

PONCA CITY UTILITY AUTHORITY
Annual Financial Statements and
Accompanying Independent Auditor's Report
For the Fiscal Year Ended June 30, 2014

CITY OF PONCA CITY, OKLAHOMA

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-3
Management Discussion and Analysis	4-8
Basic Financial Statements:	
Statement of Net Position	9-10
Statement of Revenues, Expenses and Changes in Fund Net Position	11
Statement of Cash Flows	12-13
Notes to Basic Financial Statements	14-34
Supplementary Information:	
Combining Schedule of Net Position	35-36
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position	37-38
Schedule of Revenue Bond and Note Debt Service Coverage.....	39
Schedule of Reserve Account Balances	40
Schedule of Utility Rates.....	41



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the *Ponca City Utility Authority (PCUA)*, a component unit of the City of Ponca City, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the *Ponca City Utility Authority*, a component unit of the City of Ponca City, Oklahoma, as of June 30, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the *Ponca City Utility Authority* and do not purport to, and do not, present fairly the financial position of the City of Ponca City, Oklahoma as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining fund financial statements and 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, the combining fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Stotts, Archambo, Mueggenborg & Barclay, PC

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

December 2, 2014

PONCA CITY UTILITY AUTHORITY

Management Discussion and Analysis

June 30, 2014

Our discussion and analysis of *Ponca City Utility Authority*'s financial performance provides an overview of the *Authority*'s financial activities for the fiscal year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

Net Position: The *Authority*'s net position increased by \$ 4.0 million, or 8.6%.

Unrestricted Net Position: Unrestricted net position of the *Authority* decreased by \$ 1.6 million, or 8.1%.

Revenues: The *Authority*'s operating revenues increased by \$ 0.4 million, or 0.8%.

Expenses: The *Authority*'s operating expenses increased by \$ 0.6 million, or 1.4% from the previous year.

USING THIS ANNUAL REPORT

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

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

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

PONCA CITY UTILITY AUTHORITY

Management Discussion and Analysis

June 30, 2014

(continued)

FINANCIAL ANALYSIS

Net Assets

The *Authority's* net position increased by \$ 4.0 million, or 8.6%. A comparative overview of the major components of the Statement of Net Position is shown below.

Net Position (in thousands)

	<u>2014</u>	<u>2013</u>	<u>Percentage Change</u>
Total current assets	\$ 32,040	37,456	-14.5%
Total noncurrent assets	<u>72,275</u>	<u>69,407</u>	4.1%
Total assets	<u>104,315</u>	<u>106,863</u>	-2.4%
Deferred outflows of resources	<u>243</u>	<u>-</u>	0.0%
Total current liabilities	12,776	15,486	-17.5%
Total noncurrent liabilities	<u>41,614</u>	<u>45,167</u>	-7.9%
Total liabilities	<u>54,390</u>	<u>60,653</u>	-10.3%
Net position:			
Invested in capital assets, net of related debt	24,998	14,894	67.8%
Restricted for utility deposits	597	-	0.0%
Restricted for debt service	4,790	9,638	-50.3%
Encumbrances	1,198	1,448	-17.3%
Unrestricted	<u>18,585</u>	<u>20,229</u>	-8.1%
Total net position	<u>\$ 50,168</u>	<u>46,209</u>	8.6%

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

PONCA CITY UTILITY AUTHORITY

Management Discussion and Analysis

June 30, 2014

(continued)

FINANCIAL ANALYSIS (continued)

Changes in Net Position

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

Changes in Net Position (in thousands)

	<u>2014</u>	<u>2013</u>	<u>Percentage Change</u>
Operating revenues	\$ 55,972	55,528	0.8%
Operating expenses	<u>43,074</u>	<u>42,487</u>	1.4%
Operating income	<u>12,898</u>	<u>13,041</u>	-1.1%
Non-operating income (expenses)	<u>(1,468)</u>	<u>(1,721)</u>	-14.7%
Net income before contributions and transfers	11,430	11,320	1.0%
Capital contributions	527	(350)	-250.6%
Net transfers	<u>(7,198)</u>	<u>(6,706)</u>	7.3%
Increase in net assets	<u>\$ 4,759</u>	<u>4,264</u>	11.6%

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets, Net of Depreciation (in thousands)

	<u>2014</u>	<u>2013</u>
Land	\$ 591	469
Construction in progress	1,923	156
Buildings	13,981	14,527
Improvements	47,387	47,662
Machinery and equipment	<u>4,340</u>	<u>3,254</u>
Totals	<u>\$ 68,222</u>	<u>66,068</u>

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

PONCA CITY UTILITY AUTHORITY

Management Discussion and Analysis

June 30, 2014

(continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

This year's major additions included completion of the new Union Street Electrical Substation, two water supply projects that included new wells and lines funded by local industries, and construction began on the replacement of the Briar Ridge Wastewater Lift Station.

Debt

At June 30, 2014, the *Authority* had \$ 54.1 million in bonds, notes and refundable grant obligations outstanding versus \$ 52.1 million last year due to timing issues on a refinancing. Outstanding debt will drop significantly in the coming fiscal year as this timing issue corrects itself.

