BROKEN ARROW

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FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

JUNE 30, 2012

WITH

INDEPENDENT AUDITORS' REPORT

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BROKEN ARROW

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City of Broken Arrow, Oklahoma

List of Principal Officials
June 30, 2012

City Council

Craig Thurmond, Mayor
Richard Carter, Vice Mayor
Mike Lester
Johnnie Parks
Jill Norman

Acting City Manager

Russell M. Gale

Clerk

Mary E. Bryce

Finance Director/Treasurer

Thomas L. Caldwell

Arledge
& Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the City Council of the
City of Broken Arrow, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Broken Arrow, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Broken Arrow, Oklahoma's management. Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Broken Arrow, Oklahoma, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2012, on our consideration of the City of Broken Arrow, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Broken Arrow, Oklahoma's financial statements as a whole. The combining and individual nonmajor fund financial statements and other schedules, listed as Other Supplementary Information in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Arledge & Associates, P.C.

Edmond, Oklahoma
December 17, 2012

CITY OF BROKEN ARROW, OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

Our discussion and analysis of the City of Broken Arrow's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- For the fiscal year ended June 30, 2012, the City's total net assets increased by $10,466,188 or 3.76% from the prior year's restated net assets.
- During the year, the City's expenses for governmental activities were $58,214,546 and were funded by program revenues of $16,660,214, and further funded with taxes and other general revenues that totaled $54,339,082.
- In the City's business-type activities, such as utilities, total program expenses exceeded revenues by $2,717,111.
- At June 30, 2012, the General Fund reported a total fund balance of $7,420,317, as compared to the prior year balance of $6,280,650. Fund balance of $1,253,300 has been restricted for debt service.
- For budgetary reporting purposes, the General Fund reported revenues more than estimates of $1,373,863, or 3.14%, while expenditures were under the final appropriations by $1,572,536 or 3.38%.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the City and its component units using the integrated approach as prescribed by GASB Statement No. 34. Included in this report are government-wide statements for each of two categories of activities – governmental and business-type. The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. These statements include all assets of the City (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

Reporting the City as a Whole

The statement of net assets and the statement of activities

One of the most frequently asked questions about the City's finances is "Has the City's overall financial condition improved, declined, or remained steady over the past year?" The statement of net assets and statement of activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report the City's net assets and changes in net assets from the prior year. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial condition or position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

As mentioned above, in the statement of net assets and statement of activities, we divide the City into three kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the police, fire, general administration, public services and parks. Sales taxes, franchise fees, fines and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, wastewater, sanitation and stormwater activities are reported here.
- Discretely presented component units – These account for activities of the City's reporting entity that do not meet the criteria for blending. The City has two discretely presented component units to report which include the Broken Arrow Home Finance Authority and the Broken Arrow Hospital Authority.

Reporting the City's Most Significant Funds

Fund financial statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operation and the basic services it provides. Governmental fund information helps determine whether there are adequate financial resources available to be spent in the near future to finance the City's programs. The differences in results between the governmental fund financial statements in relation to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds – When the City charges customers for services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. The City's enterprise funds are essentially the same as business-type activities in the government-wide statements but provide more detail and additional information, such as cash flows.

Fiduciary funds – When the City is responsible for assets due to a trust arrangement or other fiduciary requirement in which the assets can be used only for trust beneficiaries or other parties, the City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities, if any, are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets (if applicable). We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance operations.

A Financial Analysis of the City as a Whole

Net assets

The City's combined net assets increased from $278,073,589 as restated, to $288,539,777 between fiscal years 2012 and 2011. Looking at the net assets of governmental and business-type activities separately, governmental activities increased $12,784,750, while business-type activities decreased $2,318,562. A comparative, condensed presentation of net assets follows (reported in thousands).

	Governmental Activities		Business-Type Activities		Total		Total Percentage
	2011	2012	2011	2012	2011	2012	Change
Assets:							
Current and other assets	$ 57,408	$ 60,988	$ 16,087	$ 36,693	$ 73,495	$ 97,681	32.91%
Capital assets, net	237,004	252,672	115,068	123,929	352,072	376,601	6.97%
Other noncurrent assets	3,658	4,668	20,167	21,019	23,825	25,687	7.82%
Total assets	298,070	318,328	151,322	181,641	449,392	499,969	11.25%
Liabilities:							
Current liabilities	18,805	19,408	7,197	11,686	26,002	31,094	19.58%
Noncurrent liabilities	98,920	105,790	46,396	74,545	145,316	180,335	24.10%
Total liabilities	117,725	125,198	53,593	86,231	171,318	211,429	23.41%
Net Assets:							
Invested in capital assets, net of related debt	136,452	142,397	82,044	63,771	218,496	206,168	(5.64)%
Restricted	38,828	44,566	2,003	6,098	40,831	50,664	24.08%
Unrestricted	5,065	6,167	13,682	25,541	18,747	31,708	69.14%
Total net assets, restated	$ 180,345	$ 193,130	$ 97,729	$ 95,410	$ 278,074	$ 288,540	3.76%

Changes in net assets

For the year ended June 30, 2012, the change in net assets of the primary government was the result of the following (amounts are reported in thousands):

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2011	2012	2011	2012	2011	2012	
Expenses:							
General government	$ 11,550	$ 9,759	$ -	$ -	$ 11,550	$ 9,759	(15.51)7%
Public safety	30,454	32,600	-	-	30,454	32,600	7.05%
Public services	7,915	7,386	-	-	7,915	7,386	(6.68)%
Culture and recreation	3,638	4,032	-	-	3,638	4,032	10.83%
Interest on long-term debt	4,292	4,438	-	-	4,292	4,438	3.40%
Water	-	-	18,506	20,447	18,506	20,447	10.495%
Sewer	-	-	8,508	9,449	8,508	9,449	16.94%
Sanitation	-	-	6,320	6,748	6,320	6,748	6.77%
Stormwater	-	-	4,115	4,441	4,115	4,441	7.92%
Economic development	-	-	6,918	466	6,918	466	(93.26)%
Golf	-	-	1,606	1,651	1,606	1,651	2.80%
Total expenses	57,849	58,215	45,973	43,202	103,822	101,417	(2.37)%
Program revenues:							
Charges for services	10,134	9,072	34,288	38,973	44,422	48,045	8.16%
Operating grants and contributions	900	586	-		900	586	(34.89)%
Capital grants and contributions	3,864	7,003	3,313	1,512	7,177	8,515	18.64%
Total program revenues	14,898	16,661	37,601	40,485	52,499	57,146	8.86%
Net revenues (expenses)	(42,951)	(41,554)	(8,372)	(2,717)	(51,323)	(44,271)	13.74%
General revenues:							
Sales and use taxes	33,472	36,083	-	-	33,472	36,083	7.80%
Property taxes	11,414	11,574	-	-	11,414	11,574	1.40%
Franchise and other taxes	5,351	5,596	-	-	5,351	5,596	4.58%
Investment income (loss)	224	217	62	39	286	256	(10.49)%
Miscellaneous	1,582	1,228	-	-	1,582	1,228	(22.38)%
Transfers	(2,968)	(359)	2957	359	(11)	0	100.00%
Total general revenues and transfers	49,075	54,339	3,019	398	52,094	54,737	5.07%
Change in net assets	$ 6,124	$ 12,785	$ (5,353)	$ (2,319)	$ 771	$ 10,466	1257.46%

The City's governmental activities increase in net assets of $12,784,750 represents a 7.08% positive change from the prior year net assets. The business-type activities decrease in net assets of $2,318,562 represents a 2.37% negative change in net assets. The results indicate the City as a whole, improved its financial condition from the prior year.

Governmental activities

To aid in understanding the statement of activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical statement of revenues, expenses and changes in fund balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net revenue (expense). The reason for this format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue, even if it is restricted for a specific purpose.

For the year ended June 30, 2012, the City's governmental activities were funded as follows:

Government Activities Sources	
Sales and use taxes	50.82%
Other taxes	24.18%
Program revenue	23.47%
Other	1.53%

Government Activities Uses	
General government	16.76%
Public safety	56.00%
Public services	12.69%
Culture and recreation	6.93%
Interest on long-term debt	7.62%

For the year ended June 30, 2012, total expenses for governmental activities amounted to $58,214,546. To fund these activities, taxpayers and other general revenues funded $41,554,332 while those directly benefiting from the program funded $7,588,250 from grants and other contributions and $9,071,964 from charges for services.

Net Revenue (Expense) of Governmental Activities

	Total Expense of Services		Net Revenues (Expense) of Services	
	2011	2012	2011	2012
General government	$ 11,549,994	$ 9,759,119	$ (7,186,493)	$ (4,636,320)
Public safety	30,454,363	32,599,735	(25,683,872)	(29,432,576)
Public services	7,914,564	7,385,911	(2,707,155)	448,099
Culture and recreation	3,638,288	4,031,712	(3,082,400)	(3,495,466)
Interest on long-term debt	4,291,958	4,438,069	(4,291,958)	(4,438,069)
Total	$ 57,849,167	$ 58,214,546	$ (42,951,878)	$ (41,554,332)

Business-type activities

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

- Total business-type activities reported net expenses of $ (2,717,111) for the year ended June 30, 2012.
- Stormwater activities reported net revenues for the year ended June 30, 2012, while water, sewer, sanitation, economic development and golf operations, reported net expenses of $1,540,800, $131,061, $465,780 and $144,443, respectively.

Net Revenue (Expense) of Business-Type Activities

	Total Expense of Services		Net Revenues (Expense) of Services	
	2011	2012	2011	2012
Water	$ 18,505,871	$ 20,446,733	$ (2,182,161)	$ (1,540,800)
Sewer	8,508,239	9,448,972	452,251	(131,061)
Sanitation	6,320,425	6,747,974	(661,555)	(588,194)
Stormwater	4,114,616	4,440,771	1,169,065	153,167
Economic development	6,917,752	465,780	(6,917,752)	(465,780)
Golf	1,606,278	1,651,732	(231,777)	(144,443)
Total	$ 45,973,181	$ 43,201,962	$ (8,371,929)	$ (2,717,111)

A financial analysis of the City's funds

As the City completed its 2012 fiscal year, the governmental funds reported a combined fund balance of $53,004,252 or a 14.67% increase from 2011. The combined proprietary funds reported net assets of $95,262,039 or a 2.20% decrease from 2011.

Other fund highlights include:

- For the year ended June 30, 2012, the General Fund's total fund balance increased by $1,139,667 or 18.15%.
- The Sales Tax Capital Improvement Fund's total fund balance increased by $2,568,869 or 80.87% due to not having a one-time transfer to the Broken Arrow Economic Development Authority in fiscal year 2012 for a major capital economic development project as it did in fiscal year 2011.
- The General Obligation Bond Funds' total fund balance increased by $2,321,377 or 11.98% due to the proceeds from the issuance of debt exceeding the capital outlay during the year.

General fund budgetary highlights

Over the course of the year, the City Council revised the General Fund budget at various times. The revised budget included a increase in overall revenue projections of 4.17% or $1,747,000 and an increase in appropriations of 5.94% or $2,609,900.

Capital Asset and Debt Administration

Capital assets

At the end of June 30, 2012, the City had $376,601,455 invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines (see table below). This represents a net increase in net capital assets of $24,529,796 or 6.97% over last year.

Primary Government Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Land	$ 21,241,091	$ 24,745,638	$ 3,891,999	$ 3,914,276	$ 25,133,090	$ 28,659,914
Buildings	41,047,028	43,211,591	3,995,162	3,680,410	45,042,190	46,892,001
Improvements	18,126,942	17,897,929	75,444,814	72,341,653	93,571,756	90,239,582
Machinery and equipment	14,085,241	14,828,483	4,124,121	4,512,645	18,209,362	19,341,128
Infrastructure	131,645,152	141,095,883	21,673,436	20,985,308	153,318,588	162,081,191
Construction in progress	10,858,352	10,892,650	5,938,321	18,494,989	16,796,653	29,387,639
Total assets	$ 237,003,806	$ 252,672,174	$ 115,067,853	$ 123,929,281	$ 352,071,659	$ 376,601,455

This year's more significant capital asset additions included:

- Street improvements totaling $20,016,796
- Utility system improvements totaling $1,049,349
- Storm water drainage improvements totaling $474,942

See the notes to the financial statements for more detail information on the City's capital assets and changes therein.

Long-term debt

At year end, the City had $193,383,603 in long-term debt outstanding which represents a $35,185,981 or 22.24% increase from prior year amount. The City's change in long-term debt by type of debt is as follows:

Primary Government Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Accrued compensated absences	$ 1,990,402	$ 2,109,738	$ 425,365	$ 476,286	$ 2,415,767	$ 2,586,024
Arbitrage rebate payable	19,125	19,125	-	-	19,125	19,125
General obligation bonds	80,449,568	88,814,579	-	-	80,449,568	88,814,579
Notes payable	19,233,037	18,073,037	38,775,706	67,396,119	58,008,743	85,469,156
Judgments payable	2,938,168	2,406,075	-	-	2,938,168	2,406,075
Automotive and general liability	758,000	832,000	-	-	758,000	832,000
Meter deposit liability	-	-	854,170	846,500	854,170	846,500
Claims payable	2,369,000	2,075,000	-	-	2,369,000	2,075,000
Other post employment benefit obligation	538,831	743,894	-	-	538,831	743,894
Capital lease obligation	-	-	1,846,250	1,591,250	1,846,250	1,591,250
Notes payable	-	-	8,000,000	8,000,000	8,000,000	8,000,000
Total long-term debt	$ 108,296,131	$ 115,073,448	$ 49,901,491	$ 78,310,155	$ 158,197,622	$ 193,383,603

See the notes to the financial statements for more detail information on the City's long-term debt and changes therein.

Economic Factors and Next Year's Budget and Rates

City growth continues to present a major challenge to funding the personnel and other operating costs as well as the increased demand for infrastructure improvements. Although the City had experienced a consistent increase in sales tax collections from Fiscal Year 2002-2003 through Fiscal Year 2008-2009, the City had a 0.57% decrease in Fiscal Year 2009-2010. The City's sales tax rebounded in Fiscal Year 2010-2011 and Fiscal Year 2011-2012 with growth of 3.33% and 8.07%, respectively. The City is continuing to monitor the local and regional economy as well as the City's expenditures. The City projected an increase in sales tax revenues of 3.0% for Fiscal year 2011-2012.

The Municipal Authority continues to add utility customers, water, sewer, trash and stormwater, as the City grows. The Municipal Authority's Financial Plan for Fiscal Year 2012-2013 does not include any growth from the current year to protect itself from any decline in the economy.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office at 220 South First Street, P.O. Box 610, Broken Arrow, Oklahoma 74013-0610 or phone at (918) 259-2400, extension 5411.

