



**BROKEN ARROW**

*Where opportunity lives*

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2014**

**WITH  
INDEPENDENT AUDITOR'S REPORT**

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**City of Broken Arrow, Oklahoma**

**List of Principal Officials  
June 30, 2014**

**City Council**

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

**City Manager**

**Thomas M. Morton**

**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, 2014, 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, as of June 30, 2014, 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.

## ***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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other supplementary 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 9, 2015, 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.

  
January 9, 2015

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

**June 30, 2014**

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, 2014. Please read it in conjunction with the City's financial statements, which follow this section.

**Financial Highlights**

- For the fiscal year ended June 30, 2014, the City's total net position increased by \$7,414,857 or 2.51% from the prior year's restated net position.
- During the year, the City's expenses for governmental activities were \$64,324,606 and were funded by program revenues of \$16,642,159, and further funded with taxes and other general revenues that totaled \$59,377,544.
- In the City's business-type activities, such as utilities, total program expenses exceeded revenues by \$4,873,746.
- At June 30, 2014, the General Fund reported a total fund balance of \$7,234,982, as compared to the prior year balance of \$7,392,311. Fund balance of \$1,547,333 has been restricted for debt service.
- For budgetary reporting purposes, the General Fund reported revenues less than estimates in the amount of \$363,520, or 0.74%, while expenditures were under the final appropriations by \$2,174,793 or 4.19%.

**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 \$295,004,001 to \$302,418,858 between fiscal years 2014 and 2013. Looking at the net position of governmental and business-type activities separately, governmental activities increased \$11,695,097, while business-type activities decreased \$4,280,240. A comparative, condensed presentation of net position follows (reported in thousands).

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2013	2014	2013	2014	2013	2014	
<b>Assets:</b>							
Current and other assets	\$ 61,088	\$ 57,195	\$ 7,050	\$ (86)	\$ 68,138	\$ 57,109	(16.19)%
Capital assets, net	261,163	278,191	162,297	172,524	423,460	450,715	6.44%
Other noncurrent assets	-	-	20,971	21,478	20,971	21,478	2.42%
<b>Total assets</b>	<b>322,251</b>	<b>335,386</b>	<b>190,318</b>	<b>193,916</b>	<b>512,569</b>	<b>529,302</b>	<b>3.26%</b>
Deferred Outflows of Resources							
Accumulated decrease in fair value of hedging derivative	3,177	2,867	-	-	3,177	2,867	(9.76)%
<b>Liabilities:</b>							
Current liabilities	21,357	21,492	10,984	9,248	32,341	30,740	(4.95)%
Noncurrent liabilities	103,251	104,246	85,150	94,764	188,401	199,010	5.63%
<b>Total liabilities</b>	<b>124,608</b>	<b>125,738</b>	<b>96,134</b>	<b>104,012</b>	<b>220,742</b>	<b>229,750</b>	<b>4.28%</b>
<b>Net Position:</b>							
Invested in capital assets, net of related debt	149,026	166,620	90,090	91,150	239,116	257,770	7.80%
Restricted	41,770	36,868	2,363	2,612	44,133	39,480	(10.54)%
Unrestricted	10,024	9,027	1,731	(3,858)	11,755	5,169	(56.03)%
<b>Total net position</b>	<b>\$ 200,820</b>	<b>\$ 212,515</b>	<b>\$ 94,184</b>	<b>\$ 89,904</b>	<b>\$ 295,004</b>	<b>\$ 302,419</b>	<b>2.51%</b>

## Changes in net position

For the years ended June 30, 2014 and 2013, 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
	2013	2014	2013	2014	2013	2014	
<b>Expenses:</b>							
General government	\$ 9,932	\$ 10,574	\$ -	\$ -	\$ 9,932	\$ 10,574	6.46%
Public safety	33,706	36,747	-	-	33,706	36,747	9.02%
Public services	7,785	8,373	-	-	7,785	8,373	7.55%
Culture and recreation	4,129	4,472	-	-	4,129	4,472	8.30%
Interest on long-term debt	4,229	4,159	-	-	4,229	4,159	(1.66)%
Water	-	-	20,839	19,459	20,839	19,459	(6.62)%
Sewer	-	-	9,185	10,317	9,185	10,317	12.32%
Sanitation	-	-	6,229	6,526	6,229	6,526	4.77%
Stormwater	-	-	4,430	4,646	4,430	4,646	4.88%
Economic development	-	-	-	4,169	-	4,169	100.00)%
Golf	-	-	1,601	1,594	1,601	1,594	(0.44)%
<b>Total expenses</b>	<b>59,781</b>	<b>64,325</b>	<b>42,284</b>	<b>46,711</b>	<b>102,065</b>	<b>111,036</b>	<b>8.79%</b>
<b>Program revenues:</b>							
Charges for services	10,602	11,147	39,112	39,279	49,714	50,426	1.43%
Operating grants and contributions	484	400	-	-	484	400	(17.36)%
Capital grants and contributions	1,254	5,095	2,664	2,558	3,918	7,653	95.33%
<b>Total program revenues</b>	<b>12,340</b>	<b>16,642</b>	<b>41,776</b>	<b>41,837</b>	<b>54,116</b>	<b>58,479</b>	<b>8.06%</b>
<b>Net revenues (expenses)</b>	<b>(47,441)</b>	<b>(47,683)</b>	<b>(508)</b>	<b>(4,874)</b>	<b>(47,949)</b>	<b>(52,557)</b>	<b>9.61%</b>
<b>General revenues:</b>							
Sales and use taxes	36,798	39,005	-	-	36,798	39,005	6.00%
Property taxes	12,112	12,889	-	-	12,112	12,889	6.42%
Franchise and other taxes	5,361	6,438	-	-	5,361	6,438	20.09%
Investment income (loss)	247	310	32	29	279	339	21.51%
Miscellaneous	1,440	1,301	-	-	1,440	1,301	(9.65)%
Transfers	(304)	(565)	304	565	-	-	0.00%
<b>Total general revenues and transfers</b>	<b>55,654</b>	<b>59,378</b>	<b>336</b>	<b>594</b>	<b>55,990</b>	<b>59,972</b>	<b>7.12%</b>
<b>Change in net position</b>	<b>\$ 8,213</b>	<b>\$ 11,695</b>	<b>\$ (172)</b>	<b>\$ (4,280)</b>	<b>\$ 8,041</b>	<b>\$ 7,415</b>	<b>(7.79)%</b>

The City's governmental activities increase in net position of \$11,695,097 represents a 5.82% positive change from the prior year net position. The business-type activities decrease in net position of \$4,280,240 represents a 4.54% 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, 2014, the City's governmental activities were funded as follows:

Government Activities Sources	
Sales and use taxes	51.31%
Other taxes	25.42%
Program revenue	21.89%
Other	1.38%
Government Activities Uses	
General government	16.44%
Public safety	57.13%
Public services	13.02%
Culture and recreation	6.95%
Interest on long-term debt	6.47%

For the year ended June 30, 2014, total expenses for governmental activities amounted to \$64,324,606. To fund these activities, taxpayers and other general revenues funded \$59,377,544 while those directly benefiting from the program funded \$5,494,822 from grants and other contributions and \$11,147,337 from charges for services.

**Net Revenue (Expense) of Governmental Activities**

	Total Expense of Services		Net Revenues (Expense) of Services	
	2013	2014	2013	2014
General government	\$ 9,932,362	\$ 10,574,125	\$ (4,917,609)	\$ (5,553,199)
Public safety	33,706,037	36,746,774	(28,774,203)	(31,450,700)
Public services	7,784,421	8,372,738	(5,940,217)	(2,547,907)
Culture and recreation	4,129,417	4,471,693	(3,579,831)	(3,971,365)
Interest on long-term debt	4,228,733	4,159,276	(4,228,733)	(4,159,276)
Total	<u>\$ 59,780,970</u>	<u>\$ 64,324,606</u>	<u>\$ (47,440,593)</u>	<u>\$ (47,682,447)</u>

**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 \$4,873,746 for the year ended June 30, 2014.
- Stormwater activities reported net revenues for the year ended June 30 2014, while water, sewer, sanitation, economic development and golf operations, reported net expenses of \$1,258,948, 572,998, 96,356, 4,169,326 and \$32,273, respectively.

**Net Revenue (Expense) of Business-Type Activities**

	Total Expense of Services		Net Revenues (Expense) of Services	
	2013	2014	2013	2014
Water	\$ 20,838,768	\$ 19,459,059	\$ (1,946,999)	\$ (1,258,948)
Sewer	9,184,700	10,316,761	817,010	(572,998)
Sanitation	6,229,605	6,525,816	56,297	(96,356)
Storm water	4,429,760	4,646,050	748,277	1,256,155
Economic development	-	4,169,326	-	(4,169,326)
Golf	1,600,753	1,594,049	(182,670)	(32,273)
Total	<u>\$ 42,283,586</u>	<u>\$ 46,711,061</u>	<u>\$ (508,085)</u>	<u>\$ 4,873,746</u>

## A financial analysis of the City's funds

As the City completed its 2014 fiscal year, the governmental funds reported a combined fund balance of \$49,218,828 or a 9.30% decrease from 2013. The combined proprietary funds reported net position of \$88,980,783 or a 5.29% decrease from 2013.

Other fund highlights include:

- For the year ended June 30, 2014, the General Fund's total fund balance decreased by \$157,329 or 2.13%.
- The Sales Tax Capital Improvement Fund's total fund balance increased by \$1,377,349 or 20.15%.
- The General Obligation Bond Funds' total fund balance decreased by \$7,018,489 or 31.83% due to the capital outlay during the year exceeding the proceeds from the issuance of debt.

## 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 0.12% or \$77,800 and an increase in appropriations of 1.06% or \$686,500.

## **Capital Asset and Debt Administration**

### Capital assets

At the end of June 30, 2014, the City had \$450,714,222 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 \$27,254,927 or 6.44% over last year.

