

THE CITY OF PONCA CITY, OKLAHOMA

Single Audit Supplement and
Independent Auditor's Report
on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133
For the Fiscal Year Ended June 30, 2013

THE CITY OF PONCA CITY, OKLAHOMA

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ARCHAMBO & MUEGGENBORG, PC
CERTIFIED PUBLIC ACCOUNTANTS

**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**

Independent Auditor's Report

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, 2013, 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 9, 2013. 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.

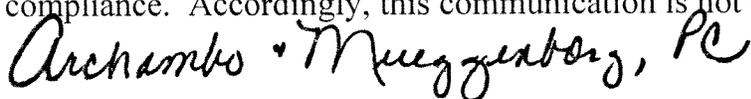
Compliance and Other Matters

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 9, 2013.

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 *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 *City of Ponca City, Oklahoma's* internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Archambo & Mueggenborg, PC
Certified Public Accountants

December 9, 2013



ARCHAMBO & MUEGGENBORG, PC

CERTIFIED PUBLIC ACCOUNTANTS

**Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited *The City of Ponca City, Oklahoma's* compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of *The City of Ponca City, Oklahoma's* major federal programs for the year ended June 30, 2013. *The City of Ponca City, Oklahoma's* major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of *The City of Ponca City, Oklahoma's* major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about *The City of Ponca City, Oklahoma's* compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, *The City of Ponca City, Oklahoma* complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of *The City of Ponca City, Oklahoma* is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered *The City of Ponca City, Oklahoma's* internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of *The City of Ponca City, Oklahoma's* internal control over compliance.

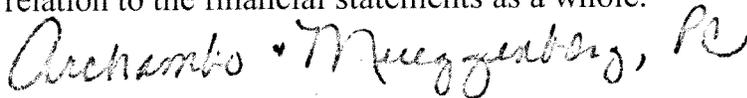
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of *The City of Ponca City, Oklahoma*, as of and for the year ended June 30, 2013, and have issued our report thereon dated December 9, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Archambo & Mueggenborg, PC
Certified Public Accountants

December 9, 2013

THE CITY OF PONCA CITY, OKLAHOMA

Summary of Auditor's Results For the Fiscal Year Ended June 30, 2013

Section 1

Summary of Auditor's Results

Financial Statements

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | None reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | | |
|----|--|---------------|
| 1. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | None reported |
| 2. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a), OMB Circular A-133? | No |
| 4. | Identification of major programs: | |

CFDA Number

66.458

97.039

Name of Federal Program

Clean Water State Revolving Fund Loan

Lansbrook Culvert Improvement Project

- | | | |
|----|--|-----------|
| 5. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 6. | Auditee qualified as a low-risk auditee? | Yes |

THE CITY OF PONCA CITY, OKLAHOMA

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2013

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

THE CITY OF PONCA CITY, OKLAHOMA

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant/ Contract Number	Award Amount	Contract Revenue	Contract Expenditures
FEDERAL AWARDS:					
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Pass through Oklahoma Department of Commerce					
Small Cities Program 2011	14.228	414841 CDBG 11	\$ 88,559	63,495	\$ 63,495
Total U.S. Department of Housing and Urban Development			<u>88,559</u>	<u>63,495</u>	<u>63,495</u>
U.S. DEPARTMENT OF THE INTERIOR					
U.S. Fish and Wildlife Service					
Pass through Oklahoma Department of Wildlife Conservation					
Lake Ponca Restroom	15.605	None	433,125	161,142	404,688
Pass through the Oklahoma Historical Society					
Certified Local Government Program	15.904	11-605	4,500	4,500	365
Certified Local Government Program	15.904	12-605	4,500	-	2,133
Total for Certified Local Government Program			<u>9,000</u>	<u>4,500</u>	<u>2,498</u>
Total U.S. Department of the Interior			<u>442,125</u>	<u>165,642</u>	<u>407,186</u>
U.S. DEPARTMENT OF JUSTICE					
Bureau of Justice Assistance					
Bulletproof Vest Partnership Program	16.607	None	5,000	4,884	4,884
Bulletproof Vest Partnership Program	16.607	None	2,700	-	2,700
Edward Byrne Justice Assistance Grant	16.738	2011-HOO62-OK-DD	11,592	11,592	11,590
2010 COPS Hiring Program Grant	16.710	2010 UM-WX-0254	174,527	30,746	37,966
Total U.S. Department of Justice			<u>193,819</u>	<u>47,222</u>	<u>57,140</u>
U.S. DEPARTMENT OF TRANSPORTATION					
Federal Aviation Administration					
Airport Improvement Program 2009	20.106	3-40-0078-014-2009	3,852,355	110,834	110,834
Pass through Oklahoma Department of Public Safety					
OHSO Traffic Safety Project 2012	20.600	PT-12-03-24-05/K8-12- 03-35-05	34,050	4,955	3,917
OHSO Traffic Safety Project 2013	20.600	PT-13-03-26-06/K8-13- 03-26-06	18,500	4,704	5,996
Total for OHSO Traffic Safety Project cluster			<u>52,550</u>	<u>9,659</u>	<u>9,913</u>
Total U.S. Department of Transportation			<u>\$ 3,904,905</u>	<u>120,493</u>	<u>120,747</u>

*denotes major federal program

**denotes prior year expenditures not previously reported

THE CITY OF PONCA CITY, OKLAHOMA

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

(continued)

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant/ Contract Number	Award Amount	Contract Revenue	Contract Expenditures
FEDERAL AWARDS:					
U.S. DEPARTMENT OF HOMELAND SECURITY					
Pass through Oklahoma Department of Emergency Management					
Storm Damage Repairs	97.036	FEMA-4064-DR-OK	\$ 129,833	120,468	** 129,833
*Lansbrook Culvert Improvement Project	97.039	FEMA-1926-DR-OK	179,650	100,749	* 155,426
Emergency Management Performance Grant	97.042	85-606	29,708	14,854	22,281
Pass through Oklahoma Office of Homeland Security					
Emergency Operations Center Grant Program	97.052	170.000	178,070	87,927	28,661
Citizens Corp Chaplain Grant	97.053	280.536	2,492	1,858	1,858
Total U.S. Department of Homeland Security			519,753	325,856	338,059
ENVIRONMENTAL PROTECTION AGENCY					
Pass through Oklahoma Water Resources Board					
Clean Water State Revolving Fund Loan	66.458	ORF-07-0006-CW	399,776	399,776	* 399,776
Total U.S. Environmental Protection Agency			\$ 399,776	399,776	399,776
Total Federal Awards					\$ 1,386,403

*denotes major federal program

**denotes prior year expenditures not previously reported

THE CITY OF PONCA CITY, OKLAHOMA
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of *The City of Ponca City, Oklahoma* under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of *The City of Ponca City, Oklahoma*, it is not intended to and does not present the financial position, changes in net assets or cash flows of *The City of Ponca City, Oklahoma*.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Financial Statements and
Independent Auditor's Report
as of and for the Year Ended
June 30, 2013

THE CITY OF PONCA CITY, OKLAHOMA

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THE CITY OF PONCA CITY, OKLAHOMA

List of Principal Officials

June 30, 2013

City Commission

Homer Nicholson, Mayor

Lanita Chapman

R. Mark Macy

Diane Anderson

Steve Hermann

Finance Director/Clerk/Treasurer

Marc LaBossiere



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, 2013, 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 the other 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 financial statement 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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 information on pages 5 through 18, and 97 through 102 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 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 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 by us and the other auditor. 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2013 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* and should be considered in assessing the results of our audit.

Archambo & Mueggenborg, PC

Archambo & Mueggenborg, PC
Certified Public Accountants

December 9, 2013

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2013

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, 2013. 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 \$146,598,320 for the fiscal year ended June 30, 2013.
- Total net position is comprised of the following:
 - Net investment in capital assets, of \$98,447,553 include property and equipment, net of accumulated depreciation.
 - Net position of \$19,088,762 are restricted by constraints imposed from outside *The City*, such as debt covenants, grantors, laws or regulations.
 - Unrestricted net position of \$29,062,005 represent the portion available to maintain *The City's* continuing obligations to citizens, creditors and employees.
- The General Fund maintained its designated 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 \$8,068,963, an increase of 0.14% from the prior year.
- The Ponca City Utility Authority reduced its capital debt and refundable grant obligations by \$4,184,600 during the year ended June 30, 2013.

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.

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2013

(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 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 units – 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, 2013

(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, 2013

(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 \$146,598,320 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 2013, this net investment in capital assets amounted to \$98,447,553. *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, 2013

(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	
		2013	2012	2013	2012	2013	2012
Current assets	\$	24,071	22,387	37,982	37,423	62,053	59,810
Capital assets, net		68,745	66,930	84,215	83,594	152,960	150,524
Other non-current assets			-	-	3,774	-	3,774
Total assets		92,816	89,317	122,197	124,791	215,013	214,108
Current liabilities		5,847	3,369	15,511	12,097	21,358	15,466
Non-current liabilities		1,858	2,019	45,198	54,914	47,056	56,933
Total liabilities		7,705	5,388	60,709	67,011	68,414	72,399
Net position							
Net investment in capital assets		68,745	66,930	29,702	26,716	98,447	93,646
Restricted		9,451	11,216	9,638	2,849	19,089	14,065
Unrestricted		6,915	5,783	22,147	28,214	29,062	33,997
Total net position	\$	85,111	83,929	61,487	57,779	146,598	141,708

Another major portion of *The City's* net position, \$19,088,762, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$29,062,005, 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, 2013

(continued)

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

Changes in Net Position

For the year ended June 30, 2013, net position of the primary government changed as follows:

	CHANGES IN NET POSITION (in 000's)					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues	\$ 8,552	10,389	57,366	54,921	65,918	65,310
Taxes and other general revenues	18,524	17,336	59	480	18,583	17,816
Total revenues	<u>27,076</u>	<u>27,725</u>	<u>57,425</u>	<u>55,401</u>	<u>84,501</u>	<u>83,126</u>
Expenses						
General government	8,367	9,892	-	-	8,367	9,892
Public safety	12,186	11,853	-	-	12,186	11,853
Streets and highways	5,547	5,769	-	-	5,547	5,769
Culture, parks and recreation	3,825	3,470	-	-	3,825	3,470
Community development	268	396	-	-	268	396
Economic development	2,023	2,008	-	-	2,023	2,008
Interest on long-term debt	112	828	-	-	112	828
Utility Authority	-	-	44,261	42,659	44,261	42,659
Airport	-	-	1,832	2,062	1,832	2,062
Golf Course	-	-	792	796	792	796
Marland Estate	-	-	398	393	398	393
Total expenses	<u>32,328</u>	<u>34,216</u>	<u>47,283</u>	<u>45,910</u>	<u>79,611</u>	<u>80,126</u>
Excess (deficiency) before transfers	(5,252)	(6,491)	10,142	9,491	4,890	3,000
Transfers	6,434	19,968	(6,434)	(19,968)	-	-
Increase (decrease) in net position	<u>\$ 1,182</u>	<u>13,477</u>	<u>3,708</u>	<u>(10,477)</u>	<u>4,890</u>	<u>3,000</u>

The City's governmental activities' increase in net position of \$1,182,216 represents a 1.41% increase in net position. The business-type activities' increase in net position of \$3,707,896 represents a 6.42% 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, 2013

(continued)

