



BROKEN ARROW

Where opportunity lives

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2013

**WITH
INDEPENDENT AUDITOR'S REPORT**

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City of Broken Arrow, Oklahoma

**List of Principal Officials
June 30, 2013**

City Council

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

City Manager

Thomas M. Moton, Jr.

Clerk

Mary E. Bryce

Finance Director/Treasurer

Thomas L. Caldwell

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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 City of Broken Arrow, Oklahoma (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 from material misstatement.

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

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

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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in fiscal year 2013 the City adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other post-employment benefits funding schedule, and budgetary comparison information, as listed 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2014, on our consideration of the City'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* in considering the City's internal control over financial reporting and compliance.

Arledge & Associates, P.C.

January 27, 2014

CITY OF BROKEN ARROW, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

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, 2013. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- For the fiscal year ended June 30, 2013, the City's total net position increased by \$8,041,230 or 2.8% from the prior year's restated net position.
- During the year, the City's expenses for governmental activities were \$59,780,970 and were funded by program revenues of \$12,340,377, and further funded with taxes and other general revenues that totaled \$55,653,447.
- In the City's business-type activities, such as utilities, total program expenses exceeded revenues by \$508,085.
- At June 30, 2013, the General Fund reported a total fund balance of \$7,392,311, as compared to the prior year balance of \$7,420,317. Fund balance of \$1,453,700 has been restricted for debt service.
- For budgetary reporting purposes, the General Fund reported revenues less than estimates in the amount of \$779,182, or 1.68%, while expenditures were under the final appropriations by \$1,390,913 or 2.90%.

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 position and the statement of activities

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

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

As mentioned above, in the statement of net position and 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 position and a statement of changes in fiduciary net position (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 position

The City's combined net position increased from \$286,962,771 as restated, to \$295,004,001 between fiscal years 2013 and 2012. Looking at the net position of governmental and business-type activities separately, governmental activities increased \$8,212,854, while business-type activities decreased \$171,624. A comparative, condensed presentation of net position follows (reported in thousands).

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2012	2013	2012	2013	2012	2013	
Assets:							
Current and other assets	\$ 60,988	\$ 61,088	\$ 36,693	\$ 7,050	\$ 97,681	\$ 68,138	(30.24)%
Capital assets, net	252,672	261,163	123,929	162,297	376,601	423,460	12.44%
Other noncurrent assets	-	-	19,965	20,971	19,965	20,971	5.04%
Total assets	313,660	322,251	180,587	190,318	494,247	512,569	37.07%
Deferred Outflows of Resources							
Accumulated increase in fair value of hedging derivative	4,145	3,177	-	-	4,145	3,177	(23.35)%
Liabilities:							
Current liabilities	19,408	4,834	11,686	10,984	31,094	15,818	(49.13)%
Noncurrent liabilities	101,645	116,597	74,545	85,150	176,190	201,747	14.51%
Total liabilities	121,053	121,431	86,231	96,134	207,284	217,565	4.96%
Deferred Inflows of Resources:							
Accumulated increase in fair value of hedging derivative	4,145	3,177	-	-	4,145	3,177	(23.35)%
Net Position:							
Invested in capital assets, net of related debt	142,397	149,026	62,717	90,090	205,114	239,116	16.98%
Restricted	44,566	41,770	6,098	2,363	50,664	44,133	(12.89)%
Unrestricted	5,644	10,024	25,541	1,731	31,185	11,755	(62.31)%
Total net position, restated	\$ 192,607	\$ 200,820	\$ 94,356	\$ 94,184	\$ 286,963	\$ 295,004	2.80%

Changes in net position

For the years ended June 30, 2013 and 2012, the change in net position of the primary government was the result of the following (amounts are reported in thousands):

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2012	2013	2012	2013	2012	2013	
Expenses:							
General government	\$ 9,759	\$ 9,932	\$ -	\$ -	\$ 9,759	\$ 9,932	1.77%
Public safety	32,600	33,706	-	-	32,600	33,706	3.39%
Public services	7,386	7,785	-	-	7,386	7,785	5.40%
Culture and recreation	4,032	4,129	-	-	4,032	4,129	2.41%
Interest on long-term debt	4,438	4,229	-	-	4,438	4,229	(4.71)%
Water	-	-	20,447	20,839	20,447	20,839	1.92%
Sewer	-	-	9,449	9,185	9,449	9,185	(2.79)%
Sanitation	-	-	6,748	6,229	6,748	6,229	(7.69)%
Stormwater	-	-	4,441	4,430	4,441	4,430	(0.25)%
Economic development	-	-	466	-	466	-	(100.00)%
Golf	-	-	1,651	1,601	1,651	1,601	3.03%
Total expenses	58,215	59,781	43,202	42,284	101,417	102,065	0.64%
Program revenues:							
Charges for services	9,072	10,602	38,973	39,112	48,045	49,714	3.47%
Operating grants and contributions	586	484	-	-	586	484	(17.41)%
Capital grants and contributions	7,003	1,254	1,512	2,664	8,515	3,918	(53.99)%
Total program revenues	16,661	12,340	40,485	41,776	57,146	54,116	(5.30)%
Net revenues (expenses)	(41,554)	(47,441)	(2,717)	(508)	(44,271)	(47,949)	8.31%
General revenues:							
Sales and use taxes	36,083	36,798	-	-	36,083	36,798	1.98%
Property taxes	11,574	12,112	-	-	11,574	12,112	4.65%
Franchise and other taxes	5,596	5,361	-	-	5,596	5,361	(4.20)%
Investment income (loss)	217	247	39	32	256	279	8.98%
Miscellaneous	1,228	1,440	-	-	1,228	1,440	17.26%
Transfers	(359)	(304)	359	304	-	-	0.00%
Total general revenues and transfers	54,339	55,654	398	336	54,737	55,990	2.29%
Change in net position	\$ 12,785	\$ 8,213	\$ (2,319)	\$ (172)	\$ 10,466	\$ 8,041	(23.17)%

The City's governmental activities increase in net position of \$8,212,854 represents a 4.26% positive change from the prior year net position. The business-type activities decrease in net position of \$171,624 represents a 0.18% negative change in net position. 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, 2013, the City's governmental activities were funded as follows:

Government Activities Sources	
Sales and use taxes	54.12%
Other taxes	25.70%
Program revenue	18.15%
Other	2.03%

Government Activities Uses	
General government	16.61%
Public safety	56.38%
Public services	13.02%
Culture and recreation	6.91%
Interest on long-term debt	7.07%

For the year ended June 30, 2013, total expenses for governmental activities amounted to \$59,780,970. To fund these activities, taxpayers and other general revenues funded \$47,440,593 while those directly benefiting from the program funded \$1,738,847 from grants and other contributions and \$10,601,530 from charges for services.

Net Revenue (Expense) of Governmental Activities

	Total Expense of Services		Net Revenues (Expense) of Services	
	2012	2013	2012	2013
General government	\$ 9,759,119	\$ 9,932,362	\$ (4,636,320)	\$ (4,917,609)
Public safety	32,599,735	33,706,037	(29,432,576)	(28,774,203)
Public services	7,385,911	7,784,421	448,099	(5,940,217)
Culture and recreation	4,031,712	4,129,417	(3,495,466)	(3,579,831)
Interest on long-term debt	4,438,069	4,228,733	(4,438,069)	(4,228,733)
Total	\$ 58,214,546	\$ 59,780,970	\$ (41,554,332)	\$ (47,440,593)

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 \$508,085 for the year ended June 30, 2013.
- Sewer, sanitation and stormwater activities reported net revenues for the year ended June 30 2013, while water and golf operations, reported net expenses of \$1,946,999 and \$182,670, respectively.

Net Revenue (Expense) of Business-Type Activities

	Total Expense of Services		Net Revenues (Expense) of Services	
	2012	2013	2012	2013
Water	\$ 20,446,733	\$ 20,838,768	\$ (1,540,800)	\$ (1,946,999)
Sewer	9,448,972	9,184,700	(131,061)	817,010
Sanitation	6,747,974	6,229,605	(588,194)	56,297
Storm water	4,440,771	4,429,760	153,167	748,277
Economic development	465,780	-	(465,780)	-
Golf	1,651,732	1,600,753	(144,443)	(182,670)
Total	\$ 43,201,962	\$ 42,283,586	\$ (2,717,111)	\$ (508,085)

A financial analysis of the City's funds

As the City completed its 2013 fiscal year, the governmental funds reported a combined fund balance of \$54,266,435 or a 2.38% increase from 2012. The combined proprietary funds reported net position of \$93,951,362 or a 0.27% decrease from 2012.

Other fund highlights include:

- For the year ended June 30, 2013, the General Fund's total fund balance decreased by \$28,006 or 0.38%.
- The Sales Tax Capital Improvement Fund's total fund balance increased by \$1,089,033 or 18.95%.
- The General Obligation Bond Funds' total fund balance increased by \$356,454 or 1.64% 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 an increase in overall revenue projections of 3.08% or \$1,775,800 and an increase in appropriations of 1.22% or \$575,800.

Capital Asset and Debt Administration

Capital assets

At the end of June 30, 2013, the City had \$423,459,295 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 \$46,857,840 or 12.44% over last year.

Primary Government Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Land	\$ 24,745,638	\$ 25,416,777	\$ 3,914,276	\$ 4,003,349	\$ 28,659,914	\$ 29,420,126
Buildings	43,211,591	45,842,961	3,680,410	3,514,324	46,892,001	49,357,285
Improvements	17,897,929	20,352,733	72,341,653	75,144,861	90,239,582	95,497,594
Machinery and equipment	14,828,483	14,830,307	4,512,645	5,074,038	19,341,128	19,904,345
Infrastructure	141,095,883	142,047,747	20,985,308	21,077,990	162,081,191	163,125,737
Construction in progress	10,892,650	12,672,193	18,494,989	53,482,015	29,387,639	66,154,208
Total assets	\$ 252,672,174	\$ 261,162,718	\$ 123,929,281	\$ 162,296,577	\$ 376,601,455	\$ 423,459,295

This year's more significant capital asset additions included:

- Street improvements totaling \$4,979,126
- Utility system improvements totaling \$7,051,564
- Storm water drainage improvements totaling \$1,292,742

Additionally, the City is currently in the process of constructing a new water treatment plant anticipated to be complete in Fiscal Year 2014 at a total cost of approximately \$60,000,000. The cost to date for the water treatment plant is included in the Construction in Progress category.