### **Primary Government Capital Assets (Net of Accumulated Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Land	\$ 25,416,777	\$ 27,253,179	\$ 4,003,349	\$ 4,574,472	\$ 29,420,126	\$ 31,827,651
Buildings	45,842,961	51,989,880	3,514,324	3,337,990	49,357,285	55,327,870
Improvements	20,352,733	20,121,338	75,144,861	74,114,129	95,497,594	94,235,467
Machinery and equipment	14,830,307	15,386,670	5,074,038	5,427,015	19,904,345	20,813,685
Infrastructure	142,047,747	152,154,245	21,077,990	20,453,902	163,125,737	172,608,147
Construction in progress	12,672,193	11,285,166	53,482,015	64,616,236	66,154,208	75,901,402
Total assets	\$ 261,162,718	\$ 278,190,478	\$ 162,296,577	\$ 172,523,744	\$ 423,459,295	\$ 450,714,222

This year's more significant capital asset additions included:

- Construction of new Public Safety Complex totaling \$7,599,804
- Street improvements totaling \$14,110,206
- Utility system improvements totaling \$3,360,762
- Storm water drainage improvements totaling \$611,637

Additionally, the City is currently in the process of constructing a new water treatment plant anticipated to be complete in Fiscal Year 2015 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 \$217,106,648 in long-term debt outstanding which represents a \$12,526,744 or 6.12% 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	
	2013	2014	2013	2014	2013	2014
Accrued compensated absences	\$ 2,299,318	\$ 2,549,907	\$ 511,622	\$ 529,699	\$ 2,810,940	\$ 3,079,606
Arbitrage rebate payable	19,125	19,125	-	-	19,125	19,125
General obligation bonds	92,070,625	93,958,621	-	-	92,070,625	93,958,621
Notes payable	16,598,037	15,023,037	77,255,009	89,373,008	93,853,046	104,396,045
Judgments payable	2,130,358	1,348,990	-	-	2,130,358	1,348,990
Automotive and general liability	831,000	857,000	-	-	831,000	857,000
Meter deposit liability	-	-	879,512	871,607	879,512	871,607
Claims payable	1,645,000	2,158,000	-	-	1,645,000	2,158,000
Other post employment benefit obligation	1,004,048	1,272,654	-	-	1,004,048	1,272,654
Capital lease obligation	-	-	1,336,250	1,145,000	1,336,250	1,145,000
Revenue bond payable	-	-	8,000,000	8,000,000	8,000,000	8,000,000
<b>Total long-term debt</b>	<b>\$ 116,597,511</b>	<b>\$117,187,334</b>	<b>\$ 87,982,393</b>	<b>\$ 99,919,314</b>	<b>\$ 204,579,904</b>	<b>\$ 217,106,648</b>

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 3.5% for Fiscal Year 2015. 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 2015 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, 2014**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 16,972,626	\$ 5,870,159	\$ 22,842,785	\$ 13,706
Investments	15,951,595	6,667	15,958,262	-
Taxes receivable	1,282,502	-	1,282,502	-
Internal balances	12,366,115	(12,366,115)	-	-
Due from other governments	7,563,766	-	7,563,766	-
Accrued interest receivable	83,708	4,200	87,908	-
Other receivables, net	2,711,322	5,534,946	8,246,268	-
Notes receivable	-	8,000,000	8,000,000	-
Inventories	-	839,452	839,452	-
Other assets	263,838	24,544	288,382	-
Investment in joint venture	-	13,478,072	13,478,072	-
Capital assets:				
Land and construction in progress	38,538,345	69,190,708	107,729,053	-
Other capital assets, net of depreciation	239,652,133	103,333,036	342,985,169	-
<b>Total assets</b>	<b>335,385,950</b>	<b>193,915,669</b>	<b>529,301,619</b>	<b>13,706</b>
<b>Deferred outflow</b>				
Accumulated decrease in fair value of hedging derivative	2,867,414	-	2,867,414	-
<b>Liabilities</b>				
Accounts payable	2,057,845	2,092,921	4,150,766	-
Retainage payable	266,804	142,968	409,772	-
Accrued payroll	2,005,259	546,087	2,551,346	-
Accrued interest payable	1,246,444	722,135	1,968,579	-
Due to other governments	4,380	-	4,380	-
Other payables	-	114,734	114,734	-
Amounts held in escrow	102,543	473,995	576,538	-
Interest rate swap	2,867,414	-	2,867,414	-
Long-term liabilities:				
Due within one year	12,941,373	5,155,715	18,097,088	-
Due in more than one year	104,245,961	94,763,599	199,009,560	-
<b>Total liabilities</b>	<b>125,738,023</b>	<b>104,012,154</b>	<b>229,750,177</b>	<b>-</b>
<b>Net Position</b>				
Invested in capital assets, net of related debt	166,619,521	91,149,621	257,769,142	-
Restricted for:				
Capital projects	23,614,228	-	23,614,228	-
Debt service	13,253,877	2,612,106	15,865,983	-
Unrestricted	9,027,715	(3,858,212)	5,169,503	13,706
<b>Total net position</b>	<b>\$ 212,515,341</b>	<b>\$ 89,903,515</b>	<b>\$ 302,418,856</b>	<b>\$ 13,706</b>

**CITY OF BROKEN ARROW, OKLAHOMA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2014**

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	
<b>Primary Government:</b>								
<b>Governmental activities:</b>								
General government	\$ 10,574,125	\$ 4,766,516	\$ 254,410	\$ -	\$ (5,553,199)	\$ -	\$ (5,553,199)	\$ -
Public safety	36,746,774	5,076,389	145,213	74,472	(31,450,700)	-	(31,450,700)	-
Public services	8,372,738	812,895	-	5,011,936	(2,547,907)	-	(2,547,907)	-
Culture and recreation	4,471,693	491,537	-	8,791	(3,971,365)	-	(3,971,365)	-
Interest on long-term debt	4,159,276	-	-	-	(4,159,276)	-	(4,159,276)	-
<b>Total governmental activities</b>	<b>64,324,606</b>	<b>11,147,337</b>	<b>399,623</b>	<b>5,095,199</b>	<b>(47,682,447)</b>	<b>-</b>	<b>(47,682,447)</b>	<b>-</b>
<b>Business-type activities:</b>								
Water	19,459,059	17,262,310	-	937,801	-	(1,258,948)	(1,258,948)	-
Sewer	10,316,761	9,492,905	-	250,858	-	(572,998)	(572,998)	-
Sanitation	6,525,816	6,429,460	-	-	-	(96,356)	(96,356)	-
Stormwater	4,646,050	4,588,633	-	1,313,572	-	1,256,155	1,256,155	-
Economic development	4,169,326	-	-	-	-	(4,169,326)	(4,169,326)	-
Golf	1,594,049	1,505,819	-	55,957	-	(32,273)	(32,273)	-
<b>Total business-type activities</b>	<b>46,711,061</b>	<b>39,279,127</b>	<b>-</b>	<b>2,558,188</b>	<b>-</b>	<b>(4,873,746)</b>	<b>(4,873,746)</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 111,035,667</b>	<b>\$ 50,426,464</b>	<b>\$ 399,623</b>	<b>\$ 7,653,387</b>	<b>\$ (47,682,447)</b>	<b>\$ (4,873,746)</b>	<b>\$ (52,556,193)</b>	<b>\$ -</b>

**General Revenues:**

<b>Taxes:</b>					
Property taxes		12,888,460	-	12,888,460	-
Franchise and miscellaneous taxes		4,687,906	-	4,687,906	-
Sales and use taxes		39,005,250	-	39,005,250	-
Hotel/motel taxes		483,424	-	483,424	-
Tobacco tax		435,206	-	435,206	-
E-911 taxes		831,248	-	831,248	-
Intergovernmental revenue not restricted to specific programs		177,306	-	177,306	-
Investment income (loss)		309,859	28,473	338,332	10
Miscellaneous		1,123,918	-	1,123,918	-
Transfers - internal activities		(565,033)	565,033	-	-
<b>Total general revenues and transfers</b>		<b>59,377,544</b>	<b>593,506</b>	<b>59,971,050</b>	<b>10</b>
Change in net position		11,695,097	(4,280,240)	7,414,857	10
Net position, beginning of year		200,820,244	94,183,757	295,004,001	13,696
<b>Net position, end of year</b>		<b>\$ 212,515,341</b>	<b>\$ 89,903,517</b>	<b>\$ 302,418,858</b>	<b>\$ 13,706</b>

**CITY OF BROKEN ARROW, OKLAHOMA**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**JUNE 30, 2014**

	<b>General Fund</b>	<b>Sales Tax Capital Improvement Fund</b>	<b>2004 General Obligation Bond Fund</b>	<b>2008 General Obligation Bond Fund</b>	<b>2011 General Obligation Bond Fund</b>	<b>Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>								
Cash and cash equivalents	\$ 185,811	\$ 84,066	\$ 433,888	\$ 5,048,319	\$ 3,596,585	\$ 3,140,592	\$ 3,104,456	\$ 15,593,717
Investments	-	-	-	-	7,500,000	7,441,595	1,010,000	15,951,595
Taxes receivable, net	280,765	-	-	-	-	1,001,737	-	1,282,502
Due from other funds	4,676,690	7,066,115	-	-	-	-	3,950,000	15,692,805
Receivable from other governments	5,821,624	1,589,824	-	-	-	-	152,318	7,563,766
Accrued interest receivable	-	-	-	-	74,096	9,014	598	83,708
Other receivables, net	7,583,109	-	-	-	-	-	165,045	7,748,154
Prepaid expenses	13,838	250,000	-	-	-	-	-	263,838
<b>Total assets</b>	<b>\$ 18,561,837</b>	<b>\$ 8,990,005</b>	<b>\$ 433,888</b>	<b>\$ 5,048,319</b>	<b>\$ 11,170,681</b>	<b>\$ 11,592,938</b>	<b>\$ 8,382,417</b>	<b>\$ 64,180,085</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accounts payable	\$ 314,709	\$ 288,330	\$ 186	\$ 588,425	\$ 689,691	\$ -	\$ 109,055	\$ 1,990,396
Retainage payable	-	-	-	71,245	195,559	-	-	266,804
Accrued payroll	2,005,259	-	-	-	-	-	-	2,005,259
Accrued interest payable	-	-	-	-	-	25,260	-	25,260
Due to other funds	2,170,429	-	-	-	-	-	6,261	2,176,690
Payable to other governments	4,380	-	-	-	-	-	-	4,380
Amounts held in escrow	102,543	-	-	-	-	-	293,112	395,655
<b>Total liabilities</b>	<b>4,597,320</b>	<b>288,330</b>	<b>186</b>	<b>659,670</b>	<b>885,250</b>	<b>25,260</b>	<b>408,428</b>	<b>6,864,444</b>
<b>Deferred inflows of resources</b>								
Deferred revenue	6,729,535	489,903	-	-	74,096	646,134	157,145	8,096,813
<b>Fund Balances</b>								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	1,547,333	8,211,772	433,702	4,388,649	10,211,335	10,921,544	5,057,121	40,771,456
Committed	-	-	-	-	-	-	2,756,239	2,756,239
Assigned	5,687,649	-	-	-	-	-	3,484	5,691,133
Unassigned	-	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>7,234,982</b>	<b>8,211,772</b>	<b>433,702</b>	<b>4,388,649</b>	<b>10,211,335</b>	<b>10,921,544</b>	<b>7,816,844</b>	<b>49,218,828</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 18,561,837</b>	<b>\$ 8,990,005</b>	<b>\$ 433,888</b>	<b>\$ 5,048,319</b>	<b>\$ 11,170,681</b>	<b>\$ 11,592,938</b>	<b>\$ 8,382,417</b>	<b>\$ 64,180,085</b>



**CITY OF BROKEN ARROW, OKLAHOMA**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**JUNE 30, 2014**

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

Total fund balance, governmental funds		\$ 49,218,828
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		278,190,478
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	1,216,555	
Court fines receivable	925,712	
Ambulance receivable	730,741	
Cemetery receivable	28,995	
Street light fee	30,362	
Interest receivable	83,710	
Miscellaneous receivables	43,906	
	<u>                    </u>	3,059,981
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		2,867,414
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	(332,930)	
Stormwater Capital Fund	(589,802)	
	<u>                    </u>	(922,732)
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		(2,053,350)
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	(93,958,621)	
Notes payable	(15,023,037)	
Accrued compensated absences	(2,549,907)	
Accrued interest payable	(1,221,184)	
Interest rate swap liability	(2,867,414)	
Automotive and general liability	(857,000)	
Judgments payable	(1,348,990)	
Arbitrage rebate payable	(19,125)	
	<u>                    </u>	(117,845,278)
Net Position of Governmental Activities in the Statement of Net Position		<u><u>\$ 212,515,341</u></u>