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

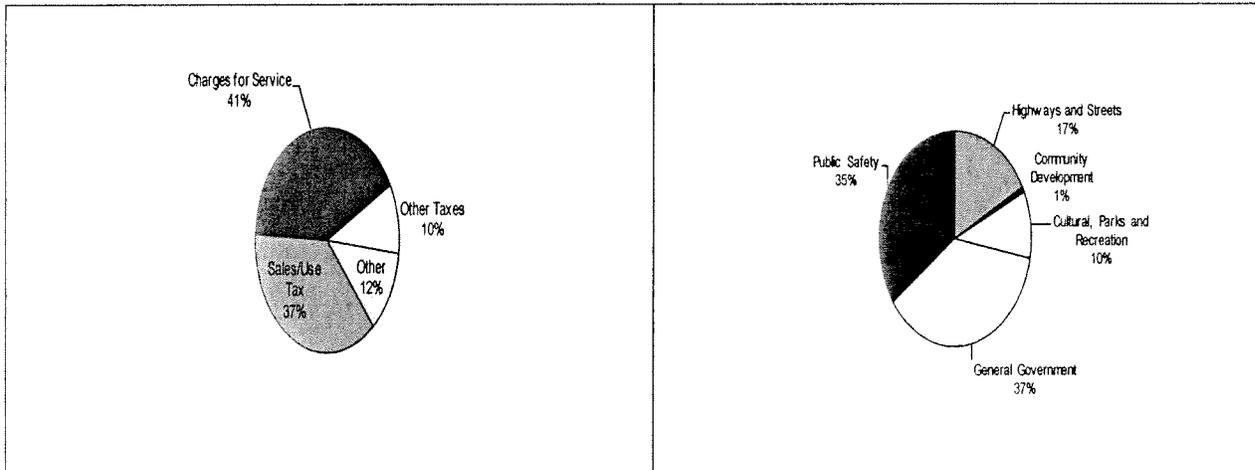
Governmental Activities

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, 2013, *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, 2013

(continued)

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

Governmental Activities (continued)

For the year ended June 30, 2013, total expenses for governmental activities amounted to \$32,327,631. Of these total expenses, taxes, other general revenues, and transfers funded \$24,957,802. Operating and Capital Grants and Contributions funded \$1,608,858. A total of \$6,943,187 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	
	2013	2012	2013	2012
General government	\$ 8,367,336	9,891,442	(3,323,886)	(2,936,938)
Public safety	12,185,919	11,852,885	(9,603,943)	(9,247,309)
Streets and highways	5,546,391	5,769,260	(5,546,391)	(5,769,260)
Culture, parks and recreation	3,825,139	3,470,007	(3,461,358)	(3,192,357)
Community development	267,909	396,224	294,929	155,206
Economic development	2,023,296	2,008,334	(2,023,296)	(2,008,334)
Interest on long-term debt	111,641	828,371	(111,641)	(828,371)
Total	\$ 32,327,631	34,216,523	(23,775,586)	(23,827,363)

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 \$3,707,892 for the year ended June 30, 2013.
- All individual activities reported net revenue for the year ended June 30, 2013, with the exception of Airport, the Golf Course, and the Marland Estate operations which reported net expenses of \$615,776, \$304,335, and \$259,773 respectively.

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2013

(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	
	2013	2012	2013	2012
Electric	\$ 28,193,007	27,644,073	7,443,854	8,216,365
Water	5,411,563	4,430,727	1,730,557	2,816,490
Wastewater	4,243,010	3,570,341	902,788	1,519,041
Solid waste	3,723,370	3,850,685	845,695	543,095
Stormwater	90,699	99,346	339,940	121,853
Indirect costs	2,599,041	1,574,896	-	(1,464,804)
Airport	1,831,503	2,054,811	(615,776)	(878,142)
Golf Course	792,331	796,009	(304,335)	(279,106)
Marland Estate	398,487	393,681	(259,773)	(239,713)
Total	\$ <u>47,283,011</u>	<u>44,414,569</u>	<u>10,082,950</u>	<u>10,355,079</u>

A FINANCIAL ANALYSIS OF *THE CITY'S* FUNDS

As *The City* completed its 2013 fiscal year, the governmental funds reported a combined fund balance of \$85,110,999 or a 1.41% increase from the prior year. The enterprise funds reported combined net position of \$61,487,321 or a 6.42% increase from Fiscal 2012.

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2013

(continued)

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

Other fund highlights include:

- For the year ended June 30, 2013, the General Fund's total fund balance increased by \$409,569 or 7.88%.
- Utility Authority debt coverage decreased to 4.81% at the close of Fiscal 2013 from 6.09% in the prior year.
- The non-represented employee pension trust fund closed the calendar year with an increase in the actuarial value of assets of 6.89% from \$17,423,083 at the beginning of calendar 2012 to \$18,622,883 at the start of calendar 2013.

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 0.05% or \$11,000 and an increase in appropriations of 1.69% or \$359,523.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2013, *The City* had \$149,622,667 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 decrease of \$900,999 or 0.6% 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, 2013

(continued)

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

**Primary Government Capital Assets
(Net of accumulated depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 728,214	902,214	1,068,125	1,036,370	1,796,339	1,938,584
Buildings	31,221,287	31,384,590	15,945,889	16,820,147	47,167,176	48,204,737
Improvements (other than buildings)	31,446,565	30,058,698	60,045,610	62,064,339	91,492,175	92,123,037
Machinery & Equipment	4,017,522	4,161,055	3,661,087	3,648,742	7,678,609	7,809,797
Construction in progress	1,331,625	423,287	156,743	24,224	1,488,368	447,511
Totals	\$ <u>68,745,213</u>	<u>66,929,844</u>	<u>80,877,454</u>	<u>83,593,822</u>	<u>149,622,667</u>	<u>150,523,666</u>

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

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

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2013

(continued)

Long-term Debt

At year-end, *The City* had \$57,819,447 in long-term debt outstanding which represents a decrease of \$4,498,048 or 7.22% 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	
	2013	2012	2013	2012	2013	2012
Compensated absences	\$ 780,393	775,771	281,101	273,455	1,061,494	1,049,226
Capital lease payable		-		-	-	-
Judgment payable	807,796	1,116,410			807,796	1,116,410
Revenue bonds			5,595,000	5,848,395	5,595,000	5,848,395
Notes payable			46,183,428	50,058,122	46,183,428	50,058,122
Landfill closure/postclosure			3,900,979	3,918,092	3,900,979	3,918,092
Refundable grant obligation		-	270,750	327,250	270,750	327,250
Totals	\$ <u>1,588,189</u>	<u>1,892,181</u>	<u>56,231,258</u>	<u>60,425,314</u>	<u>57,819,447</u>	<u>62,317,495</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%.

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

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2013

(continued)

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

The Fiscal 2013-14 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 390 full-time positions for Fiscal 2014, an increase of one position from Fiscal 2013. While continued efforts for efficiency are likely, no layoffs are planned for the coming year.

Capital spending for the coming year is budgeted at \$8,283,667, an increase of 48.83% from the prior year. Visible projects for fiscal 2013-14 include four marked SUV's for the Police Department, a new 5-yard dump truck for the Street Department, construction of a new splash pad in Dan Moran Park, and construction of phase II downtown sidewalk enhancement project. The Ponca City Utility Authority will see replacement of the filter backwash tower at the Water Plant, construction of a new electric substation on Union Street, three new packer trucks for the Solid Waste Department, a new dozer for the Landfill Department, replacement of the Briar Ridge wastewater lift station, and the replacement of a large vacuum truck for the Wastewater Collection Department.

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 2013-14.

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 in the local economy is 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, 2013

(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, 2013

<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	\$ 11,428,850	12,726,761	24,155,611
Investments	9,768,119	6,768,198	16,536,317
Restricted assets:			
Cash and cash equivalents	-	7,958,417	7,958,417
Investments	-	597,305	597,305
Prepaid insurance	104,496	-	104,496
Receivables:			
Accounts receivable, net of allowance	802,916	7,015,731	7,818,647
Other receivables, net of allowance	-	44,519	44,519
Internal balances	81,665	(81,665)	-
Due from other governments	1,643,643	11,000	1,654,643
Inventory	<u>240,769</u>	<u>2,941,732</u>	<u>3,182,501</u>
Total current assets	<u>24,070,458</u>	<u>37,981,998</u>	<u>62,052,456</u>
Non-current assets:			
Restricted assets:			
Cash and cash equivalents	-	1,679,470	1,679,470
Investment in joint venture	-	1,657,685	1,657,685
Capital assets:			
Non-depreciable	2,059,839	1,224,868	3,284,707
Depreciable, net of depreciation	<u>66,685,374</u>	<u>79,652,586</u>	<u>146,337,960</u>
Total non-current assets	<u>68,745,213</u>	<u>84,214,609</u>	<u>152,959,822</u>
Total Assets	<u>92,815,671</u>	<u>122,196,607</u>	<u>215,012,278</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Statement of Net Position

June 30, 2013

(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	\$ 2,535,269	4,316,853	6,852,122
Accrued interest payable	-	423,447	423,447
Deferred revenue	1,619,387	-	1,619,387
Due to component unit	180,437	-	180,437
Meter deposit liability	-	597,305	597,305
Net OPEB obligation	29,993	14,488	44,481
Current portion:			
Judgments payable	466,287	-	466,287
Notes payable	-	4,772,057	4,772,057
Refundable grant obligations	-	56,500	56,500
Revenue bonds payable	-	5,302,196	5,302,196
Estimated liability for claims	937,149	-	937,149
Accrued compensated absences	78,040	28,109	106,149
Total current liabilities	<u>5,846,562</u>	<u>15,510,955</u>	<u>21,357,517</u>
Non-current liabilities:			
Judgments payable	341,509	-	341,509
Notes payable	-	40,830,111	40,830,111
Refundable grant obligations	-	214,250	214,250
Estimated liability for claims	814,248	-	814,248
Accrued compensated absences	702,353	252,991	955,344
Landfill closure/post-closure liability	-	3,900,979	3,900,979
Total non-current liabilities	<u>1,858,110</u>	<u>45,198,331</u>	<u>47,056,441</u>
Total Liabilities	<u>7,704,672</u>	<u>60,709,286</u>	<u>68,413,958</u>
 <u>NET POSITION</u>			
Net investment in capital assets	68,745,213	29,702,340	98,447,553
Restricted:			
Enabling legislation	7,482,230	-	7,482,230
Statutory requirements	643,290	-	643,290
External contracts	1,325,355	9,637,887	10,963,242
Unrestricted	<u>6,914,911</u>	<u>22,147,094</u>	<u>29,062,005</u>
Total Net Position	<u>\$ 85,110,999</u>	<u>61,487,321</u>	<u>146,598,320</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA
 Statement of Activities
 For the Fiscal Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues				Net (Expenses) Revenues and Change in Net Position		
		Indirect Expenses Allocation	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	\$ 8,367,336	-	5,043,450	-	-	(3,323,886)	-	(3,323,886)
Public safety	12,185,919	-	1,622,748	595,745	363,483	(9,603,943)	-	(9,603,943)
Streets and highways	5,546,391	-	-	-	-	(5,546,391)	-	(5,546,391)
Cultural, parks and recreation	3,825,139	-	195,718	16,333	151,730	(3,461,358)	-	(3,461,358)
Community development	267,909	-	81,271	-	481,567	294,929	-	294,929
Payment to PCDA	2,023,296	-	-	-	-	(2,023,296)	-	(2,023,296)
Interest on long-term debt	111,641	-	-	-	-	(111,641)	-	(111,641)
Total governmental activities	32,327,631	-	6,943,187	612,078	996,780	(23,775,586)	-	(23,775,586)
Business-type activities:								
Electric	28,193,007	1,758,807	37,395,668	-	-	-	7,443,854	7,443,854
Water	5,411,563	337,598	7,479,718	-	-	-	1,730,557	1,730,557
Wastewater	4,243,010	264,698	5,410,496	-	-	-	902,788	902,788
Solid waste	3,723,370	232,281	4,801,346	-	-	-	845,695	845,695
Stormwater	90,699	5,658	436,297	-	-	-	339,940	339,940
Indirect costs	2,599,041	(2,599,041)	-	-	-	-	-	-
Airport	1,831,503	-	1,029,394	-	186,333	-	(615,776)	(615,776)
Golf course	792,331	-	487,996	-	-	-	(304,335)	(304,335)
Marland Estate	398,487	-	138,714	-	-	-	(259,773)	(259,773)
Total business-type activities	47,283,011	-	57,179,629	-	186,333	-	10,082,951	10,082,951
Total primary government	\$ 79,610,642	-	64,122,816	612,078	1,183,113	(23,775,586)	10,082,951	(13,692,635)