Outstanding Debt, at fiscal year end (in thousands)

	<u>2014</u>	<u>2013</u>
Notes payable	\$ 13,347	14,728
Revenue bonds payable	40,600	37,050
Refundable grant obligations	214	271
Totals	<u>\$ 54,161</u>	<u>52,049</u>

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES AND RATES

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

Visible projects for Fiscal 2014-15 include completion of the Briar Ridge Wastewater Lift Station, replacement of the Filter Backwash Tower at the Water Plant, and \$1.3 M in electrical distribution improvements.

PONCA CITY UTILITY AUTHORITY

Management Discussion and Analysis

June 30, 2014

(continued)

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES AND RATES

(continued)

As with the retail sector, there is minimal growth among the utilities, where modest increases in water, wastewater, electric and solid waste utility rates were approved by the City Commission for Fiscal 2014-15.

CONTACTING THE *PONCA CITY UTILITY AUTHORITY* MANAGEMENT

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

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Statement of Net Position
June 30, 2014

ASSETS

Current assets:	
Cash and cash equivalents	\$ 9,968,780
Investments	8,729,518
Restricted assets:	
Cash and cash equivalents	2,481,044
Investments	597,293
Receivables:	
Utility billing receivables	7,092,535
Other receivables	419,965
Inventory	2,751,119
Total current assets	32,040,254
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	2,309,297
Investment in joint venture	1,743,238
Capital assets:	
Nondepreciable	2,514,769
Depreciable, net of accumulated depreciation	65,707,174
Total noncurrent assets	72,274,478
Total assets	104,314,732
Deferred outflows of resources:	
Defeased debt	242,978
Total deferred outflows of resources	242,978

See accompanying notes to the financial statements

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Statement of Net Position
June 30, 2014
(continued)

LIABILITIES

Current liabilities:	
Accounts payable and accrued liabilities	\$ 5,697,470
Accrued interest payable	392,522
Retainage payable	194,041
Meter deposit liability	597,293
Due to other funds	59,797
Net OPEB obligation	12,746
Current portion:	
Refundable grant obligations	56,500
Revenue bonds payable	3,945,000
Notes payable	1,794,721
Accrued compensated absences	25,331
Total current liabilities	<u>12,775,421</u>
Noncurrent liabilities:	
Refundable grant obligations	157,750
Accrued compensated absences	227,990
Landfill closure/post-closure liability	3,958,479
Revenue bonds payable	25,475,000
Notes payable, net of unamortized premium	11,794,978
Total noncurrent liabilities	<u>41,614,197</u>
Total liabilities	<u>54,389,618</u>

NET POSITION

Net investment in capital assets	24,997,994
Restricted for debt service	4,790,341
Restricted for utility deposits	597,293
Restricted for encumbrances	1,198,038
Unrestricted	<u>18,584,426</u>
Total net position	<u>\$ 50,168,092</u>

See accompanying notes to the financial statements

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2014

Operating Revenues:

Pledged as security for revenue bonds:

Charges for services:

Electric	\$ 37,854,740
Water	7,279,698
Solid waste	4,763,979
Wastewater	5,567,031

Unpledged:

Stormwater charges for service	398,832
Other charges for service	104,775
Miscellaneous	2,647

Total operating revenues	55,971,702
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Operating Expenses:

Electric	28,972,004
Water	4,641,799
Solid waste	3,830,360
Wastewater	3,630,847
Stormwater	168,268
Administrative	1,830,928

Total operating expenses	43,074,206
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Operating income	12,897,496
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Non-Operating Revenues (Expenses):

Pledged as security for revenue bonds:

Investment income	122,790
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Unpledged revenues:

Investment income	5,901
Gain (loss) on asset disposals	50,361
Interest and fiscal charges	(1,646,769)

Net non-operating revenues (expenses)	(1,467,717)
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Income before contributions and transfers	11,429,779
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Capital asset transfers	526,665
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Transfers from other funds	2,266,449
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Transfers to other funds	(9,464,332)
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Net transfers and capital contributions	(6,671,218)
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Change in net position	4,758,561
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Net position, beginning of year, unadjusted	46,209,433
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Prior period adjustment	(799,902)
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Net position, beginning of year, adjusted	45,409,531
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Net position, end of year	\$ 50,168,092
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See accompanying notes to the financial statements

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 55,492,208
Payments to suppliers	(27,087,479)
Payments to employees	(8,075,686)
Receipts of customer meter deposits	41,785
Refunds of customer meter deposits	(41,428)
Net cash provided by operating activities	20,329,400

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Transfers from other funds	2,266,449
Transfers to other funds	(9,464,332)
Net cash used in noncapital financing activities	(7,197,883)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Proceeds from sale of capital assets	50,361
Purchases of capital assets	(6,661,145)
Principal paid on capital debt	(10,803,558)
Proceeds from capital debt	12,915,528
Interest paid on capital debt	(1,405,866)
Net cash used in capital and related financing activities	(5,904,680)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(14,661,470)
Interest and dividends	128,691
Net cash used in investing activities	(14,532,779)

Net decrease in cash and cash equivalents	(7,305,942)
Balances, beginning of year	22,065,063
Balances, end of year	\$ 14,759,121

Reconciliation to Statement of Net Position:

Cash and cash equivalents	\$ 9,968,780
Current restricted cash and cash equivalents	2,481,044
Noncurrent restricted cash and cash equivalents	2,309,297
Total cash and cash equivalents, end of year	\$ 14,759,121