**CITY OF BROKEN ARROW, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2014**

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,889,543	\$ -	\$ 12,889,543
Sales and use taxes	32,820,837	6,184,413	-	-	-	-	-	39,005,250
Franchise and miscellaneous taxes	4,243,412	-	-	-	-	-	483,424	4,726,836
Licenses and permits	1,060,822	-	-	-	-	-	-	1,060,822
Intergovernmental	395,538	8,791	-	-	-	-	1,234,417	1,638,746
Charges for services	6,784,363	-	-	-	-	-	1,978,295	8,762,658
Fees and fines	2,072,320	-	-	-	-	-	25,748	2,098,068
Rental income	1,060,394	-	-	-	-	-	-	1,060,394
Interest income	17,355	8,915	995	10,724	111,859	142,754	5,385	297,987
Miscellaneous	73,839	11,293	-	-	-	-	290,292	375,424
<b>Total revenues</b>	<b>48,528,880</b>	<b>6,213,412</b>	<b>995</b>	<b>10,724</b>	<b>111,859</b>	<b>13,032,297</b>	<b>4,017,561</b>	<b>71,915,728</b>
Expenditures:								
Current:								
General government	8,098,381	-	-	-	-	-	391,690	8,490,071
Public safety	33,837,646	-	-	-	-	-	160,673	33,998,319
Public services	2,844,630	-	-	-	-	-	350,665	3,195,295
Parks and recreation	3,219,650	-	-	-	-	-	-	3,219,650
Debt service:								
Principal	830,000	745,000	-	-	-	8,980,889	-	10,555,889
Interest and other charges	918,200	39,010	-	-	-	3,312,343	-	4,269,553
Capital outlay	-	4,076,509	165,528	4,347,533	12,386,658	-	1,436,059	22,412,287
<b>Total expenditures</b>	<b>49,748,507</b>	<b>4,860,519</b>	<b>165,528</b>	<b>4,347,533</b>	<b>12,386,658</b>	<b>12,293,232</b>	<b>2,339,087</b>	<b>86,141,064</b>
Excess (deficiency) of revenues over expenditures	(1,219,627)	1,352,893	(164,533)	(4,336,809)	(12,274,799)	739,065	1,678,474	(14,225,336)
Other financing sources (uses):								
Proceeds from long-term debt, net	-	-	-	3,700,000	6,200,000	-	-	9,900,000
Bond premium	-	-	-	-	-	96,077	-	96,077
Bond issuance costs	-	-	-	(62,488)	(79,860)	-	-	(142,348)
Transfers in	14,141,417	24,456	-	-	-	-	-	14,165,873
Transfers out	(13,079,119)	-	-	-	-	(142,754)	(1,620,000)	(14,841,873)
<b>Total other financing sources and (uses)</b>	<b>1,062,298</b>	<b>24,456</b>	<b>-</b>	<b>3,637,512</b>	<b>6,120,140</b>	<b>(46,677)</b>	<b>(1,620,000)</b>	<b>9,177,729</b>
Net change in fund balances	(157,329)	1,377,349	(164,533)	(699,297)	(6,154,659)	692,388	58,474	(5,047,607)
Fund balances, beginning 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
Fund balances, end of year	\$ 7,234,982	\$ 8,211,772	\$ 433,702	\$ 4,388,649	\$ 10,211,335	\$ 10,921,544	\$ 7,816,844	\$ 49,218,828

See notes to the basic financial statements.

**CITY OF BROKEN ARROW, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2014**

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 \$ (5,047,607)

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	22,208,342	
Net effect of various transactions affecting capital assets (i.e. sales, transfers, etc.)	(17,385)	
Bond premium capitalized	(96,077)	
Amortization of bond premium	13,081	
Depreciation expense	<u>(8,331,256)</u>	13,776,705

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. 3,885,577

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. 551,367

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	97,196	
Accrued compensated absences not reflected on governmental funds	(250,589)	
Claims	<u>(26,000)</u>	(179,393)

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	(214,800)	
Stormwater Capital Fund	<u>(475,537)</u>	(690,337)

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. (601,215)

Change in net position of governmental activities \$ 11,695,097

**CITY OF BROKEN ARROW, OKLAHOMA**

**STATEMENT OF NET POSITION**

**PROPRIETARY FUNDS**

**JUNE 30, 2014**

	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course	Total Proprietary Funds	Internal Service Funds
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 87,223	\$ 112,938	\$ 158,455	\$ 358,616	\$ 1,444,753
Restricted cash and cash equivalents	1,862,050	-	-	1,862,050	-
Investments	6,667	-	-	6,667	-
Accounts receivable, net	5,530,332	-	4,614	5,534,946	-
Due from other funds	2,635,473	-	-	2,635,473	-
Interest receivable	-	4,200	-	4,200	-
Inventories	776,954	-	62,498	839,452	-
Prepaid assets	20,500	-	4,044	24,544	-
<b>Total current assets</b>	<b>10,919,199</b>	<b>117,138</b>	<b>229,611</b>	<b>11,265,948</b>	<b>1,444,753</b>
Noncurrent assets:					
Restricted cash and cash equivalents	3,132,813	450,836	-	3,583,649	-
Notes receivable	-	8,000,000	-	8,000,000	-
Restricted interest receivable	-	-	-	-	-
Investment in joint venture	13,478,072	-	-	13,478,072	-
Capital assets:					
Land and other nondepreciable assets	66,731,046	2,229,985	229,677	69,190,708	-
Other capital assets, net of accumulated depreciation	98,522,892	193,114	4,617,030	103,333,036	-
<b>Total noncurrent assets</b>	<b>181,864,823</b>	<b>10,873,935</b>	<b>4,846,707</b>	<b>197,585,465</b>	<b>-</b>
<b>Total assets</b>	<b>192,784,022</b>	<b>10,991,073</b>	<b>5,076,318</b>	<b>208,851,413</b>	<b>1,444,753</b>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	1,712,692	108,277	271,952	2,092,921	67,449
Retainage payable	134,879	8,089	-	142,968	-
Accrued payroll	546,087	-	-	546,087	-
Accrued interest payable	664,160	57,975	-	722,135	-
Due to other funds	12,170,429	3,300,000	681,159	16,151,588	-
Other accrued expenses	-	-	114,734	114,734	-
Amounts held in escrow	180,883	-	-	180,883	-
Compensated absences	353,133	-	-	353,133	-
Claims and judgments	-	-	-	-	283,000
Customer meter deposit reserves	174,321	-	-	174,321	-
Bonds, notes and loans payable, net	3,998,261	375,000	-	4,373,261	-
Capital lease obligation	255,000	-	-	255,000	-
<b>Total current liabilities</b>	<b>20,189,845</b>	<b>3,849,341</b>	<b>1,067,845</b>	<b>25,107,031</b>	<b>350,449</b>
Noncurrent liabilities:					
Compensated absences	176,566	-	-	176,566	-
Claims and judgments	-	-	-	-	3,147,654
Customer meter deposit reserves	697,286	-	-	697,286	-
Bonds, notes and loans payable, net	76,014,747	16,985,000	-	92,999,747	-
Capital lease obligation	890,000	-	-	890,000	-
<b>Total noncurrent liabilities</b>	<b>77,778,599</b>	<b>16,985,000</b>	<b>-</b>	<b>94,763,599</b>	<b>3,147,654</b>
<b>Total liabilities</b>	<b>97,968,444</b>	<b>20,834,341</b>	<b>1,067,845</b>	<b>119,870,630</b>	<b>3,498,103</b>
<b>Net Position</b>					
Invested in capital assets, net of related debt	84,095,930	2,423,099	4,630,592	91,149,621	-
Restricted for debt service	2,311,462	450,836	-	2,762,298	-
Unrestricted	8,408,186	(12,717,203)	(622,119)	(4,931,136)	(2,053,350)
<b>Total net position</b>	<b>\$ 94,815,578</b>	<b>\$ (9,843,268)</b>	<b>\$ 4,008,473</b>	<b>88,980,783</b>	<b>\$ (2,053,350)</b>
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.					
				922,732	
<b>Total net position per government-wide financial statements</b>				<b>\$ 89,903,515</b>	

**CITY OF BROKEN ARROW, OKLAHOMA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**

**PROPRIETARY FUNDS**

**YEAR ENDED JUNE 30, 2014**

	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course	Total Proprietary Funds	Internal Service Funds
Operating revenues:					
Water charges	\$ 16,105,552	\$ -	\$ -	\$ 16,105,552	\$ -
Sewer charges	8,856,815	-	-	8,856,815	-
Sanitation charges	5,998,650	-	-	5,998,650	-
Stormwater fees	3,720,772	-	-	3,720,772	-
Fees and fines	776,128	-	-	776,128	-
Golf	-	-	1,500,579	1,500,579	-
Miscellaneous	495,073	1,033,503	5,240	1,533,816	42,947
Self insurance charges	-	-	-	-	7,915,513
Total operating revenues	<u>35,952,990</u>	<u>1,033,503</u>	<u>1,505,819</u>	<u>38,492,312</u>	<u>7,958,460</u>
Operating expenses:					
General government	1,143,869	690,858	-	1,834,727	-
Finance and administration	926,305	-	-	926,305	-
Engineering and construction	1,858,753	-	-	1,858,753	-
Water distribution	11,596,510	-	-	11,596,510	-
Sanitary sewer system	4,940,728	-	-	4,940,728	-
Sanitation services	4,756,924	-	-	4,756,924	-
Support services	2,663,587	4,169,326	-	6,832,913	-
Stormwater	2,390,218	-	-	2,390,218	-
Claims expense	-	-	-	-	8,560,039
Golf	-	-	1,449,590	1,449,590	-
Depreciation	6,455,960	9,641	141,829	6,607,430	-
Total operating expenses	<u>36,732,854</u>	<u>4,869,825</u>	<u>1,591,419</u>	<u>43,194,098</u>	<u>8,560,039</u>
Operating income (loss)	<u>(779,864)</u>	<u>(3,836,322)</u>	<u>(85,600)</u>	<u>(4,701,786)</u>	<u>(601,579)</u>
Nonoperating revenues (expenses):					
Interest and investment revenue	8,927	19,230	113	28,270	364
Gain (loss) on sale of assets	(35,816)	-	-	(35,816)	-
Gain (loss) from joint venture issuance costs	(700,891)	-	-	(700,891)	-
Interest expense and fiscal charges	(2,552,385)	(225,241)	(2,630)	(2,780,256)	-
Total nonoperating revenue (expenses)	<u>(3,280,165)</u>	<u>(206,011)</u>	<u>(2,517)</u>	<u>(3,488,693)</u>	<u>364</u>
Income (loss) before contributions and transfers	<u>(4,060,029)</u>	<u>(4,042,333)</u>	<u>(88,117)</u>	<u>(8,190,479)</u>	<u>(601,215)</u>
Capital contributions	2,598,912	-	55,956	2,654,868	-
Transfers in	12,378,663	715,033	-	13,093,696	-
Transfers out	<u>(12,528,663)</u>	-	-	<u>(12,528,663)</u>	-
Change in net position	<u>(1,611,117)</u>	<u>(3,327,300)</u>	<u>(32,161)</u>	<u>(4,970,578)</u>	<u>(601,215)</u>
Total net position, beginning of year	<u>96,426,695</u>	<u>(6,515,968)</u>	<u>4,040,634</u>	<u>93,951,361</u>	<u>(1,452,135)</u>
Total net position, end of year	<u>\$ 94,815,578</u>	<u>\$ (9,843,268)</u>	<u>\$ 4,008,473</u>	<u>\$ 88,980,783</u>	<u>\$ (2,053,350)</u>
Change in net position, per above				\$ (4,970,578)	
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>690,338</u>	
Change in business-type activities in net position per government-wide financial statements				<u>\$ (4,280,240)</u>	

