



BROKEN ARROW

Where opportunity lives

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2016

**WITH
INDEPENDENT AUDITOR'S REPORT**

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City of Broken Arrow, Oklahoma

**List of Principal Officials
June 30, 2016**

City Council

**Craig Thurmond, Mayor
Richard Carter, Vice Mayor
Mike Lester
Johnnie Parks
Scott Eudey**

City Manager

Michael L. Spurgeon

Clerk

Lisa Blackford

Finance Director/Treasurer

Thomas L. Caldwell



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
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 the City of Broken Arrow, Oklahoma (the "City"), as of and for the year ended June 30, 2016, 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 City'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 City'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, 2016, 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, pension plan information, other post-employment benefit information 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 combining and individual nonmajor fund financial statements, and debt service and reserve schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the debt service and reserve schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and debt service and reserve schedules are 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 April 21, 2017, 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.



April 21, 2017

CITY OF BROKEN ARROW, OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

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, 2016. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- At June 30, 2016, the assets and deferred outflows of the City exceeded its liabilities and deferred inflows by \$287,322,318.
- For the fiscal year ended June 30, 2016, the City's total net position increased by \$16,726,484 or 6.18% from the prior year's restated net position.
- During the year, the City's expenses for governmental activities were \$66,831,444 and were funded by program revenues of \$13,551,598, and further funded with taxes and other general revenues that totaled \$62,813,877.
- In the City's business-type activities, such as utilities, total program revenues exceeded expenditures by \$5,436,555.
- At June 30, 2016, the General Fund reported a total fund balance of \$10,012,415, as compared to the prior year balance of \$8,436,505. Fund balance of \$1,701,903 has been restricted for debt service.
- For budgetary reporting purposes, the General Fund reported revenues in excess of final estimates in the amount of \$1,108,222 or 1.44%, while expenditures were less than final appropriations by \$1,833,488 or 2.63%.

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 \$271,511,421 (not restated) to \$287,322,318 between fiscal years 2015 and 2016. Looking at the net position of governmental and business-type activities separately, governmental activities increased \$9,534,031 while business-type activities increased \$7,192,453. A comparative, condensed presentation of net position follows (reported in thousands).

	Governmental Activities		Business-Type Activities		Total		Total
	(not restated)		(not restated)		(not restated)		Percentage
	2015	2016	2015	2016	2015	2016	Change
Assets:							
Current and other assets	\$ 61,394	\$ 74,000	\$ 6,125	\$ 12,867	\$ 67,519	\$ 86,867	28.66%
Capital assets, net	287,026	286,071	173,936	177,617	460,962	463,688	0.59%
Other noncurrent assets	1,055	-	22,466	25,809	23,521	25,809	9.73%
Total assets	349,475	360,071	202,527	216,293	552,002	576,364	4.53%
Deferred Outflows of Resources							
	6,165	7,620	-	-	6,165	7,620	23.60%
Liabilities:							
Current liabilities	21,892	22,552	10,646	10,623	32,538	33,175	1.96%
Noncurrent liabilities	145,791	153,901	98,413	105,338	244,204	259,239	14.34%
Total liabilities	167,683	176,453	109,059	115,961	276,742	292,414	5.35%
Deferred Inflows of Resources							
	9,913	4,248	-	-	9,913	4,248	(57.45)%
Net Position:							
Invested in capital assets, net of related debt	170,799	165,846	87,339	84,012	258,138	249,858	(3.03)%
Restricted	40,265	46,240	3,030	4,250	43,295	50,490	16.62%
Unrestricted (deficit)	(33,020)	(25,096)	3,099	12,070	(29,921)	(13,026)	57.79%
Total net position	\$ 178,044	\$ 186,990	\$ 93,468	\$ 100,332	\$ 271,512	\$ 287,322	6.14%

Changes in net position

For the years ended June 30, 2015 and 2016, 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
	2015 (not restated)	2016	2015 (not restated)	2016	2015 (not restated)	2016	
Expenses:							
General government	\$ 11,235	\$ 11,872	\$ -	\$ -	\$ 11,235	\$ 11,872	5.86%
Public safety	34,880	37,094	-	-	34,880	37,094	6.57%
Public services	8,935	8,686	-	-	8,935	8,686	(2.70)%
Culture and recreation	4,441	4,872	-	-	4,441	4,872	9.91%
Interest on long-term debt	4,114	4,307	-	-	4,114	4,307	4.69%
Water	-	-	16,796	20,221	16,796	20,221	20.22%
Sewer	-	-	9,908	9,838	9,908	9,838	(0.83)%
Sanitation	-	-	7,307	7,208	7,307	7,208	(1.57)%
Stormwater	-	-	5,793	5,166	5,793	5,166	(11.03)%
Golf	-	-	1,648	1,717	1,648	1,717	4.25%
Total expenses	63,605	66,831	41,452	44,150	105,057	110,981	5.69%
Program revenues:							
Charges for services	12,361	11,710	41,163	44,241	53,524	55,951	4.53%
Operating grants and contributions	666	879	-	-	666	879	31.98%
Capital grants and contributions	1,094	963	1,831	5,346	2,925	6,309	100.57%
Total program revenues	14,121	13,552	42,994	49,587	57,115	63,139	10.55%
Net revenues (expenses)	(49,484)	(53,279)	1,542	5,437	(47,942)	(47,842)	0.11%
General revenues:							
Sales and use taxes	41,658	42,516	-	-	41,658	42,516	2.06%
Property taxes	12,785	13,134	-	-	12,785	13,134	2.73%
Franchise and other taxes	6,736	6,611	-	-	6,736	6,611	(1.86)%
Investment income (loss)	239	292	20	11	259	303	12.74%
Miscellaneous	1,473	2,005	-	-	1,473	2,005	35.91%
Transfers	(2,002)	(1,745)	2,002	1,745	-	-	-%
Total general revenues and transfers	60,889	62,813	2,022	1,756	62,911	64,569	2.63%
Change in net position	\$ 11,405	\$ 9,534	\$ 3,564	\$ 7,193	\$ 14,969	\$ 16,727	11.74%

The City's governmental activities increase in net position of \$9,534,031 represents a 5.35% increase from the prior year's change in net position. The business-type activities increase in net position of \$7,192,453 represents a 4.04% positive 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, 2016, the City's governmental activities were funded as follows:

Government Activities Sources	
Sales and use taxes	55.68%
Other taxes	20.17%
Program revenue	17.75%
Other	6.40%

Government Activities Uses	
General government	17.76%
Public safety	55.52%
Public services	12.99%
Culture and recreation	7.29%
Interest on long-term debt	6.44%

For the year ended June 30, 2016, total expenses for governmental activities amounted to \$66,831,444. To fund these activities, taxpayers and other general revenues funded \$62,813,877 while those directly benefiting from the program funded \$1,842,259 from grants and other contributions and \$11,709,339 from charges for services.

Net Revenue (Expense) of Governmental Activities

	Total Expense of Services		Net Revenues (Expense) of Services	
	2015	2016	2015	2016
General government	\$ 11,235,282	\$ 11,871,690	\$ (5,780,116)	\$ (6,856,842)
Public safety	34,879,351	37,094,007	(28,551,514)	(30,707,614)
Public services	8,935,349	8,686,035	(7,199,378)	(7,054,460)
Culture and recreation	4,440,730	4,872,712	(3,838,699)	(4,344,930)
Interest on long-term debt	4,114,257	4,307,000	(4,114,257)	(4,307,000)
Total	\$ 63,604,969	\$ 66,831,444	\$ (49,483,964)	\$ (53,279,846)

Business-type activities

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

- Total business-type activities reported net revenues of \$5,436,555 for the year ended June 30, 2016.
- Water, sewer and stormwater activities reported net revenues of \$1,513,387, \$2,848,171 and \$1,781,089 respectively for the year ended June 30 2016, while sanitation and golf operations reported net expenses of \$555,854 and \$150,238, respectively.

Net Revenue (Expense) of Business-Type Activities

	Total Expense of Services		Net Revenues (Expense) of Services	
	2015	2016	2015	2016
Water	\$ 16,795,657	\$ 20,221,486	\$ 1,575,711	\$ 1,513,387
Sewer	9,908,584	9,837,744	923,188	2,848,171
Sanitation	7,306,877	7,207,613	(724,845)	(555,854)
Storm water	5,793,006	5,165,594	(127,986)	1,781,089
Economic development	-	-	-	-
Golf	1,648,241	1,717,463	(104,413)	(150,238)
Total	\$ 41,452,365	\$ 44,149,900	\$ 1,541,655	\$ 5,436,555

A financial analysis of the City's funds

As the City completed its 2016 fiscal year, the governmental funds reported a combined fund balance of \$65,704,251 or a 23.58% increase from 2015. The combined proprietary funds reported net position of \$98,701,916 or a 7.01% increase from 2015.

Other fund highlights include:

- For the year ended June 30, 2016, the General Fund's total fund balance increased by \$1,575,910 or 18.68%.
- The Sales Tax Capital Improvement Fund's total fund balance decreased by \$1,521,812 or 15.86%.
- The General Obligation Bond Funds' total fund balance increased by \$15,383,826 or 112.02% due to the proceeds from issuance of debt exceeding capital outlay during the year.

General fund budgetary highlights

Over the course of the year, the City Council revised the General Fund budget at various times. The revised budget included an increase in overall appropriations of 3.86% or \$2,045,900.

Capital Asset and Debt Administration

Capital assets

At the end of June 30, 2016, the City had \$463,689,147 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 \$2,726,480 or 0.59% over last year.

Primary Government Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Land	\$ 35,822,912	\$ 36,220,815	\$ 4,953,097	\$ 5,016,257	\$ 40,776,009	\$ 41,237,072
Buildings	51,127,752	49,817,263	3,163,220	2,986,693	54,290,972	52,803,956
Improvements	21,153,209	22,031,333	138,070,732	136,813,827	159,223,941	158,845,160
Machinery and equipment	15,000,422	14,854,201	6,600,332	7,573,634	21,600,754	22,427,835
Infrastructure	159,081,549	155,671,298	20,221,765	20,968,175	179,303,314	176,639,473
Construction in progress	4,840,278	7,476,940	927,399	4,258,711	5,767,677	11,735,651
Total assets	\$ 287,026,122	\$ 286,071,850	\$ 173,936,545	\$ 177,617,297	\$ 460,962,667	\$ 463,689,147

This year's more significant capital asset additions included:

- Street improvements totaling \$1,080,093
- Utility system improvements totaling \$4,451,973
- Storm water drainage improvements totaling \$2,043,812

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 \$280,234,941 in long-term debt outstanding which represents a \$15,044,852 or 5.67% 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	
	2015	2016	2015	2016	2015	2016
Accrued compensated absences	\$ 2,596,708	\$ 2,625,383	\$ 556,653	\$ 558,469	\$ 3,153,361	\$ 3,183,852
Arbitrage rebate payable	19,125	19,125	-	-	19,125	19,125
General obligation bonds	100,306,484	105,328,139	-	-	100,306,484	105,328,139
Notes payable	13,748,037	12,793,037	94,692,205	101,562,137	108,440,242	114,355,174
Judgments payable	867,188	529,289	-	-	867,188	529,289
Automotive and general liability	1,065,000	1,317,000	-	-	1,065,000	1,317,000
Meter deposit liability	-	-	908,598	910,563	908,598	910,563
Claims payable	2,148,000	3,540,454	-	-	2,148,000	3,540,454
Other post employment benefit obligation	1,522,140	1,441,734	-	396,085	1,522,140	1,837,819
Net pension obligation	37,869,951	40,578,526	-	-	37,869,951	40,578,526
Capital lease obligation	-	-	890,000	635,000	890,000	635,000
Revenue bond payable	-	-	8,000,000	8,000,000	8,000,000	8,000,000
Total long-term debt	\$ 160,142,633	\$ 168,172,687	\$ 105,047,456	\$ 112,062,254	\$ 265,190,089	\$ 280,234,941

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 3.0% for Fiscal Year 2017. 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 2017 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, 2016

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	\$ 33,366,560	\$ 18,814,199	\$ 52,180,759	\$ 13,706
Investments	13,895,281	205,656	14,100,937	-
Taxes receivable	527,715	-	527,715	-
Internal balances	14,254,885	(14,254,885)	-	-
Due from other governments	8,711,605	-	8,711,605	-
Accrued interest receivable	18,350	4,200	22,550	-
Other receivables, net	3,211,393	7,239,893	10,451,286	-
Notes receivable	-	8,000,000	8,000,000	-
Inventories	13,838	827,443	841,281	-
Other assets	-	31,173	31,173	-
Investment in joint venture	-	17,809,466	17,809,466	-
Capital assets:				
Land and construction in progress	43,697,755	9,274,968	52,972,723	-
Other capital assets, net of depreciation	242,374,095	168,342,329	410,716,424	-
Total assets	360,071,477	216,294,442	576,365,919	13,706
Deferred outflow of resources				
Accumulated decrease in fair value of hedging derivative	2,707,792	-	2,707,792	-
Deferred outflow related to refunding of debt	23,534	-	23,534	-
Deferred outflows related to pensions	4,888,747	-	4,888,747	-
Total deferred outflow of resources	7,620,073	-	7,620,073	-
Liabilities				
Accounts payable	1,496,574	2,051,729	3,548,303	-
Accrued payroll	2,906,322	786,012	3,692,334	-
Accrued interest payable	1,086,242	717,512	1,803,754	-
Other payables	-	114,509	114,509	-
Amounts held in escrow	83,908	230,465	314,373	-
Long-term liabilities:				
Due within one year	14,272,170	6,724,253	20,996,423	-
Due in more than one year	153,900,517	105,338,001	259,238,518	-
Total liabilities	173,745,733	115,962,481	289,708,214	-
Interest rate swap	2,707,792	-	2,707,792	-
Deferred inflow of resources				
Deferred resources related to pensions	4,247,668	-	4,247,668	-
Total deferred inflow of resources	4,247,668	-	4,247,668	-
Net Position				
Invested in capital assets, net of related debt	165,845,648	84,011,577	249,857,225	-
Restricted for:				
Capital projects	36,512,977	-	36,512,977	-
Debt service	9,728,080	4,250,740	13,978,820	-
Unrestricted (deficit)	(25,096,348)	12,069,644	(13,026,704)	13,706
Total net position	\$ 186,990,357	\$ 100,331,961	\$ 287,322,318	\$ 13,706