CITY OF BROKEN ARROW

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	$ 31,470,121	$ 35,123,624	$ 66,593,745	$ 13,695
Investments	13,868,495	114,403	13,982,898	-
Taxes receivable	910,059	-	910,059	-
Internal balances	5,477,783	(5,477,783)	-	-
Due from other governments	7,387,277	-	7,387,277	-
Accrued interest receivable	19,125	5,616	24,741	-
Other receivables, net	1,841,149	6,163,581	8,004,730	-
Notes receivable	-	8,000,000	8,000,000	-
Inventories	-	763,758	763,758	-
Other assets	13,838	23,000	36,838	-
Deferred outflow, interest rate swap	4,144,654	-	4,144,654	-
Unamortized debt issuance costs	523,067	1,053,939	1,577,006	-
Investment in joint venture	-	11,941,149	11,941,149	-
Capital assets:				
Land and construction in progress	35,638,288	22,409,265	58,047,553	-
Other capital assets, net of depreciation	217,033,886	101,520,016	318,553,902	-
Total assets	318,327,742	181,640,568	499,968,310	13,695
Liabilities				
Accounts payable	2,415,561	5,672,626	8,088,187	-
Retainage payable	288,786	794,705	1,083,491	-
Accrued payroll	1,598,126	430,881	2,029,007	-
Accrued interest payable	1,567,307	560,373	2,127,680	-
Due to other governments	7,118	-	7,118	-
Other payables	-	92,709	92,709	-
Amounts held in escrow	102,285	369,799	472,084	-
Derivative instrument liability	4,144,654	-	4,144,654	-
Long-term liabilities:				
Due within one year	13,427,528	3,606,736	17,034,264	-
Due in more than one year	101,645,920	74,703,419	176,349,339	-
Total liabilities	125,197,285	86,231,248	211,428,533	-
Net Assets				
Invested in capital assets, net of related debt	142,396,898	63,771,092	206,167,990	-
Restricted for:				
Capital projects	30,128,530	-	30,128,530	-
Debt service	12,585,690	4,899,485	17,485,175	-
Other projects	1,852,322	-	1,852,322	-
Unrestricted	6,167,017	26,738,743	32,905,760	13,695
Total net assets	$ 193,130,457	$ 95,409,320	$ 288,539,777	$ 13,695

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

		Program Revenues			Net Revenues (Expense) and Changes in Net Assets			
Functions/Programs	Expenses	Charges for Services	Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
Primary Government:								
Governmental activities:								
General government	$ 9,759,119	$ 4,982,964	$ 139,835	$ -	$ (4,636,320)	$ -	$ (4,636,320)	$ -
Public safety	32,599,735	2,656,900	445,813	64,446	(29,432,576)	-	(29,432,576)	-
Public services	7,385,911	895,854	-	6,938,156	448,099	-	448,099	-
Culture and recreation	4,031,712	536,246	-	-	(3,495,466)	-	(3,495,466)	-
Interest on long-term debt	4,438,069	-	-	-	(4,438,069)	-	(4,438,069)	-
Total governmental activities	58,214,546	9,071,964	585,648	7,002,602	(41,554,332)	-	(41,554,332)	-
Business-type activities:								
Water	20,446,733	18,392,251	-	513,682	-	(1,540,800)	(1,540,800)	-
Sewer	9,448,972	9,166,908	-	151,003	-	(131,061)	(131,061)	-
Sanitation	6,747,974	6,159,780	-	-	-	(588,194)	(588,194)	-
Stormwater	4,440,771	3,815,063	-	778,875	-	153,167	153,167	-
Economic development	465,780	-	-	-	-	(465,780)	(465,780)	-
Golf	1,651,732	1,439,293	-	67,996	-	(144,443)	(144,443)	-
Total business-type activities	43,201,962	38,973,295	-	1,511,556	-	(2,717,111)	(2,717,111)	-
Total primary government	$ 101,416,508	$ 48,045,259	$ 585,648	$ 8,514,158	(41,554,332)	(2,717,111)	(44,271,443)	-
General Revenues:								
Taxes:								
Property taxes					11,574,345	-	11,574,345	-
Franchise and miscellaneous taxes					3,793,329	-	3,793,329	-
Sales and use taxes					36,082,791	-	36,082,791	-
Hotel/motel taxes					421,307	-	421,307	-
Tobacco tax					481,546	-	481,546	-
E-911 taxes					742,288	-	742,288	-
Intergovernmental revenue not restricted to specific programs					156,894	-	156,894	-
Investment income (loss)					217,460	39,249	256,709	9
Miscellaneous					1,228,422	-	1,228,422	-
Transfers - internal activities					(359,300)	359,300	-	-
Total general revenues and transfers					54,339,082	398,549	54,737,631	9
Change in net assets					12,784,750	(2,318,562)	10,466,188	9
Net assets, beginning of year, restated					180,345,707	97,727,882	278,073,589	13,686
Net assets, end of year					$ 193,130,457	$ 95,409,320	$ 288,539,777	$ 13,695

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2012

	General Fund	Sales Tax Capital Improvement Fund	2004 General Obligation Bond Fund	2008 General Obligation Bond Fund	2011 General Obligation Bond Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and cash equivalents	$ 1,146,509	$ 1,071,668	$ 2,900,237	$ 7,549,280	$ 8,074,920	$ 2,724,078	$ 6,828,398	$ 30,295,090
Investments	-	-	-	3,018,704	2,000,000	7,844,291	$ 1,005,500	13,868,495
Taxes receivable, net	146,759	-	-	-	-	1,360,244	-	1,507,003
Due from other funds	3,584,169	4,027,783	-	-	-	-	-	7,611,952
Receivable from other governments	5,754,080	1,554,611	-	-	-	-	78,586	7,387,277
Accrued interest receivable	-	-	-	4,571	6,712	7,532	310	19,125
Other receivables, net	5,719,800	-	-	-	-	-	144,287	5,864,087
Prepaid expenses	13,838	-	-	-	-	-	-	13,838
Total assets	$ 16,365,155	$ 6,654,062	$ 2,900,237	$ 10,572,555	$ 10,081,632	$ 11,936,145	$ 8,057,081	$ 66,566,867
Liabilities and Fund Balances								
Liabilities								
Accounts payable	$ 244,882	$ 413,826	$ 123,121	$ 1,251,527	$ 188,909	$ -	$ 106,181	$ 2,328,446
Retainage payable	-	4,943	111,663	172,180	-	-	-	288,786
Accrued payroll	1,598,126	-	-	-	-	-	-	1,598,126
Accrued interest payable	-	-	-	-	-	81,780	-	81,780
Due to other funds	2,129,410	-	-	-	-	-	4,759	2,134,169
Payable to other governments	7,118	-	-	-	-	-	-	7,118
Deferred revenue	4,863,017	489,903	-	4,571	6,712	1,306,975	110,134	6,781,312
Amounts held in escrow	102,285	-	-	-	-	-	240,593	342,878
Total liabilities	8,944,838	908,672	234,784	1,428,278	195,621	1,388,755	461,667	13,562,615
Fund Balances								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	1,253,300	5,745,390	2,665,453	9,144,277	9,886,011	10,547,390	5,766,762	45,008,583
Committed	-	-	-	-	-	-	1,793,356	1,793,356
Assigned	-	-	-	-	-	-	35,296	35,296
Unassigned	6,167,017	-	-	-	-	-	-	6,167,017
Total fund balances	7,420,317	5,745,390	2,665,453	9,144,277	9,886,011	10,547,390	7,595,414	53,004,252
Total liabilities and fund balances	$ 16,365,155	$ 6,654,062	$ 2,900,237	$ 10,572,555	$ 10,081,632	$ 11,936,145	$ 8,057,081	$ 66,566,867

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

BALANCE SHEET

GOVERNMENTAL FUNDS

Year Ended June 30, 2012

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets:		
Total fund balance, governmental funds		$ 53,004,252
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		252,672,174
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets:		
Receivable from other governments	1,192,402	
Court fines receivable	718,504	
Cemetery receivable	42,880	
Street light fee	28,640	
Interest receivable	19,125	
Miscellaneous receivables	792	
		2,002,343
Certain assets are not reported in the funds on the modified accrual basis of accounting, however, at the government-wide financial statements are reported due to the accrual basis of accounting:		
Unamortized debt issuance costs	523,067	
Deferred outflow - interest rate swap	4,144,654	
		4,667,721
Certain special revenue funds are used by management to perform business-type activities. The assets and liabilities of these special revenue funds are included in the business-type activities on the Statement of Net Assets:		
Excess Capacity Sewer Fund	(88,213)	
Stormwater Capital Fund	(59,068)	
		(147,281)
The assets and liabilities of certain internal services funds are not included in this fund financial statement, but are included in the governmental activities of the Statement of Net Assets		(1,184,017)
Some liabilities are not due and payable in the current period and are not included in this fund financial statement, but are included in the governmental activities of the Statement of Net Assets:		
General obligation bonds payable	(88,814,579)	
Notes payable	(18,073,037)	
Accrued compensated absences	(2,109,738)	
Accrued interest payable	(1,485,527)	
Interest rate swap liability	(4,144,654)	
Automotive and general liability	(832,000)	
Judgments payable	(2,406,075)	
Arbitrage rebate payable	(19,125)	
		(117,884,735)
Net Assets of Governmental Activities in the Statement of Net Assets		$ 193,130,457

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended June 30, 2012

	General Fund	Sales Tax Capital Improvement Fund	2004 General Obligation Bond Fund	2008 General Obligation Bond Fund	2011 General Obligation Bond Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:								
Property tax	$ -	$ -	$ -	$ -	$ -	$ 12,147,713	$ -	$ 12,147,713
Sales and use taxes	30,424,484	5,658,307	-	-	-	-	-	36,082,791
Franchise and miscellaneous taxes	3,415,406	-	-	-	-	-	406,799	3,822,205
Licenses and permits	1,079,341	-	-	-	-	-	-	1,079,341
Intergovernmental	357,582	1,252,724	-	-	-	-	1,968,254	3,578,560
Charges for services	7,013,220	-	-	-	-	-	1,491,969	8,505,189
Fees and fines	1,620,049	-	-	-	-	-	16,009	1,636,058
Rental Income	1,014,886	-	-	-	-	-	-	1,014,886
Interest Income	31,734	10,654	7,943	31,785	14,469	132,669	7,729	236,983
Miscellaneous	105,860	7,738	-	-	-	-	94,876	208,474
Total revenues	45,062,562	6,929,423	7,943	31,785	14,469	12,280,382	3,985,636	68,312,200
Expenditures:								
Current:								
General government	7,785,140	-	-	-	-	-	284,015	8,069,155
Public safety	30,310,974	-	-	-	-	-	240,897	30,551,871
Public services	2,275,615	-	-	-	-	-	251,708	2,527,323
Parks and recreation	2,827,075	-	-	-	-	-	-	2,827,075
Debt service:	-	-	-	-	-	-	-	
Principal	730,000	430,000	-	-	-	8,671,500	-	9,831,500
Interest and other charges	1,010,960	91,300	-	-	-	3,161,590	-	4,263,850
Capital Outlay	-	3,793,754	5,510,037	7,034,207	1,496,620	-	1,352,903	19,187,521
Total expenditures	44,939,764	4,315,054	5,510,037	7,034,207	1,496,620	11,833,090	2,129,523	77,258,295
Excess (deficiency) of revenues over expenditures	122,798	2,614,369	(5,502,094)	(7,002,422)	(1,482,151)	447,292	1,856,113	(8,946,095)
Other financing sources (uses):								
Proceeds from long-term debt, net	-	-	-	5,000,000	11,450,000	-	-	16,450,000
Bond premium	-	-	-	-	-	39,168	-	39,168
Bond issuance costs	-	-	-	(60,118)	(81,838)	-	-	(141,956)
Transfers in	12,659,311	-	-	-	-	-	-	12,659,311
Transfers out	(11,642,442)	(45,500)	-	-	-	(132,669)	(1,458,000)	(13,278,611)
Total other financing sources and (uses)	1,016,869	(45,500)	-	4,939,882	11,368,162	(93,501)	(1,458,000)	15,727,912
Net change in fund balances	1,139,667	2,568,869	(5,502,094)	(2,062,540)	9,886,011	353,791	398,113	6,781,817
Fund balances, beginning of year	6,280,650	3,176,521	8,167,547	11,206,817	-	10,193,599	7,197,301	46,222,435
Fund balances, end of year	$ 7,420,317	$ 5,745,390	$ 2,665,453	$ 9,144,277	$ 9,886,011	$ 10,547,390	$ 7,595,414	$ 53,004,252

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

Year ended June 30, 2012

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of governmental funds to the Statement of Activities:		
Net change in fund balances - total governmental funds		$ 6,781,817
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets and bond issue costs as expenditures while governmental activities report depreciation and amortization expense to allocate those expenditures over the life of the assets:		
Capital assets capitalized	23,447,182	
(Gain) loss on sale of capital assets	(16,225)	
Bond issue costs capitalized	141,956	
Bond premium capitalized	(39,168)	
Amortization of bond issue costs	(52,644)	
Amortization of bond premium	9,157	
Depreciation expense	(7,762,589)	
		15,727,669
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		(2,497,530)
Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments.		(6,642,907)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Accrued interest not reflected on governmental funds	(183,376)	
Accrued compensated absences not reflected on governmental funds	(119,336)	
Claims	(74,000)	
		(376,712)
Certain special revenue funds are used by management to perform business-type activities. The net change in fund balances of these special revenue funds are included in the business-type activities on the Statement of Activities:		
Excess Capacity Sewer Fund	3,078	
Stormwater Capital Fund	210,589	
		213,667
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		(421,254)
Change in net assets of governmental activities		$ 12,784,750

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

June 30, 2012

	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course Fund	Total Proprietary Funds	Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	$ 36,398	$ 12,716	$ 233,916	$ 283,030	$ 1,562,905
Restricted cash and cash equivalents	29,884,029	-	-	29,884,029	-
Investments	114,403	-	-	114,403	-
Accounts receivable, net	6,161,369	-	2,212	6,163,581	159,087
Due from other funds	2,594,454	-	-	2,594,454	-
Receivable from other governments	-	-	-	-	-
Interest receivable	-	5,286	-	5,286	-
Inventories	696,242	-	67,516	763,758	-
Prepaid assets	20,500	-	2,500	23,000	-
Total current assets	39,507,395	18,002	306,144	39,831,541	1,721,992
Noncurrent assets:					
Restricted cash and cash equivalents	4,418,439	150,252	-	4,568,691	-
Notes receivable	-	8,000,000	-	8,000,000	-
Restricted interest receivable	330	-	-	330	-
Unamortized debt issuance costs	957,893	96,046	-	1,053,939	-
Investment in joint venture	11,941,149	-	-	11,941,149	-
Capital assets:					
Land and other nondepreciable assets	19,949,603	2,229,985	229,677	22,409,265	-
Other capital assets, net of accumulated depreciation	96,708,508	212,396	4,599,112	101,520,016	-
Total noncurrent assets	133,975,922	10,688,679	4,828,789	149,493,390	-
Total assets	173,483,317	10,706,681	5,134,933	189,324,931	1,721,992
Liabilities					
Current liabilities:					
Accounts payable	4,749,039	584,104	339,483	5,672,626	87,115
Retainage payable	511,769	282,936	-	794,705	-
Accrued payroll	430,881	-	-	430,881	-
Accrued interest payable	511,950	48,423	-	560,373	-
Due to other funds	7,529,410	50,000	492,827	8,072,237	-
Other accrued expenses	-	-	92,709	92,709	-
Amounts held in escrow	129,206	-	-	129,206	-
Compensated absences	317,540	-	-	317,540	-
Claims and judgments	-	-	-	-	1,016,000
Customer meter deposit reserves	169,300	-	-	169,300	-
Bonds, notes and loans payable, net	2,864,896	-	-	2,864,896	-
Capital least obligation	255,000	-	-	255,000	-
Total current liabilities	17,468,991	965,463	925,019	19,359,473	1,103,115
Noncurrent liabilities:					
Compensated absences	158,746	-	-	158,746	-
Claims and judgments	-	-	-	-	1,802,894
Customer meter deposit reserves	677,200	-	-	677,200	-
Bonds, notes and loans payable, net	58,146,423	14,384,800	-	72,531,223	-
Capital least oligation	1,336,250	-	-	1,336,250	-
Total noncurrent liabilities	60,318,619	14,384,800	-	74,703,419	1,802,894
Total liabilities	77,787,610	15,350,263	925,019	94,062,892	2,906,009
Net Assets					
Invested in capital assets, net of related debt	56,604,685	2,442,381	4,724,026	63,771,092	-
Restricted for debt service	4,749,232	150,253	-	4,899,485	-
Unrestricted	34,341,790	(7,236,216)	(514,112)	26,591,462	-
Total net assets	$ 95,695,707	$ (4,643,582)	$ 4,209,914	95,262,039	$ (1,184,017)
Amounts reported for business-type activities in the Statement of Net Assets are different because:					
Certain special revenue funds are used by management to perform business-type activities. The assets and liabilities of certain special revenue funds are included in the business-type activities in the Statement of Net Assets.				147,281	
Total net assets per government-wide financial statements				$ 95,409,320	

