

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

Financial Statements and
Independent Auditor's Report
as of and for the Year Ended
June 30, 2012

THE CITY OF PONCA CITY, OKLAHOMA

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THE CITY OF PONCA CITY, OKLAHOMA

List of Principal Officials

June 30, 2012

City Commission

Homer Nicholson, Mayor

Lanita Chapman

R. Mark Macyr

Diane Anderson

Steve Hermann

Finance Director/Clerk/Treasurer

Marc LaBossiere



ARCHAMBO & MUEGGENBORG, PC

CERTIFIED PUBLIC ACCOUNTANTS

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 discretely 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, 2012, which collectively comprise The City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of *The City of Ponca City, Oklahoma's* management. 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 assets, and revenues of the discretely presented component unit. Those financial statements were audited by the other auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Ponca City Development Authority, is based 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provides a reasonable basis for our 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of *The City of Ponca City, Oklahoma*, as of June 30, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information on pages 4 through 17, and 90 through 95 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise *The City of Ponca City, Oklahoma's* financial statements as a whole. 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. 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, based on our audit and the report of the other auditor, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.


Archambo & Mueggenborg, PC
Certified Public Accountants

January 8, 2013

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2011

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, 2011. Please read it in conjunction with The City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded liabilities by \$138,708,101 (net assets) for the fiscal year ended June 30, 2011.
- Total net assets are comprised of the following:
 - Capital assets, net of related debt, of \$104,639,484 include property and equipment, net of accumulated depreciation.
 - Net assets of \$2,698,168 are restricted by constraints imposed from outside the City, such as debt covenants, grantors, laws or regulations.
 - Unrestricted net assets of \$31,370,449 represent the portion available to maintain the City's continuing obligations to citizens, creditors and employees.
- Sales and use tax revenue in the General Fund derived from a 2% rate to provide basic services totaled \$7,542,128, an increase of 5.6% from the prior year.
- The Ponca City Utility Authority decreased its capital debt and refundable grant obligations by \$3,624,766 during the year.

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. Included in this report are governmental-wide statements for each of two categories of activities – governmental and business-type, along with a discretely-presented component unit. The government-wide financial statements present the complete financial picture of The City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. These statements include all assets of The City (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

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

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2011

(continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Reporting the City as a Whole

The Statement of Net Assets 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 Assets 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 assets and changes in them from the prior year. You can think of The City's net assets – the difference between assets and liabilities – as one way to measure The City's financial condition, or position. Over time, increases or decreases in The City's net assets 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 Assets and the Statement of Activities, 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.

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

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2011

(continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The Statement of Net Assets and the Statement of Activities (continued)

- 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.
- Discretely-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).

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 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 service 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.

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

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2011

(continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

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 Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. 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.

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 assets and a statement of changes in fiduciary net assets. 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 Assets

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of The City, assets exceeded liabilities by \$138,708,101 at the close of the most recent fiscal year.

The largest portion of The City’s net assets reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. For fiscal 2011, this investment in capital assets, net of related debt amounted to \$104,639,484. 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, 2011

(continued)

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

Net Assets (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 ASSETS (in 000's)					
	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Current assets	\$ 21,210	23,081	23,428	26,767	44,638	49,848
Capital assets, net	69,047	45,120	86,912	107,433	155,959	152,553
Other non-current assets	219	457	4,221	4,698	4,440	5,155
Total assets	90,476	68,658	114,561	138,898	205,037	207,556
Current liabilities	4,357	4,275	8,368	10,085	12,725	14,360
Non-current liabilities	15,666	16,412	37,936	41,198	53,602	57,610
Total liabilities	20,023	20,687	46,304	51,283	66,327	71,970
Net assets						
Invested in capital assets, net of related debt	54,537	30,157	50,102	67,259	104,639	97,416
Restricted	12,015	15,027	2,698	7,115	14,713	22,142
Unrestricted	3,901	2,787	15,455	13,240	19,356	16,027
Total net assets	\$ 70,453	47,971	68,255	87,614	138,708	135,585

Another major portion of The City's net assets, \$14,713,510, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$19,355,107, 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 assets, 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, 2011

(continued)

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

Changes in Net Assets

For the year ended June 30, 2011, net assets of the primary government changed as follows:

	CHANGES IN NET ASSETS (in 000's)					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues	\$ 11,672	9,227	51,116	51,497	62,788	60,724
Taxes and other general revenues	16,330	15,130	1,260	384	17,590	15,514
Total revenues	<u>28,002</u>	<u>24,357</u>	<u>52,376</u>	<u>51,881</u>	<u>80,378</u>	<u>76,238</u>
Expenses						
General government	9,358	8,707	-	-	9,358	8,707
Public safety	11,242	10,832	-	-	11,242	10,832
Streets and highways	6,646	6,375	-	-	6,646	6,375
Culture, parks and recreation	3,359	3,379	-	-	3,359	3,379
Community development	1,069	786	-	-	1,069	786
Economic development	1,886	1,786	-	-	1,886	1,786
Interest on long-term debt	745	748	-	-	745	748
Utility Authority	-	-	40,277	37,302	40,277	37,302
Airport	-	-	1,517	1,366	1,517	1,366
Golf Course	-	-	787	799	787	799
Marland Estate	-	-	369	372	369	372
Total expenses	<u>34,305</u>	<u>32,613</u>	<u>42,950</u>	<u>39,839</u>	<u>77,255</u>	<u>72,452</u>
Excess (deficiency) before transfers	(6,303)	(8,256)	9,426	12,042	3,123	3,786
Transfers	<u>28,784</u>	<u>5,928</u>	<u>(28,784)</u>	<u>(5,928)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>\$ 22,481</u>	<u>(2,328)</u>	<u>(19,358)</u>	<u>6,114</u>	<u>3,123</u>	<u>3,786</u>

The City's governmental activities' increase in net assets of \$22,481,129 represents a 46.9% increase in net assets. This was due in large part to transfer in of the new recreation center capital asset. The business-type activities' decrease in net assets of \$19,358,772 represents a 22.1% decrease, and was due in large part to the aforementioned asset transfer. 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, 2011

(continued)

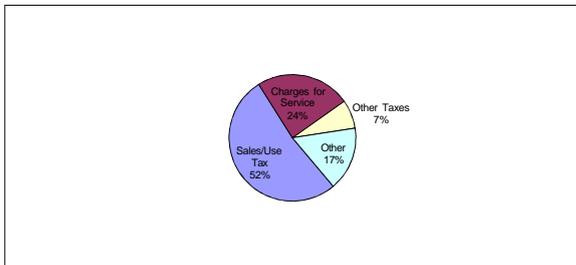
A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

Governmental Activities

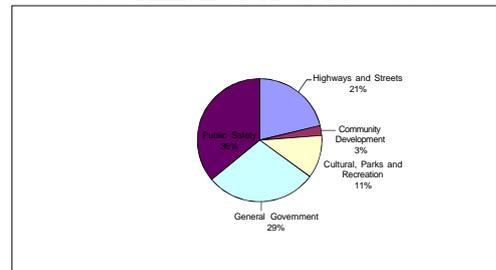
To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. You will notice that expenses are listed in the first column 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, 2011, 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, 2011

(continued)

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

Governmental Activities (continued)

For the year ended June 30, 2011, total expenses for governmental activities amounted to \$34,305,053. Of these total expenses, taxes, other general revenues, and transfers funded \$22,632,727. Grants contributions from those directly benefiting from the program funded \$1,098,521. A total of \$8,575,086 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	
	2011	2010	2011	2010
General government	\$ 9,358,017	8,707,389	(2,714,279)	(4,499,812)
Public safety	11,241,745	10,831,807	(8,672,870)	(8,182,057)
Streets and highways	6,646,177	6,374,738	(6,632,642)	(5,613,000)
Culture, parks and recreation	3,359,419	3,378,743	(1,765,282)	(2,149,383)
Community development	1,068,708	785,712	(216,667)	(407,269)
Economic development	1,885,532	1,785,921	(1,885,532)	(1,785,921)
Interest on long-term debt	745,455	747,733	(745,455)	(747,733)
Total	\$ <u>34,305,053</u>	<u>32,612,043</u>	<u>(22,632,727)</u>	<u>(23,385,175)</u>

Business-type Activities

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

- Total business-type activities reported net revenues of \$8,165,358 for the year ended June 30, 2011.
- All individual activities reported net revenue for the year ended June 30, 2011, with the exception of Solid Waste, the Golf Course, and the Marland Estate operations which reported net expenses of \$17,061, \$302,563, and \$213,516 respectively.

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2011

(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	
	2011	2010	2011	2010
Electric	\$ 25,947,930	23,853,889	5,793,291	4,938,723
Water	4,453,690	4,323,716	2,263,867	1,681,047
Wastewater	3,912,020	3,885,235	494,539	211,947
Solid waste	3,965,914	3,783,630	(17,061)	(56,300)
Stormwater	122,028	74,086	67,519	114,395
Indirect costs	1,875,875	-	-	-
Airport	1,517,285	1,365,867	79,281	4,159,976
Golf Course	786,808	798,976	(302,563)	(272,553)
Marland Estate	368,782	372,204	(213,516)	(227,137)
Total	\$ <u>42,950,332</u>	<u>38,457,603</u>	<u>8,165,357</u>	<u>10,550,098</u>

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As The City completed its 2011 fiscal year, the governmental funds reported a combined fund balance of \$16,252,276 or a 14.1% decrease from the prior year. The enterprise funds reported combined net assets of \$68,255,414 or a 22.1% decrease from 2010.

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2011

(continued)

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

Other fund highlights include:

- For the year ended June 30, 2011, the General Fund's total fund balance increased by \$222,925 or 5.2%.
- Utility Authority debt coverage increased to 4.91 at the close of Fiscal 2011 from 4.72 in the prior year.
- The employee pension trust fund posted an increase to the end of fiscal year 2011 net assets from \$14,140,419 to \$15,531,519.

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 0.2% or \$41,500 and an increase in appropriations of 1.9% or \$365,932.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2011, The City had \$155,958,698 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 \$3,405,421 or 2.2% over last 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, 2011

(continued)

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 902,214	731,879	1,036,370	1,036,370	1,938,584	1,768,249
Buildings	31,777,514	8,489,888	17,719,656	18,442,644	49,497,170	26,932,532
Improvements (other than buildings)	31,527,928	31,944,391	64,102,912	55,971,385	95,630,840	87,915,776
Equipment	4,496,083	3,784,202	4,021,514	4,657,126	8,517,597	8,441,328
Construction in progress	<u>343,385</u>	<u>170,203</u>	<u>31,122</u>	<u>27,325,189</u>	<u>374,507</u>	<u>27,495,392</u>
Totals	<u>\$ 69,047,124</u>	<u>45,120,563</u>	<u>86,911,574</u>	<u>107,432,714</u>	<u>155,958,698</u>	<u>152,553,277</u>

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

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2011

(continued)

Long-term Debt

At year-end, The City had \$53,602,085 in long-term debt outstanding which represents a decrease of \$3,585,673 or a 6.4% decrease 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	
	2011	2010	2011	2010	2011	2010
Compensated absences	\$ 675,631	688,239	229,919	217,203	905,550	905,442
Capital lease payable	13,743,814	14,241,676	55,472	107,559	13,799,286	14,349,235
Judgment payable	485,022	298,304	-	-	485,022	298,304
Revenue bonds	-	-	5,799,594	6,325,793	5,799,594	6,325,793
Notes payable	-	-	27,795,587	30,663,133	27,795,587	30,663,133
Estimated liability for claims	761,392	1,183,684	-	-	761,392	1,183,684
Landfill closure/postclosure	-	-	3,728,404	3,500,709	3,728,404	3,500,709
Refundable grant obligation	-	-	327,250	383,750	327,250	383,750
Totals	\$ <u>15,665,859</u>	<u>16,411,903</u>	<u>37,936,226</u>	<u>41,198,147</u>	<u>53,602,085</u>	<u>57,610,050</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%. Recovery was again underway in fiscal 2011, where sales tax collections increased by 5.2% over the previous fiscal year. Budgeted revenue for sales tax collections in Fiscal 2011-12 projected a 2.5% increase in collections.