CITY OF BROKEN ARROW, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Functions/Programs	Program Revenues			Net Revenues (Expense) and Changes in Net Assets			Component Unit	
	Expenses	Charges for Services	Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities		Total
Primary Government:								
Governmental activities:								
General government	\$ 11,871,690	\$ 4,949,516	\$ 56,332	\$ -	\$ (6,865,842)	\$ -	\$ (6,865,842)	-
Public safety	37,094,007	5,538,981	823,015	24,397	(30,707,614)	-	(30,707,614)	-
Public services	8,686,035	693,060	-	938,515	(7,054,460)	-	(7,054,460)	-
Culture and recreation	4,872,712	527,782	-	-	(4,344,930)	-	(4,344,930)	-
Interest on long-term debt	4,307,000	-	-	-	(4,307,000)	-	(4,307,000)	-
Total governmental activities	66,831,444	11,709,339	879,347	962,912	(53,279,846)	-	(53,279,846)	-
Business-type activities:								
Water	20,221,486	19,933,663	-	1,801,210	-	1,513,387	1,513,387	-
Sewer	9,837,744	11,148,179	-	1,537,736	-	2,848,171	2,848,171	-
Sanitation	7,207,613	6,651,759	-	-	-	(555,854)	(555,854)	-
Stormwater	5,165,594	4,939,914	-	2,006,769	-	1,781,089	1,781,089	-
Golf	1,717,463	1,567,225	-	-	-	(150,238)	(150,238)	-
Total business-type activities	44,149,900	44,240,740	-	5,345,715	-	5,436,555	5,436,555	-
Total primary government	\$ 110,981,344	\$ 55,950,079	\$ 879,347	\$ 6,308,627	(53,279,846)	5,436,555	(47,843,291)	-

General Revenues:

Taxes:								
Property taxes					13,134,366	-	13,134,366	-
Sales and use taxes					42,516,340	-	42,516,340	-
Franchise and miscellaneous taxes					4,822,348	-	4,822,348	-
Hotel/motel taxes					500,575	-	500,575	-
Tobacco tax					484,107	-	484,107	-
E-911 taxes					804,199	-	804,199	-
Intergovernmental revenue not restricted to specific programs					230,079	-	230,079	-
Investment income (loss)					292,114	10,673	302,787	-
Miscellaneous					1,774,974	-	1,774,974	-
Transfers - internal activities					(1,745,225)	1,745,225	-	-
Total general revenues and transfers					62,813,877	1,755,898	64,569,775	-
Change in net position					9,534,031	7,192,453	16,726,484	-
Net position, beginning of year - restated					177,456,326	93,139,508	270,595,834	13,706
Net position, end of year					\$ 186,990,357	\$ 100,331,961	\$ 287,322,318	\$ 13,706

CITY OF BROKEN ARROW, OKLAHOMA

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2016

	General Fund	Sales Tax Capital Improvement Fund	2011 General Obligation Bond Fund	2014 General Obligation Bond Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 125,695	\$ 911,987	\$ 13,504,531	\$ 7,845,173	\$ 2,488,785	\$ 5,852,619	\$ 30,728,790
Investments	-	-	4,000,000	4,000,000	4,875,323	1,019,958	13,895,281
Taxes receivable, net	278,852	-	-	-	607,196	-	886,048
Due from other funds	7,238,753	6,854,885	-	-	-	4,000,000	18,093,638
Receivable from other governments	6,598,744	1,474,504	-	-	-	638,357	8,711,605
Accrued interest receivable	-	-	5,502	1,142	11,321	385	18,350
Other receivables, net	3,373,729	-	-	-	-	179,416	3,553,145
Prepaid expenses	13,838	-	-	-	-	-	13,838
Total assets	\$ 17,629,611	\$ 9,241,376	\$ 17,510,033	\$ 11,846,315	\$ 7,982,625	\$ 11,690,735	\$ 75,900,695
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 182,717	\$ 867,432	\$ 219,357	\$ 14,499	\$ -	\$ 419,952	\$ 1,703,957
Accrued payroll	2,906,322	-	-	-	-	-	2,906,322
Due to other funds	2,330,393	-	-	-	-	8,360	2,338,753
Amounts held in escrow	83,908	-	-	-	-	-	83,908
Total liabilities	5,503,340	867,432	219,357	14,499	-	428,312	7,032,940
Deferred inflows of resources							
Deferred revenue	2,113,856	300,455	5,502	1,142	550,371	192,178	3,163,504
Fund Balances							
Restricted	1,701,903	8,073,489	17,285,174	11,830,674	7,432,254	7,292,717	53,616,211
Committed	-	-	-	-	-	3,777,528	3,777,528
Assigned	8,310,512	-	-	-	-	-	8,310,512
Total fund balances	10,012,415	8,073,489	17,285,174	11,830,674	7,432,254	11,070,245	65,704,251
Total liabilities, deferred inflows, and fund balances	\$ 17,629,611	\$ 9,241,376	\$ 17,510,033	\$ 11,846,315	\$ 7,982,625	\$ 11,690,735	\$ 75,900,695

CITY OF BROKEN ARROW, OKLAHOMA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

JUNE 30, 2016

Total fund balance, governmental funds		\$ 65,704,251
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		286,071,850
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	555,801	
Court fines receivable	135,488	
Ambulance receivable	1,590,049	
Cemetery receivable	15,896	
Street light fee	69,966	
Interest receivable	18,494	
Miscellaneous receivables	<u>77,725</u>	
		2,463,419
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	2,707,792	
Deferred outflow due to refunding of bonds	23,534	
Deferred resources related to pensions	<u>4,888,747</u>	
		7,620,073
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	(593,504)	
Stormwater Capital Fund	<u>(1,036,541)</u>	
		(1,630,045)
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		(565,256)
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	(105,328,139)	
Notes payable	(12,793,037)	
Accrued compensated absences	(2,625,383)	
Accrued interest payable	(1,086,242)	
Interest rate swap liability	(2,707,792)	
Automotive and general liability	(1,317,000)	
Judgments payable	(529,289)	
OPEB liability	(1,441,734)	
Net pension liability	(40,578,526)	
Deferred resources related to pensions	(4,247,668)	
Arbitrage rebate payable	<u>(19,125)</u>	
		<u>(172,673,935)</u>
Net Position of Governmental Activities in the Statement of Net Position		<u>\$ 186,990,357</u>

CITY OF BROKEN ARROW, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	General Fund	Sales Tax Capital Improvement Fund	2011 General Obligation Bond Fund	2014 General Obligation Bond Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Property tax	\$ -	\$ -	\$ -	\$ -	\$ 13,646,031	\$ -	\$ 13,646,031
Sales and use taxes	35,713,717	6,802,623	-	-	-	-	42,516,340
Franchise and miscellaneous taxes	4,392,687	-	-	-	-	456,204	4,848,891
Licenses and permits	1,115,621	-	-	-	-	-	1,115,621
Intergovernmental	5,859,306	989,747	-	-	-	1,704,329	8,553,382
Charges for services	9,531,740	-	-	-	-	1,658,134	11,189,874
Fees and fines	1,706,220	-	-	-	-	20,440	1,726,660
Rental income	1,198,272	-	-	-	-	-	1,198,272
Interest income	19,469	15,386	106,141	31,642	100,021	15,035	287,694
Miscellaneous	419,547	32,144	-	-	6,070	268,224	725,985
Total revenues	<u>59,956,579</u>	<u>7,839,900</u>	<u>106,141</u>	<u>31,642</u>	<u>13,752,122</u>	<u>4,122,366</u>	<u>85,808,750</u>
Expenditures:							
Current:							
General government	9,231,967	-	-	-	-	664,235	9,896,202
Public safety	42,619,348	-	-	-	-	164,877	42,784,225
Public services	3,012,381	-	-	-	-	-	3,012,381
Parks and recreation	3,541,769	-	-	-	-	-	3,541,769
Debt service:							
Principal	-	955,000	-	-	14,460,507	-	15,415,507
Interest and other charges	-	818,057	-	-	3,650,617	-	4,468,674
Capital outlay	-	7,588,655	2,237,251	566,466	-	619,085	11,011,457
Total expenditures	<u>58,405,465</u>	<u>9,361,712</u>	<u>2,237,251</u>	<u>566,466</u>	<u>18,111,124</u>	<u>1,448,197</u>	<u>90,130,215</u>
Excess (deficiency) of revenues over expenditures	<u>1,551,114</u>	<u>(1,521,812)</u>	<u>(2,131,110)</u>	<u>(534,824)</u>	<u>(4,359,002)</u>	<u>2,674,169</u>	<u>(4,321,465)</u>
Other financing sources (uses):							
Proceeds from long-term debt, net	-	-	11,575,000	6,625,000	7,227,615	-	25,427,615
Payment to escrow agent	-	-	-	-	(7,127,467)	-	(7,127,467)
Bond premium	-	-	-	-	536,656	-	536,656
Bond issuance costs	-	-	(78,131)	(72,109)	(82,603)	-	(232,843)
Transfers in	14,220,021	-	-	-	-	-	14,220,021
Transfers out	(14,195,225)	-	-	-	(100,021)	(1,670,000)	(15,965,246)
Total other financing sources and (uses)	<u>24,796</u>	<u>-</u>	<u>11,496,869</u>	<u>6,552,891</u>	<u>454,180</u>	<u>(1,670,000)</u>	<u>16,858,736</u>
Net change in fund balances	1,575,910	(1,521,812)	9,365,759	6,018,067	(3,904,822)	1,004,169	12,537,271
Fund balances, beginning of year	8,436,505	9,595,301	7,919,415	5,812,607	11,337,076	10,066,076	53,166,980
Fund balances, end of year	<u>\$ 10,012,415</u>	<u>\$ 8,073,489</u>	<u>\$ 17,285,174</u>	<u>\$ 11,830,674</u>	<u>\$ 7,432,254</u>	<u>\$ 11,070,245</u>	<u>\$ 65,704,251</u>

CITY OF BROKEN ARROW, OKLAHOMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds		\$ 12,537,271
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	8,398,821	
Net effect of various transactions affecting capital assets	(32,346)	
Depreciation expense	<u>(9,320,747)</u>	(954,272)
Bond and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the government funds, but the repayment reduces long-term liabilities in the Statement of Net Position:		
Revenue bond principal payment	20,773,239	
Bond proceeds	(25,794,894)	
Principal paid on Judgements	337,899	
Notes payable principal payment	<u>955,000</u>	(3,728,756)
Certain long-term liabilities are not due and payable from current financial resources and therefore, they, along with deferred inflows are not reported in the funds:		
Proceeds from advanced refunding of general obligation bonds	7,233,604	
Payments made to escrow agent	<u>(7,210,070)</u>	23,534
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	86,670	
Deferred resources related to pensions	<u>1,344,459</u>	1,431,129
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.		
		(1,609,292)
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	200,339	
Accrued compensated absences not reflected on governmental funds	(28,675)	
Change in investment - interest rate swap	(86,670)	
Change in OPEB liability	(247,644)	
Change in net pension liability	(3,763,201)	
Change in deferred inflows related to pensions	5,665,457	
Change in claims liability	<u>(252,000)</u>	1,487,606
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	(174,836)	
Stormwater Capital Fund	<u>(223,221)</u>	(398,057)
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.		
		<u>744,868</u>
Change in net position of governmental activities		<u>\$ 9,534,031</u>

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2016

	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course	Total Proprietary Funds	Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ 103,800	\$ 163,402	\$ 98,285	\$ 365,487	\$ 3,060,926
Restricted cash and cash equivalents	13,261,723	-	-	13,261,723	-
Investments	205,656	-	-	205,656	-
Accounts receivable, net	7,238,977	-	916	7,239,893	-
Due from other funds	2,795,437	-	-	2,795,437	-
Interest receivable	-	4,200	-	4,200	-
Inventories	765,025	-	62,418	827,443	-
Prepaid assets	20,500	-	10,673	31,173	-
Total current assets	24,391,118	167,602	172,292	24,731,012	3,060,926
Noncurrent assets:					
Restricted cash and cash equivalents	4,013,833	750,000	-	4,763,833	-
Notes receivable	-	8,000,000	-	8,000,000	-
Investment in joint venture	17,809,466	-	-	17,809,466	-
Capital assets:					
Land and other nondepreciable assets	6,815,306	2,229,985	229,677	9,274,968	-
Other capital assets, net of accumulated depreciation	163,779,118	184,666	4,378,545	168,342,329	-
Total noncurrent assets	192,417,723	11,164,651	4,608,222	208,190,596	-
Total assets	216,808,841	11,332,253	4,780,514	232,921,608	3,060,926
Liabilities					
Current liabilities:					
Accounts payable	1,476,876	1,200	280,542	1,758,618	85,728
Accrued payroll	786,012	-	-	786,012	-
Accrued interest payable	658,183	59,329	-	717,512	-
Due to other funds	14,230,393	3,750,000	569,929	18,550,322	-
Other accrued expenses	-	-	114,509	114,509	-
Amounts held in escrow	230,465	-	-	230,465	-
Compensated absences	372,313	-	-	372,313	-
Claims and judgments	-	-	-	-	1,139,000
Customer meter deposit reserves	182,113	-	-	182,113	-
Bonds, notes and loans payable, net	5,310,367	415,000	51,920	5,777,287	-
Capital lease obligation	255,000	-	-	255,000	-
Total current liabilities	23,501,722	4,225,529	1,016,900	28,744,151	1,224,728
Noncurrent liabilities:					
Compensated absences	186,156	-	-	186,156	-
Claims and judgments	-	-	-	-	2,401,454
Customer meter deposit reserves	728,450	-	-	728,450	-
Bonds, notes and loans payable, net	87,609,850	16,175,000	-	103,784,850	-
Capital lease obligation	380,000	-	-	380,000	-
OPEB liability	396,085	-	-	396,085	-
Total noncurrent liabilities	89,300,541	16,175,000	-	105,475,541	2,401,454
Total liabilities	112,802,263	20,400,529	1,016,900	134,219,692	3,626,182
Net Position					
Invested in capital assets, net of related debt	77,197,554	-	4,556,302	81,753,856	-
Restricted for debt service	3,555,869	-	-	3,555,869	-
Unrestricted (deficit)	23,253,155	(9,068,276)	(792,688)	13,392,191	(565,256)
Total net position	\$ 104,006,578	\$ (9,068,276)	\$ 3,763,614	98,701,916	\$ (565,256)
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.					
				<u>1,630,045</u>	
Total net position per government-wide financial statements				<u>\$ 100,331,961</u>	