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

Year ended June 30, 2012

	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course Fund	Total Proprietary Funds	Internal Service Funds
Operating revenues:					
Water charges	$ 16,759,921	$ -	$ -	$ 16,759,921	$ -
Sewer charges	8,353,408	-	-	8,353,408	-
Sanitation charges	5,613,116	-	-	5,613,116	-
Stormwater fees	3,426,891	-	-	3,426,891	-
Fees and fines	715,604	-	-	715,604	-
Golf	-	-	1,439,293	1,439,293	-
Miscellaneous	1,039,916	1,545,973	4,754	2,590,643	15,309
Self insurance charges	-	-	-	-	6,864,997
Total operating revenues	35,908,856	1,545,973	1,444,047	38,898,876	6,880,306
Operating expenses:					
General government	1,130,076	465,780	-	1,595,856	-
Finance and administration	875,535	-	-	875,535	-
Engineering and construction	1,440,675	-	-	1,440,675	-
Water distribution	12,065,834	-	-	12,065,834	-
Sanitary sewer system	4,095,138	-	-	4,095,138	-
Sanitation services	4,419,856	-	-	4,419,856	-
Support services	2,398,403	4,733,250	-	7,131,653	-
Stormwater	2,067,386	-	-	2,067,386	-
Claims expense	-	-	-	-	7,302,405
Golf	-	-	1,448,234	1,448,234	-
Amortization	46,154	5,500	-	51,654	-
Depreciation	6,202,833	9,641	200,008	6,412,482	-
Total operating expenses	34,741,890	5,214,171	1,648,242	41,604,303	7,302,405
Operating income (loss)	1,166,966	(3,668,198)	(204,195)	(2,705,427)	(422,099)
Nonoperating revenues (expenses):					
Interest and investment revenue	21,263	17,855	398	39,516	845
Gain (loss) on sale of assets	83,745	-	-	83,745	-
Loss from joint venture	(174,778)	-	-	(174,778)	-
Interest expense and fiscal charges	(1,319,190)	(183,946)	(3,490)	(1,506,626)	-
Total nonoperating revenue (expenses)	(1,388,960)	(166,091)	(3,092)	(1,558,143)	845
Income (loss) before contributions and transfers	(221,994)	(3,834,289)	(207,287)	(4,263,570)	(421,254)
Capital contributions	1,471,379	-	67,996	1,539,375	-
Transfers in	11,634,142	463,800	-	12,097,942	-
Transfers out	(11,478,642)	-	-	(11,478,642)	-
Change in net assets	1,404,885	(3,370,489)	(139,291)	(2,104,895)	(421,254)
Total net assets, beginning of year, restated	94,290,822	(1,273,093)	4,349,205	97,366,934	(762,763)
Total net assets, end of year	$ 95,695,707	$ (4,643,582)	$ 4,209,914	$ 95,262,039	$ (1,184,017)
Change in net assets, per above				$ (2,104,895)	
Amounts reported for business-type activities in the Statement of Activities are difference because:					
Certain special revenue funds are used by management to perform business-type activities. The activities of certain special revenue funds are included in the business-type activities in the Statement of Activities.				(213,667)	
Change in business-type activities in net assets per government-wide financial statements				$ (2,318,562)	

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year ended June 30, 2012

	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course Fund	Total Proprietary Funds	Internal Service Funds
Cash Flows from Operating Activities					
Receipts from customers	$ 35,565,838	$ 1,595,973	$ 1,441,835	$ 38,603,646	$ 6,721,219
Payments to employees	(10,274,186)	-	-	(10,274,186)	-
Payments to suppliers	(10,714,399)	(4,354,907)	(1,277,693)	(16,346,999)	(7,503,079)
Net cash provided by (used in) operating activities	14,577,253	(2,758,934)	164,142	11,982,461	(781,860)
Cash Flows from Noncapital Financing Activities					
Transfers in from other funds	11,634,142	463,800	-	12,097,942	-
Transfers out to other funds	(11,478,642)	-	-	(11,478,642)	-
Net cash provided by (used in) noncapital financing activities	155,500	463,800	-	619,300	-
Cash Flows from Capital and Related Financing Activities					
Proceeds of borrowings for capital purposes	31,961,487	-	-	31,961,487	-
Proceeds from sale of capital assets	157,062	-	-	157,062	-
Acquisition and construction of capital assets	(13,807,851)	-	-	(13,807,851)	-
Bond issuance costs	(637,372)	-	-	(637,372)	-
Principal paid on bonds and notes	(3,596,074)	-	-	(3,596,074)	-
Interest paid on bonds and notes	(1,136,749)	(162,854)	(3,490)	(1,303,093)	-
Net cash used in capital and related financing activities	12,940,503	(162,854)	(3,490)	12,774,159	-
Cash Flows from Investing Activities					
Investment income	20,987	257	398	21,642	2,058
(Increase) decrease in investments	68,208	-	-	68,208	250,000
Investments in joint venture	(417,545)	-	-	(417,545)	-
Net cash provided by investing activities	(328,350)	257	398	(327,695)	252,058
Net increase (decrease) in cash and cash equivalents	27,344,906	(2,457,731)	161,050	25,048,225	(529,802)
Cash and cash equivalents, beginning of year, restated	6,993,960	2,620,699	72,866	9,687,525	2,092,707
Cash and cash equivalents, end of year	$ 34,338,866	$ 162,968	$ 233,916	$ 34,735,750	$ 1,562,905

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (continued)

Year ended June 30, 2012

	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course Fund	Total Proprietary Funds	Internal Service Funds
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:					
Operating Income (Loss)	$ 1,166,966	$ (3,668,198)	$ (204,195)	($2,705,427)	$ (422,099)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	6,202,833	9,641	200,008	6,412,482	-
Amortization of bond issue costs	46,154	5,500	-	51,654	-
Change in assets and liabilities:					
Accounts receivable	(943,018)	-	(2,112)	(945,130)	(159,087)
Due from other funds	(441,590)	-	-	(441,590)	-
Receivable from other governments	-	-	-	-	-
Inventories	(14,166)	-	(5,392)	(19,558)	-
Prepaid assets	-	-	-	-	-
Accounts payable	2,501,186	561,187	119,683	3,182,056	(111,737)
Retainage payable	511,769	282,936	-	794,705	-
Accrued payroll	76,055	-	-	76,055	-
Due to other funds	5,484,051	50,000	7,344	5,541,395	-
Other payables	-	-	-	-	-
Amounts held in escrow	(56,238)	-	48,906	(7,332)	-
Compensated absences	50,921	-	-	50,921	-
Customer meter deposit reserves	(7,670)	-	-	(7,670)	-
Claims and judgments	-	-	-	-	(88,937)
Net cash provided by (used in) operating activities	$ 14,577,253	$ (2,758,934)	$ 164,242	$ 11,982,561	$ (781,860)
Noncash Activities					
Contributed capital assets	$ 1,471,379	$ -	$ 67,996	$1,539,375	$ -

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF NET ASSETS

COMPONENT UNITS

June 30, 2012

	Broken Arrow Home Finance Authority	Broken Arrow Hospital Authority	Totals
Assets			
Current assets:			
Cash and cash equivalents	$ 2,785	$ 10,910	$ 13,695
Total assets	2,785	10,910	13,695
Current liabilities:			
Due to other funds	-	-	-
Total liabilities	-	-	-
Net assets - unrestricted	$ 2,785	$ 10,910	$ 13,695

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

COMPONENT UNITS

Year ended June 30, 2012

	Broken Arrow Home Finance Authority	Broken Arrow Hospital Authority	Totals
Charges for services	$ -	$ -	$ -
Operating loss	-	-	-
Nonoperating revenues:			
Interest and investment revenue	3	6	9
Transfers in	-	-	-
Total nonoperating revenues	3	6	9
Change in net assets	3	6	9
Total net assets, beginning of year	2,782	10,904	13,686
Total net assets, end of year	$ 2,785	$ 10,910	$ 13,695

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012

	Agency Funds
Assets	
Cash and cash equivalents	$ 715,799
Accounts receivable	-
Total assets	$ 715,799
Liabilities	
Amounts held in escrow	$ 715,799
Total liabilities	$ 715,799

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

NOTES TO BASIC FINANCIAL STATEMENTS

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Note 1 – Summary of Significant Accounting Policies

Organization and operations

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

Financial reporting entity

The City's financial reporting entity is comprised of the following:

Primary Government:	City of Broken Arrow
Blended Component Units:	Broken Arrow Municipal Authority Broken Arrow Economic Development Authority
Discretely Presented Component Units:	Broken Arrow Home Finance Authority Broken Arrow Hospital Authority

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity* and includes all component units of which the City is fiscally accountable. Each of these component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance city services through issuance of revenue bonds or other nongeneral obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, in most cases, the City has leased certain existing assets at the creation of the Authorities to the trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

Blended component units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate fund type to comprise part of the primary government presentation.

Two component units are blended in to the primary government's fund types as presented below:

Component Unit	Brief Description/Inclusion Criteria	Reporting Fund
Broken Arrow Municipal Authority (BAMA)	Created July 1, 1979, to finance, develop and operate the water, sewer and solid waste activities. The current City Council serves as its entire governing body (Trustees). Any issuance of debt would require a two-thirds approval of the City Council.	Enterprise Fund
Broken Arrow Economic Development Authority (BAEDA)	Created November 19, 1973, to promote and encourage development of industry and commerce and other related activities on behalf of the City. Five trustees are appointed by the City Council and may be removed at will by the City Council. During 2008, the current City Council began serving as its entire governing body (Trustees). As a result, BAEDA is presented as a blended component unit, whereas in years prior to 2008, it has been presented as a discretely presented component unit. Any issuance of debt would require two-thirds approval of the City Council.	Enterprise Fund

Discretely presented component units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The City has two component units that are discretely presented in the City's report as presented below.

Component Unit	Brief Description/Inclusion Criteria
Broken Arrow Home Finance Authority (BAHFA)	Created May 9, 1980, to provide, improve and secure decent safe and sanitary housing facilities, especially for low to moderate income families and to prevent blight, hazardous and unhealthy housing conditions. The governing body consists of five members appointed by the City Council. One of these members must also serve on the City Council. The governing body members may be removed at will by the City Council. Any issuance of debt would require a two-thirds approval of the City Council.

Component Unit	Brief Description/Inclusion Criteria
Broken Arrow Hospital Authority (BAHA)	Created May 1, 1974, to construct, maintain and operate the hospital and medical facilities of the City. Trustees are appointed by the City Council from a list supplied by the hospital board. They may be removed at will by the City Council. Any issuance of debt would require a two-thirds approval of the City Council.

The Broken Arrow Home Finance Authority and the Broken Arrow Hospital Authority did not issue separate annual financial statements.

Related organizations

The following related organizations are not included in the financial reporting entity:

Broken Arrow Housing Development Corporation – a nonstock, nonprofit corporation acting as an instrumentality of the City for the purpose of assisting in financial dwelling accommodations for persons of low income. The Corporation issued first lien revenue bonds after approval by the City Council. The bonds do not constitute debt of the City and are secured by revenues received from the United States Department of Housing and Urban Development. The revenues represent monthly housing assistance payments for project units occupied by eligible low income tenants.

Broken Arrow Economic Development Corporation – a nonstock, nonprofit corporation acting as an instrumentality of the City for the purpose of assisting in economic development.

Broken Arrow Industrial Trust Authority – A Title 60 Public Trust created November 1, 1962, to own, acquire, construct, improve, maintain and operate facilities used in securing or developing industry in the City. The City Manager serves as trustee along with two appointees made by the Broken Arrow Chamber of Commerce. This trust currently is inactive.

Joint venture

The City is currently a participant (with equity interest) in the general operating portion of the Regional Metropolitan Utility Authority (RMUA). The RMUA is a Title 60 Public Trust created to provide, operate, and maintain water supply, wastewater and pollution control facilities for the benefit of various governmental entities. Currently, the Authority is providing wastewater facilities (Haikey Creek and Rolling Hills sewage treatment plants) and is conducting studies for future facilities. On dissolution of the Authority, the net assets will be distributed to the beneficiaries based upon their pro-rata interest. Separate audited financial statements of RMUA for the year ended June 30, 2012, are available from the Office of Finance, City of Tulsa, Oklahoma.

Basis of presentation

Government-wide financial statements

The statement of net assets and statement of activities display information about the City as a whole including component units. They include all financial activities of the reporting entity except for fiduciary activities. Eliminations have been made to minimize the double reporting of transactions involving internal activities. Individual funds are not displayed in these statements. Instead, the statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between the expenses and program revenues directly associated with the different governmental functions and business-type activities to arrive at the net revenue or expense of the function or activity prior to the use of taxes and other general revenues. Program revenues include 1) fees, fines and service charges generated by the program or activity, 2) operating grants and contributions that are restricted to meeting the operational requirements of the program or activity, and 3) capital grants and contributions that are restricted to meeting the capital requirements of the program or activity.

Fund financial statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Separate financial statements are presented for the three major fund categories: governmental, proprietary and fiduciary. An emphasis of the fund financial statements is placed on major governmental and enterprise funds. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and

b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

c. A fund not meeting the criteria of (a) and (b), however, management has elected to report the fund as a major fund due to its significance to users of the financial statements.

All remaining governmental and enterprise funds not meeting the above criteria are aggregated and reported as nonmajor funds. The funds of the financial reporting entity are described below:

Governmental funds:

General fund

The General Fund is the primary operating fund of the City. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special revenue funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes. The reporting entity includes the following special revenue funds:

Fund	Brief Description
Parks and Recreation	Accounts for fees collected on the construction of new residences which are restricted in use for park and recreation improvements.
Cemetery Care	Accounts for 12.5% of cemetery revenue restricted by state law and an additional 12.5% contributed by the City for cemetery capital improvement.
Crime Prevention	Accounts for revenues and expenditures of a grant from the U.S. Department of Justice.
Police Reserves	Accounts for donations to the Broken Arrow Police Officers Reserves.
Police Enhancement	Accounts for monies limited in use for police department education and drug prevention activities.
Sales Tax Capital Improvement	Accounts for the revenues generated by a 0.5% sales tax to be used strictly for capital improvements. This fund is the primary funding source for capital outlay expenditures of General Fund departments.
Housing and Urban Development	Accounts for revenue and expenditures of Community Development Block Grants and the Home program.
Street and Alley	Accounts for commercial vehicle tax and gasoline excise tax legally restricted for street and alley repairs and maintenance.
E-911 Escrow	Accounts for the City's share of E-911 customer assessment that is legally restricted for public safety.
Excess Capacity Sewer Escrow	Accounts for acreage fees limited in use to expenditures for excess capacity sewer lines.
Convention & Visitors Bureau	Accounts for a 4% tax to be used in economic development and promotion of tourism.
Stormwater Capital	Accounts for funds received in lieu of building a detention facility to be used for future or ongoing stormwater improvement and regional detention projects.
Alcohol Enforcement	Accounts for funds received limited in use for juvenile education and enforcement related to alcohol.
Street Light Fee	Accounts for funds received limited in use for operating, maintaining and construction of the street light program.

