

PONCA CITY UTILITY AUTHORITY
Annual Financial Statements and
Accompanying Independent Auditor's Report
For the Fiscal Year Ended June 30, 2015

CITY OF PONCA CITY, OKLAHOMA

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the *Ponca City Utility Authority (PCUA)*, a component unit of the City of Ponca City, Oklahoma, as of and for the year ended June 30, 2015, 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

As discussed in Note 1, the financial statements present only the *Ponca City Utility Authority*, a component unit of the City of Ponca City, and do not purport to, and do not, present fairly the financial position of the City of Ponca City, Oklahoma as of June 30, 2015, and the changes in its financial position and cash flows in conformity with accounting principles generally accepted in the United States of America

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the *Ponca City Utility Authority*, Kay County, Ponca City, Oklahoma, as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Stotts, Archambo, Mueggenborg & Barclay, PC

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

January 20, 2016

PONCA CITY UTILITY AUTHORITY

Management Discussion and Analysis

June 30, 2015

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, 2015.

FINANCIAL HIGHLIGHTS

Net Position: The Authority's net position increased by \$10.664 million, or 21.3 %.

Unrestricted Net Position: Unrestricted net position of the Authority increased by \$3.218 million, or 17.3 %.

Revenues: The Authority's operating revenues increased by \$0.639 million, or 1.1 %.

Expenses: The Authority's operating expenses decreased by \$0.592 million, or -1.4 % from the previous year.

USING THIS ANNUAL REPORT

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

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position include all assets and liabilities of the Authority using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenditures 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, 2015

(continued)

FINANCIAL ANALYSIS

Net Position

The Authority's net position increased by \$ 10.664 million, or 21.3 %. A comparative overview of the major components of the Statement of Net Position is shown below.

	Net Position (in thousands)		
	<u>2015</u>	<u>2014</u>	<u>Percentage Change</u>
Total current assets	\$ 33,797	32,040	5.5%
Total noncurrent assets	<u>74,777</u>	<u>72,275</u>	3.5%
Total assets	<u>108,574</u>	<u>104,315</u>	4.1%
Deferred outflows of resources	<u>335</u>	<u>243</u>	37.9%
Total current liabilities	10,923	12,776	-14.5%
Total noncurrent liabilities	<u>37,126</u>	<u>41,614</u>	-10.8%
Total liabilities	<u>48,049</u>	<u>54,390</u>	-11.7%
Deferred inflows of resources	<u>28</u>	<u>-</u>	100.0%
Net position:			
Invested in capital assets, net of related debt	32,280	24,998	29.1%
Restricted for utility deposits	636	597	6.5%
Restricted for debt service	4,822	4,790	0.7%
Encumbrances	1,292	1,198	7.8%
Unrestricted	<u>21,803</u>	<u>18,585</u>	17.3%
Total net position	\$ <u>60,832</u>	<u>50,168</u>	21.3%

PONCA CITY UTILITY AUTHORITY

Management Discussion and Analysis

June 30, 2015

(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>2015</u>	<u>2014</u>	<u>Percentage Change</u>
Operating revenues	\$ 56,611	55,972	1.1%
Operating expenses	<u>42,482</u>	<u>43,074</u>	-1.4%
Operating income	<u>14,129</u>	<u>12,898</u>	9.5%
Non-operating income (expenses)	<u>593</u>	<u>(1,468)</u>	-140.4%
Net income before contributions and transfers	14,722	11,430	28.8%
Capital contributions	3,916	527	643.1%
Net transfers	<u>(7,431)</u>	<u>(7,198)</u>	-3.2%
Increase in net position	\$ <u><u>11,206</u></u>	<u><u>4,759</u></u>	135.5%

PONCA CITY UTILITY AUTHORITY

Management Discussion and Analysis

June 30, 2015

(continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

This year's major additions to the PCUA capital plant included the beginning of a project to replace the backwash tower at the water treatment plant, purchase of three new solid waste packer trucks, a continued build-out of the fiber backbone, as well as many electrical distribution system upgrades.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets, Net of Depreciation (in thousands)

	<u>2015</u>	<u>2014</u>
Land	\$ 591	591
Construction in progress	769	1,923
Buildings	13,200	13,981
Improvements	51,219	47,387
Machinery and equipment	<u>4,844</u>	<u>4,340</u>
Totals	<u>\$ 70,623</u>	<u>68,222</u>

Debt

At June 30, 2015, the Authority had \$ 38.3 million in bonds, notes and refundable grant obligations outstanding versus \$ 54.2 million last year. The outstanding debt dropped significantly due to timing issues on a re-financing and better represents actual debt of the PCUA.

Outstanding Debt, at fiscal year end (in thousands)

	<u>2015</u>	<u>2014</u>
Notes payable	\$ 12,711	13,347
Revenue bonds payable	25,475	40,600
Refundable grant obligations	<u>158</u>	<u>214</u>
Totals	<u>\$ 38,344</u>	<u>54,161</u>

PONCA CITY UTILITY AUTHORITY

Management Discussion and Analysis

June 30, 2015

(continued)

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES AND RATES

The Fiscal 2015-16 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 2015-16 include completion of the Filter Backwash Tower at the Water Plant, Water Storage Tank repairs in the Industrial Park, \$1.3M in electrical distribution improvements, and three new solid Waste packer trucks.

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 2015-16.