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2016

	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course	Total Proprietary Funds	Internal Service Funds
Operating revenues:					
Water charges	\$ 18,558,284	\$ -	\$ -	\$ 18,558,284	\$ -
Sewer charges	10,379,074	-	-	10,379,074	-
Sanitation charges	6,192,711	-	-	6,192,711	-
Stormwater fees	4,300,911	-	-	4,300,911	-
Fees and fines	881,371	-	-	881,371	-
Golf	-	-	1,567,225	1,567,225	-
Miscellaneous	1,216,845	667,070	4,850	1,888,765	53,921
Self insurance charges	-	-	-	-	8,803,173
Total operating revenues	<u>41,529,196</u>	<u>667,070</u>	<u>1,572,075</u>	<u>43,768,341</u>	<u>8,857,094</u>
Operating expenses:					
General government	1,174,487	1,277,758	-	2,452,245	-
Finance and administration	1,178,148	-	-	1,178,148	-
Engineering and construction	2,075,939	-	-	2,075,939	-
Water distribution	9,807,118	-	-	9,807,118	-
Sanitary sewer system	5,115,682	-	-	5,115,682	-
Sanitation services	5,093,933	-	-	5,093,933	-
Support services	2,796,248	1,296	-	2,797,544	-
Stormwater	2,594,973	-	-	2,594,973	-
Claims expense	-	-	-	-	8,113,732
Golf	-	-	1,533,181	1,533,181	-
Depreciation	8,155,142	10,106	178,224	8,343,472	-
Total operating expenses	<u>37,991,670</u>	<u>1,289,160</u>	<u>1,711,405</u>	<u>40,992,235</u>	<u>8,113,732</u>
Operating income (loss)	<u>3,537,526</u>	<u>(622,090)</u>	<u>(139,330)</u>	<u>2,776,106</u>	<u>743,362</u>
Nonoperating revenues (expenses):					
Interest and investment revenue	8,329	1,246	131	9,706	1,506
Gain (loss) from joint venture	379,010	-	-	379,010	-
Bond issuance costs	(247,981)	-	-	(247,981)	-
Interest expense and fiscal charges	(2,982,889)	(224,438)	(6,058)	(3,213,385)	-
Total nonoperating revenue (expenses)	<u>(2,843,531)</u>	<u>(223,192)</u>	<u>(5,927)</u>	<u>(3,072,650)</u>	<u>1,506</u>
Income (loss) before contributions and transfers	693,995	(845,282)	(145,257)	(296,544)	744,868
Capital contributions	5,345,715	-	-	5,345,715	-
Transfers in	13,615,225	1,160,000	-	14,775,225	-
Transfers out	(13,030,000)	-	-	(13,030,000)	-
Change in net position	<u>6,624,935</u>	<u>314,718</u>	<u>(145,257)</u>	<u>6,794,396</u>	<u>744,868</u>
Total net position, beginning of year - restated	<u>97,381,643</u>	<u>(9,382,994)</u>	<u>3,908,871</u>	<u>91,907,520</u>	<u>(1,310,124)</u>
Total net position (deficit), end of year	<u>\$ 104,006,578</u>	<u>\$ (9,068,276)</u>	<u>\$ 3,763,614</u>	<u>\$ 98,701,916</u>	<u>\$ (565,256)</u>
Change in net position, per above				\$ 6,794,396	
Amounts reported for business-type activities in the Statement of Activities are different 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>398,057</u>	
Change in business-type activities in net position per government-wide financial statements				<u>\$ 7,192,453</u>	

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2016

	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course	Total Proprietary Funds	Internal Service Funds
Cash Flows from Operating Activities					
Receipts from customers	\$ 40,262,653	\$ 667,070	\$ 1,577,873	\$ 42,507,596	\$ 8,857,094
Payments to employees	(13,562,704)	-	-	(13,562,704)	-
Payments to suppliers	(9,645,917)	(1,282,834)	(1,563,496)	(12,492,247)	(7,645,138)
Net cash provided by (used in) operating activities	<u>17,054,032</u>	<u>(615,764)</u>	<u>14,377</u>	<u>16,452,645</u>	<u>1,211,956</u>
Cash Flows from Noncapital Financing Activities					
Transfers in from other funds	14,220,021	1,160,000	-	15,380,021	-
Transfers out to other funds	(14,195,225)	-	-	(14,195,225)	-
Net cash provided by (used in) noncapital financing activities	<u>24,796</u>	<u>1,160,000</u>	<u>-</u>	<u>1,184,796</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities					
Proceeds of borrowings for capital purposes	12,006,324	-	51,920	12,058,244	-
Acquisition and construction of capital assets	(6,127,338)	-	(53,956)	(6,181,294)	-
Note issuance costs	(247,981)	-	-	(247,981)	-
Principal paid on bonds and notes	(5,100,335)	(395,000)	-	(5,495,335)	-
Interest paid on bonds and notes	(2,720,623)	(223,360)	(6,058)	(2,950,041)	-
Net cash used in capital and related financing activities	<u>(2,189,953)</u>	<u>(618,360)</u>	<u>(8,094)</u>	<u>(2,816,407)</u>	<u>-</u>
Cash Flows from Investing Activities					
Investment income	8,329	1,246	131	9,706	1,506
(Increase) decrease in investments	95,801	-	-	95,801	-
Investment in joint venture	(3,343,866)	-	-	(3,343,866)	-
Net cash provided by investing activities	<u>(3,239,736)</u>	<u>1,246</u>	<u>131</u>	<u>(3,238,359)</u>	<u>1,506</u>
Net increase (decrease) in cash and cash equivalents	11,649,139	(72,878)	6,414	11,582,675	1,213,462
Cash and cash equivalents, beginning of year	5,730,217	986,280	91,871	6,808,368	1,847,464
Cash and cash equivalents, end of year	<u>\$ 17,379,356</u>	<u>\$ 913,402</u>	<u>\$ 98,285</u>	<u>\$ 18,391,043</u>	<u>\$ 3,060,926</u>
Reconciliation to Statement of Net Position:					
Cash and cash equivalents	\$ 103,800	\$ 163,402	\$ 98,285	\$ 365,487	\$ 3,060,926
Restricted cash and cash equivalents	13,261,723	-	-	13,261,723	-
Noncurrent restricted cash and cash equivalents	4,013,833	750,000	-	4,763,833	-
	<u>\$ 17,379,356</u>	<u>\$ 913,402</u>	<u>\$ 98,285</u>	<u>\$ 18,391,043</u>	<u>\$ 3,060,926</u>

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (continued)

YEAR ENDED JUNE 30, 2016

	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course	Total Proprietary Funds	Internal Service Funds
Reconciliation of Operating Loss to Net Cash					
Provided by (Used in) Operating Activities:					
Operating Income (Loss)	\$ 3,537,526	\$ (622,090)	\$ (139,330)	\$ 2,776,106	\$ 743,362
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	8,155,142	10,106	178,224	8,343,472	-
Change in assets and liabilities:					
Accounts receivable	(1,272,685)	-	5,798	(1,266,887)	-
Due from other funds	6,142	-	-	6,142	-
Inventories	41,320	-	(531)	40,789	-
Prepaid assets	-	-	(8,173)	(8,173)	-
Accounts payable	(240,715)	(3,780)	13,616	(230,879)	(8,273)
Retainage payable	(2,772)	-	-	(2,772)	-
Accrued payroll	152,954	-	-	152,954	-
Due to other funds	6,620,293	-	(56,725)	6,563,568	-
Other payables	-	-	21,498	21,498	-
Amounts held in escrow	(14,989)	-	-	(14,989)	-
Compensated absences	1,816	-	-	1,816	-
Customer meter deposit reserves	1,965	-	-	1,965	-
Claims and judgments	-	-	-	-	476,867
OPEB Liability	68,035	-	-	68,035	-
Net cash provided by (used in) operating activities	<u>\$ 17,054,032</u>	<u>\$ (615,764)</u>	<u>\$ 14,377</u>	<u>\$ 16,452,645</u>	<u>\$ 1,211,956</u>
Noncash Activities					
Contributed capital assets	<u>\$ 5,345,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,345,715</u>	<u>\$ -</u>

CITY OF BROKEN ARROW, OKLAHOMA
STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2016

	<u>Broken Arrow Home Finance Authority</u>	<u>Broken Arrow Hospital Authority</u>	<u>Totals</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,786	\$ 10,920	\$ 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, 2016

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

CITY OF BROKEN ARROW
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 759,106
Accounts receivable	<u>65,369</u>
Total assets	<u><u>\$ 824,475</u></u>
Liabilities	
Amounts held in escrow	<u>\$ 824,475</u>
Total liabilities	<u><u>\$ 824,475</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
Year Ending June 30, 2016

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
Year Ending June 30, 2016

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

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.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

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

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

Related organizations

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

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

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

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

Joint venture

The City is currently a participant (with equity interest) in the general operating portion of the Regional Metropolitan Utility Authority (RMUA). The RMUA is a Title 60 Public Trust created to provide, operate, and maintain water supply, wastewater and pollution control facilities for the benefit of various governmental entities. Currently, the Authority is providing wastewater facilities at the Haikey Creek sewage treatment plants. 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, 2016, 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.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund financial statements

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

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. A fund not meeting the criteria of (a) and (b), however, management has elected to report the fund as a major fund due to its significance to users of the financial statements.

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

Governmental funds:

General fund

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

Special revenue funds

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

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

Special revenue funds – (continued)

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 Enhancement	Accounts for monies limited in use for police department education and drug prevention activities.
Police Reserves	Accounts for donations to the Broken Arrow Police Officers Reserves.
Sales Tax Capital Improvement	Accounts for the revenues generated by a 0.5% sales tax to be used strictly for capital improvements. This fund is the primary funding source for capital outlay expenditures of General Fund departments.
Housing and Urban Development	Accounts for revenue and expenditures of Community Development Block Grants and the Home program.
Street and Alley	Accounts for commercial vehicle tax and gasoline excise tax legally restricted for street and alley repairs and maintenance.
E-911 Escrow	Accounts for the City's share of E-911 customer assessment that is legally restricted for public safety.
Excess Capacity Sewer Escrow	Accounts for acreage fees limited in use to expenditures for excess capacity sewer lines.
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.
Convention and Visitors Bureau	Accounts for funds received in relation to leisure, cultural and recreational activities within the City.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

Debt service fund

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

Capital project funds

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

Fund	Brief Description
1994 General Obligation Bond Fund	Accounts for bond proceeds to be used for industrial development purposes within the City.
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.
2014 General Obligation Bond Fund	Accounts for bond proceeds to be used for street, public safety, park and recreation, stormwater improvements and the purchase and construction of public buildings

Proprietary funds

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

Nonoperating revenues of the proprietary funds include such items as investment earnings, interest expense and subsidies. The reporting entity includes the following enterprise funds and internal service funds:

Enterprise funds

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

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

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.

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.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

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.

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.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

Receivables – cont.

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 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.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

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:

- 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.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

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.
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.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

Fund financial statements – cont.

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, 2016, the City's net assessed valuation of taxable property was \$789,530,174. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2016, was \$17.10.

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:

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

Program revenues – cont.

1. General government – Cemetery fees, licenses, permits, planning and zoning fees; operating and capital grants and contributions including U.S. Department of Housing and Urban Development.
2. Public safety – Ambulance revenue, court fines and administrative fees; operating and capital grants and contributions including U.S. Department of Justice, Federal Emergency Management Agency and miscellaneous donations.
3. Public services – Operating and capital grants and contributions including 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 including Oklahoma Arts Council and miscellaneous donations.

Land and Building Lease

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 2016 was \$793,989.

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

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

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.

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

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.
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 2016, the City issued General Obligation Bonds Series 2016A in the amount of \$11,575,000 and Series 2016B in the amount of \$6,625,000 which were approved by the citizens of the City in 2011 and 2014 respectively. Additionally, the City issued General Obligation Refunding Bonds Series 2016C in the amount of \$7,015,000 to refund the remaining outstanding balances of General Obligation Bond Series 2004, 2005 and 2006.

Revenue bond and promissory note debt

The various bond and note indentures relating to the revenue bond and promissory note issuances of the Broken Arrow Municipal Authority contain a number of restrictions or covenants that are financial related. These include covenants such as a required flow of funds through special accounts, a debt service coverage requirement and required reserve account balances. The following schedule presents a brief

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2016.

Requirement	Level of Compliance
a. Flow of Funds:	
OWRB Loans:	
<ul style="list-style-type: none"> • Utility Revenue Fund • Sales Tax Fund • Operation and Maintenance Fund • Bond Fund (interest, principal and reserve accounts) 	All funds, except for a separate Utility Revenue Fund have been established. Utility revenue is deposited directly into O & M Fund. Method of actual transfers of funds is not made specifically in accordance with bond covenants; however, the end result of the flow of funds is being accomplished.
b. Reserve Account Requirement:	
OWRB Loans:	
<ul style="list-style-type: none"> • Account balance on the 2012 OWRB note payable should equal \$2,435,677. • Account balance on the 2015 OWRB note payable should equal \$849,706 	<p>Account balance at June 30, 2016 for the 2012 OWRB note payable is \$2,435,677.</p> <p>Account balance at June 30, 2016 for the 2015 OWRB note payable is \$849,706</p>
c. Revenue Bond Coverage:	
OWRB Loans:	
<ul style="list-style-type: none"> • Net revenues of the Authority plus 125% of maximum annual debt service of all obligations on a parity with the OWRB 1997 A & C, 1999B, 2001, 2004, 2007, 2009, 2011, 2012 and 2015 notes. 	Maximum annual debt service on all parity debt is \$7,739,647. Coverage is 327%.

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, 2016.

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.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

Budgetary compliance – cont.

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

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

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

In accordance with Title 60 of the Oklahoma State Statutes, all of the City's Title 60 Public Trusts (accounted for as enterprise funds and similar component units) are required to prepare an annual budget and submit a copy to the City as beneficiary. However, there are no further requirements such as form of budget, approval of the budget or definition of a legal level of control.

For the year ended June 30, 2016, the City complied in all material respects with the applicable budget laws relating to expenditures and appropriations at the legal level of control.