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

THE CITY OF PONCA CITY, OKLAHOMA

Management Discussion and Analysis

June 30, 2011

(continued)

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

The fiscal 2011-12 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 389 full-time positions for Fiscal 2012, a decrease of five positions from Fiscal 2011. While continued efforts for efficiency are likely, no layoffs are planned for the coming year.

Capital spending for the coming year is budgeted at \$8,360,206, an increase of 82% from the prior year. Visible projects for fiscal 2011-12 include construction of a public restroom at the newly created swim beach at Lake Ponca, roof replacement on the Ponca City Library, and a new floor in Unity Gym. The Ponca City Utility Authority will see continued improvement of the Ponca City Energy distribution system, water distribution and wastewater collection systems.

As with the retail sector, there have been minimal inflation increases to utility rates approved by the City Commission for electric, water, wastewater and solid waste utility services for Fiscal 2011-12.

The voter approved 5-year extension of a ½ cent dedicated sales and use tax for economic development effective February 1, 2009 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. 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, 2011

(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 Assets

June 30, 2012

ASSETS	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		Ponca City Development Authority
Current assets:				
Cash and cash equivalents	\$ 11,929,431	11,413,752	23,343,183	5,610,735
Investments	7,353,180	4,892,386	12,245,566	-
Restricted assets:				
Cash and cash equivalents	-	10,802,039	10,802,039	-
Investments	-	619,465	619,465	-
Prepaid insurance	400,831	-	400,831	5,404
Receivables:				
Accounts receivable, net of allowance	791,945	7,282,638	8,074,583	8,673
Other receivables, net of allowance	-	25,186	25,186	-
Internal balances	215,228	(215,228)	-	-
Due from other governments	1,524,409	15,500	1,539,909	189,906
Inventory	171,818	2,586,918	2,758,736	-
Total current assets	22,386,842	37,422,656	59,809,498	5,814,718
Non-current assets:				
Restricted assets:				
Cash and cash equivalents	-	1,279,191	1,279,191	-
Investment in joint venture	-	1,744,825	1,744,825	-
Capital assets:				
Non-depreciable	1,325,501	1,060,594	2,386,095	284,617
Depreciable, net of depreciation	65,604,343	82,533,228	148,137,571	2,696,184
Long-term receivables	-	-	-	102,909
Unamortized debt issuance costs	-	750,263	750,263	-
Total non-current assets	66,929,844	87,368,101	154,297,945	3,083,710
Total Assets	89,316,686	124,790,757	214,107,443	8,898,428

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Statement of Net Assets

June 30, 2012

(continued)

<u>LIABILITIES</u>	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Ponca City Development Authority</u>
Current liabilities:				
Accounts payable and accrued liabilities	\$ 1,552,346	4,077,697	5,630,043	39,284
Accrued interest payable	-	424,314	424,314	-
Deferred revenue	423,303	-	423,303	-
Due to component unit	183,794	-	183,794	-
Meter deposit liability	-	619,465	619,465	-
Net OPEB obligation	29,993	14,488	44,481	-
Current portion:				
Judgments payable	505,183	-	505,183	-
Notes payable	-	6,247,074	6,247,074	-
Capital lease payable	-	55,472	55,472	-
Refundable grant obligations	-	56,500	56,500	-
Revenue bonds payable	-	575,000	575,000	-
Estimated liability for claims	597,223	-	597,223	-
Accrued compensated absences	77,577	27,345	104,922	2,192
Total current liabilities	<u>3,369,419</u>	<u>12,097,355</u>	<u>15,466,774</u>	<u>41,476</u>
Non-current liabilities:				
Judgments payable	611,227	-	611,227	-
Notes payable	-	45,205,630	45,205,630	-
Refundable grant obligations	-	270,750	270,750	-
Revenue bonds payable	-	5,273,395	5,273,395	-
Estimated liability for claims	709,063	-	709,063	-
Accrued compensated absences	698,194	246,110	944,304	19,727
Capital lease payable	-	-	-	-
Landfill closure/postclosure liability	-	3,918,092	3,918,092	-
Total non-current liabilities	<u>2,018,484</u>	<u>54,913,977</u>	<u>56,932,461</u>	<u>19,727</u>
Total Liabilities	<u>5,387,903</u>	<u>67,011,332</u>	<u>72,399,235</u>	<u>61,203</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	66,929,844	26,715,736	93,645,580	2,980,801
Restricted (Note 3.I.):				
Enabling legislation	9,515,614	-	9,515,614	-
Statutory requirements	570,072	-	570,072	-
External contracts	1,130,480	2,850,000	3,980,480	-
Unrestricted	<u>5,782,773</u>	<u>28,213,689</u>	<u>33,996,462</u>	<u>5,856,424</u>
Total Net Assets	<u>\$ 83,928,783</u>	<u>57,779,425</u>	<u>141,708,208</u>	<u>8,837,225</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Net (Expenses) Revenues and Changes in Net Assets							Component Unit Ponca City Development Authority
		Indirect Expenses Allocation	Program Revenues			Primary Government			
			Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government:									
Governmental activities:									
General government	\$ 9,891,442	-	6,954,504	-	-	(2,936,938)	-	(2,936,938)	-
Public safety	11,852,885	-	1,740,924	574,805	289,847	(9,247,309)	-	(9,247,309)	-
Streets and highways	5,769,260	-	-	-	-	(5,769,260)	-	(5,769,260)	-
Cultural, parks and recreation	3,470,007	-	224,340	13,577	39,733	(3,192,357)	-	(3,192,357)	-
Community development	396,224	-	117,866	-	433,564	155,206	-	155,206	-
Payment to PCDA	2,008,334	-	-	-	-	(2,008,334)	-	(2,008,334)	-
Interest on long-term debt	828,371	-	-	-	-	(828,371)	-	(828,371)	-
Total governmental activities	34,216,523	-	9,037,634	588,382	763,144	(23,827,363)	-	(23,827,363)	-
Business-type activities:									
Electric	27,704,410	1,511,551	35,964,035	-	-	-	6,748,074	6,748,074	-
Water	4,811,433	262,512	7,247,217	-	-	-	2,173,272	2,173,272	-
Wastewater	3,985,411	217,444	5,089,382	-	-	-	886,527	886,527	-
Solid waste	3,850,685	210,093	4,393,780	-	-	-	333,002	333,002	-
Stormwater	99,346	5,420	221,199	-	-	-	116,433	116,433	-
Indirect costs	2,207,020	(2,207,020)	-	-	-	-	-	-	-
Airport	2,061,802	-	1,176,669	-	158,230	-	(726,903)	(726,903)	-
Golf course	796,009	-	516,903	-	-	-	(279,106)	(279,106)	-
Marland Estate	393,681	-	153,968	-	-	-	(239,713)	(239,713)	-
Total business-type activities	45,909,797	-	54,763,153	-	158,230	-	9,011,586	9,011,586	-
Total primary government	\$ 80,126,320	-	63,800,787	588,382	921,374	(23,827,363)	9,011,586	(14,815,777)	-
Component Unit:									
Economic development	\$ 1,801,907	-	216,183	-	-	-	-	-	(1,585,724)
Total component units	\$ 1,801,907	-	216,183	-	-	-	-	-	(1,585,724)

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA
Statement of Activities
For the Fiscal Year Ended June 30, 2012
(continued)

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			Component Unit Ponca City Development Authority
			Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
						Governmental Activities	Business-type Activities	Total	
General revenues:									
Taxes:									
	Sales and use taxes - unrestricted					\$ 8,057,556	-	8,057,556	-
	Sales and use taxes - streets and highways					2,014,389	-	2,014,389	-
	Sales and use taxes - economic development					2,014,389	-	2,014,389	-
	Sales and use taxes - recreation center					2,014,389	-	2,014,389	-
	Franchise and public service taxes					885,514	-	885,514	-
	Hotel/motel taxes					664,709	-	664,709	-
	Ad valorem taxes					510,768	-	510,768	-
	Other taxes					23,222	-	23,222	-
	Payments from the City of Ponca City					-	-	-	2,014,446
	Intergovernmental revenue not restricted to specific programs					287,746	-	287,746	-
	Investment income					164,654	216,955	381,609	45,203
	Miscellaneous					697,764	6,495	704,259	554
	<i>Special item</i> - gain (loss) on sale of asset					476	256,858	257,334	89,544
	Transfers - internal activity					19,967,883	(19,967,883)	-	-
	Total general revenues and transfers					<u>37,303,459</u>	<u>(19,487,575)</u>	<u>17,815,884</u>	<u>2,149,747</u>
	Change in net assets					13,476,096	(10,475,989)	3,000,107	564,023
	Net assets - beginning					<u>70,452,687</u>	<u>68,255,414</u>	<u>138,708,101</u>	<u>8,273,202</u>
	Net assets - ending					<u>\$ 83,928,783</u>	<u>57,779,425</u>	<u>141,708,208</u>	<u>8,837,225</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Balance Sheet – Governmental Funds

June 30, 2012

<u>ASSETS</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 3,739,184	6,420,467	10,159,651
Investments	1,029,093	4,179,262	5,208,355
Prepaid expense	-	310,870	310,870
Receivables:			
Due from other governments	759,396	765,013	1,524,409
Due from other funds	167,518	143,581	311,099
Accounts receivable, net	<u>725,994</u>	<u>61,573</u>	<u>787,567</u>
 Total assets	 <u>\$ 6,421,185</u>	 <u>11,880,766</u>	 <u>18,301,951</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 801,817	411,412	1,213,229
Due to component unit	-	183,794	183,794
Due to other funds	-	167,518	167,518
Deferred revenue	<u>423,303</u>	<u>-</u>	<u>423,303</u>
 Total liabilities	 <u>1,225,120</u>	 <u>762,724</u>	 <u>1,987,844</u>
 Fund balances:			
Nonspendable	-	908,859	908,859
Restricted	-	6,486,281	6,486,281
Committed	2,004,179	-	2,004,179
Assigned	1,352,158	3,722,902	5,075,060
Unassigned	<u>1,839,728</u>	<u>-</u>	<u>1,839,728</u>
 Total fund balances	 <u>5,196,065</u>	 <u>11,118,042</u>	 <u>16,314,107</u>
 Total liabilities and fund balances	 <u>\$ 6,421,185</u>	 <u>11,880,766</u>	 <u>18,301,951</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Balance Sheet – Governmental Funds

June 30, 2012

(continued)