See accompanying notes to the financial statements

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014
(continued)

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

Operating income	\$	12,897,496
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		5,531,376
Amortization expense		366,744
Change in assets and liabilities:		
(Increase) decrease in receivables, net		(479,137)
(Increase) decrease in inventories		25,418
(Increase) decrease in unamortized debt issuance costs		414,082
Increase (decrease) in accounts and other payables		1,475,479
Increase (decrease) in customer meter deposits payable		(12)
Increase (decrease) in due to other funds		(15,722)
Increase (decrease) in landfill closure/postclosure liability		57,500
Increase (decrease) in accrued compensated absences		56,176
Net cash provided by operating activities	\$	<u><u>20,329,400</u></u>

Non-cash Activities:

Capital assets transferred to other funds	\$	526,665
Change in investments in joint venture		85,553
Net non-cash activities	\$	<u><u>612,218</u></u>

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The *Ponca City Utility Authority (PCUA)*, a component unit of the City of Ponca City, Oklahoma, prepares the accompanying financial statements on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and Generally Accepted Governmental Accounting Principles 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 *Ponca City Utility Authority (PCUA)* is a public trust created March 23, 1970, to finance, develop and operate the water, wastewater, solid waste, electric and stormwater utility systems for the City of Ponca City, Oklahoma. The current City Commission serves as the *PCUA* governing body. Any issuances of debt would require a two-thirds approval of the City Commission.

The *PCUA* is a blended component unit within the City of Ponca City's financial reporting entity.

Joint Venture

The City of Ponca City (along with *PCUA*) is currently a participant (with equity interest) in the general operating portion of the Association for Landfill Financial Assurance (ALFA). The ALFA is a not-for-profit corporation created to provide for 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 net position 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.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2014
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.B. BASIS OF ACCOUNTING AND PRESENTATION

The *PCUA* utilizes the accrual basis of accounting and economic resources measurement focus and the statements are presented for special purpose governments engaged solely in business-type activities similar to a single enterprise fund. Enterprise funds are financed in whole or in part by fees charged to external parties for goods or services.

1.C. BUDGETARY ACCOUNTING AND CONTROL

In accordance with Title 60 of the Oklahoma State Statutes, the *PCUA* is required to prepare an annual budget and submit a copy to the City as beneficiary. However, there are no further requirements such as form of budget, approval of the budget or definition of a legal level of control.

1.D. ASSETS, LIABILITIES AND NET POSITION

Cash and Cash Equivalents

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

Investments

Investments in marketable securities are carried at fair value.

Arbitrage Rebate

The proceeds from the *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 *Authority* had no arbitrage rebate liability at June 30, 2014.

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

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

Depreciation of all exhaustible capital assets is recorded as an expense in the operating statements, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The estimated useful lives of depreciable assets are as follows:

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

Restricted Assets

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

Compensated Absences

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

Sick leave accrues at the rate of eight (8) hours per month for full-time employees but is payable only for sick time actually taken. Therefore, the *Authority* does not record a liability for unused sick leave.

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

Deferred Outflows of Resources

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

Income Taxes

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

Use of Estimates

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

Net Position

In the basic financial statements, net position represents the difference between assets plus deferred outflows of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets.

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

Accounts Receivable

The *PCUA* reports accounts receivable for utility and other miscellaneous revenues that have not been collected at June 30, 2014. It is the *PCUA*'s policy to write off uncollectible accounts throughout the year. Therefore, management feels that all receivables at June 30, 2014 are fully collectable. The following schedule shows the detail of accounts receivable balances:

	Utility Billing Receivable	Other Accounts Receivable	Total
Electric	\$ 5,238,750	17,600	5,256,350
Water	940,581	-	940,581
Soild waste	521,948	-	521,948
Wastewater	677,376	-	677,376
Stormwater	45,722	-	45,722
Unapplied credits	(331,842)	-	(331,842)
Other	-	29,997	29,997
Totals	\$ 7,092,535	47,597	7,140,132

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

DEBT RESTRICTIONS AND COVENANTS

Notes Payable

The loan agreements with the Oklahoma Water Resources Board relating to the 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.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2014
(continued)

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

DEBT RESTRICTIONS AND COVENANTS (continued)

Revenue Bond Debt

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

NOTE 3 – DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS

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

3.A. CASH 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
Petty cash	\$ 2,000	2,000	-	-	-	-
Demand deposits	12,049,930	12,049,930	-	-	-	-
Trust money market accounts	16,213,319	16,213,319	-	-	-	-
Time deposits	3,500,000	-	3,500,000	-	-	-
Agencies of the U.S. Govt.						
FMNA/FHLMC/FHLBI	3,743,661	-	-	-	-	3,743,661
Total	\$ 35,508,910	28,265,249	3,500,000	-	-	3,743,661
Reconciliation to Statement of Net Assets:						
Cash and cash equivalents	\$ 9,968,780					
Investments	8,729,518					
Current restricted cash and cash equivalents	2,481,044					
Noncurrent restricted cash and cash equivalents	2,309,297					
Restricted investments	597,293					
Plus defeased debt escrow account	11,422,978					
Total	\$ 35,508,910					

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2014
(continued)

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

3.A. CASH AND INVESTMENTS (continued)

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. 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. Agency obligations and trust money market accounts were either 1) insured or registered and held by the *Authority* or by the *PCUA*'s agent in the *PCUA*'s name or 2) uninsured and unregistered and held by counterparty's trust department or agent in the *PCUA*'s name.