Workers compensation and Group Health and Life, internal service funds, have net deficits of \$1,051,125 and \$485,495 primarily due to actuarially 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.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

Deposits

As of June 30, 2016, the City held the following deposits and investments:

<u>Primary Government:</u>	<u>Carrying Value</u>
Deposits:	
Cash on hand	\$ 4,713
Demand deposits	52,176,046
Time deposits - certificate of deposits	13,571,648
Investments:	
Judgements	529,289
Total deposits and investments	\$ 66,281,696
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 52,180,759
Investments	14,100,937
	<u>\$ 66,281,696</u>
Component Units:	
Broken Arrow Home Finance Authority	\$ 2,786
Broken Arrow Hospital Authority	10,920
	<u>\$ 13,706</u>

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

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

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

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

Interest rate swap agreement

In May 2004, the City entered into a twenty year interest rate swap agreement as a cash flow hedge for \$15,035,000 of its variable rate portion of a Construction and Term loan. The City owes interest on this portion of the loan at a variable rate of LIBOR plus 100 basis points not to exceed 6.2975%. The counterparty to the swap agreement owes the City interest if the LIBOR rate exceeds 6.2975%. The counterparty has not made any payments to the City since the LIBOR rate has not yet exceeded 6.2975%. The objective of the hedge is to cap the interest rate paid at 6.2975% plus 100 basis points (7.2975%). The City has achieved that objective and is reporting the derivative under hedge accounting standards according to GASB 53, *Accounting and Financial Reporting for Derivative Instruments*. The notional amount of the hedging derivative at June 30, 2016 is \$10,090,000.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

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

<u>Year Ending June 30,</u>	<u>Assumed</u> <u>Interest Rate</u>	<u>Hedging</u> <u>Derivative</u> <u>Cash Flow</u>
2017	< 6.2975%	\$ (547,600)
2018	< 6.2975%	(478,600)
2019	< 6.2975%	(431,400)
2020	< 6.2975%	(384,200)
2021	< 6.2975%	(337,000)
2022-2026	< 6.2975%	<u>(981,400)</u>
Total		<u>\$ (3,160,200)</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 include customers' utilities services provided, both billed and unbilled, and other receivables, reported net of allowance for uncollectible amounts.

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
Accounts receivable	\$ -	\$ 9,294,859
Accounts receivable ambulance	2,537,010	-
Accounts receivable court	253,460	-
Other	762,675	-
Allowance for uncollectible accounts	<u>(341,752)</u>	<u>(2,054,966)</u>
Other receivables, net of allowance for uncollectible accounts	<u>\$ 3,211,393</u>	<u>\$ 7,239,893</u>

Notes receivable

The notes 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 and has recognized a corresponding bond payable for the same amount.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

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, 2016, were as follows:

Type of Restricted Assets	Current Cash and Cash Equivalents	Noncurrent Cash and Cash Equivalents	Accrued Interest	Total
BAMA				
Revenue bond and note trustee accounts	\$ 13,079,610	\$ 3,285,383	\$ -	\$ 16,364,993
Meter deposits	182,113	728,450	-	910,563
Total BAMA	\$ 13,261,723	\$ 4,013,833	\$ -	\$ 17,275,556
BAEDA				
Revenue bond and note trustee accounts	\$ -	\$ 750,000	\$ -	\$ 750,000
Total BAEDA	\$ -	\$ 750,000	\$ -	\$ 750,000

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

Capital assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance at June 30, 2015	Additions	Deductions	Balance at June 30, 2016
Governmental activities:				
Nondepreciable:				
Land	\$ 33,785,412	\$ 397,903	\$ -	\$ 34,183,315
Land under capital lease obligation	2,037,500	-	-	2,037,500
Construction-in-progress	4,840,278	2,636,662	-	7,476,940
Total nondepreciable assets at historical cost	<u>\$ 40,663,190</u>	<u>\$ 3,034,565</u>	<u>\$ -</u>	<u>\$ 43,697,755</u>
Depreciable:				
Buildings	63,011,600	-	-	63,011,600
Improvements	31,025,084	2,008,755	-	33,033,839
Machinery and equipment	36,537,952	2,275,408	(1,331,103)	37,482,257
Infrastructure	237,971,820	1,080,093	-	239,051,913
Total depreciable assets at historical cost	368,546,456	5,364,256	(1,331,103)	372,579,609
Less accumulated depreciation:				
Buildings	(11,883,848)	(1,310,489)	-	(13,194,337)
Improvements	(9,871,875)	(1,130,631)	-	(11,002,506)
Machinery and equipment	(21,537,530)	(2,389,283)	1,298,757	(22,628,056)
Infrastructure	(78,890,271)	(4,490,344)	-	(83,380,615)
Total accumulated depreciation	<u>(122,183,524)</u>	<u>(9,320,747)</u>	<u>1,298,757</u>	<u>(130,205,514)</u>
Net depreciable assets	<u>246,362,932</u>	<u>(3,956,491)</u>	<u>(32,346)</u>	<u>242,374,095</u>
Governmental activities capital assets, net	<u>\$ 287,026,122</u>	<u>\$ (925,126)</u>	<u>\$ (32,346)</u>	<u>\$ 286,071,850</u>

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

Capital assets – (continued)

	Balance at June 30, 2015	Additions	Deductions	Balance at June 30, 2016
Business-type activities:				
Nondepreciable:				
Land	\$ 4,953,097	\$ 63,160	\$ -	\$ 5,016,257
Construction-in-progress	927,399	3,331,312	-	4,258,711
Total nondepreciable assets at historical cost	<u>5,880,496</u>	<u>3,394,472</u>	<u>-</u>	<u>9,274,968</u>
Depreciable:				
Buildings	7,006,220	-	-	7,006,220
Improvements	257,619,591	4,451,973	(566,069)	261,505,495
Machinery and equipment	16,410,053	2,133,967	(1,258,459)	17,285,561
Infrastructure – drainage	34,498,774	2,043,812	-	36,542,586
Total depreciable assets at historical cost	<u>315,534,638</u>	<u>8,629,752</u>	<u>(1,824,528)</u>	<u>322,339,862</u>
Less accumulated depreciation:				
Buildings	(3,843,000)	(176,527)	-	(4,019,527)
Improvements	(119,548,859)	(5,708,878)	566,069	(124,691,668)
Machinery and equipment	(9,809,721)	(1,160,665)	1,258,459	(9,711,927)
Infrastructure – drainage	(14,277,009)	(1,297,402)	-	(15,574,411)
Total accumulated depreciation	<u>(147,478,589)</u>	<u>(8,343,472)</u>	<u>1,824,528</u>	<u>(153,997,533)</u>
Net depreciable assets	<u>168,056,049</u>	<u>286,280</u>	<u>-</u>	<u>168,342,329</u>
Business-type capital assets, net	<u>\$ 173,936,545</u>	<u>\$ 3,680,752</u>	<u>\$ -</u>	<u>\$ 177,617,297</u>

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

Depreciation expense charged to governmental activities:

General government	\$ 1,385,614
Public safety	1,619,969
Public services	4,965,894
Culture and recreation	1,349,270

Total government activities depreciation expense \$ 9,320,747

Depreciation expense charged to business-type activities:

Water	\$ 176,527
Sewer	5,708,878
Sanitation	1,160,665
Stormwater management	1,297,402

Total business-type activities depreciation expense \$ 8,343,472

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

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, 2016, the "investment in joint venture" balance changed as follows:

Beginning investment in joint venture	\$ 14,465,600
Current year contributions	2,964,856
Gain (loss) from joint venture	<u>379,010</u>
Ending investment in joint venture	<u>\$ 17,809,466</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, 2016, the governmental activities long-term debt consisted of the following:

\$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%	\$ 725,000
\$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%	595,000
\$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%	1,675,000
\$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%	5,365,000
\$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%	6,540,000
\$3,225,000 General Obligation Bonds Series 2009C, due in annual installments of \$230,000, final installment of \$235,000 due December 1, 2024, with interest rates at 2.25% to 3.75%	2,075,000
\$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%	4,125,000
\$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%	1,080,000

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

Governmental activities long-term debt (continued)

\$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%	8,355,000
\$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%	4,220,000
\$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%	9,650,000
\$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%	10,740,000
\$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%	3,290,000
\$12,000,000 General Obligation Bonds Series 2013B, due in annual installments of \$325,000, final installment of \$350,000 due December 1, 2033, with interest rates at 1.00% to 4.00%	5,875,000
\$11,705,000 General Obligation Bonds Series 2014A, due in annual installments of \$615,000, final installment of \$635,000 due December 1, 2034, with interest rates at 3.00% to 5.00%	11,705,000
\$3,175,000 General Obligation Bonds Series 2014B, due in annual installments of \$350,000, final installment of \$375,000 due December 1, 2024 with interest rates at 2.00% to 3.00%	3,175,000
\$11,575,000 General Obligation Bonds Series 2016A, due in annual installments of \$605,000, final installment of \$685,000 due January 1, 2036, with interest rates at 2.00% to 4.00%	11,575,000
\$6,625,000 General Obligation Bonds Series 2016B, due in annual installments of \$345,000, final installment of \$341,000 due January 1, 2036, with interest rates at 2.50% to 3.250%	6,625,000
\$7,015,000 General Obligation Refunding Bonds Series 2016C, due in annual installments of \$1,895,000, \$1,890,000, \$1,830,000 and \$1,045,000 commencing June 1, 2017, final installment due June 1, 2021 with interest rates at 0.65% to 3.00%	<u>7,015,000</u>
Total general obligation bonds	104,405,000
Unamortized premium on bonds	<u>923,139</u>
Total general obligations bonds	<u>\$105,328,139</u>
Current portion	\$ 9,763,539
Noncurrent portion	<u>95,564,600</u>
Total general obligations bonds	<u>\$ 105,328,139</u>

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

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% (0.99310% at June 30, 2016), 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	\$ 12,793,037
Current portion	\$ 1,015,000
Noncurrent portion	11,778,037
Total notes payable	<u>\$ 12,793,037</u>

Accrued compensated absences

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

Current portion	\$ 1,750,255
Noncurrent portion	875,128
Total accrued compensated absences	<u>\$ 2,625,383</u>

Judgments payable

\$30,000 judgment in favor of Jered and Christina Henry, held by sinking fund, final maturity April 2018 with interest at 5.5%	\$ 20,000
\$30,000 judgment in favor of First Priority Bank, held by sinking fund, final maturity August 2018, with interest at 5.5%	30,000
\$157,967 judgment in favor of Gary Clark, held by sinking fund, final maturity August 2018, with interest at 5.5%	157,967
\$57,713 judgment in favor of Eric Tyler Manke, held by BAMA fund, final maturity May 2019, with interest at 5.5%	57,713
\$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 BAMA, final maturity July 2017 with interest at 5.5%	37,681
\$48,000 judgment in favor of Jared & Tonya Miller, held by sinking fund, final maturity September 2016 with interest at 5.5%	16,000
\$46,000 judgment in favor of Blizzard Trucking, Inc., held by sinking fund, final maturity October 2017 with interest at 5.5%	30,666
\$50,000 judgment in favor of Robin Walker, held by BAMA, final maturity April 2018 with interest at 5.5%	33,333

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

Judgments payable – (continued)

\$50,000 judgment in favor of Robert Cook Green Acre Sod Farm, Inc., held by BAMA, final maturity September 2018 with interest at 5.5%	50,000
\$26,929 judgment in favor of Sandra Ventures, LLC, held by BAMA, final maturity April 2019 with interest at 5.5%	<u>26,929</u>
Total judgments payable	<u>\$ 529,289</u>

Current portion	\$ 184,376
Noncurrent portion	<u>344,913</u>
Total judgments payable	<u>\$ 529,289</u>

Other claims payable

Actuarial determined automotive and general liability payable, funded by General Fund resources, reported in the governmental activities at June 30, 2016

Current portion	\$ 420,000
Noncurrent portion	<u>897,000</u>
Total automotive and general insurance liabilities	<u>\$ 1,317,000</u>

Actuarial determined workers compensation, funded by General Fund resources, reported in the governmental activities at June 30, 2016

Current portion	\$ 1,139,000
Noncurrent portion	<u>2,401,454</u>
Total claims payable	<u>\$ 3,540,454</u>

Other post employment benefit obligation

Current portion	\$ -
Noncurrent portion	<u>1,441,734</u>
Total other post-employment benefit obligation	<u>\$ 1,441,734</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, 2016, was 327%.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

As of June 30, 2016, 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	\$ 55,362
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	117,750
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	116,880
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	95,373
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	5,531,244
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	9,331,372
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	2,942,945
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	3,050,688
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	29,135,891
2012 Drinking Water Promissory Note payable to Oklahoma Water Resources Board, original amount \$29,750,000 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	29,100,000

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

Notes payable – (continued)

2015 Note Payable to Oklahoma Water Resources Board, original amount \$11,900,000 dated July 30, 2015, by Broken Arrow Municipal Authority, providing for engineering, design and construction of various water and sewer projects, secured by pledged sales tax with interest rates at 2.200% to 4.0443%, final maturity September 2035	11,900,000
2015 Note payable to Crossland Construction Company, Inc., original amount \$1,742,000 for settlement of a debt, payable in monthly installments of \$53,787.91 inclusive of interest at 7%, final maturity November 2018	1,385,781
Total Notes Payable	\$ 92,763,286
Unamortized premium on notes payable	156,931
Total Notes Payable	<u>\$ 92,920,217</u>
Current portion	\$ 5,310,367
Noncurrent portion	87,609,850
Total notes payable	<u>\$ 92,920,217</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	\$ 635,000
Total capital lease obligation	<u>\$ 635,000</u>
Current portion	\$ 255,000
Noncurrent portion	380,000
Total capital lease obligation	<u>\$ 635,000</u>

Accrued compensated absences

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

Current portion	\$ 372,313
Noncurrent portion	186,156
Total accrued compensated absences	<u>\$ 558,469</u>

Customer meter deposit reserves

Current portion	\$ 182,113
Noncurrent portion	728,450
Total customer meter deposit reserves	<u>\$ 910,563</u>

Broken Arrow Economic Development Authority (BAEDA)

The Authority has one industrial revenue bond issue outstanding at June 30, 2016. 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, 2016, the total amount of outstanding industrial revenue bonds is \$8,000,000.

CITY OF BROKEN ARROW, OKLAHOMA
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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 allowed 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 balance at June 30, 2016 is \$8,590,000 of which \$587,153 is considered current. 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%.

Battle Creek Golf Course

During fiscal 2016, the City's golf course entered into two loan agreements to purchase golf boards. The \$28,058 and \$32,345 loans pay interest at 8% and 9%, respectively and have three year terms and mature April 2019 and June 2019, respectively. The outstanding balances on the loans total \$51,920, of which \$17,307 is considered current.

