,053,305</u>
 Total operating expenses	 <u>27,210,148</u>	 <u>2,948,378</u>	 <u>3,189,794</u>	 <u>2,029,071</u>	 <u>35,377,391</u>
 Net revenues available for debt service	 <u>\$ 10,707,409</u>	 <u>4,355,593</u>	 <u>1,592,061</u>	 <u>3,548,667</u>	 <u>20,203,730</u>
 Maximum annual debt service					4,219,103 *
 Coverage					4.79
 Required coverage					1.00

* Maximum annual debt service is based on 2016 debt service requirements for Oklahoma Water Resources Board Promissory Notes Payable Series 1997 A, 1998 A, 1999 A, Series 2007, 2009 A Clean Water SRF, Series 2009 B Drinking Water SRF and 2012 B as well as Utility System Revenue Notes Series 2008 and 2012 A.

THE CITY OF PONCA CITY, OKLAHOMA

Schedule of Reserve Account Balances

June 30, 2014

<u>Description</u>	<u>Required Reserves</u>	<u>Reserve Balance June 30, 2014</u>	<u>Excess Balance Under Required Reserves</u>
Notes Payable:			
2008 Bank of America	\$ 638,969	638,969	-
2012 A Banc of America Public	848,980	848,980	-
2012 B OWRB	821,377	821,348	(29)

See accompanying notes to the financial statements



STOTTS • ARCHAMBO
MUEGGENBORG & BARCLAY_{PC}

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Independent Auditor's Report on
Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the fiduciary presented component unit, each major fund, and the aggregate remaining fund information of *The City of Ponca City, Oklahoma*, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise *The City's* basic financial statements, and have issued our report thereon dated December 2, 2014. Our report includes a reference to other auditors who audited the financial statements of Ponca City Development Authority, as described in our report on *The City of Ponca City, Oklahoma's* financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered *The City of Ponca City, Oklahoma's* internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of *The City of Ponca City, Oklahoma's* internal control. Accordingly, we do not express an opinion on the effectiveness of *The City of Ponca City, Oklahoma'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *The City of Ponca City, Oklahoma's* financial statements are free of 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*.

We noted certain matters that we reported to management of *The City of Ponca City, Oklahoma* in a separate letter dated December 2, 2014.

Purpose of this Report

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

Stotts, Archambo, Mueggenborg & Barclay, PC

Stotts, Archambo, Mueggenborg & Barclay, PC
Certified Public Accountants
Bartlesville, OK

December 2, 2014