Interest Rate Risk – The *PCUA* has a formal investment policy that limits investment maturities to not more than two years as a means of managing its exposure to fair value losses arising from increasing interest rates. Reserve funds may be invested longer than two years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

Investment Credit Risk – The *PCUA* has an investment policy that conforms to all applicable state and local statutes governing the investment of public funds.

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

3.B. 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, amounts set aside for landfill financial assurance, and deposits held for refund.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2014
(continued)

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

3.B. RESTRICTED ASSETS (continued)

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

	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Investments</u>	<u>Investment in</u> <u>Joint Venture</u>	<u>Total</u>
Revenue bond and note trustee accounts	\$ 4,790,341	-	-	4,790,341
Defeased debt escrow account	11,422,978	-	-	11,422,978
Landfill financial assurance	-	-	1,743,238	1,743,238
Deposits held for refund	-	597,293	-	597,293
Totals	<u>\$ 16,213,319</u>	<u>597,293</u>	<u>1,743,238</u>	<u>18,553,850</u>

3.C. CAPITAL ASSETS

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

	<u>Balance at</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Balance at</u> <u>June 30, 2014</u>
Business-type activities					
Non-depreciable:					
Land	\$ 469,064	122,429	-	-	591,493
Construction-in-progress	156,744	1,883,646	(117,114)	-	1,923,276
Total non-depreciable assets at historical cost	<u>625,808</u>	<u>2,006,075</u>	<u>(117,114)</u>	<u>-</u>	<u>2,514,769</u>
Depreciable:					
Buildings	38,979,400	256,146	-	-	39,235,546
Improvements	100,954,110	3,400,077	280,644	(120,682)	104,514,149
Machinery and equipment	10,705,465	1,569,168	354,020	(927,725)	11,700,928
Total depreciable assets at historical cost	<u>150,638,975</u>	<u>5,225,391</u>	<u>634,664</u>	<u>(1,048,407)</u>	<u>155,450,623</u>
Less accumulated depreciation:					
Buildings	(24,452,313)	(802,309)	-	-	(25,254,622)
Improvements	(53,291,919)	(3,956,410)	-	120,682	(57,127,647)
Machinery and equipment	(7,451,130)	(788,030)	9,115	868,865	(7,361,180)
Total accumulated depreciation	<u>(85,195,362)</u>	<u>(5,546,749)</u>	<u>9,115</u>	<u>989,547</u>	<u>(89,743,449)</u>
Net depreciable assets	<u>65,443,613</u>	<u>(321,358)</u>	<u>643,779</u>	<u>(58,860)</u>	<u>65,707,174</u>
Business-type capital assets, net	<u>\$ 66,069,421</u>	<u>1,684,717</u>	<u>526,665</u>	<u>(58,860)</u>	<u>68,221,943</u>

PONCA CITY UTILITY AUTHORITY
 (A Component Unit of the City of Ponca City)
 Notes to Basic Financial Statements
 June 30, 2014
 (continued)

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

3.C. CAPITAL ASSETS (continued)

Depreciation expense was charged to the following activities:

Water	\$	1,350,877
Electric		1,725,497
Solid waste		640,566
Wastewater		1,613,935
Stormwater		10,234
Administration		190,267
Total	\$	<u><u>5,531,376</u></u>

3.D. INVESTMENT IN JOINT VENTURE

As discussed in Note 1.A., the City (along with *PCUA*) participates (with equity interest) in the general operations portion of the Association of Landfill Financial Assurance (ALFA). Various owners of the publicly operated municipal solid waste landfills each maintain an equity interest in the ALFA. The *PCUA* 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		55,703
Ending investment in joint venture	\$	<u><u>1,743,238</u></u>

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2014
(continued)

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

3.E. LONG-TERM DEBT

As of June 30, 2014, the long-term debt payable from *PCUA* 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
2012A 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 1, 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 payable from restricted assets	\$ 15,125,000
Non-current portion	<u>25,475,000</u>
Total revenue bonds payable, net	\$ <u><u>40,600,000</u></u>

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2014
(continued)

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

3.E. LONG-TERM DEBT (continued)

Notes Payable:

<p>1997 A Promissory Note to Oklahoma Water Resources Board, dated March 1, 1997, original issue amount of \$1,784,449, secured by a pledge of <i>Ponca City Utility Authority</i> revenues, non-interest bearing, administrative fee of 0.5%, final maturity February 15, 2016.</p>	<p>\$ 187,837</p>
<p>1998 A Promissory Note to Oklahoma Water Resources 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.</p>	<p>895,038</p>
<p>1999 A Promissory Note to Oklahoma Water Resources Board, dated December 23, 1999, original issue amount of \$2,370,907, secured by a pledge and assignment of revenues derived from water, sewer, electric and garbage systems, non-interest bearing, administrative fee of 0.5%, final maturity August 15, 2019.</p>	<p>652,000</p>
<p>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 2.610% per annum plus an administrative fee of 0.5% per annum, final maturity September 15, 2029.</p>	<p>3,377,009</p>
<p>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.</p>	<p>313,011</p>
<p>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.</p>	<p>1,572,004</p>