Changes in long-term liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016:

Type of Liability	Balance June 30, 2015	Additions	Deductions	Balance, June 30, 2016	Amounts Due Within a Year
Governmental activities:					
General obligation bonds	\$ 100,306,484	\$ 25,794,894	\$20,773,239	\$ 105,328,139	\$ 9,763,539
Notes payable	13,748,037	-	955,000	12,793,037	1,015,000
Accrued compensated absences	2,596,708	28,675	-	2,625,383	1,750,255
Judgments payable	867,188	322,608	660,507	529,289	184,376
Claims payable	3,213,000	1,644,454	-	4,857,454	1,559,000
Other post-employment benefit obligation	1,194,040	247,644	-	1,441,734	-
Net pension obligation	37,869,951	2,708,575	-	40,578,526	-
Arbitrage rebate	19,125	-	-	19,125	-
Total governmental activities	\$ 159,814,533	\$ 30,746,850	\$22,388,746	\$ 168,172,687	\$ 14,272,170

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

Changes in long-term liabilities – (continued)

Type of Liability	Balance June 30, 2015	Additions	Deductions	Balance, June 30, 2016	Amounts Due Within a Year
Business-type activities:					
Notes payable	\$ 94,692,205	\$ 12,108,850	\$ 5,238,918	\$ 101,562,137	\$ 5,914,827
Accrued compensated absences	556,653	1,816	-	558,469	372,313
Customer meter deposit reserves	908,598	1,965	-	910,563	182,113
OPEB liability	328,050	68,035	-	396,085	-
Capital lease obligation	890,000	-	255,000	635,000	255,000
Revenue bonds payable	8,000,000	-	-	8,000,000	-
Total business-type activities	\$ 105,375,506	\$ 12,180,666	\$ 5,704,184	\$ 112,062,254	\$ 6,724,253

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, 2016, are as follows:

Year ending June 30,	Governmental Activities					
	General Obligation Bonds		Notes Payable		Judgments Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 9,763,539	\$ 2,976,908	\$ 1,015,000	\$ 915,328	\$ 184,376	\$ 209,692
2018	10,012,553	2,734,497	1,090,000	839,981	168,376	183,550
2019	9,671,723	2,478,636	1,160,000	759,162	176,537	186,246
2020	8,311,661	2,224,938	1,250,000	672,869	-	-
2021	7,570,681	1,988,977	1,335,000	580,190	-	-
2022-2026	29,368,634	6,793,428	6,943,037	1,285,429	-	-
2027-2031	19,858,517	3,138,980	-	-	-	-
2032-2036	10,770,831	601,588	-	-	-	-
Total	\$105,328,139	\$ 22,937,952	\$ 12,793,037	\$ 5,052,959	\$ 529,289	\$ 579,488

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

Annual debt service requirements – primary government – (continued)

Year ending June 30,	Business-Type Activities			
	Note Payable		Capital Lease Obligation	
	Principal	Interest	Principal	Interest
2017	\$ 5,914,827	\$ 3,311,602	\$255,000	\$ 16,181
2018	5,864,520	3,118,729	255,000	8,531
2019	5,500,192	2,915,210	125,000	1,397
2020	5,390,768	2,730,211	-	-
2021	5,485,783	2,568,968	-	-
2022-2026	24,671,659	10,400,329	-	-
2027-2031	19,443,371	7,277,911	-	-
2032-2036	13,038,556	4,720,823	-	-
2037-2041	16,252,461	1,751,887	-	-
Total	\$101,562,137	\$38,795,670	\$ 635,000	\$ 26,109

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 postemployment 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.

Pledge of future revenues

Sales Tax and Utility Net Revenues Pledge – The City has pledged a one cent (\$0.01) sales tax and utility revenues to repay the 1997A, 1997C, and 1999B State Revolving Fund (SRF) Promissory Notes payable, the \$371,954 Clean Water SRF note payable, \$11,500,000 2004 Drinking Water SRF note payable, \$15,000,000 2007 SRF note payable, \$4,000,000 2009 Drinking Water SRF note payable, \$4,680,000 2011 Clean Water SRF note payable, \$35,000,000 2012 Drinking Water SRF note payable, \$29,750,000 Drinking Water SRF note payable, and a \$11,900,000 2015 Drinking Water SRF note payable to the Oklahoma Water Resources Board (OWRB). These notes are payable through 2040. The total principal and interest payable for the life of these notes is \$138,972,026. The City has also pledged one eighth of one percent of sales tax for the BAEDA's \$9,715,000 credit agreement. Pledged sales taxes received in the current year were \$5,314,543 and net utility revenues were \$3,536,109 for total pledged revenues of \$9,275,815. Debt service payments of \$6,736,434 for the current year were 72.6% of total pledged revenues for these notes.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

Interfund balances and activities

Interfund receivables and payables at June 30, 2016, consist of the following:

Receivable Fund	Payable Fund	Amount	Nature of Interfund Balance
BAMA	General	\$ 2,330,393	Sales tax collections
BAMA	Battle Creek Golf Course	465,044	Operational advances
General Fund	BAMA	2,330,393	Operational subsidy
General Fund	BAMA	4,550,000	Eliminated negative cash
General Fund	Crime Prevention	8,360	Operation advances
General Fund	BAEDA	350,000	Eliminated negative cash
Sales Tax Capital Improvement	BAMA	6,000,000	Eliminated negative cash
Sales Tax Capital Improvement	BAEDA	750,000	Eliminated negative cash
Sales Tax Capital Improvement	Battle Creek Golf Course	104,885	Operational advances
Excess Capacity Sewer Escrow	BAMA	500,000	Eliminated negative cash
Excess Capacity Sewer Escrow	BAEDA	250,000	Eliminated negative cash
Stormwater Capital	BAEDA	900,000	Eliminated negative cash
Convention & Visitors Bureau	BAEDA	250,000	Eliminated negative cash
Street & Alley	BAMA	600,000	Eliminated negative cash
E-911	BAEDA	750,000	Eliminated negative cash
Parks & Recreation	BAMA	250,000	Eliminated negative cash
Street Light	BAEDA	500,000	Eliminated negative cash
		\$ 20,889,075	

Reconciliation to Fund Financial Statements:

	Due from	Due to	Net Interfund Balances
Governmental Funds	\$ 18,093,638	\$ (2,338,753)	\$ 15,754,885
Proprietary Funds	2,795,437	(18,550,322)	(15,754,885)
	\$ 20,889,075	\$ (20,889,075)	\$ -

Reconciliation to Statement of Net Position:

Net interfund balances	\$ 15,754,885
Business type special revenue	(1,500,000)
Internal balances	\$ 14,254,885

Interfund transfers for the year ended June 30, 2016, were as follows:

Transfer From	Transfer To	Amount	Nature of Transfer
General Fund	BAMA	\$ 13,615,225	Sales tax collections
General Fund	BAEDA	580,000	Economic development
BAMA	General Fund	12,450,000	Operating subsidy
BAMA	BAEDA	580,000	Economic Development
Convention & Visitors Bureau	General Fund	230,000	Operational/General Government
Street and Alley	General Fund	720,000	Operational/Streets
E-911	General Fund	720,000	Operational/Public Safety
Debt Service	General Fund	100,021	Operational/Interest
		\$ 28,995,246	

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

Interfund transfers for the year ended June 30, 2016, were as follows – (continued):

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 14,220,021	\$ (15,965,246)	\$ (1,745,225)
Proprietary Funds	14,775,225	(13,030,000)	1,745,225
Total Transfers	<u>\$ 28,995,246</u>	<u>\$ (28,995,246)</u>	<u>\$ -</u>

Fund Balance:

The following tables show the fund balance classifications as shown on the Governmental Fund Balance Sheet:

	General Fund	Sales Tax Improvement Fund	2011 General Obligation Bond Fund	2014 General Obligation Bond Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:							
Restricted for:							
Debt service	\$ 1,701,903	\$ -	\$ -	\$ -	\$ 7,432,254	\$ 2,638,934	\$ 11,773,091
Capital Improvements		8,073,489	17,285,174	11,830,674	-	-	37,189,337
Convention and Visitor's Bureau	-	-	-	-	-	521,178	521,178
Police enhancements	-	-	-	-	-	10,043	10,043
Parks and recreation	-	-	-	-	-	37,781	37,781
Cemetery care	-	-	-	-	-	226,614	226,614
Street and alley	-	-	-	-	-	1,339,529	1,339,529
Housing and Urban Development	-	-	-	-	-	732,008	732,008
E-911	-	-	-	-	-	1,479,526	1,479,526
Crime prevention	-	-	-	-	-	223,212	223,212
Alcohol enforcement	-	-	-	-	-	83,892	83,892
Subtotal Restricted	<u>1,701,903</u>	<u>8,073,489</u>	<u>17,285,174</u>	<u>11,830,674</u>	<u>7,432,254</u>	<u>7,292,717</u>	<u>53,616,211</u>
Committed to:							
Excess capacity sewer escrow	-	-	-	-	-	593,504	593,504
Stormwater capital improvements	-	-	-	-	-	1,036,541	1,036,541
Parks and recreation	-	-	-	-	-	755,928	755,928
Cemetery care	-	-	-	-	-	102,113	102,113
Street lights	-	-	-	-	-	1,092,502	1,092,502
Economic development	-	-	-	-	-	196,940	196,940
Subtotal Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,777,528</u>	<u>3,777,528</u>
Assigned for:							
Subsequent year budget/activities	<u>8,310,512</u>	-	-	-	-	-	<u>8,310,512</u>
Subtotal Assigned	<u>8,310,512</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,310,512</u>
TOTAL FUND BALANCES	<u>\$ 10,012,415</u>	<u>\$ 8,073,489</u>	<u>\$ 17,285,174</u>	<u>\$ 11,830,674</u>	<u>\$ 7,432,254</u>	<u>\$ 11,070,245</u>	<u>\$ 65,704,251</u>

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

Prior Period Adjustment

During fiscal 2016, the City reallocated the OPEB liability amounts to more accurately reflect the departmental liabilities and adjusted the opening estimate of health claims liability.

The prior period adjustments are summarized as follows:

	Governmental Activities	Business-Type Activities	Broken Arrow Municipal Authority	Internal Service Fund
Net position at July 1, 2015, as previously reported	\$ 178,043,863	\$ 93,467,558	\$ 97,709,693	\$ (1,916,677)
Reallocation of OPEB liability	328,050	(328,050)	(328,050)	1,522,140
Change in estimate - Claims liability	(915,587)	-	-	(915,587)
Net position at July 1, 2015 as restated	<u>\$ 177,456,326</u>	<u>\$ 93,139,508</u>	<u>\$ 97,381,643</u>	<u>\$ (1,310,124)</u>

Defeasance of Debt

On June 1, 2016, the City deposited cash on hand of \$4,300,000 and the proceeds of the 2016C refunding bonds into an irrevocable escrow account to advance refund, through an in-substance defeasance, \$11,230,000 of general obligation bonds. As a result, the Series 2004, 2005 and 2006 general obligation bonds are considered to be defeased and the escrowed assets and the liability for the bonds have been removed from these financial statements. The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$23,534. This difference reported, as an addition to bonds payable, is being charged to operations through the year 2021 using the straight line method. The City achieved a cash flow difference and an economic gain of approximately \$696,529 as a result of the refunding. At June 30, 2016, \$11,230,000 of defeased bonds are outstanding.

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 Plan	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund Plan	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Municipal Retirement Fund (OMRF) Plan	Agent Multiple Employer – Defined Contribution Plan

Oklahoma Police Pension and Retirement System

Summary of Significant Accounting Policies

Plan description – Members of the City’s Police Department are covered by the Oklahoma Police Pension and Retirement System (OPPRS), which is a statewide cost sharing multiple-employer public employee retirement system (the OPPRS Plan). The plan is administered by a board of trustees (the Board) appointed under state statute. Benefit provisions are contained in the Plan document and were established and be amended by action of the OPPRS’s board of trustees. The plan issues a publicly available financial report that can be obtained at www.ok.gov/OPPRS.

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Benefits provided – In general, the OPPRS Plan provides defined retirement benefits based on members' final average compensation, age and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. The Plan's benefits are established and amended by state statute. Retirement provisions are as follows:

The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit. Effective July 1, 1999, a \$5,000 death benefit is also paid, in addition to any survivor's pension benefits under the Plan, to the participant's beneficiary or estate for active or retired members.

The Deferred Option allows participants otherwise eligible for a normal retirement benefit to defer terminating employment and drawing retirement benefits for a period not to exceed 5 years. Under the Deferred Option, retirement benefits are calculated based on compensation and service at the time of election and a separate account is established for each participant. During the participation period, the employee's retirement benefit is credited to the participant's account along with a portion of the employer's contribution and interest. Interest is credited at a rate of 2% below the rate of return on the investment portfolio of the Plan, with a guaranteed minimum interest equal to the assumed actuarial interest of 7.5%. Employee contributions cease once participation in the Deferred Option is elected. At the conclusion of participation in the Deferred Option, the participant will receive the balance in the separate account under payment terms allowed by the Deferred Option and will then begin receiving retirement benefit payments as calculated at the time of the election.

In the 2003 Legislative Session, Senate Bill 688 and House Bill 1464 created a "Back" DROP for members of the System. The "Back" DROP is a modified deferred retirement option plan. The "Back" DROP allows the member flexibility by not having to commit to terminate employment within 5 years. Once a member has met their normal retirement period of 20 years, the member can choose, upon retirement, to be treated as if the member had entered into the "Back" DROP. A member, however, cannot receive credit to the "Back" DROP account based upon any years prior to when the member

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

reached their normal retirement date. Once a member is ready to retire, the member can make the election to participate in the “Back” DROP and can receive a “Back” DROP benefit based upon up to 5 years of participation. The member’s regular retirement benefit will not take into account any years of service credited to the “Back” DROP.

In 2006, the Board approved a method of payment called the Deferred Option Payout Provision (the “Payout Provision”). The Payout Provision allows a retired member who has completed participation in the Deferred Option or the “Back” DROP the ability to leave their account balance in the Plan. The retired member’s account balance will be commingled and reinvested with the total assets, and therefore the member will not be able to direct their personal investments. Written election must be made to the Board no more than 30 days following the termination of employment.