**CITY OF BROKEN ARROW, OKLAHOMA**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**YEAR ENDED JUNE 30, 2014**

	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course	Total Proprietary Funds	Internal Service Funds
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 36,005,976	\$ 1,033,503	\$ 1,502,267	\$ 38,541,746	\$ 8,117,547
Payments to employees	(12,162,933)	-	-	(12,162,933)	-
Payments to suppliers	(14,819,939)	(4,382,997)	(1,215,254)	(20,418,190)	(7,745,604)
Net cash provided by (used in) operating activities	<u>9,023,104</u>	<u>(3,349,494)</u>	<u>287,013</u>	<u>5,960,623</u>	<u>371,943</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers in from other funds	12,378,663	715,033	-	13,093,696	-
Transfers out to other funds	(12,528,663)	-	-	(12,528,663)	-
Net cash provided by (used in) noncapital financing activities	<u>(150,000)</u>	<u>715,033</u>	<u>-</u>	<u>565,033</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Proceeds of borrowings for capital purposes	10,970,948	3,330,200	-	14,301,148	-
Proceeds from sale of capital assets	50,222	-	-	50,222	-
Acquisition and construction of capital assets	(14,817,932)	-	(229,025)	(15,046,957)	-
Principal paid on bonds and notes	(2,019,400)	(355,000)	-	(2,374,400)	-
Interest paid on bonds and notes	(2,383,185)	(209,569)	(2,630)	(2,595,384)	-
Net cash used in capital and related financing activities	<u>(8,199,347)</u>	<u>2,765,631</u>	<u>(231,655)</u>	<u>(5,665,371)</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>					
Investment income	8,927	19,077	113	28,117	364
(Increase) decrease in investments	52,861	-	-	52,861	-
Investment in joint venture	(530,193)	-	-	(530,193)	-
Net cash provided by investing activities	<u>(468,405)</u>	<u>19,077</u>	<u>113</u>	<u>(449,215)</u>	<u>364</u>
Net increase (decrease) in cash and cash equivalents	205,352	150,247	55,471	411,070	372,307
Cash and cash equivalents, beginning of year	<u>4,876,734</u>	<u>413,527</u>	<u>102,984</u>	<u>5,393,245</u>	<u>1,072,446</u>
Cash and cash equivalents, end of year	<u>\$ 5,082,086</u>	<u>\$ 563,774</u>	<u>\$ 158,455</u>	<u>\$ 5,804,315</u>	<u>\$ 1,444,753</u>

**CITY OF BROKEN ARROW, OKLAHOMA**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS (continued)**

**YEAR ENDED JUNE 30, 2014**

	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course	Total Proprietary Funds	Internal Service Funds
<b>Reconciliation of Operating Loss to Net Cash</b>					
<b>Provided by (Used in) Operating Activities:</b>					
Operating Income (Loss)	\$ (779,864)	\$ (3,836,322)	\$ (85,600)	\$ (4,701,786)	\$ (601,579)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	6,455,960	9,641	141,829	6,607,430	-
Change in assets and liabilities:					
Accounts receivable	52,986	-	(3,551)	49,435	159,087
Due from other funds	(115,400)	-	-	(115,400)	-
Inventories	57,573	-	1,214	58,787	-
Prepaid assets	-	-	(1,433)	(1,433)	-
Accounts payable	(2,350,150)	(122,578)	(52,899)	(2,525,627)	32,829
Retainage payable	(1,849,054)	(235)	-	(1,849,289)	-
Accrued payroll	88,661	-	-	88,661	-
Due to other funds	7,410,400	600,000	216,115	8,226,515	-
Other payables	-	-	71,338	71,338	-
Amounts held in escrow	41,820	-	-	41,820	-
Compensated absences	18,077	-	-	18,077	-
Customer meter deposit reserves	(7,905)	-	-	(7,905)	-
Claims and judgments	-	-	-	-	781,606
Net cash provided by (used in) operating activities	<u>\$ 9,023,104</u>	<u>\$ (3,349,494)</u>	<u>\$ 287,013</u>	<u>\$ 5,960,623</u>	<u>\$ 371,943</u>
<b>Noncash Activities</b>					
Contributed capital assets	<u>\$ 2,598,912</u>	<u>\$ -</u>	<u>\$ 55,956</u>	<u>\$ 2,654,868</u>	<u>\$ -</u>

**CITY OF BROKEN ARROW, OKLAHOMA**  
**STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
**JUNE 30, 2014**

	<u>Broken Arrow Home Finance Authority</u>	<u>Broken Arrow Hospital Authority</u>	<u>Totals</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 2,786	\$ 10,920	\$ 13,706
Total assets	<u>2,786</u>	<u>10,920</u>	<u>13,706</u>
Net position - unrestricted	<u>\$ 2,786</u>	<u>\$ 10,920</u>	<u>\$ 13,706</u>



**CITY OF BROKEN ARROW, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**COMPONENT UNITS**  
**YEAR ENDED JUNE 30, 2014**

	Broken Arrow Home Finance Authority	Broken Arrow Hospital Authority	Totals
Charges for services	\$ -	\$ -	\$ -
Nonoperating revenues:			
Interest and investment revenue	-	10	10
Total nonoperating revenues	-	10	10
Change in net position	-	10	10
Total net position, beginning of year	2,786	10,910	13,696
Total net position, end of year	\$ 2,786	\$ 10,920	\$ 13,706

**CITY OF BROKEN ARROW**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2014**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 740,757
Accounts receivable	<u>90,819</u>
Total assets	<u><u>\$ 831,576</u></u>
<b>Liabilities</b>	
Amounts held in escrow	<u>\$ 831,576</u>
Total liabilities	<u><u>\$ 831,576</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, 2014**

**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.

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.

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

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

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

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

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.

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.

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

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, 2014, 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.

*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.

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

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

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

***Governmental funds:***

*General fund*

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

*Special revenue funds*

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

Fund	Brief Description
Parks and Recreation	Accounts for fees collected on the construction of new residences which are restricted in use for park and recreation improvements.
Cemetery Care	Accounts for 12.5% of cemetery revenue restricted by state law and an additional 12.5% contributed by the City for cemetery capital improvement.
Crime Prevention	Accounts for revenues and expenditures of a grant from the U.S. Department of Justice.
Police Reserves	Accounts for donations to the Broken Arrow Police Officers Reserves.
Police Enhancement	Accounts for monies limited in use for police department education and drug prevention activities.
Sales Tax Capital Improvement	Accounts for the revenues generated by a 0.5% sales tax to be used strictly for capital improvements. This fund is the primary funding source for capital outlay expenditures of General Fund departments.
Housing and Urban Development	Accounts for revenue and expenditures of Community Development Block Grants and the Home program.
Street and Alley	Accounts for commercial vehicle tax and gasoline excise tax legally restricted for street and alley repairs and maintenance.
E-911 Escrow	Accounts for the City's share of E-911 customer assessment that is legally restricted for public safety.



**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

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 General Obligation Bond Fund	Accounts for bond proceeds to be used for street, public safety, park and recreation improvements and public buildings.
2008 General Obligation Bond Fund	Accounts for bond proceeds to be used for street, public safety, park and recreation and stormwater improvements.
2011 General Obligation Bond Fund	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.

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

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.
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.

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

***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.

**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.

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

*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, 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

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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 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:

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- 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 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.

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

*Fund financial statements*

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

1. Interfund loans – amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services – sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements – repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers – flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Revenues, expenditures and expenses

*Sales tax*

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

*Property tax*

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

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

Property taxes levied by the City are billed and collected by the County Treasurer's Office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October. For the year ended June 30, 2014, the City's

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net assessed valuation of taxable property was \$744,792,427. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2014, was \$17.32.

*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.
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.

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



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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 2013A in the amount of \$3,200,000 and Series 2013B in the amount of \$6,700,000 which were approved by the citizens of the City in 2008 and 2011 respectively.

*Revenue bond and promissory note debt*

The various bond and note indentures relating to the revenue bond and promissory note issuances of the Broken Arrow Municipal Authority contain a number of restrictions or covenants that are financial 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 summary of the most significant requirements and the Authorities' level of compliance thereon as of June 30, 2014.

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Requirement	Level of Compliance
a. Flow of Funds:	
OWRB Loans:	
<ul style="list-style-type: none"> <li>• Utility Revenue Fund</li> <li>• Sales Tax Fund</li> <li>• Operation and Maintenance Fund</li> <li>• Bond Fund (interest, principal and reserve accounts)</li> </ul>	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"> <li>• Account balance on the 2012 OWRB note payable should equal \$2,435,677.</li> </ul>	Account balance at June 30, 2014 for the 2012 OWRB note payable is \$2,435,677.
c. Revenue Bond Coverage:	
OWRB Loans:	
<ul style="list-style-type: none"> <li>• Net revenues of the Authority plus 125% of maximum annual debt service of all obligations on a parity with the OWRB 1997 A &amp; C, 1999B, 2001, 2004, 2007, 2009, 2011 and 2012 notes.</li> </ul>	Maximum annual debt service on all parity debt is \$6,637,272. Coverage is 304%.

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, 2014.

Budgetary compliance

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

- a. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
- c. Subsequent to the public hearings, but no later than seven days prior to July 1, the budget is adopted by resolution of the City Council.
- d. By July 1, the adopted budget is filed with the Office of State Auditor and Inspector.

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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, 2014, 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 \$786,319 and \$1,267,031 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, 2014, the City had the following investments:

Investment	Maturities	Fair Value
Certificates of deposit	6 to 12 months	\$5,109,272
U.S. Government securities		9,500,000
Judgments		1,348,990
Total		\$ 15,958,262

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.

*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.

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*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, 2014 is \$11,480,000.

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>
2015	< 6.2975%	\$ (639,200)
2016	< 6.2975%	(594,800)
2017	< 6.2975%	(547,600)
2018	< 6.2975%	(478,800)
2019	< 6.2975%	(472,400)
2019-2024	< 6.2975%	(1,227,600)
2025-2026	< 6.2975%	<u>(90,800)</u>
Total		<u>\$ (4,051,200)</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	\$ -	\$ 7,203,383
Accounts receivable ambulance	5,936,366	-
Accounts receivable court	1,050,685	-
Other	726,485	-
Allowance for uncollectible accounts	<u>(5,002,214)</u>	<u>(1,668,437)</u>
Other receivables, net of allowance for uncollectible accounts	<u>\$ 2,711,322</u>	<u>\$ 5,534,946</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.