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 74601, 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, 2015

ASSETS

Current assets:	
Cash and cash equivalents	\$ 11,890,896
Investments	9,124,542
Restricted assets:	
Cash and cash equivalents	2,512,606
Investments	636,068
Receivables:	
Utility billing receivables	6,776,588
Other receivables	43,096
Inventory	<u>2,813,576</u>
Total current assets	<u>33,797,372</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	2,309,297
Investment in joint venture	1,843,547
Capital assets:	
Nondepreciable	1,360,604
Depreciable, net of accumulated depreciation	<u>69,263,331</u>
Total noncurrent assets	<u>74,776,779</u>
Total assets	<u>108,574,151</u>
Deferred outflows of resources:	
Deferred amounts related to pensions	<u>335,268</u>

See accompanying notes to the financial statements

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Statement of Net Position
June 30, 2015
(continued)

LIABILITIES

Current liabilities:	
Accounts payable and accrued liabilities	\$ 3,856,332
Accrued interest payable	322,669
Retainage payable	58,460
Meter deposit liability	636,068
Due to other funds	71,399
Advanced revenues	60,218
Current portion:	
Notes payable	1,768,747
Revenue bonds payable	4,080,000
Refundable grant obligations	44,000
Accrued compensated absences	24,864
Total current liabilities	10,922,757
Noncurrent liabilities:	
Notes payable, net of unamortized premium	10,942,223
Revenue bonds payable	21,395,000
Refundable grant obligations	113,750
Accrued compensated absences	223,766
Net pension liability	1,829,869
Net OPEB obligation	16,938
Landfill closure/post-closure liability	2,604,519
Total noncurrent liabilities	37,126,065
Total liabilities	48,048,822
Deferred inflows of resources	27,807
Deferred amounts related to pensions	27,807

NET POSITION

Net investment in capital assets	32,280,215
Restricted for debt service	4,821,903
Restricted for utility deposits	636,068
Restricted for encumbrances	1,291,983
Unrestricted	21,802,621
Total net position	\$ 60,832,790

See accompanying notes to the financial statements

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2015

Operating Revenues:

Pledged as security for revenue bonds:

Charges for services:

Electric	\$ 37,810,718
Water	7,652,523
Solid waste	4,720,098
Wastewater	5,879,587

Unpledged:

Stormwater charges for service	435,837
Other charges for service	109,720
Miscellaneous	2,553

Total operating revenues	56,611,036
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Operating Expenses:

Electric	28,822,972
Water	4,597,694
Solid waste	3,733,535
Wastewater	3,686,378
Stormwater	138,114
Administrative	1,503,318
Total operating expenses	42,482,011

Operating income	14,129,025
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Non-Operating Revenues (Expenses):

Pledged as security for revenue bonds:

Investment income	1,686,926
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Unpledged revenues:

Investment income	13,418
Gain (loss) on asset disposals	61,391
Interest and fiscal charges	(1,169,175)

Net non-operating revenues (expenses)	592,560
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Income before contributions and transfers	14,721,585
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Capital asset transfers	3,915,588
Transfers from other funds	2,347,753
Transfers to other funds	(9,778,587)

Net transfers and capital contributions	(3,515,246)
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Change in net position	11,206,339
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Net position, beginning of year, unadjusted	50,168,092
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Prior period adjustment	(541,641)
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Net position, beginning of year, adjusted	49,626,451
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Net position, end of year	\$ 60,832,790
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See accompanying notes to the financial statements

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 57,305,732
Payments to suppliers	(31,011,045)
Payments to employees	(7,750,401)
Receipts of customer meter deposits	37,465
Refunds of customer meter deposits	(39,345)
Net cash provided by operating activities	18,542,406

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Transfers from other funds	2,347,753
Transfers to other funds	(9,778,587)
Net cash used in noncapital financing activities	(7,430,834)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Proceeds from sale of capital assets	61,391
Purchases of capital assets	(4,309,645)
Principal paid on capital debt	(5,767,534)
Proceeds from capital debt	935,866
Interest paid on capital debt	(940,404)
Net cash used in capital and related financing activities	(10,020,326)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(837,912)
Interest and dividends	1,700,344
Net cash used in investing activities	862,432

Net increase in cash and cash equivalents 1,953,678

Balances, beginning of year 14,759,121

Balances, end of year \$ 16,712,799

Reconciliation to Statement of Net Position:

Cash and cash equivalents	\$ 11,890,896
Current restricted cash and cash equivalents	2,512,606
Noncurrent restricted cash and cash equivalents	2,309,297
Total cash and cash equivalents, end of year	\$ 16,712,799

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, 2015
(continued)

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

Operating income	\$	14,129,025
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		5,779,860
Change in assets and liabilities:		
(Increase) decrease in receivables, net		692,816
(Increase) decrease in inventories		(62,457)
(Increase) decrease in deferred outflows		(92,290)
Increase (decrease) in accounts and other payables		(949,705)
Increase (decrease) in customer meter deposits payable		38,775
Increase (decrease) in due to other funds		11,602
Increase (decrease) in net pension obligation		321,432
Increase (decrease) in OPEB obligation		4,192
Increase (decrease) in landfill closure/postclosure liability		(1,353,960)
Increase (decrease) in deferred inflows		27,807
Increase (decrease) in accrued compensated absences		(4,691)
Net cash provided by operating activities	\$	<u>18,542,406</u>

Non-cash Activities:

Capital assets transferred to other funds	\$	3,915,588
Change in investments in joint venture		99,309
Net non-cash activities	\$	<u>4,014,897</u>

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The *Ponca City Utility Authority (PCUA)*, a component unit of the City of Ponca City, Oklahoma, prepares the accompanying financial statements on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and Generally Accepted Governmental Accounting Principles promulgated by the Governmental Accounting Standards Board (GASB). The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. FINANCIAL REPORTING ENTITY

The *Ponca City Utility Authority (PCUA)* is a public trust created March 23, 1970, to finance, develop and operate the water, wastewater, solid waste, electric and stormwater utility systems for the City of Ponca City, Oklahoma. The current City Commission serves as the *PCUA* governing body. Any issuances of debt would require a two-thirds approval of the City Commission.