Upon participating in the Payout Provision, a retired member shall not be guaranteed a minimum rate of return on their investment. A retired member shall earn interest on their account as follows:

- a) The retired member shall earn two percentage points below the net annual rate of return of the investment portfolio of the System.
- b) If the portfolio earns less than a 2% rate of return, but more than zero, the retired member shall earn zero percentage points.
- c) If the portfolio earns less than zero percentage points, there shall be a deduction from the retired member’s balance equal to the net annual rate of return of the investment portfolio of the System.

Interest as earned above shall be credited to the retired member’s account.

The Oklahoma Legislature has the authority to grant percentage increases or special one-time payments to persons receiving benefits from the Plan. Additionally, certain retirees are entitled to receive a cost-of-living adjustment (COLA) when a COLA is granted to active police officers in the retiree’s city. Participants eligible to receive both types of benefit increases are to receive the greater of the legislative increase or the benefit increase the participant would receive pursuant to the COLA provision.

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Members of the OPPRS are required to pay 8% of their base pay to the pension plan. The City is contractually required to pay 13% of base salary. For the year ended June 30, 2016 the total contribution to the system amounted to \$1,948,455 of which \$1,211,662 was made by the City and \$736,793 was made by the employees. The total amount contributed to the system by the State of Oklahoma on behalf of the City was \$1,144,091 and does not meet the criteria of a special funding situation.

Pension liabilities, pension expense, and deferred outflows of resources related to pensions – At June 30, 2016, the City reported a liability of \$131,444 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2015. The City’s proportion of the net pension asset was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015 the City’s proportion was 3.2237%.

For the year ended June 30, 2016, the City recognized pension expense of \$492,150. At June 30, 2016 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 726,836
Employer change in proportion	75,376	-
Net difference between projected and actual earnings on pension plan investments	-	505,792
City's contributions subsequent to the measurement date	<u>1,211,662</u>	<u>-</u>
Total	<u>\$ 1,287,038</u>	<u>\$ 1,232,628</u>

At June 30, 2016, the City reported \$1,211,662 as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources totaling \$1,157,252 related to pensions will be recognized as a (reduction) or increase in pension expense as follows:

<u>Year Ended June 30,</u>	
2017	\$ (504,308)
2018	(504,308)
2019	(504,308)
2020	407,224
2021	<u>(51,552)</u>
	<u>\$ (1,157,252)</u>

Actuarial assumptions – The total pension liability in the July 1, 2015 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	4.5% to 17.0% average, including inflation
Ad hoc cost of living adjustments	Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary of 3%
Investment rate of return	7.5%, net of pension plan investment expense

Mortality rates were based on the RP-2000 Blue Collar Healthy Combined with generational mortality improvement using Scale AA with age set back four years for active, pre-retirement employees. For active post-retirement employees, mortality rates were based on the RP-2000 Blue Collar Healthy Combined index with generational mortality improvement using Scale AA. For disabled pensioners,

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mortality rates index were based on the RP-2000 Blue Collar Healthy Combined index with age set forward four years.

The actuarial assumptions used in the July 1, 2015, valuation was based on the results of an actuarial experience study for the period July 1, 2014, through June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	25%	2.83%
Domestic equity	35%	6.47%
International equity	15%	6.98%
Real estate	10%	5.50%
Private equity	10%	5.96%
Commodities	5%	3.08%
	<u>100%</u>	

Discount rate – The single discount rate used to measure the total pension liability was 7.5% for the year ended June 30, 2015. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate – The City’s proportionate share of the net pension liability has been calculated using a discount rate of 7.5%. The following presents the City’s proportionate share of the net pension liability (asset) calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City’s proportionate share of the net pension liability	\$7,898,102	\$131,444	\$(6,416,389)

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued OPPRS Plan financial report, which can be located at www.ok.gov/OPPRS/.

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Oklahoma Fire Pension and Retirement System

Summary of Significant Accounting Policies

Plan description - Members of the City's Fire Department are covered by the Oklahoma Firefighters Pension and Retirement System (OFPRS), which is a statewide cost sharing multiple-employer public employee retirement system (the OFPRS Plan). The plan is administered by a board of trustees (the Board) appointed under state statute. Benefit provisions are contained in the plan document and were established and be amended by action of the OFPRS's board of trustees. The plan issues a publicly available financial report that can be obtained at www.ok.gov/fprs/.

Benefits provided - In general, the OFPRS Plan provides defined retirement benefits based on members' final average compensation, age and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. The Plan's benefits are established and amended by state statute. Retirement provisions are as follows:

Hired Prior to November 1, 2013 - Normal retirement is attained upon completing 20 years of service. The normal retirement monthly benefit is equal to 50% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service.

Hired After November 1, 2013 - Normal retirement is attained upon completing 20 years of service. The normal retirement monthly benefit is equal to 55% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. The firefighter also must be age 50 to begin receiving benefits.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty benefit is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months of service, per year of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Firefighters hired prior to November 1, 2013, with 20 or more years of service may elect to participate in the Oklahoma Firefighters Deferred Retirement Option Plan (the "Deferred Option Plan"). Firefighters hired after November 1, 2013, with 22 or more years of service may elect to participate in the Deferred Option Plan. Active participation (having benefit payments credited to the account) in the Deferred Option Plan shall not exceed 5 years. Under the Deferred Option, retirement benefits are calculated based on compensation and service at the time of election. The retirement benefits plus half of the municipal contributions on behalf of the participant are deposited into a deferred retirement account. The Deferred Option Plan accounts are with interest at a rate of 2% below the rate of return on the investment portfolio of the Plan, with a guaranteed minimum interest equal to the assumed actuarial interest of 7.5% as approved by the Board. The participant is no longer required to make contributions. Upon retirement, the firefighter receives his/her monthly retirement benefit as calculated at the time of election. The member can elect to either leave the account balance accumulated in the Deferred Option Plan account or they can

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elect to have the balance paid to them either as a lump sum or in specified monthly payments. If the member elects to leave their account balance in the Deferred Option Plan account, they will continue to earn interest on their balance at the rate described above; however, no more benefit payments will be credited to their account. The member can leave their account balance in the Deferred Option Plan account until 70.5 years of age. When the member reaches the 70.5 years of age, they must either begin receiving regular monthly payments, based on the annuity method, or a lump sum distribution.

The Deferred Option Plan was modified effective November 1, 2013, to limit post-retirement interest for new members to a rate of return on the portfolio, less a 1% administrative fee. In addition, the members participating must withdraw all money by the age of 70.5.

In the 2003 Legislative Session, Senate Bill 286 and House Bill 1464 created a “Back” DROP for members of the System effective July 1, 2003. The “Back” DROP is a modified deferred retirement option plan. The “Back” DROP allows the member flexibility by not having to commit to terminate employment with 5 years. Once a member has met their normal retirement period of 20 years for those hired prior to November 1, 2013, and 22 years for those hired after November 1, 2013, the member can choose, upon retirement, to be treated as if the member had entered into the Deferred Option Plan. A member, however, cannot receive credit to the Deferred Option Plan account based upon any years prior to when the member reached their normal retirement date. Once a member is ready to retire, the member can make the election to participate in the “Back” DROP and can receive a Deferred Option Plan benefit based upon up to 5 years of participation. The member’s regular retirement benefit will not take into account any years of service credited to the “Back” DROP. Firefighters with 20 years of service or who were receiving pension benefits as of May 26, 1983, are entitled to post-retirement adjustments equal to one-half the increase or decrease for top-step firefighters. Pensions will not be adjusted below the level at which the firefighter retired.

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statue and are not based on actuarial calculations. Members of the OFPRS are required to pay 9% of their base pay to the pension plan starting November 1, 2013, until they reach 20 years of service, after which no contributions are required. The City is contractually required to pay 14% of base salary starting November 1, 2013. For the Year ended June 30, 2016, the total contribution to the system amounted to \$2,550,820 of which \$1,552,672 was made by the City and \$998,148 was made by the employees. The total amount contributed to the system by the State of Oklahoma on behalf of the City was approximately \$3,476,723 and does not meet the criteria of a special funding situation.

Pension liabilities, pension expense, and deferred outflows of resources related to pensions – At June 30, 2016, the City reported a liability of \$40,447,082 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2015. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the City’s proportion was 3.8107%.

For the year ended June 30, 2016, the City recognized pension expense of \$3,435,747. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 799,107	\$ -
Employer change in proportion	1,249,930	-
Net difference between projected and actual earnings on pension plan investments	-	3,015,040
City's contributions subsequent to the measurement date	<u>1,552,672</u>	<u>-</u>
Total	<u>\$ 3,601,709</u>	<u>\$ 3,015,040</u>

At June 30, 2016, the City reported \$1,552,672 as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources totaling (\$966,003) related to pensions will be recognized as a (reduction) or increase in pension expense as follows:

Year Ended June 30,	
2017	\$ (407,865)
2018	(407,865)
2019	(407,865)
2020	238,612
2021	17,980
Thereafter	<u>1,000</u>
	<u>\$ (966,003)</u>

Actuarial assumptions – The total pension liability in the July 1, 2015, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	3.5% to 9.0%, average, including inflation
Ad hoc cost of living adjustments	Half of the dollar amount of a 3% assumed increase in base pay for retirees with 20 years of service as of May 26, 1983
Investment rate of return	7.5%, net of pension plan investment expense, including an inflation rate of 3%

Mortality rates were based on the RP-2000 Blue Collar Healthy Combined with generational mortality improvement using Scale AA for healthy lives and no mortality improvement for disabled lives.

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The actuarial assumptions used in the July 1, 2015, valuation was based on the results of an actuarial experience study for the period July 1, 2014, through June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real estate	10%	7.76%
Other Assets	<u>13%</u>	6.88%
	<u>100%</u>	

Discount rate – The single discount rate used to measure the total pension liability was 7.5% for the year ended June 30, 2015. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at contractually required rates, as actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate – The City’s proportionate share of the net pension liability has been calculated using a discount rate of 7.5%. The following presents the City’s proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City’s proportionate share of the net pension liability	\$52,516,304	\$40,447,082	\$30,324,583

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued OFPRS Plan financial report, which can be located at www.ok.gov/fprs/.

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Related party investments

As of June 30, 2016, 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, 2016, 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, 2016, the following amounts related to actual contributions to the defined contribution plan:

Employee contributions made	\$ 97,651
Employer (City) contributions made	\$ 1,913,255

Post-employment benefits other than pensions

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

Funding policy. The City funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay premiums for a set percentage of the cost, with the City subsidizing the remaining costs. Contribution requirements are established and amended as needed by the City Council on an annual basis.

The required monthly contribution rates of the plan members for 2016 range from \$25 to \$373 for active employees and \$718 to \$2,154 for retirees and COBRA participants.

Annual OPEB cost and net OPEB obligation. The City's annual other postemployment 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 each year and any unfunded actuarial liabilities amortized over 30 years.

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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	\$ 421,345
Interest on Net OPEB Obligation	72,302
Amortization of Net OPEB Obligation	<u>(98,474)</u>
Annual OPEB cost	395,173
Employer contributions	<u>(79,495)</u>
Increase in net OPEB obligation	315,678
Beginning OPEB obligation	<u>1,522,140</u>
Ending OPEB obligation	<u>\$1,837,818</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%	\$1,272,654
2015	\$296,475	15.85%	\$1,522,140
2016	\$395,173	20.12%	\$1,837,818

Funded status and funding progress. As of June 30, 2016, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was \$3,241,551 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,241,551. The covered payroll (annual payroll of active employees covered by the plan) was \$29,558,739, and the ratio of the UAAL to the covered payroll was 10.97%.

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, 2016, the projected unit credit (PUC) actuarial cost method was used to measure accruing costs. Under the principles of the PUC method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated pro-rata to each year of service between entry age and assumed exit.

The portion of this actuarial present value allocated to a valuation year is called the normal cost. Actuarial assumptions include the interest rate, health care inflation rates, general inflation rates, participation rates, Medicare coverage, etc. The 2016 ARC was based on a 4.75% discount rate and a health care trend rate of 5%. It also assumed that 25% of future retirees will opt to continue coverage and that 50% of these will cover a spouse at retirement.

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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 \$10,000 to \$50,000. Vehicle damage is covered through self-insurance.	All physical property except vehicles subject to \$10,000 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 CoreSource, Inc. Participation in Vision Service Plan. City purchases annual eye examination benefits for insured at a monthly cost of \$.63 per month for single coverage, \$.93 per month for employee and children, \$1.00 per month for employee and spouse and \$1.59 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 the City's benefit consultant.	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 \$8,128,468 at June 30, 2016 ⁽¹⁾ .

⁽¹⁾ H.M. Insurance Group

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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 CoreSource 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 CoreSource 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, 2012 to June 30, 2016, are as follows:

	Workers Compensation	Health Care
Claim liability, June 30, 2012	\$ 2,369,000	\$ 832,000
Claims and changes in estimate	1,043,594	6,643,294
Claims payments	(1,337,594)	(6,471,246)
Claim liability, June 30, 2013	2,075,000	1,004,048
Claims and changes in estimate	636,638	7,042,659
Claims payments	(1,066,638)	(6,774,053)
Claim liability, June 30, 2014	1,645,000	1,272,654
Claims and changes in estimate	1,636,335	6,623,065
Claims payments	(1,133,335)	(6,373,579)
Claim liability, June 30, 2015	2,148,000	1,522,140
Claims and changes in estimate	2,144,770	4,372,572
Claims payments	(1,618,770)	(6,761,166)
Claim liability, June 30, 2016	<u>\$ 2,674,000</u>	<u>\$ 866,454</u>
Assets available to pay claims at June 30, 2016	<u>\$ 1,708,603</u>	<u>\$ 1,352,323</u>

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Note 6 – Commitments and Contingencies

Construction commitments

At June 30, 2016 the following construction commitments were outstanding:

	Original Contract	Balance Remaining
Rose District Farmers Market Interactive Water Feature	\$ 1,366,305	\$ 250,387
Tulsa Water Line Connection, Phase II	746,222	128,078
City Hall Interior Renovations	458,620	319,285
Nienhuis Basketball and Tennis Court	397,553	221,450
Fairway Park Regional Detention Phase II	379,428	130,364
City Hall Entry Plaza Walls Renovation	140,225	137,701

Operating lease commitments

The City leases office space and equipment under noncancellable operating leases. Rent expense totaled \$79,349 for the year ended June 30, 2016. At June 30, 2016, the City was obligated under a noncancellable operating lease with a term of 2013 to 2017 for future minimum lease payments as follows:

<u>Year</u>	<u>Amount</u>
2017	<u>\$ 23,993</u>
	<u><u>\$ 23,993</u></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.