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 \$204,579,904 in long-term debt outstanding which represents a \$11,196,301 or 5.78% 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	
	2012	2013	2012	2013	2012	2013
Accrued compensated absences	\$ 2,109,738	\$ 2,299,318	\$ 476,286	\$ 511,622	\$ 2,586,024	\$ 2,810,940
Arbitrage rebate payable	19,125	19,125	-	-	19,125	19,125
General obligation bonds	88,814,579	92,070,625	-	-	88,814,579	92,070,625
Notes payable	18,073,037	16,598,037	67,396,119	77,255,009	85,469,156	93,853,046
Judgments payable	2,406,075	2,130,358	-	-	2,406,075	2,130,358
Automotive and general liability	832,000	831,000	-	-	832,000	831,000
Meter deposit liability	-	-	846,500	879,512	846,500	879,512
Claims payable	2,075,000	1,645,000	-	-	2,075,000	1,645,000
Other post employment benefit obligation	743,894	1,004,048	-	-	743,894	1,004,048
Capital lease obligation	-	-	1,591,250	1,336,250	1,591,250	1,336,250
Revenue bond payable	-	-	8,000,000	8,000,000	8,000,000	8,000,000
Total long-term debt	\$ 115,073,448	\$116,597,511	\$ 78,310,155	\$ 87,982,393	\$ 193,383,603	\$ 204,579,904

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. The City's General Fund is highly influenced by the receipt of sales tax. Except for Fiscal Year 2010 which had a slight decrease, the City has experienced a consistent increase in sales tax collections since Fiscal Year 2003. Based on the historical growth in sales tax the City is projecting an increase in sales tax revenue of 4.5% for Fiscal Year 2014. The City continues to monitor the local and regional economy as well as the City's expenditures to prudently manage the needs and resources available.

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 2014 factored in the average growth in formulating its Financial Plan.

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, OKLAHOMA

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	\$ 29,139,299	\$ 5,908,733	\$ 35,048,032	\$ 13,696
Investments	15,883,270	59,528	15,942,798	-
Taxes receivable	1,168,491	-	1,168,491	-
Internal balances	5,405,000	(5,405,000)	-	-
Due from other governments	7,165,618	-	7,165,618	-
Accrued interest receivable	80,832	4,054	84,886	-
Other receivables, net	2,232,548	5,584,381	7,816,929	-
Notes receivable	13,838	8,000,000	8,013,838	-
Inventories	-	898,239	898,239	-
Other assets	-	23,111	23,111	-
Investment in joint venture	-	12,947,879	12,947,879	-
Capital assets:				
Land and construction in progress	38,088,970	57,485,364	95,574,334	-
Other capital assets, net of depreciation	223,073,748	104,811,213	327,884,961	-
Total assets	<u>322,251,614</u>	<u>190,317,502</u>	<u>512,569,116</u>	<u>13,696</u>
Deferred outflow				
Accumulated increase in fair value of hedging derivative	3,176,599	-	3,176,599	-
Liabilities				
Accounts payable	1,367,619	4,652,564	6,020,183	-
Retainage payable	248,902	1,992,257	2,241,159	-
Accrued payroll	1,743,729	457,426	2,201,155	-
Accrued interest payable	1,355,340	617,569	1,972,909	-
Due to other governments	7,028	-	7,028	-
Other payables	-	43,396	43,396	-
Amounts held in escrow	111,241	388,140	499,381	-
Long-term liabilities:				
Due within one year	13,346,230	2,832,541	16,178,771	-
Due in more than one year	103,251,281	85,149,852	188,401,133	-
Total liabilities	<u>121,431,370</u>	<u>96,133,745</u>	<u>217,565,115</u>	<u>-</u>
Deferred Inflows				
Accumulated increase in fair value of hedging derivative	3,176,599	-	3,176,599	-
Net Position				
Invested in capital assets, net of related debt	149,026,193	90,090,118	239,116,311	-
Restricted for:				
Capital projects	29,302,502	-	29,302,502	-
Debt service	12,467,856	2,362,432	14,830,288	-
Unrestricted	10,023,693	1,731,207	11,754,900	13,696
Total net position	<u>\$ 200,820,244</u>	<u>\$ 94,183,757</u>	<u>\$ 295,004,001</u>	<u>\$ 13,696</u>

CITY OF BROKEN ARROW, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Functions/Programs	Program Revenues			Net Revenues (Expense) and Changes in Net Assets			Component Unit	
	Expenses	Charges for Services	Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities		Total
Primary Government:								
Governmental activities:								
General government	\$ 9,932,362	\$ 4,716,990	\$ 297,763	\$ -	\$ (4,917,609)	\$ -	\$ (4,917,609)	\$ -
Public safety	33,706,037	4,682,017	186,006	63,811	(28,774,203)	-	(28,774,203)	-
Public services	7,784,421	652,937	-	1,191,267	(5,940,217)	-	(5,940,217)	-
Culture and recreation	4,129,417	549,586	-	-	(3,579,831)	-	(3,579,831)	-
Interest on long-term debt	4,228,733	-	-	-	(4,228,733)	-	(4,228,733)	-
Total governmental activities	59,780,970	10,601,530	483,769	1,255,078	(47,440,593)	-	(47,440,593)	-
Business-type activities:								
Water	20,838,768	17,953,725	-	938,044	-	(1,946,999)	(1,946,999)	-
Sewer	9,184,700	9,441,666	-	560,044	-	817,010	817,010	-
Sanitation	6,229,605	6,285,902	-	-	-	56,297	56,297	-
Stormwater	4,429,760	4,054,544	-	1,123,493	-	748,277	748,277	-
Golf	1,600,753	1,376,422	-	41,661	-	(182,670)	(182,670)	-
Total business-type activities	42,283,586	39,112,259	-	2,663,242	-	(508,085)	(508,085)	-
Total primary government	\$ 102,064,556	\$ 49,713,789	\$ 483,769	\$ 3,918,320	\$ (47,440,593)	\$ (508,085)	(47,948,678)	-

General Revenues:

Taxes:							
Property taxes				12,111,557	-	12,111,557	-
Franchise and miscellaneous taxes				3,709,133	-	3,709,133	-
Sales and use taxes				36,797,811	-	36,797,811	-
Hotel/motel taxes				429,205	-	429,205	-
Tobacco tax				448,310	-	448,310	-
E-911 taxes				774,181	-	774,181	-
Intergovernmental revenue not restricted to specific programs				169,729	-	169,729	-
Investment income (loss)				247,221	32,639	279,860	1
Miscellaneous				1,270,122	-	1,270,122	-
Transfers - internal activities				(303,822)	303,822	-	-
Total general revenues and transfers				55,653,447	336,461	55,989,908	1
Change in net position				8,212,854	(171,624)	8,041,230	1
Net position, beginning of year, restated				192,607,390	94,355,381	286,962,771	13,695
Net position, end of year				\$ 200,820,244	\$ 94,183,757	\$ 295,004,001	\$ 13,696

CITY OF BROKEN ARROW, OKLAHOMA

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2013

	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	\$ 374,801	\$ 3,092,719	\$ 698,213	\$ 4,940,492	\$ 9,221,149	\$ 3,303,461	\$ 6,951,506	\$ 28,582,341
Investments	-	-	-	246,108	8,000,000	6,629,152	1,008,010	15,883,270
Taxes receivable, net	205,535	-	-	-	-	962,956	-	1,168,491
Due from other funds	4,565,519	2,900,000	-	-	-	-	-	7,465,519
Receivable from other governments	5,573,430	1,516,599	-	-	-	-	75,589	7,165,618
Accrued interest receivable	-	-	-	391	71,356	8,750	335	80,832
Other receivables, net	8,090,190	-	-	-	-	-	172,801	8,262,991
Prepaid expenses	13,838	-	-	-	-	-	-	13,838
Total assets	\$ 18,823,313	\$ 7,509,318	\$ 698,213	\$ 5,186,991	\$ 17,292,505	\$ 10,904,319	\$ 8,208,241	\$ 68,622,900
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 244,299	\$ 184,992	\$ 99,978	\$ 51,385	\$ 665,643	\$ -	120,718	\$ 1,367,015
Retainage payable	-	-	-	47,269	189,512	-	12,121	248,902
Accrued payroll	1,743,729	-	-	-	-	-	-	1,743,729
Accrued interest payable	-	-	-	-	-	36,960	-	36,960
Due to other funds	2,055,029	-	-	-	-	-	5,490	2,060,519
Payable to other governments	7,028	-	-	-	-	-	-	7,028
Amounts held in escrow	111,241	-	-	-	-	-	249,077	360,318
Total liabilities	4,161,326	184,992	99,978	98,654	855,155	36,960	387,406	5,824,471
Deferred inflows of resources								
Deferred revenue	7,269,676	489,903	-	391	71,356	638,203	62,465	8,531,994
Fund Balances								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	1,453,700	6,834,423	598,235	5,087,946	16,365,994	10,229,156	5,955,057	46,524,511
Committed	-	-	-	-	-	-	1,752,238	1,752,238
Assigned	5,938,611	-	-	-	-	-	51,075	5,989,686
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	7,392,311	6,834,423	598,235	5,087,946	16,365,994	10,229,156	7,758,370	54,266,435
Total liabilities, deferred inflows, and fund balances	\$ 18,823,313	\$ 7,509,318	\$ 698,213	\$ 5,186,991	\$ 17,292,505	\$ 10,904,319	\$ 8,208,241	\$ 68,622,900

CITY OF BROKEN ARROW, OKLAHOMA

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2013

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

Total fund balance, governmental funds		\$ 54,266,435
Amounts reported for governmental activities in the Statement of Net Position 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 Position		
		261,162,718
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 Position:		
Receivable from other governments	1,128,106	
Court fines receivable	857,426	
Ambulance receivable	181,345	
Cemetery receivable	36,905	
Interest receivable	71,999	
Miscellaneous receivables	66,683	
	<hr/>	2,342,464
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:		
Deferred outflow - interest rate swap		3,176,599
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 Position:		
Excess Capacity Sewer Fund	(118,130)	
Stormwater Capital Fund	(114,265)	
	<hr/>	(232,395)
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 Position		
		(1,452,135)
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 Position:		
General obligation bonds payable	(92,070,625)	
Notes payable	(16,598,037)	
Accrued compensated absences	(2,299,318)	
Accrued interest payable	(1,318,380)	
Interest rate swap liability	(3,176,599)	
Automotive and general liability	(831,000)	
Judgments payable	(2,130,358)	
Arbitrage rebate payable	(19,125)	
	<hr/>	(118,443,442)
Net Position of Governmental Activities in the Statement of Net Position		<u>\$ 200,820,244</u>