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

Joint Venture

The City of Ponca City (along with *PCUA*) is a participant with other local Oklahoma governments in the Association for Landfill Financial Assurance (ALFA) to fund landfill closure and post-closure care costs (see Note 3.F.). ALFA is a not-for-profit Oklahoma corporation authorized by state law and approved by the Oklahoma Department of Environmental Quality as a financial assurance mechanism for landfill closure and post-closure care costs on behalf of each ALFA participant. ALFA's board of directors consists of one representative from each government. Financial statements for the Association for Landfill Financial Assurance for the year ended June 30, 2015 may be obtained from its administrative offices at 100 E Street SW, Suite 200, Ardmore, OK 73401.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2015
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.B. BASIS OF ACCOUNTING AND PRESENTATION

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

1.C. BUDGETARY ACCOUNTING AND CONTROL

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

1.D. ASSETS, LIABILITIES AND NET POSITION

Cash and Cash Equivalents

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

Investments

Investments in marketable securities are carried at fair value.

Arbitrage Rebate

The proceeds from the *Authority*'s tax exempt bond issues are subject to arbitrage rebate laws under the Internal Revenue Code. This arbitrage rebate limits the earnings on investment of tax exempt proceeds in non-purpose investments. The *Authority* had no arbitrage rebate liability at June 30, 2015.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2015
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets

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

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

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

Restricted Assets

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

Compensated Absences

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

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

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2015
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Outflows of Resources

Deferred outflows are the consumption of net position by the *Authority* that are applicable to a future reporting period. The *Authority* has one item that meets this criterion related to pensions. See Note 4.A.

Deferred Inflows of Resources

Deferred inflows are the acquisition of net position by the *Authority* that are applicable to a future reporting period. At June 30, 2015, the *Authority* has one item that meets this criterion related to pensions. See Note 4.A.

Income Taxes

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

Use of Estimates

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

Net Position

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

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2015
(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, 2015. It is the *PCUA*'s policy to write off uncollectible accounts throughout the year. Therefore, management feels that all receivables at June 30, 2015 are fully collectable. The following schedule shows the detail of accounts receivable balances:

	Utility Billing Receivable	Other Accounts Receivable	Total
Electric	\$ 4,957,019	18,656	4,975,675
Water	912,112	-	912,112
Soild waste	509,532	-	509,532
Wastewater	664,556	-	664,556
Stormwater	49,998	-	49,998
Unapplied credits	(316,629)	-	(316,629)
Other	-	24,440	24,440
Totals	\$ 6,776,588	43,096	6,819,684

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, 2015.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2015
(continued)

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

DEBT RESTRICTIONS AND COVENANTS (continued)

Revenue Bond Debt

The bond indentures relating to the revenue bond issues of the *PCUA* contain a number of financial restrictions or covenants. These include covenants requiring a flow of funds through special accounts, required reserve account balances and revenue bond debt service coverage requirements. The *PCUA* complied with the requirements of the bond indentures in all material respects for the fiscal year ended June 30, 2015.

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	13,980,715	13,980,715	-	-	-	-
Trust money market accounts	4,821,903	4,821,903	-	-	-	-
Time deposits	3,750,000	-	3,750,000	-	-	-
Agencies of the U.S. Govt. FMNA/FHLMC/FHLB1	3,918,791	-	-	-	-	3,918,791
Total	\$ 26,473,409	18,804,618	3,750,000	-	-	3,918,791
Reconciliation to Statement of Net Assets:						
Cash and cash equivalents	\$ 11,890,896					
Investments	9,124,542					
Current restricted cash and cash equivalents	2,512,606					
Noncurrent restricted cash and cash equivalents	2,309,297					
Restricted investments	636,068					
Total	\$ 26,473,409					

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2015
(continued)

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

3.A. CASH AND INVESTMENTS (continued)

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

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

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

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

3.B. RESTRICTED ASSETS

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

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2015
(continued)

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

3.B. RESTRICTED ASSETS (continued)

The restricted assets as of June 30, 2015 were as follows:

	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Investments</u>	<u>Investment in</u> <u>Joint Venture</u>	<u>Total</u>
Revenue bond and note trustee accounts	\$ 4,821,903	-	-	4,821,903
Landfill financial assurance	-	-	1,843,547	1,843,547
Deposits held for refund	-	636,068	-	636,068
Totals	<u>\$ 4,821,903</u>	<u>636,068</u>	<u>1,843,547</u>	<u>7,301,518</u>

3.C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 were as follows:

	<u>Balance at</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Balance at</u> <u>June 30, 2015</u>
Business-type activities					
Non-depreciable:					
Land	\$ 591,493	-	-	-	591,493
Construction-in-progress	1,923,276	654,972	(1,809,137)	-	769,111
Total non-depreciable assets at historical cost	<u>2,514,769</u>	<u>654,972</u>	<u>(1,809,137)</u>	<u>-</u>	<u>1,360,604</u>
Depreciable:					
Buildings	39,235,546	-	-	-	39,235,546
Improvements	104,514,149	2,334,041	5,690,947	(19,082)	112,520,055
Machinery and equipment	11,700,928	1,320,632	33,778	(555,284)	12,500,054
Total depreciable assets at historical cost	<u>155,450,623</u>	<u>3,654,673</u>	<u>5,724,725</u>	<u>(574,366)</u>	<u>164,255,655</u>
Less accumulated depreciation:					
Buildings	(25,254,622)	(780,863)	-	-	(26,035,485)
Improvements	(57,127,647)	(4,192,096)	-	19,083	(61,300,660)
Machinery and equipment	(7,361,180)	(806,901)	-	511,902	(7,656,179)
Total accumulated depreciation	<u>(89,743,449)</u>	<u>(5,779,860)</u>	<u>-</u>	<u>530,985</u>	<u>(94,992,324)</u>
Net depreciable assets	<u>65,707,174</u>	<u>(2,125,187)</u>	<u>5,724,725</u>	<u>(43,381)</u>	<u>69,263,331</u>
Business-type capital assets, net	<u>\$ 68,221,943</u>	<u>(1,470,215)</u>	<u>3,915,588</u>	<u>(43,381)</u>	<u>70,623,935</u>

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2015
(continued)

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

3.C. CAPITAL ASSETS (continued)

Depreciation expense was charged to the following activities:

Water	\$	1,387,492
Electric		1,788,756
Solid waste		660,536
Wastewater		1,698,246
Stormwater		10,771
Administration		234,059
Total	\$	5,779,860

3.D. INVESTMENT IN JOINT VENTURE

As discussed in Note 1.A., in accordance with the terms of the joint venture agreement with ALFA, *PCUA* is obligated to pay a share of ALFA’s operating budget each year in the form of participation fees. Through June 30, 2015, *PCUA* paid \$22,328 in such fees, which were reported in Professional Service Fees.

The joint venture agreement also requires that *PCUA* establish a “Funding Program” through ALFA to accumulate the estimated costs of closing and providing thirty years of maintenance and monitoring of its landfill by the time the landfill ceases operations. The amounts required for the Funding Program are determined by formula. Each ALFA member deposits funds annually into a common escrow account managed by ALFA. *PCUA*’s funding for 2014-2015 was \$1,000. In that regard, *PCUA*’s proportionate share of the net investment earnings in the escrow account, which includes unrealized gains and losses on investments, amounts to \$99,309 which is reported as “Income (Loss) from Joint Venture”.

The sum of the deposits made and *PCUA*’s share of the net income or loss on the escrow account represents the equity interest in this joint venture. At June 30, 2015, *PCUA*’s equity interest totaled \$1,843,547 which is reported as “Investment in ALFA” on the statement of net position.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2015
(continued)

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

3.D. INVESTMENT IN JOINT VENTURE (continued)

For the year ended June 30, 2015, the “Investment in Joint Venture” balance changed as follows:

Beginning investment in joint venture	\$	1,743,238
Current year contributions		1,000
Net gain in escrow fund		99,309
Ending investment in joint venture	\$	<u>1,843,547</u>

3.E. LONG-TERM DEBT

As of June 30, 2015, the long-term debt payable from *PCUA* resources consisted of the following:

Revenue Bonds Payable:

Sales Tax Revenue Note, Series 2013 to Specialized Lending, LLC, dated November 20, 2013, original issue amount of \$12,510,000, secured by a pledge of sales tax revenue and all funds and accounts established by the note agreement, interest rate of 1.86%, final maturity February 1, 2019.	\$	9,795,000
2012A Utility System Revenue Note to Banc of America Public Capital Corp, dated March 1, 2012, original issue amount \$16,090,000, secured by gross revenues of the system, interest rate of 2.7%, final maturity date August 1, 2025.		13,785,000
Utility System Revenue Note, Series 2008 to Bank of America, N.A., dated June 30, 2008, original issue amount of \$6,750,000, secured by a pledge of gross revenues of the system and the funds and accounts established by the note agreement, interest rate of 3.9%, final maturity December 1, 2016.		<u>1,895,000</u>
Total revenue bonds payable	\$	<u>25,475,000</u>
Current portion payable from restricted assets	\$	4,080,000
Non-current portion		<u>21,395,000</u>
Total revenue bonds payable, net	\$	<u>25,475,000</u>

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2015
(continued)

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

3.E. LONG-TERM DEBT (continued)

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.	\$ 93,918
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.	671,279
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.	533,454
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.	4,063,310
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.	297,037
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.	1,497,732

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2015
(continued)

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

3.E. LONG-TERM DEBT (continued)

Notes Payable: (continued)

Series 2012B Promissory Note to Oklahoma Water Resources Board, dated March 28, 2012, original issue amount \$7,825,000, secured by a pledge and assignment of revenues and receipts, interest rate ranging from 0.65% to 3.4%, final maturity September 15, 2019.	\$ <u>5,360,000</u>
Total notes payable	12,516,730
Add: unamortized premium	194,240
	\$ <u><u>12,710,970</u></u>
Current portion payable from restricted assets	\$ 1,768,747
Non-current portion	10,942,223
Total notes payable	\$ <u><u>12,710,970</u></u>

Refundable Grant Obligations:

\$250,000 refundable grant obligation used for a 12-acre landfill expansion project, dated January 1, 1998, payable in semi-annual installments of \$6,250, final payment due June 2018, non-interest bearing.	\$ 31,250
\$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.	12,500
\$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>114,000</u>
Total refundable grant obligations	\$ <u><u>157,750</u></u>
Current portion	\$ 44,000
Non-current portion	113,750
Total refundable grant obligations	\$ <u><u>157,750</u></u>

