

PONCA CITY UTILITY AUTHORITY
Annual Financial Statements and
Accompanying Independent Auditor's Report
For the Fiscal Year Ended June 30, 2013

CITY OF PONCA CITY, OKLAHOMA

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor’s Report.....	1-3
Management Discussion and Analysis	4-8
Basic Financial Statements:	
Statement of Net Position	9-10
Statement of Revenues, Expenses and Changes in Fund Net Position.....	11
Statement of Cash Flows.....	12-13
Notes to Basic Financial Statements	14-32
Supplementary Information:	
Combining Schedule of Net Position.....	33-34
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position	35-36
Schedule of Revenue Bond and Note Debt Service Coverage	37
Schedule of Reserve Account Balances.....	38
Schedule of Utility Rates	39



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the *Ponca City Utility Authority (PCUA)*, a component unit of the City of Ponca City, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the *Ponca City Utility Authority*, a component unit of the City of Ponca City, Oklahoma, as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the *Ponca City Utility Authority* and do not purport to, and do not, present fairly the financial position of the City of Ponca City, Oklahoma as of June 30, 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Archambo & Mueggenborg, PC

Archambo & Mueggenborg, PC
Certified Public Accountants

December 9, 2013

PONCA CITY UTILITY AUTHORITY

Management Discussion and Analysis

June 30, 2013

Our discussion and analysis of *Ponca City Utility Authority's* financial performance provides an overview of the *Authority's* financial activities for the fiscal year ended June 30, 2013.

FINANCIAL HIGHLIGHTS

Net Position: The *Authority's* net position increased by \$ 4.3 million, or 10.2%.

Unrestricted Net Position: Unrestricted net position of the *Authority* increased by \$ 2.4 million, or 13.4%.

Revenues: The *Authority's* operating revenues increased by \$ 2.6 million, or 4.9%.

Expenses: The *Authority's* operating expenses increased by \$ 1.3 million, or 3.2% from the previous year.

USING THIS ANNUAL REPORT

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

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

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

PONCA CITY UTILITY AUTHORITY

Management Discussion and Analysis

June 30, 2013

(continued)

FINANCIAL ANALYSIS

Net Assets

The *Authority's* net position increased by \$ 4.3 million, or 10.2%. A comparative overview of the major components of the Statement of Net Position is shown below.

Net Position (in thousands)

	<u>2013</u>	<u>2012</u>	<u>Percentage Change</u>
Total current assets	\$ 37,456	37,096	1.0%
Total noncurrent assets	<u>69,407</u>	<u>71,748</u>	-3.3%
Total assets	<u>106,863</u>	<u>108,844</u>	-1.8%
Total current liabilities	15,486	12,016	28.9%
Total noncurrent liabilities	<u>45,167</u>	<u>54,882</u>	-17.7%
Total liabilities	<u>60,653</u>	<u>66,898</u>	-9.3%
Net position:			
Invested in capital assets, net of related debt	14,894	11,095	34.2%
Restricted for other purposes	-	-	0.0%
Restricted for debt service	9,638	12,081	-20.2%
Encumbrances	1,448	932	55.4%
Unrestricted	<u>20,229</u>	<u>17,837</u>	13.4%
Total net position	<u>\$ 46,209</u>	<u>41,945</u>	10.2%

PONCA CITY UTILITY AUTHORITY

Management Discussion and Analysis

June 30, 2013

(continued)

FINANCIAL ANALYSIS (continued)

Changes in Net Position

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

Changes in Net Position (in thousands)

	<u>2013</u>	<u>2012</u>	<u>Percentage Change</u>
Operating revenues	\$ 55,528	52,918	4.9%
Operating expenses	<u>42,487</u>	<u>41,170</u>	3.2%
Operating income	<u>13,041</u>	<u>11,748</u>	11.0%
Non-operating income (expenses)	<u>(1,721)</u>	<u>(1,016)</u>	69.4%
Net income before contributions and transfers	11,320	10,732	5.5%
Capital contributions	(350)	(67)	422.4%
Net transfers	<u>(6,706)</u>	<u>(20,861)</u>	-67.9%
Increase in net assets	<u>\$ 4,264</u>	<u>(10,196)</u>	-141.8%

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets, Net of Depreciation (in thousands)

	<u>2013</u>	<u>2012</u>
Land	\$ 469	437
Construction in progress	156	24
Buildings	14,527	15,327
Improvements	47,662	49,124
Machinery and equipment	<u>3,254</u>	<u>3,062</u>
Totals	<u>\$ 66,068</u>	<u>67,974</u>

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

PONCA CITY UTILITY AUTHORITY

Management Discussion and Analysis

June 30, 2013

(continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

This year's major additions included rehabilitation of the North Water Tower, water valve replacements at the Water Plant, and construction began on a new Union Street Electric Substation.

Debt

At June 30, 2013, the *Authority* had \$ 52.1 million in bonds, notes and refundable grant obligations outstanding versus \$ 58.6 million last year.

Outstanding Debt, at fiscal year end (in thousands)

	<u>2013</u>	<u>2012</u>
Notes payable	\$ 46,183	52,058
Revenue bonds payable	5,595	6,190
Refundable grant obligations	271	327
Totals	<u>\$ 52,049</u>	<u>58,575</u>

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES AND RATES

The Fiscal 2013-14 Budget was created with a primary emphasis on sustainability, as well as continued emphasis on performance measurement in *PCUA* departments. This type of attention to cost versus community benefit of *PCUA* services, including how we compare with peer cities and are measured by our users, will help guide operations to a more efficient and effective use of public funds.