	Total Governmental Funds
Reconciliation to the Statement of Net Assets:	
Total fund balance, governmental funds	\$ <u>16,314,107</u>
Amounts reported for governmental activities in the Statement of Net Assets 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 \$101,836,907.	<u>66,864,727</u>
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Judgment payable	(1,116,410)
Net pension liability	(142,608)
Accrued compensated absences	<u>(764,341)</u>
	<u>(2,023,359)</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 Assets:	
Internal service funds' net assets	<u>2,803,301</u>
Net assets of governmental activities	\$ <u><u>83,958,776</u></u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 9,070,946	7,218,644	16,289,590
Intergovernmental	330,983	983,097	1,314,080
Charges for services	1,675,951	2,100	1,678,051
Fines and forfeitures	525,568	37,607	563,175
Licences and permits	167,729	-	167,729
Investment income	34,488	30,879	65,367
Miscellaneous	5,182	358,549	363,731
Total revenues	<u>11,810,847</u>	<u>8,630,876</u>	<u>20,441,723</u>
Expenditures:			
Current:			
General government	2,415,958	631,388	3,047,346
Public safety	11,606,876	31,693	11,638,569
Streets and highways	1,650,940	473,504	2,124,444
Culture, parks and recreation	2,755,227	289,212	3,044,439
Community development	-	396,037	396,037
Capital outlay	370,026	2,866,711	3,236,737
Debt service:			
Principal retirement	-	14,640,814	14,640,814
Interest and fiscal charges	-	1,181,233	1,181,233
Total expenditures	<u>18,799,027</u>	<u>20,510,592</u>	<u>39,309,619</u>
Excess (deficiency) of revenues over expenditures	<u>(6,988,180)</u>	<u>(11,879,716)</u>	<u>(18,867,896)</u>
Other financing sources (uses):			
Transfers in	8,396,551	15,994,252	24,390,803
Transfers out	(723,824)	(5,375,162)	(6,098,986)
Proceeds from sale of fixed asset	6,525	-	6,525
Proceeds from sale of judgment	-	631,388	631,388
Total other financing sources (uses)	<u>7,679,252</u>	<u>11,250,478</u>	<u>18,929,730</u>
Net change in fund balances	691,072	(629,238)	61,834
Fund balances - beginning	<u>4,504,993</u>	<u>11,747,280</u>	<u>16,252,273</u>
Fund balances - ending	<u>\$ 5,196,065</u>	<u>11,118,042</u>	<u>16,314,107</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, 2012
(continued)

Net change in fund balances - total governmental funds \$ 61,834

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	3,136,476
Capital asset transfers	(322,269)
Gain on disposal of capital assets	(8,601)
Depreciation expense	<u>(4,906,746)</u>
	<u>(2,101,140)</u>

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Change in net pension asset	<u>(218,881)</u>
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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 Assets:

Judgment payable proceeds received	(631,388)
Accrued interest payable decrease	268,198
Judgment payable principal payments	384,187
Capital lease payable principal payments	<u>14,241,677</u>
	<u>14,262,674</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	(142,608)
Change in accrued compensated absences	<u>(24,275)</u>
	<u>(166,883)</u>

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

Total change in net assets for internal service funds	<u>1,668,485</u>
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Change in net assets - statement of activities \$ 13,506,089

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Statement of Net Assets

Proprietary Funds

June 30, 2012

ASSETS	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Ponca City Utility Authority	Ponca City Airport	Other Enterprise Funds	Total Enterprise Funds	Funds
Current assets:					
Cash and cash equivalents	\$ 11,062,466	218,022	133,264	11,413,752	1,769,780
Investments	4,790,906	-	101,480	4,892,386	2,144,825
Restricted assets:					
Cash and cash equivalents	10,802,039	-	-	10,802,039	-
Investments	619,465	-	-	619,465	-
Receivables:					
Due from other governments	-	15,500	-	15,500	-
Utility billing, net of allowance for uncollectible accounts	7,282,638	-	-	7,282,638	-
Accounts receivables - other	17,104	6,999	1,083	25,186	4,378
Due from other funds	-	-	-	-	71,647
Prepaid expenses	-	-	-	-	89,961
Inventory	2,521,012	-	65,906	2,586,918	171,818
Total current assets	37,095,630	240,521	301,733	37,637,884	4,252,409
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	1,279,191	-	-	1,279,191	-
Investment in joint venture	1,744,825	-	-	1,744,825	-
Capital assets:					
Nondepreciable	461,534	151,290	447,770	1,060,594	-
Depreciable, net of accumulated depreciation	67,511,918	13,426,233	1,595,077	82,533,228	65,117
Unamortized debt issuance costs	750,263	-	-	750,263	-
Total noncurrent assets	71,747,731	13,577,523	2,042,847	87,368,101	65,117
Total Assets	108,843,361	13,818,044	2,344,580	125,005,985	4,317,526

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Statement of Net Assets

Proprietary Funds

June 30, 2012

(continued)

	Business-type Activities - Enterprise Funds				Governmental
	Ponca City Utility Authority	Ponca City Airport	Other Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 3,986,961	14,692	76,044	4,077,697	196,509
Accrued interest payable	424,314	-	-	424,314	-
Meter deposit liability	619,465	-	-	619,465	-
Due to other funds	70,102	145,126	-	215,228	-
Net OPEB obligation	12,746	484	1,258	14,488	-
Current portion:					
Refundable grant obligations	56,500	-	-	56,500	-
Estimated claims liability	-	-	-	-	597,223
Revenue bonds payable	575,000	-	-	575,000	-
Capital lease payable	-	55,472	-	55,472	-
Notes payable	6,247,074	-	-	6,247,074	-
Accrued compensated absences	23,770	1,378	2,197	27,345	1,143
Total current liabilities	<u>12,015,932</u>	<u>217,152</u>	<u>79,499</u>	<u>12,312,583</u>	<u>794,875</u>
Noncurrent liabilities:					
Refundable grant obligations	270,750	-	-	270,750	-
Estimated liability for claims	-	-	-	-	709,063
Accrued compensated absences	213,933	12,402	19,775	246,110	10,287
Landfill closure/postclosure liability	3,918,092	-	-	3,918,092	-
Revenue bonds payable, net	5,273,395	-	-	5,273,395	-
Capital lease payable	-	-	-	-	-
Notes payable	45,205,630	-	-	45,205,630	-
Total noncurrent liabilities	<u>54,881,800</u>	<u>12,402</u>	<u>19,775</u>	<u>54,913,977</u>	<u>719,350</u>
Total Liabilities	<u>66,897,732</u>	<u>229,554</u>	<u>99,274</u>	<u>67,226,560</u>	<u>1,514,225</u>
NET ASSETS					
Invested in capital assets, net of related debt	11,095,366	13,577,523	2,042,847	26,715,736	65,117
Restricted for debt service	2,850,000	-	-	2,850,000	-
Restricted for encumbrances	931,827	410	2,092	934,329	5,811
Unrestricted	27,068,436	10,557	200,367	27,279,360	2,732,373
Total Net Assets	<u>\$ 41,945,629</u>	<u>13,588,490</u>	<u>2,245,306</u>	<u>57,779,425</u>	<u>2,803,301</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	<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	\$ 35,860,438	-	-	35,860,438	-
Water	7,247,217	-	-	7,247,217	-
Solid waste	4,393,780	-	-	4,393,780	-
Wastewater	5,089,382	-	-	5,089,382	-
Unpledged:					
Charges for services:					
Airport	-	1,176,669	-	1,176,669	-
Marland Estate	-	-	153,968	153,968	-
Golf course	-	-	516,903	516,903	-
Stormwater	221,199	-	-	221,199	-
Other	103,597	-	-	103,597	8,499,996
Miscellaneous	1,962	4,500	33	6,495	-
Total operating revenues	<u>52,917,575</u>	<u>1,181,169</u>	<u>670,904</u>	<u>54,769,648</u>	<u>8,499,996</u>
Operating Expenses:					
Electric	27,644,073	-	-	27,644,073	-
Water	4,430,727	-	-	4,430,727	-
Solid waste	3,850,685	-	-	3,850,685	-
Wastewater	3,570,341	-	-	3,570,341	-
Stormwater	99,346	-	-	99,346	-
Marland Estate	-	-	393,681	393,681	-
Golf course	-	-	796,009	796,009	-
Airport	-	2,054,811	-	2,054,811	-
Administrative	1,574,896	-	-	1,574,896	-
Motor pool	-	-	-	-	1,743,797
Insurance claims and administrative	-	-	-	-	5,236,430
Total operating expenses	<u>41,170,068</u>	<u>2,054,811</u>	<u>1,189,690</u>	<u>44,414,569</u>	<u>6,980,227</u>
Operating income (loss)	<u>11,747,507</u>	<u>(873,642)</u>	<u>(518,786)</u>	<u>10,355,079</u>	<u>1,519,769</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012
(continued)

	<u>Business-type Activities - Enterprise Funds</u>				Governmental
	Ponca City		Other	Total	Activities -
	Utility	Ponca City	Enterprise	Enterprise	Internal
	<u>Authority</u>	<u>Airport</u>	<u>Funds</u>	<u>Funds</u>	<u>Service</u>
					<u>Funds</u>
Non-Operating Revenues (Expenses):					
Pledged as security for revenue bonds:					
Investment income	\$ 210,954	-	-	210,954	-
Unpledged revenues:					
Investment income	4,557	331	1,113	6,001	99,287
Miscellaneous	-	-	-	-	56,879
Interest expense and fiscal charges	(1,488,237)	(6,991)	-	(1,495,228)	-
Gain (loss) on asset retirement	256,858	-	-	256,858	2,550
Net non-operating revenues (expenses)	<u>(1,015,868)</u>	<u>(6,660)</u>	<u>1,113</u>	<u>(1,021,415)</u>	<u>158,716</u>
Income (loss) before contributions and transfers	<u>10,731,639</u>	<u>(880,302)</u>	<u>(517,673)</u>	<u>9,333,664</u>	<u>1,678,485</u>
Capital contributions	-	158,230	-	158,230	-
Capital asset transfers	(67,140)	-	389,408	322,268	-
Transfers in	3,192,000	162,524	408,378	3,762,902	-
Transfers out	<u>(24,053,053)</u>	<u>-</u>	<u>-</u>	<u>(24,053,053)</u>	<u>(10,000)</u>
Net transfers and capital contributions	<u>(20,928,193)</u>	<u>320,754</u>	<u>797,786</u>	<u>(19,809,653)</u>	<u>(10,000)</u>
Changes in net assets	(10,196,554)	(559,548)	280,113	(10,475,989)	1,668,485
Total net assets - beginning	<u>52,142,183</u>	<u>14,148,038</u>	<u>1,965,193</u>	<u>68,255,414</u>	<u>1,134,816</u>
Total net assets - ending	<u>\$ 41,945,629</u>	<u>13,588,490</u>	<u>2,245,306</u>	<u>57,779,425</u>	<u>2,803,301</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, 2012

	<u>Business-type Activities - Enterprise Funds</u>				Governmental
	Ponca City	Ponca City	Other	Total	Internal
	Utility	Airport	Enterprise	Enterprise	Service
	<u>Authority</u>	<u>Airport</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 53,514,705	1,321,441	669,821	55,505,967	8,592,555
Payments to suppliers	(26,668,879)	(1,181,652)	(342,195)	(28,192,726)	(6,294,358)
Payments to employees	(7,651,925)	(266,715)	(705,123)	(8,623,763)	(763,325)
Receipts of customer meter deposits	53,113	-	-	53,113	-
Refunds of customer meter deposits	(52,479)	-	-	(52,479)	-
Net cash provided by (used in) operating activities	<u>19,194,535</u>	<u>(126,926)</u>	<u>(377,497)</u>	<u>18,690,112</u>	<u>1,534,872</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers from other funds	3,192,000	162,524	408,378	3,762,902	-
Transfers to other funds	(24,053,053)	-	-	(24,053,053)	(10,000)
Net cash provided by (used in) noncapital financing activities	<u>(20,861,053)</u>	<u>162,524</u>	<u>408,378</u>	<u>(20,290,151)</u>	<u>(10,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from sale of capital assets	275,719	-	-	275,719	-
Purchases of capital assets	(2,684,886)	(124,551)	-	(2,809,437)	2,550
Principal paid or retired on capital debt	(3,758,575)	(52,086)	-	(3,810,661)	-
Proceeds from capital debt	24,262,536	-	-	24,262,536	-
Interest paid on capital debt	(1,329,992)	(6,991)	-	(1,336,983)	-
Receipt of capital contribution	-	158,230	-	158,230	-
Net cash provided by (used in) capital and related financing activities	<u>16,764,802</u>	<u>(25,398)</u>	<u>-</u>	<u>16,739,404</u>	<u>2,550</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments	-	-	38,419	38,419	(331,508)
Proceeds from sale and maturities of investments	1,427,745	-	-	1,427,745	-
Interest and dividends	215,511	331	1,113	216,955	99,287
Net cash provided by (used in) investing activities	<u>1,643,256</u>	<u>331</u>	<u>39,532</u>	<u>1,683,119</u>	<u>(232,221)</u>
Net increase (decrease) in cash and cash equivalents	16,741,540	10,531	70,413	16,822,484	1,295,201
Balances - beginning of year	<u>6,402,156</u>	<u>207,491</u>	<u>62,851</u>	<u>6,672,498</u>	<u>474,579</u>
Balances - end 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>