CITY OF BROKEN ARROW, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,175,853	\$ -	\$ 12,175,853
Sales and use taxes	30,989,138	5,808,673	-	-	-	-	-	36,797,811
Franchise and miscellaneous taxes	3,268,164	-	-	-	-	-	483,321	3,751,485
Licenses and permits	941,599	-	-	-	-	-	-	941,599
Intergovernmental	426,364	170,327	-	-	-	-	1,685,135	2,281,826
Charges for services	7,132,459	-	-	-	-	-	1,320,648	8,453,107
Fees and fines	1,551,551	-	-	-	-	-	23,795	1,575,346
Rental income	1,119,829	-	-	-	-	-	-	1,119,829
Interest income	19,161	7,589	1,848	18,848	77,996	60,763	7,818	194,023
Miscellaneous	151,653	31,671	-	-	-	-	172,919	356,243
Total revenues	45,599,918	6,018,260	1,848	18,848	77,996	12,236,616	3,693,636	67,647,122
Expenditures:								
Current:								
General government	7,922,325	-	-	-	-	-	341,104	8,263,429
Public safety	31,459,954	-	-	-	-	-	186,509	31,646,463
Public services	2,463,770	-	-	-	-	-	225,982	2,689,752
Parks and recreation	2,940,357	-	-	-	-	-	-	2,940,357
Debt service:								
Principal	780,000	695,000	-	-	-	9,130,717	-	10,605,717
Interest and other charges	972,781	68,683	-	-	-	3,363,748	-	4,405,212
Capital outlay	-	4,165,544	2,069,066	4,075,179	5,504,121	-	1,541,585	17,355,495
Total expenditures	46,539,187	4,929,227	2,069,066	4,075,179	5,504,121	12,494,465	2,295,180	77,906,425
Excess (deficiency) of revenues over expenditures	(939,269)	1,089,033	(2,067,218)	(4,056,331)	(5,426,125)	(257,849)	1,398,456	(10,259,303)
Other financing sources (uses):								
Proceeds from long-term debt, net	-	-	-	-	12,000,000	-	-	12,000,000
Bond premium	-	-	-	-	-	378	-	378
Bond issuance costs	-	-	-	-	(93,892)	-	-	(93,892)
Transfers in	12,890,819	-	-	-	-	-	-	12,890,819
Transfers out	(11,979,556)	-	-	-	-	(60,763)	(1,235,500)	(13,275,819)
Total other financing sources and (uses)	911,263	-	-	-	11,906,108	(60,385)	(1,235,500)	11,521,486
Net change in fund balances	(28,006)	1,089,033	(2,067,218)	(4,056,331)	6,479,983	(318,234)	162,956	1,262,183
Fund balances, beginning 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
Fund balances, end of year	\$ 7,392,311	\$ 6,834,423	\$ 598,235	\$ 5,087,946	\$ 16,365,994	\$ 10,229,156	\$ 7,758,370	\$ 54,266,435

CITY OF BROKEN ARROW, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

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 \$ 1,262,183

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 asset purchases capitalized	13,858,351	
Net effect of various transactions affecting capital assets (i.e. sales, transfers, etc.)	(18,117)	
Bond premium capitalized	(378)	
Amortization of bond premium	9,332	
Depreciation expense	<u>(8,079,924)</u>	5,769,264

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. 3,070,355

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. (1,514,283)

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	167,147	
Accrued compensated absences not reflected on governmental funds	(189,580)	
Claims	<u>1,000</u>	(21,433)

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	(29,917)	
Stormwater Capital Fund	<u>(55,197)</u>	(85,114)

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 Position. (268,118)

Change in net position of governmental activities \$ 8,212,854

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2013

	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course	Total Proprietary Funds	Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ 208,516	\$ 112,883	\$ 102,984	\$ 424,383	\$ 1,072,446
Restricted cash and cash equivalents	1,529,081	-	-	1,529,081	-
Investments	59,528	-	-	59,528	-
Accounts receivable, net	5,583,318	-	1,063	5,584,381	159,087
Due from other funds	2,520,073	-	-	2,520,073	-
Interest receivable	-	4,047	-	4,047	-
Inventories	834,527	-	63,712	898,239	-
Prepaid assets	20,500	-	2,611	23,111	-
Total current assets	10,755,543	116,930	170,370	11,042,843	1,231,533
Noncurrent assets:					
Restricted cash and cash equivalents	3,139,137	300,644	-	3,439,781	-
Notes receivable	-	8,000,000	-	8,000,000	-
Restricted interest receivable	7	-	-	7	-
Investment in joint venture	12,947,879	-	-	12,947,879	-
Capital assets:					
Land and other nondepreciable assets	55,025,702	2,229,985	229,677	57,485,364	-
Other capital assets, net of accumulated depreciation	100,134,580	202,755	4,473,878	104,811,213	-
Total noncurrent assets	171,247,305	10,733,384	4,703,555	186,684,244	-
Total assets	182,002,848	10,850,314	4,873,925	197,727,087	1,231,533
Liabilities					
Current liabilities:					
Accounts payable	4,062,842	230,855	324,851	4,618,548	34,620
Retainage payable	1,983,933	8,324	-	1,992,257	-
Accrued payroll	457,426	-	-	457,426	-
Accrued interest payable	575,266	42,303	-	617,569	-
Due to other funds	4,760,029	2,700,000	465,044	7,925,073	-
Other accrued expenses	-	-	43,396	43,396	-
Amounts held in escrow	139,063	-	-	139,063	-
Compensated absences	341,081	-	-	341,081	-
Claims and judgments	-	-	-	-	837,000
Customer meter deposit reserves	175,902	-	-	175,902	-
Bonds, notes and loans payable, net	1,705,558	355,000	-	2,060,558	-
Capital lease obligation	255,000	-	-	255,000	-
Total current liabilities	14,456,100	3,336,482	833,291	18,625,873	871,620
Noncurrent liabilities:					
Compensated absences	170,541	-	-	170,541	-
Claims and judgments	-	-	-	-	1,812,048
Customer meter deposit reserves	703,610	-	-	703,610	-
Bonds, notes and loans payable, net	69,164,651	14,029,800	-	83,194,451	-
Capital lease obligation	1,081,250	-	-	1,081,250	-
Total noncurrent liabilities	71,120,052	14,029,800	-	85,149,852	1,812,048
Total liabilities	85,576,152	17,366,282	833,291	103,775,725	2,683,668
Net Position					
Invested in capital assets, net of related debt	82,953,823	2,432,740	4,703,555	90,090,118	-
Restricted for debt service	2,061,788	300,244	-	2,362,032	-
Unrestricted	11,411,085	(9,248,952)	(662,921)	1,499,212	-
Total net position	\$ 96,426,696	\$ (6,515,968)	\$ 4,040,634	93,951,362	\$ (1,452,135)
Amounts reported for business-type activities in the Statement of Net Position 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 Position.					
				232,395	
Total net position per government-wide financial statements				<u>\$ 94,183,757</u>	

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2013

	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course	Total Proprietary Funds	Internal Service Funds
Operating revenues:					
Water charges	\$ 17,064,483	\$ -	\$ -	\$ 17,064,483	\$ -
Sewer charges	8,974,057	-	-	8,974,057	-
Sanitation charges	5,974,537	-	-	5,974,537	-
Stormwater fees	3,798,650	-	-	3,798,650	-
Fees and fines	747,504	-	-	747,504	-
Golf	-	-	1,376,422	1,376,422	-
Miscellaneous	442,886	613,725	13,340	1,069,951	-
Self insurance charges	-	-	-	-	7,011,241
Total operating revenues	<u>37,002,117</u>	<u>613,725</u>	<u>1,389,762</u>	<u>39,005,604</u>	<u>7,011,241</u>
Operating expenses:					
General government	1,101,758	1,664,427	-	2,766,185	-
Finance and administration	946,065	-	-	946,065	-
Engineering and construction	1,889,734	-	-	1,889,734	-
Water distribution	11,965,628	-	-	11,965,628	-
Sanitary sewer system	4,635,662	-	-	4,635,662	-
Sanitation services	4,294,281	-	-	4,294,281	-
Support services	2,528,875	1,002,998	-	3,531,873	-
Stormwater	2,130,607	-	-	2,130,607	-
Claims expense	-	-	-	-	7,279,818
Golf	-	-	1,433,713	1,433,713	-
Depreciation	6,234,677	9,641	166,894	6,411,212	-
Total operating expenses	<u>35,727,287</u>	<u>2,677,066</u>	<u>1,600,607</u>	<u>40,004,960</u>	<u>7,279,818</u>
Operating income (loss)	<u>1,274,830</u>	<u>(2,063,341)</u>	<u>(210,845)</u>	<u>(999,356)</u>	<u>(268,577)</u>
Nonoperating revenues (expenses):					
Interest and investment revenue	15,653	16,802	50	32,505	459
Gain (loss) on sale of assets	61,059	-	-	61,059	-
Gain (loss) from joint venture	476,931	-	-	476,931	-
issuance costs	(69,900)	-	-	(69,900)	-
Interest expense and fiscal charges	(2,562,947)	(183,623)	(146)	(2,746,716)	-
Total nonoperating revenue (expenses)	<u>(2,079,204)</u>	<u>(166,821)</u>	<u>(96)</u>	<u>(2,246,121)</u>	<u>459</u>
Income (loss) before contributions and transfers	<u>(804,374)</u>	<u>(2,230,162)</u>	<u>(210,941)</u>	<u>(3,245,477)</u>	<u>(268,118)</u>
Capital contributions	2,643,257	-	41,661	2,684,918	-
Transfers in	11,629,556	453,822	-	12,083,378	-
Transfers out	<u>(11,779,556)</u>	<u>-</u>	<u>-</u>	<u>(11,779,556)</u>	<u>-</u>
Change in net position	<u>1,688,883</u>	<u>(1,776,340)</u>	<u>(169,280)</u>	<u>(256,737)</u>	<u>(268,118)</u>
Total net position, beginning of year, restated	<u>94,737,813</u>	<u>(4,739,628)</u>	<u>4,209,914</u>	<u>94,208,099</u>	<u>(1,184,017)</u>
Total net position, end of year	<u>\$ 96,426,696</u>	<u>\$ (6,515,968)</u>	<u>\$ 4,040,634</u>	<u>\$ 93,951,362</u>	<u>\$ (1,452,135)</u>
Change in net position, per above				\$ (256,737)	
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.				<u>85,113</u>	
Change in business-type activities in net position per government-wide financial statements				<u>\$ (171,624)</u>	