Debt service fund

The Debt Service Fund is used to account for ad-valorem taxes levied by the City for use in retiring general obligation bonds, court-assessed judgments, and their related interest expense and fiscal agent fees.

Capital project funds

Capital project funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes the following capital project funds:

Fund	Brief Description
1994 General Obligation Bonds	Accounts for bond proceeds to be used for industrial development purposes within the City.
2004 General Obligation Bonds	Accounts for bond proceeds to be used for street, public safety, park and recreation improvements and public buildings.
2008 General Obligation Bonds	Accounts for bond proceeds to be used for street, public safety, park and recreation and stormwater improvements.
2011 General Obligation Bonds	Accounts for bond proceeds to be used for street, public safety, park and recreation and stormwater improvements.

Proprietary funds

Proprietary funds include both enterprise funds and internal service funds. Enterprise funds are used to account for business-like activities provided to the general public. Internal service funds are used to account for business-like activities provided and charged to other funds or entities within the reporting entity. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Nonoperating revenues of the proprietary funds include such items as investment earnings, interest expense and subsidies. The reporting entity includes the following enterprise funds and internal service funds:

Enterprise funds

Fund	Brief Description
Broken Arrow Municipal Authority	Accounts for activities of the public trust in providing water, wastewater and solid waste services to the public.
Broken Arrow Economic Development Authority	Accounts for revenue and expenses of the public trust used to promote economic development.
Battle Creek Golf Course	Accounts for recreational activities of the municipal golf course.

Internal service funds

Fund	Brief Description
Workers Compensation	Accounts for charges to the operating funds of the City used to pay workers' compensation claims.
Group Health and Life	Accounts for charges to the operating funds of the City used to pay the expenses of the City's shared risk group health and life insurance plans.

Component units

Discretely presented component units are separate legal entities whose governing body (in majority) is appointed by the Mayor or City Council, but whose governing body is not substantially the same as the City Council nor an entity established to provide services primarily to the City. Since these component units are not as closely associated with the City as are the blended component units, they are reported in a discretely presented column on the combined financial statements labeled Component Units. The reporting entity includes the following discretely presented component units:

Component Unit	Brief Description
Broken Arrow Home Finance Authority	Accounts for revenue and expenses of the public trust used to assist in providing single family, owner occupied residential housing facilities.
Broken Arrow Hospital Authority	Accounts for revenue and expenses of the public trust used in establishing and developing healthcare facilities.

Measurement focus and basis of accounting

Measurement focus is a term used to describe how transactions are recorded within the financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Measurement focus:

Government-wide, proprietary and fiduciary fund financial statements

In the government-wide statement of net assets and statement of activities, and the proprietary and fiduciary fund statements the *economic resources* measurement focus is applied. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported.

Governmental fund financial statements

In the governmental fund financial statements, a *current financial resources* measurement focus is applied. Under this focus, only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of accounting:

Government-wide, proprietary and fiduciary fund financial statements

In the government-wide statement of net assets and statement of activities, and the proprietary fund financial statements the accrual basis of accounting is applied. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements

In the governmental fund financial statements, the modified accrual basis of accounting is applied. Under this modified accrual basis of accounting, revenues are recognized when *measurable and available*. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City has defined "available" as collected within 60 days after year end. Sales and use taxes, franchise taxes, hotel/motel taxes, court fines and interest are considered susceptible to accrual. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general long-term debt principal and interest, claims and judgments, and accrued compensated absences, which are recorded as expenditures to the extent they have matured. Proceeds of general long-term debt and capital leases are reported as other financial sources.

Assets, liabilities and net assets

Cash and cash equivalents

Cash and cash equivalents include all demand and savings accounts and certificates of deposits or short-term investments with an original maturity of three months or less. Investments in open-ended, mutual-fund money-market accounts are also considered cash equivalents and reported at the funds current share price.

Investments

Investments consist of certificates of deposit whose original maturing term exceeds three months and U.S. government securities. Investment in long-term U.S. government securities are carried at fair value from quoted market prices. All other investments are carried at cost or amortized cost.

Receivables

Material receivables in governmental funds and governmental activities include revenue accruals such as sales tax, franchise tax and grants and other similar intergovernmental revenues, since they are usually both measurable and available. Nonexchange transactions collectible, but not available, are deferred in accordance with GASB 33. Interest and investment earnings are recorded when earned, only if paid within 60 days, since they would be considered both measurable and available at the fund level.

Proprietary type funds, business-type activities and similar component unit's material receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable and interest earnings comprise the majority of proprietary fund receivables. Component unit material receivables consist of notes receivable of the Broken Arrow Economic Development Authority from industrial occupants used entirely as security for retirement of the Authority's long-term debt.

Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

The City has chosen to record consumable materials and supplies as an asset when purchased and expended as consumed. Such inventory is valued at cost.

Capital assets and depreciation

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In government-wide and proprietary fund financial statements, property, plant and equipment are accounted for as capital assets. The City's capitalization threshold is $5,000 for all capital assets with the exception of the Battle Creek Golf Course which has a threshold of $2,500. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. General infrastructure assets (such as roads, bridges, and traffic systems) acquired prior to July 1, 2002, are reported at estimated historical cost using deflated replacement costs. The cost of normal maintenance and repairs to these assets that do not add materially to the value of the asset or materially extend the assets' useful lives are not capitalized. Interest costs, net of interest earned on any invested capital debt proceeds, are capitalized when incurred by proprietary funds.

Depreciation of all exhaustible capital assets is recorded as an operating expense in proprietary fund financial statements and an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25 – 50 years
Other improvements	10 – 50 years
Infrastructure	25 – 50 years
Machinery and equipment	3 – 20 years

In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures.

Restricted assets

Restricted assets include cash and investments of enterprise funds and business-type activities that are legally restricted as to their use. The primary restricted assets are related to utility customer deposits and revenue bond and OWRB trustee accounts.

Long-term debt

Accounting treatment of long-term debt varies depending upon the source of repayment and the measurement focus applied, and whether the debt is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental activities, business-type activities, proprietary fund and component unit resources are reported as liabilities as incurred. The long-term debt consists primarily of accrued compensated absences, judgments payable, arbitrage rebate liability, liability for claims, general obligation bonds payable, notes payable, capital lease obligations payable, revenue notes payable and revenue bonds payable. This long-term debt is reported net of unamortized premiums, discounts, and amounts deferred from refundings.

Long-term debt of governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

Compensated absences

The City's policies regarding vacation and compensatory time permit employees to accumulate varying amounts as determined by management and contracts with employee groups. Sick leave does not vest to the employee.

The estimated liabilities for vested benefits also include salary-related payments such as employment taxes. Compensated absences are reported as accrued in the government-wide, proprietary, fiduciary and component unit financial statements. Governmental funds report only the matured compensated absences payable to currently terminating employees.

Equity classifications:

Government-wide and proprietary fund financial statements

Equity is classified as net assets and displayed in three components:

a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

b. Restricted net assets – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Governmental fund financial statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as defined in Governmental Accounting Board Standard Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* These classifications are:

1. Nonspendable – amounts not in spendable form, such as inventory or legally or contractually required to be maintained intact.
2. Restricted – amounts constrained to be being used for a specific purpose by either external parties, constitutional provisions or enabling legislation.
3. Committed – amounts with constraint on use imposed by the government itself, using its highest level of decision making authority that can be removed or changed only by taking the same action.
4. Assigned – amounts intended to be used for specific purposes as expressed by the governing body or official authorized by the governing body.
5. Unassigned – amounts available for any purpose.

Internal and interfund balances and activities

In the process of aggregating the financial information for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Government-wide financial statements:

1. Interfund balances – amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities, which are reported as internal balances.

2. Internal activities – amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities, which are reported as transfers – internal activities. The effects of interfund services between funds are not eliminated in the statement of activities.

3. Primary government and component unit activity and balances – resource flows between the primary government, the City and BAMA, are reported as if they were external transactions.

Fund financial statements

Interfund activity, if any, within and among the governmental, proprietary fund and fiduciary categories is reported as follows in the fund financial statements:

1. Interfund loans – amounts provided with a requirement for repayment are reported as interfund receivables and payables.

2. Interfund services – sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.

3. Interfund reimbursements – repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.

4. Interfund transfers – flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Revenues, expenditures and expenses

Sales tax

The City presently levies a three-cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The sales tax recorded is allocated 50% for General Fund operations, 33% for the Broken Arrow Municipal Authority and 17% for capital improvements. Sales tax resulting from sales occurring prior to year end and received by the City after year end have been accrued and are included under the caption *due from other governments*, since they represent taxes on sales occurring during the reporting period.

Property tax

Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments. At the present time, the City levies a property tax to fund the annual debt service requirements of the general obligation bonds and court-assessed judgments.

The property tax levy, as determined by the City's debt service needs, is submitted to the County Excise Board for approval. County assessors, elected officials, determine the taxable value of real estate and personal property in the County. A State Board of Equalization hears complaints on real estate values with the power to equalize assessments. Under present State law, the ratio of assessed value to true value cannot be less than 11% or more than 13.5%.

Property taxes levied by the City are billed and collected by the County Treasurer's Office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October. For the year ended June 30, 2012, the City's net assessed valuation of taxable property was $710,366,678. The taxes levied by the City per $1,000 of net assessed valuation for the year ended June 30, 2012, was $17.13.

Program revenues

In the statement of activities, revenues are derived directly from each activity or from parties outside the City's taxpayers and are reported as program revenues. The City has the following program revenues in each activity:

1. General government – Cemetery fees, licenses and permits, planning and zoning fees; operating and capital grants and contributions include U.S. Department of Housing and Urban Development and U.S. Department of Energy.

2. Public safety – Ambulance revenue, court fines and administrative fees; operating and capital grants and contributions include U.S. Department of Justice, Federal Emergency Management Agency and miscellaneous donations.

3. Public services – Operating and capital grants and contributions include Federal Emergency Management Agency, U.S. Department of Housing and Urban Development, motor fuel and commercial vehicle intergovernmental revenues.

4. Culture and recreation – Park and recreation fees, swimming pool fees, rents and royalties; operating and capital grants and contributions include Oklahoma Arts Council and miscellaneous donations.

Expenditures and expenses

In the government-wide statement of activities, expenses, including depreciation of capital assets, are reported by function or activity. In the governmental fund financial statements, expenditures are reported by class as current (further reported by function), capital outlay and debt service. In proprietary fund financial statements, expenses are reported by object or activity. Fiduciary funds report additions and deductions to net assets.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Note 2 – Stewardship, Compliance and Accountability

By its nature as a local government unit, the City and its component units are subject to various federal, state and local laws and contractual regulations.

Deposits and investments laws and regulations

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

Investments of the City (excluding Public Trusts) are limited by State law to the following:

1. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.

2. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

3. With certain limitation, negotiable certificates of deposit, prime banker's acceptances, prime commercial paper and repurchase agreements with certain limitations.

4. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.

5. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.

6. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs 1, 2, 3, and 4.

Public trusts created under O.S. Title 60, are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indenture.

Debt restrictions and covenants

Other long-term debt

As required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. During 2012, the City issued General Obligation Bonds Series 2011A in the amount of $5,000,000 and Series 2011B in the amount of $11,450,000 which were approved in 2008 and 2011, respectively.

Revenue bond and promissory note debt

The various bond and note indentures relating to the revenue bond and promissory note issuances of the Broken Arrow Municipal Authority contain a number of restrictions or covenants that are financial in nature, including a required flow of funds through special accounts, a debt service coverage requirement and required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authorities' level of compliance thereon as of June 30, 2012.

Requirement	Level of Compliance
a. Flow of Funds:	
OWRB Loans: • Utility Revenue Fund • Sales Tax Fund • Operation and Maintenance Fund • Bond Fund (interest, principal and reserve accounts)	All funds, except for a separate Utility Revenue Fund have been established. Utility revenue is deposited directly into O & M Fund. Method of actual transfers of funds is not made specifically in accordance with bond covenants; however, the end result of the flow of funds is being accomplished.
b. Reserve Account Requirement:	
OWRB Loans: • Account balance on the 2005 and 2012 OWRB notes payable should equal $1,305,500 and $2,435,677 respectively.	Account balances at June 30, 2012 for the 2005 and 2012 OWRB notes payable, are $1,305,500 and $2,435,739 respectively.
c. Revenue Bond Coverage:	
OWRB Loans: • Net revenues of the Authority of at least 125% of maximum annual debt service of all obligations on a parity with the OWRB 1997 A & C, 1999B, 2001, 2004, 2005, 2007, 2009, 2011 and 2012 notes.	Maximum annual debt service on all parity debt is $5,218,495. Coverage is 332%.

Fund equity/net asset restrictions

Fund equity deficit

Title 11, section 17-211 of the Oklahoma statutes prohibits the creation of a deficit fund balance in any individual fund of the City (excluding public trusts). The City had no fund balance deficits at June 30, 2012.

Budgetary compliance

The City prepares its annual operating budget under the provisions of the Municipal Budget Act (the Budget Act). In accordance with those provisions, the following process is used to adopt the annual budget.

a. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.

b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.

c. Subsequent to the public hearings, but no later than seven days prior to July 1, the budget is adopted by resolution of the City Council.

d. By July 1, the adopted budget is filed with the Office of State Auditor and Inspector.

All funds of the City with revenues and expenditures are required to have annual budgets. The legal level of control at which expenditures may not legally exceed appropriations is the departmental level.

All transfers of appropriations between departments and supplemental appropriations require City Council approval. The City Manager may transfer appropriations within a department without City Council approval. Budget supplements must also be filed with the Office of State Auditor and Inspector.

In accordance with Title 60 of the Oklahoma State Statutes, all of the City's Title 60 Public Trusts (accounted for as enterprise funds and similar component units) are 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.

For the year ended June 30, 2012, the City complied in all material respects with the applicable budget laws relating to expenditures and appropriations at the legal level of control.

Workers compensation and Group Health and Life, internal service funds, have net deficits of $1,120,814 and $63,203 primarily due to actuarial determined unfunded liabilities. It is the City's intent to fund the liabilities as soon as economically feasible.

Note 3 – Detail Notes on Transaction Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for the City's various assets, liabilities, equity, revenues and expenditures/expenses.

Investments

As of June 30, 2012, the City had the following investments:

Investment	Maturities	Fair Value
Certificates of deposit	6 to 12 months	$ 6,576,823
U.S. Government securities		5,000,000
Judgments		2,406,075
Total		$13,982,898

The City's policies and applicable laws regarding investments are discussed in Notes 1 and 2.