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.

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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 – New Accounting Pronouncements

The GASB has issued several new accounting pronouncements, which will be effective in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the City's consideration of the impact of these pronouncements are described below:

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB Statement No. 73 was issued in June 2015 and establishes requirements for defined benefit pensions that are not within the scope of Statement 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions were effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 were effective for fiscal years beginning after June 15, 2015. At this time the impact to the City is unknown.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB Statement No. 74 was issued in June 2015, and replaces Statements No. 43 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended*, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. At this time the impact to the City is unknown.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. GASB Statement No. 75 was issued in June 2015, and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For a defined benefit OPEB, this Statement

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for fiscal years beginning after June 15, 2017. At this time the impact to the City is unknown.

GASB Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 was issued in August 2015 and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by the Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. At this time the impact to the City is unknown.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. GASB 78 was issued in December 2015, and amends the scope and applicability of Statement 68 to excluded pensions provided to employees of state or local governmental employers through a cost-sharing multiple employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The statement does not affect the City's financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. GASB 79 was issued in December 2015, and addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The requirements of this Statement were effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. At this time, the impact to the City is unknown.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. GASB 80 was issued in January 2016, and amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2016

are effective for reporting periods beginning after June 15, 2016. At this time, the impact to the City is unknown.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. GASB 81 was issued in March 2016, to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The City does not believe that GASB 81 will have significant impact on its financial statements.

Note 8 – Subsequent Events

On July 19, 2016, the Trustees of the Broken Arrow Municipal Authority (BAMA) approved Resolution 931 authorizing a loan from the Oklahoma Water Resources Board (OWRB) in an amount not to exceed \$6,700,000. On the same date, the City Council approved Resolution 932 ratifying the action by the BAMA Trustees. A Series 2016 promissory note in the amount of \$6,700,000 between BAMA and OWRB was issued as of August 12, 2016. The note is payable in semi-annual principal installments of \$167,500 together with interest and administrative fees of 1.96% with final payment due September 15, 2028. The note is secured by a pledge and assignment of revenues and receipts derived from the BAMA's operation of the water, sanitary sewer, and solid waste disposal systems of the City and further secured by a pledge of certain sales tax revenues pursuant to a Security Agreement, dated June 1, 1992.

On November 7, 2016, the City approved the sale of \$18,720,000 of General Obligation Bonds Series 2016D to be issued as of December 1, 2016. The bonds will be due in annual installments of \$985,000 with final installment of \$990,000 due January 1, 2036, and bear interest ranging from 2.00% to 3.125%.

On February 7, 2017, the BAMA Trustees approved Resolution 973 authorizing a loan from the OWRB in an amount not to exceed \$7,185,000. On the same date, the City Council approved Resolution 975 ratifying the action by the BAMA Trustees. A Series 2017A promissory note in the amount of \$6,505,000 between BAMA and OWRB was issued as of February 23, 2017. The note is payable in semi-annual principal installments ranging from \$60,000 to \$400,000 together with interest and administrative fee ranging from 2.200% to 5.20% with final payment due September 15, 2046. The note is secured by a pledge and assignment of revenues and receipts derived from the BAMA's operation of the water, sanitary sewer, and solid waste disposal systems of the City and further secured by a pledge of certain sales tax revenues pursuant to a Security Agreement, dated June 1, 1992.

On February 7, 2017, the BAMA Trustees approved Resolution 974 authorizing a loan from the OWRB in an amount not to exceed \$21,000,000. On the same date, the City Council approved Resolution 976 ratifying the action by the BAMA Trustees. A Series 2017B promissory note in the amount of \$18,565,000 between BAMA and OWRB was issued as of February 23, 2017. The note is payable in semi-annual principal installments ranging from \$20,000 to \$1,265,000 together with interest and administrative fee ranging from 2.200% to 5.20% with final payment due September 15, 2044. The note is secured by a pledge and assignment of revenues and receipts derived from the BAMA's operation of the water, sanitary sewer, and solid waste disposal systems of the City and further secured by a pledge of certain sales tax revenues pursuant to a Security Agreement, dated June 1, 1992.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BROKEN ARROW, OKLAHOMA

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
THE NET PENSION LIABILITY (ASSET)**

June 30, 2016

Oklahoma Police Pension and Retirement System (OPPRS)	2015*	2016*
City's proportion of the net pension liability or asset	<u>3.1323%</u>	<u>3.2237%</u>
City's proportionate share of the net pension liability or (asset)	<u>\$ (1,054,626)</u>	<u>\$ 131,444</u>
City's covered-employee payroll	<u>\$ 9,112,431</u>	<u>\$ 9,320,477</u>
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>11.5700%</u>	<u>1.4100%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>101.5300%</u>	<u>99.8200%</u>
Oklahoma Firefighters Pension and Retirement System (OFPRS)		
City's proportion of the net pension liability or asset	<u>3.6826%</u>	<u>3.8107%</u>
City's proportionate share of the net pension liability or (asset)	<u>\$ 37,869,951</u>	<u>\$ 40,447,082</u>
City's covered-employee payroll	<u>\$ 10,409,757</u>	<u>\$ 11,090,514</u>
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>3.6379%</u>	<u>3.6470%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>68.1200%</u>	<u>68.2700%</u>

* - The amounts present for each fiscal year were determine as of the measurement date, June 30, 2014 and 2015.

Note to Schedule: Only fiscal years 2015 and 2016 are presented because 10 year data is not yet available.

CITY OF BROKEN ARROW, OKLAHOMA

SCHEDULE OF CITY'S CONTRIBUTIONS

June 30, 2016

Oklahoma Police Pension and Retirement System (OPPRS)	2015	2016
Contractually required contribution	\$ 1,184,616	\$ 1,211,662
Contributions in relation to the contractually required contribution	<u>1,184,616</u>	<u>1,211,662</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	<u>\$ 9,112,431</u>	<u>\$ 9,320,477</u>
Contributions as a percentage of covered-employee payroll	<u>13%</u>	<u>13%</u>
Oklahoma Firefighters Pension and Retirement System (OFPRS)		
Contractually required contribution	\$ 1,457,366	\$ 1,552,672
Contributions in relation to the contractually required contribution	<u>1,457,366</u>	<u>1,552,672</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	<u>\$ 10,409,757</u>	<u>\$ 11,090,514</u>
Contributions as a percentage of covered-employee payroll	<u>14%</u>	<u>14%</u>

Note to Schedule: Only fiscal years 2015 and 2016 are presented because 10 year data is not yet available.

CITY OF BROKEN ARROW, OKLAHOMA

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

June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/09	\$ -	\$ 1,190,138	\$ 1,190,138	0.0%	\$ 21,795,343	5.46%
06/30/10	\$ -	\$ 1,997,256	\$ 1,997,256	0.0%	\$ 23,242,452	8.59%
06/30/11	\$ -	\$ 1,875,248	\$ 1,875,248	0.0%	\$ 22,877,266	8.20%
06/30/12	\$ -	\$ 2,013,998	\$ 2,013,998	0.0%	\$ 24,348,846	8.27%
06/30/13	\$ -	\$ 2,082,272	\$ 2,082,272	0.0%	\$ 25,506,314	8.16%
06/30/14	\$ -	\$ 2,433,075	\$ 2,433,075	0.0%	\$ 27,023,899	9.00%
06/30/15	\$ -	\$ 2,520,917	\$ 2,520,917	0.0%	\$ 25,255,828	8.92%
06/30/16	\$ -	\$ 3,241,551	\$ 3,241,551	0.0%	\$ 29,558,739	10.97%

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Beginning budgetary fund balance	\$ 8,436,505	\$ 8,436,505	\$ 8,436,505	\$ -
Resources (inflows):				
Taxes:				
Sales tax	33,427,800	33,427,800	33,718,248	290,448
Use tax	2,166,600	2,166,600	1,995,469	(171,131)
Tobacco tax	465,400	465,400	484,108	18,708
Franchise tax	4,292,200	4,292,200	3,908,579	(383,621)
Total taxes	<u>40,352,000</u>	<u>40,352,000</u>	<u>40,106,404</u>	<u>(245,596)</u>
Intergovernmental:				
Intergovernmental	150,000	580,000	679,649	99,649
Alcoholic beverage tax	185,000	185,000	230,079	45,079
Total intergovernmental	<u>335,000</u>	<u>765,000</u>	<u>909,728</u>	<u>144,728</u>
Charges for services:				
Planning and zoning	53,600	53,600	131,812	78,212
Sale of material	44,700	44,700	17,290	(27,410)
BAMA PILOT	2,930,100	2,930,100	2,874,693	(55,407)
BAMA overhead charge	810,100	810,100	810,100	-
Rural fire runs	3,000	3,000	4,347	1,347
Inspection fees	567,800	567,800	549,663	(18,137)
Ambulance revenue	3,255,200	3,255,200	4,430,249	1,175,049
Training	-	-	-	-
Special Events	2,700	2,700	9,550	6,850
Cemetery fee	120,800	120,800	126,975	6,175
Animal control fees	48,300	48,300	61,602	13,302
Nuisance abatement	67,100	67,100	4,808	(62,292)
Parks and recreation	208,200	208,200	193,173	(15,027)
Swimming pools	185,700	185,700	242,316	56,616
Swimming lessons	1,000	1,000	-	(1,000)
Administrative fees	22,900	22,900	14,366	(8,534)
Juvenile court	57,300	57,300	60,796	3,496
Total charges for services	<u>8,378,500</u>	<u>8,378,500</u>	<u>9,531,740</u>	<u>1,153,240</u>

(Continued)

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

GENERAL FUND

Year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Fines, forfeitures and assessments	1,936,500	1,936,500	1,706,220	(230,280)
Licenses and permits:				
Occupational licenses	187,400	187,400	235,833	48,433
Peddlers licenses	1,500	1,500	2,122	622
Food licenses	23,400	23,400	45,980	22,580
Other fees	122,100	122,100	106,888	(15,212)
Building permits	814,600	814,600	724,798	(89,802)
Total licenses and permits	1,149,000	1,149,000	1,115,621	(33,379)
Investment income	17,900	17,900	19,469	1,569
Miscellaneous:				
Rental property	1,132,100	1,132,100	1,198,272	66,172
Donations	15,000	15,000	22,499	7,499
Miscellaneous	45,200	45,200	347,987	302,787
Insurance proceeds	32,600	32,600	49,061	16,461
Total miscellaneous	1,224,900	1,224,900	1,617,819	392,919
Other financing sources:				
Transfers in from other funds	14,295,000	14,295,000	14,220,021	(74,979)
Total other financing sources	14,295,000	14,295,000	14,220,021	(74,979)
Total revenues and other financing sources	67,688,800	68,118,800	69,227,022	1,108,222
Amounts available for appropriation	76,125,305	76,555,305	77,663,527	1,108,222

(Continued)

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

GENERAL FUND

Year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Charges to appropriations (outflows):				
General government:				
City manager:				
Personal services	767,900	849,300	835,331	13,969
Other services and charges	37,700	37,700	42,213	(4,513)
Materials and supplies	9,500	9,500	10,706	(1,206)
Total city manager	815,100	896,500	888,250	8,250
Finance:				
Personal services	848,800	848,800	812,358	36,442
Other services and charges	63,600	63,600	51,188	12,412
Materials and supplies	17,400	17,400	12,421	4,979
Total finance	929,800	929,800	875,967	53,833
City attorney:				
Personal services	801,100	807,600	744,055	63,545
Other service and charges	55,000	90,000	70,516	19,484
Materials and supplies	40,000	44,000	33,001	10,999
Total city attorney	896,100	941,600	847,572	94,028
Human resources:				
Personal services	2,206,100	2,206,100	2,059,688	146,412
Other services and charges	611,900	611,900	569,979	41,921
Materials and supplies	52,900	52,900	35,514	17,386
Total human resources	2,870,900	2,870,900	2,665,181	205,719
Development services - One-Stop & Planning:				
Personal services	1,696,900	1,696,900	1,453,554	243,346
Other services and charges	129,200	129,200	117,790	11,410
Material and supplies	38,900	38,900	25,674	13,226
Total development services	1,865,000	1,865,000	1,597,018	267,982
General government:				
Personal services	12,500	16,500	14,422	2,078
Other services and charges	2,385,600	2,570,600	2,324,075	246,525
Materials and supplies	40,000	40,000	19,482	20,518
Total general government	2,438,100	2,627,100	2,357,979	269,121
Total general government	9,815,000	10,130,900	9,231,967	898,933

(Continued)

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

GENERAL FUND

Year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Public safety:				
Police:				
Personal services	17,195,300	17,195,300	17,601,531	(406,231)
Other services and charges	1,346,600	1,332,900	1,048,366	284,534
Materials and supplies	939,800	953,500	756,099	197,401
Total police	<u>19,481,700</u>	<u>19,481,700</u>	<u>19,405,996</u>	<u>75,704</u>
Fire:				
Personal services	14,717,700	16,092,700	16,285,433	(192,733)
Other services and charges	652,000	742,000	656,024	85,976
Materials and supplies	650,600	750,600	687,913	62,687
Total fire	<u>16,020,300</u>	<u>17,585,300</u>	<u>17,629,370</u>	<u>(44,070)</u>
Development services - Inspections:				
Personal services	622,100	622,100	600,834	21,266
Other services and charges	24,200	24,200	16,246	7,954
Materials and supplies	32,200	32,200	17,324	14,876
Total development services - inspections	<u>678,500</u>	<u>678,500</u>	<u>634,404</u>	<u>44,096</u>
Total public safety	<u>36,180,500</u>	<u>37,745,500</u>	<u>37,669,770</u>	<u>75,730</u>
Public services:				
Streets:				
Personal services	1,588,100	1,588,100	1,534,068	54,032
Other services and charges	81,800	111,800	81,987	29,813
Materials and supplies	758,300	833,300	682,534	150,766
Total streets	<u>2,428,200</u>	<u>2,533,200</u>	<u>2,298,589</u>	<u>234,611</u>
General services:				
Personal services	580,700	580,700	543,463	37,237
Other services and charges	64,600	64,600	40,908	23,692
Materials and supplies	109,500	169,500	129,421	40,079
Total general services	<u>754,800</u>	<u>814,800</u>	<u>713,792</u>	<u>101,008</u>
Total public services	<u>3,183,000</u>	<u>3,348,000</u>	<u>3,012,381</u>	<u>335,619</u>

(Continued)

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

GENERAL FUND

Year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Parks and recreation:				
Personal services	2,735,000	2,735,000	2,641,331	93,669
Other services and charges	595,000	603,000	534,524	68,476
Materials and supplies	433,100	425,100	365,914	59,186
Total parks and recreation	<u>3,763,100</u>	<u>3,763,100</u>	<u>3,541,769</u>	<u>221,331</u>
Other financing uses:				
Transfers to other funds	13,997,100	14,497,100	14,195,225	301,875
Total charges to appropriations	<u>66,938,700</u>	<u>69,484,600</u>	<u>67,651,112</u>	<u>1,833,488</u>
Ending budgetary fund balance	<u>\$ 9,186,605</u>	<u>\$ 7,070,705</u>	<u>\$ 10,012,415</u>	<u>\$ 2,941,710</u>

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ending June 30, 2016

Note 1 - 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 reappropriated 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.