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, 2012 (continued)

	<u>Business-type Activities - Enterprise Funds</u>				Governmental
	<u>Ponca City Utility Authority</u>	<u>Ponca City Airport</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	Internal Service Funds
Reconciliation to Statement of Net Assets:					
Cash and cash equivalents	\$ 11,062,466	218,022	133,264	11,413,752	1,769,780
Current restricted cash and cash equivalents	10,802,039	-	-	10,802,039	-
Noncurrent restricted cash and cash equivalents	<u>1,279,191</u>	<u>-</u>	<u>-</u>	<u>1,279,191</u>	<u>-</u>
Total cash and cash equivalents, end 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>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 11,747,507	(873,642)	(518,786)	10,355,079	1,519,769
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation expense	5,500,203	777,868	148,435	6,426,506	16,143
Amortization expense	325,107	-	-	325,107	-
Miscellaneous revenue	-	-	-	-	56,879
Change in assets and liabilities:					
(Increase) decrease in receivables, net	597,764	141,162	(1,083)	737,843	30,216
(Increase) decrease in inventories	(120,149)	-	(5,879)	(126,028)	56,100
(Increase) decrease in unamortized debt issuance costs	121,403	-	-	121,403	-
(Increase) decrease in prepaid expenses	-	-	-	-	(1,111)
(Increase) decrease in net pension asset	200,115	3,757	-	203,872	-
(Increase) decrease in due from other funds	-	(890)	-	(890)	6,816
Increase (decrease) in accounts and other payables	573,649	(175,299)	(625)	397,725	61,998
Increase (decrease) in customer meter deposits payable	33,255	-	-	33,255	-
Increase (decrease) in due to other funds	(5,926)	-	-	(5,926)	(1,352)
Increase (decrease) in net OPEB obligations	12,746	484	1,258	14,488	-
Increase (decrease) in claims payable	-	-	-	-	(211,381)
Increase (decrease) in landfill closure/postclosure liability	189,688	-	-	189,688	-
Increase (decrease) in accrued compensated absences	<u>19,173</u>	<u>(366)</u>	<u>(817)</u>	<u>17,990</u>	<u>795</u>
Net cash provided by (used in) operating activities	<u>\$ 19,194,535</u>	<u>(126,926)</u>	<u>(377,497)</u>	<u>18,690,112</u>	<u>1,534,872</u>
Non-cash Activities:					
Capital assets acquired through transfers from other funds	\$ (67,140)	-	389,408	322,268	-
Change in investments in joint venture	<u>127,491</u>	<u>-</u>	<u>-</u>	<u>127,491</u>	<u>-</u>
Net non-cash activities	<u>\$ 60,351</u>	<u>-</u>	<u>389,408</u>	<u>449,759</u>	<u>-</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Statement of Fiduciary Net Assets

Pension Trust Fund

June 30, 2012

ASSETS

Investments at contract value:	
Insurance contracts	\$ <u>3,887,691</u>
Investments at fair value:	
Unallocated insurance contracts:	
Bond and mortgage	3,820,774
International stock	2,679,816
Large cap stock index	<u>7,473,049</u>
Total unallocated insurance contracts:	<u>13,973,639</u>
Total Assets	\$ <u><u>17,861,330</u></u>

NET ASSETS

Held in trust for pension benefits	\$ <u><u>17,861,330</u></u>
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THE CITY OF PONCA CITY, OKLAHOMA

Statement of Changes in Fiduciary Net Assets

Pension Trust Fund

For the Fiscal Year Ended June 30, 2012

ADDITIONS:

Employer contributions	\$	479,716
Investment income:		
Contract investment income		173,921
Net appreciation in fair value of investments		<u>338,113</u>
Total additions		<u>991,750</u>

DEDUCTIONS:

Benefits paid to participants or beneficiaries		1,025,767
Administrative expense		<u>22,966</u>
Total deductions		<u>1,048,733</u>
Change in net assets held in trust for pension benefits		(56,983)
Net assets - beginning		<u>17,918,313</u>
Net assets - ending	\$	<u><u>17,861,330</u></u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

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THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's 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 discretely presented component units, 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
Discretely Presented Component Units:	Ponca City Development Authority

In determining the financial reporting entity, The City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, 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, 2012

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BLENDED COMPONENT UNITS

Blended component units are separate legal entities that meet the GASB 14 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. The City 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.</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, 2012

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DISCRETELY PRESENTED COMPONENT UNITS

Discretely presented component units are separate legal entities that meet the GASB 14 component unit criteria but do not meet the criteria for blending. The City has one component unit that is discretely 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.

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 net assets will be distributed to the beneficiaries based upon their pro-rata interest. Separate audited financial statements of ALFA for the year ended June 30, 2012 are available from the Association for Landfill Financial Assurance, Tulsa, Oklahoma.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The statement of net assets 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.

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, 2012

(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, 2012

(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
- Fire Station #1 Trust
- Miscellaneous Trust Fund
- Economic Development Fund

Capital Project Funds

The nonmajor Street Improvement Project Fund, Public Facilities Tax Fund, 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, 2012

(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, 2012

(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 assets and changes therein of assets held by The City in a trustee or fiduciary capacity. These net assets are not available for operations of The City. The City reports one type of fiduciary fund: Pension Trust Fund.

Pension Trust Fund – used to account for the net assets 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 Assets 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 assets (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, 2012

(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 Assets 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, 2012

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.D. ASSETS, LIABILITIES AND NET ASSETS

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 basis. 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, 2012

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.D. ASSETS, LIABILITIES AND NET ASSETS (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 Assets. 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, 2012

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets and Depreciation (continued)

Buildings	50 years
Other improvements	3-25 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 long-term debt consists primarily of accrued compensated absences and judgments payable. This 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, 2012

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.D. ASSETS, LIABILITIES AND NET ASSETS (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 assets and displayed in three components:

- a. Invested in capital assets, net of related debt – 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 assets – consists of net assets 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 assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is The City’s policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets 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, 2012

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue d)

1.D. ASSETS, LIABILITIES AND NET ASSETS (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 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, compliance with 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, 2012

(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 assets, 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, 2012

(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 – resources flows between the primary government (The City and PCUA) and the discretely-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, 2012

(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 discretely 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, 2012

(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, 2012, The City's net assessed valuation of taxable property was \$109,756,778. The taxes levied by The City per \$1,000 of net assessed valuation for the year ended June 30, 2012 was \$4.71.

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 assets.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

(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 ASSETS

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, 2012, 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, 2012

(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, 2012, The City had no general obligation debt.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

(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, 2012.

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, 2012.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

(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	27,590,794	27,590,794	-	-	-	-
Time deposits	6,749,625	-	6,749,625	-	-	-
Trust money market account	12,081,230	12,081,230	-	-	-	-
Equities	745,385	745,385	-	-	-	-
Other	1,116,410	-	505,183	611,227	-	-
Subtotal	<u>48,289,444</u>	<u>40,423,409</u>	<u>7,254,808</u>	<u>611,227</u>	<u>-</u>	<u>-</u>
Pension fund investments:						
Insurance contract	3,887,691					
Unallocated insurance contracts	<u>13,973,639</u>					
Total deposits and investments	<u>\$ 66,150,774</u>					
Reconciliations to Statement of Net Assets:						
Cash and cash equivalents	\$ 23,343,183					
Investments	12,245,566					
Current restricted cash and cash equivalents	10,802,039					
Current restricted investments	619,465					
Noncurrent restricted cash and cash equivalents	1,279,191					
Pension fund investments	<u>17,861,330</u>					
Total	<u>\$ 66,150,774</u>					

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

(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, 2012

(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, 2012, The City had no concentration of credit risk as defined above.

At June 30, 2012, The City's pension fund investments in the Principal Financial Group – unallocated insurance contracts represented 55.01% of The City's total investments.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

(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 assets. 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 assets.

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	\$ 767,993	111,582	1,064,446	126,624	2,070,645
Less: allowance for uncollectible accounts	<u>(245,758)</u>	<u>-</u>	<u>(1,032,942)</u>	<u>-</u>	<u>(1,278,700)</u>
Accounts receivable, net of allowance	<u>\$ 522,235</u>	<u>111,582</u>	<u>31,504</u>	<u>126,624</u>	<u>791,945</u>

Business-type Activities:	<u>Utility Accounts Receivable</u>	<u>Misc. Accounts Receivable</u>	<u>Total</u>
Electric	\$ 5,405,249	17,100	5,422,349
Water	996,392	-	996,392
Solid waste	508,425	-	508,425
Wastewater	634,431	-	634,431
Stormwater	29,304	-	29,304
Unapplied credits	(291,163)	-	(291,163)
Other	-	4	4
Airport	-	6,999	6,999
Marland Estate	-	1,083	1,083
Golf	-	-	-
Total	<u>7,282,638</u>	<u>25,186</u>	<u>7,307,824</u>
Less: allowance for uncollectible accounts	<u>-</u>	<u>-</u>	<u>-</u>
Accounts receivable, net of allowance	<u>\$ 7,282,638</u>	<u>25,186</u>	<u>7,307,824</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

(continued)

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

3.C. RESTRICTED ASSETS

The amounts reported as restricted assets on the statement of net assets 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, 2012, 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	\$ 10,802,039	1,279,191	-	-	12,081,230
Landfill financial assurance	-	-	-	1,744,825	1,744,825
Deposits held for refund	-	-	619,465	-	619,465
Totals	<u>\$ 10,802,039</u>	<u>1,279,191</u>	<u>619,465</u>	<u>1,744,825</u>	<u>14,445,520</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, 2012, the “Investment in Joint Venture” balance changed as follows:

Beginning investment in joint venture	\$ 1,617,334
Current year contributions	-
Net gain in escrow fund	<u>127,491</u>
Ending investment in joint venture	<u>\$ 1,744,825</u>

The AFLA board approved the reclassification of PCUA’s allocable portion of the extraordinary capital gain realized in the amount of \$223,320 on February 27, 2012 as equity contributions for the fiscal year ending June 30, 2012. Therefore, no capital contribution was due for the current fiscal year.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

(continued)