Visible projects for Fiscal 2013-14 include completion of the new Union Street Electric Substation, replacement of the Filter Backwash Tower at the Water Plant, replacement of water lines on Highway 66 and Union Street, and replacement of the Briar Ridge Sewer Lift station.

PONCA CITY UTILITY AUTHORITY

Management Discussion and Analysis

June 30, 2013

(continued)

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES AND RATES

(continued)

As with the retail sector, there is minimal growth among the utilities, where modest increases in water, wastewater, electric and solid waste utility rates were approved by the City Commission for Fiscal 2013-14.

CONTACTING THE *PONCA CITY UTILITY AUTHORITY* MANAGEMENT

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

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Statement of Net Position
June 30, 2013

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 12,427,176
Investments	6,663,589
Restricted Assets:	
Cash and cash equivalents	7,958,417
Investments	597,305
Receivables:	
Utility billing receivables	7,015,731
Other receivables	17,632
Inventory	2,776,537
Total current assets	37,456,387
Noncurrent Assets:	
Restricted assets:	
Cash and cash equivalents	1,679,470
Investment in joint venture	1,657,685
Capital assets:	
Nondepreciable	625,808
Depreciable, net of accumulated depreciation	65,443,613
Total noncurrent assets	69,406,576
Total Assets	\$ 106,862,963

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Statement of Net Position
June 30, 2013
(continued)

LIABILITIES

Current Liabilities:	
Accounts payable and accrued liabilities	\$ 4,221,991
Accrued interest payable	423,447
Meter deposit liability	597,305
Due to other funds	75,519
Net OPEB obligation	12,746
Current portion:	
Refundable grant obligations	56,500
Revenue bonds, net of unamortized discount and charge on refunding	5,302,196
Notes payable	4,772,057
Accrued compensated absences	24,642
Total current liabilities	<u>15,486,403</u>
Noncurrent Liabilities:	
Refundable grant obligations	214,250
Accrued compensated absences	221,787
Landfill closure/post-closure liability	3,900,979
Notes payable	40,830,111
Total noncurrent liabilities	<u>45,167,127</u>
Total Liabilities	<u>\$ 60,653,530</u>

NET POSITION

Net investment in capital assets	\$ 14,894,307
Restricted for debt service	9,637,887
Restricted for encumbrances	1,448,116
Unrestricted	<u>20,229,123</u>
Total Net Position	<u>\$ 46,209,433</u>

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2013

Operating Revenues:

Pledged as security for revenue bonds:

Charges for services:

Electric	\$ 37,287,490
Water	7,479,718
Solid waste	4,801,346
Wastewater	5,410,496

Unpledged:

Stormwater charges for service	436,297
Other charges for service	108,178
Miscellaneous	3,977

Total operating revenues	55,527,502
--------------------------	------------

Operating Expenses:

Electric	27,969,172
Water	4,756,643
Solid waste	3,723,370
Wastewater	3,907,077
Stormwater	90,699
Administrative	2,039,702

Total operating expenses	42,486,663
--------------------------	------------

Operating income	13,040,839
------------------	------------

Non-Operating Revenues (Expenses):

Pledged as security for revenue bonds:

Investment income	10,640
-------------------	--------

Unpledged revenues:

Investment income	4,669
Gain (loss) on asset disposals	37,999
Interest and fiscal charges	(1,774,027)

Net non-operating revenues (expenses)	(1,720,719)
---------------------------------------	-------------

Income before contributions and transfers	11,320,120
---	------------

Capital asset transfers	(349,810)
-------------------------	-----------

Transfers from other funds	2,389,813
----------------------------	-----------

Transfers to other funds	(9,096,324)
--------------------------	-------------

Net transfers and capital contributions	(7,056,321)
---	-------------

Change in net position	4,263,799
------------------------	-----------

Net position, beginning of year	41,945,634
---------------------------------	------------

Net position, end of year	\$ 46,209,433
---------------------------	---------------

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 55,794,143
Payments to suppliers	(27,645,775)
Payments to employees	(8,031,701)
Receipts of customer meter deposits	55,484
Refunds of customer meter deposits	(55,746)
Net cash provided by operating activities	<u>20,116,405</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers from other funds	2,389,813
Transfers to other funds	(9,096,324)
Net cash used in noncapital financing activities	<u>(6,706,511)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from sale of capital assets	31,500
Purchases of capital assets	(3,869,545)
Principal paid on capital debt	(6,925,971)
Proceeds from capital debt	399,776
Interest paid on capital debt	(1,774,894)
Net cash used in capital and related financing activities	<u>(12,139,134)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(2,364,702)
Interest and dividends	15,309
Net cash used in investing activities	<u>(2,349,393)</u>
Net decrease in cash and cash equivalents	(1,078,633)
Balances, beginning of year	<u>23,143,696</u>
Balances, end of year	<u>\$ 22,065,063</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 12,427,176
Current restricted cash and cash equivalents	7,958,417
Noncurrent restricted cash and cash equivalents	1,679,470
Total cash and cash equivalents, end of year	<u>\$ 22,065,063</u>