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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, 2014, were as follows:

Type of Restricted Assets	Current Cash and Cash Equivalents	Noncurrent Cash and Cash Equivalents	Accrued Interest	Total
<b>BAMA</b>				
Revenue bond and note trustee accounts	\$ 1,687,729	\$ 2,435,527	\$ -	\$ 4,123,256
Meter deposits	174,321	697,286	-	871,607
<b>Total BAMA</b>	<b>\$ 1,862,050</b>	<b>\$ 3,132,813</b>	<b>\$ -</b>	<b>\$ 4,994,863</b>
<b>BAEDA</b>				
Revenue bond and note trustee accounts	\$ -	\$ 450,836	\$ -	\$ 450,836
<b>Total BAEDA</b>	<b>\$ -</b>	<b>\$ 450,836</b>	<b>\$ -</b>	<b>\$ 450,836</b>

Capital assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance at June 30, 2013	Additions	Deductions	Balance at June 30, 2014
<b>Governmental activities:</b>				
<b>Nondepreciable:</b>				
Land	\$ 23,379,277	\$ 1,836,402	\$ -	\$ 25,215,679
Land under capital lease obligation	2,037,500	-	-	2,037,500
Construction-in-progress	12,672,193	20,731,697	(22,118,724)	11,285,166
<b>Total nondepreciable assets at historical cost</b>	<b>38,088,970</b>	<b>22,568,099</b>	<b>(22,118,724)</b>	<b>38,538,345</b>
<b>Depreciable:</b>				
Buildings	55,241,703	7,352,931	(21,540)	62,573,094
Improvements	28,380,379	751,736	(184,427)	28,947,688
Machinery and equipment	32,779,97	2,712,154	(681,084)	34,810,977
Infrastructure	212,566,760	14,110,206	-	226,676,966
<b>Total depreciable assets at historical cost</b>	<b>328,968,749</b>	<b>24,927,027</b>	<b>(887,051)</b>	<b>353,008,725</b>
<b>Less accumulated depreciation:</b>				
Buildings	(9,398,742)	(1,195,975)	11,503	(10,583,214)
Improvements	(8,027,646)	(983,131)	184,427	(8,826,350)
Machinery and equipment	(17,949,600)	(2,148,442)	673,735	(19,424,307)
Infrastructure	(70,519,013)	(4,003,708)	-	(74,522,721)
<b>Total accumulated depreciation</b>	<b>(105,895,001)</b>	<b>(8,331,256)</b>	<b>869,665</b>	<b>(113,356,592)</b>
<b>Net depreciable assets</b>	<b>223,073,748</b>	<b>16,595,771</b>	<b>(17,386)</b>	<b>239,652,133</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 261,162,718</b>	<b>\$ 39,163,870</b>	<b>\$ (22,136,110)</b>	<b>\$ 278,190,478</b>

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	Balance at June 30, 2013	Additions	Deductions	Balance at June 30, 2014
Business-type activities:				
Nondepreciable:				
Land	\$ 4,003,349	\$ 571,123	\$ -	\$ 4,574,472
Construction-in-progress	53,482,015	12,652,226	(1,518,005)	64,616,236
Total nondepreciable assets at historical cost	57,485,364	13,223,349	(1,518,005)	69,190,708
Depreciable:				
Buildings	11,489,206	-	(6,600)	11,482,606
Improvements	185,650,644	3,360,762	(5,160)	189,006,246
Machinery and equipment	14,231,281	1,242,894	(830,695)	14,643,480
Infrastructure – drainage	32,847,560	611,637	-	33,459,197
Total depreciable assets at historical cost	244,218,691	5,215,293	(842,455)	248,591,529
Less accumulated depreciation:				
Buildings	(7,974,882)	(175,035)	5,301	(8,144,616)
Improvements	(110,505,783)	(4,388,806)	2,472	(114,892,117)
Machinery and equipment	(9,157,243)	(807,864)	748,642	(9,216,465)
Infrastructure – drainage	(11,769,570)	(1,235,725)	-	(13,005,295)
Total accumulated depreciation	(139,407,478)	(6,607,430)	756,415	(145,258,493)
Net depreciable assets	104,811,213	(1,392,137)	(86,040)	103,333,036
Business-type capital assets, net	\$ 162,296,577	\$ 11,831,212	\$ (1,604,045)	\$ 172,523,744

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

Depreciation expense charged to governmental activities:	
General government	\$ 1,237,158
Public safety	1,491,904
Public services	4,403,640
Culture and recreation	1,198,554
Total government activities depreciation expense	<u>\$ 8,331,256</u>
Depreciation expense charged to business-type activities:	
Water	\$ 2,115,806
Sewer	2,661,090
Sanitation	229,382
Stormwater management	1,459,323
Golf	141,829
Total business-type activities depreciation expense	<u>\$ 6,607,430</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, 2014, the "investment in joint venture" balance changed as follows:

Beginning investment in joint venture	\$12,947,879
Current year contributions	1,231,084
Gain (loss) from joint venture	<u>(700,891)</u>
Ending investment in joint venture	<u>\$13,478,072</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, 2014, 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%	\$ 1,080,000
\$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%	2,075,000
\$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%	1,175,000
\$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%	2,775,000
\$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%	4,350,000
\$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%	4,330,000
\$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%	6,900,000
\$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%	6,885,000
\$11,400,000 General Obligation Bonds Series 2009B, due in annual installments of \$810,000, final installment of \$870,000 due March 1, 2024, with interest rates at 2.50% to 4.65%	8,160,000

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\$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%	2,535,000
\$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%	5,035,000
\$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%	1,510,000
\$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%	9,465,000
\$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%	4,740,000
\$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%	10,850,000
\$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%	12,000,000
\$3,700,000 General Obligation Bonds Series 2013A, due in annual installments of \$410,000, final installment of \$420,000 due December 1, 2023, with interest rates at 1.00% to 2.375%	3,700,000
\$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>6,200,000</u>
Total general obligation bonds	\$ 93,765,000
Unamortized premium on bonds	<u>193,621</u>
Total general obligations bonds	<u>\$ 93,958,621</u>
Current portion	\$ 8,740,791
Noncurrent portion	<u>85,217,830</u>
Total general obligations bonds	<u>\$ 93,958,621</u>



**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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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	\$ 14,643,037
\$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%	380,000
Total notes payable	<u>\$ 15,023,037</u>
Current portion	\$ 1,275,000
Noncurrent portion	<u>13,748,037</u>
Total notes payable	<u>\$ 15,023,037</u>

Accrued compensated absences

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

Current portion	\$ 1,699,938
Noncurrent portion	<u>849,969</u>
Total accrued compensated absences	<u>\$ 2,549,907</u>

Judgments payable

\$4,407 judgment in favor of Wachovia Bank, held by sinking fund, final maturity June 2015, with interest at 5.25%	\$1,469
\$20,000 judgment in favor of David Geiger, held by sinking fund, final maturity February 2015, with interest at 5.25%	6,667
\$16,000 judgment in favor of Becky Sanders, held by sinking fund, final maturity February 2016, with interest at 5.25%	10,667
\$25,000 judgment in favor of Ernest A. Couch, held by sinking fund, final maturity October 2015, with interest at 5.25%	16,667
\$1,700,000 judgment in favor of Roland Investments LTD, held by sinking fund, final maturity December 2016, with interest at 5.25%	1,133,333
\$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%	6,667
\$69,000 judgment in favor of Bonnie Blalack, held by sinking fund, final maturity and interest to be determined	69,000
\$56,521 judgment in favor of Charles Conley, held by sinking fund, final maturity and interest to be determined	56,521
\$48,000 judgment in favor of Jared & Tonya Miller, held by sinking fund, final maturity September 2016 with interest at 5.25%	<u>48,000</u>
Total judgments payable	<u>\$ 1,348,990</u>

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

Judgments payable – cont:

Current portion	\$ 649,644
Noncurrent portion	<u>699,346</u>
Total judgments payable	<u>\$ 1,348,990</u>

Actuarial determined automotive and general insurance liabilities, funded by General Fund resources, reported in the governmental activities at June 30, 2014

Current portion	\$ 564,000
Noncurrent portion	<u>293,000</u>
Total automotive and general insurance liabilities	<u>\$ 857,000</u>

Other claims payable

Actuarial determined workers compensation claims payable, funded by General Fund resources, reported in the governmental activities at June 30, 2014

Current portion	\$ 1,091,000
Noncurrent portion	<u>1,067,000</u>
Total claims payable	<u>\$ 2,158,000</u>

Other post employment benefit obligation

Current portion	\$ -
Noncurrent portion	<u>1,272,654</u>
Total other post employment benefit obligation	<u>\$ 1,272,654</u>

Arbitrage rebate

Current portion	\$ -
Noncurrent portion	<u>19,125</u>
Total arbitrage rebate	<u>\$ 19,125</u>

*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, 2014, was 304%.

As of June 30, 2014, 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	\$ 166,086
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**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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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	274,750
1999B SRF Promissory Note payable to Oklahoma Water Resources Board, original amount of \$1,110,359, dated June 1999, by Broken Arrow Municipal Authority, secured by utility revenues and pledged sales tax, interest rate at 0.5%, final maturity February 2018	233,760
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	133,522
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	6,674,544
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	9,872,885
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	3,342,945
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	3,518,687
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	26,040,829
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	\$ 80,013,008

**CITY OF BROKEN ARROW, OKLAHOMA**  
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Current portion	\$ 3,998,261
Noncurrent portion	<u>76,014,747</u>
Total notes payable	<u>\$ 80,013,008</u>

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	<u>1,145,000</u>
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Total capital lease obligation	<u>\$ 1,145,000</u>
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Current portion	\$ 255,000
Noncurrent portion	<u>890,000</u>

Total capital lease obligation	<u>\$ 1,145,000</u>
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*Accrued compensated absences*

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

Current portion	\$ 353,133
Noncurrent portion	<u>176,566</u>

Total accrued compensated absences	<u>\$ 529,699</u>
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*Customer meter deposit reserves*

Current portion	\$ 174,321
Noncurrent portion	<u>697,286</u>

Total customer meter deposit reserves	<u>\$ 871,607</u>
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*Broken Arrow Economic Development Authority (BAEDA)*

The Authority has one industrial revenue bond issue outstanding at June 30, 2014. 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, 2014, 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 has withdrawn \$9,715,000 as of June 30, 2014 and the balance at June 30, 2014 is \$9,360,000. The note calls for semi-annual principal payments ranging from \$175,000 to \$410,000 commencing October 1, 2013 together with interest based on the 6 month LIBOR rate plus 2%.