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

3.E. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance at July 1, 2011	Additions	Transfers	Disposals	Balance at June 30, 2012
Governmental activities:					
Non-depreciable:					
Land	\$ 902,214	-	-	-	902,214
Construction-in-progress	<u>343,385</u>	<u>279,863</u>	<u>(199,961)</u>	<u>-</u>	<u>423,287</u>
Total non-depreciable assets at historical cost	<u>1,245,599</u>	<u>279,863</u>	<u>(199,961)</u>	<u>-</u>	<u>1,325,501</u>
Depreciable:					
Buildings	40,485,669	164,345	164,105	-	40,814,119
Improvements (Note 5)	113,899,628	2,246,229	(262,515)	-	115,883,342
Machinery and equipment (Note 5)	<u>10,566,914</u>	<u>446,039</u>	<u>(23,898)</u>	<u>(245,266)</u>	<u>10,743,789</u>
Total depreciable assets at historical cost	<u>164,952,211</u>	<u>2,856,613</u>	<u>(122,308)</u>	<u>(245,266)</u>	<u>167,441,250</u>
Less accumulated depreciation:					
Buildings	(8,708,155)	(721,374)	-	-	(9,429,529)
Improvements	(82,371,700)	(3,452,944)	-	-	(85,824,644)
Machinery and equipment	<u>(6,070,831)</u>	<u>(748,571)</u>	<u>-</u>	<u>236,668</u>	<u>(6,582,734)</u>
Total accumulated depreciation	<u>(97,150,686)</u>	<u>(4,922,889)</u>	<u>-</u>	<u>236,668</u>	<u>(101,836,907)</u>
Net depreciable assets	<u>67,801,525</u>	<u>(2,066,276)</u>	<u>(122,308)</u>	<u>(8,598)</u>	<u>65,604,343</u>
Governmental activities capital assets, net	<u>\$ 69,047,124</u>	<u>(1,786,413)</u>	<u>(322,269)</u>	<u>(8,598)</u>	<u>66,929,844</u>
Business-type activities:					
Non-depreciable:					
Land	\$ 1,036,370	-	-	-	1,036,370
Construction-in-progress	<u>31,122</u>	<u>24,224</u>	<u>(23,922)</u>	<u>(7,200)</u>	<u>24,224</u>
Total non-depreciable assets at historical cost	<u>1,067,492</u>	<u>24,224</u>	<u>(23,922)</u>	<u>(7,200)</u>	<u>1,060,594</u>
Depreciable:					
Buildings	47,538,492	-	-	(5,165,000)	42,373,492
Improvements	115,726,802	2,392,141	322,293	-	118,441,236
Machinery and equipment	<u>11,927,011</u>	<u>393,072</u>	<u>23,898</u>	<u>(322,313)</u>	<u>12,021,668</u>
Total depreciable assets at historical cost	<u>175,192,305</u>	<u>2,785,213</u>	<u>346,191</u>	<u>(5,487,313)</u>	<u>172,836,396</u>
Less accumulated depreciation:					
Buildings	(29,818,836)	(884,358)	-	5,149,849	(25,553,345)
Improvements	(51,623,890)	(4,753,007)	-	-	(56,376,897)
Machinery and equipment	<u>(7,905,497)</u>	<u>(789,140)</u>	<u>-</u>	<u>321,711</u>	<u>(8,372,926)</u>
Total accumulated depreciation	<u>(89,348,223)</u>	<u>(6,426,505)</u>	<u>-</u>	<u>5,471,560</u>	<u>(90,303,168)</u>
Net depreciable assets	<u>85,844,082</u>	<u>(3,641,292)</u>	<u>346,191</u>	<u>(15,753)</u>	<u>82,533,228</u>
Business-type capital assets, net	<u>\$ 86,911,574</u>	<u>(3,617,068)</u>	<u>322,269</u>	<u>(22,953)</u>	<u>83,593,822</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

(continued)

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

3.E. CAPITAL ASSETS (continued)

COMPONENT UNIT:	Balance at			Balance at
	July 1, 2011	Additions	Disposals	June 30, 2012
Ponca City Development Authority				
Non-depreciable:				
Land	\$ 241,410	-	-	241,410
Construction-in-progress	50,507	-	(7,300)	43,207
Total non-depreciable assets at historical cost	<u>291,917</u>	<u>-</u>	<u>(7,300)</u>	<u>284,617</u>
Depreciable:				
Buildings	3,123,133	2,900	-	3,126,033
Office equipment and furniture	41,902	6,046	-	47,948
Total depreciable assets	3,165,035	8,946	-	3,173,981
Less accumulated depreciation	(387,506)	(90,291)	-	(477,797)
Net depreciable assets	<u>2,777,529</u>	<u>(81,345)</u>	<u>-</u>	<u>2,696,184</u>
Capital assets, net	<u>\$ 3,069,446</u>	<u>(81,345)</u>	<u>(7,300)</u>	<u>2,980,801</u>

The land was transferred from *The City of Ponca City, Oklahoma* on June 18, 2003 and has been recorded at the estimated fair market value of the land on that date. Depreciation expense for the year ended June 30, 2012 totaled \$90,291.

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

(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	\$	3,270,718
Public safety		412,587
General government		838,148
Cultural, parks and recreation		385,293
Internal service funds		<u>16,143</u>
Total	\$	<u>4,922,889</u>

Business-type Activities:

Marland Estate	\$	90,081
Wentz Golf		58,354
Airport		777,868
Water		1,309,495
Electric		1,937,688
Solid waste		559,267
Wastewater		1,588,629
Stormwater		20,121
Administration		<u>85,002</u>
Total	\$	<u>6,426,505</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

(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 units.

Governmental Activities Long-term Debt

As of June 30, 2012, 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	\$	77,577
Non-current portion		<u>698,194</u>
Total accrued compensated absences	\$	<u><u>775,771</u></u>

Judgment Payable:

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

Current portion	\$	505,183
Non-current portion		<u>611,227</u>
Total judgment payable	\$	<u><u>1,116,410</u></u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

(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, 2012, 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.

6,190,000

Total Revenue Bonds Payable

6,190,000

Less: Unamortized discount

(35,937)

Less: Unamortized charge on refunding

(305,668)

Total Revenue Bonds Payable (net of unamortized discount and charge on refunding)

\$ 5,848,395

Current portion

\$ 575,000

Non-current portion, net

5,273,395

Total Revenue Bonds Payable, net

\$ 5,848,395

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.

\$ 375,673

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.

1,342,557

1999 B Promissory Note to Oklahoma Water Resource Board, dated December 23, 1999, original issue amount of \$4,040,000, secured by a pledge and assignment of revenues derived from water, sewer, electric and garbage systems, interest rate ranging from 1.82% to 1.972%, final maturity August 15, 2019.

2,140,000

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

(continued)

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

3.F. LONG-TERM DEBT (continued)

Business -type Activities Long-Term Debt (continued)

Notes Payable:

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	\$ 889,090
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, 2012.	3,128,204
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, 2012.	343,736
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, 2012.	1,713,862
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.	14,050,000
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.	4,160,000
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.	16,090,000

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

(continued)

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

3.F. LONG-TERM DEBT (continued)

Business-type Activities Long-Term Debt (continued)

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 rate ranging from 0.65% to 3.4%, final maturity September 15, 2019.

\$ 7,825,000

Total Notes Payable

52,058,122

Less: unamortized charge on refunding

(945,338)

Add: unamortized premium

339,920

\$ 51,452,704

Current portion payable from restricted assets

\$ 6,247,074

Non-current portion

45,205,630

Total notes payable

\$ 51,452,704

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.

\$ 68,750

\$500,000 refundable grant obligation used for constructing water, wastewater and electric utility system infrastructure improvements in the industrial park, dated January 1, 1996, payable in semi-annual installments of \$12,500, final payment due January 1, 2016, non-interest bearing.

87,500

\$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.

171,000

Total refundable grant obligations

\$ 327,250

Current portion

\$ 56,500

Non-current portion

270,750

Total refundable grant obligations

\$ 327,250

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

(continued)

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

3.F. LONG-TERM DEBT (continued)

Business-type Activities Long-Term Debt (continued)

Lease Purchase Agreements:

Lease purchase agreement of \$217,157 used to purchase aviation fueling equipment and miscellaneous personal property, dated September 1, 2009, payable in annual installments of \$59,078, imputed interest rate of 6.5%, final payment due July 31, 2012.

Current portion	\$ <u>55,472</u>
Total lease purchase agreements	\$ <u><u>55,472</u></u>

Accrued Compensated Absences:

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

Current portion	\$ 27,345
Non-current portion	<u>246,110</u>
Total accrued compensated absences	\$ <u><u>273,455</u></u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

(continued)

Changes in Long-term Debt – Primary Government and Component Units

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Amount</u> <u>due in</u> <u>one year</u>
Governmental Activities:					
Judgment payable	\$ 869,209	631,388	(384,187)	1,116,410	505,183
Capital lease payable	14,241,677	-	(14,241,677)	-	-
Accrued compensated absences	<u>750,701</u>	<u>25,070</u>	<u>-</u>	<u>775,771</u>	<u>77,577</u>
Total general long-term debt	<u>\$ 15,861,587</u>	<u>656,458</u>	<u>(14,625,864)</u>	<u>1,892,181</u>	<u>582,760</u>
Business-type Activities:					
Note payable	\$ 30,922,661	24,262,536	(3,127,075)	52,058,122	6,247,074
Revenue bonds payable	6,765,000	-	(575,000)	6,190,000	575,000
Refundable grant obligations	383,750	-	(56,500)	327,250	56,500
Capital lease payable	107,559	-	(52,087)	55,472	55,472
Accrued compensated absences	<u>255,465</u>	<u>17,990</u>	<u>-</u>	<u>273,455</u>	<u>27,345</u>
Total enterprise fund debt	<u>\$ 38,434,435</u>	<u>24,280,526</u>	<u>(3,810,662)</u>	<u>58,904,299</u>	<u>6,961,391</u>
Component Unit:					
Accrued compensated absences	<u>\$ 20,172</u>	<u>1,747</u>	<u>-</u>	<u>21,919</u>	<u>2,192</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

(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, 2012 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Judgment Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 505,183	111,641
2014	400,764	101,199
2015	210,463	63,139
Total	\$ 1,116,410	275,979

Business-type Activities

<u>Year Ending June 30,</u>	<u>Notes Payable</u>		<u>Revenue Bonds Payable</u>		<u>Refundable Grant Obligations</u>	<u>Capital Lease</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 6,332,074	1,501,061	575,000	226,731	56,500	55,472	3,606
2014	4,827,074	1,366,259	5,615,000	108,345	56,500	-	-
2015	4,982,074	1,226,381	-	-	56,500	-	-
2016	5,167,075	1,072,836	-	-	44,000	-	-
2017	5,503,156	900,008	-	-	31,500	-	-
2018-2022	18,179,366	2,278,418	-	-	82,250	-	-
2023-2027	7,067,303	410,830	-	-	-	-	-
Total	\$ 52,058,122	8,755,793	6,190,000	335,076	327,250	55,472	3,606

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

(continued)

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

3.G. LANDFILL CLOSURE AND POSTCLOSURE LIABILITY

A \$3,918,092 accrued liability has been recognized to represent the total estimated amount owed by the Ponca City Utility Authority for closure and postclosure requirements dictated by the U.S. Environmental Protection Agency and the Oklahoma Department of Environmental Quality regulations. It is estimated that an additional \$4,260,753 will be recognized as closure and postclosure 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 postclosure care in 2012. However, the actual cost of closure and postclosure 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 postclosure liability. To meet its financial assurance responsibility, the PCUA participants in a joint venture with other owners of municipal landfills as explained in Notes 1.A. and 3.D.

The percentage of landfill capacity used to date is 47.91%. The estimated remaining landfill life is 45.5 years.