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2013

	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course	Total Proprietary Funds	Internal Service Funds
Cash Flows from Operating Activities					
Receipts from customers	\$ 37,580,168	\$ 613,725	\$ 1,390,911	\$ 39,584,804	\$ 7,011,241
Payments to employees	(11,200,479)	-	-	(11,200,479)	-
Payments to suppliers	(20,234,699)	(645,286)	(1,521,747)	(22,401,732)	(7,502,159)
Net cash provided by (used in) operating activities	6,144,990	(31,561)	(130,836)	5,982,593	(490,918)
Cash Flows from Noncapital Financing Activities					
Transfers in from other funds	11,629,556	453,822	-	12,083,378	-
Transfers out to other funds	(11,779,556)	-	-	(11,779,556)	-
Net cash provided by (used in) noncapital financing activities	(150,000)	453,822	-	303,822	-
Cash Flows from Capital and Related Financing Activities					
Proceeds of borrowings for capital purposes	16,999,081	-	-	16,999,081	-
Proceeds from sale of capital assets	61,059	-	-	61,059	-
Acquisition and construction of capital assets	(41,924,250)	-	-	(41,924,250)	-
Bond issuance costs	(69,900)	-	-	(69,900)	-
Principal paid on bonds and notes	(7,500,894)	-	-	(7,500,894)	-
Interest paid on bonds and notes	(2,562,947)	(189,743)	(146)	(2,752,836)	-
Net cash used in capital and related financing activities	(34,997,851)	(189,743)	(146)	(35,187,740)	-
Cash Flows from Investing Activities					
Investment income	15,653	18,041	50	33,744	459
(Increase) decrease in investments	54,875	-	-	54,875	-
Investment in joint venture	(529,799)	-	-	(529,799)	-
Net cash provided by investing activities	(459,271)	18,041	50	(441,180)	459
Net increase (decrease) in cash and cash equivalents	(29,462,132)	250,559	(130,932)	(29,342,505)	(490,459)
Cash and cash equivalents, beginning of year, restated	34,338,866	162,968	233,916	34,735,750	1,562,905
Cash and cash equivalents, end of year	\$ 4,876,734	\$ 413,527	\$ 102,984	\$ 5,393,245	\$ 1,072,446

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (continued)

YEAR ENDED JUNE 30, 2013

	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course	Total Proprietary Funds	Internal Service Funds
Reconciliation of Operating Loss to Net Cash					
Provided by (Used in) Operating Activities:					
Operating Income (Loss)	\$ 1,274,830	\$ (2,063,341)	\$ (210,845)	\$ (999,356)	\$ (268,577)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	6,234,677	9,641	166,894	6,411,212	-
Change in assets and liabilities:					
Accounts receivable	578,051	-	1,149	579,200	-
Due from other funds	74,381	-	-	74,381	-
Inventories	(138,285)	-	3,804	(134,481)	-
Prepaid assets	-	-	(110)	(110)	-
Accounts payable	(686,197)	(353,249)	(14,632)	(1,054,078)	(52,495)
Retainage payable	1,472,164	(274,612)	-	1,197,552	-
Accrued payroll	26,545	-	-	26,545	-
Due to other funds	(2,769,381)	2,650,000	(27,783)	(147,164)	-
Other payables	-	-	(49,313)	(49,313)	-
Amounts held in escrow	9,857	-	-	9,857	-
Compensated absences	35,336	-	-	35,336	-
Customer meter deposit reserves	33,012	-	-	33,012	-
Claims and judgments	-	-	-	-	(169,846)
Net cash provided by (used in) operating activities	<u>\$ 6,144,990</u>	<u>\$ (31,561)</u>	<u>\$ (130,836)</u>	<u>\$ 5,982,593</u>	<u>\$ (490,918)</u>
Noncash Activities					
Contributed capital assets	<u>\$ 2,643,257</u>	<u>\$ -</u>	<u>\$ 41,661</u>	<u>\$ 2,684,918</u>	<u>\$ -</u>

CITY OF BROKEN ARROW, OKLAHOMA
STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2013

	<u>Broken Arrow Home Finance Authority</u>	<u>Broken Arrow Hospital Authority</u>	<u>Totals</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,786	\$ 10,910	\$ 13,696
Total assets	<u>2,786</u>	<u>10,910</u>	<u>13,696</u>
Current liabilities:			
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net position - unrestricted	<u>\$ 2,786</u>	<u>\$ 10,910</u>	<u>\$ 13,696</u>

CITY OF BROKEN ARROW, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
COMPONENT UNITS
YEAR ENDED JUNE 30, 2013

	Broken Arrow Home Finance Authority	Broken Arrow Hospital Authority	Totals
Charges for services	\$ -	\$ -	\$ -
Operating loss	-	-	-
Nonoperating revenues:			
Interest and investment revenue	1	-	1
Transfers in	-	-	-
Total nonoperating revenues	1	-	1
Change in net position	1	-	1
Total net position, beginning of year	2,785	10,910	13,695
Total net position, end of year	\$ 2,786	\$ 10,910	\$ 13,696

See notes to the basic financial statements.

CITY OF BROKEN ARROW
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 651,994
Accounts receivable	<u>70,872</u>
Total assets	<u><u>\$ 722,866</u></u>
Liabilities	
Amounts held in escrow	<u>\$ 722,866</u>
Total liabilities	<u><u>\$ 722,866</u></u>

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

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. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

During the fiscal year, the City implemented the following GASB Pronouncements:

Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No 34*. GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity and also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Adoption of this statement required the City to make changes in its financial statement presentation.

In addition, the City early implemented:

Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resource (expenses) or inflows of resources (revenues), certain items that were previously recognized as assets and liabilities. This implementation resulted in a prior period restatement.

**CITY OF BROKEN ARROW, OKLAHOMA
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2013**

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

**CITY OF BROKEN ARROW, OKLAHOMA
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2013**

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 was presented as a discretely presented component unit. Any issuance of debt would require two-thirds approval of the City Council.	Enterprise Fund
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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.
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.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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 position will be distributed to the beneficiaries based upon their pro-rata interest. Separate audited financial statements of RMUA for the year ended June 30, 2013, are available from the Office of Finance, City of Tulsa, Oklahoma.

Basis of presentation

Government-wide financial statements

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

**CITY OF BROKEN ARROW, OKLAHOMA
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2013**

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.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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 Industrial Development Limited Tax Bonds	Accounts for bond proceeds to be used for industrial development purposes within the City.
2004, 2005, 2006, 2008, 2009A, 2009C & 2010A General Obligation Bonds	Accounts for bond proceeds to be used for street, public safety, park and recreation improvements and public buildings.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

2009B, 2009D, 2010B & 2011A
 General Obligation Bonds Accounts for bond proceeds to be used for street, public safety, park and recreation and stormwater improvements.

2011B & 2012 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 worker's 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.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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 position 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 position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported.

Governmental fund financial statements

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

Basis of accounting:

Government-wide, proprietary and fiduciary fund financial statements

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

Governmental fund financial statements

In the governmental fund financial statements, the modified accrual basis of accounting is applied. Under 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.

**CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

Assets, liabilities and net position

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.

Government-wide statements

In government-wide 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,

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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 position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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 Oklahoma Water Resources Board (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

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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 position 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 position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

Governmental fund financial statements

Governmental fund equity is classified as fund balance. Fund balance is 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

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Statement of Net Position, 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

**CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
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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, 2013, 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, 2013, 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 position.

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.

**CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
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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 Fiscal Year 2013, the City issued General Obligation Bonds Series 2012 in the amount of \$12,000,000 which was approved in 2011.

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 related. These include covenants such as a required flow of funds through special accounts, a debt service coverage requirement and required reserve account balances. The following schedule presents a brief

**CITY OF BROKEN ARROW, OKLAHOMA
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JUNE 30, 2013**

summary of the most significant requirements and the Authorities' level of compliance thereon as of June 30, 2013.

Requirement	Level of Compliance
a. Flow of Funds:	
OWRB Loans:	
<ul style="list-style-type: none"> • 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:	
<ul style="list-style-type: none"> • Account balance on the 2012 OWRB note payable should equal \$2,435,677. 	Account balance at June 30, 2013 for the 2012 OWRB note payable is \$2,435,527.
c. Revenue Bond Coverage:	
OWRB Loans:	
<ul style="list-style-type: none"> • Net revenues of the Authority plus 125% of maximum annual debt service of all obligations on a parity with the OWRB 1997 A & C, 1999B, 2001, 2004, 2007, 2009, 2011 and 2012 notes. 	Maximum annual debt service on all parity debt is \$5,943,288. Coverage is 302%.

Fund equity/net position 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, 2013.

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.

**CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
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- 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, 2013, 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 \$636,953 and \$815,182 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.

Deposits

As of June 30, 2013, the City had the following investments:

Investment	Maturities	Fair Value
Certificates of deposit	6 to 12 months	\$ 3,812,440
U.S. Government securities		10,000,000
Judgments		<u>2,130,358</u>
Total		<u>\$ 15,942,798</u>

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 under collateralized investments.

CITY OF BROKEN ARROW, OKLAHOMA
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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 a Construction and Term loan. The City owes interest on this portion of the loan at a variable rate of LIBOR plus 100 basis points not to exceed 6.2975%. 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 notional amount of the hedging derivative at June 30, 2013 is \$12,100,000.

The expected future net cash flows of the hedging derivative are as follows:

<u>Year Ending June 30,</u>	<u>Assumed Interest Rate</u>	<u>Hedging Derivative Cash Flow</u>
2014	< 6.2975%	\$ (680,900)
2015	< 6.2975%	(639,200)
2016	< 6.2975%	(594,800)
2017	< 6.2975%	(547,600)
2018	< 6.2975%	(478,800)
2019-2023	< 6.2975%	(1,600,000)
2024-2027	< 6.2975%	<u>(190,800)</u>
Total		<u>\$ (4,732,100)</u>

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.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts receivable	\$ -	\$ 7,183,658
Accounts receivable ambulance	6,647,551	-
Accounts receivable court	901,054	-
Other	843,819	-
Allowance for uncollectible accounts	<u>(6,159,876)</u>	<u>(1,599,277)</u>
Accounts receivable, net of allowance for uncollectible accounts	<u>\$ 2,232,548</u>	<u>\$ 5,584,381</u>

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.