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2014
(continued)

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

3.E. LONG-TERM DEBT (continued)

Notes Payable: (continued)

Series 2012B 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 rate 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><u>13,589,699</u></u>
Current portion payable from restricted assets	\$ 1,794,721
Non-current portion	11,794,978
Total notes payable	\$ <u><u>13,589,699</u></u>

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><u>214,250</u></u>
Current portion	\$ 56,500
Non-current portion	157,750
Total refundable grant obligations	\$ <u><u>214,250</u></u>

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2014
(continued)

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

3.E. LONG-TERM DEBT (continued)

Accrued Compensated Absences:

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

Current portion	\$ 25,331
Non-current portion	227,990
Total accrued compensated absences	<u>\$ 253,321</u>

Changes in Long-term Debt:

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 due</u> <u>in one year</u>
Notes payable	\$ 14,728,428	405,528	(1,787,057)	13,346,899	1,794,721
Revenue bonds payable	37,050,000	12,510,000	(8,960,000)	40,600,000	15,125,000
Refundable grant obligations	270,750	-	(56,500)	214,250	56,500
Accrued compensated absences	246,429	6,892	-	253,321	25,331
Total enterprise fund debt	<u>\$ 52,295,607</u>	<u>12,922,420</u>	<u>(10,803,557)</u>	<u>54,414,470</u>	<u>17,001,552</u>

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2014
(continued)

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

3.E. LONG-TERM DEBT (continued)

Debt Service Requirements to Maturity:

Year Ending June 30,	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	\$ <u>13,346,899</u>	<u>1,632,396</u>	<u>40,600,000</u>	<u>3,790,544</u>	<u>214,250</u>

3.F. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

A \$3,958,479 accrued liability has been recognized to represent the total estimated amount owed by the PCUA 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, PCUA participates in a joint venture with other owners of the municipal landfill as explained in Notes 1.A. and 3.D.

The percentage of landfill capacity used to date is 49.28%. The estimated remaining life is 43.5 years.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2014
(continued)

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

3.G. INTERFUND BALANCES AND ACTIVITIES

Interfund payables at June 30, 2014 represent amounts due to City funds as follows:

Due to Motor Pool Fund (for vehicle maintenance expenses)	\$ <u>59,797</u>
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Interfund transfers for the year ended June 30, 2014 represent amounts transferred from or to City funds as follows:

Transfers to:

Capital Improvement Project - funding for project	\$ 400,000
General Fund to help fund General Fund services and debt	9,064,332
Total transfers to other funds	\$ <u>9,464,332</u>

Transfers from:

General Fund - for debt service	\$ 80,000
General Fund - operating transfer	195,000
Recreation Center Tax Fund - for debt service	1,981,449
Motor Pool - operating transfer	10,000
Total transfers from other funds	\$ <u>2,266,449</u>

3.H. 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.

PONCA CITY UTILITY AUTHORITY
 (A Component Unit of the City of Ponca City)
 Notes to Basic Financial Statements
 June 30, 2014
 (continued)

NOTE 4 – OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

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

A. Plan Description, Contribution Information and Funding Policies

The *PCUA* contributes to the City of Ponca City Employees’ Retirement System (the “System”), which is a single-employer defined benefit pension plan administered by Principal Mutual Life Insurance Company. All non-union full-time City employees are eligible to participate in the System. 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 statements.

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

Year established and governing authority	1961; City Commission
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

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

A. *Plan Description, Contribution Information and Funding Policies* (continued)

Eligibility for distribution	Age 65 with five years of credited service, or age 55 with ten years credited service
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Provisions for:

Disability benefits	Yes
Death benefits	Yes

Plan Membership as of December 31, 2013:

Active members	213
Inactive members	152
Retirees and beneficiaries	<u>141</u>
Total	506

B. *Summary of Significant Accounting Policies and Plan Asset Matters*

Basis of Accounting – Disclosures of the System’s financial condition are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as System revenues in the period in which they are due to the plan per the plan agreement. Benefits and refunds are recognized when due and payable per plan provisions.

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

B. Summary of Significant Accounting Policies and Plan Asset Matters (continued)

Method Used to Value Investments – System assets are reported at fair value which approximates market. As of June 30, 2014, the System held no related-party investments. Individual investments (other than U.S. government and U.S. government guaranteed securities) whose market value exceeds five percent or more of the net position available for benefits were invested in Principal Financial Group – unallocated insurance contracts totaling \$22,260,036.

C. Annual Pension Cost, Net Pension Obligation, Reserves and Trend Information

Current year annual pension costs for the System are shown in the trend information provided in the City's separately-issued financial statements. Annual required contributions were made by *PCUA*.

There are no assets legally reserved for purposes other than the payment of plan member benefits. There are no long-term contracts for contributions.

Other Post-Employment Benefits

In addition to providing pension benefits, the *PCUA* provides post-retirement benefit options for certain health care benefits for retired employees, terminated employees and their dependents that are not eligible for Medicare. 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 *PCUA*. However, the *PCUA* incurs no costs for such benefits since all premiums are paid by the retirees. The liability due to the implicit rate subsidy for retirees is \$12,746 for the *PCUA* as of June 30, 2014.