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Statement of Activities

For the Fiscal Year Ended June 30, 2013

(continued)

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Change in Net Position		
	Indirect Expenses Allocation	Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
General revenues:							
Taxes:							
Sales and use taxes - unrestricted					\$ 8,068,963	-	8,068,963
Sales and use taxes - streets and highways					2,017,241	-	2,017,241
Sales and use taxes - economic development					2,017,241	-	2,017,241
Sales and use taxes - recreation center					2,017,241	-	2,017,241
Franchise and public service taxes					838,267	-	838,267
Hotel/motel taxes					788,703	-	788,703
Ad valorem taxes					591,827	-	591,827
Other taxes					30,585	-	30,585
Intergovernmental revenue not restricted to specific programs					272,144	-	272,144
Investment income					286,020	16,469	302,489
Miscellaneous					1,582,460	3,991	1,586,451
<i>Special item</i> - gain (loss) on sale of asset					13,592	37,999	51,591
Transfers - internal activity					6,433,518	(6,433,518)	-
Total general revenues and transfers					<u>24,957,802</u>	<u>(6,375,059)</u>	<u>18,582,743</u>
Change in net position					1,182,216	3,707,892	4,890,108
Net position - beginning					83,928,783	57,779,429	141,708,212
Net position - ending					<u>\$ 85,110,999</u>	<u>61,487,321</u>	<u>146,598,320</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Balance Sheet – Governmental Funds

June 30, 2013

<u>ASSETS</u>	<u>General Fund</u>	<u>Improvement Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 3,538,329	1,360,903	3,641,224	8,540,456
Investments	1,708,052	1,301,417	4,454,024	7,463,493
Receivables:				
Due from other governments	721,750	180,437	741,456	1,643,643
Due from other funds	164,725	-	-	164,725
Accounts receivable, net	703,662	-	73,214	776,876
 Total assets	 \$ <u>6,836,518</u>	 <u>2,842,757</u>	 <u>8,909,918</u>	 <u>18,589,193</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 835,086	300,495	536,736	1,672,317
Due to component unit	-	-	180,437	180,437
Due to other funds	-	-	164,725	164,725
Deferred revenue	395,801	-	1,223,586	1,619,387
 Total liabilities	 <u>1,230,887</u>	 <u>300,495</u>	 <u>2,105,484</u>	 <u>3,636,866</u>
Fund balances:				
Nonspendable	-	-	967,242	967,242
Restricted	-	2,542,262	2,299,891	4,842,153
Committed	2,004,179	-	-	2,004,179
Assigned	1,599,144	-	3,537,301	5,136,445
Unassigned	2,002,308	-	-	2,002,308
 Total fund balances	 <u>5,605,631</u>	 <u>2,542,262</u>	 <u>6,804,434</u>	 <u>14,952,327</u>
 Total liabilities and fund balances	 \$ <u>6,836,518</u>	 <u>2,842,757</u>	 <u>8,909,918</u>	 <u>18,589,193</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Balance Sheet – Governmental Funds

June 30, 2013

(continued)

	Total Governmental Funds
Reconciliation to the Statement of Net Position:	
Total fund balance, governmental funds	\$ <u>14,952,327</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$106,579,331.	<u>68,693,795</u>
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Judgment payable	(807,796)
Net pension liability	(635,915)
Net OPEB obligation	(29,993)
Accrued compensated absences	<u>(769,546)</u>
	<u>(2,243,250)</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>3,708,127</u>
Net position of governmental activities	\$ <u><u>85,110,999</u></u>

THE CITY OF PONCA CITY, OKLAHOMA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	<u>General Fund</u>	<u>Improvement Project Fund</u>	<u>Other Governmental Funds</u>
Revenues:			
Taxes	\$ 9,098,538	2,017,241	5,412,991
Intergovernmental	329,564	-	1,236,669
Charges for services	1,489,609	-	1,950
Fines and forfeitures	538,325	-	35,414
Licences and permits	125,591	-	-
Investment income	32,932	23,116	109,322
Miscellaneous	11,733	20,464	1,127,891
Total revenues	<u>11,626,292</u>	<u>2,060,821</u>	<u>7,924,237</u>
Expenditures:			
Current:			
General government	2,395,164	-	196,569
Public safety	11,863,760	-	32,907
Streets and highways	1,558,420	115,426	176,425
Culture, parks and recreation	2,794,669	-	403,217
Community development	-	-	225,865
Capital outlay	382,283	3,897,232	2,648,319
Debt service:			
Principal retirement	-	-	505,183
Interest and fiscal charges	-	-	111,641
Total expenditures	<u>18,994,296</u>	<u>4,012,658</u>	<u>4,300,126</u>
Excess (deficiency) of revenues over expenditures	<u>(7,368,004)</u>	<u>(1,951,837)</u>	<u>3,624,111</u>
Other financing sources (uses):			
Transfers in	8,696,324	-	630,000
Transfers out	(933,824)	-	(4,270,187)
Proceeds from sale of fixed asset	15,073	-	-
Proceeds from sale of judgment	-	-	196,569
Total other financing sources (uses)	<u>7,777,573</u>	<u>-</u>	<u>(3,443,618)</u>
Net change in fund balances	409,569	(1,951,837)	180,493
Fund balances - beginning	<u>5,196,062</u>	<u>4,494,099</u>	<u>6,623,941</u>
Fund balances - ending	<u>\$ 5,605,631</u>	<u>2,542,262</u>	<u>6,804,434</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, 2013
(continued)

Net change in fund balances - total governmental funds \$ (1,361,775)

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	6,678,154
Capital asset transfers	309,159
Gain on disposal of capital assets	(175,490)
Depreciation expense	<u>(4,982,764)</u>
	<u>1,829,059</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	(196,569)
Judgment payable principal payments	<u>505,183</u>
	<u>308,614</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	(493,307)
Change in accrued compensated absences	<u>(5,205)</u>
	<u>(498,512)</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>904,830</u>
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Change in net position - statement of activities \$ 1,182,216

THE CITY OF PONCA CITY, OKLAHOMA

Statement of Net Position

Proprietary Funds

June 30, 2013

<u>ASSETS</u>	Business-type Activities - Enterprise Funds				Governmental
	Ponca City Utility Authority	Ponca City Airport	Other Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
Current assets:					
Cash and cash equivalents	\$ 12,427,176	191,888	107,697	12,726,761	2,888,394
Investments	6,663,589	-	104,609	6,768,198	2,304,626
Restricted assets:					
Cash and cash equivalents	7,958,417	-	-	7,958,417	-
Investments	597,305	-	-	597,305	-
Receivables:					
Due from other governments	-	11,000	-	11,000	-
Utility billing, net of allowance for uncollectible accounts	7,015,731	-	-	7,015,731	-
Accounts receivables - other	17,632	26,887	-	44,519	26,040
Due from other funds	-	-	-	-	81,665
Prepaid expenses	-	-	-	-	104,496
Inventory	2,776,537	83,804	81,391	2,941,732	240,769
Total current assets	37,456,387	313,579	293,697	38,063,663	5,645,990
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	1,679,470	-	-	1,679,470	-
Investment in joint venture	1,657,685	-	-	1,657,685	-
Capital assets:					
Nondepreciable	625,808	151,290	447,770	1,224,868	-
Depreciable, net of accumulated depreciation	65,443,613	12,715,104	1,493,869	79,652,586	51,418
Total noncurrent assets	69,406,576	12,866,394	1,941,639	84,214,609	51,418
Total Assets	106,862,963	13,179,973	2,235,336	122,278,272	5,697,408

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Statement of Net Position

Proprietary Funds

June 30, 2013

(continued)

LIABILITIES	Business-type Activities - Enterprise Funds				Governmental
	Ponca City Utility Authority	Ponca City Airport	Other Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
Current liabilities:					
Accounts payable and accrued liabilities	\$ 4,221,991	25,252	69,610	4,316,853	227,037
Accrued interest payable	423,447	-	-	423,447	-
Meter deposit liability	597,305	-	-	597,305	-
Due to other funds	75,519	6,146	-	81,665	-
Net OPEB obligation	12,746	484	1,258	14,488	-
Current portion:					
Refundable grant obligations	56,500	-	-	56,500	-
Estimated claims liability	-	-	-	-	937,149
Revenue bonds payable	5,302,196	-	-	5,302,196	-
Notes payable	4,772,057	-	-	4,772,057	-
Accrued compensated absences	24,642	1,252	2,215	28,109	1,085
Total current liabilities	<u>15,486,403</u>	<u>33,134</u>	<u>73,083</u>	<u>15,592,620</u>	<u>1,165,271</u>
Noncurrent liabilities:					
Refundable grant obligations	214,250	-	-	214,250	-
Estimated liability for claims	-	-	-	-	814,248
Accrued compensated absences	221,787	11,272	19,932	252,991	9,762
Landfill closure/post-closure liability	3,900,979	-	-	3,900,979	-
Notes payable	40,830,111	-	-	40,830,111	-
Total noncurrent liabilities	<u>45,167,127</u>	<u>11,272</u>	<u>19,932</u>	<u>45,198,331</u>	<u>824,010</u>
Total Liabilities	<u>60,653,530</u>	<u>44,406</u>	<u>93,015</u>	<u>60,790,951</u>	<u>1,989,281</u>
<u>NET POSITION</u>					
Net investment in capital assets	14,894,307	12,866,394	1,941,639	29,702,340	51,418
Restricted for debt service	9,637,887	-	-	9,637,887	-
Restricted for encumbrances	1,448,116	408	17,610	1,466,134	25,139
Unrestricted	<u>20,229,123</u>	<u>268,765</u>	<u>183,072</u>	<u>20,680,960</u>	<u>3,631,570</u>
Total Net Position	<u>\$ 46,209,433</u>	<u>13,135,567</u>	<u>2,142,321</u>	<u>61,487,321</u>	<u>3,708,127</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, 2013

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service Funds
	<u>Ponca City Utility Authority</u>	<u>Ponca City Airport</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	
	Operating Revenues:				
Pledged as security for revenue bonds:					
Charges for services:					
Electric	\$ 37,287,490	-	-	37,287,490	-
Water	7,479,718	-	-	7,479,718	-
Solid waste	4,801,346	-	-	4,801,346	-
Wastewater	5,410,496	-	-	5,410,496	-
Unpledged:					
Charges for services:					
Airport	-	1,029,393	-	1,029,393	-
Marland Estate	-	-	138,714	138,714	-
Golf course	-	-	487,996	487,996	-
Stormwater	436,297	-	-	436,297	-
Other	108,178	-	-	108,178	6,523,893
Miscellaneous	3,977	-	15	3,992	-
Total operating revenues	<u>55,527,502</u>	<u>1,029,393</u>	<u>626,725</u>	<u>57,183,620</u>	<u>6,523,893</u>
Operating Expenses:					
Electric	27,969,172	-	-	27,969,172	-
Water	4,756,643	-	-	4,756,643	-
Solid waste	3,723,370	-	-	3,723,370	-
Wastewater	3,907,077	-	-	3,907,077	-
Stormwater	90,699	-	-	90,699	-
Marland Estate	-	-	398,487	398,487	-
Golf course	-	-	792,331	792,331	-
Airport	-	1,827,897	-	1,827,897	-
Administrative	2,039,702	-	-	2,039,702	-
Motor pool	-	-	-	-	1,547,517
Insurance claims and administrative	-	-	-	-	4,288,465
Total operating expenses	<u>42,486,663</u>	<u>1,827,897</u>	<u>1,190,818</u>	<u>45,505,378</u>	<u>5,835,982</u>
Operating income (loss)	<u>13,040,839</u>	<u>(798,504)</u>	<u>(564,093)</u>	<u>11,678,242</u>	<u>687,911</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, 2013
(continued)