CITY OF BROKEN ARROW, OKLAHOMA
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Restricted assets

The amounts reported as restricted assets of the enterprise funds on the proprietary funds statement of net position 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, 2013, 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	\$ 1,353,179	\$ 2,435,527	\$ 7	\$ 3,788,713
Meter deposits	175,902	703,610	-	879,512
Total BAMA	\$ 1,529,081	\$ 3,139,137	\$ 7	\$ 4,668,225
BAEDA				
Revenue bond and note trustee accounts	\$ -	\$ 300,644	\$ -	\$ 300,644
Total BAEDA	\$ -	\$ 300,644	\$ -	\$ 300,644

Capital assets

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

	Balance at June 30, 2012	Additions	Deductions	Balance at June 30, 2013
Governmental activities:				
Nondepreciable:				
Land	\$ 22,708,138	\$ 671,139	\$ -	\$ 23,379,277
Land under capital lease obligation	2,037,500	-	-	2,037,500
Construction-in-progress	10,892,650	12,500,746	(10,721,203)	12,672,193
Total nondepreciable assets at historical cost	35,638,288	13,171,885	(10,721,203)	38,088,970
Depreciable:				
Buildings	51,496,585	3,745,118	-	55,241,703
Improvements	25,057,932	3,322,447	-	28,380,379
Machinery and equipment	31,705,327	2,091,212	(1,016,632)	32,779,907
Infrastructure	207,587,634	4,979,126	-	212,566,760
Total depreciable assets at historical cost	315,847,478	14,137,903	(1,016,632)	328,968,749
Less accumulated depreciation:				
Buildings	(8,284,994)	(1,113,748)	-	(9,398,742)
Improvements	(7,160,003)	(867,643)	-	(8,027,646)
Machinery and equipment	(16,876,844)	(2,071,271)	998,515	(17,949,600)
Infrastructure	(66,491,751)	(4,027,262)	-	(70,519,013)
Total accumulated depreciation	(98,813,592)	(8,079,924)	998,515	(105,895,001)
Net depreciable assets	217,033,886	6,057,979	(18,117)	223,073,748
Governmental activities capital assets, net	\$ 252,672,174	\$ 19,229,864	\$ (10,739,320)	\$ 261,162,718

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
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	Balance at June 30, 2012	Additions	Deductions	Balance at June 30, 2013
Business-type activities:				
Nondepreciable:				
Land	\$ 3,914,276	\$ 89,073	\$ -	\$ 4,003,349
Construction-in-progress	18,494,989	41,569,778	(6,582,752)	53,482,015
Total nondepreciable assets at historical cost	22,409,265	41,658,851	(6,582,752)	57,485,364
Depreciable:				
Buildings	11,480,546	8,660	-	11,489,206
Improvements	178,599,080	7,051,564	-	185,650,644
Machinery and equipment	13,344,933	1,349,443	(463,095)	14,231,281
Infrastructure – drainage	31,554,818	1,292,742	-	32,847,560
Total depreciable assets at historical cost	234,979,377	9,702,409	(463,095)	244,218,691
Less accumulated depreciation:				
Buildings	(7,800,136)	(174,746)	-	(7,974,882)
Improvements	(106,257,427)	(4,248,356)	-	(110,505,783)
Machinery and equipment	(8,832,288)	(788,050)	463,095	(9,157,243)
Infrastructure – drainage	(10,569,510)	(1,200,060)	-	(11,769,570)
Total accumulated depreciation	(133,459,361)	(6,411,212)	463,095	(139,407,478)
Net depreciable assets	101,520,016	3,291,197	-	104,811,213
Business-type capital assets, net	\$ 123,929,281	\$ 44,950,048	\$ (6,582,752)	\$ 162,296,577

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

Depreciation expense charged to governmental activities:	
General government	\$ 1,218,576
Public safety	1,323,867
Public services	4,371,547
Culture and recreation	1,165,934
Total government activities depreciation expense	<u>\$ 8,079,924</u>
Depreciation expense charged to business-type activities:	
Water	\$ 2,070,901
Sewer	2,542,944
Sanitation	228,138
Stormwater management	1,401,196
Golf	168,033
Total business-type activities depreciation expense	<u>\$ 6,411,212</u>

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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, 2013, the "investment in joint venture" balance changed as follows:

Beginning investment in joint venture	\$11,941,149
Current year contributions	529,799
Gain from joint venture	476,931
	<hr/>
Ending investment in joint venture	<u>\$12,947,879</u>

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, 2013, the governmental activities long-term debt consisted of the following:

\$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%	\$ 1,600,000
\$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%	2,750,000
\$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%	1,465,000
\$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%	3,325,000
\$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%	5,065,000
\$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%	4,940,000
\$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%	7,750,000
\$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%	7,645,000

CITY OF BROKEN ARROW, OKLAHOMA
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\$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%	8,970,000
\$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%	2,765,000
\$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%	5,490,000
\$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%	1,725,000
\$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%	10,020,000
\$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
\$12,000,000 General Obligation Bonds Series 2012, due in annual installments of \$630,000, final installment of \$660,000 due November 1, 2032, with interest rates at 1.00% to 4.00%	<u>12,000,000</u>
Total general obligation bonds	\$ 91,960,000
Unamortized premium on bonds	<u>110,625</u>
Total general obligations bonds	<u>\$ 92,070,625</u>
Current portion	\$ 8,104,326
Noncurrent portion	<u>83,966,299</u>
Total general obligations bonds	<u>\$ 92,070,625</u>

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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% (1.4299% at June 30, 2013), 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

\$ 15,473,037

\$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%

1,125,000

Total notes payable

\$ 16,598,037

Current portion

\$ 1,575,000

Noncurrent portion

15,023,037

Total notes payable

\$ 16,598,037

Accrued compensated absences

Accrued compensated absences reported in the governmental activities are comprised of accrued vacation leave and compensatory time

Current portion

\$ 1,532,879

Noncurrent portion

766,439

Total accrued compensated absences

\$ 2,299,318

Judgments payable

\$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%

\$ 15,609

\$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%

48,867

\$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%

39,000

\$120,000 judgment in favor of Kenco Properties, LLC, held by sinking fund, final maturity March 2014, with interest at 5.25%

40,000

\$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%

7,750

\$215,000 judgment in favor of Frank Johnson and Shira Johnson, held by sinking fund, final maturity June 2014, with interest at 5.25%

71,667

\$65,000 judgment in favor of Stephanie Morgan, held by sinking fund, final maturity April 2014, with interest at 5.25%

21,666

\$4,407 judgment in favor of Wachovia Bank, held by sinking fund, final maturity June 2015, with interest at 5.25%

2,938

\$20,000 judgment in favor of David Geiger, held by sinking fund, final maturity February 2015, with interest at 5.25%

13,333

\$21,000 judgment in favor of The Brandy LLC, held by BAMA fund, final maturity September 2013 with interest at 5.25%

7,000

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\$75,000 judgment in favor of Okon C. Udoumoh, held by BAMA fund, final maturity August 2013 with interest at 5.25%	25,000
\$44,083 judgment in favor of Margaret Couch, held by BAMA fund, final maturity December 2012, with interest at 5.25%	14,694
\$16,000 judgment in favor of Becky Sanders, held by sinking fund, final maturity February 2016, with interest at 5.25%	16,000
\$10,000 judgment in favor of Grace Irene Couch Irrevocable Living Trust, held by BAMA fund, final maturity November 2015, with interest at 5.25%	10,000
\$25,000 judgment in favor of Ernest A. Couch, held by sinking fund, final maturity October 2015, with interest at 5.25%	25,000
\$69,000 judgment in favor of Bonnie Blalack, held by sinking fund, final maturity and interest to be determined	69,000
\$8,500 judgment in favor of United Markets, Inc., held by sinking fund, final maturity March 2013 with interest at 5.25%	2,834
\$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	<u>\$ 2,130,358</u>
Current portion	\$ 917,025
Noncurrent portion	<u>1,213,333</u>
Total judgments payable	<u>\$ 2,130,358</u>
Actuarial determined automotive and general insurance liabilities, funded by General Fund resources, reported in the governmental activities at June 30, 2013	
Current portion	\$ 380,000
Noncurrent portion	<u>451,000</u>
Total automotive and general insurance liabilities	<u>\$ 831,000</u>
<u>Other claims payable</u>	
Actuarial determined workers compensation claims payable, funded by General Fund resources, reported in the governmental activities at June 30, 2013	
Current portion	\$ 837,000
Noncurrent portion	<u>808,000</u>
Total claims payable	<u>\$ 1,645,000</u>
<u>Other post employment benefit obligation</u>	
Current portion	\$ -
Noncurrent portion	<u>1,004,048</u>
Total other post employment benefit obligation	<u>\$ 1,004,048</u>
<u>Arbitrage rebate</u>	
Current portion	\$ -
Noncurrent portion	<u>19,125</u>
Total arbitrage rebate	<u>\$ 19,125</u>

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013, was 302%.