PONCA CITY UTILITY AUTHORITY
 (A Component Unit of the City of Ponca City)
 Notes to Basic Financial Statements
 June 30, 2014
 (continued)

NOTE 4 – OTHER NOTES (continued)

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

Schedule of Funding Progress and Schedule of Employer Contributions

Information regarding the schedule of funding progress, employer contributions and other notes to required supplementary information on pension plan funding and other post-employment benefits is available in the City of Ponca City’s separately-issued financial statements.

4.B. RISK MANAGEMENT

PCUA is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee’s health and life; and natural disasters.

PCUA 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

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2014
(continued)

NOTE 4 – OTHER NOTES (continued)

4.B. RISK MANAGEMENT (continued)

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
c. Workers Compensation: -Employee injuries	Participant in City self-insured plan. Self-insured with third-party administration of the claims process. Insurance Fund used to account for activities with participating funds charged through an estimated annual claim cost for each fund. Administered by United Safety Claims.	Entire risk of loss retained by City.
d. Health and Life: -Medical -Dental	Participant in City self-insured plan. Self-insured with City paying a portion of health care premiums, and all of life and disability premiums. Administered by UMR.	Claims up to \$270,000 per individual self-funded with stop-loss insurance up to \$1,000,000 per person.

4.C. COMMITMENTS AND CONTINGENCIES

Contingencies

Grant Program Involvement

In the normal course of operations, the *PCUA* 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.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2014
(continued)

NOTE 4 – OTHER NOTES (continued)

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.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Combining Schedule of Net Position
June 30, 2014

<u>ASSETS</u>	<u>Electric</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Wastewater</u>	<u>Stormwater</u>	<u>Bond Accounts</u>	<u>Operating Accounts</u>	<u>Totals</u>
Current assets:								
Cash and cash equivalents	\$ 500	200	300	-	-	-	9,967,780	9,968,780
Investments	-	-	-	-	-	-	8,729,518	8,729,518
Restricted assets:								
Cash and cash equivalents	254,555	877,587	-	283,961	-	1,064,941	-	2,481,044
Investments	-	-	-	-	-	-	597,293	597,293
Receivables:								
Utility billing	5,238,750	940,581	521,948	677,376	45,722	-	(331,842)	7,092,535
Other receivables	17,600	-	-	-	-	372,368	29,997	419,965
Intracount balances	9,945,167	2,803,675	3,304,940	1,847,101	989,464	(816,719)	(18,073,628)	-
Inventory	2,119,399	502,860	-	128,860	-	-	-	2,751,119
Total current assets	<u>17,575,971</u>	<u>5,124,903</u>	<u>3,827,188</u>	<u>2,937,298</u>	<u>1,035,186</u>	<u>620,590</u>	<u>919,118</u>	<u>32,040,254</u>
Noncurrent assets:								
Restricted assets:								
Cash and cash equivalents	424,490	1,040,501	-	844,306	-	-	-	2,309,297
Investment in joint venture	-	-	1,743,238	-	-	-	-	1,743,238
Capital assets:								
Nondepreciable	195,901	293,595	346,000	92,044	171,929	1,415,300	-	2,514,769
Depreciable, net of accumulated depreciation	<u>27,275,700</u>	<u>20,357,184</u>	<u>3,835,418</u>	<u>12,770,304</u>	<u>371,018</u>	<u>-</u>	<u>1,097,550</u>	<u>65,707,174</u>
Total noncurrent assets	<u>27,896,091</u>	<u>21,691,280</u>	<u>5,924,656</u>	<u>13,706,654</u>	<u>542,947</u>	<u>1,415,300</u>	<u>1,097,550</u>	<u>72,274,478</u>
Total assets	<u>45,472,062</u>	<u>26,816,183</u>	<u>9,751,844</u>	<u>16,643,952</u>	<u>1,578,133</u>	<u>2,035,890</u>	<u>2,016,668</u>	<u>104,314,732</u>
Deferred outflows of resources:								
Defeased debt	-	-	-	-	-	242,978	-	242,978
Total deferred outflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>242,978</u>	<u>-</u>	<u>242,978</u>

See accompanying notes to the financial statements

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Combining Schedule of Net Position
June 30, 2014
(continued)