See accompanying notes to the financial statements

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013
(continued)

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

Operating income	\$ 13,040,839
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	5,419,587
Amortization expense	684,962
Change in assets and liabilities:	
(Increase) decrease in receivables, net	266,379
(Increase) decrease in inventories	(255,525)
(Increase) decrease in unamortized debt issuance costs	750,263
Increase (decrease) in accounts and other payables	235,030
Increase (decrease) in customer meter deposits payable	(22,160)
Increase (decrease) in due to other funds	5,417
Increase (decrease) in landfill closure/postclosure liability	(17,113)
Increase (decrease) in accrued compensated absences	8,726
Net cash provided by operating activities	\$ 20,116,405

Non-cash Activities:

Capital assets transferred to other funds	\$ (349,810)
Change in investments in joint venture	(87,140)
Net non-cash activities	\$ (436,950)

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The *Ponca City Utility Authority (PCUA)*, a component unit of the City of Ponca City, Oklahoma, complies with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The *PCUA* applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions 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 *Ponca City Utility Authority (PCUA)* is a public trust created March 23, 1970, to finance, develop and operate the water, wastewater, solid waste, electric and stormwater utility systems for the City of Ponca City, Oklahoma. The current City Commission serves as the *PCUA* governing body. Any issuances of debt would require a two-thirds approval of the City Commission.

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

Joint Venture

The City of Ponca City (along with *PCUA*) is currently a participant (with equity interest) in the general operating portion of the Association for Landfill Financial Assurance (ALFA). The ALFA is a not-for-profit corporation created to provide for a mechanism to meet the financial assurance requirements for landfill closure costs and post closure care pursuant to Subtitle D of the Resource Conservation and Recovery Act of 1976 and statutes and regulations of the State of Oklahoma and the Oklahoma Department of Environmental Quality. On dissolution of ALFA, the net position will be distributed to the beneficiaries based upon their pro-rata interest. Separate audited financial statements of ALFA for the year ended June 30, 2013 are available from the Association for Landfill Financial Assurance, Tulsa, Oklahoma.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.B. BASIS OF ACCOUNTING AND PRESENTATION

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

1.C. BUDGETARY ACCOUNTING AND CONTROL

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

1.D. ASSETS, LIABILITIES AND NET POSITION

Cash and Cash Equivalents

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

Investments

Investments in marketable securities are carried at fair value.

Capital Assets

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

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets (continued)

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

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

Restricted Assets

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

Compensated Absences

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

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

Net Position

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

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Accounts Receivable

The *PCUA* reports accounts receivable for utility and other miscellaneous revenues that have not been collected at June 30, 2013. It is the *PCUA's* policy to write off uncollectible accounts throughout the year. Therefore, management feels that all receivables at June 30, 2013 are fully collectable. The following schedule shows the detail of accounts receivable balances:

	Utility Billing Receivable	Other Accounts Receivable	Total
Electric	\$ 5,175,671	17,250	5,192,921
Water	921,811	-	921,811
Soild waste	527,561	-	527,561
Wastewater	703,894	-	703,894
Stormwater	42,313	-	42,313
Unapplied credits	(355,519)	-	(355,519)
Other	-	382	382
Totals	\$ 7,015,731	17,632	7,033,363

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

DEBT RESTRICTIONS AND COVENANTS

Notes Payable

The loan agreements with the Oklahoma Water Resources Board relating to the notes payable of the *PCUA* contain a number of financial restrictions or covenants. These include covenants requiring a flow of funds through special accounts, reserve account balances and a notes payable debt service coverage requirement. The *PCUA* complied with the requirements of the loan agreements in all material respects for the fiscal year ended June 30, 2013.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

DEBT RESTRICTIONS AND COVENANTS (continued)

Revenue Bond Debt

The bond indentures relating to the revenue bond issues of the *PCUA* contain a number of financial restrictions or covenants. These include covenants requiring a flow of funds through special accounts, required reserve account balances and revenue bond debt service coverage requirement. The *PCUA* complied with the requirements of the bond indentures in all material respects for the fiscal year ended June 30, 2013.

NOTE 3 – DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS

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

3.A. CASH AND INVESTMENTS

Schedule of Deposits and Investments by Type

Type	Fair Value	Maturities in Years				
		On Demand	Less Than One	1-5	6-10	More than 10
Petty cash	\$ 2,000	2,000	-	-	-	-
Demand deposits	12,425,176	12,425,176	-	-	-	-
Trust money market accounts	9,637,887	9,637,887	-	-	-	-
Time deposits	7,260,894	-	7,260,894	-	-	-
Total	\$ 29,325,957	22,065,063	7,260,894	-	-	-
Reconciliation to Statement of Net Assets:						
Cash and cash equivalents	\$ 12,427,176					
Investments	6,663,589					
Current restricted cash and cash equivalents	7,958,417					
Noncurrent restricted cash and cash equivalents	1,679,470					
Restricted investments	597,305					
Total	\$ 29,325,957					

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2013
(continued)

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

3.A. CASH AND INVESTMENTS (continued)

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Deposits in financial institutions, reported as components of cash, cash equivalents and investments, were fully insured by depository insurance or secured with collateral held by the City's agent in its name. Investments in U.S. Agency obligations and trust money market accounts were either 1) insured or registered and held by the Authority or by the PCUA's agent in the PCUA's name or 2) uninsured and unregistered and held by counterparty's trust department or agent in the PCUA's name.