As of June 30, 2013, 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	\$ 221,448
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	353,250
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	292,220
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	152,597
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	7,180,508
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	10,666,694
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	3,542,945
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 at 2.85%, final maturity March 2029	3,447,820
2012 Drinking Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount \$35,000,000 dated January 19, 2012, by Broken Arrow Municipal Authority, providing for engineering, design and construction of the Water Treatment Plant, secured by pledged sales tax, interest rate at 2.94%, final maturity March 2034	15,257,747

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

2012 Drinking Water Promissory Note payable to Oklahoma Water Resources Board, original amount \$29,7550,000 dated January 19, 2012, by Broken Arrow Municipal Authority, providing for engineering, design and construction of the Water Treatment Plant, secured by pledged sales tax, with interest rates at 2.145% to 4.145%, final maturity September 2040 29,755,000

2012 Clean Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount \$6,540,0000 dated December 4, 2012, by Broken Arrow Municipal Authority, providing for construction, inspection and design of improvements to the Haikey Creek Wastewater Treatment Plant, secured by pledged sales tax, with interest rates at 2.01%, final maturity September 2034

Total notes payable	\$ 70,870,209
Current portion	\$ 1,705,558
Noncurrent portion	69,164,651
Total notes payable	\$ 70,870,209

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	1,336,250
Total capital lease obligation	\$ 1,336,250
Current portion	\$ 255,000
Noncurrent portion	1,081,250
Total capital lease obligation	\$ 1,336,250

Accrued compensated absences

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

Current portion	\$ 341,081
Noncurrent portion	170,541
Total accrued compensated absences	\$ 511,622

Customer meter deposit reserves

Current portion	\$ 175,902
Noncurrent portion	703,610
Total customer meter deposit reserves	\$ 879,512

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Broken Arrow Economic Development Authority (BAEDA)

The Authority has one industrial revenue bond issue outstanding at June 30, 2013. This issue is for the promotion of economic development. The bonds pay interest quarterly at various rates, is secured by a mortgage and matures April 1, 2019. At June 30, 2013, 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, 2013. The note call 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, 2013:

Type of Debt	Balance, June 30, 2012	Additions	Deductions	Balance, June 30, 2013	Amounts Due Within a Year
Governmental activities:					
General obligation					
bonds	\$ 88,814,579	\$ 12,000,378	\$ 8,744,332	\$ 92,070,625	\$ 8,104,326
Notes payable	18,073,037	-	1,475,000	16,598,037	1,575,000
Accrued compen- sated absences	2,109,738	189,580	-	2,299,318	1,532,879
Judgments payable	2,406,075	120,000	395,717	2,130,358	917,025
Claims payable	2,907,000	-	431,000	2,476,000	1,217,000
Other post employment benefit obligation	743,894	260,154	-	1,004,048	-
Arbitrage rebate	19,125	-	-	19,125	-
Total governmental activities	\$ 115,073,448	\$ 12,570,112	\$11,046,049	\$ 116,597,511	\$ 13,346,230
Business-type activities:					
Notes payable	\$ 67,396,119	\$ 16,999,082	\$ 7,140,192	\$ 77,255,009	\$ 2,060,558
Accrued compen- sated absences	476,286	35,336	-	511,622	341,081
Customer meter deposit reserves	846,500	33,012	-	879,512	175,902
Capital lease obligation	1,591,250	-	255,000	1,336,250	255,000
Revenue bonds payable	8,000,000	-	-	8,000,000	-
Total business-type activities	\$ 78,310,155	\$ 17,067,430	\$ 7,395,192	\$ 87,982,393	\$ 2,832,541

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013, are as follows:

Year ending June 30,	Governmental Activities					
	General Obligation Bonds		Notes Payable		Judgments Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 8,104,326	\$ 2,972,845	\$ 1,575,000	\$ 1,150,519	\$ 886,677	\$ 108,224
2015	8,734,326	2,680,258	1,275,000	1,059,092	614,013	65,294
2016	8,774,334	2,384,039	955,000	986,114	606,668	33,058
2017	8,264,340	2,072,992	1,015,000	915,328	23,000	1,208
2018	7,554,104	1,810,451	1,090,000	839,981	-	-
2019-2023	29,690,728	5,676,055	6,695,000	2,868,661	-	-
2024-2028	12,515,897	2,244,883	3,993,037	428,988	-	-
2039-2033	8,432,570	500,266	-	-	-	-
Total	\$ 92,070,625	\$ 20,341,789	\$ 16,598,037	\$ 8,248,683	\$ 2,130,358	\$ 207,784

Year ending June 30,	Business-Type Activities			
	Note Payable		Capital Lease Obligation	
	Principal	Interest	Principal	Interest
2014	\$ 2,060,558	\$ 2,325,560	\$ 255,000	\$ 37,219
2015	4,293,250	2,210,304	255,000	29,569
2016	4,339,637	2,089,024	255,000	21,919
2017	4,391,738	1,989,095	255,000	14,269
2018	4,344,968	1,864,250	255,000	6,619
2019-2023	29,631,326	7,293,299	61,250	459
2024-2028	11,235,657	4,532,438	-	-
2029-2033	3,342,880	3,577,702	-	-
2034-2038	11,395,000	2,571,169	-	-
2039-2043	10,219,995	392,301	-	-
Total	\$ 85,255,009	\$28,845,142	\$1,336,250	\$ 110,054

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.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Interfund balances and activities

Interfund receivables and payables at June 30, 2013, consist of the following:

Receivable Fund	Payable Fund	Amount	Nature of Interfund Balance
BAMA	General	\$ 2,055,029	Sales tax collections
BAMA	Battle Creek Golf Course	465,044	Operational advances
General Fund	BAMA	4,560,029	Eliminated negative cash
General Fund	Crime Prevention	5,490	Operation advances
Sales Tax Capital Improvement	BAMA	200,000	Eliminated negative cash
Sales Tax Capital Improvement	BAEDA	2,700,000	Eliminated negative cash

Interfund transfers for the year ended June 30, 2013, were as follows:

Transfer From	Transfer To	Amount	Nature of Transfer
General Fund	BAMA	\$ 11,629,556	Sales tax collections
General Fund	BAEDA	350,000	Economic development
BAMA	General Fund	11,629,556	Operating subsidy
Convention & Visitors Bureau	General Fund	100,500	Operational/General Government
Convention & Visitors Bureau	BAEDA	35,000	Operational/Economic Development
Street and Alley	General Fund	700,000	Operational/Streets
E-911	General Fund	400,000	Operational/Public Safety
Debt Service	General Fund	60,763	Operational/Interest

Fund balances and net position

Net position reserves at June 30, 2013, consist of the following:

	Primary Government BAMA & BAEDA Enterprise Funds
Restricted assets in:	
Bond accounts	\$ 502,164
Bond reserve account	2,435,527
	<hr/>
Accrued interest receivable	7
Less: accrued interest payable	(575,266)
	<hr/>
Restricted for debt service	<u>\$ 2,362,432</u>

Restatement of beginning net position

GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* became effective for Fiscal Year 2013. As a result of some of the requirements of GASB 63, the City decided to early implement GASB 65, *Items Previously Recognized as Assets and Liabilities*. This early implementation has changed the accounting for bond issuance costs. In prior years, these costs were capitalized and amortized over the life of the bond issue. GASB 65 requires that these costs be expensed in the year incurred. As a result, the beginning of year government-wide and business net position have been restated as follows:

**CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

Government-Wide Net Position

	Invested in Capital Assets, Net of Related Debt	Restricted For:			Unrestricted	Total
		Capital Projects	Debt Service	Other Projects		
July 1, 2012 net position, as previously reported	\$142,396,898	\$ 30,128,530	\$ 12,585,690	\$ 1,852,322	\$ 6,167,017	\$ 193,130,457
Prior period adjustment	-	-	-	-	523,067	523,067
July 1, 2012 net position, as restated	\$ 142,396,898	\$ 30,128,530	\$ 12,585,690	\$ 1,852,322	\$ 5,643,950	\$ 192,607,390

Business-Type Net Position

July 1, 2012 net position, as previously reported	\$ 63,771,092	-	\$ 4,899,485	-	\$ 26,738,743	\$ 95,409,320
Prior period adjustment	-	-	-	-	1,053,939	1,053,939
July 1, 2012 net position, as restated	\$ 63,771,092	\$ -	\$ 4,899,485	\$ -	\$ 25,684,804	\$ 94,355,381

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.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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. 63 rd 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

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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
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%
2013	\$ 1,721,129	100%	\$ 1,928,153	100%

Trend information is showing 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, 2013, 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, 2013, 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, 2013, the following amounts related to actual contributions to the defined contribution plan:

Employee contributions made	\$ 56,982
Employer (City) contributions made	\$1,517,236

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.

**CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

The required monthly contribution rates of the plan members for 2013 range from \$25 to \$244 for active employees and \$540 to \$1,408 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	\$ 270,762
Interest on Net OPEB Obligation	35,335
Amortization of Net OPEB Obligation	<u>(45,943)</u>
Annual OPEB cost	260,154
Employer contributions	<u>-</u>
Increase in net OPEB obligation	260,154
Beginning OPEB obligation	<u>743,894</u>
Ending OPEB obligation	<u>\$1,004,048</u>

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
2013	\$260,154	0.00%	\$1,004,048

Funded status and funding progress. As of June 30, 2013, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was \$2,082,272, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,082,272. The covered payroll (annual payroll of active employees covered by the plan) was \$24,348,846, and the ratio of the UAAL to the covered payroll was 8.16%.

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, 2013, 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

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

2013 ARC was based on a 4.75% discount rate, 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 Service Fund used to account for activities with participating funds charged through an estimated annual claim cost for each fund.	Entire risk of loss retained. Claim liability determined through estimate of loss by the City's 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 \$5,156,386 at June 30, 2013 ⁽¹⁾ .

⁽¹⁾ H.M. Insurance Group

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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 Unimerica Insurance Company.

Life insurance benefits are funded entirely by the City through Minnesota Life.

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, 2009 to June 30, 2013, are as follows:

	Workers Compensation	Health Care
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
Claims and changes in estimate	636,638	6,643,294
Claims payments	(1,066,638)	(6,471,246)
Claim liability, June 30, 2013	\$ 1,645,000	\$ 1,004,048
Assets available to pay claims at June 30, 2013	\$ 1,042,667	\$ 188,866

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013, the City's total cost of water was \$6,503,144.

Construction commitments

At June 30, 2013, the following construction commitments were outstanding:

	Original Contract	Balance Remaining
Water Supply Improvements	\$ 56,843,638	\$ 16,060,115
Events Parks Phase II	3,121,785	2,065,197
Oneta Road	3,398,387	3,260,455
Sanitary Sewer Lift Station Improvements	285,470	27,593
Public Safety Complex	6,552,102	3,854,336
Senior Center West Wing Remodel	402,000	402,000
Downtown Streetscapes Phase III	3,784,822	3,784,822
Tulsa Water Line Connection	857,778	361,854

Operating lease commitments

The City leases office space and equipment under noncancellable operating leases. Rent expense totaled \$102,087 for the year ended June 30, 2013. At June 30, 2013, the City was obligated under noncancellable operating leases expiring from 2013 to 2017 for future minimum lease payments as follows:

Year	Amount
2014	26,174
2015	26,174
2016	26,174
2017	23,993
	<u>\$ 102,515</u>

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.

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 2013, was \$864,167.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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 December 1, 2013, the City issued \$3,700,000 of General Obligation Bonds Series 2013A. The bonds are due in annual installments of \$410,000 with final installment of \$420,000 due December 1, 2023 and bear interest ranging from 1.00% to 2.375%.