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

*Changes in long-term debt*

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

Type of Debt	Balance, June 30, 2013	Additions	Deductions	Balance, June 30, 2014	Amounts Due Within a Year
<b>Governmental activities:</b>					
General obligation					
bonds	\$ 92,070,625	\$ 9,996,080	\$ 8,108,084	\$ 93,958,621	\$ 8,740,791
Notes payable	16,598,037	-	1,575,000	15,023,037	1,275,000
Accrued compensated absences	2,299,318	250,589	-	2,549,907	1,699,938
Judgments payable	2,130,358	104,521	885,889	1,348,990	649,644
Claims payable	2,476,000	539,000	-	3,015,000	576,000
Other post employment benefit obligation	1,004,048	268,606	-	1,272,654	-
Arbitrage rebate	19,125	-	-	19,125	-
<b>Total governmental activities</b>	<b>\$ 116,597,511</b>	<b>\$ 11,158,796</b>	<b>\$10,568,973</b>	<b>\$ 117,187,334</b>	<b>\$ 12,941,373</b>
<b>Business-type activities:</b>					
Notes payable	\$ 77,255,009	\$ 14,301,149	\$ 2,183,150	\$ 89,373,008	\$ 4,373,261
Accrued compensated absences	511,622	18,077	-	529,699	353,133
Customer meter deposit reserves	879,512	-	7,905	871,607	174,321
Capital lease obligation	1,336,250	-	191,250	1,145,000	255,000
Revenue bonds payable	8,000,000	-	-	8,000,000	-
<b>Total business-type activities</b>	<b>\$ 87,982,393</b>	<b>\$ 14,319,226</b>	<b>\$ 2,382,305</b>	<b>\$ 99,919,314</b>	<b>\$ 5,155,715</b>

*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, 2014, are as follows:

Year ending June 30,	Governmental Activities					
	General Obligation Bonds		Notes Payable		Judgments Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 8,740,791	\$ 2,916,993	\$ 1,275,000	\$ 1,059,092	\$ 649,644	\$ 70,822
2016	9,515,799	2,614,590	955,000	986,114	641,507	36,716
2017	9,005,805	2,292,943	1,015,000	915,328	57,839	3,037
2018	8,295,587	2,019,802	1,090,000	839,981	-	-
2019	8,014,763	1,758,844	1,160,000	759,162	-	-
2020-2024	29,739,525	5,496,221	7,170,000	2,371,518	-	-
2025-2029	12,596,776	2,281,096	2,358,037	166,969	-	-
2030-2034	8,049,578	418,288	-	-	-	-
<b>Total</b>	<b>\$ 93,958,624</b>	<b>\$ 19,798,777</b>	<b>\$ 15,023,037</b>	<b>\$ 7,098,164</b>	<b>\$ 1,348,990</b>	<b>\$ 110,575</b>

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

Year ending June 30,	Business-Type Activities			
	Note Payable		Capital Lease Obligation	
	Principal	Interest	Principal	Interest
2015	\$ 4,477,973	\$ 2,811,146	\$ 255,000	\$ 29,569
2016	4,550,605	2,687,025	255,000	21,919
2017	4,632,451	2,559,495	255,000	14,269
2018	4,646,111	2,426,611	255,000	6,619
2019	12,657,380	2,280,764	125,000	459
2020-2024	24,433,301	9,179,189	-	-
2025-2029	16,629,752	6,356,662	-	-
2030-2034	4,320,435	4,664,814	-	-
2035-2038	14,080,000	3,034,474	-	-
2040-2044	6,945,000	290,669	-	-
<b>Total</b>	<b>\$ 97,373,008</b>	<b>\$36,290,849</b>	<b>\$1,145,250</b>	<b>\$ 72,836</b>

*Sources of debt repayments*

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

Interfund balances and activities

Interfund receivables and payables at June 30, 2014, consist of the following:

Receivable Fund	Payable Fund	Amount	Nature of Interfund Balance
BAMA	General	\$2,170,429	Sales tax collections
BAMA	Battle Creek Golf Course	465,044	Operational advances
General Fund	BAMA	2,170,429	Operational subsidy
General Fund	BAMA	2,500,000	Eliminated negative cash
General Fund	Crime Prevention	6,261	Operation advances
Excess Capacity Sewer	BAMA	600,000	Eliminated negative cash
Stormwater Capital	BAMA	50,000	Eliminated negative cash
Stormwater Capital	BAEDA	500,000	Eliminated negative cash
Hotel/Motel Tax	BAEDA	900,000	Eliminated negative cash
Sales Tax Capital Improvement	BAMA	6,850,000	Eliminated negative cash
Park and Recreation Capital	BAEDA	250,000	Eliminated negative cash
Cemetery Care	BAEDA	550,000	Eliminated negative cash
Street and Alley	BAEDA	800,000	Eliminated negative cash
Street Light	BAEDA	300,000	Eliminated negative cash

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

Interfund transfers for the year ended June 30, 2014, were as follows:

Transfer From	Transfer To	Amount	Nature of Transfer
General Fund	BAMA	12,378,663	Sales tax collections
General Fund	BAEDA	676,000	Economic development
General Fund	Sales Tax Capital Improvements	24,456	Capital Outlay
BAMA	General Fund	12,378,663	Operating subsidy
BAMA	BAEDA	150,000	Economic Development
Convention & Visitors Bureau	General Fund	270,000	Operational/General Government
Street and Alley	General Fund	720,000	Operational/Streets
E-911	General Fund	630,000	Operational/Public Safety
Debt Service	General Fund	142,754	Operational/Interest

Fund balances and net position

Net position reserves at June 30, 2014, consist of the following:

	Primary Government BAMA & BAEDA Enterprise Funds
Restricted assets in:	
Bond accounts	\$ 986,731
Bond reserve account	2,435,527
	<u>3,422,258</u>
Accrued interest receivable	-
Less: accrued interest payable	(655,572)
	<u>(655,572)</u>
Restricted for debt service	<u><u>\$ 2,766,686</u></u>

**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**  
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*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 <sup>rd</sup> 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%	9%
City's contribution rate (percent of covered payroll)	13%	14%
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**  
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*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
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%
2014	\$ 1,837,685	100%	\$ 2,246,293	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, 2014, 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, 2014, contributed at the rate of 10% 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, 2014, the following amounts related to actual contributions to the defined contribution plan:

Employee contributions made	\$ 68,778
Employer (City) contributions made	\$1,717,470

*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**  
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The required monthly contribution rates of the plan members for 2014 range from \$25 to \$244 for active employees and \$584 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	\$ 311,248
Interest on Net OPEB Obligation	47,692
Amortization of Net OPEB Obligation	<u>(62,009)</u>
Annual OPEB cost	296,931
Employer contributions	<u>(28,325)</u>
Increase in net OPEB obligation	268,606
Beginning OPEB obligation	<u>1,004,048</u>
Ending OPEB obligation	<u>\$1,272,654</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
2014	\$296,931	9.54%	\$1,275,654

Funded status and funding progress. As of June 30, 2014, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was \$2,433,075, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,433,075. The covered payroll (annual payroll of active employees covered by the plan) was \$27,023,899, and the ratio of the UAAL to the covered payroll was 9.00%.

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, 2014, 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.

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

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 2014 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 once a \$100,000 deductible has been met. Aggregate stop loss coverage is adjusted monthly based on number of participants and was \$5,325,198 at June 30, 2014 <sup>(1)</sup> .

<sup>(1)</sup> H.M. Insurance Group

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

*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, 2010 to June 30, 2014, are as follows:

	Workers Compensation	Health Care
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
Claims and changes in estimate	1,517,380	7,042,659
Claims payments	(1,004,380)	(8,046,707)
Claim liability, June 30, 2014	<u>\$ 2,158,000</u>	<u>\$ 1,272,654</u>
Assets available to pay claims at June 30, 2014	<u>\$ 1,439,130</u>	<u>\$ 5,623</u>

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**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, 2014, the City's total cost of water was \$4,810,864. The contract, unless amended, will expire December 31, 2014.

*Construction commitments*

At June 30, 2014, the following construction commitments were outstanding:

	Original Contract	Balance Remaining
Hillside Drive Phase II	\$ 916,242	\$ 313,699
Covington Creek Detention	361,824	238,117
Aspen Widening, Florence to Tucson	2,833,531	1,335,470
Tucson Widening, Elm to Aspen	3,805,331	2,047,751
9 <sup>th</sup> Street Widening, BAX to Albany	1,185,997	961,041
Broadway Street Improvements	672,000	313,171
Water Supply Improvements, Phases II & III	58,163,557	2,335,165
Indian Springs Sports Complex Restroom	149,610	11,262
Farmers Market Overflow Parking	280,246	151,184

*Operating lease commitments*

The City leases office space and equipment under noncancellable operating leases. Rent expense totaled \$61,552 for the year ended June 30, 2014. At June 30, 2014, the City was obligated under noncancellable operating lease with a term of from 2013 to 2017 for future minimum lease payments as follows:

Year	Amount
2015	26,174
2016	26,174
2017	23,993
	<u>\$ 76,341</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 2014, was \$799,418.

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

*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 November 17, 2014, the City approved the sale of \$11,705,000 of General Obligation Bonds Series 2014A to be issued as of December 1, 2014. The bonds will be due in annual installments of \$615,000 with final installment of \$635,000 due December 1, 2034 and bear interest ranging from 3.00% to 5.00%.

On November 17, 2014, the City also approved the sale of \$3,175,000 of General Obligation Bonds Series 2014B to be issued as of December 1, 2014. The bonds will be due in annual installments of \$250,000 with final installment of \$375,000 due December 1, 2024 and bear interest ranging from 2.00% to 3.00%.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF BROKEN ARROW, OKLAHOMA**

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

**June 30, 2014**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll (b - a) / c)</b>
<b>06/30/09</b>	\$ -	\$ 1,190,138	\$ 1,190,138	0.0%	\$ 21,795,343	5.46%
<b>06/30/10</b>	\$ -	\$ 1,997,256	\$ 1,997,256	0.0%	\$ 23,242,452	8.59%
<b>06/30/11</b>	\$ -	\$ 1,875,248	\$ 1,875,248	0.0%	\$ 22,877,266	8.20%
<b>06/30/12</b>	\$ -	\$ 2,013,998	\$ 2,013,998	0.0%	\$ 24,348,846	8.27%
<b>06/30/13</b>	\$ -	\$ 2,082,272	\$ 2,082,272	0.0%	\$ 25,506,314	8.16%
<b>06/30/14</b>	\$ -	\$ 2,433,075	\$ 2,433,075	0.0%	\$ 27,023,899	9.00%



**CITY OF BROKEN ARROW, OKLAHOMA**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

**Year ended June 30, 2014**

**(unaudited)**

	Budgeted		Actual	Variance with
	Amounts		Amounts	Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
<b>Beginning budgetary fund balance</b>	7,392,311	7,392,311	7,392,311	-
<b>Resources (inflows):</b>				
<b>Taxes:</b>				
Sales tax	31,313,400	31,313,400	30,931,902	(381,498)
Use tax	2,083,900	2,083,900	1,888,935	(194,965)
Tobacco tax	476,900	476,900	435,206	(41,694)
Franchise tax	3,598,600	3,598,600	3,808,206	209,606
<b>Total taxes</b>	<u>37,472,800</u>	<u>37,472,800</u>	<u>37,064,249</u>	<u>(408,551)</u>
<b>Intergovernmental:</b>				
Intergovernmental	150,000	227,800	218,232	(9,568)
Alcoholic beverage tax	166,300	166,300	177,306	11,006
<b>Total intergovernmental</b>	<u>316,300</u>	<u>394,100</u>	<u>395,538</u>	<u>1,438</u>
<b>Charges for services:</b>				
Planning and zoning	14,600	14,600	24,778	10,178
Sale of material	30,800	30,800	96,178	65,378
BAMA PILOT	2,863,700	2,863,700	2,659,139	(204,561)
BAMA overhead charge	969,700	969,700	925,599	(44,101)
Rural fire runs	3,300	3,300	10,828	7,528
Inspection fees	519,600	519,600	572,215	52,615
Ambulance revenue	2,042,100	2,042,100	1,693,057	(349,043)
Training	-	-	1,820	1,820
Special Events	-	-	5,050	5,050
Cemetery fee	115,300	115,300	160,095	44,795
Animal control fees	36,000	36,000	50,378	14,378
Nuisance abatement	100,500	100,500	137,675	37,175
Parks and recreation	167,700	167,700	177,230	9,530
Swimming pools	252,100	252,100	189,302	(62,798)
Swimming lessons	-	-	3,350	3,350
Administrative fees	14,700	14,700	14,042	(658)
Juvenile court	99,400	99,400	63,627	(35,773)
<b>Total charges for services</b>	<u>7,229,500</u>	<u>7,229,500</u>	<u>6,784,363</u>	<u>(445,137)</u>