Interest rate risk. The City's investment policy allows the City to invest in any securities authorized by the State of Oklahoma Statutes, Title 62, Section 348.1-348.3. The City attempts to match investment maturities with expected cash flow requirements and will generally invest in securities with maturities of three years or less.

Credit risk. In accordance with state statute, the City is required to collateralize uninsured deposits with financial institutions with a minimum security pledge of 110% of acceptable securities. Certificates of deposit above include no undercollateralized investments.

Concentration of credit risk. The City's investment policy restricts a single issuer to hold no more than 50% of the City's total investments.

Interest rate swap agreement

In May 2004, the City entered into a twenty year interest rate swap agreement as a cash flow hedge for $15,035,000 of its variable rate portion of the May, 2004 Construction and Term Loan, effective November 1, 2005. The City owes interest on this portion of the loan at a variable rate of LIBOR plus 100 basis points. The counterparty to the swap agreement owes the City interest if the LIBOR rate exceeds 6.2975%. The counterparty has not made any payments to the City since the LIBOR rate has not yet exceeded 6.2975%. The objective of the hedge is to cap the interest rate paid at 6.2975% plus 100 basis points (7.2975%). The City has achieved that objective and is reporting the derivative under hedge accounting standards according to GASB 53, *Accounting and Financial Reporting for Derivative Instruments*.

The rate swap terminates on November 1, 2025. Bank of America (credit rating A-) is the counterparty and the notional amount of the hedging derivative at June 30, 2012 is $12,680,000. During fiscal 2012, the fair value of the derivative declined by $919,528, resulting in a liability of $4,144,654 at June 30, 2012. The liability is valued at estimated fair market value using a proprietary pricing service.

The expected future net cash flows of the hedging derivative, based on current interest rates, are as follows:

Year Ending June 30 ,	Assumed Interest Rate	Hedging Derivative Cash Flow
2013	< 6.2975%	$ (718,700)
2014	< 6.2975%	(680,900)
2015	< 6.2975%	(639,200)
2016	< 6.2975%	(594,800)
2017	< 6.2975%	(547,600)
2018-2022	< 6.2975%	(2,010,500)
2023-2026	< 6.2975%	(513,156)
Total		$ (5,704,856)

Accounts receivable

Other receivables of the governmental activities include customers' ambulance services provided, court receivables and other receivables, reported net of allowance for uncollectible amounts. Accounts receivable of the business-type activities includes customers' utilities services provided, both billed and unbilled, and other receivables, reported net of allowance for uncollectible amounts.

	Governmental Activities	Business-type Activities
Accounts receivable	$ -	$ 7,563,273
Accounts receivable ambulance	4,185,899	
Accounts receivable court	822,015	
Other	1,015,260	
Allowance for uncollectible accounts	(4,182,025)	(1,399,692)
Accounts receivable, net of allowance for uncollectible accounts	$ 1,841,149	$ 6,163,581

Note receivable

The note receivable reported by the Broken Arrow Economic Development Authority totaling $8,000,000 consists of one note with Blue Bell Creameries, Inc. The note was funded through industrial development and revenue notes and bonds for the expansion and construction of facilities and/or the purchase of equipment. The Authority entered into note purchase agreements on each project with the borrower.

Restricted assets

The amounts reported as restricted assets of the enterprise funds on the proprietary funds statement of net assets are comprised of cash and investments held by the trustee bank on behalf of the various public trusts (authorities) related to their required revenue bond and note accounts as described in Note 2. The restricted assets as of June 30, 2012, were as follows:

Type of Restricted Assets	Current Cash and Cash Equivalents	Noncurrent Cash and Cash Equivalents	Accrued Interest	Total
BAMA				
Revenue bond and note trustee accounts	$29,714,729	$ 3,741,239	$ 330	$ 33,456,298
Meter deposits	169,300	677,200	-	846,500
Total BAMA	$29,884,029	$ 4,418,439	$ 330	$34,302,798
BAEDA				
Revenue bond and note trustee accounts	$ -	$ 150,252	$ -	$ 150,252
Total BAEDA	$ -	$ 150,252	$ -	$ 150,252

Capital assets

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

	Balance at June 30, 2011	Additions	Deductions	Balance at June 30, 2012
Governmental activities:				
Nondepreciable:				
Land	$ 19,203,591	$ 3,504,547	$ -	$ 22,708,138
Land under capital lease obligation	2,037,500	-	-	2,037,500
Construction-in-progress	10,858,352	12,159,712	(12,125,414)	10,892,650
Total nondepreciable assets at historical cost	32,099,443	15,664,259	(12,125,414)	35,638,288
Depreciable:				
Buildings	48,341,942	3,346,992	(192,349)	51,496,585
Improvements	24,455,433	605,489	(2,990)	25,057,932
Machinery and equipment	30,005,723	2,797,303	(1,097,699)	31,705,327
Infrastructure	194,320,621	13,267,013	-	207,587,634
Total depreciable assets at historical cost	297,123,719	20,016,797	(1,293,038)	315,847,478
Less accumulated depreciation:				
Buildings	(7,294,914)	(1,071,685)	81,605	(8,284,994)
Improvements	(6,328,491)	(834,502)	2,990	(7,160,003)
Machinery and equipment	(15,920,482)	(2,040,120)	1,083,758	(16,876,844)
Infrastructure	(62,675,469)	(3,816,282)	-	(66,491,751)
Total accumulated depreciation	(92,219,356)	(7,762,589)	1,168,353	(98,813,592)
Net depreciable assets	204,904,363	12,254,208	(124,685)	217,033,886
Governmental activities capital assets, net	$ 237,003,806	$ 27,918,466	$ (12,250,099)	$ 252,672,174

	Balance at June 30, 2011	Additions	Deductions	Balance at June 30, 2012
Business-type activities:				
Nondepreciable:				
Land	$ 3,891,999	$ 22,277	$ -	$ 3,914,276
Construction-in-progress	5,938,321	12,872,759	(316,091)	18,494,989
Total nondepreciable assets at historical cost	9,830,320	12,895,036	(316,091)	22,409,265
Depreciable:				
Buildings	11,480,546	-	-	11,480,546
Improvements	177,549,731	1,049,349	-	178,599,080
Machinery and equipment	12,786,127	1,175,994	(617,188)	13,344,933
Infrastructure – drainage	31,079,876	474,942	-	31,554,818
Total depreciable assets at historical cost	232,896,280	2,700,285	(617,188)	234,979,377
Less accumulated depreciation:				
Buildings	(7,485,384)	(314,752)	-	(7,800,136)
Improvements	(102,104,917)	(4,152,510)	-	(106,257,427)
Machinery and equipment	(8,662,006)	(782,150)	611,868	(8,832,288)
Infrastructure – drainage	(9,406,440)	(1,163,070)	-	(10,569,510)
Total accumulated depreciation	(127,658,747)	(6,412,482)	611,868	(133,459,361)
Net depreciable assets	105,237,533	(3,712,197)	(5,320)	101,520,016
Business-type capital assets, net	$ 115,067,853	$ 9,182,839	$ (321,411)	$ 123,929,281

Depreciation expense was charged to functions in the statement of activities as follows:

Depreciation expense charged to governmental activities:	
General government	$ 1,224,666
Public safety	1,241,324
Public services	4,143,834
Culture and recreation	1,152,765
Total government activities depreciation expense	$ 7,762,589
Depreciation expense charged to business-type activities:	
Water	$ 2,167,491
Sewer	2,456,872
Sanitation	248,227
Stormwater management	1,339,884
Golf	200,008
Total business-type activities depreciation expense	$ 6,412,482

Investment in joint venture

As discussed in Note 1, the City participates (with equity interest) in the general operations portion of the Regional Metropolitan Utility Authority (RMUA). The City of Broken Arrow and the City of Tulsa each maintain approximately 50% equity interest in the Haikey Creek portion of the RMUA. The City of Broken Arrow makes annual capital contributions to the joint venture in addition to making payments to

RMUA for wastewater treatment services. For the year ended June 30, 2012, the "investment in joint venture" balance changed as follows:

Beginning investment in joint venture	$11,698,382
Current year contributions	417,545
Loss from joint venture	(174,778)
Ending investment in joint venture	$11,941,149

Long-term debt

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental funds (governmental activities long-term debt) and amount to be repaid from proprietary funds (business-type activities debt).

Governmental activities long-term debt

As of June 30, 2012, the governmental activities long-term debt consisted of the following:

$10,000,000 General Obligation Bonds of 1998, due in annual installments of $750,000, final installment of $1,000,000 due July 1, 2012, with interest rates of 4.0%	$ 1,000,000
$4,500,000 General Obligation Refunding Bonds of 2000, due in annual installments of $400,000, final installment of $500,000 due July 1, 2012, with interest rates of 5.15% to 6.75%	500,000
$6,800,000 General Obligation Bonds Series 2001A, due in annual installments of $520,000, final installment of $560,000 due July 1, 2015, with interest rates at 3.9% to 6.75%	2,120,000
$9,500,000 General Obligation Bonds Series 2001B, due in annual installments of $675,000, final installment of $725,000 due August 1, 2016, with interest rates at 3.75% to 5.0%	3,425,000
$4,075,000 General Obligation Bonds of 2002, due in annual installments of $290,000, final installment of $305,000 due August 1, 2017, with interest rates at 2.75% to 5.75%	1,755,000
$7,725,000 General Obligation Bonds of 2003, due in annual installments of $550,000, final installment of $575,000 due August 1, 2018, with interest rates at 3.0% to 4.0%	3,875,000
$10,070,000 General Obligation Bonds of 2004, due in annual installments of $715,000, final installment of $775,000 due August 1, 2019, with interest rates at 3.0% to 5.25%	5,780,000
$8,600,000 General Obligation Bonds of 2005, due in annual installments of $610,000, final installment of $670,000 due December 1, 2020, with interest rates at 3.625% to 6.125%	5,550,000
$12,000,000 General Obligation Bonds of 2006, due in annual installments of $850,000, final installment of $950,000 due August 1, 2021, with interest rates at 4.25% to 4.50%	8,600,000
$10,685,000 General Obligation Bonds of 2008, due in annual installments of $760,000, final installment of $805,000 due April 1, 2023, with interest rates at 3.50% to 5.0%	8,405,000
$11,400,000 General Obligation Bonds Series 2009B, due in annual installments of $810,000, final installment of $870,000 due March 1, 2024, with interest rates at 2.50% to 4.65%	9,780,000
$3,225,000 General Obligation Bonds Series 2009C, due in annual installments of $230,000, final installment of $235,000 due December 1, 2024, with interest rates at 2.25% to 3.75%	2,995,000

$6,400,000 General Obligation Bonds Series 2009D, due in annual installments of $455,000, final installment of $485,000 due December 1, 2024, with interest rates at 2.25% to 3.75%	5,945,000
$1,940,000 General Obligation Bonds Series 2010A, due in annual installments of $215,000, final installment of $220,000 due August 1, 2020, with interest rates at 1.35% to 4.00%	1,940,000
$10,575,000 General Obligation Bonds Series 2010B, due in annual installments of $555,000, final installment of $585,000 due August 1, 2030, with interest rates at 2.00% to 4.00%	10,575,000
$5,000,000 General Obligation Bonds Series 2011A, due in annual installments of $260,000, final installment of $320,000 due August 1, 2031, with interest rates at 2.00% to 4.125%	5,000,000
$11,400,000 General Obligation Bonds Series 2011B, due in annual installments of $600,000, final installment of $650,000 due August 1, 2031, with interest rates at 2.00% to 4.125	11,450,000
Total general obligation bonds	88,695,000
Unamortized premium on bonds	119,579
Total general obligations bonds	$ 88,814,579
Current portion	$ 8,774,319
Noncurrent portion	80,040,260
Total general obligations bonds	$ 88,814,579

Notes payable

$20,300,000 Construction and Term Loan dated May 10, 2004, assumed by the City on May 19, 2004. Converted to term loan effective November 1, 2005, due in semi-annual installments ranging from $15,000 to $925,000, final installment due November 1, 2025, with interest at the six-month LIBOR rate plus 1.0% (1.40025% at June 30, 2011), secured by real and personal property, assignment of rents and leases and a Sales Tax Pledge agreement of sales tax levied by City Ordinance No. 432 in the amount of $2,750,000 annually	$ 16,253,037
$2,500,000 Sales Tax Revenue Note of 2008, due in semi-annual installments ranging from $75,000 to $380,000, final installment due December 1, 2014, with interest rate at 4.15%	1,820,000
Total notes payable	$ 18,073,037
Current portion	$ 1,475,000
Noncurrent portion	16,598,037
Total notes payable	$ 18,073,037

Accrued compensated absences

Accrued compensated absences reported in the governmental activities are comprised of accrued vacation leave and compensatory time	
Current portion	$ 1,406,492
Noncurrent portion	703,246
Total accrued compensated absences	$ 2,109,738

Judgments payable

$4,250 judgment in favor of Hershel Harper Family Trust, held by sinking fund, final maturity July 2012, with interest at 5.25%	$1,417
$101,000 judgment in favor of Kyle and Rebecca Hunt Revocable Trust, held by sinking fund, final maturity December 2012, with interest at 5.25%	33,667
$8,192 judgment in favor of Charles, Ophie and William Eitel, deceased, et al., held by sinking fund, final maturity January 2013, with interest at 5.25%	2,730
$101,000 judgment in favor of Ray Wilburn, held by sinking fund, final maturity July 2012, with interest at 5.25%	33,667
$20,000 judgment in favor of Jack Kelso and Patsy Joyce Parrott, held by sinking fund, final maturity September 2012, with interest at 5.25%	6,667
$46,827 judgment in favor of Helen Blankenship, Trustee of the Helen Blankenship Living Trust, held by sinking fund, final maturity July 2013, with interest at 5.25%	31,218
$146,600 judgment in favor of Quapaw Investments LLC and Dunham Two LLC,Troy Cosper, held by sinking fund, final maturity February 2014, with interest at 5.25%	97,733
$117,000 judgment in favor of David A. Center and Lorri S. Center,, held by sinking fund, final maturity February 2014, with interest at 5.25%	78,000
$120,000 judgment in favor of Kenco Properties, LLC, held by sinking fund, final maturity March 2014, with interest at 5.25%	80,000
$23,250 judgment in favor of Terry L. Minnick and Susan M. Minnick, held by sinking fund, final maturity September 2013, with interest at 5.25%	15,500
$215,000 judgment in favor of Frank Johnson and Shira Johnson, held by sinking fund, final maturity June 2014, with interest at 5.25%	143,333
$65,000 judgment in favor of Stephanie Morgan, held by sinking fund, final maturity April 2014, with interest at 5.25%	43,333
$23,000 judgment in favor of Stephen Stiger Cough, Ernest Allen Couch, et al., held by sinking fund, final maturity November 2013, with interest at 5.25%	7,667
$23,042 judgment in favor of Frances Marie Couch Revocable Trust, held by sinking fund, final maturity November 2012, with interest at 5.25%	7,681
$21,000 judgment in favor of The Brandy LLC, held by sinking fund, final maturity September 2013, with interest at 5.25%	14,000
$75,000 judgment in favor of Okon C. Udoumoh, held by sinking fund, final maturity August 2013 with interest at 5.25%	50,000
$8,500 judgment in favor of United Markets, Inc., held by sinking fund, final maturity March 2013 with interest at 5.25%	5,666
$44,083 judgment in favor of Margaret Couch, held by BAMA fund, final maturity December 2012, with interest at 5.25%	29,389
$4,407 judgment in favor of Wachovia Bank, held by sinking fund, final maturity June 2015, with interest at 5.25%	4,407
$20,000 judgment in favor of David Geiger, held by sinking fund, final maturity February 2015, with interest at 5.25%	20,000

$1,700,000 judgment in favor of Roland Investments LTD, held by sinking fund, final maturity and interest to be determined	1,700,000
Total judgments payable	$ 2,406,075
Current portion	$ 395,717
Noncurrent portion	2,010,358
Total judgments payable	$ 2,406,075
Self-insurance claims payable	
Actuarial determined automotive and general insurance liabilities, funded by General Fund resources, reported in the governmental activities at June 30, 2012	
Current portion	$ 390,000
Noncurrent portion	442,000
Total automotive and general insurance liabilities	$ 832,000
Other claims payable	
Actuarial determined workers compensation claims payable, funded by General Fund resources, reported in the governmental activities at June 30, 2012	
Current portion	$ 1,016,000
Noncurrent portion	1,059,000
Total claims payable	$ 2,075,000
Other post employment benefit obligation	
Current portion	$ -
Noncurrent portion	743,894
Total other post employment benefit obligation	$ 743,894
Arbitrage rebate	
Current portion	$ -
Noncurrent portion	19,125
Total arbitrage rebate	$ 19,125

Business-type activities long-term debt

The Broken Arrow Municipal Authority's notes payable to the Oklahoma Water Resources Board are secured by utility revenues and pledged sales tax. The notes are subject to maximum annual debt service requirement coverage of at least 125%. Coverage at June 30, 2012, was 332%.