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2015
(continued)

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

3.E. LONG-TERM DEBT (continued)

Accrued Compensated Absences:

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

Current portion	\$ 24,864
Non-current portion	223,766
Total accrued compensated absences	<u>\$ 248,630</u>

Changes in Long-term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Amount due</u> <u>in one year</u>
Notes payable	\$ 13,346,899	935,866	(1,766,035)	12,516,730	1,768,747
Revenue bonds payable	40,600,000	-	(15,125,000)	25,475,000	4,080,000
Refundable grant obligations	214,250	-	(56,500)	157,750	44,000
Accrued compensated absences	253,321	-	(4,691)	248,630	24,864
Total enterprise fund debt	<u>\$ 54,414,470</u>	<u>935,866</u>	<u>(16,952,226)</u>	<u>38,398,110</u>	<u>5,917,611</u>

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2015
(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
2016	\$ 1,768,747	300,582	4,080,000	603,430	44,000
2017	1,710,279	267,172	4,460,000	489,660	31,500
2018	1,745,569	227,970	3,495,000	397,005	25,250
2019	1,567,428	182,278	3,610,000	322,751	19,000
2020	1,558,734	135,340	1,160,000	257,648	19,000
2021-2025	1,975,527	430,593	7,120,000	762,547	19,000
2026-2030	2,130,147	154,027	1,550,000	20,925	-
2031	60,299	789	-	-	-
Total	\$ <u>12,516,730</u>	<u>1,698,751</u>	<u>25,475,000</u>	<u>2,853,966</u>	<u>157,750</u>

3.F. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Oklahoma laws and regulations require *PCUA* to perform certain closure activities for its landfill and to provide certain maintenance and monitoring functions at the site for thirty years after it ceases operations. Although closure and post-closure care costs will be paid only near or after the date the facility stops accepting waste, *PCUA* reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,604,519 reported as “Landfill Closures/Post -Closure Cost” at June 30, 2015, represents the cumulative amount to date based on the use of 50.92% of the estimated capacity of the landfill. *PCUA* will recognize the remaining estimated cost of closure and post-closure care of \$2,510,404 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care at the site in 2015.

However, *PCUA* expects its landfill to remain in operation for another 25 years with closure scheduled for the year 2040. Therefore, actual cost may be higher due to inflation, changes in technology, or changes in laws and regulations.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2015
(continued)

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

3.F. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY (continued)

PCUA is also required by Federal and State regulations to provide evidence of financial assurance that funds are available to properly close the facility and to perform post-closure care for thirty years after the facility has stopped accepting waste. *PCUA* is in compliance with this requirement and, as evidence of the financial assurance obligation, *PCUA* is a member of and has entered into a participation agreement with the Association for Landfill Financial Assurance (ALFA), an Oklahoma not-for-profit corporation.

ALFA is a joint venture of local government owners and operators of landfills, including *PCUA* and is authorized by Oklahoma statute to serve as an approved financial assurance mechanism for its members (see Note 3.D.)

PCUA periodically deposits a portion of the revenues derived from the operation of its landfill to a common escrow account managed by AFLA in amounts calculated to aggregate the estimated total cost of closure and post-closure care over the remaining operating life of the facility and through the post-closure period such amounts are determined in accordance with the terms of the joint venture agreement between *PCUA* and ALFA. *PCUA* expects that future inflation costs will be paid from investment earnings on these restricted assets.

However, if investment earnings are inadequate or if additional closure and post-closure care expenditures are deemed necessary due, for example, to changes in technology or applicable laws or regulations, then these costs may need to be covered by charges to future landfill users or from future borrowing.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2015
(continued)

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

3.G. INTERFUND BALANCES AND ACTIVITIES

Interfund payables at June 30, 2015 represent amounts due to City funds as follows:

Due to Motor Pool Fund (for vehicle maintenance expenses)	\$ <u>71,399</u>
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Interfund transfers for the year ended June 30, 2015 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>9,378,587</u>
Total transfers to other funds	\$ <u>9,778,587</u>

Transfers from:

General Fund - for debt service	\$ 85,000
General Fund - operating transfer	195,000
Recreation Center Tax Fund - for debt service	2,057,753
Motor Pool - operating transfer	<u>10,000</u>
Total transfers from other funds	\$ <u>2,347,753</u>

3.H. PRIOR PERIOD ADJUSTMENT

GASB Statement No. 68 that became effective for financial statements for periods beginning after June 15, 2014 required an accounting change to conform to the provisions of this statement. In 2015 the actuary did a comprehensive review of the economic and demographic assumptions used in the valuation. A prior period adjustment of net pension liability costs of \$541,641 associated with this change has been reported as a restatement of beginning net position.

PONCA CITY UTILITY AUTHORITY
 (A Component Unit of the City of Ponca City)
 Notes to Basic Financial Statements
 June 30, 2015
 (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	7.00%
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, 2015
(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 June 30, 2015:

Active members	205
Inactive members	129
Disabled plan members entitled to benefits	10
Retirees and beneficiaries	<u>162</u>
Total	<u>506</u>

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

Investments are valued as of the measurement date. Investments in separate accounts held at The Principal Financial Group are commingled pools, rather than individual securities and are valued at fair market value. Investments in the General Investment Account at The Principal Financial Group are valued at contract value, per GASB Statement 31 paragraph 8. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to pay benefit or administrative expenses.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense for the City of Ponca City, the information about the fiduciary net position of the City of Ponca City Retirement Plan and additions to/deductions from the City of Ponca City Retirement Plan's fiduciary net position have been determined on the same basis.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2015
(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)

There have been no changes in plan provisions during the measurement period. There have been no changes in plan provisions between the 12/31/14 measurement date and the end of the 6/30/15 reporting period. As of June 30, 2015, the System held no related-party investments. Individual investments (other than U.S. government and U.S. government guaranteed securities) whose market value exceeds five percent or more of the net position available for benefits were invested in Principal Financial Group – unallocated insurance contracts totaling \$22,610,415.