On December 1, 2013, the City also issued \$6,200,000 of General Obligation Bonds Series 2013B. The bonds are due in annual installments of \$325,000 with final installment of \$350,000 due December 1, 2033 and bear interest ranging from 2.00% to 3.75%.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BROKEN ARROW, OKLAHOMA

**SCHEDULE OF FUNDING PROGRESS -
OTHER POST EMPLOYMENT BENEFIT OBLIGATION**

June 30, 2013

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%
06/30/13	\$ -	\$ 2,082,272	\$ 2,082,272	0.0%	\$ 25,506,314	8.16%

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year ended June 30, 2013

(unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Beginning budgetary fund balance	7,420,317	7,420,317	7,420,317	-
Resources (inflows):				
Taxes:				
Sales tax	28,146,900	29,846,900	29,055,580	(791,320)
Use tax	2,105,000	2,105,000	1,933,558	(171,442)
Tobacco tax	486,300	486,300	448,310	(37,990)
Franchise tax	2,980,600	2,980,600	2,819,854	(160,746)
Total taxes	<u>33,718,800</u>	<u>35,418,800</u>	<u>34,257,302</u>	<u>(1,161,498)</u>
Intergovernmental:				
Intergovernmental	150,000	225,800	256,635	30,835
Alcoholic beverage tax	146,000	146,000	169,729	23,729
Total intergovernmental	<u>296,000</u>	<u>371,800</u>	<u>426,364</u>	<u>54,564</u>
Charges for services:				
Planning and zoning	14,600	14,600	13,333	(1,267)
Sale of material	60,400	60,400	101,460	41,060
BAMA PILOT	2,386,100	2,386,100	2,763,719	377,619
BAMA overhead charge	946,700	946,700	805,004	(141,696)
Rural fire runs	5,900	5,900	2,996	(2,904)
Inspection fees	426,500	426,500	557,032	130,532
Ambulance revenue	1,744,600	1,744,600	2,116,979	372,379
Special Events	-	-	2,323	2,323
Cemetery fee	140,700	140,700	121,527	(19,173)
Animal control fees	39,000	39,000	38,383	(617)
Nuisance abatement	170,700	170,700	51,339	(119,361)
Parks and recreation	166,400	166,400	204,350	37,950
Swimming pools	269,700	269,700	232,386	(37,314)
Swimming lessons	31,100	31,100	12,920	(18,180)
Administrative fees	14,000	14,000	12,639	(1,361)
Juvenile court	64,000	64,000	94,591	30,591
CLEET	-	-	1,478	1,478
Total charges for services	<u>6,480,400</u>	<u>6,480,400</u>	<u>7,132,459</u>	<u>652,059</u>

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE (continued)

GENERAL FUND

Year ended June 30, 2013

(unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Fines, forfeitures and assessments	2,012,600	2,012,600	1,551,551	(461,049)
Licenses and permits:				
Occupational licenses	172,900	172,900	190,421	17,521
Peddlers licenses	8,000	8,000	455	(7,545)
Food licenses	38,600	38,600	39,056	456
Other fees	100,700	100,700	120,843	20,143
Building permits	685,000	685,000	590,824	(94,176)
Total licenses and permits	<u>1,005,200</u>	<u>1,005,200</u>	<u>941,599</u>	<u>(63,601)</u>
Investment income	31,800	31,800	19,161	(12,639)
Miscellaneous:				
Rental property	999,800	999,800	1,119,829	120,029
Donations	4,900	4,900	15,250	10,350
Miscellaneous	41,700	41,700	58,228	16,528
Insurance proceeds	12,100	12,100	78,175	66,075
Total miscellaneous	<u>1,058,500</u>	<u>1,058,500</u>	<u>1,271,482</u>	<u>212,982</u>
Other financing sources:				
Transfers in from other funds	12,986,600	12,986,600	12,890,819	(95,781)
Total other financing sources	<u>12,986,600</u>	<u>12,986,600</u>	<u>12,890,819</u>	<u>(95,781)</u>
Total revenues and other financing sources	<u>57,589,900</u>	<u>59,365,700</u>	<u>58,490,737</u>	<u>(874,963)</u>
Amounts available for appropriation	<u>65,010,217</u>	<u>66,786,017</u>	<u>65,911,054</u>	<u>(874,963)</u>

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE (continued)

GENERAL FUND

Year ended June 30, 2013

(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	679,800	665,850	614,093	51,757
Other services and charges	22,300	35,400	52,635	(17,235)
Materials and supplies	5,300	6,150	8,105	(1,955)
Total city manager	707,400	707,400	674,833	32,567
Finance:				
Personal services	624,400	624,400	630,972	(6,572)
Other services and charges	65,000	58,000	51,857	6,143
Materials and supplies	7,500	7,500	5,656	1,844
Total finance	696,900	689,900	688,485	1,415
City attorney:				
Personal services	615,500	615,500	631,921	(16,421)
Other service and charges	95,400	95,400	65,291	30,109
Materials and supplies	38,500	38,500	35,915	2,585
Total city attorney	749,400	749,400	733,127	16,273
Human resources:				
Personal services	1,998,200	1,998,200	1,978,674	19,526
Other services and charges	530,200	528,200	476,238	51,962
Materials and supplies	59,400	61,400	56,883	4,517
Total human resources	2,587,800	2,587,800	2,511,795	76,005
Development services - One-Stop & Planning:				
Personal services	1,543,500	1,543,500	1,479,451	64,049
Other services and charges	135,100	135,100	123,417	11,683
Material and supplies	17,100	17,100	19,768	(2,668)
Total development services	1,695,700	1,695,700	1,622,636	73,064
General government:				
Personal services	10,000	10,000	1,114	8,886
Other services and charges	1,684,800	1,684,800	1,653,568	31,232
Materials and supplies	47,500	47,500	36,767	10,733
Total general government	1,742,300	1,742,300	1,691,449	50,851
Total general government	8,179,500	8,172,500	7,922,325	250,175

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

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE (continued)

GENERAL FUND

**Year ended June 30, 2013
(unaudited)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Public safety:				
Police:				
Personal services	15,068,400	15,144,200	14,836,542	307,658
Other services and charges	933,000	935,550	885,067	50,483
Materials and supplies	722,500	719,950	812,572	(92,622)
Total police	16,723,900	16,799,700	16,534,181	265,519
Fire:				
Personal services	12,743,900	13,243,900	13,081,885	162,015
Other services and charges	607,200	597,200	647,444	(50,244)
Materials and supplies	622,400	632,400	624,367	8,033
Total fire	13,973,500	14,473,500	14,353,696	119,804
Development services - Inspections:				
Personal services	567,000	567,000	533,303	33,697
Other services and charges	12,700	14,700	13,194	1,506
Materials and supplies	26,100	24,100	25,580	(1,480)
Total development services - inspections	605,800	605,800	572,077	33,723
Total public safety	31,303,200	31,879,000	31,459,954	419,046
Public services:				
Streets:				
Personal services	1,312,900	1,312,900	1,167,863	145,037
Other services and charges	191,900	171,900	145,209	26,691
Materials and supplies	615,000	635,000	538,067	96,933
Total streets	2,119,800	2,119,800	1,851,139	268,661
General services:				
Personal services	518,700	518,700	526,447	(7,747)
Other services and charges	39,100	39,100	18,664	20,436
Materials and supplies	72,500	72,500	67,520	4,980
Total general services	630,300	630,300	612,631	17,669
Total public services	2,750,100	2,750,100	2,463,770	286,330

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE (continued)

GENERAL FUND

Year ended June 30, 2013

(unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Parks and recreation:				
Personal services	2,250,200	2,250,200	2,155,577	94,623
Other services and charges	526,400	533,400	432,301	101,099
Materials and supplies	379,900	379,900	352,479	27,421
Total parks and recreation	<u>3,156,500</u>	<u>3,163,500</u>	<u>2,940,357</u>	<u>223,143</u>
Debt service:				
Principal	780,000	780,000	780,000	-
Interest and other charges	1,185,000	1,185,000	972,781	212,219
Total debt service	<u>1,965,000</u>	<u>1,965,000</u>	<u>1,752,781</u>	<u>212,219</u>
Other financing uses:				
Transfers to other funds	11,614,000	12,344,000	11,979,556	364,444
Total charges to appropriations	<u>58,968,300</u>	<u>60,274,100</u>	<u>58,518,743</u>	<u>1,755,357</u>
Ending budgetary fund balance	<u>6,041,917</u>	<u>6,511,917</u>	<u>7,392,311</u>	<u>880,394</u>

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year ended June 30, 2013

(unaudited)

	Budgeted		Actual	Variance with
	Amounts		Amounts	Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Revenues:				
Sales and miscellaneous taxes	\$ 33,718,800	\$ 35,418,800	\$ 34,257,302	\$ (1,161,498)
Licenses and permits	1,005,200	1,005,200	941,599	(63,601)
Intergovernmental	296,000	371,800	426,364	54,564
Charges for services	6,480,400	6,480,400	7,132,459	652,059
Fees and fines	2,012,600	2,012,600	1,551,551	(461,049)
Interest income	31,800	31,800	19,161	(12,639)
Miscellaneous	1,058,500	1,058,500	1,271,482	212,982
Total revenue	<u>44,603,300</u>	<u>46,379,100</u>	<u>45,599,918</u>	<u>(779,182)</u>
Expenditures:				
Current:				
General government	8,179,500	8,172,500	7,922,325	250,175
Public safety	31,303,200	31,879,000	31,459,954	419,046
Public services	2,750,100	2,750,100	2,463,770	286,330
Parks and recreation	3,156,500	3,163,500	2,940,357	223,143
Debt service:				
Principal	780,000	780,000	780,000	-
Interest and other charges	1,185,000	1,185,000	972,781	212,219
Total expenditures	<u>47,354,300</u>	<u>47,930,100</u>	<u>46,539,187</u>	<u>1,390,913</u>
Excess (deficiency) of revenues over expenditures	(2,751,000)	(1,551,000)	(939,269)	611,731
Other financing sources (uses):				
Transfers in	12,986,600	12,986,600	12,890,819	(95,781)
Transfers out	(11,614,000)	(12,344,000)	(11,979,556)	364,444
Total other financing sources (uses)	<u>1,372,600</u>	<u>642,600</u>	<u>911,263</u>	<u>268,663</u>
Net change in fund balances	(1,378,400)	(908,400)	(28,006)	880,394
Budgetary fund balances, beginning of year	<u>7,420,317</u>	<u>7,420,317</u>	<u>7,420,317</u>	<u>-</u>
Budgetary fund balances, end of year	<u>\$ 6,041,917</u>	<u>\$ 6,511,917</u>	<u>\$ 7,392,311</u>	<u>\$ 880,394</u>

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year ended June 30, 2013

(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 by fund type in Note 6, where applicable.