As of June 30, 2012, the long-term debt payable from enterprise fund resources consisted of the following:

Notes payable	
1997A SRF Promissory Note payable to Oklahoma Water Resources Board, original amount of $1,079,559, dated October 1997, by Broken Arrow Municipal Authority, secured by utility revenues and pledged sales tax, interest rate at 0.5%, final maturity February 2017	$ 276,810

1997C SRF Promissory Note payable to Oklahoma Water Resources Board, original amount of $1,570,000, dated December 1997, by Broken Arrow Municipal Authority, secured by utility revenues and pledged sales tax, interest rate at 0.5%, final maturity August 2017	431,750
1999B SRF Promissory Note payable to Oklahoma Water Resources Board, original amount of $1,110,359, dated June 1999, by Broken Arrow Municipal Authority, secured by utility revenues and pledged sales tax, interest rate at 0.5%, final maturity February 2018	350,640
2001 Clean Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount of $371,954, dated December 2001, by Broken Arrow Municipal Authority, secured by utility revenues and pledged sales tax, interest rate at 0.5%, final maturity February 2021	171,671
2004 Drinking Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount of $11,500,000, dated August 2004, by Broken Arrow Municipal Authority, secured by utility revenues and pledged sales tax, interest rate at 3.5%, final maturity September 2025	7,630,026
2005 Sales Tax Revenue Note payable to Oklahoma Water Resources Board, original amount of $13,055,000, dated May 2005, by Broken Arrow Municipal Authority, secured by utility revenues and pledged sales tax, interest rate at 2.795% to 4.245%, final maturity September 2015	5,635,000
2007 SRF Promissory Note payable to Oklahoma Water Resources Board, original amount $15,000,000 dated June 1, 2008, by Broken Arrow Municipal Authority, providing for expansion of the Lynn Lane Wastewater Treatment Plant, secured by pledged sales tax, interest rate at 3.10%, final maturity March 2024	11,416,694
2009 Drinking Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount $4,000,000 dated December 29, 2009, by Broken Arrow Municipal Authority, providing for engineering and design of the Water Treatment Plant, secured by pledged sales tax, interest rate at 3.11%, final maturity March 2031	3,742,945
2011 Clean Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount $4,680,000 dated July 20, 2011, by Broken Arrow Municipal Authority, providing for construction of a lift station and sanitary sewer lines, secured by pledged sales tax, interest rate at2.85%, final maturity March 2029	1,706,486
2011 Drinking Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount $4,000,000 dated December 29, 2009, by Broken Arrow Municipal Authority, providing for engineering and design of the Water Treatment Plant, secured by pledged sales tax, interest rate at 2.94%, final maturity March 2034	29,755,000
Total notes payable	61,117,022
Unamortized bond discounts	(27,422)
Unamortized deferred loss on early retirement of debt	(78,281)
Total notes payable	$ 61,011,319
Current portion	$ 2,864,896
Noncurrent portion	58,146,423
Total notes payable	$ 61,011,319

Capital lease obligation

Capital lease obligation for land payable in quarterly installments of $63,750 plus interest at 3.0%. final payment due October 2018	1,591,250
Total capital lease obligation	$ 1,591,250
Current portion	$ 255,000
Noncurrent portion	1,336,250
Total capital lease obligation	$ 1,591,250

Accrued compensated absences

Accrued compensated absences reported in the business-type activities are comprised of accrued vacation leave and compensatory time.

Current portion	$ 317,540
Noncurrent portion	158,746
Total accrued compensated absences	$ 476,286

Customer meter deposit reserves

Current portion	$ 169,300
Noncurrent portion	677,200
Total customer meter deposit reserves	$ 846,500

Broken Arrow Economic Development Authority (BAEDA)

The Authority has one industrial revenue bond issue outstanding at June 30, 2012. This issue is for the promotion of economic development. The bonds pay interest quarterly at various rates, are secured by a mortgage and mature April 1, 2019. At June 30, 2012, the total amount of outstanding industrial revenue bonds is $8,000,000.

The Authority's liability on the long-term debt is limited to the Authority's ability to collect on the corresponding note receivable taken when the pass-through funds are loaned.

The Authority entered into a Credit Agreement dated November 15, 2010 for the purpose of promoting economic development. The Agreement allows for total borrowing up to $9,715,000 and is secured by the annual encumbering, subject to the constraints of Article X, Sections 14(A) and 26 of the Constitution of the State Oklahoma, of one-eighth (1/8) of one cent of the City's general sales tax revenues and to the funds in the BAEDA 2010 Reserve Account. The Authority had withdrawn $6,384,800 as of June 30, 2012. The note calls for semi-annual principal payments ranging from $175,000 to $410,000 commencing October 1, 2013 together with interest based on the 6 month LIBOR rate plus 2%.

Changes in long-term debt

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

Type of Debt	Balance, June 30, 2011	Additions	Deductions	Balance, June 30, 2012	Amounts Due Within a Year
Governmental activities:					
General obligation bonds	$ 80,449,568	$ 16,489,168	$ 8,124,157	$ 88,814,579	$ 8,744,319
Notes payable	19,233,037	-	1,160,000	18,073,037	1,475,000
Accrued compensated absences	1,990,402	119,336	-	2,109,738	1,406,492
Judgments payable	2,938,168	24,407	556,500	2,406,075	395,717
Claims payable	3,127,000	74,000	294,000	2,907,000	1,406,000
Other post employment benefit obligation	538,831	205,063	-	743,894	-
Arbitrage rebate	19,125	-	-	19,125	-
Total governmental activities	$ 108,296,131	$16,911,974	$10,134,657	$115,073,448	$ 13,427,528
Business-type activities:					
Notes payable	$ 38,775,706	$31,961,487	$ 3,341,074	$ 67,396,119	$ 2,864,896
Accrued compensated absences	425,365	50,921	-	476,286	317,540
Customer meter deposit reserves	854,170	-	7,670	846,500	169,300
Capital lease obligation	1,846,250	-	255,000	1,591,250	255,000
Revenue bonds payable	8,000,000	-	-	8,000,000	-
Total business-type activities	$ 49,901,491	$ 32,012,408	$ 3,603,744	$ 78,310,155	$ 3,606,736

Annual debt service requirements – primary government

The annual debt service requirements to maturity, including principal and interest, for long-term debt, excluding accrued compensated absences, claims payable and customer meter deposit reserves, of the primary government as of June 30, 2012, are as follows:

	Governmental Activities					
Year ending	General Obligation Bonds		Notes Payable		Judgments Payable	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 8,744,319	$ 2,285,236	$ 1,475,000	$ 1,238,297	$ 395,717	$ 126,319
2014	8,104,308	2,212,809	1,575,000	1,150,519	868,889	105,544
2015	8,104,308	1,954,221	1,275,000	1,059,092	574,802	59,927
2016	8,144,315	1,684,763	955,000	986,114	566,667	29,750
2017	7,634,321	1,428,082	1,015,000	915,328	-	-
2018-2022	29,741,986	3,947,332	6,260,000	3,333,329	-	-
2023-2027	11,671,662	905,028	5,518,037	804,301	-	-
2028-2032	6,669,360	163,517	-	-	-	-
Total	$ 88,814,579	$ 14,580,988	$ 18,073,037	$ 9,486,980	$2,406,075	$ 321,540

Year ending June 30,	Business-Type Activities			
	Note Payable		Capital Lease Obligation	
	Principal	Interest	Principal	Interest
2013	$ 2,864,987	$ 1,990,693	$ 255,000	$ 44,869
2014	3,412,012	1,916,872	255,000	37,219
2015	3,949,704	1,794,348	255,000	29,569
2016	4,064,571	1,661,885	255,000	21,919
2017	2,641,738	1,576,603	255,000	14,269
2018-2022	20,891,610	6,699,585	316,250	7,077
2023-2027	11,752,384	4,769,810	-	-
2028-2032	3,634,113	3,689,306	-	-
2033-2037	8,820,000	2,908,871	-	-
2038-2041	13,365,000	730,521	-	-
Total	$ 75,396,119	$27,738,494	$ 1,591,250	$ 154,922

Sources of debt repayments

General obligation bonds are issued for governmental activity purposes and are paid through the collection of property taxes by the Debt Service Fund. Sales tax revenue notes and the term loan included in governmental activities are paid by the Sales Tax Capital Improvement Fund and the General Fund, respectively. Compensated absences incurred by governmental activities are paid by the General Fund. Judgments are paid through the collection of property taxes by the Debt Service Fund. Automotive and general insurance liabilities are paid by the General Fund. The other post employment benefit obligation will be paid by the General Fund. The workers' compensation unfunded liability will be paid by the General Fund and BAMA according to their respective portion of the liability. Revenue bonds and promissory notes issued for business-type activities are paid by those activities. Compensated absences incurred by business-type activities are paid by those activities. Customer meter deposits will be paid by BAMA. The revenue bond issued by BAEDA will be paid by BAEDA through the collection of the corresponding note receivable.

Interfund balances and activities

Interfund receivables and payables at June 30, 2012, consist of the following:

Receivable Fund	Payable Fund	Amount	Nature of Interfund Balance
BAMA	General	$ 2,129,410	Sales tax collections
BAMA	Battle Creek Golf Course	465,044	Operational advances
General Fund	BAMA	3,529,410	Eliminated negative cash
General Fund	Crime Prevention	4,759	Operation advances
General Fund	BAEDA	50,000	Eliminated negative cash
Sales Tax Capital Improvement	BAMA	4,000,000	Eliminated negative cash
Sales Tax Capital Improvement	Battle Creek Golf Course	27,783	Capital outlay purchases

Interfund transfers for the year ended June 30, 2012, were as follows:

Transfer From	Transfer To	Amount	Nature of Transfer
General Fund	BAMA	$ 11,328,642	Sales tax collections
General Fund	BAEDA	313,800	Economic development
BAMA	General Fund	11,328,642	Operating subsidy
Convention & Visitors Bureau	General Fund	98,000	Operational/General Government
Stormwater Capital	BAMA	260,000	Capital outlay/Stormwater
Sales Tax Capital Improvement	BAMA	45,500	Capital outlay/Stormwater
Street and Alley	General Fund	700,000	Operational/Streets
E-911	General Fund	400,000	Operational/Public Safety
Debt Service	General Fund	132,669	Operational/Interest

Fund balances and net assets

Net assets reserves at June 30, 2012, consist of the following:

	Primary Government BAMA & BAEDA Enterprise Funds
Restricted assets in:	
Bond accounts	$1,562,751
Bond reserve account	3,891,491
	5,454,242
Accrued interest receivable	330
Less: accrued interest payable	(555,087)
Restricted for debt service	$ 4,899,485

Restatement of beginning net assets

The City adopted GASB 53, *Accounting and Financial Reporting for Derivative Instruments* due to the City's interest rate swap. Prior to Fiscal Year 2012 this derivative was accounted for as an investment derivative. During Fiscal Year 2012 it was determined that this interest rate swap was more properly a hedging derivative. As a result, the beginning-of-year governmental activities net assets have been restated as follows:

	Invested in Capital Assets, Net of Related Debt	Restricted For: Capital Projects	Restricted For: Debt Service	Restricted For: Other Projects	Unrestricted	Total
July 1, 2011 net assets, as previously reported	$ 133,227,679	$ 24,249,568	$11,409,380	$ 3,169,085	$ 5,064,869	$ 177,120,581
Prior period adjustment	3,225,126	-	-	-	-	3,225,126
July 1, 2012 net assets, as restated	$ 136,452,805	$ 24,249,568	$11,409,380	$ 3,169,085	$ 5,064,869	$ 180,345,707

A prior period adjustment was also posted to the Battle Creek Golf Course Fund to correct beginning cash and interfund payable balances. As a result, the beginning-of-year business-type activities nets assets have been restated as follows:

	Invested in Capital Assets, Net of Related Debt	Restricted For: Capital Projects	Restricted For: Debt Service	Restricted For: Other Projects	Unrestricted	Total
July 1, 2011 net assets, as previously reported	$ 82,084,630	$ -	$ 2,003,179	$ -	$13,682,260	$ 97,770,069
Prior period adjustment	-	-	-	-	(42,187)	(42,187)
July 1, 2012 net assets, as restated	$ 82,084,630	$ -	$ 2,003,179	$ -	$13,640,073	$ 97,727,882

Note 4 – Employee Pension and Other Benefit Plans

The City participates in three employee pension systems as follows:

Name of Plan/System	Type of Plan
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Municipal Retirement Fund (OMRF)	Agent Multiple Employer – Defined Contribution Plan

Oklahoma police and firefighters pension and retirement systems

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

Eligibility factors, contribution methods and benefit provisions

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

Employee's contribution rate (percent of covered payroll)	8%	8%
City's contribution rate (percent of covered payroll)	13%	13%
State obligation	State appropriation to fund the unfunded actuarial accrued liability.	State appropriation to fund the unfunded actuarial accrued liability.
Eligibility and benefits for distribution (full-time)	20 years credited service, 2.5% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10, but before 20 years of credited service with reduced benefits.	20 years credited service, 2.5% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10, but before 20 years of credited service with reduced benefits.
Eligibility and benefits for distribution (volunteer)	-	20 years credit service equal to $5.46 per month per year of service, with a maximum of 30 years considered.
Deferred retirement option	Yes, 20 years of continuous creditable service.	Yes, 20 years of continuous creditable service.
Provisions for:		
Cost of living adjustments (normal retirement)	Yes	Yes, if vested by May 1983
Death (duty, nonduty, post retirement)	Yes	Yes
Disability (duty, nonduty)	Yes	Yes
Cost of living allowances	Yes	Yes

Trend information

Contributions required by State statute:

Fiscal Year	Oklahoma Police Pension and Retirement System		Oklahoma Firefighters Pension and Retirement System	
	Required Contribution	Percentage Contributed	Required Contribution	Percentage Contributed
2008	$ 937,011	100%	$ 1,047,455	100%
2009	$ 969,528	100%	$ 1,078,293	100%
2010	$ 1,011,122	100%	$ 1,057,690	100%
2011	$ 1,589,246	100%	$ 1,674,043	100%
2012	$ 1,638,729	100%	$ 1,828,717	100%

Trend information reflecting the progress of the Systems in accumulating sufficient assets to pay benefits when due is presented in their respective separate annual financial reports.