	Business-type Activities - Enterprise Funds				Governmental
	Ponca City Utility Authority	Ponca City Airport	Other Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
Non-Operating Revenues (Expenses):					
Pledged as security for revenue bonds:					
Investment income	\$ 10,640	-	-	10,640	-
Unpledged revenues:					
Investment income	4,669	330	830	5,829	120,650
Miscellaneous	-	-	-	-	117,519
Interest expense and fiscal charges	(1,774,027)	(3,606)	-	(1,777,633)	-
Gain (loss) on asset retirement	37,999	-	-	37,999	-
Net non-operating revenues (expenses)	<u>(1,720,719)</u>	<u>(3,276)</u>	<u>830</u>	<u>(1,723,165)</u>	<u>238,169</u>
Income (loss) before contributions and transfers	<u>11,320,120</u>	<u>(801,780)</u>	<u>(563,263)</u>	<u>9,955,077</u>	<u>926,080</u>
Capital contributions	-	186,333	-	186,333	-
Capital asset transfers	(349,810)	-	51,901	(297,909)	-
Transfers in	2,389,813	162,524	408,378	2,960,715	-
Transfers out	<u>(9,096,324)</u>	<u>-</u>	<u>-</u>	<u>(9,096,324)</u>	<u>(10,000)</u>
Net transfers and capital contributions	<u>(7,056,321)</u>	<u>348,857</u>	<u>460,279</u>	<u>(6,247,185)</u>	<u>(10,000)</u>
Changes in net position	4,263,799	(452,923)	(102,984)	3,707,892	916,080
Total net position - beginning	<u>41,945,634</u>	<u>13,588,490</u>	<u>2,245,305</u>	<u>57,779,429</u>	<u>2,803,297</u>
Total net position - ending	<u>\$ 46,209,433</u>	<u>13,135,567</u>	<u>2,142,321</u>	<u>61,487,321</u>	<u>3,719,377</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, 2013

	Business-type Activities - Enterprise Funds				Governmental
	Ponca City			Total	Internal
	Utility Authority	Ponca City Airport	Other Enterprise Funds	Enterprise Funds	Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 55,794,143	1,014,005	627,808	57,435,956	6,609,732
Payments to suppliers	(27,645,775)	(993,895)	(348,824)	(28,988,494)	(4,597,912)
Payments to employees	(8,031,701)	(266,686)	(710,630)	(9,009,017)	(832,801)
Receipts of customer meter deposits	55,484	-	-	55,484	-
Refunds of customer meter deposits	(55,746)	-	-	(55,746)	-
Net cash provided by (used in) operating activities	<u>20,116,405</u>	<u>(246,576)</u>	<u>(431,646)</u>	<u>19,438,183</u>	<u>1,179,019</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers from other funds	2,389,813	162,524	408,378	2,960,715	-
Transfers to other funds	(9,096,324)	-	-	(9,096,324)	(21,250)
Net cash provided by (used in) noncapital financing activities	<u>(6,706,511)</u>	<u>162,524</u>	<u>408,378</u>	<u>(6,135,609)</u>	<u>(21,250)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from sale of capital assets	31,500	-	-	31,500	-
Purchases of capital assets	(3,869,545)	(69,667)	-	(3,939,212)	-
Principal paid or retired on capital debt	(6,925,971)	(55,472)	-	(6,981,443)	-
Proceeds from capital debt	399,776	-	-	399,776	-
Interest paid on capital debt	(1,774,894)	(3,606)	-	(1,778,500)	-
Receipt of capital contribution	-	186,333	-	186,333	-
Net cash provided by (used in) capital and related financing activities	<u>(12,139,134)</u>	<u>57,588</u>	<u>-</u>	<u>(12,081,546)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments	(2,364,702)	-	(3,129)	(2,367,831)	(159,805)
Interest and dividends	15,309	330	830	16,469	120,650
Net cash provided by (used in) investing activities	<u>(2,349,393)</u>	<u>330</u>	<u>(2,299)</u>	<u>(2,351,362)</u>	<u>(39,155)</u>
Net increase (decrease) in cash and cash equivalents	(1,078,633)	(26,134)	(25,567)	(1,130,334)	1,118,614
Balances - beginning of year	<u>23,143,696</u>	<u>218,022</u>	<u>133,264</u>	<u>23,494,982</u>	<u>1,769,780</u>
Balances - end 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>

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, 2013

(continued)

	Business-type Activities - Enterprise Funds				Governmental
	Ponca City	Ponca City	Other	Total	Activities -
	Utility Authority	Airport	Enterprise Funds	Enterprise Funds	Internal Service Funds
Reconciliation to Statement of Net Position:					
Cash and cash equivalents	\$ 12,427,176	191,888	107,697	12,726,761	2,888,394
Current restricted cash and cash equivalents	7,958,417	-	-	7,958,417	-
Noncurrent restricted cash and cash equivalents	1,679,470	-	-	1,679,470	-
Total cash and cash equivalents, end 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>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 13,040,839	(798,504)	(564,093)	11,678,242	687,911
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation expense	5,419,587	780,796	153,108	6,353,491	13,696
Amortization expense	684,962	-	-	684,962	-
Miscellaneous revenue	-	-	-	-	117,519
Change in assets and liabilities:					
(Increase) decrease in receivables, net	266,379	(15,388)	1,083	252,074	(21,662)
(Increase) decrease in inventories	(255,525)	(83,804)	(15,485)	(354,814)	(68,951)
(Increase) decrease in unamortized debt issuance costs	750,263	-	-	750,263	-
(Increase) decrease in prepaid expenses	-	-	-	-	(14,535)
(Increase) decrease in due from other funds	-	-	-	-	(10,018)
Increase (decrease) in accounts and other payables	235,030	10,560	(6,434)	239,156	30,528
Increase (decrease) in customer meter deposits payable	(22,160)	-	-	(22,160)	-
Increase (decrease) in due to other funds	5,417	(138,980)	-	(133,563)	-
Increase (decrease) in claims payable	-	-	-	-	445,111
Increase (decrease) in landfill closure/postclosure liability	(17,113)	-	-	(17,113)	-
Increase (decrease) in accrued compensated absences	8,726	(1,256)	175	7,645	(583)
Net cash provided by (used in) operating activities	<u>\$ 20,116,405</u>	<u>(246,576)</u>	<u>(431,646)</u>	<u>19,438,183</u>	<u>1,179,019</u>
Non-cash Activities:					
Capital assets acquired through transfers from other funds	\$ (349,810)	-	51,901	(297,909)	(11,250)
Change in investments in joint venture	127,491	-	-	127,491	-
Net non-cash activities	<u>\$ (222,319)</u>	<u>-</u>	<u>51,901</u>	<u>(170,418)</u>	<u>(11,250)</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Statement of Fiduciary Net Position

Pension Trust Fund

June 30, 2013

ASSETS

Investments at contract value:	
Insurance contracts	\$ <u>4,133,230</u>
Investments at fair value:	
Unallocated insurance contracts:	
Bond and mortgage	3,045,204
International stock	3,173,136
Large cap stock index	<u>9,174,986</u>
Total unallocated insurance contracts:	<u>15,393,326</u>
Total Assets	\$ <u><u>19,526,556</u></u>

NET POSITION

Restricted for pension benefits	\$ <u><u>19,526,556</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, 2013

ADDITIONS:

Employer contributions	\$ 510,084
Investment income:	
Contract investment income	166,744
Net appreciation in fair value of investments	<u>2,001,671</u>
Total additions	<u>2,678,499</u>

DEDUCTIONS:

Benefits paid to participants or beneficiaries	990,307
Administrative expense	<u>22,966</u>
Total deductions	<u>1,013,273</u>

Change in net position held in trust for pension benefits	1,665,226
Net position - beginning	<u>17,861,330</u>
Net position - ending	<u>\$ 19,526,556</u>

THE CITY OF PONCA CITY, OKLAHOMA

Statement of Fiduciary Net Position

Component Unit

Ponca City Development Authority

June 30, 2013

ASSETS

Current assets:

Cash and cash equivalents \$ 5,794,752

Receivables:

Due from other governments 180,437

Accounts receivable 17,672

Prepaid expenses 4,985

Total current assets 5,997,846

Noncurrent assets:

Capital assets:

Nondepreciable 297,810

Depreciable, net of accumulated depreciation 3,656,888

Long-term receivables 75,145

Total noncurrent assets 4,029,843

Total Assets 10,027,689

LIABILITIES

Current liabilities:

Accounts payable \$ 318,658

Payroll taxes payable 6,594

Current portion:

Accrued compensated absences 2,208

Total current liabilities 327,460

Noncurrent liabilities:

Accrued compensated absences 19,871

Total noncurrent liabilities 19,871

Total Liabilities 347,331

NET POSITION

Net investment in capital assets 3,954,698

Unrestricted 5,725,660

Total Net Position \$ 9,680,358

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, 2013

Operating Revenues:	
Payments from <i>City of Ponca City</i>	\$ 2,017,189
Lease income	212,063
Total operating revenues	<u>2,229,252</u>
Operating Expenses:	
Accounting & legal	10,923
Depreciation	91,592
Dues and subscriptions	5,328
Existing industry	64,044
Fringe benefits	130,463
Insurance	19,420
Land improvements	3,500
Marketing	65,285
Meetings and conferences	12,715
Miscellaneous	24,943
New industry incentives and credits	499,434
Office supplies, postage, and printing	14,044
Payroll taxes	27,794
Rent	11,100
Salaries	435,240
Telephone	7,296
Total operating expenses	<u>1,423,121</u>
Operating income	<u>806,131</u>
Non-Operating Revenues :	
Interest income	\$ <u>37,002</u>
Net non-operating revenues	<u>37,002</u>
Changes in net position	843,133
Total net position - beginning	<u>8,837,225</u>
Total net position - ending	<u>\$ 9,680,358</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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 2,257,486
Payments to suppliers	<u>(1,044,982)</u>
Net cash provided by operating activities	<u>1,212,504</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition and construction of capital assets	<u>(1,065,489)</u>
Net cash used in capital and related financing activities	<u>(1,065,489)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	<u>37,002</u>
Net cash provided by investing activities	<u>37,002</u>

Net increase in cash and cash equivalents	184,017
Balances - beginning of year	<u>5,610,735</u>
Balances - end of year	<u><u>\$ 5,794,752</u></u>

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

Operating income (loss)	\$ 806,131
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation expense	91,592
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	28,234
(Increase) decrease in prepaid expenses	419
Increase (decrease) in accounts payable	273,455
Increase (decrease) in payroll taxes payable	12,513
Increase (decrease) in accrued compensated absences	<u>160</u>

Net cash provided by operating activities	<u><u>\$ 1,212,504</u></u>
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THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

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THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ponca City, Oklahoma's (The City) accounting and financial reporting policies conform to accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In accordance with GASB Statement Nos. 20 and 34, for its governmental and business-type activities, enterprise funds and similar fiduciary presented component unit, *The City* has elected to apply Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. 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, 2013

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BLENDED COMPONENT UNITS

Blended component units are separate legal entities that meet the GASBS 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, 2013

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FIDUCIARY PRESENTED COMPONENT UNITS

Fiduciary presented component units are separate legal entities that meet the GASBS 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 the City. The PCDA board of trustees is separate from the Mayor and City Commissioners. The PCDA is dependent on <i>The City</i> . <i>The City</i> maintains 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, 2013 are available from the Association for Landfill Financial Assurance, Tulsa, Oklahoma.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(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, 2013

(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 and Street Improvement Project Fund as its major governmental funds.