3.H. INTERFUND BALANCES AND ACTIVITIES

Interfund receivables and payables at June 30, 2012 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	\$ 70,102	June charges for service	
Motor Pool	Airport	1,545	June charges for service	
Capital Improvement Project	Airport	<u>143,581</u>	For construction project	
Total		<u>\$ 215,228</u>		
		<u>Due from</u>	<u>Due to</u>	<u>Internal</u>
		<u>Other Funds</u>	<u>Other Funds</u>	<u>Balance</u>
Reconciliation to Fund Financial Statements:				
Governmental Funds		\$ 311,099	(167,518)	143,581
Internal Service Funds		71,647	-	71,647
Enterprise Funds		<u>-</u>	<u>(215,228)</u>	<u>(215,228)</u>
Total		<u>\$ 71,647</u>	<u>(382,746)</u>	<u>-</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

(continued)

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

3.H. INTERFUND BALANCES AND ACTIVITIES (continued)

Interfund transfers for the year ended June 30, 2012 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
Debt Service	PCUA	15,331,502	Debt service
PCUA	Recreation Center Tax	3,000,000	Funding for matching grant
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	8,321,551	To subsidize operations of the general fund
Capital Improvement Project	Economic Development	146,213	Funding for project
Capital Improvement Project	Fire Station #1 Admin	86,537	Funding for project
General Fund	Community Development	75,000	Reimbursement for grant administration expenses
PCDA	Economic Development	2,008,334	To transfer sales tax collections
PCUA	General Fund	102,000	Funding for information services
PCUA	General Fund	80,000	Debt service
		<u>\$ 30,162,039</u>	

	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>	<u>Net Transfers</u>
Reconciliation to fund financial statements:			
Governmental Funds	\$ 6,098,986	24,390,803	18,291,817
Internal Service Funds	10,000	-	(10,000)
Enterprise Funds	24,053,053	3,762,902	(20,290,151)
Component Unit	-	2,008,334	2,008,334
Totals	<u>\$ 30,162,039</u>	<u>30,162,039</u>	<u>-</u>

Reconciliation to Statement of Activities:		
Net transfers Enterprise Funds	\$ 20,290,151	
Transfer of capital assets to business-type activities		<u>(322,268)</u>
Transfer - internal activity	\$	<u>19,967,883</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

(continued)

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

3.I. FUND BALANCES AND NET ASSETS

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:

	General Fund	Other Governmental Funds	Total
Fund balances:			
Nonspendable:			
Permanent fund principal	\$ -	908,859	908,859
Restricted for:			
Tourism	-	905,490	905,490
Rec capital	-	624,057	624,057
Library	-	102	102
Street improvements	-	4,494,099	4,494,099
Economic development	-	6,055	6,055
Recreation center	-	456,478	456,478
Committed to:			
Operating reserve	1,900,000	-	1,900,000
E911/Cap	104,179	-	104,179
Assigned to:			
Other purposes	1,352,158	-	1,352,158
Special projects	-	53,329	53,329
Street & alley	-	497,735	497,735
Community development	-	90,374	90,374
Capital improvements	-	2,931,311	2,931,311
Debt service	-	72,337	72,337
Matzene Book	-	1,311	1,311
Cann Estate	-	76,505	76,505
Unassigned:	1,839,728	-	1,839,728
Total fund balances	\$ 5,196,065	11,118,042	16,314,107

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

(continued)

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

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

Restricted net assets 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 Assets - Governmental Activities:			
E-911	\$ 104,179	-	-
Special Projects	-	-	53,329
Street & Alley	-	497,735	-
Hotel/Motel Tax	1,529,547	-	-
Community Development	-	-	90,374
Library Grant	-	-	102
Fire Station #1 Trust	-	-	-
Street Improvement Project	4,494,099	-	-
Public Facilities Tax	-	-	-
Recreation Center Tax	456,478	-	-
Capital Improvement Project	2,931,311	-	-
Debt Service	-	72,337	-
Matzene Book	-	-	51,291
Cann Estate	-	-	935,384
Total restricted net assets	\$ <u>9,515,614</u>	<u>570,072</u>	<u>1,130,480</u>
Restricted Net Assets - Business-type Activities:			
Debt Service	\$ -	-	2,850,000
Total restricted net assets	\$ <u>-</u>	<u>-</u>	<u>2,850,000</u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

(continued)

NOTE 4 – OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

The City participates in three employee pension systems as follows:

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

Oklahoma Police and Firefighter's Pension and Retirement Systems

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

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

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)

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, 2012

(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>
2010	\$ 300,243	100%	418,693	100%
2012	316,141	100%	420,515	100%
2011	320,662	100%	443,499	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 \$277,158 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, 2012, 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 Contracts adopted pursuant to City Ordinance. The plan is governed

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)

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. *The City of Ponca City, Oklahoma* has delegated the authority to manage certain plan assets to Principal Mutual Life Insurance Company. All non-union full-time City employees are eligible to participate in the System.

The System has an actuarial valuation performed annually to determine if The City's fixed contribution rate is adequate to fund the actuarially determined contribution requirement. The System does not issue separate annual financial 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	6.25%
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, 2011</u>	
Active members	228
Inactive members	134
Retirees and beneficiaries	134
Total	<u>496</u>

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)

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 – Values of System assets are reported at fair value which approximates market. As of June 30, 2012, the System held no related party investments. Individual investments (other than U.S. government and U.S. government guaranteed securities) whose market value exceeds five percent or more of the net assets available for benefits were invested in Principal Financial Group – unallocated insurance contracts totaling \$17,861,330 .

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 plan. The City’s annual pension cost and net pension asset as of and for the year ending December 31, 2011 were as follows:

Beginning of year 2010 net pension obligation (asset)	\$ <u>(422,753)</u>
Annual required contribution for 2011 plan year	1,199,884
Interest on net pension obligation (asset)	(32,764)
Adjustment to annual required contribution	<u>(44,329)</u>
Annual pension cost for 2011 plan year	1,211,449
Actual contributions made	<u>(513,258)</u>
Increase (decrease) in net pension obligation (asset)	<u>698,191</u>
End of year 2011 net pension obligations (asset)	\$ <u><u>275,438</u></u>

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)

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

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>
2009	\$ 722,127	444,347	62.0%	(881,788)
2010	900,224	465,314	52.0%	(422,754)
2011	1,199,884	513,258	43.0%	275,438

I. Schedule of Funding

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

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

The historical information required to be disclosed, beginning as of January 1, 2006 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>
1/1/2006	\$ 15,033,520	15,033,520	-	100%	6,485,307	0%
1/1/2007	16,604,768	16,604,768	-	100%	7,268,832	0%
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%

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)

I. Schedule of Funding (continued)

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

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

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 seven years:

<u>Plan Year End</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
12/31/2006	367,493	370,385	101%
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%

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, 2011
Actuarial cost method	Aggregate
Inflation	3%
Actuarial asset valuation method	Market value adjusted by spreading expected value minus actual value over four years. Actuarial value will be no more than 20% of market value.
Investment rate of return	7.75%
Projected salary increases	Table S-5 from Actuary's Pension Handbook plus 3.00%

(2) Significant Factors Affecting Schedules

The following changes affect the comparability of costs since January 1, 2010 plan year:

<u>Actuarial Valuation Date</u>	<u>Reasons</u>	<u>Change in Actuarial Accrued Liability</u>
1/1/2011	Update mortality table	\$ 535,046

Unaudited – see independent auditor's report

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)

Other Post-employment Benefit

Plan Description: In addition to providing pension benefits, The City provides post-retirement benefit options for certain health care benefits for retired employees, terminated employees and their dependents that are not eligible for Medicare. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for The City.

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

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

Annual Amortization (30 years level payments)	\$ 26,213
Normal Cost	<u>18,269</u>
Annual Required Contribution (ARC)	<u>\$ 44,482</u>
OPEB liability (accrued actuarial liability) at June 30, 2012	<u>\$ 446,201</u>

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)

Other Post-employment Benefit (continued)

The City’s significant OPEB calculations for 2012 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]
6/30/2012	\$ -	\$ 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, 2012

(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, 2012

(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, 2012

(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 July 1, 2010 to June 30, 2012, are as follows:

	<u>Workers'</u>	<u>Health</u>	<u>Total</u>
	<u>Compensation</u>	<u>Care</u>	
Claim liability, June 30, 2010	\$ 2,009,806	480,922	2,490,728
Claims and changes in estimates	(261,268)	3,747,586	3,486,318
Claims payments	<u>(746,314)</u>	<u>(3,713,065)</u>	<u>(4,459,379)</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	<u>\$ 668,522</u>	<u>637,764</u>	<u>1,306,286</u>
Reconciliation to Statement of Net Assets:			
Current portion		\$ 597,223	
Noncurrent portion		<u>709,063</u>	
Total		<u>\$ 1,306,286</u>	

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Basic Financial Statements

June 30, 2012

(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, 2012, The City had awarded construction contracts totaling \$26,943,000 for various City projects and of this amount, \$1,397,000 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 **MONTH DD**, 2012, which is the date the financial statements were available for issuance.

REQUIRED SUPPLEMENTARY INFORMATION

THE CITY OF PONCA CITY, OKLAHOMA
 Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2012

	<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	\$ 7,210,925	7,210,925	7,634,343	423,418
Use tax	420,000	420,000	423,213	3,213
Franchise tax	738,000	738,000	664,782	(73,218)
E911 tax	375,000	375,000	325,384	(49,616)
Weed tax	11,000	11,000	23,224	12,224
Total taxes	<u>8,754,925</u>	<u>8,754,925</u>	<u>9,070,946</u>	<u>316,021</u>
Intergovernmental:				
Cigarette tax	168,000	168,000	191,555	23,555
Alcoholic beverage tax	93,000	93,000	96,191	3,191
Grants	28,000	30,100	43,237	13,137
Total intergovernmental	<u>289,000</u>	<u>291,100</u>	<u>330,983</u>	<u>39,883</u>
Charges for Services:				
Recreation programs	25,700	25,700	22,737	(2,963)
Wentz Camp	38,000	38,000	32,088	(5,912)
Administrative services	1,919,467	1,919,467	1,919,466	(1)
Police services	71,224	71,224	71,688	464
Ambulance services	1,150,000	1,150,000	1,291,354	141,354
Fire runs	1,000	1,000	500	(500)
Animal control receipts	14,000	17,000	14,391	(2,609)
Library receipts	16,000	16,000	14,791	(1,209)
Rentals	165,000	165,000	173,665	8,665
Miscellaneous charges	63,200	63,200	54,721	(8,479)
Total charges for services	<u>3,463,591</u>	<u>3,466,591</u>	<u>3,595,401</u>	<u>128,810</u>
Fines and forfeitures	<u>532,300</u>	<u>532,300</u>	<u>525,568</u>	<u>(6,732)</u>
Licenses and permits	<u>96,000</u>	<u>96,000</u>	<u>167,729</u>	<u>71,729</u>
Investment Income	<u>95,000</u>	<u>95,000</u>	<u>34,488</u>	<u>(60,512)</u>
Miscellaneous	<u>6,600</u>	<u>6,600</u>	<u>5,183</u>	<u>(1,417)</u>
Other Financing Sources:				
Proceeds from sale of fixed assets	15,000	15,000	6,525	(8,475)
Transfers from other funds	6,402,084	6,477,084	6,477,085	1
Total revenues and other financing sources	<u>19,654,500</u>	<u>19,734,600</u>	<u>20,213,908</u>	<u>479,308</u>

Unaudited – see independent auditor's report

THE CITY OF PONCA CITY, OKLAHOMA
 Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2012
 (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	7,831	5,469
City Manager	864,506	864,506	718,819	145,687
Central municipal activity	1,164,260	1,164,260	1,095,265	68,995
Finance	529,416	529,416	425,203	104,213
Municipal court	220,348	220,348	185,637	34,711
City attorney	246,510	246,510	236,458	10,052
Community development	567,496	607,496	570,329	37,167
Animal control	234,474	237,474	199,693	37,781
Emergency management	150,311	150,311	143,257	7,054
Police Admin	4,975,180	4,975,180	4,732,609	242,571
Communications/911	804,563	804,563	738,891	65,672
Fire	4,599,904	4,621,904	4,576,024	45,880
Fire-Ambulance	992,655	1,045,655	1,026,427	19,228
Street Admin	1,329,063	1,329,063	1,084,893	244,170
Engineering Admin	598,479	598,479	543,712	54,767
Traffic engineering	430,748	430,748	391,318	39,430
Park maintenance	1,518,127	1,518,127	1,351,114	167,013
Recreation programs	306,863	308,963	264,315	44,648
Ambuc Pool	70,193	70,193	68,732	1,461
Wentz Camp	104,521	104,521	83,247	21,274
Marland's Grand Home	67,316	67,316	57,428	9,888
Hutchins Memorial	84,775	84,775	74,939	9,836
Library	931,745	931,745	877,253	54,492
Total expenditures	<u>20,804,753</u>	<u>20,924,853</u>	<u>19,453,394</u>	<u>1,471,459</u>
Revenue and other sources over (under) expenditures	(1,150,253)	(1,190,253)	760,514	(992,151)
Fund balances, beginning	<u>(796,954)</u>	<u>(2,018,163)</u>	<u>2,443,095</u>	<u> </u>
Fund balances, ending	<u><u>\$ (1,947,207)</u></u>	<u><u>(3,208,416)</u></u>	<u><u>3,203,609</u></u>	<u><u>(992,151)</u></u>