Related party investments

As of June 30, 2012, the Systems held no related-party investments of the City or of its related entities.

Defined contribution plan – OMRF

The City has also provided, effective November 1, 1990, a defined contribution plan and trust known as the City of Broken Arrow Plan and Trust (the Plan) in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan (OMRF). OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The Plan is administered by the OMRF. The defined contribution plan is available to all full-time employees not already participating in another plan. The employee may contribute to the Plan an amount not less than 2% or more than 10% of their compensation. The City Council determines the City's contribution rate each year and for the year ended June 30, 2012, contributed at the rate of 9% of employee compensation. City contributions for each employee begin vesting after three years of service and are fully vested after seven years. If an employee terminates before becoming fully vested, the employer's contributions that are forfeited may be used to reduce the City's current-period contribution requirements. The authority to establish and amend the provisions of the Plan rests with the City Council.

For the year ended June 30, 2012, the following amounts related to actual contributions to the defined contribution plan:

Employee contributions made	$ 68,737
Employer (City) contributions made	$ 1,429,118

Post employment benefits other than pensions

Plan description. The City sponsors and administers a self-funded, single employer defined benefit plan providing medical, prescription drug, life, dental, vision and long-term disability insurance for active eligible employees. The City also provides medical, prescription drug and dental coverage for retirees and their dependents who elect to make the required contributions.

Funding policy. The City funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay premiums for a set percentage of the cost, with the City subsidizing the remaining costs. Contribution requirements are established and amended as needed by the City Council on an annual basis. The required monthly contribution rates of the plan members for 2011 range from $25 to $226 for active employees and $541 to $1,304 for retirees and COBRA participants.

Annual OPEB cost and net OPEB obligation. The City's annual other post employment benefits (OPEB) cost in the first year of implementation of GASB 45 is equal to the annual required contribution (ARC), an amount calculated in accordance with the parameters set forth in GASB 45. In subsequent years, the annual OPEB cost will be equal to the ARC, plus an adjustment if the ARC is not funded each year. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities amortized over 30 years.

The following table shows the components of the City's annual OPEB cost for the year, the amount contributed to the plan, and changes in the City's net OPEB obligation to the retiree health plan:

Annual required contribution	$ 249,385
Interest on Net OPEB Obligation	25,594
Amortization of Net OPEB Obligation	(32,650)
Annual OPEB cost	242,329
Employer contributions	37,266
Increase in net OPEB obligation	205,063
Beginning OPEB obligation	538,831
Ending OPEB obligation	$ 743,894

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$172,637	13.50%	$149,331
2010	$223,874	14.86%	$339,943
2011	$225,757	11.90%	$538,831
2012	$242,329	15.38%	$743,894

Funded status and funding progress. As of June 30, 2012, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was $2,013,998, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $2,013,998. The covered payroll (annual payroll of active employees covered by the plan) was $22,877,266, and the ratio of the UAAL to the covered payroll was 8.27%.

Actuarial methods and assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. An actuarial valuation takes inputs such as participant data, benefit provisions and assumptions. Participant data includes the members' ages, membership service, plan selection, etc. Benefit provisions include the structure of the benefits that the members receive; in the City's case, the subsidies supporting retiree medical benefits. In the actuarial valuation as of June 30, 2012, the projected unit credit (PUC) actuarial cost method was used to measure accruing costs. Under the principles of the PUC method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated pro-rata to each year of service between entry age and assumed exit. The portion of this actuarial present value allocated to a valuation year is called the normal cost. Actuarial assumptions include the interest rate, health care inflation rates, general inflation rates, participation rates, Medicare coverage, etc. The 2012 ARC was based on a 4.75% discount rate and a health care trend rate of 5%. It also assumed that 35% of future retirees will opt to continue coverage and that 50% of these will cover a spouse at retirement.

Note 5 – Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The City manages these various risks of loss as follows:

Type of Loss	Method Managed	Risk of Loss Retained
a. General Liability: - Torts - Errors and omissions	Self-insured with limits of the Oklahoma Tort Liability Act as follows: - $25,000 property loss - $100,000 per individual - $1,000,000 per incident	Entire risk of loss retained.
b. Physical Property: - Theft - Damage to assets - Natural disasters	All physical property except vehicles is insured through commercial insurance with deductibles ranging from $1,000 to $50,000. Vehicle damage is covered through self-insurance.	All physical property except vehicles subject to $1,000 to $50,000 risk of loss. Vehicles – entire risk of loss retained through fund incurring the loss.
c. Workers Compensation: - Employee injuries	Self-insured with third-party administration of the claims process. Workers Compensation Internal	Entire risk of loss retained. Claim liability determined through estimate of loss by the City's

	Service Fund used to account for activities with participating funds charged through an estimated annual claim cost for each fund.	Risk Management staff and third-party.
d. Health and Life: - Medical - Dental - Vision	Self-insured with third-party administration of the claims provided by Mutual Assurance Administrators, Inc. (MAA). Participation in Vision Service Plan. City purchases annual eye examination benefits for insured at a monthly cost of $.58 per month for single coverage and $1.25 per month for family coverage. Group Health & Life Internal Service Fund used to account for self-insurance activities with participating funds making payments to the internal service fund based upon factors determined by MAA.	Claims up to $100,000 per individual are self-funded. Specific stop loss reinsurance covers claims in excess of $100,000 per insured. Aggregate stop loss coverage is adjusted monthly based on number of participants and was $4,579,909 at June 30, 2012[1].

[1] H.M. Insurance Group

Life and health benefit plan

The City offers group health and dental benefits to all full-time employees and their dependents except for fire fighters covered by the labor agreement between the City and the International Association of Fire Fighters Local # 2551. The City funds over 85% of the program with employees paying a monthly fee to purchase single or family coverage.

The City is self-funded for health and dental benefits and has an Administrative Services Agreement with Mutual Assurance Administrators, Inc. to process claim payments, provide preferred provider medical and dental service networks, recovery litigation services and other third-party administration services.

All assets acquired by the plan are vested in the plan and remain assets of the City. Monthly contributions are transferred to a reserve fund and such funds are used to reimburse Mutual Assurance Administrators Inc. for claims paid, administrative services and stop loss coverage.

The plan has excess stop loss coverage agreements which cover losses in excess of specific and aggregate retention levels. Stop loss coverage is purchased from Blue Cross Blue Shield of Oklahoma.

Life insurance benefits are funded entirely by the City through Fort Dearborn Life Insurance Company.

Claims liability analysis

The claims liabilities related to the above noted risks of loss that are retained are determined in accordance with the requirements of Statement of Financial Accounting Standard No. 5., which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. For the two internal service self-insurance funds, changes in the claims liability for the City from June 30, 2008 to June 30, 2012, are as follows:

	Workers Compensation	Health Care
Claim liability, June 30, 2008	$ 1,395,133	$ 319,476
Claims and changes in estimate	1,968,584	5,339,576
Claims payments	(1,006,563)	(5,087,391)
Claim liability, June 30, 2009	2,357,154	571,661
Claims and changes in estimate	1,672,994	4,185,439
Claims payments	(1,162,703)	(4,015,298)
Claim liability, June 30, 2010	2,867,445	741,802
Claims and changes in estimate	786,404	4,932,990
Claims payments	(1,284,849)	(4,937,109)
Claim liability, June 30, 2011	2,369,000	737,683
Claims and changes in estimate	1,043,594	6,258,810
Claims payments	(1,337,594)	(6,164,493)
Claim liability, June 30, 2012	$ 2,075,000	$ 832,000
Assets available to pay claims at June 30, 2012	$ 993,277	$ 728,715

Note 6 – Commitments and Contingencies

Commitments

Water purchase contract

The City has a contractual commitment with the Oklahoma Ordinance Works Authority to purchase, if needed, 11,000,000 to 27,000,000 gallons of treated water per day at a monthly fee plus a rate per 1,000 gallons. For the year ended June 30, 2012, the City's total cost of water was $6,639,300.

Construction commitments

At June 30, 2012, the following construction commitments were outstanding:

	Original Contract	Balance Remaining
Water Supply Improvements	$ 56,843,638	$ 53,488,875
Fire Station #2 replacement	3,003,871	971,786
Adams Creek NW Sewer Improvements – Pipelines	2,494,847	303,480
Elm Place widening, Kenosha to Houston	2,195,191	1,098,172
Adams Creek NW Sewer Improvements – Lift Sation	1402,850	373,457
Hillside Park	741,002	694,807
Hillside Drive	386,184	386,184
Oak Creek Estates – milling and overlay	384,514	384,514
Wolf Creek channelization	304,748	170,492
Events Park improvements -- Electrical	232,074	232,074
Central Park Bridge	221,350	73,032
Fiber optics – New Orleans water tower to police department	145,854	145,854

Operating lease commitments

The City leases office space and equipment under noncancellable operating leases. Rent expense totaled $69,451 for the year ended June 30, 2012. At June 30, 2012, the City was obligated under noncancellable operating leases expiring from 2013 to 2017 for future minimum lease payments as follows:

Year	Amount
2013	16,757
2014	11,400
2015	13,800
2016	15,900
2017	12,600
	$ 70,457

On August 21, 2012 the City entered into a new lease agreement for the rental of equipment. The initial term of the lease is 57 months and calls for monthly payments of $2,181.17.

The City leases land and a building to Bass Pro Shops under a lease which commenced May 2004. The initial term of the lease is 20 years and includes nine one-year renewal options and three five-year renewal options. Rental income is calculated as a percentage of gross sales. Bass Pro Shops has the option to purchase the premises for 90% of fair market value after the initial term. Total rental income received during 2012, was $859,683.

Contingencies

Grant program involvement

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loan agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for 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.

Litigation

The City is a party to various legal proceedings which normally occur in the course of government operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City. These statutory provisions do not apply to the City's public trust or Authorities.

While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or insurance would not have a material adverse effect on the financial condition of the City, but could substantially increase the City's ad valorem tax levy.

Note 7 – Subsequent Events

On September 15, 2012 the Broken Arrow Municipal Authority paid off the remaining principal of the Series 2005 Sales Tax Revenue Note to the Oklahoma Water Resources Board in the amount of $5,635,000.

On November 1, 2012, the City issued $12,000,000 of General Obligation Bonds Series 2012. The bonds are due in annual installments of $630,000 with final installment of $660,000 due November 1, 2032 and bear interest ranging from 1.00% to 4.0%.

On November 20, 2012, the City approved Resolution 769 authorizing a 2012 SRF promissory note payable to the Oklahoma Water Resources Board in a principal amount not to exceed $6,540,000. This loan was closed on December 4, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BROKEN ARROW, OKLAHOMA

SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFIT OBLIGATION

June 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/09	$ -	$ 1,190,138	$ 1,190,138	0.0%	$ 21,795,343	5.46%
06/30/10	$ -	$ 1,997,256	$ 1,997,256	0.0%	$ 23,242,452	8.59%
06/30/11	$ -	$ 1,875,248	$ 1,875,248	0.0%	$ 22,877,266	8.20%
06/30/12		$ 2,013,998	$ 2,013,998	0.0%	$ 24,348,846	8.27%

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

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year ended June 30, 2012
(unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Beginning budgetary fund balance	6,280,650	6,280,650	6,280,650	-
Resources (inflows):				
Taxes:				
Sales tax	26,234,000	27,922,000	28,259,547	337,547
Use tax	1,947,400	1,947,400	2,164,937	217,537
Tobacco tax	448,900	448,900	481,546	32,646
Franchise tax	2,852,400	2,852,400	2,933,860	81,460
Total taxes	31,482,700	33,170,700	33,839,890	669,190
Intergovernmental:				
Intergovernmental	150,000	209,000	200,688	(8,312)
Alcoholic beverage tax	127,900	127,900	156,894	28,994
Total intergovernmental	277,900	336,900	357,582	20,682
Charges for services:				
Planning and zoning	19,300	19,300	18,536	(764)
Sale of material	111,500	111,500	163,465	51,965
BAMA PILOT	2,361,800	2,361,800	2,614,735	252,935
BAMA overhead charge	939,000	939,000	1,015,242	76,242
Rural fire runs	1,600	1,600	3,283	1,683
Inspection fees	360,200	360,200	428,644	68,444
Ambulance revenue	1,800,400	1,800,400	1,925,297	124,897
Cemetery fee	140,200	140,200	136,638	(3,562)
Animal control fees	40,500	40,500	34,847	(5,653)
Nuisance abatement	96,800	96,800	162,722	65,922
Parks and recreation	161,000	161,000	153,371	(7,629)
Swimming pools	243,600	243,600	266,370	22,770
Swimming lessons	22,400	22,400	845	(21,555)
Administrative fees	34,500	34,500	14,718	(19,782)
Juvenile court	46,100	46,100	74,507	28,407
Total charges for services	6,378,900	6,378,900	7,013,220	634,320

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE (continued)

GENERAL FUND

Year ended June 30, 2012
(unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Fines, forfeitures and assessments	1,855,300	1,855,300	1,620,049	(235,251)
Licenses and permits:				
Occupational licenses	164,700	164,700	177,888	13,188
Peddlers licenses	1,200	1,200	645	(555)
Food licenses	36,500	36,500	40,870	4,370
Other fees	103,500	103,500	101,132	(2,368)
Building permits	444,800	444,800	758,806	314,006
Total licenses and permits	750,700	750,700	1,079,341	328,641
Investment income	47,800	47,800	31,734	(16,066)
Miscellaneous:				
Rental property	1,082,100	1,082,100	1,014,886	(67,214)
Donations	11,100	11,100	8,269	(2,831)
Miscellaneous	39,500	39,500	93,915	54,415
Insurance proceeds	15,700	15,700	3,676	(12,024)
Total miscellaneous	1,148,400	1,148,400	1,120,746	(27,654)
Other financing sources:				
Transfers in from other funds	11,795,800	12,483,800	12,659,311	175,511
Total other financing sources	11,795,800	12,483,800	12,659,311	175,511
Total revenues and other financing sources	53,737,500	56,172,500	57,721,873	1,549,373
Amounts available for appropriation	60,018,150	62,453,150	64,002,523	1,549,373

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE (continued)

GENERAL FUND

Year ended June 30, 2012
(unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Charges to appropriations (outflows):				
General government:				
City manager:				
Personal services	640,100	747,500	742,560	4,940
Other services and charges	33,300	33,300	33,184	116
Materials and supplies	10,700	10,700	5,415	5,285
Total city manager	684,100	791,500	781,159	10,341
Finance:				
Personal services	585,800	601,400	602,601	(1,201)
Other services and charges	67,700	67,700	59,541	8,159
Materials and supplies	6,000	6,000	6,758	(758)
Total finance	659,500	675,100	668,900	6,200
City attorney:				
Personal services	558,400	594,000	593,511	489
Other service and charges	86,800	201,800	157,792	44,008
Materials and supplies	23,500	33,500	37,429	(3,929)
Total city attorney	668,700	829,300	788,732	40,568
Human resources:				
Personal services	1,945,300	1,987,300	1,888,591	98,709
Other services and charges	661,300	731,300	636,908	94,392
Materials and supplies	44,700	44,700	39,490	5,210
Total human resources	2,651,300	2,763,300	2,564,989	198,311
Development services - One-Stop & Planning:				
Personal services	1,404,600	1,437,300	1,434,306	2,994
Other services and charges	138,200	138,200	134,141	4,059
Material and supplies	14,200	14,200	14,675	(475)
Total development services	1,557,000	1,589,700	1,583,122	6,578
General government:				
Personal services	15,000	15,000	-	15,000
Other services and charges	1,646,500	1,646,500	1,366,439	280,061
Materials and supplies	46,500	46,500	31,799	14,701
Total general government	1,708,000	1,708,000	1,398,238	309,762
Total general government	7,928,600	8,356,900	7,785,140	571,760