**CITY OF BROKEN ARROW, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE (continued)**

**GENERAL FUND**

**Year ended June 30, 2014**  
**(unaudited)**

	<b>Budgeted</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Amounts</b>		<b>Amounts</b>	<b>Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary</b>	<b>Positive</b>
			<b>Basis</b>	<b>(Negative)</b>
<b>Fines, forfeitures and assessments</b>	1,498,500	1,498,500	2,072,320	573,820
<b>Licenses and permits:</b>				
Occupational licenses	183,900	183,900	188,887	4,987
Peddlers licenses	100	100	1,015	915
Food licenses	38,200	38,200	40,128	1,928
Other fees	124,700	124,700	121,437	(3,263)
Building permits	643,200	643,200	709,355	66,155
<b>Total licenses and permits</b>	<u>990,100</u>	<u>990,100</u>	<u>1,060,822</u>	<u>70,722</u>
<b>Investment income</b>	19,700	19,700	17,355	(2,345)
<b>Miscellaneous:</b>				
Rental property	1,100,300	1,100,300	1,060,394	(39,906)
Donations	11,200	11,200	13,637	2,437
Miscellaneous	110,100	110,100	22,548	(87,552)
Insurance proceeds	66,100	66,100	37,654	(28,446)
<b>Total miscellaneous</b>	<u>1,287,700</u>	<u>1,287,700</u>	<u>1,134,233</u>	<u>(153,467)</u>
<b>Other financing sources:</b>				
Transfers in from other funds	14,345,600	14,345,600	14,141,417	(204,183)
<b>Total other financing sources</b>	<u>14,345,600</u>	<u>14,345,600</u>	<u>14,141,417</u>	<u>(204,183)</u>
<b>Total revenues and other financing sources</b>	<u>63,160,200</u>	<u>63,238,000</u>	<u>62,670,297</u>	<u>(567,703)</u>
<b>Amounts available for appropriation</b>	<u>70,552,511</u>	<u>70,630,311</u>	<u>70,062,608</u>	<u>(567,703)</u>

**CITY OF BROKEN ARROW, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE (continued)**

**GENERAL FUND**

**Year ended June 30, 2014**  
**(unaudited)**

	Budgeted		Actual	Variance with
	Amounts		Amounts	Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
<b>Charges to appropriations (outflows):</b>				
<b>General government:</b>				
<b>City manager:</b>				
Personal services	892,700	787,100	593,299	193,801
Other services and charges	50,000	50,000	60,788	(10,788)
Materials and supplies	11,300	11,300	10,820	480
<b>Total city manager</b>	<b>954,000</b>	<b>848,400</b>	<b>664,907</b>	<b>183,493</b>
<b>Finance:</b>				
Personal services	688,500	688,500	674,910	13,590
Other services and charges	61,700	61,700	43,340	18,360
Materials and supplies	11,300	11,300	7,513	3,787
<b>Total finance</b>	<b>761,500</b>	<b>761,500</b>	<b>725,763</b>	<b>35,737</b>
<b>City attorney:</b>				
Personal services	656,400	656,400	675,709	(19,309)
Other service and charges	61,600	61,600	38,002	23,598
Materials and supplies	38,500	38,500	43,180	(4,680)
<b>Total city attorney</b>	<b>756,500</b>	<b>756,500</b>	<b>756,891</b>	<b>(391)</b>
<b>Human resources:</b>				
Personal services	2,067,500	2,067,500	1,972,590	94,910
Other services and charges	572,300	566,500	456,750	109,750
Materials and supplies	59,100	40,600	38,400	2,200
<b>Total human resources</b>	<b>2,698,900</b>	<b>2,674,600</b>	<b>2,467,740</b>	<b>206,860</b>
<b>Development services - One-Stop &amp; Planning:</b>				
Personal services	1,607,900	1,607,900	1,588,076	19,824
Other services and charges	158,400	158,400	110,066	48,334
Material and supplies	20,500	20,500	23,439	(2,939)
<b>Total development services</b>	<b>1,786,800</b>	<b>1,786,800</b>	<b>1,721,581</b>	<b>65,219</b>
<b>General government:</b>				
Personal services	10,000	10,000	656	9,344
Other services and charges	1,920,600	1,920,600	1,714,078	206,522
Materials and supplies	48,000	61,000	46,765	14,235
<b>Total general government</b>	<b>1,978,600</b>	<b>1,991,600</b>	<b>1,761,499</b>	<b>230,101</b>
<b>Total general government</b>	<b>8,936,300</b>	<b>8,819,400</b>	<b>8,098,381</b>	<b>721,019</b>

**CITY OF BROKEN ARROW, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE (continued)**

**GENERAL FUND**

**Year ended June 30, 2014**  
**(unaudited)**

	Budgeted		Actual	Variance with
	Amounts		Amounts	Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
<b>Public safety:</b>				
<b>Police:</b>				
Personal services	15,920,500	16,211,300	15,802,522	408,778
Other services and charges	1,404,000	1,426,200	1,080,726	345,474
Materials and supplies	843,400	876,600	907,016	(30,416)
<b>Total police</b>	<b>18,167,900</b>	<b>18,514,100</b>	<b>17,790,264</b>	<b>723,836</b>
<b>Fire:</b>				
Personal services	13,922,100	14,237,000	14,137,200	99,800
Other services and charges	704,900	701,900	652,607	49,293
Materials and supplies	657,600	660,000	653,290	6,710
<b>Total fire</b>	<b>15,284,600</b>	<b>15,598,900</b>	<b>15,443,097</b>	<b>155,803</b>
<b>Development services - Inspections:</b>				
Personal services	565,400	565,400	571,527	(6,127)
Other services and charges	15,700	15,700	9,963	5,737
Materials and supplies	24,300	24,300	22,795	1,505
<b>Total development services - inspections</b>	<b>605,400</b>	<b>605,400</b>	<b>604,285</b>	<b>1,115</b>
<b>Total public safety</b>	<b>34,057,900</b>	<b>34,718,400</b>	<b>33,837,646</b>	<b>880,754</b>
<b>Public services:</b>				
<b>Streets:</b>				
Personal services	1,395,200	1,395,200	1,378,992	16,208
Other services and charges	190,900	190,900	154,204	36,696
Materials and supplies	665,200	665,200	666,834	(1,634)
<b>Total streets</b>	<b>2,251,300</b>	<b>2,251,300</b>	<b>2,200,030</b>	<b>51,270</b>
<b>General services:</b>				
Personal services	525,600	525,600	526,979	(1,379)
Other services and charges	38,500	44,300	30,093	14,207
Materials and supplies	66,800	85,300	87,528	(2,228)
<b>Total general services</b>	<b>630,900</b>	<b>655,200</b>	<b>644,600</b>	<b>10,600</b>
<b>Total public services</b>	<b>2,882,200</b>	<b>2,906,500</b>	<b>2,844,630</b>	<b>61,870</b>

**CITY OF BROKEN ARROW, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE (continued)**

**GENERAL FUND**

**Year ended June 30, 2014**  
**(unaudited)**

	Budgeted		Actual	Variance with
	Amounts		Amounts	Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
<b>Parks and recreation:</b>				
Personal services	2,419,600	2,538,200	2,382,784	155,416
Other services and charges	546,200	546,200	479,631	66,569
Materials and supplies	429,600	429,600	357,235	72,365
<b>Total parks and recreation</b>	<u>3,395,400</u>	<u>3,514,000</u>	<u>3,219,650</u>	<u>294,350</u>
<b>Debt service:</b>				
Principal	830,000	830,000	830,000	-
Interest and other charges	1,135,000	1,135,000	918,200	216,800
<b>Total debt service</b>	<u>1,965,000</u>	<u>1,965,000</u>	<u>1,748,200</u>	<u>216,800</u>
<b>Other financing uses:</b>				
Transfers to other funds	13,236,600	13,236,600	13,079,119	157,481
<b>Total charges to appropriations</b>	<u>64,473,400</u>	<u>65,159,900</u>	<u>62,827,626</u>	<u>2,332,274</u>
<b>Ending budgetary fund balance</b>	<u>6,079,111</u>	<u>5,470,411</u>	<u>7,234,982</u>	<u>1,764,571</u>

**CITY OF BROKEN ARROW, OKLAHOMA**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

**Year ended June 30, 2014**

**(unaudited)**

	Budgeted		Actual	Variance with
	Amounts		Amounts	Final Budget
	Original	Final	Budgetary	Positive
			Basis	(Negative)
<b>Revenues:</b>				
Sales and miscellaneous taxes	\$ 37,472,800	\$ 37,472,800	\$ 37,064,249	\$ (408,551)
Licenses and permits	990,100	990,100	1,060,822	70,722
Intergovernmental	316,300	394,100	395,538	1,438
Charges for services	7,229,500	7,229,500	6,784,363	(445,137)
Fees and fines	1,498,500	1,498,500	2,072,320	573,820
Interest income	19,700	19,700	17,355	(2,345)
Miscellaneous	1,287,700	1,287,700	1,134,233	(153,467)
<b>Total revenue</b>	<u>48,814,600</u>	<u>48,892,400</u>	<u>48,528,880</u>	<u>(363,520)</u>
<b>Expenditures:</b>				
Current:				
General government	8,936,300	8,819,400	8,098,381	721,019
Public safety	34,057,900	34,718,400	33,837,646	880,754
Public services	2,882,200	2,906,500	2,844,630	61,870
Parks and recreation	3,395,400	3,514,000	3,219,650	294,350
Debt service:				
Principal	830,000	830,000	830,000	-
Interest and other charges	1,135,000	1,135,000	918,200	216,800
<b>Total expenditures</b>	<u>51,236,800</u>	<u>51,923,300</u>	<u>49,748,507</u>	<u>2,174,793</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(2,422,200)	(3,030,900)	(1,219,627)	1,811,273
<b>Other financing sources (uses):</b>				
Transfers in	14,345,600	14,345,600	14,141,417	(204,183)
Transfers out	(13,236,600)	(13,236,600)	(13,079,119)	157,481
<b>Total other financing sources (uses)</b>	<u>1,109,000</u>	<u>1,109,000</u>	<u>1,062,298</u>	<u>(46,702)</u>
<b>Net change in fund balances</b>	(1,313,200)	(1,921,900)	(157,329)	1,764,571
<b>Budgetary fund balances, beginning of year</b>	<u>7,420,317</u>	<u>7,420,317</u>	<u>7,392,311</u>	<u>(28,006)</u>
<b>Budgetary fund balances, end of year</b>	<u>\$ 6,107,117</u>	<u>\$ 5,498,417</u>	<u>\$ 7,234,982</u>	<u>\$ 1,736,565</u>

**CITY OF BROKEN ARROW, OKLAHOMA**

**BUDGETARY COMPARISON SCHEDULE**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**Year ended June 30, 2014  
(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, 2014, 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, 2014**