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

Per GASB 68, a measurement date of December 31, 2014 has been used for the fiscal year ending June 30, 2015. 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 \$16,938 for the *PCUA* as of June 30, 2015.

PONCA CITY UTILITY AUTHORITY
 (A Component Unit of the City of Ponca City)
 Notes to Basic Financial Statements
 June 30, 2015
 (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; employees’ 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, 2015
 (continued)

NOTE 4 – OTHER NOTES (continued)

4.B. RISK MANAGEMENT (continued)

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

4.C. COMMITMENTS AND CONTINGENCIES

Contingencies

Grant Program Involvement

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

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Notes to Basic Financial Statements
June 30, 2015
(continued)

NOTE 4 – OTHER NOTES (continued)

4.D. SUBSEQUENT EVENTS

Management has evaluated and disclosed subsequent events up to and including January 20, 2016, which is the date the financial statements were available for issuance.

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Combining Schedule of Net Position
June 30, 2015

<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	-	-	-	11,889,896	11,890,896
Investments	-	-	-	-	-	-	9,124,542	9,124,542
Restricted assets:								
Cash and cash equivalents	262,477	895,166	-	287,213	-	1,067,750	-	2,512,606
Investments	-	-	-	-	-	-	636,068	636,068
Receivables:								
Utility billing	4,957,019	912,112	509,532	664,556	49,998	-	(316,629)	6,776,588
Other receivables	18,656	-	-	-	-	-	24,440	43,096
Intracount balances	11,629,102	2,701,877	3,346,959	2,030,861	1,213,954	(633,683)	(20,289,070)	-
Inventory	2,145,733	547,084	-	120,759	-	-	-	2,813,576
Total current assets	<u>19,013,487</u>	<u>5,056,439</u>	<u>3,856,791</u>	<u>3,103,389</u>	<u>1,263,952</u>	<u>434,067</u>	<u>1,069,247</u>	<u>33,797,372</u>
Noncurrent assets:								
Restricted assets:								
Cash and cash equivalents	424,490	1,040,501	-	844,306	-	-	-	2,309,297
Investment in joint venture	-	-	1,843,547	-	-	-	-	1,843,547
Capital assets:								
Nondepreciable	88,469	712,223	346,000	25,083	188,829	-	-	1,360,604
Depreciable, net of accumulated depreciation	<u>27,003,851</u>	<u>23,304,013</u>	<u>4,121,761</u>	<u>13,408,754</u>	<u>360,247</u>	<u>-</u>	<u>1,064,705</u>	<u>69,263,331</u>
Total noncurrent assets	<u>27,516,810</u>	<u>25,056,737</u>	<u>6,311,308</u>	<u>14,278,143</u>	<u>549,076</u>	<u>-</u>	<u>1,064,705</u>	<u>74,776,779</u>
Total assets	<u>46,530,297</u>	<u>30,113,176</u>	<u>10,168,099</u>	<u>17,381,532</u>	<u>1,813,028</u>	<u>434,067</u>	<u>2,133,952</u>	<u>108,574,151</u>
Deferred outflows of resources:								
Deferred amounts related to pensions	<u>105,199</u>	<u>59,497</u>	<u>88,929</u>	<u>45,329</u>	<u>1,408</u>	<u>-</u>	<u>34,906</u>	<u>335,268</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, 2015

(continued)