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, 2013

(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 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, 2013

(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, 2013

(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, 2013

(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, 2013

(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.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Inventories

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

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, 2013

(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.

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.

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.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Compensated Absences (continued)

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.

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, 2013

(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 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 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, 2013

(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:

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.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, 2013

(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, 2013

(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, 2013, *The City's* net assessed valuation of taxable property was \$113,380,415. The taxes levied by *The City* per \$1,000 of net assessed valuation for the year ended June 30, 2013 was \$5.35.

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, 2013

(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, 2013, *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, 2013

(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, 2013, *The City* had no general obligation debt.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(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 note payables 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, 2013.

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, 2013.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(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
Petty cash	\$ 6,000	6,000	-	-	-	-
Demand accounts	29,508,385	29,508,385	-	-	-	-
Time deposits	10,049,625	-	10,049,625	-	-	-
Trust money market account	9,637,887	9,637,887	-	-	-	-
Equities	917,427	917,427	-	-	-	-
Other	807,796	-	466,287	341,509	-	-
Subtotal	<u>50,927,120</u>	<u>40,069,699</u>	<u>10,515,912</u>	<u>341,509</u>	<u>-</u>	<u>-</u>
Pension fund investments:						
Insurance contract	4,133,230					
Unallocated insurance contracts	15,393,326					
Total deposits and investments	<u>\$ 70,453,676</u>					
Reconciliations to Statement of Net Assets:						
Cash and cash equivalents	\$ 24,155,611					
Investments	16,536,317					
Current restricted cash and cash equivalents	7,958,417					
Current restricted investments	597,305					
Noncurrent restricted cash and cash equivalents	1,679,470					
Pension fund investments	19,526,556					
Total	<u>\$ 70,453,676</u>					

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(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, 2013

(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, 2013, *The City* had no concentration of credit risk as defined above.

At June 30, 2013, *The City's* pension fund investments in the Principal Financial Group – unallocated insurance contracts represented 53.26% of *The City's* total investments.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(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	\$ 959,534	152,692	1,153,332	109,712	2,375,270
Less: allowance for uncollectible accounts	(460,236)	-	(1,112,118)	-	(1,572,354)
Accounts receivable, net of allowance	<u>\$ 499,298</u>	<u>152,692</u>	<u>41,214</u>	<u>109,712</u>	<u>802,916</u>

Business-type Activities:	<u>Utility Accounts Receivable</u>	<u>Misc. Accounts Receivable</u>	<u>Total</u>
Electric	\$ 5,175,671	17,250	5,192,921
Water	921,811	-	921,811
Solid waste	527,561	-	527,561
Wastewater	703,894	-	703,894
Stormwater	42,313	-	42,313
Unapplied credits	(355,519)	-	(355,519)
Other	-	382	382
Airport	-	26,887	26,887
Total	7,015,731	44,519	7,060,250
Less: allowance for uncollectible accounts	-	-	-
Accounts receivable, net of allowance	<u>\$ 7,015,731</u>	<u>44,519</u>	<u>7,060,250</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(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, 2013, 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	\$ 7,958,417	1,679,470	-	-	9,637,887
Landfill financial assurance	-	-	-	1,657,685	1,657,685
Deposits held for refund	-	-	597,305	-	597,305
Totals	\$ <u>7,958,417</u>	<u>1,679,470</u>	<u>597,305</u>	<u>1,657,685</u>	<u>11,892,877</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, 2013, the “Investment in Joint Venture” balance changed as follows:

Beginning investment in joint venture	\$ 1,744,825
Current year contributions	18,879
Net loss in escrow fund	<u>(106,019)</u>
Ending investment in joint venture	\$ <u>1,657,685</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(continued)

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

3.E. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Balance at June 30, 2013</u>
Governmental activities:					
Non-depreciable:					
Land	\$ 902,214	-	-	(174,000)	728,214
Construction-in-progress	423,287	1,273,913	(365,575)	-	1,331,625
Total non-depreciable assets at historical cost	<u>1,325,501</u>	<u>1,273,913</u>	<u>(365,575)</u>	<u>(174,000)</u>	<u>2,059,839</u>
Depreciable:					
Buildings	40,814,119	-	563,068	-	41,377,187
Improvements	115,883,342	4,783,239	139,054	(25,854)	120,779,781
Machinery and equipment	10,743,789	621,002	(11,894)	(86,525)	11,266,372
Total depreciable assets at historical cost	<u>167,441,250</u>	<u>5,404,241</u>	<u>690,228</u>	<u>(112,379)</u>	<u>173,423,340</u>
Less accumulated depreciation:					
Buildings	(9,429,529)	(726,371)	-	-	(10,155,900)
Improvements	(85,824,644)	(3,534,426)	-	25,854	(89,333,216)
Machinery and equipment	(6,582,734)	(735,666)	(15,494)	85,044	(7,248,850)
Total accumulated depreciation	<u>(101,836,907)</u>	<u>(4,996,463)</u>	<u>(15,494)</u>	<u>110,898</u>	<u>(106,737,966)</u>
Net depreciable assets	<u>65,604,343</u>	<u>407,778</u>	<u>674,734</u>	<u>(1,481)</u>	<u>66,685,374</u>
Governmental activities capital assets, net	<u>\$ 66,929,844</u>	<u>1,681,691</u>	<u>309,159</u>	<u>(175,481)</u>	<u>68,745,213</u>
Business-type activities:					
Non-depreciable:					
Land	\$ 1,036,370	31,755	-	-	1,068,125
Construction-in-progress	24,224	156,743	(24,224)	-	156,743
Total non-depreciable assets at historical cost	<u>1,060,594</u>	<u>188,498</u>	<u>(24,224)</u>	<u>-</u>	<u>1,224,868</u>
Depreciable:					
Buildings	42,373,491	563,068	(563,068)	(8,500)	42,364,991
Improvements	118,577,058	2,341,982	250,745	-	121,169,785
Machinery and equipment	11,880,817	856,912	11,894	(235,604)	12,514,019
Total depreciable assets at historical cost	<u>172,831,366</u>	<u>3,761,962</u>	<u>(300,429)</u>	<u>(244,104)</u>	<u>176,048,795</u>
Less accumulated depreciation:					
Buildings	(25,553,345)	(874,257)	-	8,500	(26,419,102)
Improvements	(56,452,351)	(4,671,824)	-	-	(61,124,175)
Machinery and equipment	(8,292,441)	(807,412)	15,494	231,427	(8,852,932)
Total accumulated depreciation	<u>(90,298,137)</u>	<u>(6,353,493)</u>	<u>15,494</u>	<u>239,927</u>	<u>(96,396,209)</u>
Net depreciable assets	<u>82,533,229</u>	<u>(2,591,531)</u>	<u>(284,935)</u>	<u>(4,177)</u>	<u>79,652,586</u>
Business-type capital assets, net	<u>\$ 83,593,823</u>	<u>(2,403,033)</u>	<u>(309,159)</u>	<u>(4,177)</u>	<u>80,877,454</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(continued)

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

3.E. CAPITAL ASSETS (continued)

FIDUCIARY COMPONENT UNIT:	Balance at July 1, 2012	Additions	Disposals	Balance at June 30, 2013
Ponca City Development Authority				
Non-depreciable:				
Land	\$ 241,410	-	-	241,410
Construction-in-progress	43,207	13,193	-	56,400
Total non-depreciable assets at historical cost	284,617	13,193	-	297,810
Depreciable:				
Buildings	3,126,031	1,048,096	-	4,174,127
Office equipment and furniture	47,948	4,200	-	52,148
Total depreciable assets	3,173,979	1,052,296	-	4,226,275
Less accumulated depreciation	(477,795)	(91,592)	-	(569,387)
Net depreciable assets	2,696,184	960,704	-	3,656,888
Capital assets, net	\$ 2,980,801	973,897	-	3,954,698

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, 2013 totaled \$91,592.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(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	\$	3,313,736
Public safety		433,562
General government		833,588
Cultural, parks and recreation		401,878
Internal service funds		13,699
Total	\$	<u>4,996,463</u>

Business-type Activities:

Marland Estate	\$	97,276
Wentz Golf		55,832
Airport		780,796
Water		1,320,379
Electric		1,817,172
Solid waste		579,262
Wastewater		1,595,055
Administration		107,721
Total	\$	<u>6,353,493</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(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 plan to develop 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, 2013, 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	\$	78,040
Non-current portion		702,353
Total accrued compensated absences	\$	<u>780,393</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	\$	466,287
Non-current portion		341,509
Total judgment payable	\$	<u>807,796</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(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, 2013, the long-term debt payable from enterprise fund resources consisted of the following:

Revenue Bonds Payable:

2005 Utility System Refunding Revenue Bonds , dated June 29, 2005, original issue amount of \$9,380,000, issued by Ponca City Utility Authority, secured by a pledge of water and light revenues, interest rates ranging from 2.7% to 4.15%, final maturity July 1, 2020.	\$ <u>5,595,000</u>
Total Revenue Bonds Payable	5,595,000
Less: Unamortized discount	(30,803)
Less: Unamortized charge on refunding	<u>(262,001)</u>
Total Revenue Bonds Payable (net of unamortized discount and charge on refunding)	\$ <u><u>5,302,196</u></u>
Current portion	\$ <u>5,302,196</u>
Total Revenue Bonds Payable, net	\$ <u><u>5,302,196</u></u>

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.	\$ 281,755
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.	1,118,798
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.	770,545

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(continued)

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

3.F. LONG-TERM DEBT (continued)

Business-type Activities Long-Term Debt (continued)

Notes Payable:

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. Draws as of June 30, 2013.	\$ 3,249,730
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.	328,574
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.	1,644,025
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%, final maturity December 1, 2020.	12,645,000
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.	3,435,000
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.	15,375,000
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>7,335,000</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(continued)

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

3.F. LONG-TERM DEBT (continued)

Business-type Activities Long-Term Debt (continued)

Total Notes Payable	\$ 46,183,427
Less: unamortized charge on refunding	(872,620)
Add: unamortized premium	291,361
	<u>\$ 45,602,168</u>
Current portion payable from restricted assets	\$ 4,772,057
Non-current portion	40,830,111
Total notes payable	<u>\$ 45,602,168</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. \$ 56,250

\$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. 62,500

\$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. 152,000

Total refundable grant obligations \$ 270,750

Current portion \$ 56,500

Non-current portion 214,250

Total refundable grant obligations \$ 270,750

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(continued)

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

3.F. LONG-TERM DEBT (continued)

Business-type Activities Long-Term Debt (continued)

Accrued Compensated Absences:

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

Current portion	\$ 28,109
Non-current portion	252,991
Total accrued compensated absences	<u>\$ 281,100</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, 2013, are as follows:

Current portion	\$ 2,208
Non-current portion	19,871
Total accrued compensated absences	<u>\$ 22,079</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(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, 2013:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amount</u> <u>due in</u> <u>one year</u>
Governmental Activities:					
Judgment payable	\$ 1,116,410	196,569	(505,183)	807,796	466,287
Accrued compensated absences	775,771	4,622	-	780,393	78,040
Total general long-term debt	<u>\$ 1,892,181</u>	<u>201,191</u>	<u>(505,183)</u>	<u>1,588,189</u>	<u>544,327</u>
Business-type Activities:					
Note payable	\$ 52,058,122	399,776	(6,274,470)	46,183,428	4,772,057
Revenue bonds payable	6,190,000	-	(595,000)	5,595,000	5,595,000
Refundable grant obligations	327,250	-	(56,500)	270,750	56,500
Capital lease payable	55,472	-	(55,472)	-	-
Accrued compensated absences	273,455	7,646	-	281,101	28,109
Total enterprise fund debt	<u>\$ 58,904,299</u>	<u>407,422</u>	<u>(6,981,442)</u>	<u>52,330,279</u>	<u>10,451,666</u>
Fiduciary Component Unit:					
Accrued compensated absences	<u>\$ 21,919</u>	<u>160</u>	<u>-</u>	<u>22,079</u>	<u>2,192</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(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, 2013 are as follows:

Year Ending June 30,	Governmental Activities				
	<u>Judgment Payable</u>				
	<u>Principal</u>		<u>Interest</u>		
2014	\$	466,287		80,780	
2015		275,986		61,749	
2016		65,523		19,657	
Total	\$	<u>807,796</u>		<u>162,186</u>	

Year Ending June 30,	Business-type Activities					
	<u>Notes Payable</u>		<u>Revenue Bonds Payable</u>		<u>Refundable Grant Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	
2014	\$	4,772,057	1,378,273	5,595,000	108,345	56,500
2015		4,929,721	1,239,722	-	-	56,500
2016		5,117,319	1,087,556	-	-	44,000
2017		5,456,370	915,800	-	-	31,500
2018		4,539,279	778,374	-	-	25,250
2019-2023		15,264,517	1,844,155	-	-	57,000
2024-2028		5,765,093	315,960	-	-	-
2029-2030		339,072	12,767	-	-	-
Total	\$	<u>46,183,428</u>	<u>7,572,607</u>	<u>5,595,000</u>	<u>108,345</u>	<u>270,750</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(continued)

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

3.G. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

A \$3,900,979 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 \$4,608,565 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 2013. 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 participants in a joint venture with other owners of municipal landfill 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 44.5 years.

3.H. INTERFUND BALANCES AND ACTIVITIES

Interfund receivables and payables at June 30, 2013 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	\$ 75,519	June charges for service		
Motor Pool	Airport	6,146	June charges for service		
Total		<u>\$ 81,665</u>			
			<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Internal Balance</u>
Reconciliation to Fund Financial Statements:					
Governmental Funds		\$ 164,725		(164,725)	-
Internal Service Funds		81,665		-	81,665
Enterprise Funds		-		(81,665)	(81,665)
Total		<u>\$ 81,665</u>		<u>(246,390)</u>	<u>-</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(continued)

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

3.H. INTERFUND BALANCES AND ACTIVITIES (continued)

Interfund transfers for the year ended June 30, 2013 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	2,187,813	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	30,000	To subsidize operations of the permanent fund
Airport	General Fund	103,446	To subsidize operations of the enterprise fund
Airport	Capital Improvement Project	59,078	To subsidize operations of the enterprise fund
PCUA	Motor Pool	10,000	Funding for information services
General Fund	PCUA	8,696,324	To subsidize operations of the general fund
PCDA	Economic Development	2,023,296	To transfer sales tax collections
PCUA	General Fund	112,000	Funding for information services
PCUA	General Fund	80,000	Debt service
		<u>\$ 14,110,335</u>	

	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>	<u>Net Transfers</u>
Reconciliation to fund financial statements:			
Governmental Funds	\$ 5,204,011	9,326,324	4,122,313
Internal Service Funds	10,000	-	(10,000)
Enterprise Funds	9,096,324	2,960,715	(6,135,609)
Component Unit	-	2,023,296	2,023,296
Totals	<u>\$ 14,310,335</u>	<u>14,310,335</u>	<u>-</u>

Reconciliation to Statement of Activities:		
Net transfers Enterprise Funds	\$ 6,135,609	
Transfer of capital assets to business-type activities	297,909	
Transfer - internal activity	\$ 6,433,518	

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(continued)

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

3.I. FUND BALANCES AND NET POSITION

Fund balance is classified as nonspendable, 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:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund balances:			
Nonspendable:			
Permanent fund principal	\$ -	967,242	967,242
Restricted for:			
Tourism	-	1,181,332	1,181,332
Rec capital	-	750,863	750,863
Library	-	79,790	79,790
Street improvements	-	2,542,262	2,542,262
Recreation center	-	287,906	287,906
Committed to:			
Operating reserve	1,900,000	-	1,900,000
E911/Cap	104,179	-	104,179
Assigned to:			
Other purposes	1,599,144	-	1,599,144
Special projects	-	44,762	44,762
Street & alley	-	595,072	595,072
Community development	-	155,745	155,745
Capital improvements	-	2,615,688	2,615,688
Debt service	-	48,218	48,218
Matzene Book	-	1,311	1,311
Cann Estate	-	76,505	76,505
Unassigned:	<u>2,002,308</u>	<u>-</u>	<u>2,002,308</u>
Total fund balances	<u>\$ 5,605,631</u>	<u>9,346,696</u>	<u>14,952,327</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(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	\$ 104,179	-	-
Special Projects	-	-	44,762
Street & Alley	-	595,072	-
Hotel/Motel Tax	1,932,195	-	-
Community Development	-	-	155,745
Library Grant	-	-	79,790
Street Improvement Project	2,542,262	-	-
Recreation Center Tax	287,906	-	-
Capital Improvement Project	2,615,688	-	-
Debt Service	-	48,218	-
Matzene Book	-	-	51,455
Cann Estate	-	-	993,603
Total restricted net position	<u>\$ 7,482,230</u>	<u>643,290</u>	<u>1,325,355</u>
Restricted Net Position - Business-type Activities:			
Debt Service	<u>\$ -</u>	<u>-</u>	<u>9,637,887</u>
Total restricted net position	<u>\$ -</u>	<u>-</u>	<u>9,637,887</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(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.

	<u>Oklahoma Police Pension and Retirement System</u>	<u>Oklahoma Firefighter Pension and Retirement System</u>
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, 2013

(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, 2013

(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>
2011	\$ 316,141	100%	420,515	100%
2012	320,662	100%	443,499	100%
2013	349,661	100%	436,385	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 \$306,883 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, 2013, 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, 2013

(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.

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 an actuarial report is disclosed in the Required Supplementary Information.

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	6.50%
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, 2012</u>	
Active members	218
Inactive members	139
Retirees and beneficiaries	142
Total	<u>499</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(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.

Method Used to Value 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, 2013, 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 ($\$19,526,556 \times .05 = \$976,328$) were invested in Principal Financial Group – unallocated insurance contracts totaling \$19,526,556.

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, 2012, the plan held no deposits.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(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, 2012, *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	\$ 4,009,464	4.99
Principal Bond and Mortgage Separate Account	<u>3,544,835</u>	5.32
Total Fair Value of Fixed Income Investment Options	\$ 7,554,299	
Other Investments	<u>11,068,584</u>	
Total Investments as of December 31, 2012	<u>\$ 18,622,883</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 our 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.

Annual Pension Cost, Net Pension Obligation and Reserves

Current year annual pension costs for the System are shown in the trend information provided in the Trend Information section. Annual required contributions were made by

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(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)

the plan. *The City's* annual pension cost and net pension obligation as of and for the year ending December 31, 2012 were as follows:

Beginning of year 2011 net pension obligation	\$ 275,438
Annual required contribution for 2012 plan year	1,462,672
Interest on net pension obligation (asset)	19,969
Adjustment to annual required contribution	28,702
Annual pension cost for 2012 plan year	1,453,939
Actual contributions made	(501,148)
Increase (decrease) in net pension obligation (asset)	952,791
End of year 2012 net pension obligation	\$ 1,228,229

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

<u>Calendar Year</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contribution</u>	<u>Obligation (Asset)</u>
2010	\$ 900,224	465,314	52.0%	(422,754)
2011	1,199,884	513,258	43.0%	275,438
2012	1,462,672	501,148	34.0%	1,228,229

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 CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

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

The historical information required to be disclosed, beginning as of January 1, 2007 is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded AAL as a Percentage of Covered Payroll</u>
1/1/2007	\$ 16,604,768	16,604,768	-	100%	7,268,832	-
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%

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(continued)

NOTE 4 – OTHER NOTES (continued)

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

I. Schedule of Funding (continued)

Prior to the adoption of GASB 50, GASBS 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.)

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 (Funded Ratio) 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 (last column) 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, 2012

(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>
12/31/2007	\$ 553,740	383,116	69%
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%

III. Notes to Required Supplementary Information Pension Plan Funding Schedules

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

Valuation date	December 31, 2012
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%

(2) Significant Factors Affecting Schedules

The following changes affect the comparability of costs since January 1, 2011 plan year:

<u>Valuation Date</u>	<u>Reasons</u>	<u>Actuarial Accrued Liability</u>
1/1/2012	Assumption changes	\$ 370.631

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(continued)

NOTE 4 – OTHER NOTES (continued)

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

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 show's 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, 2012	<u>\$ 446,201</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(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 2013 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, 2013

(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, 2013

(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 America's Choice Health Plan.	Claims up to \$200,000 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, 2013

(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, 2011 to June 30, 2013, are as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Care</u>	<u>Total</u>
Claim liability, June 30, 2011	\$ 1,002,224	515,443	1,517,667
Claims and changes in estimates	153,850	3,049,212	3,203,062
Claims payments	<u>(487,552)</u>	<u>(2,926,891)</u>	<u>(3,414,443)</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	<u>\$ 1,319,058</u>	<u>432,339</u>	<u>1,751,397</u>

Reconciliation to Statement of Net Assets:

Current portion	\$ 937,149
Noncurrent portion	<u>814,248</u>
Total	<u>\$ 1,751,397</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2013

(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, 2013, *The City* had awarded construction contracts totaling \$12,000,000 for various City projects and of this amount, \$1,863,168 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 9, 2013, which is the date the financial statements were available for issuance. On November 11, 2013, the City Commissioners approved a resolution to authorize the Ponca City Utility Authority to issue its Sales Tax Revenue Note, Series 2013 in the aggregate principal amount of \$12,510,000.