For the year ended June 30, 2013, 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, 2013

	Special Revenue Funds				
	Excess Capacity Sewer Escrow	Stormwater Capital	Convention and Visitors Bureau	Police Enhancement	Parks and Recreation
Assets					
Cash and cash equivalents	\$ 367,207	\$ 148,281	\$ 1,078,822	\$ 57,428	\$ 444,353
Investments	-	-	-	-	250,000
Accrued interest receivable	-	-	-	-	83
Due from other funds	-	-	-	-	-
Receivable from other governments	-	-	-	-	-
Other receivables, net	-	-	42,492	-	-
Prepaid expenses	-	-	-	-	-
Total assets	\$ 367,207	\$ 148,281	\$ 1,121,314	\$ 57,428	\$ 694,436
Liabilities					
Accounts payable	\$ -	\$ 34,016	\$ 21,708	\$ -	\$ 15,652
Retainage payable	-	-	-	-	3,893
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	83
Amounts held in escrow	249,077	-	-	-	-
Total liabilities	249,077	34,016	21,708	-	19,628
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	-	-	1,099,606	57,428	328,167
Committed	118,130	114,265	-	-	346,641
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	118,130	114,265	1,099,606	57,428	674,808
Total liabilities and fund balances	\$ 367,207	\$ 148,281	\$ 1,121,314	\$ 57,428	\$ 694,436

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

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

	Special Revenue Funds				
	Cemetery Care	Street and Alley	Housing and Urban Development	E-911	Crime Prevention
Assets					
Cash and cash equivalents	\$ 573,687	\$ 670,102	\$ 557,291	\$ 1,853,417	\$ 198,394
Investments	-	250,000	-	258,010	-
Accrued interest receivable	-	83	-	86	-
Due from other funds	-	-	-	-	-
Receivable from other governments	-	75,589	-	-	-
Other receivables, net	1,460	-	-	68,179	-
Prepaid expenses	-	-	-	-	-
Total assets	\$ 575,147	\$ 995,774	\$ 557,291	\$ 2,179,692	\$ 198,394
Liabilities					
Accounts payable	\$ -	\$ -	\$ 43,146	\$ -	\$ 5,000
Retainage payable	-	-	8,228	-	-
Due to other funds	-	-	-	-	5,490
Deferred revenue	1,460	83	-	86	-
Amounts held in escrow	-	-	-	-	-
Total liabilities	1,460	83	51,374	86	10,490
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	526,096	995,691	505,917	2,179,606	187,904
Committed	-	-	-	-	-
Assigned	47,591	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	573,687	995,691	505,917	2,179,606	187,904
Total liabilities and fund balances	\$ 575,147	\$ 995,774	\$ 557,291	\$ 2,179,692	\$ 198,394

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

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

	Special Revenue Funds			Capital Project Funds	Total Nonmajor Governmental Funds
	Police Reserves	Alcohol Enforcement	Street Light	1994 General Obligation Bond Issue	
Assets					
Cash and cash equivalents	\$ 3,484	\$ 75,634	\$ 751,555	\$ 171,851	\$ 6,951,506
Investments	-	-	250,000	-	1,008,010
Accrued interest receivable	-	-	83	-	335
Receivable from other governments	-	-	-	-	75,589
Other receivables, net	-	1,333	59,337	-	172,801
Total assets	<u>\$ 3,484</u>	<u>\$ 76,967</u>	<u>\$ 1,060,975</u>	<u>\$ 171,851</u>	<u>\$ 8,208,241</u>
Liabilities					
Accounts payable	\$ -	\$ 992	\$ 204	\$ -	\$ 120,718
Retainage payable	-	-	-	-	12,121
Due to other funds	-	-	-	-	5,490
Deferred revenue	-	1,333	59,420	-	62,465
Amounts held in escrow	-	-	-	-	249,077
Total liabilities	<u>-</u>	<u>2,325</u>	<u>59,624</u>	<u>-</u>	<u>449,871</u>
Fund Balances					
Restricted	-	74,642	-	-	5,955,057
Committed	-	-	1,001,351	171,851	1,752,238
Assigned	3,484	-	-	-	51,075
Total fund balances	<u>3,484</u>	<u>74,642</u>	<u>1,001,351</u>	<u>171,851</u>	<u>7,758,370</u>
Total liabilities and fund balances	<u>\$ 3,484</u>	<u>\$ 76,967</u>	<u>\$ 1,060,975</u>	<u>\$ 171,851</u>	<u>\$ 8,208,241</u>

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

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

	Special Revenue Funds				
	Excess Capacity Sewer Escrow	Stormwater Capital	Convention and Visitors Bureau	Police Enhancement	Parks and Recreation
Revenues:					
Franchise and miscellaneous taxes	\$ -	\$ -	\$ 483,321	\$ -	\$ -
Intergovernmental	-	-	-	69,206	-
Charges for services	-	-	-	-	99,930
Fees and fines	-	-	-	-	-
Interest income	108	27	343	231	1,294
Miscellaneous	51,485	55,170	-	-	63,248
Total revenues	51,593	55,197	483,664	69,437	164,472
Expenditures:					
Current:					
General government	-	-	274,914	-	-
Public safety	-	-	-	55,891	-
Public services	-	-	-	-	-
Capital outlay	21,676	-	14,159	30,875	557,345
Total expenditures	21,676	-	289,073	86,766	557,345
Excess (deficiency) of revenues over expenditures	29,917	55,197	194,591	(17,329)	(392,873)
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	(135,500)	-	-
Total other financing sources (uses)	-	-	(135,500)	-	-
Net change in fund balances	29,917	55,197	59,091	(17,329)	(392,873)
Fund balances, beginning of year	88,213	59,068	1,040,515	74,757	1,067,681
Fund balances, end of year	\$ 118,130	\$ 114,265	\$ 1,099,606	\$ 57,428	\$ 674,808

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

	Special Revenue Funds				
	Cemetery Care	Street and Alley	Housing and Urban Development	E-911	Crime Prevention
Revenues:					
Franchise and miscellaneous taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	889,279	470,795	-	155,611
Charges for services	31,200	-	-	774,181	-
Fees and fines	-	-	-	-	-
Interest income	179	1,317	-	1,735	66
Miscellaneous	-	-	-	-	-
Total revenues	<u>31,379</u>	<u>890,596</u>	<u>470,795</u>	<u>775,916</u>	<u>155,677</u>
Expenditures:					
Current:					
General government	-	-	66,128	-	-
Public safety	-	-	-	-	122,067
Public services	-	-	-	-	-
Capital outlay	35,539	-	301,041	447,770	32,936
Total expenditures	<u>35,539</u>	<u>-</u>	<u>367,169</u>	<u>447,770</u>	<u>155,003</u>
Excess (deficiency) of revenues over expenditures	<u>(4,160)</u>	<u>890,596</u>	<u>103,626</u>	<u>328,146</u>	<u>674</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	(700,000)	-	(400,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(700,000)</u>	<u>-</u>	<u>(400,000)</u>	<u>-</u>
Net change in fund balances	<u>(4,160)</u>	<u>190,596</u>	<u>103,626</u>	<u>(71,854)</u>	<u>674</u>
Fund balances, beginning of year	<u>577,847</u>	<u>805,095</u>	<u>402,291</u>	<u>2,251,460</u>	<u>187,230</u>
Fund balances, end of year	<u>\$ 573,687</u>	<u>\$ 995,691</u>	<u>\$ 505,917</u>	<u>\$ 2,179,606</u>	<u>\$ 187,904</u>

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

	Special Revenue Funds			Capital Project Funds	Total Nonmajor Governmental Funds
	Police Reserves	Alcohol Enforcement	Street Light	1994 General Obligation Bond Issue	
Revenues:					
Franchise and miscellaneous taxes	\$ -	\$ -	\$ -	\$ -	\$ 483,321
Intergovernmental	-	-	100,244	-	1,685,135
Charges for services	-	-	415,337	-	1,320,648
Fees and fines	-	23,795	-	-	23,795
Interest income	-	19	1,325	1,174	7,818
Miscellaneous	-	-	-	3,016	172,919
Total revenues	-	23,814	516,906	4,190	3,693,636
Expenditures:					
Current:					
General government	-	-	-	62	341,104
Public safety	-	8,551	-	-	186,509
Public services	-	-	225,982	-	225,982
Capital outlay	-	-	100,244	-	1,541,585
Total expenditures	-	8,551	326,226	62	2,295,180
Excess (deficiency) of revenues over expenditures	-	15,263	190,680	4,128	1,398,456
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(1,235,500)
Total other financing sources (uses)	-	-	-	-	(1,235,500)
Net change in fund balances	-	15,263	190,680	4,128	162,956
Fund balances, beginning of year	3,484	59,379	810,671	167,723	7,595,414
Fund balances, end of year	\$ 3,484	\$ 74,642	\$ 1,001,351	\$ 171,851	\$ 7,758,370

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

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

SCHEDULE OF DEBT SERVICE COVERAGE REQUIREMENTS

Year ended June 30, 2013

	OWRB 1997 A&C, 1999B, 2001, 2004, 2005, 2007, 2009, 2011 and 2012 Notes <u>Payable</u>
Gross revenue available for debt service:	
Charges for services	\$ 35,811,727
Investment income	15,653
Sales tax transferred from the City General Fund	<u>11,629,556</u>
Total gross revenues available	<u>47,456,936</u>
Operating expenses (1)	
General government	1,101,758
Finance and administration	946,065
Engineering and construction	1,889,734
Water distribution	11,965,628
Sanitary sewer system	4,635,662
Sanitation services	4,294,281
Support services	2,528,875
Stormwater	<u>2,130,607</u>
Total operating expenses	<u>29,492,610</u>
Net revenue available for debt service	<u>\$ 17,964,326</u>
Debt service requirements	
Maximum annual debt service on all BAMA parity debt	<u>\$ 5,943,288</u>
Computed coverage	<u>302%</u>
Coverage requirement	<u>125%</u>

(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, 2013

	<u>Series 2012 OWRB Note Payable</u>
Required balance	\$2,435,677
Balance in Trustee Account, June 30, 2013	<u>2,435,527</u>
Excess of account balance over (under) required balance	<u><u>\$ (150)</u></u>