LIABILITIES	Electric	Water	Solid Waste	Wastewater	Stormwater	Bond Accounts	Operating Accounts	Totals
Current liabilities:								
Accounts payable and accrued liabilities	\$ 2,904,212	271,948	315,256	262,555	4,681	-	97,680	3,856,332
Accrued interest payable	77,602	119,672	-	49,484	-	75,911	-	322,669
Retainage payable	-	58,460	-	-	-	-	-	58,460
Meter deposit liability	-	-	-	-	-	-	636,068	636,068
Due to other funds	7,268	13,907	45,938	3,894	-	-	392	71,399
Advanced revenues	60,218	-	-	-	-	-	-	60,218
Current portion:								
Refundable grant obligations	-	19,000	12,500	-	-	-	12,500	44,000
Accrued compensated absences	6,766	4,608	5,520	4,759	303	-	2,908	24,864
Revenue bonds payable	442,500	442,500	-	815,000	-	2,380,000	-	4,080,000
Notes payable	-	837,720	-	931,027	-	-	-	1,768,747
Total current liabilities	<u>3,498,566</u>	<u>1,767,815</u>	<u>379,214</u>	<u>2,066,719</u>	<u>4,984</u>	<u>2,455,911</u>	<u>749,548</u>	<u>10,922,757</u>
Noncurrent liabilities:								
Net pension liability	574,170	324,731	485,369	247,403	7,682	-	190,514	1,829,869
Net OPEB obligation	5,315	3,006	4,493	2,290	71	-	1,763	16,938
Landfill closure/post-closure liability	-	-	2,604,519	-	-	-	-	2,604,519
Refundable grant obligations	-	95,000	18,750	-	-	-	-	113,750
Accrued compensated absences	60,887	41,471	49,678	42,830	2,732	-	26,168	223,766
Revenue bonds payable	6,450,000	6,450,000	-	1,080,000	-	7,415,000	-	21,395,000
Notes payable, net of unamortized premium	-	4,825,692	-	6,116,531	-	-	-	10,942,223
Total noncurrent liabilities	<u>7,090,372</u>	<u>11,739,900</u>	<u>3,162,809</u>	<u>7,489,054</u>	<u>10,485</u>	<u>7,415,000</u>	<u>218,445</u>	<u>37,126,065</u>
Total Liabilities	<u>10,588,938</u>	<u>13,507,715</u>	<u>3,542,023</u>	<u>9,555,773</u>	<u>15,469</u>	<u>9,870,911</u>	<u>967,993</u>	<u>48,048,822</u>
Deferred inflows of resources:								
Deferred amounts related to pensions	8,725	4,935	7,376	3,759	117	-	2,895	27,807
NET POSITION								
Net investment in capital assets	20,199,820	11,346,324	4,436,511	4,491,279	549,076	(9,795,000)	1,052,205	32,280,215
Restricted for:								
Debt service	686,967	1,935,667	-	1,131,519	-	1,067,750	-	4,821,903
Encumbrances	838,601	402,081	20,185	31,063	53	-	-	1,291,983
Unrestricted	14,312,445	2,975,951	2,250,933	2,213,468	1,249,721	(709,594)	145,765	22,438,689
Total net position	<u>\$ 36,037,833</u>	<u>16,660,023</u>	<u>6,707,629</u>	<u>7,867,329</u>	<u>1,798,850</u>	<u>(9,436,844)</u>	<u>1,197,970</u>	<u>60,832,790</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, 2015

	<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	\$ 37,810,718	7,652,523	4,720,098	5,879,587	-	-	-	56,062,926
Unpledged:								
Utility charges for service	-	-	-	-	435,837	-	109,720	545,557
Miscellaneous	-	-	-	536	-	-	2,017	2,553
Total operating revenues	<u>37,810,718</u>	<u>7,652,523</u>	<u>4,720,098</u>	<u>5,880,123</u>	<u>435,837</u>	<u>-</u>	<u>111,737</u>	<u>56,611,036</u>
Operating Expenses:								
Personal services	2,383,305	1,420,892	2,315,977	1,074,014	30,905	-	781,758	8,006,851
Materials and supplies	116,077	409,261	40,438	66,152	-	-	147,504	779,432
Maintenance, operations and contractual services	1,638,032	1,380,049	716,584	847,966	96,438	2,501	337,496	5,019,066
Electricity purchased	22,896,802	-	-	-	-	-	-	22,896,802
Depreciation	1,788,756	1,387,492	660,536	1,698,246	10,771	-	234,059	5,779,860
Total operating expenses	<u>28,822,972</u>	<u>4,597,694</u>	<u>3,733,535</u>	<u>3,686,378</u>	<u>138,114</u>	<u>2,501</u>	<u>1,500,817</u>	<u>42,482,011</u>
Operating income (loss)	<u>8,987,746</u>	<u>3,054,829</u>	<u>986,563</u>	<u>2,193,745</u>	<u>297,723</u>	<u>(2,501)</u>	<u>(1,389,080)</u>	<u>14,129,025</u>
Non-operating Revenues (Expenses):								
Pledged as security for revenue bonds:								
Investment income	132,200	33,896	1,493,660	20,817	-	6,353	-	1,686,926
Unpledged revenues:								
Investment income	-	-	-	-	13,418	-	-	13,418
Gain (loss) on disposal of assets	45,250	-	-	14,306	-	-	1,835	61,391
Interest and fiscal charges	(190,827)	(330,194)	-	(254,838)	-	(393,316)	-	(1,169,175)
Net non-operating revenues (expenses)	<u>(13,377)</u>	<u>(296,298)</u>	<u>1,493,660</u>	<u>(219,715)</u>	<u>13,418</u>	<u>(386,963)</u>	<u>1,835</u>	<u>592,560</u>
Income (loss) before contributions and transfers	<u>8,974,369</u>	<u>2,758,531</u>	<u>2,480,223</u>	<u>1,974,030</u>	<u>311,141</u>	<u>(389,464)</u>	<u>(1,387,245)</u>	<u>14,721,585</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, 2015
(continued)