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE (continued)

GENERAL FUND

Year ended June 30, 2012
(unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Public safety:				
Police:				
Personal services	13,955,500	14,388,700	14,352,775	35,925
Other services and charges	665,500	725,000	685,275	39,725
Materials and supplies	555,000	949,200	855,579	93,621
Total police	15,176,000	16,062,900	15,893,629	169,271
Fire:				
Personal services	11,853,600	12,838,800	12,663,950	174,850
Other services and charges	574,000	584,000	621,833	(37,833)
Materials and supplies	472,600	686,600	562,678	123,922
Total fire	12,900,200	14,109,400	13,848,461	260,939
Development services - Inspections:				
Personal services	534,600	546,100	536,111	9,989
Other services and charges	10,000	10,000	10,484	(484)
Materials and supplies	19,500	19,500	22,289	(2,789)
Total development services - inspections	564,100	575,600	568,884	6,716
Total public safety	28,640,300	30,747,900	30,310,974	436,926
Public services:				
Streets:				
Personal services	1,151,600	1,176,900	1,094,011	82,889
Other services and charges	171,800	171,800	132,749	39,051
Materials and supplies	515,500	515,500	485,197	30,303
Total streets	1,838,900	1,864,200	1,711,957	152,243
General services:				
Personal services	511,800	522,100	491,219	30,881
Other services and charges	34,900	34,900	19,623	15,277
Materials and supplies	60,100	60,100	52,816	7,284
Total general services	606,800	617,100	563,658	53,442
Total public services	2,445,700	2,481,300	2,275,615	205,685

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE (continued)

GENERAL FUND

Year ended June 30, 2012
(unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Parks and recreation:				
Personal services	2,097,000	2,135,400	2,083,406	51,994
Other services and charges	509,900	509,900	410,722	99,178
Materials and supplies	315,900	315,900	332,947	(17,047)
Total parks and recreation	2,922,800	2,961,200	2,827,075	134,125
Debt service:				
Principal	730,000	730,000	730,000	-
Interest and other charges	1,235,000	1,235,000	1,010,960	224,040
Total debt service	1,965,000	1,965,000	1,740,960	224,040
Other financing uses:				
Transfers to other funds	11,964,600	12,652,600	11,642,442	1,010,158
Total charges to appropriations	55,867,000	59,164,900	56,582,206	2,582,694
Ending budgetary fund balance	4,151,150	3,288,250	7,420,317	4,132,067

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year ended June 30, 2012
(unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Revenues:				
Sales and miscellaneous taxes	$ 31,482,700	$ 33,170,700	$ 33,839,890	$ 669,190
Licenses and permits	750,700	750,700	1,079,341	328,641
Intergovernmental	277,900	336,900	357,582	20,682
Charges for services	6,378,900	6,378,900	7,013,221	634,321
Fees and fines	1,855,300	1,855,300	1,620,049	(235,251)
Interest income	47,800	47,800	31,734	(16,066)
Miscellaneous	1,148,400	1,148,400	1,120,746	(27,654)
Total revenue	41,941,700	43,688,700	45,062,563	1,373,863
Expenditures:				
Current:				
General government	7,928,600	8,356,900	7,785,140	571,760
Public safety	28,640,300	30,747,900	30,310,974	436,926
Public services	2,445,700	2,481,300	2,275,615	205,685
Parks and recreation	2,922,800	2,961,200	2,827,075	134,125
Debt service:				
Principal	730,000	730,000	730,000	-
Interest and other charges	1,235,000	1,235,000	1,010,960	224,040
Total expenditures	43,902,400	46,512,300	44,939,764	1,572,536
Excess (deficiency) of revenues over expenditures	(1,960,700)	(2,823,600)	122,799	2,946,399
Other financing sources (uses):				
Transfers in	11,795,800	12,483,800	12,659,311	175,511
Transfers out	(11,964,600)	(12,652,600)	(11,642,442)	1,010,158
Total other financing sources (uses)	(168,800)	(168,800)	1,016,869	1,185,669
Net change in fund balances	(2,129,500)	(2,992,400)	1,139,668	4,132,068
Budgetary fund balances, beginning of year	6,280,650	6,280,650	6,280,650	-
Budgetary fund balances, end of year	$ 4,151,150	$ 3,288,250	$ 7,420,318	$ 4,132,068

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

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year ended June 30, 2012
(unaudited)

Budgetary accounting

The annual operating budgets are prepared and presented on the modified accrual basis of accounting. Per City ordinance, the City utilizes encumbrance accounting during the year on a limited basis for certain purchase orders and other commitments for the expenditure of funds which are recorded in order to reserve a portion of the applicable appropriation. Encumbrances outstanding at year end are not considered expenditures for budgetary purposes, and are considered lapsed, as are all unused appropriations. Any open purchase orders to be honored in the subsequent budget year are re-appropriated and re-encumbered in the next year's budget. As a result, no reserve for encumbrances is reported at year end; however, they are disclosed as commitments in Note 6.

For the year ended June 30, 2011, the City complied in all material respects with the applicable budget laws relating to expenditures and appropriations at the legal level of control.

OTHER SUPPLEMENTARY INFORMATION

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2012

	Special Revenue Funds				
	Excess Capacity Sewer Escrow	Stormwater Capital	Convention and Visitors Bureau	Police Enhancement	Parks and Recreation
Assets					
Cash and cash equivalents	$ 328,806	$ 59,068	$ 1,042,473	$ 78,605	$ 853,070
Investments	-	-	-	-	250,000
Accrued interest receivable	-	-	-	-	77
Due from other funds	-	-	-	-	-
Receivable from other governments	-	-	-	-	-
Other receivables, net	-	-	54,116	-	-
Prepaid expenses	-	-	-	-	-
Total assets	$ 328,806	$ 59,068	$ 1,096,589	$ 78,605	$ 1,103,147
Liabilities					
Accounts payable	$ -	$ -	$ 1,958	$ 3,848	$ 35,389
Retainage payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	54,116	-	77
Amounts held in escrow	240,593	-	-	-	-
Total liabilities	240,593	-	56,074	3,848	35,466
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	-	-	1,040,515	74,757	400,000
Committed	88,213	59,068	-	-	667,681
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	88,213	59,068	1,040,515	74,757	1,067,681
Total liabilities and fund balances	$ 328,806	$ 59,068	$ 1,096,589	$ 78,605	$ 1,103,147

See independent auditors' report.

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2012

	Special Revenue Funds				
	Cemetery Care	Street and Alley	Housing and Urban Development	E-911	Crime Prevention
Assets					
Cash and cash equivalents	$ 577,847	$ 476,509	$ 447,137	$ 1,961,497	$ 203,851
Investments	-	250,000	-	255,500	-
Accrued interest receivable	-	77	-	79	-
Due from other funds	-	-	-	-	-
Receivable from other governments	-	78,586	-	-	-
Other receivables, net	465	-	-	34,463	-
Prepaid expenses	-	-	-	-	-
Total assets	$ 578,312	$ 805,172	$ 447,137	$ 2,251,539	$ 203,851
Liabilities					
Accounts payable	$ -	$ -	$ 44,846	$ -	$ 11,862
Retainage payable	-	-	-	-	-
Due to other funds	-	-	-	-	4,759
Deferred revenue	465	77	-	79	-
Amounts held in escrow	-	-	-	-	-
Total liabilities	465	77	44,846	79	16,621
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	546,035	805,095	402,291	2,251,460	187,230
Committed	-	-	-	-	-
Assigned	31,812	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	577,847	805,095	402,291	2,251,460	187,230
Total liabilities and fund balances	$ 578,312	$ 805,172	$ 447,137	$ 2,251,539	$ 203,851

See independent auditors' report.

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2012

	Special Revenue Funds			Capital Project Funds	
	Police Reserves	Alcohol Enforcement	Street Light	1994 General Obligation Bond Issue	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	$ 3,484	$ 67,578	$ 560,750	$ 167,723	$ 6,828,398
Investments	-	-	250,000	-	1,005,500
Accrued interest receivable	-	-	77	-	310
Due from other funds	-	-	-	-	-
Receivable from other governments	-	-	-	-	78,586
Other receivables, net	-	1,910	53,333	-	144,287
Prepaid expenses	-	-	-	-	-
Total assets	$ 3,484	$ 69,488	$ 864,160	$ 167,723	$ 8,057,081
Liabilities					
Accounts payable	$ -	$ 8,199	$ 79	$ -	$ 106,181
Retainage payable	-	-	-	-	-
Due to other funds	-	-	-	-	4,759
Deferred revenue	-	1,910	53,410	-	110,134
Amounts held in escrow	-	-	-	-	240,593
Total liabilities	-	10,109	53,489	-	461,667
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	-	59,379	-	-	5,766,762
Committed	-	-	810,671	167,723	1,793,356
Assigned	3,484	-	-	-	35,296
Unassigned	-	-	-	-	-
Total fund balances	3,484	59,379	810,671	167,723	7,595,414
Total liabilities and fund balances	$ 3,484	$ 69,488	$ 864,160	$ 167,723	$ 8,057,081

See independent auditors' report.

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2012

	Special Revenue Funds				
	Excess Capacity Sewer Escrow	Stormwater Capital	Convention and Visitors Bureau	Police Enhancement	Parks and Recreation
Revenues:					
Franchise and miscellaneous taxes	$ -	$ -	$ 406,799	$ -	$ -
Intergovernmental	-	-	-	104,363	-
Charges for services	-	49,381	-	-	115,660
Fees and fines	-	-	-	-	-
Interest income	101	30	319	312	1,647
Miscellaneous	24,640	-	629	-	66,725
Total revenues	24,741	49,411	407,747	104,675	184,032
Expenditures:					
Current:					
General government	-	-	214,247	-	-
Public safety	-	-	-	54,311	-
Public services	-	-	-	-	-
Capital outlay	27,819	-	14,159	34,228	265,061
Total expenditures	27,819	-	228,406	88,539	265,061
Excess (deficiency) of revenues over expenditures	(3,078)	49,411	179,341	16,136	(81,029)
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	(260,000)	(98,000)	-	-
Total other financing sources (uses)	-	(260,000)	(98,000)	-	-
Net change in fund balances	(3,078)	(210,589)	81,341	16,136	(81,029)
Fund balances, beginning of year	91,291	269,657	959,174	58,621	1,148,710
Fund balances, end of year	$ 88,213	$ 59,068	$ 1,040,515	$ 74,757	$ 1,067,681

See independent auditors' report.

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2012

	Special Revenue Funds				
	Cemetery Care	Street and Alley	Housing and Urban Development	E-911	Crime Prevention
Revenues:					
Franchise and miscellaneous taxes	$ -	$ -	$ -	$ -	$ -
Intergovernmental	-	859,469	799,214	-	205,208
Charges for services	30,290	-	-	742,288	-
Fees and fines	-	-	-	-	-
Interest income	177	193	-	1,949	90
Miscellaneous	-	-	-	-	-
Total revenues	30,467	859,662	799,214	744,237	205,298
Expenditures:					
Current:					
General government	-	-	69,699	-	-
Public safety	-	-	-	-	169,063
Public services	-	-	-	-	-
Capital outlay	2,593	-	630,977	58,254	30,218
Total expenditures	2,593	-	700,676	58,254	199,281
Excess (deficiency) of revenues over expenditures	27,874	859,662	98,538	685,983	6,017
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	(700,000)	-	(400,000)	-
Total other financing sources (uses)	-	(700,000)	-	(400,000)	-
Net change in fund balances	27,874	159,662	98,538	285,983	6,017
Fund balances, beginning of year	549,973	645,433	303,753	1,965,477	181,213
Fund balances, end of year	$ 577,847	$ 805,095	$ 402,291	$ 2,251,460	$ 187,230

See independent auditors' report.

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2012

	Special Revenue Funds			Capital Project Funds	
	Police Reserves	Alcohol Enforcement	Street Light	1994 General Obligation Bond Issue	Total Nonmajor Governmental Funds
Revenues:					
Franchise and miscellaneous taxes	$ -	$ -	$ -	$ -	$ 406,799
Intergovernmental	-	-	-	-	1,968,254
Charges for services	-	-	554,350	-	1,491,969
Fees and fines	-	16,009	-	-	16,009
Interest income	-	21	1,583	1,307	7,729
Miscellaneous	-	-	-	2,882	94,876
Total revenues	-	16,030	555,933	4,189	3,985,636
Expenditures:					
Current:					
General government	-	-	-	69	284,015
Public safety	-	17,523	-	-	240,897
Public services	-	-	251,708	-	251,708
Capital outlay	-	8,199	281,395	-	1,352,903
Total expenditures	-	25,722	533,103	69	2,129,523
Excess (deficiency) of revenues over expenditures	-	(9,692)	22,830	4,120	1,856,113
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(1,458,000)
Total other financing sources (uses)	-	-	-	-	(1,458,000)
Net change in fund balances	-	(9,692)	22,830	4,120	398,113
Fund balances, beginning of year	3,484	69,071	787,841	163,603	7,197,301
Fund balances, end of year	$ 3,484	$ 59,379	$ 810,671	$ 167,723	$ 7,595,414

See independent auditors' report.

CITY OF BROKEN ARROW, OKLAHOMA
(BROKEN ARROW MUNICIPAL AUTHORITY)

SCHEDULE OF DEBT SERVICE COVERAGE REQUIREMENTS

Year ended June 30, 2011

	OWRB 1997 A&C, 1999B, 2001, 2004, 2005, 2007, 2009, 2011 and 2012 Notes Payable
Gross revenue available for debt service:	
Charges for services	$ 34,153,336
Investment income	21,263
Sales tax transferred from the City General Fund	11,634,142
Total gross revenues available	45,808,741
Operating expenses (1)	
General government	1,130,076
Finance and administration	875,535
Engineering and construction	1,440,675
Water distribution	12,065,834
Sanitary sewer system	4,095,138
Sanitation services	4,419,856
Support services	2,398,403
Stormwater	2,067,386
Total operating expenses	28,492,903
Net revenue available for debt service	$ 17,315,838
Debt service requirements	
Maximum annual debt service on all BAMA parity debt	$ 5,218,495
Computed coverage	332%
Coverage requirement	125%

(1) Operating expenses exclude such noncash items as depreciation, amortization and bad debt expenses.

CITY OF BROKEN ARROW, OKLAHOMA

SCHEDULE OF DEBT RESERVE ACCOUNT BALANCE REQUIREMENTS

Year ended June 30, 2012

	Series 2005 OWRB Note Payable	Series 2012 OWRB Note Payable
Required balance	$ 1,305,500	$2,435,677
Balance in Trustee Account, June 30, 2012	1,305,500	2,435,739
Excess of account balance over (under) required balance	$ -	$ 62