<u>LIABILITIES</u>	<u>Electric</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Wastewater</u>	<u>Stormwater</u>	<u>Bond Accounts</u>	<u>Operating Accounts</u>	<u>Totals</u>
Current liabilities:								
Accounts payable and accrued liabilities	\$ 3,184,054	352,891	152,923	234,963	44,577	699,306	1,028,756	5,697,470
Accrued interest payable	82,196	129,296	-	21,999	-	159,031	-	392,522
Retainage payable	107,432	18,019	-	-	-	68,590	-	194,041
Meter deposit liability	-	-	-	-	-	-	597,293	597,293
Due to other funds	11,908	4,213	38,795	3,173	-	-	1,708	59,797
Net OPEB obligation	3,687	2,171	3,892	1,715	57	-	1,224	12,746
Current portion:								
Refundable grant obligations	-	19,000	12,500	-	-	-	25,000	56,500
Revenue bonds payable	412,500	412,500	-	785,000	-	2,335,000	-	3,945,000
Notes payable	-	816,773	-	699,698	-	278,250	-	1,794,721
Accrued compensated absences	6,360	4,751	5,362	5,411	266	-	3,181	25,331
Total current liabilities	<u>3,808,137</u>	<u>1,759,614</u>	<u>213,472</u>	<u>1,751,959</u>	<u>44,900</u>	<u>3,540,177</u>	<u>1,657,162</u>	<u>12,775,421</u>
Noncurrent liabilities:								
Refundable grant obligations	-	114,000	31,250	-	-	-	12,500	157,750
Accrued compensated absences	57,242	42,756	48,261	48,702	2,388	-	28,641	227,990
Landfill closure/post-closure liability	-	-	3,958,479	-	-	-	-	3,958,479
Revenue bonds payable	6,892,500	6,892,500	-	1,895,000	-	9,795,000	-	25,475,000
Notes payable, net of unamortized premium	-	5,699,831	-	2,996,388	-	3,098,759	-	11,794,978
Total noncurrent liabilities	<u>6,949,742</u>	<u>12,749,087</u>	<u>4,037,990</u>	<u>4,940,090</u>	<u>2,388</u>	<u>12,893,759</u>	<u>41,141</u>	<u>41,614,197</u>
Total Liabilities	<u>10,757,879</u>	<u>14,508,701</u>	<u>4,251,462</u>	<u>6,692,049</u>	<u>47,288</u>	<u>16,433,936</u>	<u>1,698,303</u>	<u>54,389,618</u>
<u>NET POSITION</u>								
Net investment in capital assets	20,166,601	6,696,175	4,137,668	6,486,262	542,947	(14,091,709)	1,060,050	24,997,994
Restricted for:								
Debt service	679,045	1,918,088	-	1,128,267	-	1,064,941	-	4,790,341
Encumbrances	666,300	189,816	4,244	317,818	17,360	2,500	-	1,198,038
Unrestricted	<u>13,202,237</u>	<u>3,503,403</u>	<u>1,358,470</u>	<u>2,019,556</u>	<u>970,538</u>	<u>(1,130,800)</u>	<u>(741,685)</u>	<u>19,181,719</u>
Total net position	<u>\$ 34,714,183</u>	<u>12,307,482</u>	<u>5,500,382</u>	<u>9,951,903</u>	<u>1,530,845</u>	<u>(14,155,068)</u>	<u>318,365</u>	<u>50,168,092</u>

See accompanying notes to the financial statements

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2014

	<u>Electric</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Wastewater</u>	<u>Stormwater</u>	<u>Bond Accounts</u>	<u>Operating Accounts</u>	<u>Totals</u>
Operating Revenues:								
Pledged as security for revenue bonds:								
Utility charges for service	\$ 37,854,740	7,279,698	4,763,979	5,567,031	-	-	-	55,465,448
Unpledged:								
Utility charges for service	-	-	-	-	398,832	-	104,775	503,607
Miscellaneous	-	-	-	-	-	-	2,647	2,647
Total operating revenues	<u>37,854,740</u>	<u>7,279,698</u>	<u>4,763,979</u>	<u>5,567,031</u>	<u>398,832</u>	<u>-</u>	<u>107,422</u>	<u>55,971,702</u>
Operating Expenses:								
Personal services	2,239,775	1,371,675	2,289,531	1,069,927	29,292	-	1,131,662	8,131,862
Materials and supplies	81,150	407,921	33,134	65,963	-	-	182,458	770,626
Maintenance, operations and contractual services	1,835,918	1,168,782	867,129	893,181	128,742	-	326,541	5,220,293
Electricity purchased	23,053,305	-	-	-	-	-	-	23,053,305
Depreciation	1,725,497	1,350,877	640,566	1,613,935	10,234	-	190,267	5,531,376
Amortization	36,359	342,544	-	(12,159)	-	-	-	366,744
Total operating expenses	<u>28,972,004</u>	<u>4,641,799</u>	<u>3,830,360</u>	<u>3,630,847</u>	<u>168,268</u>	<u>-</u>	<u>1,830,928</u>	<u>43,074,206</u>
Operating income (loss)	<u>8,882,736</u>	<u>2,637,899</u>	<u>933,619</u>	<u>1,936,184</u>	<u>230,564</u>	<u>-</u>	<u>(1,723,506)</u>	<u>12,897,496</u>
Non-operating Revenues (Expenses):								
Pledged as security for revenue bonds:								
Investment income	62,817	24,273	17,876	10,707	-	7,117	-	122,790
Unpledged revenues:								
Investment income	-	-	-	-	5,901	-	-	5,901
Gain (loss) on disposal of assets	15,935	(1,073)	35,499	-	-	-	-	50,361
Interest and fiscal charges	(201,694)	(394,517)	-	(296,522)	-	(754,036)	-	(1,646,769)
Net non-operating revenues (expenses)	<u>(122,942)</u>	<u>(371,317)</u>	<u>53,375</u>	<u>(285,815)</u>	<u>5,901</u>	<u>(746,919)</u>	<u>-</u>	<u>(1,467,717)</u>
Income (loss) before contributions and transfers	<u>8,759,794</u>	<u>2,266,582</u>	<u>986,994</u>	<u>1,650,369</u>	<u>236,465</u>	<u>(746,919)</u>	<u>(1,723,506)</u>	<u>11,429,779</u>

See accompanying notes to the financial statements

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2014
(continued)