THE CITY OF PONCA CITY, OKLAHOMA

Notes to Budgetary Comparison Schedules
For the Fiscal Year Ended June 30, 2012

BUDGETARY ACCOUNTING AND CONTROL

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

	<u>General Fund</u>
Net Change to Revenue Over (Under) Expenditures:	\$ 760,514
Add: current year encumbrances	144,882
Change in payables	110,125
Change in deferred revenue	120,044
Change in receivables	(390,958)
Prior year encumbrances	<u>(53,535)</u>
Change in fund balance	<u>\$ 691,072</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, 2012

(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, 2012

ASSETS	Special Projects Fund	Street & Alley Fund	Hotel/ Motel Tax Fund	Community Development Fund	Library Grant Fund	Library State Aid Fund	Fire Station #1 Trust Fund	Misc. Trust Fund	Economic Development Fund
Cash and cash equivalents	\$ 35,495	322,446	970,733	91,958	67	-	-	6,884	-
Investments	18,359	166,778	502,090	-	35	-	-	3,560	-
Accounts receivable	-	-	61,573	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from other governments	-	20,183	-	172,403	-	-	-	-	189,849
Total assets	<u>\$ 53,854</u>	<u>509,407</u>	<u>1,534,396</u>	<u>264,361</u>	<u>102</u>	<u>-</u>	<u>-</u>	<u>10,444</u>	<u>189,849</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable and accrued liabilities	\$ 525	11,672	4,849	6,469	-	-	-	10,444	-
Due to other funds	-	-	-	167,518	-	-	-	-	-
Due to component unit	-	-	-	-	-	-	-	-	183,794
Total liabilities	<u>525</u>	<u>11,672</u>	<u>4,849</u>	<u>173,987</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,444</u>	<u>183,794</u>
Fund Balances:									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	-	-	1,529,547	-	102	-	-	-	6,055
Assigned	<u>53,329</u>	<u>497,735</u>	<u>-</u>	<u>90,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>53,329</u>	<u>497,735</u>	<u>1,529,547</u>	<u>90,374</u>	<u>102</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,055</u>
Total Liabilities and Fund Balances	<u>\$ 53,854</u>	<u>509,407</u>	<u>1,534,396</u>	<u>264,361</u>	<u>102</u>	<u>-</u>	<u>-</u>	<u>10,444</u>	<u>189,849</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA
Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2012
(continued)

						<u>Permanent Funds</u>		<u>Total</u>
	<u>Public Facilities Tax Fund</u>	<u>Recreation Center Tax Fund</u>	<u>Street Improvement Project Fund</u>	<u>Capital Improvement Project Fund</u>	<u>Debt Service Fund</u>	<u>Matzene Book Fund</u>	<u>Cann Estate Fund</u>	
ASSETS								
Cash and cash equivalents	\$ -	194,496	3,027,446	1,670,735	45,779	1,098	53,330	6,420,467
Investments	-	100,598	1,565,880	864,151	23,678	50,193	883,940	4,179,262
Accounts receivable	-	-	-	-	-	-	-	61,573
Due from other funds	-	-	-	143,581	-	-	-	143,581
Prepaid expense	-	-	-	310,870	-	-	-	310,870
Due from other governments	-	189,849	189,849	-	2,880	-	-	765,013
Total assets	<u>\$ -</u>	<u>484,943</u>	<u>4,783,175</u>	<u>2,989,337</u>	<u>72,337</u>	<u>51,291</u>	<u>937,270</u>	<u>11,880,766</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	\$ -	28,465	289,076	58,026	-	-	1,886	411,412
Due to other funds	-	-	-	-	-	-	-	167,518
Due to component unit	-	-	-	-	-	-	-	183,794
Total liabilities	<u>-</u>	<u>28,465</u>	<u>289,076</u>	<u>58,026</u>	<u>-</u>	<u>-</u>	<u>1,886</u>	<u>762,724</u>
Fund Balances:								
Nonspendable	-	-	-	-	-	49,980	858,879	908,859
Restricted	-	456,478	4,494,099	-	-	-	-	6,486,281
Assigned	-	-	-	2,931,311	72,337	1,311	76,505	3,722,902
Total fund balance	<u>-</u>	<u>456,478</u>	<u>4,494,099</u>	<u>2,931,311</u>	<u>72,337</u>	<u>51,291</u>	<u>935,384</u>	<u>11,118,042</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>484,943</u>	<u>4,783,175</u>	<u>2,989,337</u>	<u>72,337</u>	<u>51,291</u>	<u>937,270</u>	<u>11,880,766</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012

	Special Projects Fund	Street & Alley Fund	Hotel/ Motel Tax Fund	Community Development Fund	Library Grant Fund	Library State Aid Fund	Fire Station #1 Trust Fund	Misc. Trust Fund	Economic Development Fund
Revenues:									
Taxes	\$ -	-	664,709	-	-	-	-	-	2,014,389
Intergovernmental	-	220,731	11,319	729,411	8,059	13,577	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	1,141	-	-	-	-	-
Fines and forfeitures	37,607	-	-	-	-	-	-	-	-
Miscellaneous	73	-	-	188,722	-	-	-	-	-
Total revenues	<u>37,680</u>	<u>220,731</u>	<u>676,028</u>	<u>919,274</u>	<u>8,059</u>	<u>13,577</u>	<u>-</u>	<u>-</u>	<u>2,014,389</u>
Expenditures:									
Current:									
General government	-	-	-	-	-	-	-	-	-
Public safety	31,693	-	-	-	-	-	-	-	-
Street and highway	-	162,223	-	-	-	-	-	-	-
Culture, parks and recreation	-	-	216,914	-	8,807	13,577	-	-	-
Community development	-	-	-	396,037	-	-	-	-	-
Capital outlay	-	-	108,478	387,783	-	-	-	-	-
Debt Service:									
Principle	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-
Total expenditures	<u>31,693</u>	<u>162,223</u>	<u>325,392</u>	<u>783,820</u>	<u>8,807</u>	<u>13,577</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>5,987</u>	<u>58,508</u>	<u>350,636</u>	<u>135,454</u>	<u>(748)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,014,389</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(75,000)	-	-	(86,537)	-	(2,008,334)
Proceeds from sale of judgment	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,000)</u>	<u>-</u>	<u>-</u>	<u>(86,537)</u>	<u>-</u>	<u>(2,008,334)</u>
Net change in fund balances	5,987	58,508	350,636	60,454	(748)	-	(86,537)	-	6,055
Fund balance, beginning of year	<u>47,342</u>	<u>439,227</u>	<u>1,178,911</u>	<u>29,920</u>	<u>850</u>	<u>-</u>	<u>86,537</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 53,329</u>	<u>497,735</u>	<u>1,529,547</u>	<u>90,374</u>	<u>102</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,055</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012
(continued)

						<u>Permanent Funds</u>		<u>Total</u>
	<u>Public Facilities Tax Fund</u>	<u>Recreation Center Tax Fund</u>	<u>Street Improvement Project Fund</u>	<u>Capital Improvement Project Fund</u>	<u>Debt Service Fund</u>	<u>Matzene Book Fund</u>	<u>Cann Estate Fund</u>	
Revenues:								
Taxes	\$ -	2,014,389	2,014,389	-	510,768	-	-	7,218,644
Intergovernmental	-	-	-	-	-	-	-	983,097
Charges for services	-	-	-	-	-	-	2,100	2,100
Investment income	-	15,467	31,692	18,667	727	277	(37,092)	30,879
Fines and forfeitures	-	-	-	-	-	-	-	37,607
Miscellaneous	-	2,139	58,829	108,786	-	-	-	358,549
Total revenues	<u>-</u>	<u>2,031,995</u>	<u>2,104,910</u>	<u>127,453</u>	<u>511,495</u>	<u>277</u>	<u>(34,992)</u>	<u>8,630,876</u>
Expenditures:								
Current:								
General government	-	-	-	-	631,388	-	-	631,388
Public safety	-	-	-	-	-	-	-	31,693
Street and highway	-	-	311,281	-	-	-	-	473,504
Culture, parks and recreation	-	-	-	-	-	290	49,624	289,212
Community development	-	-	-	-	-	-	-	396,037
Capital outlay	-	184,243	1,563,951	608,376	-	-	13,880	2,866,711
Debt Service:								
Principle	-	-	-	-	14,640,814	-	-	14,640,814
Interest and fiscal charges	-	-	-	-	1,181,233	-	-	1,181,233
Total expenditures	<u>-</u>	<u>184,243</u>	<u>1,875,232</u>	<u>608,376</u>	<u>16,453,435</u>	<u>290</u>	<u>63,504</u>	<u>20,510,592</u>
Revenues over (under) expenditures	<u>-</u>	<u>1,847,752</u>	<u>229,678</u>	<u>(480,923)</u>	<u>(15,941,940)</u>	<u>(13)</u>	<u>(98,496)</u>	<u>(11,879,716)</u>
Other financing sources (uses):								
Transfers in	-	-	-	632,750	15,331,502	-	30,000	15,994,252
Transfers out	(146,213)	(3,000,000)	-	(59,078)	-	-	-	(5,375,162)
Proceeds from sale of judgment	-	-	-	-	631,388	-	-	631,388
Total other financing sources (uses)	<u>(146,213)</u>	<u>(3,000,000)</u>	<u>-</u>	<u>573,672</u>	<u>15,962,890</u>	<u>-</u>	<u>30,000</u>	<u>11,250,478</u>
Net change in fund balances	(146,213)	(1,152,248)	229,678	92,749	20,950	(13)	(68,496)	(629,238)
Fund balance, beginning of year	146,213	1,608,726	4,264,421	2,838,562	51,387	51,304	1,003,880	11,747,280
Fund balance, end of year	<u>\$ -</u>	<u>456,478</u>	<u>4,494,099</u>	<u>2,931,311</u>	<u>72,337</u>	<u>51,291</u>	<u>935,384</u>	<u>11,118,042</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Combining Statement of Net Assets

Nonmajor Proprietary Funds

June 30, 2012

	Business-type Activities - Enterprise Funds		
	Marland Estate	Lew Wentz Golf Course	Total Other Enterprise Funds
<u>ASSETS</u>			
Current Assets:			
Cash, including time deposits	\$ 108,903	24,361	133,264
Accounts receivable	1,083	-	1,083
Investments	56,121	45,359	101,480
Inventory	18,464	47,442	65,906
Total current assets	184,571	117,162	301,733
Noncurrent Assets:			
Capital assets:			
Nondepreciable	376,193	71,577	447,770
Depreciable, net of accumulated depreciation	1,108,267	486,810	1,595,077
Total noncurrent assets	1,484,460	558,387	2,042,847
Total Assets	1,669,031	675,549	2,344,580
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable and accrued liabilities	16,799	59,245	76,044
Net OPEB obligation	430	828	1,258
Accrued compensated absences	803	1,394	2,197
Total current liabilities	18,032	61,467	79,499
Noncurrent Liabilities:			
Accrued compensated absences	7,231	12,544	19,775
Total noncurrent liabilities	7,231	12,544	19,775
Total Liabilities	25,263	74,011	99,274
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	1,484,460	558,387	2,042,847
Restricted for encumbrances	-	2,092	2,092
Unrestricted	159,308	41,059	200,367
Total Net Assets	\$ 1,643,768	601,538	2,245,306