Under the provisions of the Oklahoma Municipal Budget Act of 1979 (the "Budget Act"), the legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund. At June 30, 2016, the Fire Department's expenditures exceeded appropriations by \$44,070.

Note 2 – Reconciliation of Budgetary Basis to Modified Accrual Basis – General Fund

The budgetary basis differs from the modified accrual basis as shown in the schedule below:

	<u>General Fund</u>
Total budgetary resources (inflows)	\$ 69,227,022
Add: On-behalf payments	<u>4,949,578</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 74,176,600</u>
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balances:	
Total revenues	\$ 55,007,001
Transfers in	<u>14,220,201</u>
Total resources	<u>\$ 69,227,202</u>
Total budgetary expenditures and transfers	\$ 67,651,112
Add: On-behalf payments	4,949,578
Transfers to other funds	<u>(14,195,225)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 58,405,465</u>

CITY OF BROKEN ARROW, OKLAHOMA
SUMMARY BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Revenues:				
Sales and miscellaneous taxes	\$ 40,352,000	\$ 40,352,000	\$ 40,106,404	\$ (245,596)
Licenses and permits	1,149,000	1,149,000	1,115,621	(33,379)
Intergovernmental	335,000	765,000	909,728	144,728
Charges for services	8,378,500	8,378,500	9,531,740	1,153,240
Fees and fines	1,936,500	1,936,500	1,706,220	(230,280)
Interest income	17,900	17,900	19,469	1,569
Miscellaneous	1,224,900	1,224,900	1,617,819	392,919
Total revenue	<u>53,393,800</u>	<u>53,823,800</u>	<u>55,007,001</u>	<u>1,183,201</u>
Expenditures:				
Current:				
General government	9,815,000	10,130,900	9,231,967	898,933
Public safety	36,180,500	37,745,500	37,669,770	75,730
Public services	3,183,000	3,348,000	3,012,381	335,619
Parks and recreation	3,763,100	3,763,100	3,541,769	221,331
Total expenditures	<u>52,941,600</u>	<u>54,987,500</u>	<u>53,455,887</u>	<u>1,531,613</u>
Excess (deficiency) of revenues over expenditures	452,200	(1,163,700)	1,551,114	2,714,814
Other financing sources (uses):				
Transfers in	14,295,000	14,295,000	14,220,021	(74,979)
Transfers out	(13,997,100)	(14,497,100)	(14,195,225)	301,875
Total other financing sources (uses)	<u>297,900</u>	<u>(202,100)</u>	<u>24,796</u>	<u>226,896</u>
Net change in fund balances	750,100	(1,365,800)	1,575,910	2,941,710
Budgetary fund balances, beginning of year	<u>8,436,505</u>	<u>8,436,505</u>	<u>8,436,505</u>	<u>-</u>
Budgetary fund balances, end of year	<u>\$ 9,186,605</u>	<u>\$ 7,070,705</u>	<u>\$ 10,012,415</u>	<u>\$ 2,941,710</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2016

	Special Revenue Funds				
	Excess Capacity Sewer Escrow	Stormwater Capital	Convention and Visitors Bureau	Police Enhancement	Parks and Recreation
Assets					
Cash and cash equivalents	\$ 136,615	\$ 136,541	\$ 271,437	\$ -	\$ 294,094
Investments	-	-	-	-	250,000
Due from other funds	750,000	900,000	250,000	-	250,000
Receivable from other governments	-	-	-	13,465	-
Accrued interest receivable	-	-	-	-	86
Other receivables, net	-	-	44,371	-	-
Total assets	\$ 886,615	\$ 1,036,541	\$ 565,808	\$ 13,465	\$ 794,180
Liabilities					
Accounts payable	\$ 293,111	\$ -	\$ 259	\$ 3,422	\$ 385
Due to other funds	-	-	-	-	-
Total liabilities	293,111	-	259	3,422	385
Deferred inflows of resources					
Deferred revenue	-	-	44,371	-	86
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	-	-	521,178	10,043	37,781
Committed	593,504	1,036,541	-	-	755,928
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	593,504	1,036,541	521,178	10,043	793,709
Total liabilities and fund balances	\$ 886,615	\$ 1,036,541	\$ 565,808	\$ 13,465	\$ 794,180

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2016

	Special Revenue Funds				
	Cemetery Care	Street and Alley	Housing and Urban Development	E-911	Crime Prevention
Assets					
Cash and cash equivalents	\$ 331,727	\$ 430,880	\$ 243,844	\$ 417,274	\$ 231,572
Investments	-	250,000	-	250,000	-
Due from other funds	-	600,000	-	750,000	-
Receivable from other governments	-	133,278	491,614	-	-
Accrued interest receivable	-	-	-	144	-
Other receivables, net	436	144	-	62,252	-
Total assets	<u>\$ 332,163</u>	<u>\$ 1,414,302</u>	<u>\$ 735,458</u>	<u>\$ 1,479,670</u>	<u>\$ 231,572</u>
Liabilities					
Accounts payable	\$ 3,000	\$ -	\$ 3,450	\$ -	\$ -
Due to other funds	-	-	-	-	8,360
Total liabilities	<u>3,000</u>	<u>-</u>	<u>3,450</u>	<u>-</u>	<u>8,360</u>
Deferred inflows of resources					
Deferred revenue	436	74,773	-	144	-
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	226,614	1,339,529	732,008	1,479,526	223,212
Committed	102,113	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>328,727</u>	<u>1,339,529</u>	<u>732,008</u>	<u>1,479,526</u>	<u>223,212</u>
Total liabilities and fund balances	<u>\$ 332,163</u>	<u>\$ 1,414,302</u>	<u>\$ 735,458</u>	<u>\$ 1,479,670</u>	<u>\$ 231,572</u>

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2016

	<u>Special Revenue Funds</u>			<u>Capital Project Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Police Reserves</u>	<u>Alcohol Enforcement</u>	<u>Street Light</u>	<u>1994</u>	<u>2008</u>	
				<u>General Obligation Bond Issue</u>	<u>General Obligation Bond Fund</u>	
Assets						
Cash and cash equivalents	\$ -	\$ 83,892	\$ 337,369	\$ 196,940	\$ 2,740,434	\$ 5,852,619
Investments	-	-	269,958	-	-	1,019,958
Due from other funds	-	-	500,000	-	-	4,000,000
Receivable from other governments	-	-	-	-	-	638,357
Accrued interest receivable	-	-	155	-	-	385
Other receivables, net	-	2,247	69,966	-	-	179,416
Total assets	<u>\$ -</u>	<u>\$ 86,139</u>	<u>\$ 1,177,448</u>	<u>\$ 196,940</u>	<u>\$ 2,740,434</u>	<u>\$ 11,690,735</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ 14,825	\$ -	\$ 101,500	\$ 419,952
Due to other funds	-	-	-	-	-	8,360
Total liabilities	<u>-</u>	<u>-</u>	<u>14,825</u>	<u>-</u>	<u>101,500</u>	<u>428,312</u>
Deferred inflows of resources						
Deferred revenue	-	2,247	70,121	-	-	192,178
Fund Balances						
Nonspendable	-	-	-	-	-	-
Restricted	-	83,892	-	-	2,638,934	7,292,717
Committed	-	-	1,092,502	196,940	-	3,777,528
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>83,892</u>	<u>1,092,502</u>	<u>196,940</u>	<u>2,638,934</u>	<u>11,070,245</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 86,139</u>	<u>\$ 1,177,448</u>	<u>\$ 196,940</u>	<u>\$ 2,740,434</u>	<u>\$ 11,690,735</u>

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2016

	Special Revenue Funds				
	Excess Capacity Sewer Escrow	Stormwater Capital	Convention and Visitors Bureau	Police Enhancement	Parks and Recreation
Revenues:					
Franchise and miscellaneous taxes	\$ -	\$ -	\$ 456,204	\$ -	\$ -
Intergovernmental	-	-	-	58,292	-
Charges for services	-	298,029	-	-	92,293
Fees and fines	-	-	-	-	-
Interest income	466	501	318	294	1,542
Miscellaneous	174,370	-	-	-	76,626
Total revenues	<u>174,836</u>	<u>298,530</u>	<u>456,522</u>	<u>58,586</u>	<u>170,461</u>
Expenditures:					
Current:					
General government	-	-	288,982	-	-
Public safety	-	-	-	82,635	-
Public services	-	-	-	-	-
Capital outlay	-	75,309	10,289	7,438	99,058
Total expenditures	<u>-</u>	<u>75,309</u>	<u>299,271</u>	<u>90,073</u>	<u>99,058</u>
Excess (deficiency) of revenues over expenditures	<u>174,836</u>	<u>223,221</u>	<u>157,251</u>	<u>(31,487)</u>	<u>71,403</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	(230,000)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(230,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	174,836	223,221	(72,749)	(31,487)	71,403
Fund balances, beginning of year	418,668	813,320	593,927	41,530	722,306
Fund balances, end of year	<u>\$ 593,504</u>	<u>\$ 1,036,541</u>	<u>\$ 521,178</u>	<u>\$ 10,043</u>	<u>\$ 793,709</u>

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2016

	Special Revenue Funds				
	Cemetery Care	Street and Alley	Housing and Urban Development	E-911	Crime Prevention
Revenues:					
Franchise and miscellaneous taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	839,139	697,427	-	109,471
Charges for services	33,788	-	-	804,199	-
Fees and fines	-	-	-	-	-
Interest income	193	1,833	-	1,903	82
Miscellaneous	-	-	-	-	850
Total revenues	<u>33,981</u>	<u>840,972</u>	<u>697,427</u>	<u>806,102</u>	<u>110,403</u>
Expenditures:					
Current:					
General government	-	-	56,620	-	-
Public safety	-	-	-	-	61,651
Public services	-	-	-	-	-
Capital outlay	101,475	-	56,332	5,999	16,959
Total expenditures	<u>101,475</u>	<u>-</u>	<u>112,952</u>	<u>5,999</u>	<u>78,610</u>
Excess (deficiency) of revenues over expenditures	<u>(67,494)</u>	<u>840,972</u>	<u>584,475</u>	<u>800,103</u>	<u>31,793</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	(720,000)	-	(720,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(720,000)</u>	<u>-</u>	<u>(720,000)</u>	<u>-</u>
Net change in fund balances	<u>(67,494)</u>	<u>120,972</u>	<u>584,475</u>	<u>80,103</u>	<u>31,793</u>
Fund balances, beginning of year	<u>396,221</u>	<u>1,218,557</u>	<u>147,533</u>	<u>1,399,423</u>	<u>191,419</u>
Fund balances, end of year	<u>\$ 328,727</u>	<u>\$ 1,339,529</u>	<u>\$ 732,008</u>	<u>\$ 1,479,526</u>	<u>\$ 223,212</u>

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2016

	Special Revenue Funds			Capital Project Funds		Total Nonmajor Governmental Funds
	Police Reserves	Alcohol Enforcement	Street Light	1994 General Obligation Bond Issue	2008 General Obligation Bond Fund	
Revenues:						
Franchise and miscellaneous taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 456,204
Intergovernmental	-	-	-	-	-	1,704,329
Charges for services	-	-	429,825	-	-	1,658,134
Fees and fines	-	20,440	-	-	-	20,440
Interest income	-	49	1,780	450	5,624	15,035
Miscellaneous	-	-	-	16,378	-	268,224
Total revenues	-	20,489	431,605	16,828	5,624	4,122,366
Expenditures:						
Current:						
General government	-	-	318,605	28	-	664,235
Public safety	824	19,767	-	-	-	164,877
Public services	-	-	-	-	-	-
Capital outlay	-	-	17,954	-	228,272	619,085
Total expenditures	824	19,767	336,559	28	228,272	1,448,197
Excess (deficiency) of revenues over expenditures	(824)	722	95,046	16,800	(222,648)	2,674,169
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(1,670,000)
Total other financing sources (uses)	-	-	-	-	-	(1,670,000)
Net change in fund balances	(824)	722	95,046	16,800	(222,648)	1,004,169
Fund balances, beginning of year	824	83,170	997,456	180,140	2,861,582	10,066,076
Fund balances, end of year	\$ -	\$ 83,892	\$ 1,092,502	\$ 196,940	\$ 2,638,934	\$ 11,070,245

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

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

SCHEDULE OF DEBT SERVICE COVERAGE

Year Ended June 30, 2016

	OWRB 1997 A&C, 1999B, 2001, 2004, 2005, 2007, 2009, 2011 and 2012 Notes Payable
Gross revenue available for debt service:	
Charges for services	\$ 41,529,196
Investment income	8,329
Sales tax transferred from the City General Fund	13,615,225
Total gross revenues available	55,152,750
Operating expenses (1)	
General government	1,174,487
Finance and administration	1,178,148
Engineering and construction	2,075,939
Water distribution	9,807,118
Sanitary sewer system	5,115,682
Sanitation services	5,093,933
Support services	2,796,248
Stormwater	2,594,973
Total operating expenses	29,836,528
Net revenue available for debt service	\$ 25,316,222
Debt service requirements	
Maximum annual debt service on all BAMA parity debt	\$ 7,739,647
Computed coverage	327%
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, 2016

	Series 2010 BAEDA Note Payable	Series 2012 OWRB Note Payable	Series 2015 OWRB Note Payable
Required balance	\$ 750,000	\$ 2,435,677	\$ 849,706
Balance in Trustee Account, June 30, 2016	<u>752,247</u>	<u>2,435,677</u>	<u>849,706</u>
Excess of account balance over (under) required balance	<u>\$ 2,247</u>	<u>\$ -</u>	<u>\$ -</u>