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, 2013

	<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	\$ 7,429,105	7,429,105	7,444,295	15,190
Use tax	391,000	391,000	624,668	233,668
Franchise tax	680,000	680,000	614,711	(65,289)
E911 tax	340,000	340,000	384,279	44,279
Weed tax	12,000	12,000	36,899	24,899
Total taxes	<u>8,852,105</u>	<u>8,852,105</u>	<u>9,104,852</u>	<u>252,747</u>
Intergovernmental:				
Cigarette tax	175,000	175,000	168,304	(6,696)
Alcoholic beverage tax	95,000	95,000	97,526	2,526
Grants	28,000	36,000	57,420	21,420
Total intergovernmental	<u>298,000</u>	<u>306,000</u>	<u>323,250</u>	<u>17,250</u>
Charges for Services:				
Recreation programs	21,500	21,500	16,282	(5,218)
Wentz Camp	35,000	35,000	33,478	(1,522)
Administrative services	2,015,440	2,015,440	2,015,440	-
Police services	76,000	76,000	60,515	(15,485)
Ambulance services	1,175,000	1,175,000	1,130,272	(44,728)
Fire runs	1,000	1,000	-	(1,000)
Animal control receipts	14,000	17,000	12,268	(4,732)
Library receipts	16,000	16,000	14,287	(1,713)
Rentals	175,000	175,000	173,355	(1,645)
Miscellaneous charges	54,200	54,200	49,061	(5,139)
Total charges for services	<u>3,583,140</u>	<u>3,586,140</u>	<u>3,504,958</u>	<u>(81,182)</u>
Fines and forfeitures	<u>567,300</u>	<u>567,300</u>	<u>538,325</u>	<u>(28,975)</u>
Licenses and permits	<u>105,000</u>	<u>105,000</u>	<u>125,591</u>	<u>20,591</u>
Investment Income	<u>40,000</u>	<u>40,000</u>	<u>32,932</u>	<u>(7,068)</u>
Miscellaneous	<u>6,600</u>	<u>6,600</u>	<u>11,820</u>	<u>5,220</u>
Other Financing Sources:				
Proceeds from sale of fixed assets	20,000	20,000	15,073	(4,927)
Transfers from other funds	6,680,884	6,680,884	6,680,884	-
Total revenues and other financing sources	<u>20,153,029</u>	<u>20,164,029</u>	<u>20,337,685</u>	<u>173,656</u>

THE CITY OF PONCA CITY, OKLAHOMA
 Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2013
 (continued)

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Expenditures:				
City Commissioners	\$ 13,300	13,300	9,999	3,301
City Manager	900,313	900,313	739,734	160,579
Central municipal activity	1,180,888	1,380,888	1,292,402	88,486
Finance	464,362	544,362	457,375	86,987
Municipal court	228,875	228,875	202,871	26,004
City attorney	254,720	254,720	243,232	11,488
Community development	555,485	556,463	538,776	17,687
Animal control	229,150	232,150	200,290	31,860
Emergency management	155,720	155,720	144,842	10,878
Police Admin	5,046,368	5,046,368	4,901,729	144,639
Communications/911	586,319	591,919	555,968	35,951
Fire	4,809,732	4,902,057	4,834,285	67,772
Fire-Ambulance	1,107,907	1,065,032	860,291	204,741
Street Admin	1,473,636	1,479,636	1,147,225	332,411
Engineering Admin	642,181	642,181	553,563	88,618
Traffic engineering	436,703	436,703	397,344	39,359
Park maintenance	1,640,524	1,647,314	1,418,064	229,250
Recreation programs	314,306	322,011	266,002	56,009
Ambuc Pool	71,440	71,440	62,554	8,886
Wentz Camp	104,521	104,521	89,242	15,279
Marland's Grand Home	63,233	63,233	41,161	22,072
Hutchins Memorial	87,293	87,293	75,743	11,550
Library	936,306	936,306	900,669	35,637
	<u>21,303,282</u>	<u>21,662,805</u>	<u>19,933,361</u>	<u>1,729,444</u>
Revenue and other sources over (under) expenditures	(1,150,253)	(1,498,776)	404,324	(1,555,788)
Fund balances, beginning	<u>(1,947,207)</u>	<u>(3,208,416)</u>	<u>3,203,609</u>	<u>(1,555,788)</u>
Fund balnaces, ending	<u>\$ (3,097,460)</u>	<u>(4,707,192)</u>	<u>3,607,933</u>	<u>(3,111,576)</u>

THE CITY OF PONCA CITY, OKLAHOMA
 Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
 Street Improvement Project Fund
 For the Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Sales tax	\$ 1,856,813	1,856,813	1,861,074	4,261
Use tax	95,000	95,000	156,167	61,167
Total intergovernmental	<u>1,951,813</u>	<u>1,951,813</u>	<u>2,017,241</u>	<u>65,428</u>
Charges for Services:				
Miscellaneous charges	-	20,465	20,465	-
Total charges for services	<u>-</u>	<u>20,465</u>	<u>20,465</u>	<u>-</u>
Investment Income	<u>50,000</u>	<u>50,000</u>	<u>23,116</u>	<u>(26,884)</u>
Total revenues	<u>2,001,813</u>	<u>2,022,278</u>	<u>2,060,822</u>	<u>38,544</u>
Expenditures:				
Material and supplies	1,750,000	1,750,000	937,217	812,783
Other services & charges	100,000	120,465	65,231	55,234
Capital outlay	310,500	3,063,568	3,010,210	53,358
Total expenditures	<u>2,160,500</u>	<u>4,934,033</u>	<u>4,012,658</u>	<u>921,375</u>
Revenues (under) expenditures	<u>\$ (158,687)</u>	<u>(2,911,755)</u>	<u>(1,951,836)</u>	<u>(882,831)</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Budgetary Comparison Schedules

For the Fiscal Year Ended June 30, 2013

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:	\$ 404,324
Add: current year encumbrances	90,876
Change in payables	33,269
Change in deferred revenue	(27,502)
Change in receivables	53,484
Prior year encumbrances	(144,882)
Change in fund balance	\$ <u>409,569</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Budgetary Comparison Schedules

For the Fiscal Year Ended June 30, 2012

(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, 2013

(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, 2013

	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
ASSETS								
Cash and cash equivalents	\$ 28,763	301,142	959,256	19,288	41,398	494	6,276	-
Investments	27,505	287,978	917,327	-	39,589	473	6,001	-
Accounts receivable	-	-	73,214	-	-	-	-	-
Due from other governments	-	23,177	-	355,634	-	-	-	180,437
Total assets	\$ 56,268	612,297	1,949,797	374,922	80,987	967	12,277	180,437
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	\$ 11,506	17,225	17,602	54,452	1,197	967	12,277	-
Due to other funds	-	-	-	164,725	-	-	-	-
Due to component unit	-	-	-	-	-	-	-	180,437
Total liabilities	11,506	17,225	17,602	219,177	1,197	967	12,277	180,437
Fund Balances:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	1,932,195	-	79,790	-	-	-
Assigned	44,762	595,072	-	155,745	-	-	-	-
Total fund balances	44,762	595,072	1,932,195	155,745	79,790	-	-	-
Total Liabilities and Fund Balances	\$ 56,268	612,297	1,949,797	374,922	80,987	967	12,277	180,437

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA
 Combining Balance Sheet – Nonmajor Governmental Funds
 June 30, 2013
 (continued)

	Special Revenue Funds				Permanent Funds			Total
	Recreation Center Tax Fund	Capital Improvement Project Fund	Debt Service Fund	Matzene Book Fund	Cann Estate Fund			
ASSETS								
Cash and cash equivalents	\$ 54,935	2,177,076	23,742	935	27,919			3,641,224
Investments	52,534	2,081,914	22,705	50,520	967,478			4,454,024
Accounts receivable	-	-	-	-	-			73,214
Due from other governments	180,437	-	1,771	-	-			741,456
Total assets	\$ 287,906	4,258,990	48,218	51,455	995,397			\$ 8,909,918
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	\$ -	419,716	-	-	1,794			536,736
Due to other funds	-	-	-	-	-			164,725
Due to component unit	-	-	-	-	-			180,437
Deferred revenue	-	1,223,586	-	-	-			1,223,586
Total liabilities	-	1,643,302	-	-	1,794			2,105,484
Fund Balances:								
Nonspendable	-	-	-	50,144	917,098			967,242
Restricted	287,906	-	-	-	-			2,299,891
Assigned	-	2,615,688	48,218	1,311	76,505			3,537,301
Total fund balance	287,906	2,615,688	48,218	51,455	993,603			6,804,434
Total Liabilities and Fund Balances	\$ 287,906	4,258,990	48,218	51,455	995,397			\$ 8,909,918

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, 2013

	Special Revenue Funds							Economic Development Fund
	Special Projects Fund	Street & Alley Fund	Hotel/ Motel Tax Fund	Community Development Fund	Library Grant Fund	Library State Aid Fund	Misc. Trust Fund	
Revenues:								
Taxes	-	-	786,682	-	-	-	-	2,017,241
Intergovernmental	-	223,556	-	845,050	151,730	16,333	-	-
Charges for services	-	-	-	-	-	-	-	-
Investment income	-	-	-	887	-	-	-	-
Fines and forfeitures	35,414	-	-	-	-	-	-	-
Miscellaneous	130	50,205	10,984	74,249	-	-	-	-
Total revenues	35,544	273,761	797,666	920,186	151,730	16,333	-	2,017,241
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	32,907	-	-	-	-	-	-	-
Street and highway	-	176,425	-	-	-	-	-	-
Culture, parks and recreation	-	-	256,516	-	72,042	16,333	-	-
Community development	-	-	-	225,865	-	-	-	-
Capital outlay	11,206	-	138,502	628,949	-	-	-	-
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	44,113	176,425	395,018	854,814	72,042	16,333	-	-
Revenues over (under) expenditures	(8,569)	97,336	402,648	65,372	79,688	-	-	2,017,241
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(2,023,296)
Proceeds from sale of judgment	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	(2,023,296)
Net change in fund balances	(8,569)	97,336	402,648	65,372	79,688	-	-	(6,055)
Fund balance, beginning of year	53,331	497,736	1,529,547	90,373	102	-	-	6,055
Fund balance, end of year	\$ 44,762	\$ 595,072	\$ 1,932,195	\$ 155,745	\$ 79,790	\$ -	\$ -	\$ -

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, 2013
 (continued)

	Special Revenue Funds			Permanent Funds			Total
	Recreation Center Tax Fund	Capital Improvement Project Fund	Debt Service Fund	Matzene Book Fund	Cann Estate Fund		
Revenues:							
Taxes	\$ 2,017,241	-	591,827	-	-	-	5,412,991
Intergovernmental	-	-	-	-	-	-	1,236,669
Charges for services	-	-	-	-	1,950	-	1,950
Investment income	4,815	18,152	879	165	84,424	-	109,322
Fines and forfeitures	-	-	-	-	-	-	35,414
Miscellaneous	1	992,150	-	-	172	-	1,127,891
Total revenues	2,022,057	1,010,302	592,706	165	86,546	-	7,924,237
Expenditures:							
Current:							
General government	-	-	196,569	-	-	-	196,569
Public safety	-	-	-	-	-	-	32,907
Street and highway	-	-	-	-	-	-	176,425
Culture, parks and recreation	-	-	-	-	58,326	-	403,217
Community development	-	-	-	-	-	-	225,865
Capital outlay	2,815	1,866,847	-	-	-	-	2,648,319
Debt Service:							
Principle	-	-	505,183	-	-	-	505,183
Interest and fiscal charges	-	-	111,641	-	-	-	111,641
Total expenditures	2,815	1,866,847	813,393	-	58,326	-	4,300,126
Revenues over (under) expenditures	2,019,242	(856,545)	(220,687)	165	28,220	-	3,624,111
Other financing sources (uses):							
Transfers in	-	600,000	-	-	30,000	-	630,000
Transfers out	(2,187,813)	(59,078)	-	-	-	-	(4,270,187)
Proceeds from sale of judgment	-	-	196,569	-	-	-	196,569
Total other financing sources (uses)	(2,187,813)	540,922	196,569	-	30,000	-	(3,443,618)
Net change in fund balances	(168,571)	(315,623)	(24,118)	165	58,220	-	180,493
Fund balance, beginning of year	456,477	2,931,311	72,336	51,290	935,383	-	6,623,941
Fund balance, end of year	\$ 287,906	2,615,688	48,218	51,455	993,603	-	6,804,434

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Combining Statement of Net Position

Nonmajor Proprietary Funds

June 30, 2013

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Marland</u>	<u>Low 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	\$ 74,783	32,914	107,697
Investments	71,132	33,477	104,609
Inventory	23,906	57,485	81,391
Total current assets	<u>169,821</u>	<u>123,876</u>	<u>293,697</u>
Noncurrent Assets:			
Capital assets:			
Nondepreciable	376,193	71,577	447,770
Depreciable, net of accumulated depreciation	1,010,990	482,879	1,493,869
Total noncurrent assets	<u>1,387,183</u>	<u>554,456</u>	<u>1,941,639</u>
Total Assets	<u>1,557,004</u>	<u>678,332</u>	<u>2,235,336</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable and accrued liabilities	15,042	54,568	69,610
Net OPEB obligation	430	828	1,258
Accrued compensated absences	832	1,383	2,215
Total current liabilities	<u>16,304</u>	<u>56,779</u>	<u>73,083</u>
Noncurrent Liabilities:			
Accrued compensated absences	7,483	12,449	19,932
Total noncurrent liabilities	<u>7,483</u>	<u>12,449</u>	<u>19,932</u>
Total Liabilities	<u>23,787</u>	<u>69,228</u>	<u>93,015</u>
<u>NET POSITION</u>			
Net investment in capital assets	1,387,183	554,456	1,941,639
Restricted for encumbrances	-	17,610	17,610
Unrestricted	146,034	37,038	183,072
Total Net Position	<u>\$ 1,533,217</u>	<u>609,104</u>	<u>2,142,321</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, 2013