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

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

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

3.B. RESTRICTED ASSETS

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

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2013
(continued)

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

3.B. RESTRICTED ASSETS (continued)

The restricted assets as of June 30, 2013 were as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Investment in Joint Venture</u>	<u>Total</u>
Revenue bond and note trustee accounts	\$ 9,637,887	-	-	9,637,887
Landfill financial assurance	-	-	1,657,685	1,657,685
Deposits held for refund	-	597,305	-	597,305
Totals	<u>\$ 9,637,887</u>	<u>597,305</u>	<u>1,657,685</u>	<u>11,892,877</u>

3.C. CAPITAL ASSETS

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

	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Balance at June 30, 2013</u>
Business-type activities					
Non-depreciable:					
Land	\$ 437,310	31,754	-	-	469,064
Construction-in-progress	24,224	156,744	(24,224)	-	156,744
Total non-depreciable assets at historical cost	<u>461,534</u>	<u>188,498</u>	<u>(24,224)</u>	<u>-</u>	<u>625,808</u>
Depreciable:					
Buildings	38,987,900	-	-	(8,500)	38,979,400
Improvements	98,466,983	2,261,066	239,044	(12,983)	100,954,110
Machinery and equipment	10,101,215	856,912	(17,056)	(235,606)	10,705,465
Total depreciable assets at historical cost	<u>147,556,098</u>	<u>3,117,978</u>	<u>221,988</u>	<u>(257,089)</u>	<u>150,638,975</u>
Less accumulated depreciation:					
Buildings	(23,661,488)	(799,325)	-	8,500	(24,452,313)
Improvements	(49,343,422)	(3,961,480)	-	12,983	(53,291,919)
Machinery and equipment	(7,039,270)	(658,783)	15,494	231,429	(7,451,130)
Total accumulated depreciation	<u>(80,044,180)</u>	<u>(5,419,588)</u>	<u>15,494</u>	<u>252,912</u>	<u>(85,195,362)</u>
Net depreciable assets	<u>67,511,918</u>	<u>(2,301,610)</u>	<u>237,482</u>	<u>(4,177)</u>	<u>65,443,613</u>
Business-type capital assets, net	<u>\$ 67,973,452</u>	<u>(2,113,112)</u>	<u>213,258</u>	<u>(4,177)</u>	<u>66,069,421</u>

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2013
(continued)

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

3.C. CAPITAL ASSETS (continued)

Depreciation expense was charged to the following activities:

Water	\$	1,320,379
Electric		1,817,170
Solid waste		579,262
Wastewater		1,595,055
Administration		107,721
Total	\$	<u><u>5,419,587</u></u>

3.D. INVESTMENT IN JOINT VENTURE

As discussed in Note 1.A., the City (along with *PCUA*) participates (with equity interest) in the general operations portion of the Association of Landfill Financial Assurance (ALFA). Various owners of the publicly operated municipal solid waste landfills each maintain an equity interest in the ALFA. The *PCUA* makes annual capital contributions to the joint venture. For the year ended June 30, 2013, the “Investment in Joint Venture” balance changed as follows:

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

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2013
(continued)

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

3.E. LONG-TERM DEBT

As of June 30, 2013, the long-term debt payable from *PCUA* 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 <i>Ponca City Utility Authority</i> , secured by a pledge of water and light revenues, interest rates ranging from 2.7% to 4.15%, final maturity July 1, 2020.	\$ <u>5,595,000</u>
Total revenue bonds payable	5,595,000
Less: unamortized discount	(30,803)
Less: unamortized charge on refunding	<u>(262,001)</u>
Total revenues bonds payable (net of unamortized discount and charge on refunding)	<u>\$ 5,302,196</u>
Current portion	<u>\$ 5,302,196</u>
Total revenue bonds payable, net	<u><u>\$ 5,302,196</u></u>

Notes Payable:

1997 A Promissory Note to Oklahoma Water Resources Board, dated March 1, 1997, original issue amount of \$1,784,449, secured by a pledge of <i>Ponca City Utility Authority</i> revenues, non-interest bearing, administrative fee of 0.5%, final maturity February 15, 2016.	\$ 281,755
1998 A Promissory Note to Oklahoma Water Resources Board, dated June 1, 1998, original issue amount of \$4,400,000, secured by a pledge and assignment of revenues derived from operations of water, sewer, electric and garbage systems, non-interest bearing, administrative fee of 0.5%, final maturity February 18, 2018.	1,118,798

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2013
(continued)

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

3.E. LONG-TERM DEBT (continued)