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Combining Statement of Revenues, Expenditures and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	<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	\$ 153,968	-	153,968
Golf course fees	-	516,903	516,903
Miscellaneous	33	-	33
Total operating revenues	<u>154,001</u>	<u>516,903</u>	<u>670,904</u>
Operating Expenses:			
Personal services	244,150	460,156	704,306
Materials and supplies	15,806	47,841	63,647
Maintenance, operations and contractual services	43,644	229,658	273,302
Depreciation and amortization	90,081	58,354	148,435
Total operating expenses	<u>393,681</u>	<u>796,009</u>	<u>1,189,690</u>
Operating income (loss)	<u>(239,680)</u>	<u>(279,106)</u>	<u>(518,786)</u>
Non-Operating Revenues (Expenses)			
Investment income	1,113	-	1,113
Interest expense			
Net non-operating revenues (expenses)	<u>1,113</u>	<u>-</u>	<u>1,113</u>
Income (loss) before contributions and transfers	<u>(238,567)</u>	<u>(279,106)</u>	<u>(517,673)</u>
Capital asset transfers	365,510	23,898	389,408
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>513,888</u>	<u>283,898</u>	<u>797,786</u>
Change in net assets	275,321	4,792	280,113
Net assets, beginning of year	<u>1,368,447</u>	<u>596,746</u>	<u>1,965,193</u>
Net assets, end of year	<u>\$ 1,643,768</u>	<u>601,538</u>	<u>2,245,306</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Combining Statement of Cash Flows

Nonmajor Proprietary Funds

For the Fiscal Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds		
	Marland Estate	Lew Wentz Golf Course	Total Other Enterprise Funds
Cash Flows from Operating Activities:			
Receipts from customers	\$ 152,918	516,903	669,821
Payments to suppliers	(63,735)	(278,460)	(342,195)
Payments to employees	<u>(242,994)</u>	<u>(462,129)</u>	<u>(705,123)</u>
Net cash (used) by operating activities	<u>(153,811)</u>	<u>(223,686)</u>	<u>(377,497)</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	73,592	(35,173)	38,419
Interest and dividends	<u>1,113</u>	<u>-</u>	<u>1,113</u>
Net cash provided (used) by in investing activities	<u>74,705</u>	<u>(35,173)</u>	<u>39,532</u>
Net increase (decrease) in cash and cash equivalents	69,272	1,141	70,413
Balances, beginning of year	<u>39,631</u>	<u>23,220</u>	<u>62,851</u>
Balances, end of year	<u>\$ 108,903</u>	<u>24,361</u>	<u>133,264</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Combining Statement of Cash Flows

Nonmajor Proprietary Funds

For the Fiscal Year Ended June 30, 2012

(continued)

	<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>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating (loss)	\$ (239,680)	(279,106)	(518,786)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization expense	90,081	58,354	148,435
Change in assets and liabilities:			
(Increase) decrease in accounts receivables, net	(1,083)	-	(1,083)
(Increase) decrease in inventories	(3,382)	(2,497)	(5,879)
Increase (decrease) in accounts and other payables	(1,333)	708	(625)
Increase (decrease) in net OPEB obligation	430	828	1,258
Increase (decrease) in accrued compensated absences	1,156	(1,973)	(817)
Net cash (used) by operating activities	<u>\$ (153,811)</u>	<u>(223,686)</u>	<u>(377,497)</u>
Non-Cash Activities:			
Capital assets acquired through transfers from other funds	\$ <u>365,510</u>	<u>23,898</u>	<u>389,408</u>
Net non-cash activities	<u>\$ 365,510</u>	<u>23,898</u>	<u>389,408</u>

THE CITY OF PONCA CITY, OKLAHOMA

Combining Statement of Net Assets

Internal Service Funds

June 30, 2012

ASSETS	Motor Pool	Insurance Imprest Fund	Totals
Current Assets:			
Cash, including time deposits	\$ 22,284	1,747,496	1,769,780
Investments	11,422	2,133,403	2,144,825
Receivables:			
Due from other funds	71,647	-	71,647
Other	-	4,378	4,378
Prepaid expenses	-	89,961	89,961
Inventory	<u>171,818</u>	<u>-</u>	<u>171,818</u>
Total current assets	<u>277,171</u>	<u>3,975,238</u>	<u>4,252,409</u>
Noncurrent Assets:			
Capital assets:			
Depreciable, net of accumulated depreciation	<u>65,117</u>	<u>-</u>	<u>65,117</u>
Total noncurrent assets	<u>65,117</u>	<u>-</u>	<u>65,117</u>
Total Assets	<u>342,288</u>	<u>3,975,238</u>	<u>4,317,526</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	49,927	146,582	196,509
Estimated liability for claims	-	597,223	597,223
Accrued compensated absences	<u>825</u>	<u>318</u>	<u>1,143</u>
Total current liabilities	<u>50,752</u>	<u>744,123</u>	<u>794,875</u>
Noncurrent Liabilities:			
Estimated liability for claims	-	709,063	709,063
Accrued compensated absences	<u>7,422</u>	<u>2,865</u>	<u>10,287</u>
Total noncurrent liabilities	<u>7,422</u>	<u>711,928</u>	<u>719,350</u>
Total Liabilities	<u>58,174</u>	<u>1,456,051</u>	<u>1,514,225</u>
NET ASSETS			
Investment in capital assets, net of related debt	65,117	-	65,117
Restricted for encumbrances	5,811	-	5,811
Unrestricted	<u>213,186</u>	<u>2,519,187</u>	<u>2,732,373</u>
Total Net Assets	<u>\$ 284,114</u>	<u>2,519,187</u>	<u>2,803,301</u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2012

	<u>Motor Pool</u>	<u>Insurance Imprest Fund</u>	<u>Totals</u>
Operating Revenues:			
Charges for services	\$ 1,682,452	6,817,544	8,499,996
Total operating revenues	<u>1,682,452</u>	<u>6,817,544</u>	<u>8,499,996</u>
Operating Expenses:			
Personal services	216,245	547,875	764,120
Materials and supplies	828,779	-	828,779
Other services and charges	682,630	4,688,555	5,371,185
Depreciation expense	<u>16,143</u>	<u>-</u>	<u>16,143</u>
Total operating expenses	<u>1,743,797</u>	<u>5,236,430</u>	<u>6,980,227</u>
Operating income (loss)	<u>(61,345)</u>	<u>1,581,114</u>	<u>1,519,769</u>
Non-Operating Revenues:			
Investment income	-	99,287	99,287
Gain (loss) on sale of capital assets	2,550	-	2,550
Miscellaneous income	<u>2,033</u>	<u>54,846</u>	<u>56,879</u>
Total non-operating revenues	<u>4,583</u>	<u>154,133</u>	<u>158,716</u>
Income (loss) before contributions and transfers	<u>(56,762)</u>	<u>1,735,247</u>	<u>1,678,485</u>
Transfers to other funds	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>
Net proceeds from sale and transfers	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>
Change in net assets	(66,762)	1,735,247	1,668,485
Net assets, beginning of year	<u>350,876</u>	<u>783,940</u>	<u>1,134,816</u>
Net assets, end of year	\$ <u><u>284,114</u></u>	<u><u>2,519,187</u></u>	<u><u>2,803,301</u></u>

See accompanying notes to the financial statements

THE CITY OF PONCA CITY, OKLAHOMA
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2012

	<u>Motor Pool</u>	<u>Insurance Imprest Fund</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Receipts from customers	\$ 1,689,949	6,902,606	8,592,555
Payments to suppliers and others	(1,432,144)	(4,862,214)	(6,294,358)
Payments to employees	<u>(216,849)</u>	<u>(546,476)</u>	<u>(763,325)</u>
Net cash provided by operating activities	<u>40,956</u>	<u>1,493,916</u>	<u>1,534,872</u>
Cash Flows from Noncapital Financing Activities:			
Transfers (to) from other funds	<u>(10,000)</u>	-	<u>(10,000)</u>
Net cash (used) by noncapital financing activities	<u>(10,000)</u>	-	<u>(10,000)</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from sale of capital assets	<u>2,550</u>	-	<u>2,550</u>
Net cash provided by capital and related financing activities	<u>2,550</u>	-	<u>2,550</u>
Cash Flows from Investing Activities:			
Purchase of investments	(11,422)	(320,086)	(331,508)
Interest and dividends	<u>-</u>	<u>99,287</u>	<u>99,287</u>
Net cash (used) in investing activities	<u>(11,422)</u>	<u>(220,799)</u>	<u>(232,221)</u>
Net increase in cash and cash equivalents	22,084	1,273,117	1,295,201
Balances, beginning of year	<u>200</u>	<u>474,379</u>	<u>474,579</u>
Balances, end of year	<u>\$ 22,284</u>	<u>1,747,496</u>	<u>1,769,780</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ (61,345)	1,581,114	1,519,769
Adjustments to reconcile operating income to net cash provided by operating activities:			
Miscellaneous nonoperating revenue (expense)	2,033	54,846	56,879
Depreciation expense	16,143	-	16,143
Change in assets and liabilities:			
(Increase) decrease in receivables, net	-	30,216	30,216
(Increase) decrease in prepaid expenses	-	(1,111)	(1,111)
(Increase) decrease in inventory	56,100	-	56,100
(Increase) decrease in due from other funds	6,816	-	6,816
Increase (decrease) in claims payable	-	(211,381)	(211,381)
Increase (decrease) in accrued compensated absences	(604)	1,399	795
Increase (decrease) in accounts and other payables	23,165	38,833	61,998
Increase (decrease) in due to other funds	<u>(1,352)</u>	<u>-</u>	<u>(1,352)</u>
Net cash provided by operating activities	<u>\$ 40,956</u>	<u>1,493,916</u>	<u>1,534,872</u>

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, 2012

	<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	\$ 35,860,438	7,247,217	4,393,780	5,089,382	52,590,817
Investment income	<u>57,191</u>	<u>44,770</u>	<u>55,859</u>	<u>2,577</u>	<u>160,397</u>
Total operating revenues	<u>35,917,629</u>	<u>7,291,987</u>	<u>4,449,639</u>	<u>5,091,959</u>	<u>52,751,214</u>
Operation and Maintenance Expenses:					
Personal services	2,416,931	1,315,861	2,285,456	968,875	6,987,123
Materials and supplies	67,639	420,631	30,858	66,772	585,900
Maintenance, operations and contractual services	1,550,642	1,174,848	998,369	825,119	4,548,978
Electricity purchased	<u>20,002,738</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,002,738</u>
Total operating expenses	<u>24,037,950</u>	<u>2,911,340</u>	<u>3,314,683</u>	<u>1,860,766</u>	<u>32,124,739</u>
Net revenues available for debt service	\$ <u><u>11,879,679</u></u>	<u><u>4,380,647</u></u>	<u><u>1,134,956</u></u>	<u><u>3,231,193</u></u>	<u><u>20,626,475</u></u>
Maximum annual debt service					3,387,048 *
Coverage					6.09
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, 2012

<u>Description</u>	<u>Required Reserves</u>	<u>Reserve Balance June 30, 2012</u>	<u>Excess Balance Over 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	821,377	-

See accompanying notes to the financial statements