	<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	\$ 138,714	-	138,714
Golf course fees	-	487,996	487,996
Miscellaneous	15	-	15
Total operating revenues	<u>138,729</u>	<u>487,996</u>	<u>626,725</u>
Operating Expenses:			
Personal services	238,187	472,618	710,805
Materials and supplies	14,206	41,068	55,274
Maintenance, operations and contractual services	48,818	222,813	271,631
Depreciation and amortization	97,276	55,832	153,108
Total operating expenses	<u>398,487</u>	<u>792,331</u>	<u>1,190,818</u>
Operating income (loss)	<u>(259,758)</u>	<u>(304,335)</u>	<u>(564,093)</u>
Non-Operating Revenues (Expenses)			
Investment income	830	-	830
Net non-operating revenues (expenses)	<u>830</u>	<u>-</u>	<u>830</u>
Income (loss) before contributions and transfers	<u>(258,928)</u>	<u>(304,335)</u>	<u>(563,263)</u>
Capital asset transfers	-	51,901	51,901
Capital contributions			
Transfers in from other funds	<u>148,378</u>	<u>260,000</u>	<u>408,378</u>
Net transfers and capital contributions	<u>148,378</u>	<u>311,901</u>	<u>460,279</u>
Change in net position	(110,550)	7,566	(102,984)
Net position, beginning of year	<u>1,643,767</u>	<u>601,538</u>	<u>2,245,305</u>
Net position, end of year	<u>\$ 1,533,217</u>	<u>609,104</u>	<u>2,142,321</u>

THE CITY OF PONCA CITY, OKLAHOMA

Combining Statement of Cash Flows Nonmajor Proprietary Funds For the Fiscal Year Ended June 30, 2013

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Marland Estate</u>	<u>Lew Wentz Golf Course</u>	<u>Total Other Enterprise Funds</u>
Cash Flows from Operating Activities:			
Receipts from customers	\$ 139,812	487,996	627,808
Payments to suppliers	(70,223)	(278,601)	(348,824)
Payments to employees	(237,906)	(472,724)	(710,630)
Net cash used in operating activities	<u>(168,317)</u>	<u>(263,329)</u>	<u>(431,646)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers from other funds	<u>148,378</u>	<u>260,000</u>	<u>408,378</u>
Net cash provided by noncapital financing	<u>148,378</u>	<u>260,000</u>	<u>408,378</u>
Cash Flows from Investing Activities:			
Purchase of investments	(15,011)	11,882	(3,129)
Interest and dividends	830	-	830
Net cash provided by (used in) in investing activities	<u>(14,181)</u>	<u>11,882</u>	<u>(2,299)</u>
Net increase (decrease) in cash and cash equivalents	(34,120)	8,553	(25,567)
Balances, beginning of year	<u>108,903</u>	<u>24,361</u>	<u>133,264</u>
Balances, end of year	<u>\$ 74,783</u>	<u>32,914</u>	<u>107,697</u>

THE CITY OF PONCA CITY, OKLAHOMA

Combining Statement of Cash Flows Nonmajor Proprietary Funds For the Fiscal Year Ended June 30, 2013 (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	\$ (259,758)	(304,335)	(564,093)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation and amortization expense	97,276	55,832	153,108
Change in assets and liabilities:			
(Increase) decrease in accounts receivables, net	1,083	-	1,083
(Increase) decrease in inventories	(5,442)	(10,043)	(15,485)
Increase (decrease) in accounts and other payables	(1,757)	(4,677)	(6,434)
Increase (decrease) in accrued compensated absences	281	(106)	175
Net cash used in operating activities	<u>\$ (168,317)</u>	<u>(263,329)</u>	<u>(431,646)</u>
Non-Cash Activities:			
Capital assets acquired through transfers from other funds	\$ -	51,901	51,901
Net non-cash activities	<u>\$ -</u>	<u>51,901</u>	<u>51,901</u>

THE CITY OF PONCA CITY, OKLAHOMA

Combining Statement of Net Position

Internal Service Funds

June 30, 2013

<u>ASSETS</u>	<u>Motor Pool</u>	<u>Insurance Imprest Fund</u>	<u>Totals</u>
Current Assets:			
Cash, including time deposits	\$ 20,654	2,867,740	2,888,394
Investments	19,559	2,285,067	2,304,626
Receivables:			
Due from other funds	81,665	-	81,665
Other	-	26,040	26,040
Prepaid expenses	-	104,496	104,496
Inventory	240,769	-	240,769
Total current assets	<u>362,647</u>	<u>5,283,343</u>	<u>5,645,990</u>
Noncurrent Assets:			
Capital assets:			
Depreciable, net of accumulated depreciation	51,418	-	51,418
Total noncurrent assets	<u>51,418</u>	<u>-</u>	<u>51,418</u>
Total Assets	<u>414,065</u>	<u>5,283,343</u>	<u>5,697,408</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable and accrued liabilities	58,669	168,368	227,037
Estimated liability for claims	-	937,149	937,149
Accrued compensated absences	918	167	1,085
Total current liabilities	<u>59,587</u>	<u>1,105,684</u>	<u>1,165,271</u>
Noncurrent Liabilities:			
Estimated liability for claims	-	814,248	814,248
Accrued compensated absences	8,261	1,501	9,762
Total noncurrent liabilities	<u>8,261</u>	<u>815,749</u>	<u>824,010</u>
Total Liabilities	<u>67,848</u>	<u>1,921,433</u>	<u>1,989,281</u>
<u>NET POSITION</u>			
Net investment in capital assets	51,418	-	51,418
Restricted for encumbrances	25,139	-	25,139
Unrestricted	269,660	3,361,910	3,631,570
Total Net Position	<u>\$ 346,217</u>	<u>3,361,910</u>	<u>3,708,127</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, 2013

	<u>Motor Pool</u>	<u>Insurance Imprest Fund</u>	<u>Totals</u>
Operating Revenues:			
Charges for services	\$ 1,617,549	4,906,344	6,523,893
Total operating revenues	<u>1,617,549</u>	<u>4,906,344</u>	<u>6,523,893</u>
Operating Expenses:			
Personal services	225,118	607,100	832,218
Materials and supplies	692,600	-	692,600
Other services and charges	616,100	3,681,365	4,297,465
Depreciation expense	13,699	-	13,699
Total operating expenses	<u>1,547,517</u>	<u>4,288,465</u>	<u>5,835,982</u>
Operating income (loss)	<u>70,032</u>	<u>617,879</u>	<u>687,911</u>
Non-Operating Revenues:			
Investment income	-	120,650	120,650
Miscellaneous income	2,073	115,446	117,519
Total non-operating revenues	<u>2,073</u>	<u>236,096</u>	<u>238,169</u>
Income (loss) before contributions and transfers	<u>72,105</u>	<u>853,975</u>	<u>926,080</u>
Transfers to other funds	(10,000)	-	(10,000)
Capital asset transfers	-	(11,250)	(11,250)
Net proceeds from sale and transfers	<u>(10,000)</u>	<u>(11,250)</u>	<u>(21,250)</u>
Change in net position	62,105	842,725	904,830
Net position, beginning of year	<u>284,112</u>	<u>2,519,185</u>	<u>2,803,297</u>
Net position, end of year	<u>\$ 346,217</u>	<u>3,361,910</u>	<u>3,708,127</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, 2013

	Motor Pool	Insurance Imprest Fund	Totals
Cash Flows from Operating Activities:			
Receipts from customers	\$ 1,609,604	5,000,128	6,609,732
Payments to suppliers and others	(1,368,909)	(3,229,003)	(4,597,912)
Payments to employees	(224,186)	(608,615)	(832,801)
Net cash provided by operating activities	16,509	1,162,510	1,179,019
Cash Flows from Noncapital Financing Activities:			
Transfers to from other funds	(10,000)	(11,250)	(21,250)
Net cash used in noncapital financing activities	(10,000)	(11,250)	(21,250)
Cash Flows from Investing Activities:			
Purchase of investments	(8,139)	(151,666)	(159,805)
Interest and dividends	-	120,650	120,650
Net cash used in investing activities	(8,139)	(31,016)	(39,155)
Net increase (decrease) in cash and cash equivalents	(1,630)	1,120,244	1,118,614
Balances, beginning of year	22,284	1,747,496	1,769,780
Balances, end of year	\$ 20,654	2,867,740	2,888,394
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income	\$ 70,032	617,879	687,911
Adjustments to reconcile operating income to net cash provided by operating activities:			
Miscellaneous nonoperating revenue	2,073	115,446	117,519
Depreciation expense	13,699	-	13,699
Change in assets and liabilities:			
(Increase) decrease in receivables, net	-	(21,662)	(21,662)
(Increase) decrease in prepaid expenses	-	(14,535)	(14,535)
(Increase) decrease in inventory	(68,951)	-	(68,951)
(Increase) decrease in due from other funds	(10,018)	-	(10,018)
Increase (decrease) in claims payable	-	445,111	445,111
Increase (decrease) in accrued compensated absences	932	(1,515)	(583)
Increase (decrease) in accounts and other payables	8,742	21,786	30,528
Net cash provided by operating activities	\$ 16,509	1,162,510	1,179,019
Non-Cash Activities:			
Capital assets acquired through transfers from other funds	\$ -	(11,250)	(11,250)
Net non-cash activities	\$ -	(11,250)	(11,250)

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, 2013

	<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	\$ 37,287,490	7,479,718	4,801,346	5,410,496	54,979,050
Investment income	48,010	26,807	(71,576)	7,354	10,595
Total operating revenues	<u>37,335,500</u>	<u>7,506,525</u>	<u>4,729,770</u>	<u>5,417,850</u>	<u>54,989,645</u>
Operation and Maintenance Expenses:					
Personal services	2,187,032	1,405,446	2,293,489	1,002,611	6,888,578
Materials and supplies	71,230	488,881	40,754	96,000	696,865
Maintenance, operations and contractual services	1,470,946	1,493,197	809,865	952,054	4,726,062
Electricity purchased	<u>22,386,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,386,435</u>
Total operating expenses	<u>26,115,643</u>	<u>3,387,524</u>	<u>3,144,108</u>	<u>2,050,665</u>	<u>34,697,940</u>
Net revenues available for debt service	<u>\$ 11,219,857</u>	<u>4,119,001</u>	<u>1,585,662</u>	<u>3,367,185</u>	<u>20,291,705</u>
Maximum annual debt service					4,219,103 *
Coverage					4.81
Required coverage					1.25 **

* Maximum annual debt service is based on 2013 debt service requirements for Oklahoma Water Resources Board Notes Payable Series 1997 A, 1998 A, 1999 A, 1999 B, 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 Revenue Bonds Series 2005 and Utility System Revenue Note, Series 2008 and 2012 A Utility System Revenue Note.

** Utility Revenue Bonds Series 2005 required coverage is 125% of annual debt service on the bonds and 100% of debt service on subordinate debt.

THE CITY OF PONCA CITY, OKLAHOMA

Schedule of Reserve Account Balances

June 30, 2013

<u>Description</u>	<u>Required Reserves</u>	<u>Reserve Balance June 30, 2013</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)