<p>1999 A Promissory Note to Oklahoma Water Resources Board, dated December 23, 1999, original issue amount of \$2,370,907, secured by a pledge and assignment of revenues derived from water, sewer, electric and garbage systems, non-interest bearing, administrative fee of 0.5%, final maturity August 15, 2019.</p>	<p>\$ 770,545</p>
<p>Series 2007 Clean Water SRF Promissory Note to Oklahoma Water Resources Board, dated October 9, 2007, original issue amount \$5,565,000, secured by a pledge and assignment of revenues derived from water, sanitary sewer, garbage, and electric systems, interest rate of 2.610% per annum plus an administrative fee of 0.5% per annum, final maturity September 15, 2029.</p>	<p>3,249,730</p>
<p>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.</p>	<p>3,435,000</p>
<p>Series 2009A Clean Water SRF Promissory Note to Oklahoma Water Resources Board, dated October 1, 2009, original issue amount \$575,000, secured by a pledge and assignment of revenues derived from water, sanitary sewer, garbage, and electric systems, interest rate of 2.09% per annum plus an administrative fee of 0.5% per annum, final maturity March 15, 2030.</p>	<p>328,574</p>
<p>Series 2009B Drinking Water SRF Promissory Note to Oklahoma Water Resources Board, dated December 1, 2009, original issue amount \$2,990,000, secured by a pledge and assignment of revenues derived from water, sanitary sewer, garbage, and electric systems, interest rate of 2.56% per annum plus an administrative fee of 0.5% per annum, final maturity September 15, 2030.</p>	<p>1,644,025</p>
<p>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.</p>	<p>12,645,000</p>

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2013
(continued)

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

3.E. LONG-TERM DEBT (continued)

2012A Utility System Revenue Note to Banc of America Public Capital Corp, dated March 1, 2012, original issue amount \$16,090,000, secured by gross revenues of the system, interest rate of 2.7%, final maturity date August 1, 2025.	\$ 15,375,000
Series 2012B Promissory Note to Oklahoma Water Resources Board, dated March 28, 2012, original issue amount \$7,825,000, secured by a pledge and assignment of revenues and receipts, interest rate ranging from 0.65% to 3.4%, final maturity September 15, 2019.	<u>7,335,000</u>
Total notes payable	46,183,427
Less: unamortized charge on refunding	(872,620)
Add: unamortized premium	291,361
	<u>\$ 45,602,168</u>
Current portion payable from restricted assets	\$ 4,772,057
Non-current portion	40,830,111
Total notes payable	<u>\$ 45,602,168</u>

Refundable Grant Obligations:

\$250,000 refundable grant obligation used for a 12-acre landfill expansion project, dated January 1, 1998, payable in semi-annual installments of \$6,250, final payment due June 2018, non-interest bearing.	\$ 56,250
\$500,000 refundable grant obligation used for constructing water, wastewater and electric utility system infrastructure improvements in the industrial park, dated January 1, 1996, payable in semi-annual installments of \$12,500, final payment due January 1, 2016, non-interest bearing.	62,500
\$380,000 refundable grant obligation for water line improvements, dated July 1, 2001, payable in semi-annual installments of \$9,500, final payment due January 1, 2016, non-interest bearing.	<u>152,000</u>
Total refundable grant obligations	<u>\$ 270,750</u>
Current portion	\$ 56,500
Non-current portion	214,250
Total refundable grant obligations	<u>\$ 270,750</u>

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2013
(continued)

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

3.E. LONG-TERM DEBT (continued)

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

Current portion	\$ 24,642
Non-current portion	221,787
Total accrued compensated absences	\$ 246,429

Changes in Long-term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Amount due in one year
Notes payable	\$ 52,058,122	399,776	(6,274,470)	46,183,428	4,772,057
Revenue bonds payable	6,190,000	-	(595,000)	5,595,000	5,302,196
Refundable grant obligations	327,250	-	(56,500)	270,750	56,500
Accrued compensated absences	237,703	8,726	-	246,429	24,642
Total enterprise fund debt	\$ 58,813,075	408,502	(6,925,970)	52,295,607	10,155,395

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2013
(continued)

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

3.E. LONG-TERM DEBT (continued)

Debt Service Requirements to Maturity:

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

3.F. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

A \$3,900,979 accrued liability has been recognized to represent the total estimated amount owed by the *PCUA* for closure and post-closure requirements dictated by the U.S. Environmental Protection Agency and the Oklahoma Department of Environmental Quality regulations. It is estimated that an additional \$4,608,565 will be recognized as closure and post-closure expense between the current balance sheet date and the date the landfill is expected to be filled to capacity. These amounts are based on what it would cost to perform all closure and post-closure care in 2013. However, the actual cost of closure and post-closure may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

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

The percentage of landfill capacity used to date is 48.85%. The estimated remaining life is 44.5 years.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2013
(continued)

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

3.G. INTERFUND BALANCES AND ACTIVITIES

Interfund payables at June 30, 2013 represent amounts due to City funds as follows:

Due to Motor Pool Fund (for vehicle maintenance expenses)	\$ <u>75,519</u>
---	------------------

Interfund transfers for the year ended June 30, 2013 represent amounts transferred from or to City funds as follows:

Transfers to:

Capital Improvement Project - funding for project	\$ 400,000
General Fund to help fund General Fund services and debt	<u>8,696,324</u>
Total transfers to other funds	<u>\$ 9,096,324</u>

Transfers from:

General Fund - for debt service	\$ 80,000
General Fund - operating transfer	112,000
Recreation Center Tax Fund - for debt service	2,187,813
Motor Pool - operating transfer	<u>10,000</u>
Total transfers from other funds	<u>\$ 2,389,813</u>

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 4 – OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