	<b>Special Revenue Funds</b>				
	<b>Excess Capacity Sewer Escrow</b>	<b>Stormwater Capital</b>	<b>Convention and Visitors Bureau</b>	<b>Police Enhancement</b>	<b>Parks and Recreation</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 26,042	\$ 39,802	\$ 44,795	\$ 49,893	\$ 53,715
Investments	-	-	-	-	250,000
Accrued interest receivable	-	-	-	-	148
Due from other funds	600,000	550,000	900,000	-	250,000
Receivable from other governments	-	-	-	-	-
Other receivables, net	-	-	44,562	-	-
<b>Total assets</b>	<b>\$ 626,042</b>	<b>\$ 589,802</b>	<b>\$ 989,357</b>	<b>\$ 49,893</b>	<b>\$ 553,863</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 17,594	\$ 12,633	\$ -
Deferred revenue	-	-	-	-	148
Amounts held in escrow	293,112	-	-	-	-
<b>Total liabilities</b>	<b>293,112</b>	<b>-</b>	<b>17,594</b>	<b>12,633</b>	<b>148</b>
<b>Fund Balances</b>					
Restricted	-	-	971,763	37,260	37,781
Committed	332,930	589,802	-	-	515,934
<b>Total fund balances</b>	<b>332,930</b>	<b>589,802</b>	<b>971,763</b>	<b>37,260</b>	<b>553,715</b>
<b>Total liabilities and fund balances</b>	<b>\$ 626,042</b>	<b>\$ 589,802</b>	<b>\$ 989,357</b>	<b>\$ 49,893</b>	<b>\$ 553,863</b>

**CITY OF BROKEN ARROW, OKLAHOMA**

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

**JUNE 30, 2014**

	<b>Special Revenue Funds</b>				
	<b>Cemetery Care</b>	<b>Street and Alley</b>	<b>Housing and Urban Development</b>	<b>E-911</b>	<b>Crime Prevention</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 50,055	\$ 43,286	\$ 541,651	\$ 1,289,085	\$ 186,663
Investments	-	250,000	-	250,000	-
Accrued interest receivable	-	148	-	148	-
Due from other funds	550,000	800,000	-	-	-
Receivable from other governments	-	152,318	-	-	-
Other receivables, net	150	-	-	53,320	-
<b>Total assets</b>	<b>\$ 600,205</b>	<b>\$ 1,245,752</b>	<b>\$ 541,651</b>	<b>\$ 1,592,553</b>	<b>\$ 186,663</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 43,632	\$ 34,320	\$ -
Due to other funds	-	-	-	-	6,261
Deferred revenue	150	89,532	-	148	-
Amounts held in escrow	-	-	-	-	-
<b>Total liabilities</b>	<b>150</b>	<b>89,532</b>	<b>43,632</b>	<b>34,468</b>	<b>6,261</b>
<b>Fund Balances</b>					
Restricted	529,627	1,156,220	498,019	1,558,085	180,402
Committed	70,428	-	-	-	-
<b>Total fund balances</b>	<b>600,055</b>	<b>1,156,220</b>	<b>498,019</b>	<b>1,558,085</b>	<b>180,402</b>
<b>Total liabilities and fund balances</b>	<b>\$ 600,205</b>	<b>\$ 1,245,752</b>	<b>\$ 541,651</b>	<b>\$ 1,592,553</b>	<b>\$ 186,663</b>

**CITY OF BROKEN ARROW, OKLAHOMA**

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

**JUNE 30, 2014**

	Special Revenue Funds			Capital Project Funds	Total Nonmajor Governmental Funds
	Police Reserves	Alcohol Enforcement	Street Light	1994 General Obligation Bond Issue	
<b>Assets</b>					
Cash and cash equivalents	\$ 3,484	\$ 88,828	\$ 511,166	\$ 175,991	\$ 3,104,456
Investments	-	-	260,000	-	1,010,000
Accrued interest receivable	-	-	154	-	598
Due from other funds	-	-	300,000	-	3,950,000
Receivable from other governments	-	-	-	-	152,318
Other receivables, net	-	2,033	64,980	-	165,045
<b>Total assets</b>	<u>\$ 3,484</u>	<u>\$ 90,861</u>	<u>\$ 1,136,300</u>	<u>\$ 175,991</u>	<u>\$ 8,382,417</u>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 864	\$ 12	\$ -	\$ 109,055
Due to other funds	-	-	-	-	6,261
Deferred revenue	-	2,033	65,134	-	157,145
Amounts held in escrow	-	-	-	-	293,112
<b>Total liabilities</b>	<u>-</u>	<u>2,897</u>	<u>65,146</u>	<u>-</u>	<u>565,573</u>
<b>Fund Balances</b>					
Restricted	-	87,964	-	-	5,057,121
Committed	-	-	1,071,154	175,991	2,756,239
Assigned	3,484	-	-	-	3,484
<b>Total fund balances</b>	<u>3,484</u>	<u>87,964</u>	<u>1,071,154</u>	<u>175,991</u>	<u>7,816,844</u>
<b>Total liabilities and fund balances</b>	<u>\$ 3,484</u>	<u>\$ 90,861</u>	<u>\$ 1,136,300</u>	<u>\$ 175,991</u>	<u>\$ 8,382,417</u>

**CITY OF BROKEN ARROW, OKLAHOMA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**NONMAJOR GOVERNMENTAL FUNDS**

**JUNE 30, 2014**

	<b>Special Revenue Funds</b>				
	<b>Excess Capacity Sewer Escrow</b>	<b>Stormwater Capital</b>	<b>Convention and Visitors Bureau</b>	<b>Police Enhancement</b>	<b>Parks and Recreation</b>
Revenues:					
Franchise and miscellaneous taxes	\$ -	\$ -	\$ 483,424	\$ -	\$ -
Intergovernmental	-	-	-	123,809	-
Charges for services	-	560,320	-	-	121,655
Fees and fines	-	-	-	-	-
Interest income	105	98	212	264	730
Miscellaneous	226,495	-	-	-	60,646
Total revenues	<u>226,600</u>	<u>560,418</u>	<u>483,636</u>	<u>124,073</u>	<u>183,031</u>
Expenditures:					
Current:					
General government	-	-	330,458	-	-
Public safety	-	-	-	71,433	-
Capital outlay	11,800	84,881	11,021	72,808	304,124
Total expenditures	<u>11,800</u>	<u>84,881</u>	<u>341,479</u>	<u>144,241</u>	<u>304,124</u>
Excess (deficiency) of revenues over expenditures	<u>214,800</u>	<u>475,537</u>	<u>142,157</u>	<u>(20,168)</u>	<u>(121,093)</u>
Other financing sources (uses):					
Transfers out	-	-	(270,000)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(270,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	214,800	475,537	(127,843)	(20,168)	(121,093)
Fund balances, beginning of year	118,130	114,265	1,099,606	57,428	674,808
Fund balances, end of year	<u>\$ 332,930</u>	<u>\$ 589,802</u>	<u>\$ 971,763</u>	<u>\$ 37,260</u>	<u>\$ 553,715</u>

**CITY OF BROKEN ARROW, OKLAHOMA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**NONMAJOR GOVERNMENTAL FUNDS**

**JUNE 30, 2014**

	<b>Special Revenue Funds</b>				
	<b>Cemetery Care</b>	<b>Street and Alley</b>	<b>Housing and Urban Development</b>	<b>E-911</b>	<b>Crime Prevention</b>
<b>Revenues:</b>					
Franchise and miscellaneous taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	879,700	160,032	-	70,876
Charges for services	45,435	-	-	831,248	-
Fees and fines	-	-	-	-	-
Interest income	120	829	-	1,053	85
<b>Total revenues</b>	<b>45,555</b>	<b>880,529</b>	<b>160,032</b>	<b>832,301</b>	<b>70,961</b>
<b>Expenditures:</b>					
Current:					
General government	-	-	61,178	-	-
Public safety	-	-	-	-	76,799
Capital outlay	19,187	-	106,752	823,822	1,664
<b>Total expenditures</b>	<b>19,187</b>	<b>-</b>	<b>167,930</b>	<b>823,822</b>	<b>78,463</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>26,368</b>	<b>880,529</b>	<b>(7,898)</b>	<b>8,479</b>	<b>(7,502)</b>
<b>Other financing sources (uses):</b>					
Transfers out	-	(720,000)	-	(630,000)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(720,000)</b>	<b>-</b>	<b>(630,000)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>26,368</b>	<b>160,529</b>	<b>(7,898)</b>	<b>(621,521)</b>	<b>(7,502)</b>
<b>Fund balances, beginning of year</b>	<b>573,687</b>	<b>995,691</b>	<b>505,917</b>	<b>2,179,606</b>	<b>187,904</b>
<b>Fund balances, end of year</b>	<b>\$ 600,055</b>	<b>\$ 1,156,220</b>	<b>\$ 498,019</b>	<b>\$ 1,558,085</b>	<b>\$ 180,402</b>

**CITY OF BROKEN ARROW, OKLAHOMA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**NONMAJOR GOVERNMENTAL FUNDS**

**JUNE 30, 2014**

	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	\$ -	\$ -	\$ -	\$ -	\$ 483,424
Intergovernmental	-	-	-	-	1,234,417
Charges for services	-	-	419,637	-	1,978,295
Fees and fines	-	25,748	-	-	25,748
Interest income	-	15	831	1,043	5,385
Miscellaneous	-	-	-	3,151	290,292
Total revenues	-	25,763	420,468	4,194	4,017,561
Expenditures:					
Current:					
General government	-	-	-	54	391,690
Public safety	-	12,441	-	-	160,673
Public services	-	-	350,665	-	350,665
Capital outlay	-	-	-	-	1,436,059
Total expenditures	-	12,441	350,665	54	2,339,087
Excess (deficiency) of revenues over expenditures	-	13,322	69,803	4,140	1,678,474
Other financing sources (uses):					
Transfers out	-	-	-	-	(1,620,000)
Total other financing sources (uses)	-	-	-	-	(1,620,000)
Net change in fund balances	-	13,322	69,803	4,140	58,474
Fund balances, beginning of year	3,484	74,642	1,001,351	171,851	7,758,370
Fund balances, end of year	\$ 3,484	\$ 87,964	\$ 1,071,154	\$ 175,991	\$ 7,816,844

**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 Payable
Gross revenue available for debt service:	
Charges for services	\$ 35,952,990
Investment income	8,927
Sales tax transferred from the City General Fund	12,378,663
Total gross revenues available	48,340,580
Operating expenses (1)	
General government	1,143,869
Finance and administration	926,305
Engineering and construction	1,858,753
Water distribution	11,596,510
Sanitary sewer system	4,940,728
Sanitation services	4,756,924
Support services	2,663,587
Stormwater	2,390,218
Total operating expenses	30,276,894
Net revenue available for debt service	\$ 18,063,686
Debt service requirements	
Maximum annual debt service on all BAMA parity debt	\$ 5,943,288
Computed coverage	304%
Coverage requirement	125%

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

**CITY OF BROKEN ARROW, OKLAHOMA**

**SCHEDULE OF DEBT RESERVE ACCOUNT BALANCE REQUIREMENTS**

**Year ended June 30, 2014**

	Series 2010 BAEDA Note Payable	Series 2012 OWRB Note Payable
	<u>                    </u>	<u>                    </u>
Required balance	\$ 450,000	\$ 2,435,677
Balance in Trustee Account, June 30, 2014	<u>450,836</u>	<u>2,435,677</u>
Excess of account balance over (under) required balance	<u>\$ 836</u>	<u>\$ -</u>