	<u>Electric</u>	<u>Water</u>	<u>Waste</u>	<u>Wastewater</u>	<u>Stormwater</u>	<u>Accounts</u>	<u>Accounts</u>	<u>Totals</u>
Transfers from other accounts	\$ -	-	-	-	-	4,312,875	1,070,000	5,382,875
Transfers to other accounts	(285,000)	(275,000)	(250,000)	(4,562,875)	(10,000)	-	-	(5,382,875)
Capital asset transfers	(148,325)	3,881,810	-	1,347,940	-	(1,347,940)	182,103	3,915,588
Transfers from other funds	-	-	-	-	-	2,142,753	205,000	2,347,753
Transfers to other funds	(6,744,082)	(1,745,111)	(622,866)	(639,724)	(26,804)	-	-	(9,778,587)
Net transfers and capital contributions	<u>(7,177,407)</u>	<u>1,861,699</u>	<u>(872,866)</u>	<u>(3,854,659)</u>	<u>(36,804)</u>	<u>5,107,688</u>	<u>1,457,103</u>	<u>(3,515,246)</u>
Change in net position	<u>1,796,962</u>	<u>4,620,230</u>	<u>1,607,357</u>	<u>(1,880,629)</u>	<u>274,337</u>	<u>4,718,224</u>	<u>69,858</u>	<u>11,206,339</u>
Net position, beginning of year, unadjusted	34,714,183	12,307,482	5,500,382	9,951,903	1,530,845	(14,155,068)	318,365	50,168,092
Prior period adjustment	(473,312)	(267,689)	(400,110)	(203,945)	(6,332)	-	809,747	(541,641)
Net position, beginning of year, adjusted	<u>34,240,871</u>	<u>12,039,793</u>	<u>5,100,272</u>	<u>9,747,958</u>	<u>1,524,513</u>	<u>(14,155,068)</u>	<u>1,128,112</u>	<u>49,626,451</u>
Net position, end of year	<u>\$ 36,037,833</u>	<u>16,660,023</u>	<u>6,707,629</u>	<u>7,867,329</u>	<u>1,798,850</u>	<u>(9,436,844)</u>	<u>1,197,970</u>	<u>60,832,790</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, 2015

	<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	\$ 37,810,718	7,652,523	4,720,098	5,879,587	56,062,926
Investment income	132,200	33,896	1,493,660	20,817	1,680,573
Total operating revenues	<u>37,942,918</u>	<u>7,686,419</u>	<u>6,213,758</u>	<u>5,900,404</u>	<u>57,743,499</u>
Operation and Maintenance Expenses:					
Personal services	2,383,305	1,420,892	2,315,977	1,074,014	7,194,188
Materials and supplies	116,077	409,261	40,438	66,152	631,928
Maintenance, operations and contractual services	1,638,032	1,380,049	716,584	847,966	4,582,631
Electricity purchased	<u>22,896,802</u>	-	-	-	<u>22,896,802</u>
Total operating expenses	<u>27,034,216</u>	<u>3,210,202</u>	<u>3,072,999</u>	<u>1,988,132</u>	<u>35,305,549</u>
Net revenues available for debt service	<u>\$ 10,908,702</u>	<u>4,476,217</u>	<u>3,140,759</u>	<u>3,912,272</u>	<u>22,437,950</u>
Maximum annual debt service					3,314,169 *
Coverage					6.77
Required coverage					1.25

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

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Schedule of Reserve Account Balances
June 30, 2015

<u>Description</u>	<u>Required Reserves</u>	<u>Reserve Balance June 30, 2015</u>	<u>Excess Balance Over Required Reserves</u>
Notes Payable:			
2008 Bank of America	\$ 638,969	638,969	-
2012A Banc of America Public	848,980	848,980	-
2012B OWRB	821,377	821,348	(29)

See accompanying notes to the financial statements

PONCA CITY UTILITY AUTHORITY
(A Component Unit of the City of Ponca City)
Schedule of Utility Rates
June 30, 2015

ELECTRIC RATES	
Residential:	
User fee	\$ 10.30
Summer season (May thru Sept) per KWh	0.102
Winter season (Oct thru April):	
First 600 KWh	0.102
Over 600 KWh	0.072
Rural residential:	
User fee	15.43
Summer season (May thru Sept) per KWh	0.106
Winter season (Oct thru April):	
First 600 KWh	0.106
Over 600 KWh	0.074
Residential with approved 40-gallon electric water heater:	
User fee	10.30
Summer season (May thru Sept):	
First 400 KWh	0.072
Over 400 KWh	0.102
Winter season (Oct thru April):	
First 400 KWh	0.072
Next 600 KWh	0.102
Over 1000 KWh	0.072
Rural residential with approved 40-gallon electric water heater:	
User fee	15.43
Summer season (May thru Sept):	
First 400 KWh	0.074
Over 400 KWh	0.106
Winter season (Oct thru April):	
First 400 KWh	0.074
Next 600 KWh	0.106
Over 1000 KWh	0.074
Commercial:	
City user fee	14.53
City KWh	0.101
Rural user fee	21.80
Rural KWh	0.104
Industrial:	
Medium	
User fee	24.23
KWh	0.060
Summer user fee	14.53
Winter user fee	8.48
Large	
User fee	242.34
KWh	0.060
Summer user fee	11.51
Winter user fee	3.63

WATER RATES		
OCTOBER-APRIL		
<u>Type of service</u>	<u>City</u>	<u>Rural</u>
Residential	\$ 1.63	1.71
Commercial	1.63	1.71
MAY-SEPTEMBER		
<u>Type of service</u>	<u>City</u>	<u>Rural</u>
Residential:		
0-10 units	\$ 1.71	1.78
11-20 units	1.78	1.86
21-50 units	1.86	1.99
51-100 units	1.99	2.07
>100 units	2.07	2.23
Commercial	1.63	1.71
CUSTOMER BASE USER FEE		
City residential customer	\$	9.55/mo
Rural residential customer		14.36/mo
City commercial customer		28.29/mo
Rural commercial customer		42.45/mo

GARBAGE/REFUSE	
Residential	\$ 18.42
Senior citizen	17.69
Commercial standard	31.15

SEWER/WASTEWATER		
	User Fee	Unit Fee
Residential	\$ 14.70	2.60
Senior citizen	13.96	2.60
Commercial	22.05	3.90
Non-residential	22.05	3.90
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	\$ 2.50/mo
All other developed real estate tracts not covered by above	5.50/mo