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

A. Plan Description, Contribution Information and Funding Policies

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

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

Year established and governing authority	1961; City Commission
Determination of contribution requirements	City Ordinance: actuarially-determined
Employer	6.50%
Plan members	0.00%
Funding of administrative costs	Investment earnings
Period required to vest	5 years - 50%; additional 10% vesting each year thereafter
Post-retirement benefit increases	None

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 4 – OTHER NOTES (continued)

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

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

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

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

Provisions for:

Disability benefits	Yes
Death benefits	Yes

Plan Membership as of December 31, 2012:

Active members	218
Inactive members	139
Retirees and beneficiaries	<u>142</u>
Total	499

B. Summary of Significant Accounting Policies and Plan Asset Matters

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

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 4 – OTHER NOTES (continued)

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

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

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

Method Used to Value Investments – Values of System assets are reported at fair value which approximates market. As of June 30, 2013, the System held no related-party investments. Individual investments (other than U.S. government and U.S. government guaranteed securities) whose market value exceeds five percent or more of the net position available for benefits were invested in Principal Financial Group – unallocated insurance contracts totaling \$19,526,556.

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

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

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

Other Post-Employment Benefits

In addition to providing pension benefits, the *PCUA* provides post-retirement benefit options for certain health care benefits for retired employees, terminated employees and their dependents that are not eligible for Medicare. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the *PCUA*. However, the *PCUA* incurs no costs for such benefits since all premiums are paid by the retirees. The liability due to the implicit rate subsidy for retirees is \$12,746 for the *PCUA* as of June 30, 2013.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 4 – OTHER NOTES (continued)

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

Schedule of Funding Progress and Schedule of Employer Contributions

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

4.B. RISK MANAGEMENT

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

PCUA manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
a. General Liability: -Torts -Errors and omissions -Police liability -Vehicle	Purchased insurance with Oklahoma Municipal Assurance Group	None
b. Physical Property: -Theft -Damage to assets -Natural disasters	Purchased insurance with \$50,000 deductible	None

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2013
(continued)

NOTE 4 – OTHER NOTES (continued)

4.B. RISK MANAGEMENT (continued)

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

4.C. COMMITMENTS AND CONTINGENCIES

Contingencies

Grant Program Involvement

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

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

Combining Schedule of Net Position

June 30, 2013

<u>ASSETS</u>	<u>Electric</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Wastewater</u>	<u>Stormwater</u>	<u>Bond Accounts</u>	<u>Operating Accounts</u>	<u>Totals</u>
Current assets:								
Cash and cash equivalents	\$ 500	200	300	-	-	-	12,426,176	12,427,176
Investments	-	-	-	-	-	-	6,663,589	6,663,589
Restricted assets:								
Cash and cash equivalents	670,748	6,631,278	-	489,449	-	166,942	-	7,958,417
Investments	-	-	-	-	-	-	597,305	597,305
Receivables:								
Utility billing	5,175,671	921,811	527,561	703,894	42,313	-	(355,519)	7,015,731
Other receivables	17,250	-	-	-	-	-	382	17,632
Intracount balances	9,449,381	2,904,454	3,442,719	1,660,035	950,953	27,139	(18,434,681)	-
Inventory	2,291,057	383,039	-	102,441	-	-	-	2,776,537
Total current assets	<u>17,604,607</u>	<u>10,840,782</u>	<u>3,970,580</u>	<u>2,955,819</u>	<u>993,266</u>	<u>194,081</u>	<u>897,252</u>	<u>37,456,387</u>
Noncurrent Assets:								
Restricted assets:								
Cash and cash equivalents	-	1,040,501	-	638,969	-	-	-	1,679,470
Investment in joint venture	-	-	1,657,685	-	-	-	-	1,657,685
Capital assets:								
Nondepreciable	139,113	17,512	346,000	17,083	-	39,630	66,470	625,808
Depreciable, net of accumulated depreciation	25,806,315	21,120,472	3,550,478	13,990,218	354,054	-	622,076	65,443,613
Total noncurrent assets	<u>25,945,428</u>	<u>22,178,485</u>	<u>5,554,163</u>	<u>14,646,270</u>	<u>354,054</u>	<u>39,630</u>	<u>688,546</u>	<u>69,406,576</u>
Total Assets	<u>\$ 43,550,035</u>	<u>33,019,267</u>	<u>9,524,743</u>	<u>17,602,089</u>	<u>1,347,320</u>	<u>233,711</u>	<u>1,585,798</u>	<u>106,862,963</u>

See accompanying notes to the financial statements

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Combining Schedule of Net Position
June 30, 2013
(continued)