	<u>Electric</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Wastewater</u>	<u>Stormwater</u>	<u>Bond Accounts</u>	<u>Operating Accounts</u>	<u>Totals</u>
Transfers from other accounts	\$ -	-	-	-	-	278,250	1,020,000	1,298,250
Transfers to other accounts	(275,000)	(265,000)	(240,000)	(518,250)	-	-	-	(1,298,250)
Capital asset transfers	(50,590)	(10,517)	-	-	-	-	587,772	526,665
Transfers from other funds	-	-	-	-	-	2,061,449	205,000	2,266,449
Transfers to other funds	(6,530,536)	(1,689,438)	(601,464)	(617,367)	(25,527)	-	-	(9,464,332)
Net transfers and capital contributions	<u>(6,856,126)</u>	<u>(1,964,955)</u>	<u>(841,464)</u>	<u>(1,135,617)</u>	<u>(25,527)</u>	<u>2,339,699</u>	<u>1,812,772</u>	<u>(6,671,218)</u>
Change in net position	<u>1,903,668</u>	<u>301,627</u>	<u>145,530</u>	<u>514,752</u>	<u>210,938</u>	<u>1,592,780</u>	<u>89,266</u>	<u>4,758,561</u>
Net position, beginning of year, unadjusted	33,210,466	12,405,806	5,354,852	9,437,151	1,319,907	(15,747,848)	229,099	46,209,433
Prior period adjustment	(399,951)	(399,951)	-	-	-	-	-	(799,902)
Net position, beginning of year, adjusted	<u>32,810,515</u>	<u>12,005,855</u>	<u>5,354,852</u>	<u>9,437,151</u>	<u>1,319,907</u>	<u>(15,747,848)</u>	<u>229,099</u>	<u>45,409,531</u>
Net position, end of year	<u>\$ 34,714,183</u>	<u>12,307,482</u>	<u>5,500,382</u>	<u>9,951,903</u>	<u>1,530,845</u>	<u>(14,155,068)</u>	<u>318,365</u>	<u>50,168,092</u>

See accompanying notes to the financial statements

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Schedule of Note Debt Service Coverage
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	<u>62,817</u>	<u>24,273</u>	<u>17,876</u>	<u>10,707</u>	<u>115,673</u>
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					4,352,909 *
Coverage					4.64
Required coverage					1.00

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

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
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 Over Required Reserves</u>
Notes Payable:			
2008 Bank of America	\$ 638,969	638,969	-
2012A Banc of America Public	848,980	848,980	-
2012B OWRB	821,377	821,348	(29)

See accompanying notes to the financial statements

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Schedule of Utility Rates
June 30, 2014

ELECTRIC RATES	
Residential:	
User fee	\$ 10.30
Summer season (May thru Sept) per KWh	0.092
Winter season (Oct thru April):	
First 600 KWh	0.092
Over 600 KWh	0.062
Rural residential:	
User fee	15.43
Summer season (May thru Sept) per KWh	0.096
Winter season (Oct thru April):	
First 600 KWh	0.096
Over 600 KWh	0.064
Residential with approved 40-gallon electric water heater:	
User fee	10.30
Summer season (May thru Sept):	
First 400 KWh	0.062
Over 400 KWh	0.092
Winter season (Oct thru April):	
First 400 KWh	0.062
Next 600 KWh	0.092
Over 1000 KWh	0.062
Rural residential with approved 40-gallon electric water heater:	
User fee	15.43
Summer season (May thru Sept):	
First 400 KWh	0.064
Over 400 KWh	0.096
Winter season (Oct thru April):	
First 400 KWh	0.064
Next 600 KWh	0.096
Over 1000 KWh	0.064
Commercial:	
City user fee	14.50
City KWh	0.091
Rural user fee	21.80
Rural KWh	0.094
Industrial:	
Medium	
User fee	24.23
KWh	0.050
Summer user fee	14.53
Winter user fee	8.48
Large	
User fee	242.34
KWh	0.050
Summer user fee	11.51
Winter user fee	3.63

WATER RATES		
OCTOBER-APRIL		
<u>Type of service</u>	<u>City</u>	<u>Rural</u>
Residential	\$ 1.59	1.67
Commercial	1.59	1.67
MAY-SEPTEMBER		
<u>Type of service</u>	<u>City</u>	<u>Rural</u>
Residential:		
0-10 units	\$ 1.67	1.74
11-20 units	1.74	1.81
21-50 units	1.81	1.94
51-100 units	1.94	2.02
>100 units	2.02	2.18
Commercial	1.59	1.67
CUSTOMER BASE USER FEE		
City residential customer	\$	9.32/mo
Rural residential customer		14.01/mo
City commercial customer		27.60/mo
Rural commercial customer		41.41/mo

GARBAGE/REFUSE	
Residential	\$ 17.97
Senior citizen	17.26
Commercial standard	30.39

SEWER/WASTEWATER		
	User Fee	Unit Fee
Residential	\$ 14.34	2.54
Senior citizen	13.62	2.54
Commercial	21.51	3.81
Non-residential	21.51	3.81
Sewer rates are calculated on the average water usage during the months of December, January and February. This average is set in July and remains unchanged until the following July.		

STORM WATER FEE	
Each individually billed single family resident	\$ 2.25/mo
All other developed real estate tracts not covered by above	5.25/mo