<u>LIABILITIES</u>	Electric	Water	Solid Waste	Wastewater	Stormwater	Bond Accounts	Operating Accounts	Totals
Current liabilities:								
Accounts payable and accrued liabilities	\$ 2,917,792	240,025	113,142	241,234	24,779	17,620	667,399	4,221,991
Accrued interest payable	86,484	243,963	-	23,792	-	69,208	-	423,447
Meter deposit liability	-	-	-	-	-	-	597,305	597,305
Due to other funds	19,378	9,773	33,093	12,585	-	-	690	75,519
Net OPEB obligation	3,687	2,171	3,892	1,715	57	-	1,224	12,746
Current portion:								
Refundable grant obligations	-	19,000	12,500	-	-	-	25,000	56,500
Revenue bonds, net of unamortized discount and charge on refunding	-	5,302,196	-	-	-	-	-	5,302,196
Notes payable	382,500	1,193,270	-	1,453,037	-	1,743,250	-	4,772,057
Accrued compensated absences	6,104	4,835	6,254	4,435	257	-	2,757	24,642
Total current liabilities	<u>3,415,945</u>	<u>7,015,233</u>	<u>168,881</u>	<u>1,736,798</u>	<u>25,093</u>	<u>1,830,078</u>	<u>1,294,375</u>	<u>15,486,403</u>
Noncurrent liabilities:								
Refundable grant obligations	-	133,000	43,750	-	-	-	37,500	214,250
Accrued compensated absences	54,934	43,513	56,281	39,915	2,320	-	24,824	221,787
Landfill closure/post-closure liability	-	-	3,900,979	-	-	-	-	3,900,979
Notes payable	6,868,690	13,421,715	-	6,388,225	-	14,151,481	-	40,830,111
Total noncurrent liabilities	<u>6,923,624</u>	<u>13,598,228</u>	<u>4,001,010</u>	<u>6,428,140</u>	<u>2,320</u>	<u>14,151,481</u>	<u>62,324</u>	<u>45,167,127</u>
Total Liabilities	<u>10,339,569</u>	<u>20,613,461</u>	<u>4,169,891</u>	<u>8,164,938</u>	<u>27,413</u>	<u>15,981,559</u>	<u>1,356,699</u>	<u>60,653,530</u>
<u>NET POSITION</u>								
Net investment in capital assets	18,694,238	1,068,803	3,840,228	6,166,039	354,054	(15,855,101)	626,046	14,894,307
Restricted for:								
Debt service	670,748	7,671,779	-	1,128,418	-	166,942	-	9,637,887
Encumbrances	958,933	336,271	18,321	53,910	17,066	51,025	12,590	1,448,116
Unrestricted	12,886,547	3,328,953	1,496,303	2,088,784	948,787	(110,714)	(409,537)	20,229,123
Total Net Position	<u>\$ 33,210,466</u>	<u>12,405,806</u>	<u>5,354,852</u>	<u>9,437,151</u>	<u>1,319,907</u>	<u>(15,747,848)</u>	<u>229,099</u>	<u>46,209,433</u>

See accompanying notes to the financial statements

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

Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2013

	<u>Electric</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Wastewater</u>	<u>Stormwater</u>	<u>Bond Accounts</u>	<u>Operating Accounts</u>	<u>Totals</u>
Operating Revenues:								
Pledged as security for revenue bonds:								
Utility charges for service	\$ 37,287,490	7,479,718	4,801,346	5,410,496	-	-	-	54,979,050
Unpledged:								
Utility charges for service	-	-	-	-	436,297	-	108,178	544,475
Miscellaneous	-	-	-	-	-	-	3,977	3,977
Total operating revenues	<u>37,287,490</u>	<u>7,479,718</u>	<u>4,801,346</u>	<u>5,410,496</u>	<u>436,297</u>	<u>-</u>	<u>112,155</u>	<u>55,527,502</u>
Operating Expenses:								
Personal services	2,187,032	1,405,446	2,293,489	1,002,611	28,717	-	1,123,132	8,040,427
Materials and supplies	71,230	488,881	40,754	96,000	-	-	153,403	850,268
Maintenance, operations and contractual services	1,470,946	1,493,197	809,865	952,054	61,982	2,500	314,440	5,104,984
Electricity purchased	22,386,435	-	-	-	-	-	-	22,386,435
Depreciation	1,817,170	1,320,379	579,262	1,595,055	-	-	107,721	5,419,587
Amortization	36,359	48,740	-	261,357	-	338,506	-	684,962
Total operating expenses	<u>27,969,172</u>	<u>4,756,643</u>	<u>3,723,370</u>	<u>3,907,077</u>	<u>90,699</u>	<u>341,006</u>	<u>1,698,696</u>	<u>42,486,663</u>
Operating income (loss)	<u>9,318,318</u>	<u>2,723,075</u>	<u>1,077,976</u>	<u>1,503,419</u>	<u>345,598</u>	<u>(341,006)</u>	<u>(1,586,541)</u>	<u>13,040,839</u>
Non-operating Revenues (Expenses):								
Pledged as security for revenue bonds:								
Investment income	48,010	26,807	(71,576)	7,354	-	45	-	10,640
Unpledged revenues:								
Investment income	-	-	-	-	4,669	-	-	4,669
Gain (loss) on disposal of assets	10,679	-	31,499	-	-	-	(4,179)	37,999
Interest and fiscal charges	(223,835)	(654,920)	-	(335,933)	-	(559,339)	-	(1,774,027)
Net non-operating revenues (expenses)	<u>(165,146)</u>	<u>(628,113)</u>	<u>(40,077)</u>	<u>(328,579)</u>	<u>4,669</u>	<u>(559,294)</u>	<u>(4,179)</u>	<u>(1,720,719)</u>
Income (loss) before contributions and transfers	<u>9,153,172</u>	<u>2,094,962</u>	<u>1,037,899</u>	<u>1,174,840</u>	<u>350,267</u>	<u>(900,300)</u>	<u>(1,590,720)</u>	<u>11,320,120</u>

See accompanying notes to the financial statements

PONCA CITY UTILITY AUTHORITY

(A Component Unit of the City of Ponca City)

Combining Schedule of Revenues, Expenses and Changes in Fund Net Position

For the Fiscal Year Ended June 30, 2013

(continued)

	Electric	Water	Solid Waste	Wastewater	Stormwater	Bond Accounts	Operating Accounts	Totals
Transfers from other accounts	\$ -	-	-	-	-	278,250	1,021,845	1,300,095
Transfers to other accounts	(315,845)	(252,000)	(227,000)	(505,250)	-	-	-	(1,300,095)
Capital asset transfers	(76,579)	-	-	290,212	179,650	(853,280)	110,187	(349,810)
Transfers from other funds	-	-	-	-	-	2,267,813	122,000	2,389,813
Transfers to other funds	(6,281,179)	(1,622,175)	(576,793)	(591,866)	(24,311)	-	-	(9,096,324)
Net transfers and capital contributions	<u>(6,673,603)</u>	<u>(1,874,175)</u>	<u>(803,793)</u>	<u>(806,904)</u>	<u>155,339</u>	<u>1,692,783</u>	<u>1,254,032</u>	<u>(7,056,321)</u>
Change in net position	2,479,569	220,787	234,106	367,936	505,606	792,483	(336,688)	4,263,799
Net position, beginning of year	<u>30,730,897</u>	<u>12,185,019</u>	<u>5,120,746</u>	<u>9,069,215</u>	<u>814,301</u>	<u>(16,540,331)</u>	<u>565,787</u>	<u>41,945,634</u>
Net position, end of year	<u>\$ 33,210,466</u>	<u>12,405,806</u>	<u>5,354,852</u>	<u>9,437,151</u>	<u>1,319,907</u>	<u>(15,747,848)</u>	<u>229,099</u>	<u>46,209,433</u>

See accompanying notes to the financial statements

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Schedule of Note Debt Service Coverage
June 30, 2013

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

* Maximum annual debt services is based on 2015 debt service requirements for Oklahoma Water Resources Board Notes Payable Series 1997 A, 1998 A, 1999 A, Series 2007 and 2009 A Clean Water SRF Promissory Note, Series 2009 B Drinking Water SRF Promissory Note and Series 2012 B Promissory Note as well as Utility Revenue Bonds Series 2005, 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.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Schedule of Reserve Account Balances
June 30, 2013

<u>Description</u>	<u>Required Reserves</u>	<u>Reserve Balance June 30, 2013</u>	<u>Excess Balance Over Required Reserves</u>
Notes Payable:			
2008 Bank of America	638,969	638,969	-
2012A Banc of America Public	848,980	848,980	-
2012B OWRB	821,377	821,348	(29)

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Schedule of Utility Rates
June 30, 2013

ELECTRIC RATES	
Residential:	
User fee	\$ 10.20
Summer season (May thru Sept) per KWh	0.091
Winter season (Oct thru April):	
First 600 KWh	0.091
Over 600 KWh	0.061
Rural residential:	
User fee	15.28
Summer season (May thru Sept) per KWh	0.095
Winter season (Oct thru April):	
First 600 KWh	0.095
Over 600 KWh	0.063
Residential with approved 40-gallon electric water heater:	
User fee	10.20
Summer season (May thru Sept):	
First 400 KWh	0.061
Over 400 KWh	0.091
Winter season (Oct thru April):	
First 400 KWh	0.061
Next 600 KWh	0.091
Over 1000 KWh	0.061
Rural residential with approved 40-gallon electric water heater:	
User fee	15.28
Summer season (May thru Sept):	
First 400 KWh	0.063
Over 400 KWh	0.095
Winter season (Oct thru April):	
First 400 KWh	0.063
Next 600 KWh	0.095
Over 1000 KWh	0.063
Commercial:	
City user fee	14.39
City KWh	0.090
Rural user fee	21.59
Rural KWh	0.093
Industrial:	
Medium	
User fee	23.99
KWh	0.049
Summer user fee	14.39
Winter user fee	8.40
Large	
User fee	239.94
KWh	0.049
Summer user fee	11.40
Winter user fee	3.59

WATER RATES		
OCTOBER-APRIL		
Type of service	City	Rural
Residential	\$ 1.54	1.62
Commercial	1.54	1.62
MAY-SEPTEMBER		
Type of service	City	Rural
Residential:		
0-10 units	\$ 1.62	1.69
11-20 units	1.69	1.76
21-50 units	1.76	1.88
51-100 units	1.88	1.96
>100 units	1.96	2.12
Commercial	1.54	1.62
CUSTOMER BASE USER FEE		
City residential customer	\$	9.05/mo
Rural residential customer		13.60/mo
City commercial customer		26.80/mo
Rural commercial customer		40.2/mo

GARBAGE/REFUSE	
Residential	\$ 17.11
Senior citizen	16.44
Commercial standard	28.94

SEWER/WASTEWATER		
	User Fee	Unit Fee
Residential	\$ 13.79	2.44
Senior citizen	13.10	2.44
Commercial	20.68	3.66
Non-residential	20.68	3.66
Sewer rates are calculated on the average water usage during the months of December, January and February. This average is set in July and remains unchanged until the following July.		

STORM WATER FEE	
Each individually billed single family resident	\$ 2.00/mo
All other developed real estate tracts not covered by above	5.00/mo